

Supply Chain Management Best Practices



Blockchain and Accounting-What you should know.

"Due to the increased visibility and value of blockchain-backed projects, the need for accounting has also increased."-Charles Intrieri



Understanding Blockchain:

Spend enough time online or in the presence of tech-savvy individuals, and it's only a matter of time before the subject of blockchain comes up. If you've heard of [cryptocurrencies](#) and ICOs, of Bitcoin and Ethereum; then all of these terms have something to do with this entity known as the blockchain.

After hearing about it incessantly from fellow accountants—to hear them tell it, it seems that everyone's making their fortunes and retiring young by adopting this [new technology](#), I've made a bit of money in blockchain-related business ventures. However, I've been kicking myself for failing to adopt this technology earlier, since it's nowhere near the amount of money I could have made even five years ago. Early adopters have had the wildest success stories in this new frontier.

But what is blockchain? Is it a tangible thing or is it more of a conceptual framework? If you're in the accounting world like I am, what does it have to do with accounting? And most importantly, how will it affect the future of accounting?

2 Blockchain Concepts:

When talking about blockchain, people can be referring to one of two things.

One is the concept of blockchain technology, which is a method of distributing information on a vast scale while maintaining high security. This functions similarly to cloud-based document editing programs such as Google Docs, multiple people can access one document at the same time and receive instant updates simultaneously. It is this technology that powers a blockchain.

The second thing people often refer to is the technology as an entity, rather than a concept. It is a digital public ledger of transactions stored as blocks. All cryptocurrencies are tracked on a decentralized blockchain that can be viewed publicly at any time.

How does Blockchain effect Accounting?:

Although the uses for and implications of the technology are vast, the current discussion around this novel concept has to do with how it relates to currency. The potency and stability of this technology contributes to the success of cryptocurrencies such as Bitcoin in recent years. Due to the increased visibility and value of blockchain-backed projects, the need for accounting has also increased.

Major accounting firms have noticed this pressing need, with two of the Big Four firms already dipping their toes into this world. Deloitte published a [report in 2016](#) outlining

their analysis of how the technology will affect their field, including the introduction of blockchain-based accounting practices.

That same year, [pwc organized](#) a team that is focused entirely on understanding and harnessing the technology.

As anyone with experience in professional finance knows, the Big Four firms are major players in the world of accounting. They've been around for a long time and have witnessed many financial trends come and go. If even they are starting to become interested in blockchain, there's almost certainly something more to it than a simple passing fad.

Blockchain and The Future of Accounting:

As more industries adopt blockchain-based revenue streams, accounting will need to adapt in response. Currently, businesses spend a great deal of money on auditing alone. With the ease of access and verification that comes with blockchain technology, this is likely to decrease as these businesses adopt new cost-cutting practices. In this respect, blockchain technology has the potential to be as disruptive to the accounting industry as Netflix was to video rental stores, Amazon to bookstores and Uber to taxi drivers.

As industries adopt this new technology, they may require less auditing manpower in lieu of more experienced professionals who draw from a vastly different pool of knowledge and experience.

This change is already happening before our eyes. One notable example: The [Blockchain in Transport Alliance](#), which was founded last year to strategize ways to adapt technology to the trucking industry.

Companies' embrace of the technology has been spurred by the desire to reduce costs and increase transparency, two things that are normally the responsibility of finance professionals. The nature of the business is changing and consumers are changing their strategies with it.

There are still plenty of needs for accountants and auditors in the blockchain era. However, it's important that they understand this new technology and all of its implications or they can risk being left behind.

With the proper knowledge, accounting firms can take advantage of blockchain technology to save time and money in the auditing process. After all, an instantly accessible decentralized ledger could make it much easier to receive and verify

information instantaneously. Conversely, auditors who fail to adopt this technology may find themselves going the way of the dinosaur.

Whether or not business professionals manage to grasp it, blockchain may continue to define the future. Start paying attention to this paradigm-shifting development sooner rather than later. Because like it or not, this technology may be here to stay.

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Additional Information:

We hope you found this article of value. We have many additional articles on our website and we also can partner with your company if there is need to explore other supply chain management technology solutions. We can consult with you to give solid guidance on strategies and systems that have led to success from our vast industry experience. We look forward in hearing from you. Our contact information is below.

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