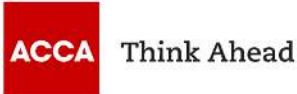


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AB article
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Finance professionals must understand the power of technology



Practice

Written by
MK Lee



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While Malaysia's finance professionals are still reluctant to embrace new technologies, choosing the right ones will grow your organisation and are vital for future success



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For a majority of accountancy firms in Malaysia, technology is part and parcel of their daily operations, given the widespread use of computers, spreadsheets and accounting software. However, adoption of higher level technologies is still low, according to the Malaysian Institute of Accountants' (MIA) recent *MIA digital technology blueprint*.

The report shows that while 92% of respondents occasionally or frequently used



Practice

"Look at the new capabilities that the firm would acquire. Look at the excitement that it would create among its talents"



Accountancy firms, especially the smaller ones, can benefit from technologies such as data analytics, fintech, cloud applications and artificial intelligence if they are willing to just take the plunge.

accounting software, the adoption rate of other technologies such as data analytics, fintech and artificial intelligence (AI) was below 25%. The national accountancy body also noted that while it has observed rising interest in technology among its members, there were also accountants who were uncomfortable with adoption. This highlights one of the biggest changes confronting the profession: the impact of evolving smart technology and how accountants can use it to enhance traditional ways of working.

The survey reveals that business benefits and business demands are the top two drivers of technology adoption. On the flip side, MIA digital economy task force chairman Steven Chong says that the survey lists high business costs, lack of talent to utilise technology effectively and the lack of understanding of the benefits of adopting technology as the top three barriers.

Take the initiative

'These are very real and salient points around barriers to adoption. It is critical that accountants take the initiative to research and identify technologies that are strategically relevant and beneficial to their particular practice or area of work, and then assess how or which technology to adopt, at a suitable and palatable investment for them,' says Chong, who is also an MIA council member.

ACCA Malaysia Advisory Committee member Renganathan Kannan says that barriers to technology adoption might exist due to scarce resources and a lack of understanding of clientele needs, as practitioners may tend to focus more on traditional and conventional accounting practices such as one-stop solution providers offering secretarial, accounting, audit and tax services.

'In the present business environment, owners are looking for customised and timely support from professionals,' Renganathan says. 'And with the right and relevant analytical tools, I believe professional accountants could play a vital role in adding value for the business owners: for example, in real-time support services, timely advisory, dissemination of relevant information to the business owners, playing a vital role in sophisticated internal control mechanisms, and anti-money laundering tests.'

For Lawrence Chai, a partner at 3E Accounting, the lack of knowledge about such technologies among some practitioners is a huge obstacle to technology adoption. 'The main barrier is that practitioners are not aware such tools are available in the market,' he says.

While it has been suggested that Generation Y accountants are more inclined to adopt new technologies than more senior accountants, Chai believes that management support is more important than age. 'It is more about the mindset of the top management; it is nothing to do with age,' he says. 'We do see many older practitioners using cloud-based accounting software as well.'

Renganathan says that the response of younger accountants to adoption is fairly good. 'Younger professionals are managing the present situation diligently by crossworking with various experts to deliver on clients' requirements in a timely manner,' he notes.

Given the perceived high costs involved and specialist manpower needed, the key question is whether it makes sense for small and medium-sized practices (SMPs) to adopt such technologies. Chong dismisses the notion that adoption is suitable only for the bigger accountancy firms, arguing that the progress of current accounting technology and fintech is continually democratising access for the masses to technology and facilities that were available only to the largest organisations just 10 years ago.

On the areas where SMPs can leverage on digital technology, Renganathan believes that the growth sectors are bookkeeping, timely reports, costing and pricing analysis, internal control mechanisms, forensic accounting and anti-money laundering testing.

Do the research

Regarding whether it makes sense for smaller firms to acquire such technology

However, Malaysian Institute of Accountants (MIA) digital economy task force chairman Steven Chong says that firms do not necessarily need to go big on adopting new technology, adding that they should not have a wait-and-see attitude when it comes to technology. 'Things are changing and moving too quickly for you to be complacent,' he says.

On the types of technologies that firms can leverage on, Chong believes that cloud accounting and data analytics are probably the dearest to heart for an accountant to start with.

Describing himself as a big believer of sandboxing, Chong says that organisations need to 'start small, in a controlled environment'. Sandboxing is a software management strategy that isolates applications from critical system resources and other programs, providing an extra layer of security that prevents harmful applications from negatively affecting your system.

'Assemble a small team of enthusiasts,' he advises. 'Assign a "mission impossible" to them to work on researching, recommending, experimenting and adapting new technology to the firm's processes. Celebrate each small win!'

'Leaders must have an eagle eye on using the principles of change management diligently,' he says, adding they must believe in the initiative and what the technology will bring to the organisation.

'As the leaders of the firm, the key is to lead and initiate the effort, while using common sense, business acumen, wisdom and experience to assess the alternatives.'



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regarding whether it makes sense for smaller firms to acquire such technology, Chong says they need to get the research and comparisons done first.

'Look at the modern pay-per-use pricing models that software-as-a-service providers offer nowadays,' he says. 'If one were to look carefully, there are even AI-level tools available in the market, offered at a relatively minuscule fraction of the cost it would take to own the full system. I would argue that cost is not really a deterrent by today's standards, provided one does their homework.'

Chai also debunks the notion that only the bigger firms can adopt advanced technology given that smaller firms can now avail themselves to such capabilities. For example, he points to accounting software which provides data analytics as well as AI capabilities.

'There are many low-cost cloud-based tools available and SMPs can adopt such technology easily,' he says. 'It makes sense for them to do so.'

Renganathan agrees that the cost of technology is getting significantly lower due to the wide range of service providers available. 'Technology platform vendors offer cloud-based solutions with a reasonable costing mechanism,' he says.

Practitioners also need to consider the value add that such new technology would bring. 'Look at the new capabilities that the firm would acquire,' Chong says. 'Look at the excitement that it would create among its talents. Look at the opportunity costs of clients that the firm would not be able to service if it did not have the required new capabilities and services.'

Rather than being overwhelmed by the technological advances, the profession – especially SMPs – should embrace digital technology to grow their businesses, Chong advocates.

'For those who are offering accounting services, I highly recommend getting themselves updated with what modern cloud accounting software are capable of nowadays,' he says. 'Adopt them! Experiment with them! Find champions to lead the initiatives. Convince clients to experiment, too.'

For those who offer auditing services, Chong says it is critical to realise that traditional hard copy-based transaction and source documents will eventually be a thing of the past.

'With the advent of eWallets and all sorts of electronic transactions that digitally take place nowadays, most transactions would basically sit in servers/cloud in digital formats,' he says. 'Auditors need to have the right tools, capabilities and know-how to audit these transactions.'

'By modernising the audit approach and tools that cater to systems audit, efficiency is increased and further reliance is put towards controls testing, while powerful capabilities around pattern recognition, fraud detection and full population-based testing could all be administered in an efficient manner,' he says, adding that these will also contribute to better risk management for the audit team.

MK Lee, journalist

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