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CLOUD ACCOUNTING IMPACT ON FINANCIAL REPORTING QUALITY IN SMES: REVIEW ARTICLE

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Abstract:

This review examines the literature using mixed methods to assess current information and knowledge gaps related to cloud accounting processes in SMEs. Therefore, from this point of view, cloud accounting is crucial for businesses because companies provide information to multiple parties and therefore require reliable and protected financial reporting. Therefore, this article provides a comparative discussion by examining and evaluating the perspectives of researchers and practitioners in the field of cloud accounting. Through the research, the weaknesses of cloud accounting in the operations of small and medium enterprises are revealed. The lack of physical openness to globalization and technology, immersion in this deep world, and following traditional methods, which has led to not keeping pace with the modern era and the economic climate, are all factors that prevent financial institutions from keeping pace with progress. Therefore, the recommendation of this study is for researchers to avoid the mistakes of the past in relying on traditional methods. More importantly, the assumption of a clear link between two variables is evidence of these flaws. This basic area of research would contribute significantly to adopting a more thoughtful framework for finding causal relationships.

Keywords:

Cloud Accounting, Financial Reporting Quality, Small And Medium Firm

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Introduction

Because of admittance the dynamic changes and challenges in the business World, Information and Communication Technology (ICT) is widely used by various organizations across the world (Ahmad et al., 2023). Therefore, Cloud computing, and in particular cloud technology, has witnessed tremendous development over the past ten years. Cloud technology is reducing the gaps between employees and offices, as cloud technologies, tools and services have spread into all aspects of business (Rawashdeh and Rawashdeh, 2023). At this point, A new business model called cloud computing has been launched. It offers a platform for upcoming developments in business. The emergence of cloud computing has caused a revolution and will undoubtedly affect accounting in the future. Applications for cloud-based accounting are also being developed by cloud service providers. Web browsers can access accounting- based software, which functions as an integrated accounting program running on a server. It has altered how the company's accounting is done (Shetty & Panda, 2021). Therefore, support from information technology is essential for accounting science in the 21st century. In 2013, the term cloud accounting appeared, which refers to an accounting information system that can be accessed easily and immediately at any time and from anywhere via the Internet, without the need to install accounting software on the computer. Devices or servers in the company (Balicka, 2023; Zebua et al., 2023). Furthermore, Investments in accounting services, such as electronic ledgers, basic accounting, invoicing, reporting, and other financial and accounting solutions, mainly consist of cloud-based accounting information system software. There are three main categories of cloud service delivery: “Software as a Service (SaaS), Platform as a Service (PaaS), and Infrastructure as a Service (IaaS).” Accounting software and document management solutions are examples of SaaS products (MoDEE, 2020). Systems that move data to the cloud infrastructure securely and effectively are needed by the customers. These systems must be cloud-based. As a result, businesses can keep their accounting and financial data in a secure setting. These advantages and disadvantages taken together have an impact on cloud-based AIS adoption. Finding the barriers to cloud-based AIS can help customers adopt and utilize this cutting-edge technology more effectively when it comes to SMEs in developing nations (like Iraq/ Erbil). Most recently, it has been determined that the use of online ICTs (such as cloud applications) in the context of SMEs facilitates the streamlining of services delivery to businesses, clients, and other stakeholders; this is because it provides the opportunity to improve collaborative efforts, communications, and the delivery of services (Alkhwaldi and Abdulmuhsin, 2021: Alhomdy et al., 2021, and Al-Okaily et al., 2023;). Therefore, the majority of cloud services help small and medium-sized businesses, primarily in the areas of accounting and finance. Cloud accounting-related tasks can be completed remotely and do not always need to be performed on the user's computer. Although this idea has not been fully defined and is still developing, its benefits and uses for businesses serve as an explanation. The ability to use accounting services without having to install software on the client's IT infrastructure is a key advantage (Balicka, 2023; Zebua et al., 2023).

Therefore, this study seeks to identify the impact of cloud accounting on small and medium-sized companies, and to keep pace with the new modern wave in science and catch up with the rapid and major changes in the world of technology in the field of accounting, because preparing high-quality financial reports requires this adaptation to the fast-paced technological field in the world and preparing financial reports quickly and with high quality.

As a consequent, lucid views of the future and science. The information revolution and communications have emerged as critical components in today's efforts to bridge the digital divide, making technology the driving force behind knowledge, culture, and development. It

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has also become the common denominator for all societal tasks and businesses, particularly those in developing nations striving to catch up with developed nations and compete on the world stage. It is now imperative to follow new scientific methods from this perspective using contemporary information technologies, such as cloud accounting technology, which represents the new solution to these issues because it allows the learner to access applications from any device that is connected to the Internet at anytime, anywhere. Traditional methods and patterns are no longer able to keep up with the developments of the times.

Literature Review

To understand cloud accounting and its impact on small and medium-sized companies, this scientific paper will rely on studies in this field and delve into them in order to be a prelude to more knowledge.

Basic of Cloud Term

While any item is described as "cloud-based," it simply means that it is available for Internet access at any time and originates from the servers of a cloud computing provider. When a company needs to swiftly increase its resources but cannot afford to buy new gear or hire more staff to support the expansion, they frequently turn to cloud computing (Zhang and Zhao, 2023).

Through the Internet ("the cloud"), computing services including servers, storage, databases, networking, software, analytics, and intelligence can be provided. This enables faster new product development, more agility in response to shifting customer needs, and larger economies of scale. By focusing for only the resources you use, cloud computing empowers you to minimize overhead costs yet keep the perks of an efficient and adaptable IT infrastructure (Ahmad et al., 2023). According to Marielle (2022), "the cloud" or "cloud computing" is a catch-all term when it comes to the delivery of hosted services over the internet. The idea that businesses and consumers can access apps on demand, from anywhere in the world, is the source of the cloud concept (Rani et al., 2023). Clouds are a vast collection of virtual resources where users can access computing resources as services whenever they need them. This means that users can access the cloud via the Internet, from anywhere at any time, without needing the infrastructure, expertise, or knowledge necessary to support these services. The best use of resources is made possible by these circumstances (Tawfik et al., 2023).

The new model in computing is cloud computing. It provides users utilizing Internet technologies extremely scalable data technology-related capabilities as a service. "Technology that relies on the transmission of the processing and storage space of a computer to the so-called cloud, and it is a server device that is accessed via the Internet, and thus the data technology turns from products to services" is the definition of cloud computing (Malik et al., 2018). Furthermore, it is a paradigm that seeks to offer an appropriate endpoint access system without requiring the acquisition of software, a platform, or network physical equipment, according to earlier definitions, cloud computing is a system that any device with an Internet connection can use to access it from anywhere (Khang et al., 2023 and Oladele & Oyewole, 2020).

Cloud Accounting

Accounting is a way of tracking the financial activities of an organization, get pertinent information, create reports, and present the findings to management. Financial statements, which are numerical and narrative records of corporate transactions, are what are referred to as

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"accounting" transactions. For tasks like cash flow monitoring, profit analysis, debt management, and customer invoicing, it is essential (Ahmad et al., 2023).

Though cloud accounting, referred to as cloud-based artificial intelligence (AIS), has been viewed as being new and growing in the domains of business, accounting, and finance, cloud computing (CC) is not a novel idea in theoretical computer science. The phrase "cloud accounting" represents an array of accounting services that are hosted centrally and distributed to multiple customers via the cloud computing paradigm (Ahmad et al ., 2023). Via the internet storage facilities are offered in relation to AIS. Authorized users of portable devices, desktop personal computers, smartphones, and tablets may share the same set of computing resources due to this adaptability (Yau-Yeung et al., 2020, & Attou et al., 2023). Conversely, Partners are the main focus of the system's design and oversight, encompassing consumers, workers, managers, lenders, and business owners. Financial statements are a tool used by lenders, investors, and other parties with a financial stake in a company to help them make decisions. The act of monitoring financial and non-financial data related to businesses and other economic organizations is called accounting, sometimes referred to as accountancy (Hamzah et al., 2023 & Ahmad et al., 2023).

Financial Reporting Quality

A company's accountability for its resources is demonstrated in its financial reporting, which serves as an organizing principle for evaluating the fiscal responsibilities and financial judgments of management. therefore, the reliability with which financial reporting gives relevant data describing a company's activity and its forecasted cash flows for investor decisions is the conceptual definition of FRQ. (Akai, 2023)In order to provide a method for measuring financial reporting quality, previous research has defined financial reporting quality in terms of the essential and enhanced qualitative traits that support the Exposure Draft (ED) definition of decision utility (Tamunotonye and Fred-Horsfall, 2023).

The accuracy and veracity with which a financial statement enlightens readers about the state and efficiency of an organization's finances is termed to as financial reporting quality. Financial reporting has received undue attention due to a number of scenarios, notably economic crises, the integration of accounting rules, the expansion of disclosure obligations, and convergence of accounting standards. Furthermore, the rise in accounting scandals that have occurred globally in the early 21st century has highlighted flaws in the caliber of financial reporting (Banks, 2023, Damodaran, 2024). Previous investigations indicate that an efficient and reliable financial report is a helpful source for financial analysis, suitability analysis, and exegesis. According to Fridson & Alvarez, 2022: Gutiérrez et al., 2023, & Lenihan, 2024), for example, a solid financial report highlights the financial elements and the connections between them so that the reader can easily compare them and make informed judgments. It also emphasizes the company's history and current financial performance, allowing the user to forecast the required future financial success. Numerous studies have been conducted to look into the components, contributing variables, and quality level of financial reporting.

Diffusion of Innovation Theory (DOI)

The logical notions of organizational life that are derived from communication theory, management, and sociology are the foundation of DOI research. It creates forecasted explanations of the diffusion phenomena, which are meant to assist those who implement technologies in promoting the adoption of particular technologies. Generally, when it comes to clearly defined innovations and somewhat homogeneous populations, the DOI tradition has

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attempted to explain individual adoption decisions or intentions to adopt (García-Avilés, 2020). Wherefore, the foundation of cashless policies that support the performance of commercial entities is Innovation Diffusion Theory (IDT), which is composed of six main components: innovative features, individual user characteristics, adopter distribution over time, diffusion networks, innovativeness and adopter categories, and the individual adoption process (Ogunsola, 2021). Accordingly, Diffusion is defined as "the process by which an innovation is communicated through certain channels among the members of a social system over time" by (Rogers, 2003). Diffusion is therefore considered a unique kind of communication where individuals generate and exchange knowledge with each other to arrive at a shared understanding. Diffusion has a unique character since the notion in the message is fresh, and there is therefore some degree of ambiguity involved.

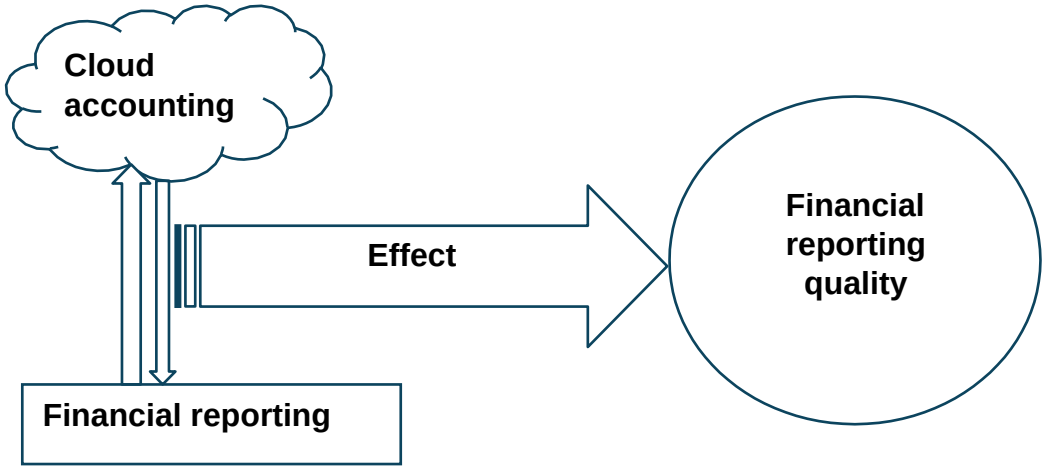

Figure 1: This Figure Illustrates How Cloud Accounting Affects The Quality Of Financial Reports

Source: Created by researchers

Method

Many studies (Nawaiseh et al., 2024: Sugahara et al., 2024: Rawashdeh & Rawashdeh, 2023, & Atadoga et al,. 2024) have used the practical analytical approach to determine the efficiency of this new approach in science to determine the extent of the ability of this store to keep pace with the new era in new technology in developed countries, and in developing countries (Oke et al., 2023: Al-Okaily et al., 2023: Saleem et al., 2023, & Tawfik et al., 2023), as well there is an acceleration so as not to catch up with the rapid changes in science and technology.

The Positive Features That Businesses Stand To Gain From Cloud Accounting

There are several advantages that can be benefited from through cloud accounting to improve the quality of financial statements, including:

Minimizing Expenditures

When cloud accounting is used, economic units save money because fewer computers are needed, this lowers the cost of upkeep and eliminates the need for equipment (Ahmad et al., 2023).

Simplicity Of Use And Access

Any device with an Internet connection can use the cloud accounting system. As a result, it makes information more accessible to users, teams, and financial advisers at all times. This is

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crucial for quick advice provision as well because it makes the program accessible from any device with an Internet connection (Shetty & Panda, 2021).

Data Security

Any organization using a cloud accounting system needs to take great care to protect its financial data. The data on the economic unit is kept online (Alhomdy et al., 2021).

Challenges In Using Cloud Accounting

Notwithstanding the advantages and benefits of cloud accounting, there are a number of barriers to its use, the most significant of which are as follows (Yau-Yeung et al., 2020: Ahmad et al., 2023 and Ahmad et al., 2023):

- The requirement for spacious storage areas
- Persuade decision-makers and bureaucrats that switching to cloud accounting is feasible.
- If accounting service providers choose to raise the costs for these services, possible issues might occur.

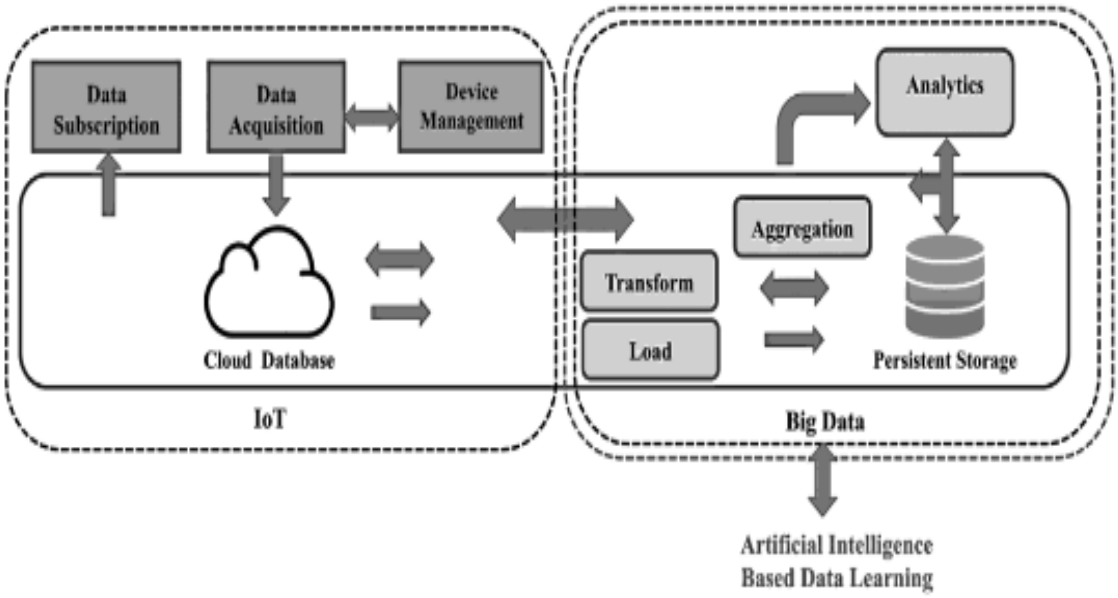

Figure 2: The Combination Of Cloud Computing, Big Data, And Plenty To Achieve Practical Applications

Source: Rani et al. (2023)

Barriers And Forthcoming Undertakings

There are some shortcomings in the current study. Primarily, they are cross-sectional and need more time to fully explain user behavior. Second, the study focused only on cloud AIS, allowing for potential application of the model in other cloud systems in the future. Finally, information from only a small sample was used, necessitating the selection of more samples to understand cultural differences in the study settings.

Conclusion

This review offers fresh perspective on cloud computing technology, which hasn't gotten enough attention in the industry. This technology is vital to enterprises, particularly during

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difficult times and for small and medium-sized businesses in developing nations. Utilizing cloud computing services may improve collaboration and communication, speed up service delivery, and be a valuable tool for crisis management and sustainability promotion. The study encourages decision-makers in businesses and government agencies to accomplish this goal by highlighting the significance of tactics to improve cloud technology adoption and usage.

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