



This chapter appears in the book, *Digital Accounting: The Effects of the Internet and ERP on Accountin*
by **Ashutosh Deshmukh** © 2006, Idea Group Inc.

Chapter IX

Financial Management, Strategic Management and Digital Accounting

Digital Accounting and Accounting Processes

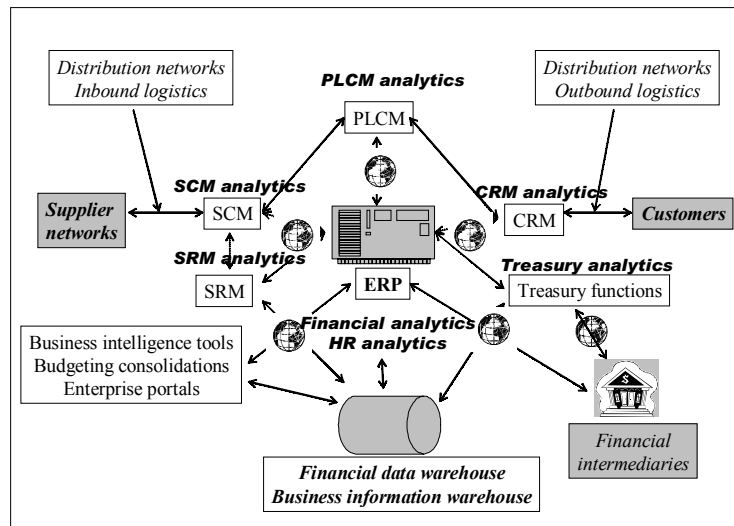
A dominant trend in information technology is the convergence of different software functionalities. Even after the dot-com bust or, perhaps because of it, the convergence has gathered steam. Different tools and techniques get concentrated in one solution or software in a short duration. Distinct techniques and technologies, such as accounting software, Web-based businesses, supply chain management, data warehouses and artificial intelligence, are converging as the organizations move from ERP to ERP II, integration of internal functions to integration across supply chain, and the Internet to Internet 2. Today's ERP software packs all applications into one monster package and offers tremendous functionalities.

The Internet and ERP systems have created a strange amalgam of fragmentation and focus in accounting processes. Accounting processes are scattered across various xRM modules. Sales order and incoming payments can be handled in the CRM function, POs and invoices can be handled in the SRM function, and financial reports are available

through enterprise portals. As such, accounting processes are not exactly centered in standard accounting modules. This effect is not uniform across organizations, but the movement of fragmentation of accounting has begun. Internal controls are also being moved with accounting processes, and we have seen numerous examples of this movement. On the other hand, due to data and information warehouses that store financial and non-financial information, accounting departments can have insights into the most remote corners of the organization. BI tools can be used to access data locked into different systems across the organization, empowering the accounting function.

These effects took us to the core accounting areas, as well as areas peripheral to accounting. Again, this is inevitable due to the convergence not only in Information Technology but also in organizational functions. This chapter is no exception. First, changes in the Treasury function due to the Internet and related technologies are explored. Treasury functions, such as cash and liquidity management, have changed due to new integrated tools, and make for a fascinating discussion. Second, the new subject of financial supply chain management is briefly reviewed. This area deals with changes in accounting and finance mainly due to the Internet, and neatly fits with the theme of this book. Third, the area of Corporate Performance Management (CPM) is reviewed. CPM pools all the new tools and technologies and puts a new spin on the ancient problems of strategy formulation, strategy execution, strategy monitoring and performance measurement. CPM is intimately connected with accounting and finance, and cannot be executed without appropriate financial tools and software. Financial supply chain and CPM highlight the emerging integrative and collaborative nature of the organization. Finally, a summary rounds off the chapter.

Exhibit 1. Whither accounting?



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