

ACCOUNTING AND FINANCIAL WEB REPORTING IN ALBANIA

Rezart DEMIRAJ

**University of Tirana, Department of Accounting
Rruga e Elbasanit, Tirana, Albania
rezartdemiraj@feut.edu.al**

Rezarta SHKURTI (PERRI)

**University of Tirana, Department of Accounting
Rruga e Elbasanit, Tirana, Albania
rezartaperri@feut.edu.al
rezartaperri@gmail.com**

***Abstract:** Recent technological changes have had a great impact on the accounting and financial environment. As other countries Albania has also been affected by developments such as the evolution towards using accounting information packages, financial web reporting, XBRL and cloud computing. Throughout this paper we try to analyze the current situation of accounting and financial reporting in Albania and the impact that the web reporting has had on the simplification of the accounting procedures. We present how tools such as cloud computing and XBRL have impacted the use of the accounting systems and also other reporting institutions in Albania. Describing the current development of cloud services we give information on the part of software vendors in Albania. We find that cloud computing has been used extensively not only by the private companies offering accounting information systems, but also by other companies in the public sector (i.e. education). On the other hand we find that XBRL, even though a promising technology, has not been gained great recognition in Albania and is currently not used by any on the institutions or companies, neither by institutions whose mission is to create extensive databases (such as the Registrar of the Companies) and which might benefit the most from this technology.*

***Keywords:** accounting software, information technology*

***JEL classifications:** M41, O30*

1. INTRODUCTION

Nowadays the technological innovation and the internet have affected virtually every aspect of human life. They also have impacted the way transactions are performed and the manner that the information on these transactions is reported. Advanced and complex systems of information and communication have radically changed the world. Every profession, accounting included, has changed because of the impact of technology. Accounting often referred to as the "information infrastructure of the entity" has been one of the first areas where internet and web have changed almost every aspect. It is probably the time, as the new century is still young, when the accountants must understand the changes and innovations that technology introduces in their profession embrace these changes and exploit them to enhance the expertise level. They should also be mindful of the important role they play as "information suppliers" for other departments and

individuals in the entity, who rely on accounting data to make accurate and timely decisions.

Often the accounting and financial information tend to be not symmetrically shared among the interested parties. Thus the technology developments should be in the focus of the discussion of how they can be used to help enhancing the quality and speed of information processing and communication. Therefore the focus of this paper is to discuss and analyze the status of the web reporting, one of the recent trends in financial and accounting information. We will describe the current situation of the accounting information systems in Albania and how they are evolving towards being used over the internet. A special emphasize of our discussion will be on the degree that these innovations have already been introduced in Albania and how much the local professionals (both accountants and auditors) are aware of them.

The paper is organized as follows. In the first section we will make a short literature review focusing more on the results of previous studies conducted in web reporting, cloud computing or XBRL in Albania, with Albanian individuals and companies. In the second section we will present the accounting software used nowadays in the world categorized according the range of options they offer and of course their cost. We will also introduce some of the Albanian accounting software and some ERP solutions offered to domestic and to foreign companies by Albanian vendors. Next we will discuss about the accounting and financial web reporting situation in Albania. Under this section a short discussion about the use of cloud computing and XBRL in Albania is also provided. Certainly we focus in the use of the hosted accounting information systems and how they are gaining support (if any). In the last section we give the main findings and conclusions of the study.

2. LITERATURE REVIEW

Albania, as a developing country, is attempting to attract foreign investments and in this context the Internet and other technological innovations create good opportunities to communicate financial information in accordance with requirements for transparency and the timely reporting on the part of investors (Lamani & Cepani 2011). Technological developments are affecting the accounting profession more and more each day. It is impossible to work within the accounting and financial field and not to be exposed to, or to be required to know and operate with technologies such as EFT – Electronic Fund Transfer, POS – Point Of Sales, ATM – Automatic Teller Machine, EDI – Electronic Data Interchange and RFID – Radio Frequency Identification Device. These and others as well, have radically transformed the accounting and finance profession during the recent decades. 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).

Various accounting software and financial reporting solutions are nowadays also offered over internet, either through cloud computing or as a simple hosted solution. Many companies, big companies and also small ones are using the web reporting solution as an initiative which helps them to save costs, to increase the quality of reporting and to

enhance the data security (Zeneli 2013). In general technology has changed the way the financial and accounting information is exchanged and how the results and interpretations are reported. In this context the Cloud Computing comes as a way to exploit the resources which instead of being installed in a specific host are shared through internet. The users of cloud should not be specialists with sophisticated technical knowledge, and neither do they need to supervise the infrastructure and manage the resources on the cloud. 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.

Even though web reporting has a fairly short history in Albania a study of the financial sector conducted in 2011 (Lamani & Cepani) found that 24 out of 26 companies included in the survey report their accounting and financial information over website. This study was focused in the information reporting and did not report whether these companies were using internet to exchange their accounting information as well. Companies in the financial sector (either banks or insurance companies) and large companies versus medium sized or small entities tend to report more information on the Internet. Bonson & Escobar, (2006) in their study which includes at least a dozen of Eastern European countries report that a statistically significant relationship exists between the extent of information disclosure on the Internet and a) company size, b) the company's activity being in the financial sector, and c) the fact of employing one of the world's Big Four accountancy firms for auditing the company's books.

Regarding the prevailing format used to report accounting and financial information on the internet Lamani & Cepani (2011) find most of the entities they included in the study report the information (mainly financial statements and annual reports) in the PDF format which inhibits the latter large scale administration of the information by users. The same study concludes that none of the studied entities used XBRL to report accounting information over internet. This platform is considered to boost and enhance the accounting information transmission on the web and would also increase the information transparency especially regarding the capital markets, (Bonson 2001). Probably due to the reason that the capital market in Albania is not active, or even to other reasons, the XBRL platform even though quite known by the professionals is not yet introduced as a viable and usable option among the companies in Albania (Allko, 2013).

Another issue to consider when discussing financial and accounting information and transactions over internet is the privacy and security of the information. Studies have revealed 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 (Cepani, 2012).

3. TYPES OF ACCOUNTING INFORMATION SYSTEMS AND THEIR APPLICATION

Organizations have several options while selecting the accounting information system adapted to their operations. They may either implement a customized system tailored for their needs (this solution may be offered by their internal IT staff or can be sub-contracted to a third party), or may choose an off-the-shelf accounting application that is expected to satisfy its system specifications and criteria. The last option requires the organization to investigate the features of the accounting software that are already offered in the market. The accounting software programs offered in the market may be grouped under four main categories: (1) the simple accounting software (considered to be low-end programs able to process only the basic accounting transactions); (2) medium packages (these are mid-range programs more sophisticated and which can be bought and installed or utilized through hosted solution or cloud computing); (3) specialized accounting software (these high end customized packages are tailored to meet the needs for information in specific industries such as hostelry or not-for profit organizations); and (4) enterprise-wide software (the ERP solution), which are not simple accounting software but also have incorporated and integrated features of other information sub-systems of the enterprise.

The biggest benefit from implementing an ERP, despite its very high costs, is that it is not only accounting software but it also fulfills the need for information of other departments of the entity like the production, marketing, human resources etc. Implementing ERP means an ongoing reorganization of the inner processes of the company and enhancing cooperation with business partners. It is a real reengineering and constant revolutionarization of the activities of the enterprise.

The leading providers of accounting software packages in Albania are the Institute of Business Modeling (IMB), Infosoftware Developer, and TPKSolutions. Certainly Albanian businesses can choose to buy foreign products which later they can adapt to implement and to comply with specific Albanian rules and regulations. This option is preferred by some large businesses in Albania, whose activity has been quite specific, like the Albanian Power Corporation (which has selected an ERP, the Financial Integrated Application from Oracle), the Treasury System (there are also selected an ERP, Financial Application Oracle E-Suite), and of course banks, insurance companies and non-profit organization.

IMB was established in 1991 by three professors of the University of Tirana, but it was only in 1996 that it offered its first product the Alpha Accounting. Following they launched Alpha PMR in 1998, Telenet in 1999, AlphaNet in 2000, AlphaNet Mobile in 2001, Alpha Water Bill in 2002, Alpha Shop in 2003, Alpha RestoBar in 2004, Alpha Platinum in 2005 and in 2006 Mesonic WINLine. Among the products listed above Alpha Platinum and Alpha Accounting are more widely used. Alpha Accounting is a typical solution for small companies while the Alpha Platinum is designed for medium and large enterprises and is considered to be an easy-ERP. IMB in collaboration with Mesonic (an internationally well-recognized ERP provider company) has recently

introduced in Albanian market WINLine a full ERP system which has been the choice of several big Albanian corporations.

Meanwhile, the other company InfoSoft Software Developer Finance currently offers Financa 5.0 which until 2003 existed in its earlier version Financa 4.0. The latter used to operate in MS-DOS platform while Financa 5.0 is offered in Windows operating system and relies on a more user-friendly interface than its predecessor. It works with SQL a powerful language of data management. InfoSoft Software Developer Currently also offers other products such as Onufri 2.0 which manages the cultural assets in our country.

A new company which offers accounting software is TPKSolutions which provided its first product in 2007, Bilanc 2007. Products following in 2008 were Bilanc 2008 Express (for small businesses) and Bilanc 2008 Standard (for big companies). This company, the newest on the market has already attracted nearly 200 clients around the country. Although the newest company TPKSolutions was the first to offer in 2011 the web hosting solution as an option of deploying accounting software versus buying the full package. Prior to this product its competitor, the IMB had offered the web-reporting feature on its applications.

Products offered by the three companies mentioned above are intended primarily for small and medium enterprises which have mainly an industrial or commercial character, positioned in sectors like commerce, manufacturing, restaurants, bars, etc. The banking sector tends to implement information systems built specifically for banks and tailored to fulfill their specific need for information. The products used by most Albanian banks are three, the FlexCube Solution (Intesa San Paolo, BKT, Union Bank), BOS (BIS and National Bank) and Midas (Raiffesein Bank).

4. ACCOUNTING AND FINANCIAL WEB REPORTING IN ALBANIA

Financial and accounting web reporting is already introduced in Albania and is gaining recognition and support among the business community. Several government bodies and agencies, banks and other financial institutions as well as many private companies (big and medium sized) are using web reporting solutions. Two main factors that have contributed to facilitate and accelerate the development of the web reporting platform, not only in Albania but also abroad are the cloud computing and XBRL web reporting language.

4.1 XBRL position in Albania

Web-reporting is often viewed as an additional feature for companies that use traditional reporting rather than replacing it. One of the ways the web reporting may become efficient is tapping on the advantages that XBRL use has introduced. *Extensible Business Reporting Language* is a communication standard for electronic reporting of business information. The financial information can be transmitted using a variety of formats HTML, PDF, hard copy. XBRL aims to provide a single communication standard. XBRL is based on a simple expression that communication is more effective

and efficient if anyone uses the same language. The main goal of XBRL is to enable organizations to spend less time in preparing the information and more time analyzing thus improving the decision-making process.

XBRL has the potential to increase the quality of web-based reporting because of the standardization of labeling and tagging. XBRL can influence the decision making process of its users and reduces the costs of research. However, success depends on two factors: (1) quality and speed of information processing and (2) evolution of web technology. These two factors increase flexibility and comparability of the reported information, thus increasing its value. Economic outcomes of XBRL are clear: XBRL provides a powerful return on investment, in particular by reducing the costs of producing and consuming information. It is a flexible solution that facilitates the exchange of data, organized communications, and speeds up the delivery of information and increases the transparency of reported information.

XBRL is an advantageous technology which may be successfully adapted by the government agencies, financial sector and big companies. Despite its good perspective as of 2011, a study (Lamani and Cepani, 2011) conducted within the financial sector found that none of the banks and insurance companies operating in Albania uses the XBRL platform to report financial and accounting information.

One study focused on the status of XBRL solution in Albania (Allko, 2013) found that even though XBRL is not currently implemented it is a concept already known by the accountants and other accounting and auditing professionals. 56% of the interviewed responded that they have knowledge about XBRL, and that this information was mainly received through their academic studies and not by their practical work or practical trainings. Nevertheless, after explained what XBRL means for the accounting field, 93% of the interviewed professionals stated that XBRL is needed to be implemented in Albania. The same study proposed various institutions which might benefit from XBRL implementation such as the Tax Authorities (33% of the interviewed), the Financial Supervision Authorities (28%), the Registrar of Companies (19%) and Ministry of Finances (9%) (The remaining 12% is represented by Institute of Statistics and National Accounting Council).

Given the results of the above study we may conclude that implementing XBRL, even though an already popularized concept among the professionals in the field seems too far for the Albanian reality. Nevertheless this should not impede other forms and ways of web reporting to be developed. In the following sections the cloud computing situation in Albania is presented and other web reporting solutions offered by local companies.

4.2 CLOUD COMPUTING IN ALBANIA

Cloud Computing is one of the newest technologies in Albania. We cannot say for sure when its inception has been, since many private companies may have used it earlier than the Albanian government, as a result of the lack of a specific law or legal procedure for new technologies. The first agreement was signed with the Albanian government in 2007 and consisted in the opening of the office of Microsoft Corporation in Albania, but

also in technical support for several government projects, such as: e-cabinet, e-questionnaire (for managing the process of preparing fast and precise questionnaires), reporting of corruption cases, training of secondary school teachers, etc. So, on 15 September 2009, the Albanian government held the first e-cabinet meeting. This meant that everything was transparent to the public and to all offices, agencies, and cabinets.

Albanian government renewed the contract with Microsoft Corporation in June 2010. The new agreement mainly consisted in building a modern infrastructure of Information and Communication Technology (ICT) in the country and further training of technical staff in the institutions involved in the agreement. Part of the agreement was the establishment of a center of business and innovation, in cooperation with the Albanian government, using software provided for free by Microsoft. It further consisted in the advancement of the e-cabinet project so that all movement of documents in government and public administration would be carried out electronically, but it also included other projects for the advancement of e-governance. The agreement would double the number of training days for the IT technicians, focusing mainly on the development of IT systems security. One of the goals of this agreement was the development of a community of application developers and the organizing of Development Day every year in June.

4.2.1 Cloud Services used in the Education Sector in Albania

Part of the agreement between the Albanian government and Microsoft Corporation, is the "Campus Agreement" for universities. Apart from benefiting from very low prices on Microsoft products, the universities will receive assistance to further improve ICT curricula and to establish "Microsoft IT Academy", which will enable students of Informatics and Electronics to get a Microsoft official certification during the period of their schooling in areas such as operating systems, mail systems, data security, database administration, etc. The establishment of the "Navision Academy" at the University of Tirana, Faculty of Economy, will benefit from the use of "MS Dynamics" Enterprise Resource Planning software, while "Live@edu" which is hosted on Microsoft platforms will be offered for free for academic institutions.

Children Safety on the Internet is another project developed by Microsoft in cooperation with the Ministry of Education to further increase the awareness of children, parents and teachers for the safety of navigation on the Internet.

An example of successful implementation of the cloud technology in Albania is the case of centralization and standardization of the application servers that were used throughout the Albanian government. Not many years ago the government of Albania found itself with a decentralized, often unmanaged variety of technology platforms. About 300 server computers were scattered across 14 different ministries and agencies running on different operating systems including Windows Server, Linux, and UNIX. NAIS (National Agency for the Information Society), the agency tasked with coordinating government technology initiatives found that working with that variety was not at all an easy task, not with the limited resources available at least. To solve this problem, it used Microsoft technologies to create a private cloud solution that mitigates cross-platform issues and reduces the time and money spent on traditional management

tasks. As a result, server provisioning time was reduced by about 70 percent; focus was shifted more on solutions than on infrastructure, IT staff productivity increased by between 50 and 70 percent.

4.2.2. Cloud Services offered by private companies

Apart from the government, various private companies also began to offer cloud computing services. One of them is AlbTelecom which introduced cloud services in Albania on April 2013. This unique technology will offer business in Albania platform, infrastructure and programming services. The one - stop - shop system of this business service platform uses the latest technology to provide significantly reduced cost to users, maximum security up to 99.99%, dual recording (back up) for absolute avoidance of problems, and maximum data transmission speed, about 30 times faster than overseas hosting. The lack of these services in Albania until a year ago, has forced many Albanian companies to have their data stored abroad, but this approach has many drawbacks, the data access speed limit because of the long distance being the main concern. The introduction of these services in Albania has brought many benefits: data access is much faster, performance is greatly improved with much lower cost and thanks to cloud services any business in Albania, regardless of its legal form, can enjoy maximum security of its data.

These services are greatly beneficial to banks, institutions, agencies, large, medium and small businesses that use portals, websites and online applications for sales management, human resource management, customers' relationship management, their online programs for finance management, etc. With cloud services businesses reduce their "capex" (in terms of initial cost of building IT infrastructure), and "opex" in terms of maintenance cost.

4.3 Web reporting packages offered by Albanian vendors

IMB (Albanian Institute of Business Modeling), first entered the market with a program of its own called "Alpha Accounting", in 1997. IMB is currently the largest "Software House" in the country in the field of software development for business and public management, in terms of employees' number and market position. IMB has developed a range of programs, according to market requirements, accounting standards and the latest programming technologies. Every 3 to 4 months they come up with a new version of software. The range of products includes software for accounting, financial management, human resources management, project management, etc. Applications are tailored to small, medium and large businesses, according to the type of their activity: trade, manufacturing, construction, services, public service, etc.

Since 2009, IMB has launched Alpha Web Reports application, a novelty for the Albanian software market. Through this application, any authorized user of Alpha Platinum (the latest version of Alpha Accounting) can access his company records, at any time, from any place — provided that has access to the Internet. How does it work? First Alpha Web Reports is installed on the company server (where the database and Alpha

Platinum server application are installed). Then user rights are configured to determine which persons who will have access to the company record through this program. Once this is done, any authorized user with a simple internet connection can generate financial and management reports online. All these reports can be customized through the use of filters. Since the main concern of this solution is data security, Alpha Web Reports provide maximum security and control in managing online reports. This assurance is provided in several ways.

After this first successful step, IMB has lately introduced its first genuine cloud solution called Alpha Web. Alpha Web performs almost the same tasks as the desktop version Alpha Start (the simpler version of Alpha Accounting) completely adequate for small and medium businesses, but Alpha Web is easier to use and more adaptable to the variety of business requirements.

Alpha Web Start is a web application that works through the Internet as well as LAN (local network). To access it, a user needs just password and a modest PC. This application saves time and money because:

- does not require expensive machines (servers),
- it works on any platform (Windows, Macintosh, Linux), even on mobile phones,
- maintenance and update are automatically performed online,
- offers a simple and intuitive user interface.

Alpha Web Start eventually resolves the issue of communication between remote points of sales and production, warehouses and suppliers, administrative sectors, etc.

Another software provider in the field of accounting and financial management is Bilanci sh.p.k., former TPKSolutions. The company was founded in 2004 and is now present in over 900 firms and institutions with its applications. It provides solutions for its customers all over Albania and Kosovo. Its products include over 12 software applications, all of them in the field of business administration. The latest product of this company is Bilanc Online. This program 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 which 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.

As for the additional benefits claimed by the company it can be said that they are quite similar to those of Alpha Web, which ultimately are benefits of cloud technology per se.

5. MAIN FINDINGS AND CONCLUSIONS

The traditional financial and accounting information processing and therefore the role of the accountant have changed considerably because of the use of cloud computing, XBRL and other innovations which permit greater flexibility and access on data. Nowadays, relieved from the burden of repeated manual work of recording and reconciling transactions (these processes can be performed more quickly and more efficiently by computers); accountants can instead focus their time and efforts towards

interpreting and communicating information. This new role that the information technology has helped creating must be well understood by the accountants and embraced by them, so that the impact of this profession should not perish but rather be strengthened.

In this paper we have discussed about the new technologies which have introduced major transformations in accounting and financial reporting. We present the cloud computing and XBRL, how they have penetrated the Albanian market, how much they are known and in what extent they are being used by the accounting professionals. We also analyze the extension of use of web reporting in accounting. Given that two out of three major vendors of accounting packages in Albania already provide cloud computing services SaaS we compare the advantages of this use of using the accounting packages. Cloud services have also gained recognition and extensive use within the education sector in Albania.

These may deeply affect the accounting and financial landscape in Albania and have an impact on the requirements presented for the professionals of the field. On the other side for several years now the Albanian companies are liable to file their financial statements with the Registrar of the Companies. This institution may be benefiting from the experience of other countries and may consider the use of modern technologies like the web-reporting and even the implementation of XBRL language so that the data format is consistent. This initiative would be the starting point of creating a collection of complete databases with historical financial statements of companies, which are available in other countries and very helpful for analysis purposes. XBRL could also be used for reporting with the Taxation Authorities and the Bank of Albania (by the financial institutions).

All the recent technological developments call for greater attention by the accounting and financial professionals so they can capitalize on these changes and not be resisting them. As the technology facilitates the data gathering and processing, the information becomes more accessible and therefore increasing and in the same time changing considerably the role of the professionals.

REFERENCES:

1. Allko, "Introducion of XBRL solution in Albania – a field study". *Working paper – Master Thesis, University of Tirana*, 2013.
2. Bonson, "A Survey on Voluntary Disclosure on the Internet. Empirical Evidence from 300 European Union Companies". *The International Journal of Digital Accounting Research*, Vol. 2, No. 1, pp. 27-51, 2001.
3. Bonson, Escobar, "Digital reporting in Eastern Europe: An empirical study". *International Journal of Accounting Information Systems*, Volume 7, Issue 4, December 2006, Pages 299–318.
4. Cepani, "The security and privacy issues as one of the barriers impeding the E-Business development in Albania", *Scientific Annals of the "Alexandru Ioan Cuza" University of Iasi*, 2012.
5. Debreceeny, R., Gray, G. and Rahman, A. (2002), "The determinants of Internet financial reporting", *Journal of Accounting and Public Policy*, 21(4/5): 371- 394.

6. Lamani, Cepani, "Internet Financial Reporting by banks and insurance companies in Albania". *Romanian Economic Journal*, Year XIV, no 42 (2011), p 159-174.
7. Perri et al, "Use of Accounting Informations Systems in Albania – a factorial analysis", *Working paper*, 2013.
8. Shuli, Perri "Impact of ICT in Accounting and Auditing – Albanian experience", *International Conference*, Tirana, Albania, 2011.
9. Zeneli, "Cloud Computing evolution in Albania". *Working paper – Master Thesis*, University of Tirana, 2013.