



# Cloud Computing in Accounting and Digital Financial Reporting in Albania

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## Keywords:

Accounting software;  
Information technology;  
Cloud computing



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**Abstract:** *Recent technological changes have had a great impact on the accounting and financial environment all over the world. Albania has also been affected by these changes and developments such as the widespread use of interactive accounting information packages, financial web reporting, and cloud computing. This paper tries to analyze the current situation of accounting and financial reporting in Albania and the impact that web reporting and cloud computing have had on the simplification of accounting procedures. Several tools such as online reporting and Extensive Business Reporting language are presented and their impact on the use of the accounting systems and other financial reporting instruments in Albania is explained. This paper finds that cloud computing has been used extensively by the private companies offering accounting information systems in Albania whereas Extensive Business Reporting language and the IFRS Taxonomy have not attained great recognition in Albania.*

## 1. INTRODUCTION

Recent ongoing technological advances have made a statement in every field of economy, sociology, and everyday life. Finance and accounting are not behind as they have been extremely impacted by the evolution of technology, software, and use of the automated solution. With the sudden changes in the work of finance and accounting employees right after the pandemic hit, it was clear that offering technological and remote solutions for processing financial information will be the new normality of the sector. Hence, the importance of cloud services and online solutions for accounting and financial reporting.

Technological solutions have been considered important for accountants and auditors for several years now since AICPA published its first report in 2005 on “top ten technologies” with an impact on auditors and accountants. According to the AICPA<sup>2</sup>, topics such as Artificial intelligence; cognitive computing in audit, tax & consulting; Big Data analytics; Advanced cloud computing; Blockchains; RPA – Virtualization and automation of processes and services; and more, are some of the most emerging technologies that are important to accountants and auditors by 2021.

We see that quite often accounting and financial information tend not to be shared symmetrically between stakeholders, those that prepare the information, and the others that mainly use this information to make decisions about their investments. Having said that, the development of technology should keep in focus the purpose to offer better and more relevant and timely information for the decision makers. Recently developed online financial reporting solutions help to improve the communication of information among stakeholders.

The focus of this paper is to analyze the recent changes in the status of online financial reporting in Albania. We base our study on the theoretical analysis of the existing literature, current legal and regulatory framework in Albania as reflecting the recent changes in the regulation of the European Union, and the situation among Albanian accounting software providers. The rest of

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<sup>2</sup> <https://www.aicpa.org/interestareas/informationtechnology.html>

the paper is organized as follows. In the first section, a brief literature review focusing on the findings from previous studies is presented. In the second section, the status of the financial reporting context is discussed with a focus on the recent legal and regulatory requirements. In its third section, the paper introduces an overview of the digital accounting solutions offered by Albanian companies and a summarized comparison of their features. In the last section, we conclude by summarizing the main findings, as well as the limitations of the study.

## 2. LITERATURE REVIEW

As qualitative, reliable, and timely financial information is of primary importance to increase the investments in firms, Albania, as a young market economy attempting to attract foreign investments, is doing its moves in improving the quality of financial information. Either through endorsing the International Financial Reporting Standards or through establishing its own National Accounting Standards for smaller firms and creating the necessary legal to communicate financial information in accordance with requirements for transparency and the timely reporting on the part of investors (Lamani & Cepani 2011), we see that the reforms are multifold and ongoing. The use of technology in accounting and financial reporting is an important part of these changes. Perri & Madhi report in their 2015 study, which focused on the financial institutions, companies use accounting information systems mainly for enhancing the quality of decision making.

Technological developments affecting the accounting profession are more and more present each day. It is impossible to work within the accounting and financial field without operating with technologies like Electronic Fund Transfer, Point of Sales, Automatic Teller Machine, Electronic Data Interchange, Cloud Computing, and the Internet of Things. These technologies have already overcome the barriers between developed and developing countries and have achieved huge acceptance and use even in countries with a short history in the market economy such as Albania (Shuli, Perri, 2011).

Many accounting software and financial reporting solutions are already being offered as a hosted solution over the Internet, using cloud computing technology and easing the processing of transactions from various users placed geographically even in remote places. Many companies use the web reporting solution as an initiative that helps them to save costs, increase the quality of reporting and enhance data security (Zeneli, 2013). In its simplest form, technology has changed the way the financial and accounting data are retrieved, processed, stored, exchanged among users and how the results and interpretations are reported, often offering an interactive way for the users to engage in retrieving the needed information from them. Working in a cloud environment has simplified the work of the Accounting and Finance Departments worldwide. These companies may see quick results in customer service, staff productivity and enhancement of the decision taking processes.

Financial web reporting is a quite new concept to the world and to Albania, but it is gaining prominence and acceptance. One study of the financial sector conducted in 2011 in Albania (Lamani & Cepani) found that 24 out of 26 financial institutions included in the survey already publish their accounting and financial information on the company website. However, this study was focused on financial information reporting only and did not study whether these companies were already using web solutions to exchange their analytical accounting data as well. It is expected that in general, companies in the financial sector (either banks or insurance companies)

and large companies versus medium sized or small entities tend to disclose and publish more information on the web. Bonson & Escobar included at least a dozen of Eastern European countries in their study of 2006 and report that a statistically significant relationship exists between the extent of information disclosure on the web and various factors such as the company size, the sector where the company is operating its main activities, and if it is being audited by a Big Four Company.

Regarding the format that is commonly used to report accounting and financial information on the web, Lamani & Cepani (2011) find that most of the entities report the financial statements and annual reports in the PDF format, which limits the ability of information users to process and analyze this information. The same study concludes that none of the studied entities used XBRL to report accounting information over the Internet. Another later study performed in Albania (Shkurti&Allko, 2016), regarding the status of XBRL adoption by the economic entities found that even though the respondents consider XBRL to have a lot of potential benefits, they also know it may be too costly for this tool to be implemented soon by the companies where they work. Regarding the latest status of XBRL in Albania, as reported in the study of 2016, we find that none of the companies, organizations or institutions have yet begun to implement or plan to do soon.

As Bonson first reported in his study in 2001, XBRL is considered to boost and enhance the accounting information transmission on the web and would also increase information transparency, especially regarding the capital markets. Yet, the XBRL platform, even though quite familiar among finance and accounting professionals in Albania, is not introduced yet as a viable and usable option among the companies (Shkurti & Allko, 2016) probably since the capital market in Albania is not trading actively, thus not requiring many companies to have high-quality financial information disclosed.

Another study in 2014 (Shkurti & Muca) had already reported that the use of the Internet and web to exchange, keep and report information, had been increasing. But another issue to consider when discussing financial and accounting information and transactions over the web is the privacy and security of the information. Several studies have confirmed what was already expected, that individuals, as well as companies, are very sensitive regarding the security of the data transmitted over the web. Cepani (2012) reports that on average 62% of the individuals involved in Internet data exchange (mainly through e-commerce) in Albania are very concerned about the privacy of information. We may quite imply an equal or even bigger rate among companies. This may very well become a barrier to impede them from performing transactions or even reporting information over the web.

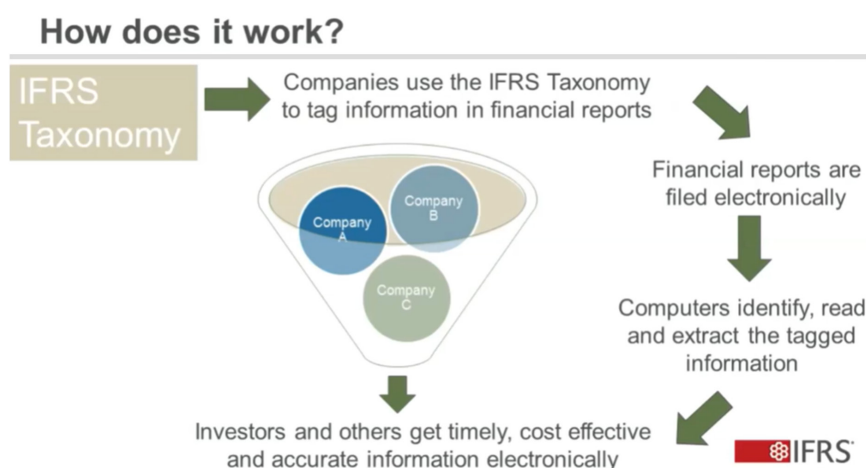
### **3. THE STATUS OF FINANCIAL REPORTING IN ALBANIA**

According to the Law on Accounting and Financial Statements in Albania (2018), the small, medium, and big enterprises in Albania should comply with the 15 National Accounting Standards (NAS) that, reflecting the improvement process are designed in full compliance with the IFRS Conceptual Framework, whereas the public interest companies should comply with the full IFRS standards. Full IFRS standards may be implemented by the companies who chose to do so, instead of complying with the NAS. The same law also describes the reporting requirements for the same entities regarding information beyond financial information. This law brought to the attention the necessity for the medium and big companies to report on non-financial areas

such as the environmental impact or social corporate responsibilities. These changes in the National Financial Reporting Framework of Albania reflect the improvements already included in the EU Directive 2014/95/EU – also called the Non-Financial Reporting Directive (NFRD) which laid down the rules on disclosure of non-financial and diversity information by certain large companies.

The increase in the volume and variety of the information that should be published to comply with the requirements of this new law in Albania implies the use of more sophisticated accounting information systems and a higher cost of record-keeping and information-reporting. Soon after the introduction of the new law changes in fiscal reporting requirements for entities in Albania followed. As of January 2021, the entities should gradually start to apply the “fiscalization” process which is basically a tool to timely report the issue and execution of invoices to avoid fiscal evasion. By September 2021, all the entities in Albania should have complied with the requirements of this process, which requires the use of electronic systems, automated accounting software and more.

*Extensible Business Reporting Language, XBRL* is a communication standard for electronic reporting of business information. XBRL has since been endorsed by the IFRS Foundation and later the Foundation introduced the *IFRS Taxonomy* to deal with enhancing the content delivery in the digital age when reporting in either pdf or text format was not easy to process for many stakeholders. The IFRS Taxonomy is a way for structuring the presentation and delivery of content in financial statements that reflects the presentation and disclosure requirements of IFRS Standards. In addition, it contains elements for disclosures not specifically required by IFRS Standards but commonly reported in practice. The IFRS Taxonomy improves communication between preparers and users of financial statements that comply with IFRS Standards. Preparers can use the IFRS Taxonomy’s elements to tag required disclosures, making them more easily accessible to users of electronic reports. Figure 1 shows in a schematic way how IFRS taxonomy increases the usefulness of financial information.



**Figure 1.** IFRS taxonomy

Source: <https://www.ifrs.org/issued-standards/ifrs-taxonomy/>

Certainly, the application of IFRS taxonomy has not started yet by the big and public companies in Albania. Previous studies have reported on the status of XBRL initiative in Albania. Allko, (2013) found that even though XBRL is not currently implemented it is a concept already known by accountants and other accounting and auditing professionals. 56% of the interviewed

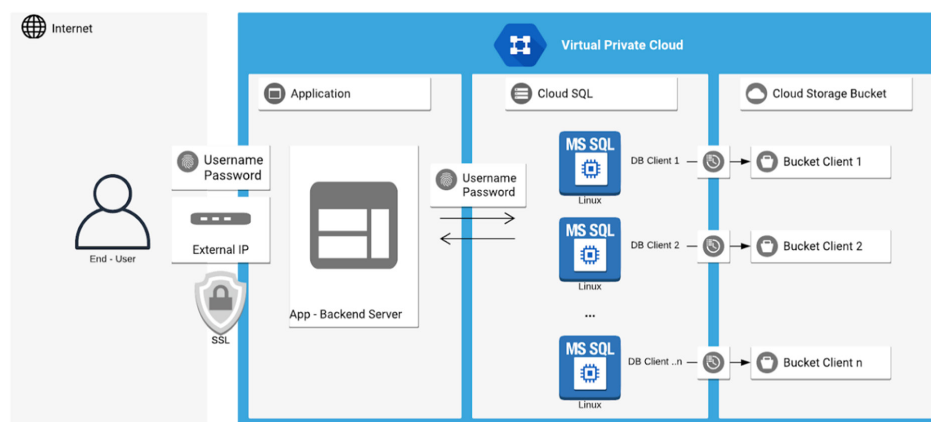
responded that they have knowledge about XBRL, and that this knowledge was due to their academic studies, not practical work, or trainings. 93% of the interviewed professionals stated that according to their opinion, XBRL taxonomy would be useful if implemented in Albania. The same study proposed various institutions which might benefit from implementing XBRL as a platform to report their information.

The factors mentioned above have oriented the entities towards endorsing the use of computerized accounting information systems and full integration between accounting systems, daily operations, and financial and fiscal reporting. The business of providing technological solutions for these demands has expanded and now many vendor companies offer various platforms or software to deal with the requirements of the new law on accounting and of the new law on fiscalization.

#### 4. DIGITAL ACCOUNTING AND CLOUD COMPUTING IN ALBANIA

Several companies operate in Albania and provide platforms to record, process, analyze and report financial and accounting information. The three biggest providers are recognized companies that cover the largest market share: IMB (Albanian Institute of Business Modeling), ISD and Bilanc. Other providers mainly offer fragmented solutions only for POS, or i.e. inventory, and focus their offers on smaller micro entities such as bars and self-employed individuals. Hence, this article researches the products offered by the three largest providers in Albania. The paper does not cover the other accounting software that is currently used in Albania but that is offered from foreign providers such as SAP, ORACLE, NAV, etc.

IMB (Albanian Institute of Business Modeling), was the first Albanian company to introduce (back in 1997) an Albanian Accounting Software named “Alpha Accounting”. After many successful products over the years, today IMB is offering the first so-called easy – ERP, an Albanian software “Alpha Web” application. Alpha Web is hosted in Google Cloud and allows the users to access the database from many devices and various locations. It also offers synchronization of documents across many devices which makes it easier for the users to record and process the data. Alpha Web Software is the typical solution of cloud computing in accounting and financial reporting and has features of an integrated multi-module package that resembles a low scale “easy ERP”. This package is currently the most used in Albania by many entities across all industrial sectors and of different sizes.



**Figure 2.** Alpha Web schematic view

Source: <https://imb.al/alpha-ne-google-cloud>

The second Albanian accounting package provider ranked according to the number of its users, is Financa 5 accounting software offered by ISD. This package is offered for the last 20 years and is not currently offered in cloud solution mode, thereby is not within the scope of this study. Even though this package does not operate in the cloud and does not offer “digital features”, it is still a major product preferred by many accountants mainly due to the legacy of record keeping and inertia to resistance to change.

Another software provider in the field of accounting and financial management is Bilanci sh.p.k., that offers the packages Bilanc Online and Bilanc Web. Bilanc Online, just like its competitor Alpha Web is based on cloud technology and offers all the functionality of a desktop application, plus access to the data via the web interface. Unlike Alpha Web whose functionality is based on desktop version Alpha Start (the most basic desktop version developed by IMB), Bilanc Online seems to enjoy the status of the most advanced desktop version (Bilanc Profesional) produced by Bilanc sh.p.k., plus provides real-time data access via the Internet. Bilanc Web is the latest product offered by the same provider where users can log on to their company’s account via an Internet browser. It does not require any installation; it can operate in many devices simultaneously and it features automatic back up and maintenance of the technical infrastructure.



**Figure 3.** Bilanc Web schematic view

Source: <https://bilanc.com/bilancweb/>

Table 1 below represents a summarized comparison of the features of the two most important cloud-based accounting packages in Albania, Alpha Web and Bilanc Web. We notice that while the two packages have a lot in common, there are some differences, though these differences relate not to the cloud computing features of the software, but their flexibility and processing capacity, such as integrated modules and cost/activity centers.

**Table 1.** Comparison between Alpha Web and Bilanc Web packages

Software features	Alpha Web	Bilanc Web
Online access	YES	YES
Various devices access	YES	YES
Fully integrated modules	YES	NO
Automatic backup	YES	YES
Software maintenance	YES	YES
Cost / Activity Centers	YES	NO

Source: Authors

## 5. MAIN FINDINGS AND CONCLUSIONS

The financial and accounting information in their traditional presentation is changing rapidly during the recent digital and technological advances. Reporting requirements, working conditions and future expectations are just some of the factors that have significantly influenced the application of accounting and financial reporting worldwide. This paper focuses on two of such changing factors, the use of extensible business reporting language and cloud computing as they have penetrated the Albanian economy. The methodology relates to the analysis of secondary data as presented through findings reported in previous literature and analysis of primary data related to the sector of accounting package providers operating in Albania.

The use of extensible business reporting language has previously been studied in Albania, but not its successor the IFRS Taxonomy. This concept newly introduced by the International Accounting Standards Board has not yet been presented neither to the Albanian companies and employees. We did not find this topic mentioned or analyzed in the previous literature neither. As future recommendations, we propose its inclusion in the academic curricula and professional trainings offered by the professional accountancy association.

On the other hand, the concept of cloud computing is a vastly used one, as found out through the research of Albanian accounting software package providers. This paper described and compared the two most important cloud computing packages Alpha Web and Bilanc Web and found that, regarding the availability and online features there was almost no difference between them. As most of the Albanian small and medium enterprises use either one or the other of these two packages, the application of cloud computing seems to be considerably known among Albanian companies and employees.

This study contributes to the stream of literature regarding the use of digital accounting solutions in Albania by analyzing the current legal and regulatory framework (National Accounting Standards; Law on Accounting and Financial Statements; Law on Fiscalization) and the market of Albanian software providers. As the study does not use a primary research method such as questionnaires or surveys or databases, we propose as future research directions the inclusion of more consistent and reliable first-hand data.

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