



Digital Connectivity in Accounting: A boost to the Belt and Road Initiative

Executive Summary



About the Report



Digital economy has become key driving force for global economic growth. Driven by the Belt and Road Initiative (BRI), more and more countries along the B&R routes have committed to enhance the overall IT infrastructure and considered digital economy as new economic growth engine. At the B&R Forum for International Cooperation held in May 2017, President Xi Jinping proposed to strengthen cooperation in frontier areas such as digital economy, artificial intelligence, nanotechnology and quantum computing, and promote

construction of big data, cloud computing and smart cities, to build the Digital Silk Road of the 21st century. In April 2018, he further emphasized to take the opportunity of BRI to strengthen cooperation in network infrastructure, digital economy, cybersecurity and other areas along the B&R routes to reach the goal. The accounting infrastructure includes the accounting standards system, the accounting talent system and accounting regulatory system. The enhancement of the accounting infrastructure can provide strong support to BRI cooperation through accounting information interconnection along the B&R routes, and lower transaction costs in the process of trade and capital flows. The rapid advance of digitalisation in accounting and relevant areas is an important part of building the Digital Silk Road. The digitalisation can greatly enhance the intercompany accounting information connectivity and the connectivity between company and its stakeholders, lay a solid foundation for accounting infrastructure, and promote cooperation along the B&R routes.

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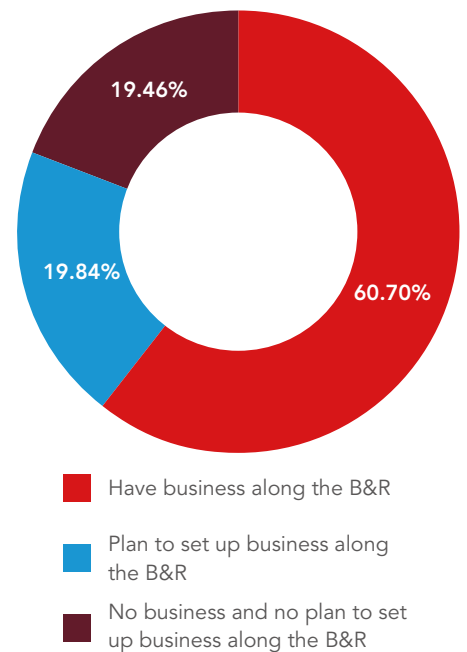
preparation, the BRIARC) under Shanghai National Accounting Institute (SNAI), with the joint efforts of SNAI, ACCA and yonyou. The purpose of this research is to improve the breadth, depth and quality of digital interconnection along the B&R routes by exploring a roadmap towards "digital interconnection along the B&R routes" in terms of accounting informatisation, response to digital competencies of accounting talents and tax reform. The questionnaire was jointly designed by the research team, consisted of three sections, namely accounting informatisation, digital competencies of accounting talents and tax reform. It was made into a web-based questionnaire by the SNAI Accounting Information Survey Center (<http://diaocha.esnai.com/6030001.aspx>), and issued to target groups, including SNAI's accounting leader trainees and EMPAcc students nationwide, ACCA members and partners, and corporate clients of Yonyou. The survey started on April 4 and ended on April 28, 2018, and a total of 257 valid questionnaires were retrieved. Based on statistical analysis of the survey data and call-backs to the respondents, we list the key findings as follows.

Key findings from the companies have business along the B&R routes

There is enormous space for economic cooperation along the B&R routes, with more than 60% of the companies surveyed are operating in the countries along the routes, while another 20% intending to follow suit. More than 71% of the companies have set up less than 10 branches in the region, and they are still in the early phase of their business expedition. Southeast Asia remains a key region for business along the B&R routes, branched by over 76% of the respondents. "Infrastructure construction" remains the key area of

the respondents investing along the B&R routes, accounting for around 37%, followed by investment in plant construction, overseas market expansion, industrial manufacturing, financial services and outbound mergers and acquisitions, accounting for 16% to 22% respectively. "Setting up overseas branches" is the main method for companies to invest along the B&R routes, accounting for nearly 70%, followed by "taking over overseas projects" and "acquiring overseas companies," both accounting for 36% and 29% respectively.

The status of the business along the B&R routes



Key findings in accounting informatisation and application

In respect of "current situation of accounting informatisation and application", companies going global respond that they are most concerned about the normal operation of accounting and financial modules (including financial accounting and financial reporting, accounting for 82% on average), followed by accounting internal control and risk management modules (such

as funds management, travel expense management and budget management, accounting for 49% on average), with their third and fourth concerns being decision-making support modules (such as cost management and internal reporting management, accounting for 40% on average) and the modules to improve accounting operation efficiency (such as the shared finance

platform, investment management, electronic accounting file management, performance management and electronic invoice management, etc.). The proportion of accounting informatisation and application investment constitutes a parabola, with those valued at USD 1 million making the highest proportion of investment in accounting informatisation (37%), followed by those valued at USD

10 million (25%), USD 100 million (11%), and USD 100,000 (10%). "Secondary development based on the original accounting information system of the company" is the main way for a business to implement accounting informatisation when carrying out BRI related business, accounting for nearly 55%, while 40% of the respondents "directly use the existing accounting information systems", and about 60% use accounting information systems developed by overseas vendors.

In respect of "values and challenges of accounting informatisation and application", companies believe that the core value of accounting informatisation and application is "supporting regular business development" (accounting for about 22%), followed by improving productivity/efficiency (accounting for 13%), improving standardisation/quality, improving information quality, cutting costs and reducing operating risks (accounting for around 10% respectively). The biggest barriers for a business to promote accounting informatisation and application are: "the current accounting information systems are unable to support international business", "overseas infrastructure such as utility, network and communications is not well-established", and "the overseas accounting information systems are lack of local software vendors' support", accounting for 56%, 52% and 48% respectively.

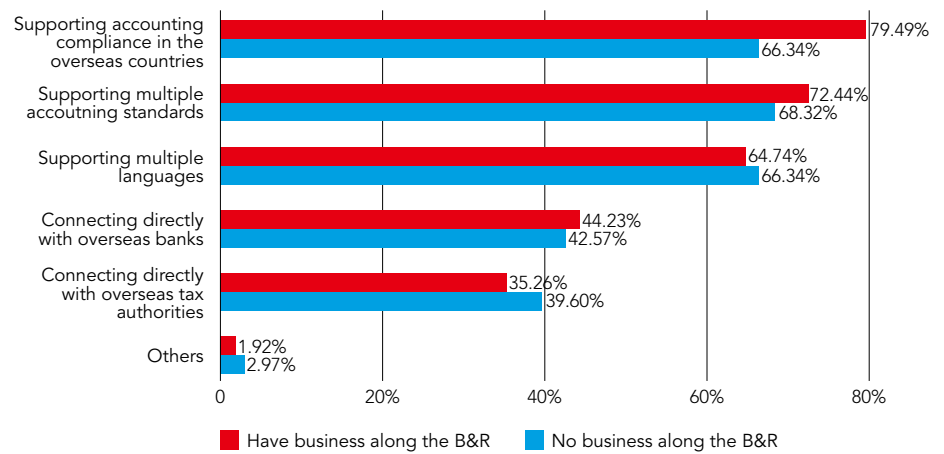
In respect of "urgent demand for accounting informatisation and application", companies believe that the top 3 urgently needed functions are "supporting accounting compliance in the overseas countries", "supporting multiple accounting standards" and "supporting multiple languages", accounting for 79%, 72% and 65% respectively. The main factors affecting the performance of the accounting information systems are "level of infrastructures such as the speed of networks in the overseas countries", "performance of the accounting information systems", "competencies of accounting information system users"

and "database performance", accounting for 80%, 57%, 50% and 49% respectively.

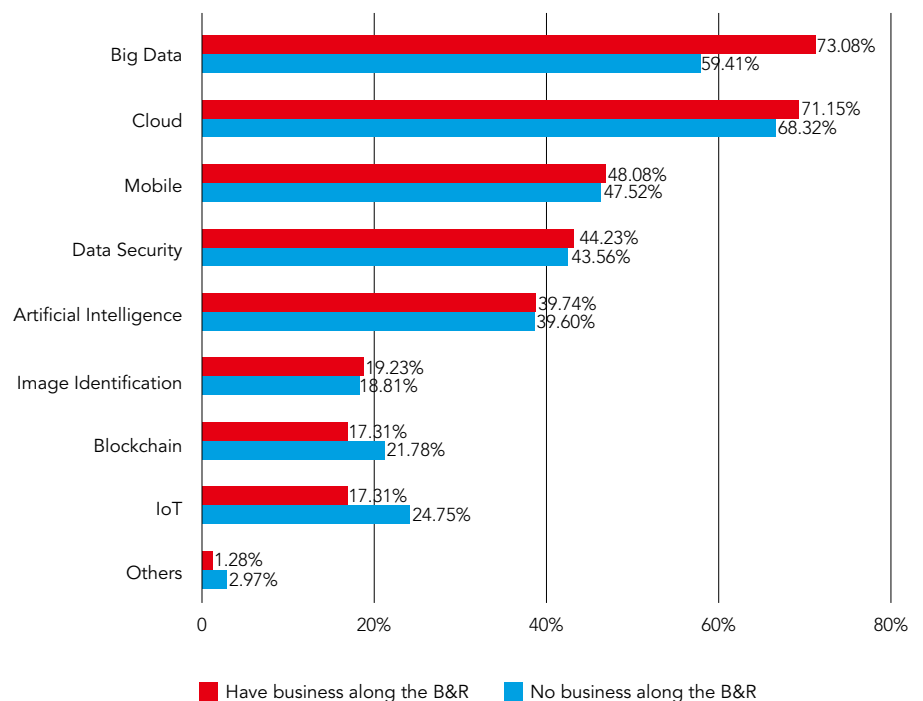
In respect of "the future development of accounting informatisation and application", big data and cloud computing are the new technologies attracting the most attention (both accounting for more than 71%), followed by mobile internet, data security technologies and artificial intelligence (accounting for from 40% to 48%). The companies believe that connectivity and consolidation across the accounting systems should be a priority (accounting for 55%), including connectivity and

consolidation within the financial accounting information system, the management accounting information system, the financial management information system, and across the above three systems. Next comes connectivity and data sharing between the business and accounting systems, accounting for more than 21%; and finally, connectivity between the internal management system and the business and accounting systems, as well as between the companies and external stakeholders, accounting for about 10% respectively.

Comparison of the expectations of accounting information system



Comparison of the application of emerging technologies in accounting information system



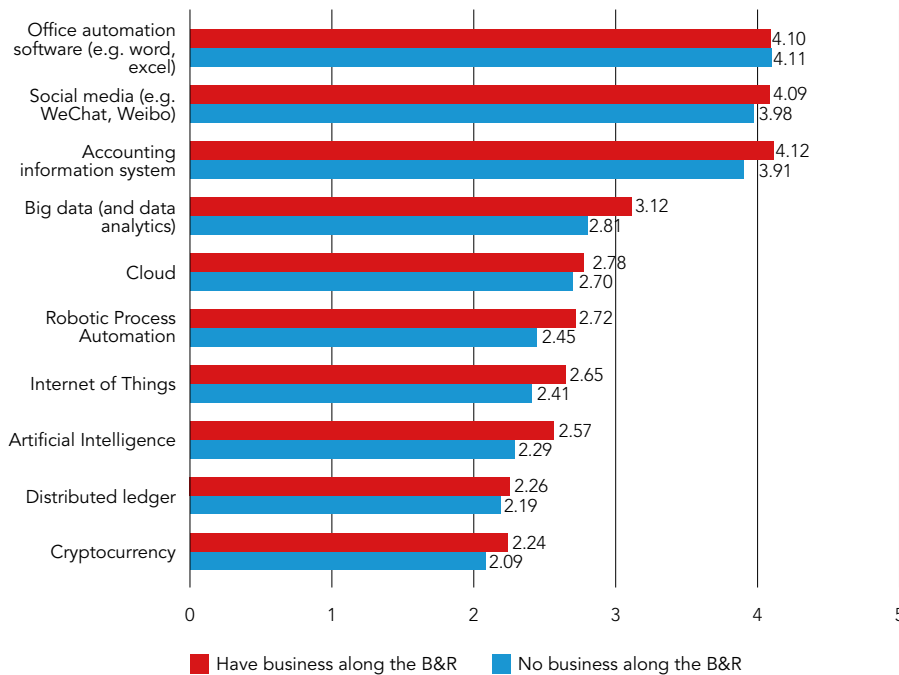
Key findings in the digital competencies of accounting talents

The respondents have a general understanding of the technical domain, yet they are well aware of the popular office automation software (such as

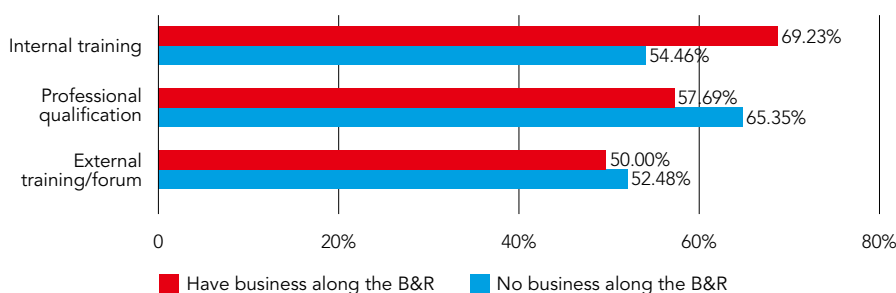
Word and Excel), social media (such as WeChat and Weibo) and the accounting information systems. They have a limited knowledge of emerging technologies,

which, by familiarity, are big data (and data analysis technology), cloud computing, robotic process automation (RPA), Internet of Things (IoT), Artificial Intelligence (AI), and distributed ledger and cryptocurrency, both based on blockchain technology. When asked about the two blockchain-based technologies, the respondents state that they know very little, and over 35% of the respondents state they do not understand blockchain technology at all. The companies surveyed already engaged in BRI businesses obviously know much more about emerging technologies than companies that have not yet engaged.

Comparison of knowledge level by technologies



Comparison of the top 3 training methods for developing digital competencies



Among the companies surveyed, the most common training methods in digital competencies of accounting talents are professional qualification training, internal training and external training/forum. In general, we do not see significant differences in training methods across different types of businesses. Facing more and more complicated technical application contexts and requirements, we find respondents putting forward higher requirements for their own mastery of digital knowledge and skills. respondents expect to upgrade their digital competencies through more systematic and comprehensive professional training.

Key findings in the implications of Trump's Tax Reform Plan and the BEPS Action Plan

According to our study, in response to Trump's Tax Reform Plan, around 44% of the respondents indicate that the countries in which they invest have corresponding tax reforms, which involve corporate income tax, individual income tax, turnover tax and international taxation. As a result, 31% state that their corporate tax burdens have risen or remain unchanged, and 38% see their tax burden decreased; 54% of the companies have increased investment, 39% say their investment will remain unchanged, and only 7% consider reducing investment. In response to the BEPS Action Plan, 67% of the respondents state that the

countries in which they invest have adjusted policies, with 37% involving the systems of controlled foreign companies, while the proportion of transfer pricing, anti-abuse of tax treaties and mixed mismatches accounts for around 30%. This has led to an increase in corporate tax burden for 34% of the companies and a decrease for 28% of them, with 38% seeing their tax burden unchanged; 41% of the companies increase their investment, 48% invest as they previously do, and only about 10% intend to reduce investment. Faced with Trump's tax reform and the advancement of BEPS Action Plan, as well as the implications

for foreign investment decisions and tax burdens of the businesses, companies hope that the countries where they invest can reduce tax rates, offer tax incentives, enhance tax transparency, stability and legalization, simplify tax collection and management procedures, and ameliorate law enforcement in order to increase corporate enthusiasm and confidence in outbound investment. At the same time, they expect China to further improve its export tax rebate and subsidy system, strengthen international tax coordination, and eliminate duplicate taxation via tax treaties so as to support going global.

