

## **Invitation to Participate in the Activities of the Digital Accounting and Assurance Board of ICAI**

The Institute of Chartered Accountants of India has recently constituted Digital Accounting and Assurance Board. The objective of the Board is to deliberate and initiate solutions for issues arising in accounting and assurance in the digital world.

In this process, the Board invites members to contribute articles on issues in accounting and assurance arising from the high pace of digitisation, including use of artificial intelligence in audit, big data analytics in audit, relevance of sampling, valuation of data as an asset, impairment testing of digital assets, insurance of data- valuation and premium fixation, etc. The articles should highlight the manner digital technologies would impact the profession and the opportunity it presents to reinvent the profession, and also how SMPs need to leverage. Topics may focus on areas pertaining to following:

- Use of Artificial Intelligence in Audit - Opportunities and Challenges for SMPs

*Artificial Intelligence (AI) could be a game-changer for business, generally, and for audit services in particular. With the rapid developments in machine learning, data mining and cognitive computing, the next decade promises to see huge leaps forward.*

*AI is getting better at handling, organizing and analysing a range of inputs; most critically, huge amounts of structured and unstructured data. The technologies make it possible to predict where future risks may occur and enable audit teams to revisit and refine their approach. They also present intriguing possibilities for the detection of fraud. That predictive ability marks the next step in the evolution of AI, and allows auditors to carry out work like this more efficiently and with greater accuracy.*

*These technologies, if applied thoughtfully and effectively, will improve quality, reduce risk and enhance confidence. In fact, the biggest challenge for both companies and their auditors and advisors goes beyond the technology: it's about change management and the potential confusion over how AI is applied. But we should all be reassured; AI can do a lot, but there's also a lot it cannot do, and we cannot rely on it to deliver skepticism and judgment.*

- Crypto Currency- is it a Financial Instrument or Intangible or Inventory; also, its valuation

*In relation to crypto currencies (for example bitcoins) there are no specific accounting guidance despite their increasing usage. There are ongoing deliberations whether to account for these as intangibles or inventory. There is need for specific guidance to avoid diversity in practice. Further, disclosures are critical to explain how these are classified and measured for accounting purposes. Many developed countries have recognised*

*Crypto currencies and are regulating same. While India is still evaluating relevance and security concerns, many Indian companies with overseas subsidiaries may have cryptocurrencies in their books and reflected in the consolidated financial statements.*

- Valuation of intangibles (digital assets)

*Valuing digital assets (including technology, IP valuations, etc.) — can be as much art as science. Ability to weigh the worth of digital IP, potential market size and disruption factors is critical to evaluate digital assets and market deals. The valuation is important at the time of acquisition and subsequently for testing impairment as well as insurable value.*

*Data is a big asset for many including of ecommerce and aggregators in various sectors. Putting a number on the worth of young start-ups is notoriously difficult; cash flows, profitability, and other familiar metrics often don't fit. Many of the standard techniques that are used to estimate cash flows, growth rates and discount rates either may not work or yield unrealistic numbers.*

- Audit Evidence and Social Media

*Social media networks add and link customers, employees, investors and other stakeholders to businesses every second of every day. The best way to mitigate this type of reputational risk is by monitoring social media chatter and ensuring the company is well placed to respond rapidly. Forward-thinking audit committee chairs and advisors suggest that, given the gravity of the reputational risks involved, social media should be a full board issue, rather than one limited to an audit or risk committee. From audit perspective the primary focus continues to be on assessing impact on IT systems and data that would impact the financial statements and the effectiveness of internal control over financial reporting (ICFR).*

We also invite suggestions on other aspects related to digital accounting and assurance. Please send your responses on [gdaab@icai.in](mailto:gdaab@icai.in).

Secretary, Digital Accounting and Assurance Board

The Institute of Chartered Accountants of India