

## BDO FLASH NOTE

### BLOCKCHAIN

Will it transform the accounting industry or not?

## Introduction

Blockchain is considered by many as a disruptive technology; not only for the accounting industry, but also for other sectors of the economy. In the present article we will comment on #blockchain, its benefits, risks and changes that it will generate in the way we know the accounting industry until now.

### What is blockchain?

Blockchain is the technology underpinning #bitcoin. However, its use has exceeded this boundary. In summary, we can say that blockchain is:

- ▶ A database (also known as distributed ledger) in which records of transactions made are accumulated. It is a list of records that grows continuously. The records are protected against alteration.
- ▶ The records are accumulated in "blocks" and each block is related to the previous one by means of a timestamp and information. The union of the blocks is what is known as blockchain.
- ▶ There is no central version of blockchain; on the contrary, the chain is dispersed throughout a network of computers.

## Is it a disruptive technology?

A #disruptive technology is one that leads to the appearance of new products and services abruptly. Blockchain is considered disruptive because:

It offers greater transparency and accessibility to transaction records. The information is for public use which enhances transparency.

The information contained in the blocks is updated in real time, permanently, without anyone being able to eliminate it.

It allows participants to verify and audit transactions without the need for validation from a third party.

The use of this technology would make accounting practices and some professional services obsolete. If users still need accounting and assurance services, their execution and way of reporting will change with the adoption of this technology.

## Matters to take into account about blockchain

Is blockchain free of challenges and risks? Evidently NO. Like all new technology, there are some issues that must be overcome. For example:

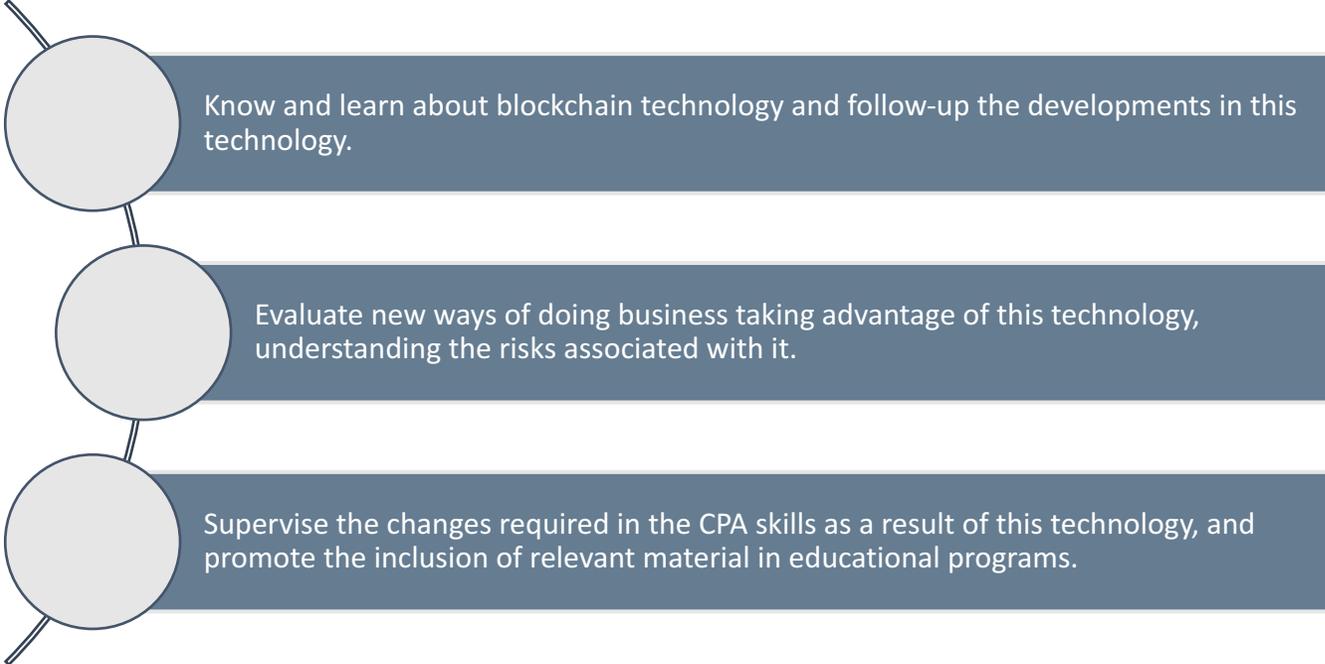
- ▶ Blockchain automatically validates the transaction formats. However, it does not guarantee the accuracy of the data underlying the digital record.
- ▶ There might be unidentified errors (by the participants in a transaction) at the moment of entering information in the blockchain.
- ▶ Blockchain stores information/data but not the supporting documentation of transactions.
- ▶ Blockchains may not be deemed secure or transparent enough by financial regulators and governments.
- ▶ There is concern that blockchain could facilitate fraudulent or illegal activities due to the anonymity of blockchain participants.
- ▶ The ability of blockchain to integrate with existing systems within the same organization could also become a challenge.
- ▶ Susceptibility to obsolescence. Problems when getting your updates could be a challenge.



## Tasks to keep in mind in the accounting industry

In his presentation at the BDO World Conference in Hamburg held in October 2017 (#CONVERGENCEBDO), Geordie Konrad - CEO of Konrad Group, pointed out that "not being a technology expert is no longer an option for business leaders". This does not mean that everyone in the industry needs to learn how to code and understand programming. However, a reasonable understanding is required in order to be able to communicate with technical teams.

Blockchain will transform and revolutionize the way business is done, information is exchanged and reported. Business leaders, boards of directors, supervisory bodies and industry professionals should:



Know and learn about blockchain technology and follow-up the developments in this technology.

Evaluate new ways of doing business taking advantage of this technology, understanding the risks associated with it.

Supervise the changes required in the CPA skills as a result of this technology, and promote the inclusion of relevant material in educational programs.

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