

What Is Blockchain and How Will It Change Accounting?

Like it or not, blockchain is here to stay, and accounting is one industry that is sure to see disruption.

Blockchain began as the technology behind Bitcoin, the most popular cryptocurrency. A distributed ledger technology, Blockchain is a database that everyone can access. Essentially, this new crypto-technology enables secure-funds transactions and ensures that data cannot be hacked.

Blockchain has the potential to improve both audit and bookkeeping through efficiency, reporting, and data access. Here's how Blockchain will change accounting:

Near instant transactions: With Blockchain, transactions will no longer sit in limbo from month-to-month and month-end processes will be cut down drastically or eliminated. Accountants will spend less time worrying about whether transactions have been reported in the correct month.

Trackable assets: Assets are more secure in Blockchain. Increased security will be beneficial for businesses focused on stocks, bonds, mutual funds or even inventory tracking. As transactions take place, they are stored in the local ledger and shared across every record of the blockchain, allowing every user an undisputed copy of the history of the asset. For audits, the client will now see efficiency improvements from their auditor when collecting information.

Automated reporting and reconciliation: Blockchain makes reporting and reconciliations easier than ever, thanks to the automatic update of the distributed ledger. With transactions recorded in one place, and with all of the details, it is much easier to program computers to sort automatically and record journal entries. Clients will again benefit from a more thorough, traceable, detailed and fraud-resistant transaction record.

Cost savings on audits and compliance: With Blockchain data, audits will be faster, more accurate and better automated. Projects that took weeks and months in the past may be cut down to hours and days. A small audit team will be able to reach further, review more processes, and certify results with better efficiency than ever before. Blockchain will require fewer people to perform the same job and make time for professionals to utilize their audit skills to improve efficiencies across their client's organizations.

Some relate Blockchain to how the personal computer changed the accounting profession, but there are issues Blockchain will have to overcome before being completely adopted. Users will need to trust the capabilities and witness the credibility of the technology. We are still in the very early stages, and many feel it will take years before blockchain fully seeps into the financial infrastructure. Nevertheless, venture capitalists have invested over \$1 billion in advancing the technology.