Chapter 3
An International Overview of the Electronic Financial System and the Risks Related to It

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ABSTRACT
A significant milestone in the evolution of financial reporting systems occurred when the international financial reporting standards (IFRS) were first applied in the year of 1989. The XBRL (extensible business reporting language) phenomenon marked a new stage in the development of global accounting and reporting systems in the year of 2008 when public companies in US began to use this system. Although the two steps have had a significant impact on the process of harmonizing the global financial reporting system, this process is yet not complete. This chapter presents a comparative analysis of some issues emerging from the application of electronic reporting systems in order to identify the risks presented by them and possible solutions to current practices in financial reporting.

INTRODUCTION
International commercial transactions have become an increasingly common practice among corporations as well as among medium and small entities (Hoffman & Raynier, 2017). At the same time, investors are much more open than previous practices to allocate significant amounts to projects in other countries based on the opportunities they identify. Due to the evolution of the economy and the two above mentioned effects, it is a concern of all investors and of all the commercial entities to harmonize the processes and instruments used in the elaboration of financial reports and to facilitate their correct interpretation.
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by any foreign citizen. The mission of this chapter is to critically and professionally analyze the overall framework of financial reporting in the era of digitization.

In the case of electronic financial reporting, one of the most recognized and used system is the XBRL (Extensible Business Reporting Language). XBRL is founded by a non-profit organization and is used in over 50 countries around the world, including United States of America, England, United Arab Emirates, Brazil, Spain, Germany, Belgium, England, Denmark, Indonesia, Japan and others (European Security and Markets Authority, 2017).

XBRL replaces reporting systems based on PDF or HTML files, still used in many countries of the world (European Security and Markets Authority, 2017). Also, the XBRL system has created techniques to replace the current system used by EIOPA (European Insurance and Occupational Pensions Authority), namely the T4U system, proving itself to be a flexible alternative that can boost to a stronger harmonization development of financial reporting systems, on certain market segments in the European Union.

One of the challenges for foreign investors is to adapt to the different electronic reporting systems, in addition to the differences presented by national standards in the country where they invest their resources, which usually are different in many perspectives from the ones from his native country. This issue is trying to be solved by different ways by each and every country that wants to attract foreign investors. A good example of this practice can be found in China, where the government has created special policies to meet the needs and challenges that the foreign investors face throughout their work. The main objective of this chapter is to observe the application of the electronic financial reporting system in the various national contexts of the world and to identify the similarities and differences in its application.

There are also electronic systems that facilitate the development of financial reporting in cloud, such systems are: Cognos - made by IBM, Dynamics 365 - made by Microsoft, Xero, and others. Moving processes and systems from physical platforms to electronic platforms has meant a rapid step for reporting systems. This process took place without giving the opportunity for a thorough analysis and for the development of risk-taking procedures before the electronic era. Currently, the rapid transformation can now be seen, from the electronic platform to the cloud platform. This is why it is considered appropriate to prepare a detailed analysis of the system before this new transit that the financial reporting system will inevitably follow. A second objective of this chapter is to identify the risks involved in preparing and transmitting financial reporting using the new informational systems.

The use of the XBRL and cloud-based systems is becoming more and more common. Currently, XBRL is considered an opportunity for harmonizing the electronic reporting system in Europe, especially since ESMA (European Securities and Markets Authority) has made it mandatory to use XBRL as of 2020. This announcement gives a more urgent note to the need to analyze electronic financial reporting systems for the benefit of Europe’s commercial entities and investors.

BACKGROUND

Nowadays, the definition of an accounting information system has changed, in comparison with the original definition, due to its development over time, so Fontinelle (2018) considers this system to be a program running on a computerized platform that identifies accounting activity through technological resources, although this it is generally valid to note that there are entities who still keep the written financial information on paper and there are no legislative obligations to motivate them to do otherwise (Hoffman, 2006).
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