THE FUTURE OF FINANCIAL REPORTING 2024:

PRIVATE COMPANIES' AND SMEs' REPORTING – FUTURE TRENDS AND CHALLENGES

A discussion paper based on the British Accounting and Finance Association (BAFA), Financial Accounting & Reporting Special Interest Group (FARSIG) Virtual Symposium, 12 January 2024.

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About the Financial Accounting and Reporting Special Interest Group (FARSIG)

FARSIG is a group set up under the aegis of the British Accounting and Finance Association (BAFA). The main purpose of FARSIG is to further the objectives of BAFA and for that purpose to:

- encourage research and scholarship in financial accounting and reporting
- establish a network of researchers and teachers in financial accounting and reporting
- enhance the teaching of financial accounting and reporting
- provide support for PhD students in financial accounting and reporting
- develop closer links with the accountancy profession in order to inform policy
- publish a newsletter and organise targeted workshops
- develop and maintain relationships with BAFA and the professional accountancy institutes
- provide a forum for the exchange of ideas among accounting academics.

The symposium, which is one of an annual series that started in 2007, provides a forum for academic, practitioner and policy-orientated debate. Such forums are useful for expressing and developing rounded opinions on the current meta-issues facing financial reporting. Furthermore, they serve to illustrate the policy relevance and impact of current academic and practitioner thinking and outputs, in accordance with calls from the Economic and Social Research Council for relevant and rigorous research combining practitioner and academic perspectives.

The authors would like to express their thanks to the four main speakers, both for their speeches and for their subsequent time and comments during the development of this discussion report. The authors have tried to capture faithfully the flavour of the original speeches. Nonetheless, although the original speakers were shown the commentary on their presentations, any errors or omissions remain our own. Thanks are also due to the Association of Chartered Certified Accountants (ACCA) for hosting the symposium and for its support of the publication of this discussion report. Finally, could any readers who wish to learn more about FARSIG or to become FARSIG members please contact any one of the authors.

Silvia Gaia is the chairperson of the FARSIG Committee and a Professor of accounting at the University of Essex, UK. Simone Aresu is an Associate Professor of accounting at the University of Cagliari, Italy. Omiros Georgiou is an Associate Professor of accounting at the University of Birmingham, UK. Andrea Melis is a Professor of corporate governance and management accounting at the University of Cagliari, Italy and Luigi Rombi is a Senior Lecturer of accounting, also at the University of Cagliari, Italy.

Foreword

Sharon Machado
Head of Sustainable Business, Policy and Insights, ACCA

Once again, ACCA had the pleasure of hosting the 2024 FARSIG symposium, which, for the purposes of disseminating evidence-backed practical insights, connects experts in corporate reporting from academia with accountants in business or practice. Together, this year, we explored the business environment and corporate reporting-related challenges presenting to private companies and small and medium-sized entities (SMEs) and, importantly, how these challenges can be overcome.

The symposium's discussion and ACCA's research insights paint a complex picture for organisations to reflect upon in their investing, finance and operations decision-making. The picture includes a melee of geopolitics, monetary challenges, and technological, societal and environmental matters, all of which test the accountant's capability for producing the good-quality information that is the necessary underpinning of equally good decisions.

Geopolitical tensions and hostilities across and within several regions are a significant component of the business environment today, creating uncertainty and challenges in human resource and materials supply-chain management. Another component is the generational shifts in the expectations of work, and environmental crises of extreme, often unpredictable and more frequent, weather phenomena, including flooding and fire-related events. Consequently, governments and regulators are debating and implementing regulation in support of more sustainable business practices, and so professional accountants require a broader range of skills to integrate these matters into decision-useful information.

Information creation and decision-making pertaining to investing and financing are more difficult thanks to uncertainty in the pace of inflation, which affects investment and asset values, together with the implications of corrective monetary policy to deal with the cost of servicing debt or financing options. This year the swathe of political elections across several major jurisdictions and the broad range of campaign pledges amplify uncertainty in investment appraisals and sources of finance.

The potential for technology, especially artificial intelligence (AI), is vast. This presents both opportunity and risk, from business operating models to different stakeholder-engagement strategies. Here, the role of the accountant is broad: using the technology, developing the business case, designing and implementing processes, and managing risks presented by a range of technologies. All these activities have implications for corporate reporting, as well as for the reported contents themselves.

The symposium discussion outlined the accountant's role in supporting the management of these challenges, together with the education necessary to equip them to do so. Much of the discussion aligned with the academic insight relating to the relationship between the quality of reporting and tax planning; the organisation's legal form; raising finance; business valuation; audit; and how quality is connected to the widespread use of global standards, such as those from the two International Financial Reporting Standards Boards.

I encourage you to explore the insights from the discussions and consider the calls to action, which vary according to the actor. For example, policymakers are encouraged to develop regulation and reporting requirements that will support stability and reliability for the organisations and professional accountants applying them. Professional accountants must invest effort not only in remaining abreast of these policy developments, but also in expanding their business and finance knowledge to cover the aforementioned melee of topics. When professionals do this, they will be well placed to access the vast opportunity to support better business decisions and fulfil their public-interest remit. Educators and professional bodies must support the development of the necessary knowledge and skills explored in this discussion paper. These calls to action are the reason why ACCA has an active programme of influencing policy, undertaking research, and creating education and qualification products for students and members.

Finally, I extend ACCA's thanks to the FARSIG committee for organising the symposium and summarising the discussion, which provides excellent examples of the robust and practical insights possible through effective interaction between accountants in business and practice and researchers in academia.

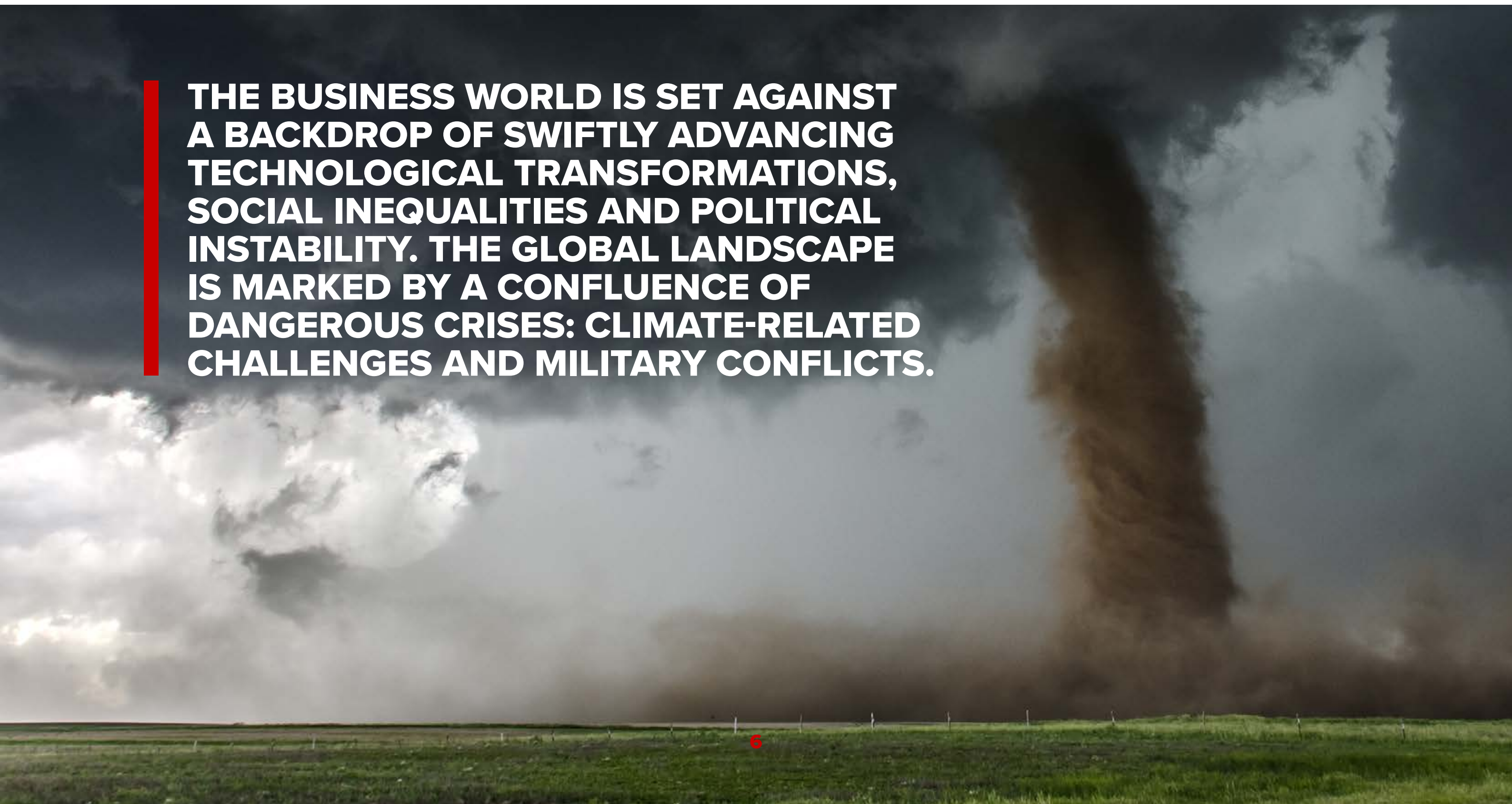
1. Introduction

In stating that '2024 is projected to be another tough year', the United Nations (UN) Secretary-General made it clear that this year comes amid high geopolitical tensions and stark global economic and social uncertainty (UN 2024: Foreword).

The business world is set against a backdrop of swiftly advancing technological transformations, social inequalities and political instability. The global landscape is marked by a confluence of dangerous crises: climate-related challenges and military conflicts. While the COVID pandemic crisis seems to have ended, as the coronavirus responsible for the illness has transitioned into an endemic state akin to numerous other viruses observed globally, the return to a 'new normal' afterwards was disrupted by a return of 'old' social, economic and political risks. These interconnected risks will require global cooperation to prevent the international community from drifting further apart. These risks include cost-of-living increases, trade wars, geopolitical confrontation, and the spectre of nuclear warfare (World Economic Forum 2024).

Underlying geopolitical tensions, exacerbated by the eruption of active hostilities across and within several regions, are fostering an unstable global order marked by divergent narratives, diminishing trust among and within countries, and heightened social insecurity. Vulnerable populations are confronted with deadly conflicts spanning areas from Sudan to Gaza and Israel. These hostilities have not yet led to broader regional conflicts, nor have they precipitated globally destabilising repercussions akin to the onset of the continuing war in Ukraine. Nonetheless, their long-term outlook could bring further disruptive shocks (World Economic Forum 2024). This political context risks deepening divisions when global collaboration would be most needed to address emerging global challenges, such as speeding the green transition and strengthening global trade (International Monetary Fund 2023; World Economic Forum 2024). Nationally focused political agendas already involve countries such as China, Russia, the United States, the United Kingdom, and some of the European Union members (World Economic Forum 2024).

Geopolitical tensions are spilling over into the economic sphere. Rising trade distortions and geo-economic fragmentation are expected to continue to weigh on the level of global trade (IMF 2024). The elevated inflation, which is falling faster than expected in most regions, combined with high interest rates, along with continuing economic uncertainty in numerous regions, further compounds the prevailing challenges. All this exacerbates the burdens of cost-of-living pressures experienced by populations worldwide and tighter credit availability for companies refinancing their debt (IMF 2024). High borrowing costs are also likely to worsen debt-sustainability risks for developing countries (UN 2024).



While the global labour market has generally recovered quickly since the COVID pandemic, with unemployment rates in many countries falling below pre-pandemic levels, this recovery has been uneven. In most economies, wage growth has not offset the impact of inflation and has exacerbated the cost-of-living problems (UN 2024).

Societal unrest reverberated across numerous nations, as media cycles were monopolised by narratives of polarisation, instances of violent protests, and waves of strikes (World Economic Forum 2024). The rapid ascent of misinformation and disinformation, including AI-generated or manipulated content, alongside the tools facilitating their dissemination (eg social media), represents a major risk in the short term. The widespread use of misinformation and disinformation may manipulate individuals, further fracturing societies, and damaging economies in numerous ways. Falsified or misleading content (ie, text, images, videos and audio) synthetically generated or manipulated using digital technologies, including AI, could be deployed in pursuit of diverse goals, such as conflict escalation and climate activism. This risk is poised to intensify significantly as elections unfold throughout the current year and 2025, with nearly three billion individuals expected to participate in electoral processes across numerous countries in 2024 (World Economic Forum 2024).

Despite this dramatic social, economic and political scenario and outlook, the World Economic Forum's risk report (2024) documents that environmental risks, specifically biodiversity loss and ecosystem collapse, as well as critical changes to Earth systems, continue to dominate the risks landscape over the next decade. Vulnerable populations face the repercussions of unprecedented extreme weather phenomena (eg, heatwaves, wildfires, droughts and inundations), as efforts and resources for climate-change adaptation prove insufficient in the face of the magnitude and frequency of climate-related events already unfolding (World Economic Forum 2024). Younger populations consistently place greater emphasis than older age cohorts on the likelihood that these risks will crystallise over a two-year period, with both risks featuring prominently in their short-term concerns. By contrast, the private sector identifies these risks as primary concerns over longer time horizons, a perspective that diverges from those of civil society or government, who prioritise these risks within a shorter time frame (World Economic Forum 2024).

It is in this turbulent social, economic and political context that the 2024 annual FARSIG symposium on the 'Future of Financial Reporting' was held. The 17th annual symposium was organised in cooperation with ACCA, on a virtual platform, on Friday 12 January 2024, against a background of developments and challenges in how companies account for and report on their overall performance. These discussions also focused on areas that are mainstream in the accountancy profession and academia, such as reporting for private companies and SMEs, ie corporate entities that do not have public accountability and publish general-purpose financial statements for external users. The title of the 2024 FARSIG 17th annual symposium was 'The Future of Financial Reporting 2024: Private Companies' and SMEs' Reporting. Future Trends and Challenges'. In continuity with tradition, the annual symposium provided a forum for both academics and practitioners to hear and engage in a state-of-the-art debate with well-informed, high-profile speakers, listed here in alphabetical order:

- **Eriona Bajrakurtaj**, Managing Director of Major's Accounts & Co
- **Christof Beuselinck**, a Professor of Accounting and Head of the Accounting Department at IÉSEG School of Management (France)
- **Steve Heathcote**, Chief Executive Officer at PrimeGlobal
- **Gavin Spencer**, founder, and Managing Director of Beach Accountants Ltd.

These four highly respected speakers were brought together to present and discuss existing challenges, new trends, and their expected effects on the future of financial reporting. Specifically, these experts provided their insights on significant current issues in the reporting of private companies and SMEs, documenting the challenges as well as the opportunities that corporate reporting faces from the perspectives of accountancy practitioners and, of course, academia.

In line with preceding years, the symposium was conducted through a virtual platform, aimed at enhancing the inclusivity of a global audience's attendance and engagement. The main presentation was followed by an insightful and dynamic panel discussion, facilitated by the chair of FARSIG. During this session, the speakers gave their expert insights on a range of questions posited by delegates from both national and international spheres.

DESPITE THIS DRAMATIC SOCIAL, ECONOMIC AND POLITICAL SCENARIO AND OUTLOOK, THE WORLD ECONOMIC FORUM'S RISK REPORT (2024) DOCUMENTS THAT ENVIRONMENTAL RISKS, SPECIFICALLY BIODIVERSITY LOSS AND ECOSYSTEM COLLAPSE, AS WELL AS CRITICAL CHANGES TO EARTH SYSTEMS, CONTINUE TO DOMINATE THE RISKS LANDSCAPE OVER THE NEXT DECADE.

Issues raised during the symposium

Before delineating the topics discussed in the presentations delivered during the 17th annual symposium, the principal themes presented and debated are briefly summarised in Table 1.1. This table also reports the key symposia themes since the inaugural event in 2008. Specifically, during this year's symposium, there was a critical examination of some of the key open questions on the trends and challenges for reporting for private companies and SMEs: what are the main challenges and opportunities that accounting firms (and their clients) are facing in relationship to corporate reporting? How do political uncertainty and rapid regulatory changes affect the accountancy profession? What are the main challenges and opportunities faced by the accounting industry? How does technology influence corporate reporting in SMEs? What are the benefits and risks of the use of cloud accounting in private enterprises? How does the increasing demand for environmental, social and governance (ESG)/sustainability-related reporting from various stakeholders (including main corporate clients) affect SMEs' reporting? How do these demands influence the training of current accountants and the education of future ones? How can we improve the relationship between academia and industry in the accounting field? Some of these questions are 'evergreens', while others are relatively new. Addressing these questions is critical to improving the role of accounting, and accountants, in providing informed decision-making and proper stewardship of financial and non-financial resources employed in a company's activities.

The learned panel of speakers offered their well-informed perspectives on these unsettled and contentious issues, which persist in posing significant challenges to accounting regulatory bodies, professionals and academics. The prevalent themes that emerged throughout the main presentations were subsequently subjected to a more comprehensive examination during the panel discussion.

Table 1.1. reports a summary of the key themes raised at the 'Future of Financial Reporting' symposia since their establishment in 2008. In 2024 the speakers' presentations and discussions addressed the following main themes: accounting and reporting for private companies; accounting and technology; and accounting education and training.

Some of the most important developments that have occurred in accounting and corporate reporting in relation to reporting issues for private companies and SMEs during the years 2023 and 2024 are presented below. In relation to the theme of the symposium, IASB's agenda for 2024 contains a second comprehensive review of the IFRS for SMEs Accounting Standard, which was issued in 2009 and amended in 2015. During the first phase of this comprehensive review, the IASB published a 'Comprehensive Review of the IFRS for SMEs Standard' (January 2020). This request sought the stakeholders' views on whether and, if so, how this accounting standard should be updated. The IASB used this feedback to refine the alignment approach to enable this standard to be based on full IFRS Accounting Standards. As part of the second phase of the comprehensive review, in response to feedback on the 'Request for Information', and after receiving advice from the SME Implementation Group, the IASB published an Exposure Draft Third Edition of the IFRS for SMEs Accounting Standard. This draft proposed amendments to the IFRS for SMEs Accounting Standard in September 2022, which was open for comment until March 2023. In June 2023, the IASB discussed the feedback received and redeliberated the proposed clarification to the definition of public accountability. In its October 2023 meeting, the IASB decided to publish an addendum to the Exposure Draft, to improve the alignment with the requirements in the full IFRS Accounting Standards on supplier finance arrangements and lack of exchangeability. The new edition of the standard is expected to be issued in the second half of 2024.

In addition, the IASB's agenda includes several 'maintenance' projects, including amendments to IAS 7 (Cost method), IAS 21 (Presentation currency by a non-hyperinflationary entity), IFRS 1 (Hedge accounting by a first-time adopter), IFRS 7 (Disclosure of deferred difference between fair value and transaction price, Gain, or loss on derecognition), IFRS 9 (Derecognition of lease liabilities), IFRS 10 (Determination of a 'de facto agent'). Its agenda also includes some research projects on important themes, such as business combinations under common control, and the Post-implementation Review of IFRS 9 (Impairment) and IFRS 15 (Revenue from Contracts with Customers), whose feedback statements are expected in the second half of 2024.

This evolving scenario in reporting issues for private companies and SMEs influences corporate reports' preparers and users, alongside resonating implications for the whole accountancy profession and its diverse array of stakeholders, who notably include the academic community. Many of these issues were, indeed, debated during the 2024 'The Future of Financial Reporting' symposium by each of the four speakers, who offered a diverse range of informed views. The issues specifically addressed during the 17th annual symposium are here introduced and subsequently subjected to a more comprehensive examination in the following sections.

THIS EVOLVING SCENARIO IN REPORTING ISSUES FOR PRIVATE COMPANIES AND SMEs INFLUENCES CORPORATE REPORTS' PREPARERS AND USERS, ALONGSIDE RESONATING IMPLICATIONS FOR THE WHOLE ACCOUNTANCY PROFESSION AND ITS DIVERSE ARRAY OF STAKEHOLDERS, WHO NOTABLY INCLUDE THE ACADEMIC COMMUNITY.

TABLE 1.1: Overview of key symposia themes, 2008–2024

2024	■ **Accounting and reporting for private companies** ■ **Accounting education and training** ■ **Accounting and technology** ■ **Accounting Regulation**		
2023	• Accounting for goodwill • Accounting for intangibles • R&D reporting	**2022**	• Materiality in sustainability reporting • Sustainability reporting in capital markets • Sustainability reporting for market players • Climate-related disclosures prototype • A roadmap to improve sustainability reporting
2021	• The Endorsement Board • Reliability of financial reporting in extraordinary times • Narratives in corporate annual reports • The standard setting for financial and non-financial information	**2020**	• Accounting regulation for non-financial information • Accounting for intangibles • Accountancy profession • Integrated Reporting
2019	• Conceptual framework • Narratives in corporate annual reports • Accounting in the public sector	**2018**	• The role of accounting in shaping capitalism • The role of Big Data and AI in corporate reporting and investment • Digital reporting • Conceptual Framework • Integrated Reporting
2017	• The evolution of corporate reporting • Corporate reporting vs financial reporting • Financial narratives • Accountancy profession • Future of Chinese and Western auditing	**2016**	• The use of information by capital providers • Conceptual Framework: measurement • Transparent corporate reporting • Integrated reporting and the capital markets • The perceived role of the accountant in the society
2015	• Accounting for goodwill • Corporate governance • Integrated reporting • Sustainability accounting • IASB and politicisation of standard setting	**2014**	• Conceptual Framework, measurement • EU Accounting Directive for SMEs • UK FRS: tax implications • The use of information by capital providers • Compliance with mandatory disclosure requirements
2013	• Conceptual Framework, recognition and measurement • Regulatory Framework, governance and ‘balanced reporting’ • IFRS [International Financial Reporting Standards] adoption and national accounting practices • Nature and complexity of crises	**2012**	• Asset and liability recognition • Measurement, fair value and confidence accounting • Regulatory Framework and complexity of financial statements • Fraud and accounting scandals
2011	• Complex financial instruments, asset and liability recognition and measurement • Regulatory environment, complexity of financial statements • IFRS adoption and political interface • Carbon accounting	**2010**	• The role and need for global accounting standards • Understandability and usefulness • Political concerns • Sustainability accounting
2009	• Regulatory change • The convergence of global standards through IFRS • Fair value • Corporate governance • Asset securitisation and the ‘credit crunch’	**2008**	• Conceptual Framework • Income measurement • Fair value • Financial communication

Sources: Gaia et al. 2023; Jones et al. 2014; 2015; 2016; 2017; 2018; 2019, 2020, 2021, 2022; Jones and Slack 2008; 2009; 2010; 2011; 2012; 2013;

2. **Symposium discussion**

Private firm accounting: The European reporting environment, data and research perspectives

Christof Beuselinck

Christof Beuselinck is a professor of accounting and head of the accounting group at France's Institute of Scientific Economics and Management (IÉSEG) School of Management. He has previously headed IÉSEG's MSc in international accounting, audit and control, and he has taught BSc, MSc, MBA, and PhD courses in the areas of international accounting, financial reporting, and financial statement analysis. Christof served as a faculty member of INTACCT, a European Commission-sponsored programme on the economic consequences and harmonisation effects of the International Financial Reporting Standards (IFRSs) for European firms. He has published in top-rated peer-reviewed journals, including the *Accounting Review, Review of Accounting Studies*, and the *Journal of Corporate Finance*. Christof currently serves as an associate editor for *Accounting and Business Research* and is a member of the editorial board of several international accounting journals.

Christof's speech at the symposium was about a recent study on private firm accounting that he co-authored with Ferdinand Elfers, Joachim Gassen and Jochen Pierk, published in *Accounting and Business Research* in 2023 (Beuselinck et al. 2023). The study provides a comprehensive overview of the reporting on private firms over the last 35 years, as observed in academic literature. It is important for at least two reasons. First, it is necessary to synthesise research in such a seriously under-studied domain. Second, it is important to provide an overview of how insights have developed over time from a local reporting perspective which was shaped by institutional heritage towards a more international landscape with international legislation and harmonisation efforts. The period of 35 years was chosen to capture the period when there was a paradigm shift from a lack of interest or lack of available data on private firms towards a setting where the necessary data became available and more relevant research questions began to be asked. Christof explained that the article aims to summarise what we know about this area as well as to identify emerging trends that have not been studied yet.

> **THE STUDY OBTAINED INSIGHTS FROM PRIVATE FIRMS AS A UNIQUE TESTING CASE FOR IDEAS THAT CAN BE GENERALISED ACROSS ALL FIRMS AND THAT ARE NOT IDENTIFIABLE WITH A PUBLIC-FIRM SETTING.**

A guide to accounting research in private firms

Christof proceeded to explain how the study presented builds on earlier work. For example, a study by Bar-Yosef et al. (2019) has provided a summary of what was known at the time without building on future research perspectives. Another study by Minnis and Shroff (2017) has explored the reasons and the theoretical grounds for reporting by private firms. The current study adds to these prior insights by revealing more about private firm reporting in itself, and more about what distinguishes private-firm reporting from public-firm reporting. The study obtained insights from private firms as a unique testing case for ideas that can be generalised across all firms and that are not identifiable with a public-firm setting.

Methodology

Christof proceeded to present the methodology used in the study. This involved a review, using Scopus, of literature produced for the 35 years between 1986 and 2020. Christof explained that owing to time and search constraints, the analysis was based on studies selected from ten premier-category academic journals of general accounting interest. The studies were selected with the criterion that a private firm inclusion was an explicit part of the research question. Relevant studies in other field domains, such as finance, management and law, were also snowballed into the sample studied. Christof then showed a bar chart that sorted the studies by year, demonstrating that the studies on private-firm reporting were very few in the 1990s. It is only since the early 2000s that relevant studies emerged and gradually increased over time. He then presented a graph showing the 10 premier outlet journals that have demonstrated the most interest in private-firm reporting: *Accounting Review*, the *European Accounting Review,* and the *Review of Accounting Studies* were the top three in 2020 when the study closed.

Christof went on to explain that Europe was the key focus because it is a setting where reporting regulations are set independently of firms' public and listed status. The Fourth and Seventh Company Directives have provided publicly disclosed evidence through national data repositories. Also, an important data provider, Bureau Van Dijk, has become available, providing data on firm reporting. The study compiles data from these two sources. An important consideration for the study is how reporting requirements are related to firm size. This creates the need to study how such thresholds can create incentives for disclosing more, rather than less, information.

Christof then presented information on private firms in the European Union (EU) sorted by firm size. By 2018 for 21,157 firms designated as 'large' by EU standard thresholds, there was sufficient information available to do regular testing on private-firm reporting quality. At that time, there were 91,335 medium-sized European firms in global databases available and over 2.3m database points for unique firms within Europe. Also, looking at the composition, more than 95% of these private firms were small-scale firms. Christof then discussed the most frequent databases used to study private firms, which are Fame for the UK, Amadeus for the EU generally, and Bel-First, SDC and Sageworks for Belgium. He then presented some graphs showing a comparison between the databases Orbis and Amadeus, which outline how Orbis contains more coverage than Amadeus for both active and non-active firms.

Findings

Christof then went on to present the findings of the study.

Private firms: specific insights

In summarising the literature on private firm reporting, seven specific research insights arise.

- **Legal form** – investigating how financial reporting varies according to the legal form of the firm. For example, Bigus et al. (2016) find that debt contract incentives shape contract quality. The authors find that more income smoothing and small positive profits are observed in corporations than in one-person businesses, confirming the idea that reporting incentives may shape private-firm reporting across specific legal forms.
- **Start-up** – how financial reporting is shaped over the life cycle of the firm. For example, Cassar (2009) and Cassar et al. (2015) find that competition and venture scale are important factors in determining the reporting quantity and quality.
- **Venture finance** – how financial reporting relates to private equity. For example, Beuselinck et al. (2008; 2009) find that private equity or venture capital involvement is impacting the professionalisation of financial reporting and therefore its quality. The authors conclude that reporting quality is not used as a signalling mechanism to attract potential venture capital or private equity investment but is rather shaped by the governance changes post-deal.
- **Initial Public Offerings** – events just before the firm goes to a public listing status. For example, while Teoh et al. (1998) found that IPO earnings are inflated for higher proceedings, Ball and Shivakumar (2008) found that this is not the case once one controls sufficiently for growth and capital injections.
- **Valuation** – are private firm values or private firm financial statements relevant to their actual market value? For example, Armstrong et al. (2007) found that the pre-IPO information is value-relevant for firms' valuation.
- **IFRS for SMEs** – especially since 2005. For example, Kaya and Koch (2015) and Gassen (2017) find evidence of national preferences for voluntary adoption of IFRSs. Firm-specific characteristics, such as the desire to internationalise and to have an international supplier relationship base, are also found to play a role.
- **Auditing** – the need and demand for auditing is perhaps the most studied domain in private firm reporting. For example, Collis et al. (2004) and Dedman and Kausar (2012) find that voluntary audit engagements signal quality and can improve debt-contracting outcomes. The authors find that credit ratings are better for firms that have voluntary audits even after national requirements allow firms below a certain size to stop implementing audits.

Private versus public firms: comparison

Christof then went on to discuss the study's findings on the literature that has compared private and public firms. Insights emerging from such studies include the following.

- **Differences in reporting characteristics** – private firms are expected to communicate more through informal channels and, at the same time, public firms are more subject to public scrutiny. For example, Burgstahler et al. (2006) found that private firms manage earnings more than public firms, perhaps because of debt contracting or because of alignment between tax and financial reporting in different countries.
- **Differences in auditing value for money.** For example, Allee and Wangerin (2018) found that the value of private mergers and acquisitions (M&A) targets is increased more by auditor verification. The authors suggest that this is because of signalling effects, in that audited numbers give rise to a higher valuation as well as arguments related to professionalism.
- **Tax planning activities.** For example, Beuselinck et al. (2015) found that private groups engage more in tax planning, measured through income shifting, than publicly listed groups. The authors argue this is because public scrutiny is constraining the publicly listed groups to be more transparent than the privately held groups.

General research questions

Christof proceeded to discuss the study's findings in relation to general research questions about private-firm reporting.

- **Disclosure of financial statements** – why would specific firms be inclined to disclose or not to disclose? Dedman and Lennox (2009) found that the costs of disclosure are very high. Yet, Breuer et al. (2018) find that mandatory disclosure can benefit firms via arms-length lending.
- **Earnings quality in the absence of capital market regulation** – how trustworthy are the numbers of private firms given that there's no capital market regulation of them? Studies have looked into earnings quality by studying earnings management, earnings smoothing, and timeliness of loss recognition, with varying results.
- **Use of financial statement information and lending decisions.**
- **Benefits of voluntary XBRL[1] providers.**

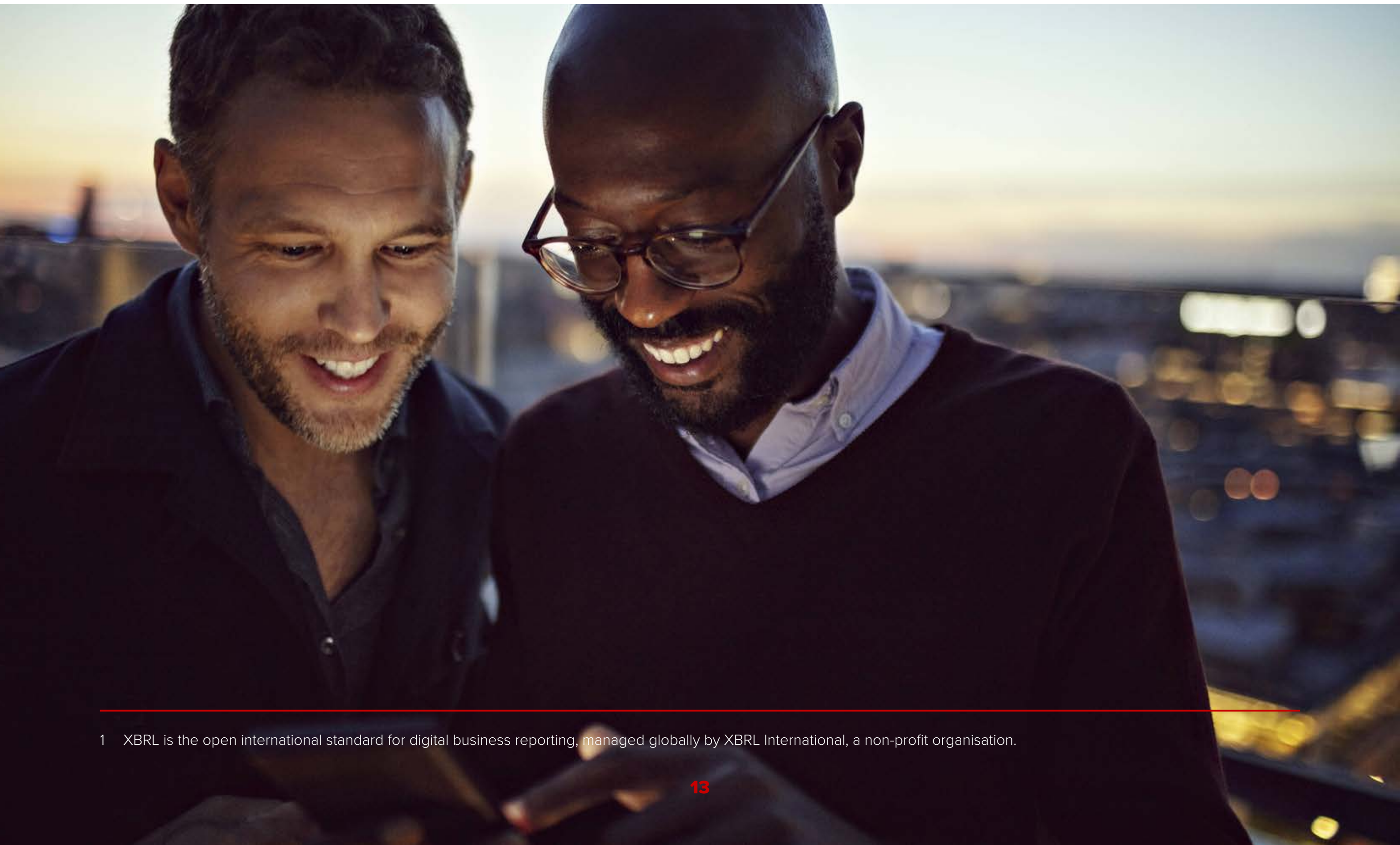
Summary

In summarising what we have learned from the academic evidence reviewed in the study of literature published over the past 35 years, Christof commented on the following issues. First, there are interesting patterns. Not all evidence is supportive of the same underlying theory or claim, but in general, we have significant insights that determinants grounded in agency theory, debt-contracting theory, and information asymmetry are shaping the corporate reporting landscape and disclosures.

Christof commented that, at the same time, there is a desire for us to learn more, especially about contemporary topics in private-firm reporting. Although we know much about reporting quality, academics have been inclined to use the metrics that were developed in the past, and, consequently, might now be willing to open up to other metrics that are currently more relevant. One such area, for instance, is the use of non-financials. Although financial reporting was the information set that we had available over the last four decades, in the near future, at least for the larger private firms, we will have access to more data on non-financial information. A suggestion is therefore for future research to switch focus or at least combine financial and non-financial reporting studies in public and private firms.

Lastly, Christof commented that interesting topics are emerging, For example, cloud accounting and e-government. Does this help firms in professionalising? Is this cost-efficient? Can we get some evidence that over time there is a change in the reporting landscape that is leading to new standards and a new level of reporting quality? Also, we cannot ignore the fact that SMEs are important targets nowadays for cybersecurity. This creates the need to investigate the relevance of the cybersecurity threat for financial reporting.

Christof closed his presentation by providing the weblink to the full study, which can be downloaded free here, and also for the (updated) online application featuring the repository of studies used here.



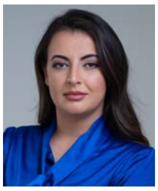
1 XBRL is the open international standard for digital business reporting, managed globally by XBRL International, a non-profit organisation.

PANEL DISCUSSION

The key challenges faced by private firms and small and medium enterprises in the current corporate reporting landscape

Eriona Bajrakurtaj, Christof Beuselinck, Stephen Heathcote, and Gavin Spencer

Silvia Gaia moderated an interesting panel discussion session with three panellists who, with Christof Beuselinck, discussed the challenges faced by private firms and SMEs in the current corporate reporting landscape.



The three panellists joining **Christof Beuselinck** were **Eriona Bajrakurtaj**, **Stephen Heathcote** and **Gavin Spencer**. Silvia first introduced the last three. Eriona, who received a postgraduate diploma from Oxford University, is the managing director of Major's Accounts & Co, a company with a client base of more than 1,300 firms and a team of 25 people. Eriona is also a member of the ACCA UK Practitioners Network Panel and the ACCA SME Global Forum, and has been involved with the International Federation of Accountants' Chief Executives Forum. Eriona was also nominated for three of the Women in Accounting and Finance Awards 2020 and selected by Ignition as one of the top 50 women in accounting in 2023. Stephen Heathcote is the chief executive officer (CEO) of Prime Global, the third-largest global association of independent advisory and accounting firms, having a combined firm revenue of $4.3bn and over 1,000 offices worldwide. He is a qualified accountant with extensive global leadership experience, including holding the position of ACCA Executive Officer. Additionally, he served as the chief operating officer at the UK Financial Reporting Council and is a member of the Institute of Chartered Accountants of England and Wales (ICAEW) Sustainability Committee. He has led the development of ESG services to support SMEs. Gavin Spencer is the founder and managing director of Beach Accountants Ltd, a company based in Newcastle with a team of 12 people. Gavin belongs to the ACCA practitioners' national and regional panels.

The first discussion was related to the main challenges that accounting firms (and their clients) face in relation to corporate reporting. The panellists identified the following four main challenges:

- political uncertainty, with rapid and complex regulatory changes
- cloud-based systems
- sustainability reporting
- lack of talent among the new generation of accountancy professionals.

Political uncertainty, rapid and complex regulatory changes

According to Eriona, the first challenge faced by accountants in the UK is related to political uncertainty and rapid regulatory changes. The instability caused by events such as Brexit has led to increased costs and regulatory changes, with accountants burdened with the responsibility of understanding these changes and educating their clients accordingly. These regulatory changes, such as those in fiscal budgets, were frequent and required constant vigilance. Also, there were further complications during COVID-19, with new rules and regulations introduced rapidly, and accountants had to understand and communicate these changes to clients. Eriona also mentioned the UK government's 'making tax digital' initiative, a significant shift to which many businesses and accountants are struggling to adapt. She explained her frustration over the lack of support and clarity from the government, leading to penalties for businesses that fail to comply with poorly communicated regulations. This situation has also resulted in a high demand for qualified accountants, with major firms calling for easier qualification processes to address the shortage. Eriona also touched on the undervalued status of the accountancy profession in the UK, contrasting it with protected professions such as law and medicine. She lamented the lack of mandatory licensing for accountants, which results in unqualified individuals providing potentially harmful advice without facing severe repercussions.

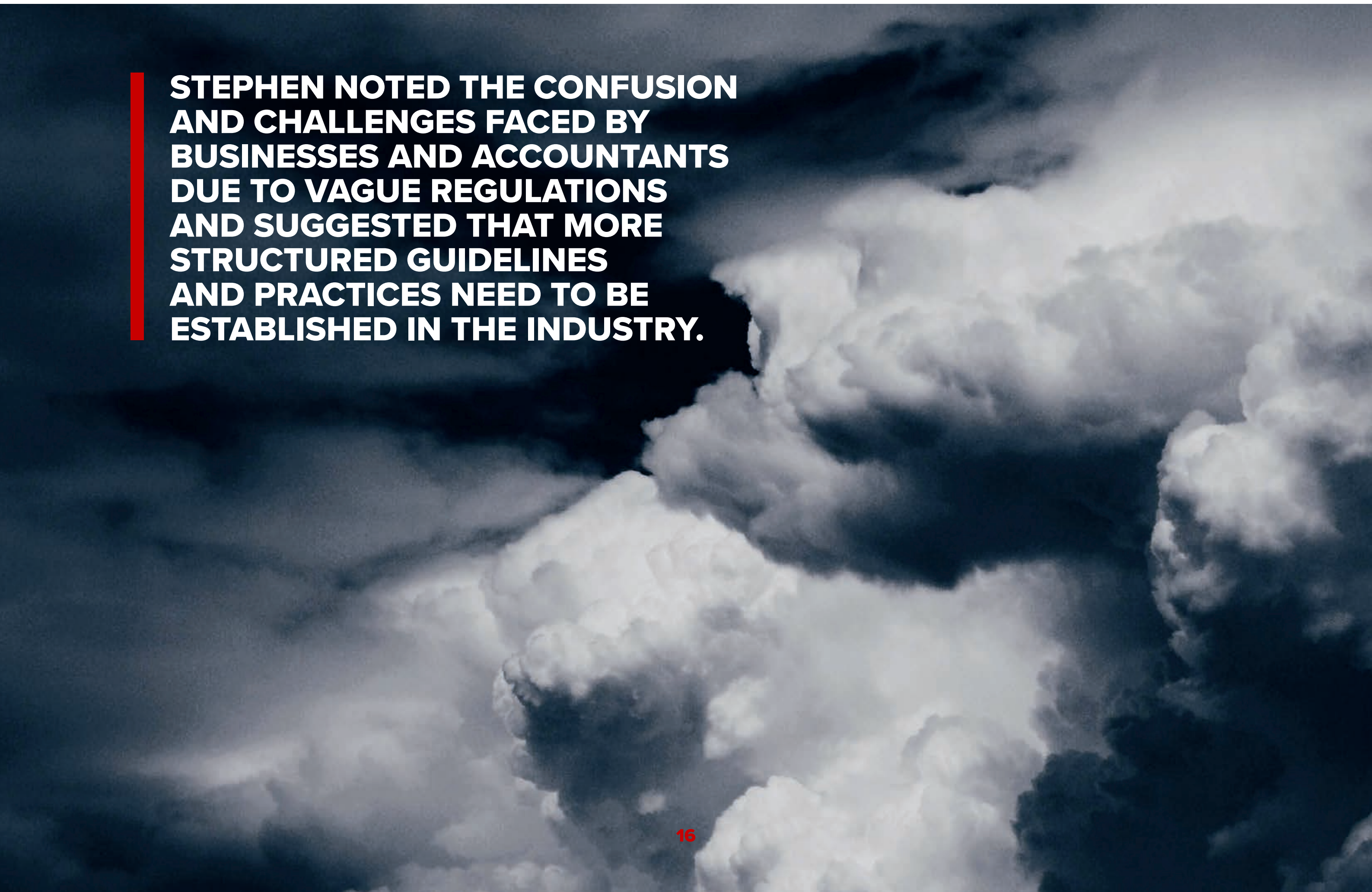
Stephen also addressed the challenges faced by SMEs in navigating the complex landscape of reporting requirements, particularly in the context of new regulations and technological changes. Stephen focused on the sense of being overwhelmed that businesses and individuals experience, owing to the constant evolution of regulations and software requirements. In particular, he highlighted that many small businesses struggle to keep up with and understand the various reporting requirements. This is particularly challenging when they reach certain revenue thresholds, where more reporting obligations suddenly apply. Technology, in Stephen's view, is both a solution and a challenge. While it enables better compliance with regulatory requirements, inconsistencies in software reporting create difficulties. Stephen argued that there is also a significant knowledge gap among businesses about what needs to be reported. For instance, he cited some examples of businesses that were unaware of basic accounting requirements, such as inventory recording. He also mentioned new requirements, including the gender pay gap reporting and credit payment terms, to which many businesses are oblivious. Stephen also highlighted this view that there is a shortage of accountancy professionals who are prepared for the new regulatory requirements. Owing to the shortage of experts, many businesses struggle to find the necessary support.

Cloud-based systems

Gavin argued that another important challenge for SME and private business is represented by cloud accounting and its potential to revolutionise the industry. The move to cloud-based systems allows for real-time data analysis, improving business decision-making and operational efficiency. This technology also facilitates outsourcing or offshoring of accounting tasks, expanding the talent pool beyond local geographies. Nonetheless, Gavin pointed out that while cloud accounting offers numerous benefits, it also raises concerns about data ownership and security. He emphasised the need for accountants to be cautious and protect sensitive client data, owing to the risks associated with cyber threats (a point also mentioned by Christof) and the importance of maintaining strong IT policies and security measures, such as two-factor authentication and regular software updates. Gavin also touched upon the generational shift in the industry, with younger, technology-enthusiast individuals entering the field and potentially leading to the creation of different tiers within the accountancy profession. He stressed the social responsibility of accountants for guiding their clients through the transition to cloud accounting, ensuring their understanding of the pros and cons involved.

Sustainability reporting

Stephen also highlighted some of the challenges created by sustainability reporting, particularly for smaller entities. He discussed the increasing demand for ESG reporting from various stakeholders, including public organisations and financial institutions, and suggested B Corp certification as a practical approach for businesses to start meeting sustainability reporting requirements. This certification is linked to the UN sustainable development goals (UNSDGs) and provides a structured framework for businesses wanting to improve their sustainability practices. Stephen concluded with a call for clearer, simplified and consistent regulations, particularly in the context of ESG reporting for SMEs. He also illustrated the example of a small company that sold muck spreaders and had to fill in a 200-page document on ESG following an order received from a major water company. He noted the confusion and challenges faced by businesses and accountants due to vague regulations and suggested that more structured guidelines and practices need to be established in the industry. Adding on this point, Eriona noted that sustainability, a relatively new area in accounting, is not well understood or prioritised by many accountancy firms. This lack of awareness and expertise cascades down to clients, who are also uninformed. Eriona suggests that addressing these challenges requires starting from the foundational level of education and training, to prepare the workforce for critical issues such as sustainability reporting and contributing to the broader efforts against climate change.



STEPHEN NOTED THE CONFUSION AND CHALLENGES FACED BY BUSINESSES AND ACCOUNTANTS DUE TO VAGUE REGULATIONS AND SUGGESTED THAT MORE STRUCTURED GUIDELINES AND PRACTICES NEED TO BE ESTABLISHED IN THE INDUSTRY.

Lack of talent in the new generation of accountancy professionals

The panellists of the 2024 FARSIG symposium argued that the lack of awareness and expertise among the new generation of accountancy professionals has been the last, but also the most discussed, challenge that SMEs and private businesses are facing.

Eriona began by expressing her concern about whether the current generation of accounting students is being adequately prepared for the rapidly changing professional landscape, particularly in the context of technology and evolving business practices. She highlighted a gap between academic training and the practical realities of the accountancy profession, emphasising that newly qualified accountants may find themselves ill-equipped to handle real-world challenges, especially those of sustainability and regulatory changes. Christof also entered the discussion, highlighting the pedagogical aspects of education in the context of his business school, which acknowledges the importance of aligning educational content with industry needs. Christof described his school's proactive approach, which includes inviting practitioners to professional advisory boards to gather insights on what should be included in the curriculum for the benefit of new students and graduates. The school has recognised a growing trend and demand for education in non-financial reporting over the past two years. To address this, it has implemented ‘boot camps’ to train faculty and adjunct professors, acknowledging that the latter also need to update their knowledge to meet industry standards. Christof added that other schools are probably taking similar steps, although the process of updating educational content to match industry expectations is challenging and is somewhat behind the curve. Nonetheless, there is a shared effort to provide basic, essential education that meets current practice requirements.

Gavin further explained his view on educational challenges. He addressed two major challenges in the accounting industry. The first challenge is ensuring that graduates from educational institutions are adequately prepared and 'fit for purpose' for the practical demands of the industry. The second challenge pertains to the industry itself, where there is a divide between firms that have transitioned to cloud accounting and those still operating traditionally. This dichotomy creates difficulties in training and integrating employees who move from traditional to cloud-based firms, as the work methodologies and technologies are significantly different. Gavin acknowledged the need to address both these issues: aligning educational outputs with industry needs and managing the internal transitions within the industry. In relation to this point, Eriona recounted her experience in transitioning a traditional accounting firm to a digital model around 2017, a change intended to reduce data entry tasks and allow staff to focus more on client interaction and consultancy services. Despite the objective of strengthening the client relationship through technology, the move was initially perceived negatively by employees, who feared that technology would render them redundant. This misperception led to a significant reduction in staff, from 20 to just 4 remaining from the original team. Eriona highlighted the challenge of changing the mindset of experienced staff to adapt to new ways of working with digital tools. She expects that the industry may be changing slowly as digital practices become more common, but acknowledges the difficulty of shifting the established mindset of industry professionals to embrace new technologies and working methods.

THE FIRST CHALLENGE IS ENSURING THAT GRADUATES FROM EDUCATIONAL INSTITUTIONS ARE ADEQUATELY PREPARED AND 'FIT FOR PURPOSE' FOR THE PRACTICAL DEMANDS OF THE INDUSTRY. THE SECOND CHALLENGE PERTAINS TO THE INDUSTRY ITSELF, WHERE THERE IS A DIVIDE BETWEEN FIRMS THAT HAVE TRANSITIONED TO CLOUD ACCOUNTING AND THOSE STILL OPERATING TRADITIONALLY.

Stephen also explained his view on the challenges for the accountancy profession in meeting the need for change in training and perception. He pointed out the worldwide shortage of individuals with the right skills who are interested in accounting, attributing some of this to the current lack of attractiveness of the profession's image, which he considers to be a misconception that needs addressing. Stephen also highlighted a trend where firms, owing to a need for staff to handle large workloads, are hiring people for specific tasks, such as data analysis, who are not and will never become accountants. While this approach solves immediate staffing needs, it raises concerns about the long-term implications for comprehensive business reporting and advice. Stephen emphasised that professional accountants should be trained to look at the bigger picture and integrate various aspects of a business, a skill that narrowly focused roles may not develop. This situation leads to questions about how the next generation of well-rounded advisers will emerge in the industry.

Eriona provided a slightly different point of view, on the need for more comprehensive commercial knowledge in accounting training, beyond just understanding regulations. She suggested a deeper understanding of how businesses operate in practice, which is essential for effective reporting and advising. Traditionally, the focus may have been more compartmentalised, but Eriona suggested that in the current environment, this knowledge is integral to all aspects of accounting work. The goal is to ensure that accounting teams are ready for a broader business context, which will enhance the quality and relevance of their work.

Gavin added that the industry is expanding beyond traditional accounting roles. He observed that accounting firms are increasingly resembling diverse businesses with varied roles, highlighting the need for skills in analysis and data management alongside traditional accounting. This shift calls for a change in both mindset and educational focus, emphasising that accounting is not limited to finance but includes a range of other specialisations that should be promoted more actively to attract a diverse pool of talent into the industry. Gavin also touched on a change in hiring practices, where firms are re-evaluating their approach to talent retention and development, moving away from a model that solely emphasises passing accounting exams to a more inclusive assessment of individual contributions and skills.

GAVIN ADDED THAT THE INDUSTRY IS EXPANDING BEYOND TRADITIONAL ACCOUNTING ROLES. HE OBSERVED THAT ACCOUNTING FIRMS ARE INCREASINGLY RESEMBLING DIVERSE BUSINESSES WITH VARIED ROLES, HIGHLIGHTING THE NEED FOR SKILLS IN ANALYSIS AND DATA MANAGEMENT ALONGSIDE TRADITIONAL ACCOUNTING.

Stephen concluded this part of the discussion on accountants' challenges by suggesting a strategic shift in managing talent within accounting firms, recognising that individuals may possess different strengths. For example, some employees might not excel in client-facing roles but are highly skilled in technology, data integration and manipulation. Stephen suggested leveraging these skills by reallocating such individuals to roles more aligned with their abilities, such as forming a technology team. This approach retains valuable knowledge within the firm and necessitates a departure from traditional business models, calling for more flexibility and innovation in talent management and organisational structure.

Silvia then moved the discussion into the connection between the industry and the academic community and asked the panel about their expectations and the missing educational elements at the university and professional level that limit the recruitment of people who have the right talent to become good accountants.

Eriona started by emphasising the need for practical skills in education, particularly for those entering the accountancy profession. She pointed out that while academic knowledge is valuable, it is equally important for students to learn basic, practical skills such as writing effective emails. Eriona noted a gap in this area, observing that some graduates struggle with these basic tasks despite holding degrees.

Additionally, Eriona highlighted the changing landscape of accounting, where technology plays a significant role. She stressed the importance of understanding not just manual calculations but also how to use accounting software effectively. This includes knowing how software-generated results are derived and how to spot and correct any errors. Eriona advocated training that enables new accountants to understand and question the results produced by software, rather than blindly trusting them. The exposure to various software systems before entering the workforce, she argued, would benefit new accountants. This preparation would help them adapt to the diverse technological tools used in modern accounting firms. Eriona noted that many firms use multiple software systems, each serving a specific purpose. Understanding these systems and how they integrate into the accounting process is crucial for new professionals.

Gavin added his opinion on the need for closer collaboration between educational institutions and accounting practices to create a smoother transition from education to the professional world. First, he explained the gap between academic education in accounting and the practical requirements of the profession, observing that students often focus on passing exams to earn exemptions and degrees, but this approach does not necessarily prepare them for the practical aspects of their future jobs. Gavin also noted a particular challenge in adapting to the digital aspects of accounting, such as working with digital accounts in a digital environment, which differs significantly from traditional methods. Gavin also touched on the discrepancy in knowledge and skills between those who have pursued a university education and those who have worked their way up within a firm. University graduates often enter the profession believing they are superior to those who haven't attended university, despite the latter group's substantial practical knowledge. Gavin agreed with Eriona on the complexity of modern accounting practices, which involve using multiple software systems, a world unfamiliar to many new graduates. He also suggested that including software certifications and training as part of educational programmes could be beneficial. Additionally, he proposed that accounting exams and qualifications (like those offered by ACCA) should be updated to reflect the realities of day-to-day work in an accounting practice.

Stephen also advocated a closer and more integrated relationship between education and business, particularly in accounting, with the need to modernise the curriculum to reflect the current and future direction of the profession (for instance, by focusing on the desire of new generations to work for purpose-driven organisations). Stephen agreed with the idea of strengthening the partnership between educational institutions and businesses. This partnership could involve local and community firms actively participating in student education, possibly even playing a role in assessments. This collaboration is seen as beneficial in preparing students for the realities of the professional environment. Stephen also stressed the importance of updating the accounting curriculum to reflect modern and dynamic business practices. There are, he said, funding challenges but partnerships can still be effective in enhancing education. Universities should move beyond traditional methods and focus on where the profession is heading. Stephen also pointed out that the accountancy profession is undergoing significant change, where just understanding business itself is not enough: an understanding of the societal and environmental impact of business is also required. This shift, he argued, is exciting and aligns with the desires of the next generation, who seek social purpose and impact in their work.

STEPHEN ALSO ADVOCATED A CLOSER AND MORE INTEGRATED RELATIONSHIP BETWEEN EDUCATION AND BUSINESS, PARTICULARLY IN ACCOUNTING, WITH THE NEED TO MODERNISE THE CURRICULUM TO REFLECT THE CURRENT AND FUTURE DIRECTION OF THE PROFESSION (FOR INSTANCE, BY FOCUSING ON THE DESIRE OF NEW GENERATIONS TO WORK FOR PURPOSE-DRIVEN ORGANISATIONS).

Before leaving the floor to further questions raised in the discussion, Silvia concluded by again highlighting, in line with the previous arguments, the risks of a gap between university education and the practical skills needed in the professional world. She acknowledged that many universities, including her own, are facing this challenge, and mentioned how her university is one planning a significant restructuring of its programmes to address this issue. The key point emphasised in the second part of the panel discussion was the necessity of dialogue between educational institutions and the professional sector. This communication is deemed essential to understanding the practical requirements of the workforce and to ensuring that students are not only academically sound but also equipped with practical skills.

THE KEY POINT EMPHASISED IN THE SECOND PART OF THE PANEL DISCUSSION WAS THE NECESSITY OF DIALOGUE BETWEEN EDUCATIONAL INSTITUTIONS AND THE PROFESSIONAL SECTOR. THIS COMMUNICATION IS DEEMED ESSENTIAL TO UNDERSTANDING THE PRACTICAL REQUIREMENTS OF THE WORKFORCE AND TO ENSURING THAT STUDENTS ARE NOT ONLY ACADEMICALLY SOUND BUT ALSO EQUIPPED WITH PRACTICAL SKILLS.

Q&A SESSION

Graham McDonald (University of Roehampton) asked the panellists if they could recommend any key software packages to which academics should expose undergraduate accounting students.

Eriona suggested that we should first take a look at the different components of accounting. First, by considering the bookkeeping package, there are Quick Books, Xero, Sage and a few others. She advised that once students develop some knowledge of one package, it is very easy for them to learn the rest, because they only change by putting buttons in different places, but they essentially do the same thing. Then, she continued, looking at data collection, there are many applications that also allow business owners to take pictures and submit data that will then be integrated with the bookkeeping package. Hence, she recommended that it is better to look at the entire ecosystem and see what should be integrated to make the data and the bookkeeping package complete. Gavin Spencer agreed with Eriona, noting that ultimately it is the owners who decide what is needed or not. Nonetheless, he underlined that if students have in their CV a certification for one of the main three software packages, it indicates that they have an understanding of what is going on. Steve agreed with Eriona and Gavin, adding that software packages such as Inflow give a fairly complete view of how processes are developing. He also added that having some understanding of the type of technology needed would be useful, especially in the audit sector, where there is an increasing use of AI to target risk.

Following from the previous question, Diogenis Baboukardos (Audencia Business School) asked whether having some knowledge of coding is nowadays an essential skill for students.

Eriona answered that this is becoming increasingly essential. She also pointed out that although nowadays there are many software packages, they do not all necessarily work together as we would like. There are different software packages for different industries, some of which are designed for 'niche' application. She highlighted how practitioners are struggling not only to find what suits them but also to integrate different applications, although this can be done with software called Zapier, for example. She continued by pointing out that it is necessary to have quite substantial knowledge of technology to be able to get different software applications to speak to each other exactly as needed. Hence, she highlighted that ability to handle some aspects of programming might be needed in the future to make the practice run more efficiently, to give the clients a better service, to be more profitable, or for other reasons. In any case, she continued, some knowledge of this could be a benefit for students and will set them ahead of anybody else in the business, because they could think more broadly. Gavin Spencer fully agreed with Eriona. He also added that this type of knowledge could be beneficial because students could develop confidence at an early stage and gain respect from the other people in a business when they saw this type of talent in practice.

Continuing on this point, Diogenis Baboukardos (Audencia Business School) asked whether business recruiters would value students with extracurricular skills more than students with accounting-body exemptions. He believes this is particularly important since, currently, universities are somehow competing over how many exemptions they could get from different accounting bodies.

Gavin Spencer discussed his four years of experience with setting tax exam exemptions for local universities. He said that he had faced some resistance when he aimed for a standard aligned with real-world expectations because students were not exposed as much to that. Despite this initial pushback, the universities eventually agreed, and students performed reasonably well. Gavin also emphasised the importance of bridging the gap between the academic and practical skills needed in the accountancy profession, suggesting that the incorporation of software certifications such as Xero, QuickBooks, or Sage into the curriculum may be a good starting point. He also advocated collaboration between universities and accounting practitioners to align education better with industry needs, ensuring students have attractive CVs and are well prepared for their careers.

Nasir Nazar raised the question of whether universities can adequately prepare students for entry into the industry by providing practical training. Similarly, Diogenis Baboukardos suggested that while practical training is valuable, universities should also offer academic training that may not always directly align with industry expectations, although it is useful to have a balance between practical and academic training for a well-rounded education.

Eriona pointed out the importance of practical experience in preparing students for the accounting industry. She highlighted her early exposure to accounting through family business involvement and suggested that such experience should have been incorporated into academic programmes earlier. She also argued that early exposure to real-world accounting practices could help students understand the profession better, potentially igniting their passion for it. Also, she noted that early practical experience could improve students' understanding of the industry and their future roles within it as it could demonstrate the evolving role of accountants, emphasising the need for them to work closely with business owners to understand their needs and make a difference.

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Simone Aresu (University of Cagliari) asked whether accountants, like other professions, are facing the risk of being replaced by computers and what are the key skills accountants need in the future to avoid this risk.

Steve expressed his belief that accountants who did not embrace technology would become extinct. In the same line, he also noted that those who understand how to leverage technology, AI and data insights would be in demand, because guiding businesses through difficult times and helping them thrive is of increasing importance. This emphasises the exciting and dynamic nature of the accountancy profession. He also argued that leaving automation to mundane tasks would free accountants to focus on more strategic and value-added activities. Gavin agreed with Steve and reflected on his own experiences by recalling how little had changed in the profession since he first started. He nonetheless acknowledged the impact of technology on the accounting industry, and emphasised the need for accountants to adapt and evolve. He agreed about the shift of the accountancy professional towards becoming a business adviser, stressing the importance of building trust with clients and being a reliable source of advice and support. In addition to this, he underlined the value of human expertise and interaction in an increasingly automated world. Specifically, he emphasised the importance of maintaining a close relationship with clients to provide valuable insights and guidance, arguing that the core role of the accountant as a trusted adviser would remain essential, despite the presence of automation in the industry.

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Eriona concluded this discussion by highlighting how the adoption of technology allowed her to provide more personalised and effective assistance to clients. Specifically, she explained how her firm had not only reduced its client base significantly to focus on deeper engagements with fewer clients but had also increased profitability through enhanced communication and understanding of their businesses. She also stressed the importance of becoming trusted partners to business owners, indicating that while the profession would change the nature of its communication and roles within businesses, it wouldn't become extinct. Instead, in line with Gavin’s opinion, she believed it would adapt to serve the evolving needs of clients more effectively in the modern business landscape.

Diogenis Baboukardos (Audencia Business School) raised the issue of sustainability reporting and posed a question to Christof Beuselinck about the depth of engagement with non-financial reporting as revealed in existing literature. Specifically, Diogenis reflected on whether such reporting efforts, particularly for smaller companies, were merely superficial or whether they carried substantial value.

Christof noted that research covering private firms is still in its infancy and existing literature unfortunately lacks sufficient evidence to determine whether non-financial reporting is substantive or merely boilerplate. Despite this, he noted that non-financial reporting on SMEs imposes the significant burden of developing metrics, taxonomies and applications for delivering information. Given this, he suggested that while non-financial reporting might be relevant for big companies, its implementation may be more difficult for smaller entities owing to resource constraints and other priorities. He also emphasised the need for public policy debates to determine the relevance and necessity of non-financial reporting for different types of businesses, suggesting that, below a certain threshold, non-financial reporting might not add significant value and could only be a burden.

> **CHRISTOF SUGGESTED THAT WHILE NON-FINANCIAL REPORTING MIGHT BE RELEVANT FOR BIG COMPANIES, ITS IMPLEMENTATION MAY BE MORE DIFFICULT FOR SMALLER ENTITIES OWING TO RESOURCE CONSTRAINTS AND OTHER PRIORITIES.**

Steve added that non-financial reporting is already being done by many SMEs, although this might not be immediately visible to the public. In his experience, various entities, including financial institutions and suppliers, are now requesting private non-financial reports to verify a firm’s ESG commitment. He also underlined that while this reporting might not be public now, it may become public. Gavin acknowledged Steve's point, highlighting the importance of diversification within the industry and emphasising the increasing adoption of sustainability reporting, not solely because of legal obligations but also because it can enhance brand reputation and reflect a sense of responsibility towards future generations. Gavin also stressed the necessity for businesses of embracing these practices, regardless of regulatory mandates, and he underscored the importance of cost-effective implementation for long-term sustainability.

Eriona agreed on this point by stressing the advantage that early adopters have in using sustainability reporting for marketing purposes. She also predicted that as more firms embrace this practice, it will become an expectation rather than a novelty. Eventually, she predicted, regulation will inevitably follow, like the standards observed among larger companies.

Fanis Tsoligkas (University of Bath) asked whether there is a scope for developing teaching case studies out of practitioner's experience that could then be used by ACCA and disseminated through members of the FARSIG, to bring together academics with professionals and the next generation of accountants in a systematic and organised way.

Christof highlighted his decade-long experience in fostering collaboration between academia and practitioners through case studies derived from real-world experiences. He emphasised the relevance and timeliness of such case studies in preparing students for real-life industry practices, explaining that his institution actively recruits industry professionals as adjunct faculty members, to provide direct exposure and exchange with students. He also mentioned the potential for mentorship between visiting faculty members and students, suggesting that these relationships could facilitate the development of case studies. Even so, he admitted that there has been a lack of integration with accreditation bodies, and noted the importance of incorporating such initiatives into the educational curriculum.

Eriona proposed implementing similar learning methods in undergraduate programmes through regular panel discussions involving business owners, to allow students to gain exposure to real-life scenarios and understand how business owners think and make decisions. She also emphasised the importance of exposing students to practical challenges and problem-solving approaches, which she believed would enhance their learning experience and provide them with valuable skills.

Gavin added that to facilitate panel discussions it could be useful to emphasise the role of technology in making such interactions accessible to a wider audience. He also noted that current technological advancements allow multiple university graduates or students to participate in panel meetings remotely. Gavin suggested promoting these opportunities within academia to encourage student attendance and participation, thereby enabling them to gain insights and ask questions from industry professionals relevant to their field of study. He underscored the importance of leveraging technology to enhance learning experiences and bridge the gap between academia and industry.

Steve emphasised the critical need for access and collaboration between academia and the accountancy profession, stressing the importance of the common goal of attracting a wider range of individuals into the profession. He again highlighted the current shortage of professionals and the lack of diversity, particularly in accounting firms where the partnership table is predominantly occupied by white middle-aged men. Steve acknowledged the potential for real change with the influx of recruits from diverse backgrounds, emphasising the need to build on momentum for this through collaboration with academia. He suggested that fostering connections between academia and future generations can be purposeful in addressing these issues.

Gavin agreed with these points, noting the importance of recognising and promoting diversity within the profession. He mentioned the success of individuals like Eriona and emphasised the need to ensure that such diverse talent is visible and encouraged within the profession. Gavin also noted the decreasing age of managing directors, suggesting that opportunities for participation in the profession are available to individuals at a younger age than was historically the case. He stressed the importance of diversity and inclusion in accounting, particularly that the profession can be accessible to individuals from various backgrounds.

3. Conclusions

The 2024 FARSIG symposium on the 'Future of Financial Reporting' debated the future trends and challenges of private companies' and SMEs' reporting. It was held, with the support of ACCA, on a virtual platform, on 12 January 2024, against a background of continuing political, economic and social changes and continuing challenges to accounting and financial reporting.

The world population is currently witnessing the most active number of conflicts of any time since the end of World War II, with deathly conflicts taking place in Ukraine, Palestine, Sudan and Yemen, stoking global instability. It was estimated that one in six people in the world has been exposed to conflicts in the past 12 months, with an increase in political violence of 27%, in 2023, since the previous year (Colomina 2023). At the time this report was being written (April 2024), the war in Gaza, according to the Gaza Health Ministry, had killed more than 33,000 people (including 13,000 children) with more than one-third of the population being at risk of starving to death (Fowers et al. 2024). The last year has also witnessed an escalation in the sense of impunity and disrespect for international law, with the entrenchment of the war in Ukraine; the expulsion of population with Armenian ethnicity from Nagorno Karabakh; and the succession of coups in six African countries all being reported by Colomina (2023) as clear illustrations of this moment of 'deregulation of the use of force'. Against this terrible background, more than three billion people will go to the elections in more than 70 countries around the world in 2024. This represents an important test for the stability of the democratic system worldwide and will be indicative of whether the rise of political extremism that has characterised the last few years will be reinforced or weakened.

The multiple conflicts and the political and electoral uncertainty faced worldwide in the last few years are expected to widen the social and economic inequalities in societies. From an economic point of view, 2024 is expected to be characterised by generalised growth (3.1 per cent), which is still expected to be lower than the pre-pandemic levels (3.8 per cent) (IMF 2024). And advanced economies are expected to see growth decline slightly in 2024 before rising again in 2025. Emerging and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences (IMF 2024). Inflation is also expected to fall in most regions worldwide (averaging 5.8% in 2024 and 4.4% in 2025), amid unwinding supply-side issues and restrictive monetary policy. The International Labour Organization (IOL) highlighted that although rates of both unemployment and gaps in employment have fallen below the pre-pandemic levels, the labour market outlook and global unemployment are both expected to worsen in 2024 (IOL 2024). IOL (2024) also predicts that disposable incomes will continue declining in the majority of G20 countries and the number of workers living in extreme and moderate poverty will increase worldwide. Important differences between high- and low-income countries are expected to persist. While in 2023 high-income countries recorded a jobs gap rate of 8.2% and an unemployment rate of 4.5, these rates stood at, respectively, 20.5% and 5.7% in low-income countries (IOL 2024).

Progress toward more sustainable development is still happening very slowly, and the situation in 2023 was more concerning than pre-pandemic. In 2023, the UN published a report that highlights the progress made toward the 17 UNSDGs (UN 2023). The report shows that, in 2023, the situation was much more worrying than before. The COVID-19 pandemic, cost-of-living crises and the numerous armed conflicts and natural disasters that have characterised recent years have erased the progress made in different areas of sustainability, including the eradication of extreme poverty. For SDGs in which progress was considered to be too slow in 2019, countries have not advanced enough. For other SDGs, including food security, climate action and biodiversity conservation, the report has stressed that the 'world is still moving in the wrong direction' (UN 2023). This report calls for urgent actions to accelerate the progress toward the SDGs, otherwise poverty, social inequalities, disease, hunger, and other disasters will be reinforced, and humanity will face prolonged periods of crisis and uncertainty.

As for accounting, there have also been some very important developments in 2023/2024. The IASB's agenda for 2024 contains different key topics, including accounting for climate-related and other uncertainties in the financial statements, a second comprehensive review of the IFRS for SMEs Standard, Intangible Assets, Rate-regulated Activities, and Post-implementation reviews for IFRS 9 and IFRS 15. This evolving scenario of financial and non-financial reporting inspired the 2024 FARSIG symposium on the 'Future of Financial Reporting' to focus on the future trends and the key challenges faced by SMEs and private companies. The speakers' presentations and the panel discussion that took place at the symposium focused on the following central themes: the key challenges faced by SMEs and private businesses, and their accounting firms, in relation to corporate reporting; the role that political uncertainty and rapid regulatory changes play for the accountancy profession; the benefits and risks of the use of cloud accounting in private enterprises; the impact of the increasing demand for ESG/sustainability-related information on SMEs' reporting; the influence of these demands on the training of current accountants and the education of future ones; and the need to improve the relationship between academia and industry in the accounting field.

In discussing these topics, the symposium has highlighted the burdens that increasing regulations on financial and non-financial reporting impose on accounting firms, SMEs and private businesses in the UK, and provided valuable suggestions for regulators on how to reduce the severity of these burdens. It has also identified interesting emerging trends in private corporations, such as cloud accounting, which offers numerous benefits to SMEs but raises concerns about data ownership and exposes them to cybersecurity threats. The symposium also discussed the challenges that SMEs and private corporations face nowadays, with the increasing importance that 'thinking and acting sustainably' has for businesses. The symposium also highlighted the existence of important gaps between accounting education and the skills that are needed in the accountancy profession, and has provided valuable food for thought on how these gaps could be overcome.

The participants discussed issues of key importance in financial and non-financial accounting and reporting. By debating the future trends and challenges in SMEs' and private businesses' corporate reporting, the symposium aimed to attract the attention of regulators and practitioners on these issues. In doing so, it also provided valuable contributions to the current project undertaken by the IASB aimed at reviewing IFRS for SMEs by supporting the need for more simplification and reduced disclosure requirements.

BY DEBATING THE FUTURE TRENDS AND CHALLENGES IN SMEs' AND PRIVATE BUSINESSES' CORPORATE REPORTING, THE SYMPOSIUM AIMED TO ATTRACT THE ATTENTION OF REGULATORS AND PRACTITIONERS ON THESE ISSUES.

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