

Cloud Accounting as an Approach to Digital Transformation in Modern Organizations

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Abstract: *This article lies in its contribution to highlighting the role of cloud financial accounting in achieving digital transformation of modern organizations. It helps organizations understand the advantages of implementing this system compared to traditional systems and clarifies the relationship between cloud accounting and improving the quality of accounting information. Furthermore, it supports decision-makers in adopting digital solutions that enhance business sustainability. Despite the significant advantages offered by cloud accounting, many organizations still face challenges in transitioning from traditional to cloud systems, whether due to concerns related to data security or a lack of awareness of the importance of this transformation. In addition to extent to which these institutions can employ cloud financial accounting as an effective entry point for digital transformation, and whether this technology actually contributes to improving financial and administrative performance, aim of the article is to study and analyse the impact of cloud financial accounting as an entry point for digital transformation in modern institutions, with a focus on the extent of its contribution to enhancing the efficiency of financial operations and supporting decision-making. article hypothesis that application of cloud accounting contributes significantly to achieving the digital transformation of modern institutions, by improving the quality of financial information, enhancing operational efficiency, and providing a sustainable competitive advantage. Among the most important result is that there is a positive relationship between the use of cloud financial accounting and the level of digital transformation in modern institutions, as well as the contribution of cloud accounting to improving the quality of financial reports, increasing transparency, reducing operational costs, and enhancing the efficiency of available resources.*

Keywords: cloud accounting, digital transformation, modern institutions.

INTRODUCTION

Over the past two decades, the world has witnessed a significant surge in digital technology, profoundly impacting the nature of business, economic activities, and management. Digital transformation has become an urgent necessity driven by market demands, the increasing volume of data, and the need for speed and accuracy in decision-making. Amidst this evolution,

cloud accounting has emerged as one of the most important practical applications of cloud computing. It represents a qualitative leap in the management of financial and accounting data, providing organizations with unprecedented capabilities for processing and monitoring information in real time and with security. Cloud accounting is not merely a technological tool for storing data on remote servers; it is a strategic entry point for digital transformation, fundamentally changing the way financial reports are prepared and processed. It enables instant access to accounting information from anywhere, at any time, enhancing responsiveness to changes and providing decision-makers with a clearer and more comprehensive view of financial performance. Furthermore, it reduces the financial burdens associated with purchasing and maintaining traditional systems and grants organizations greater flexibility in expanding and integrating with other systems, such as human resource management or supply chain management systems. Despite the numerous advantages offered by cloud accounting, its application in modern organizations raises several questions regarding its compatibility with cybersecurity requirements, local regulations, and digital infrastructure. However, the global trend clearly indicates that cloud accounting has become a key element in supporting digital transformation, especially with the increasing reliance of organizations on big data and advanced analytics in developing their strategies. Therefore, studying cloud accounting as an entry point for digital transformation in modern organizations is an important and worthwhile topic for research. It helps in understanding how this system contributes to enhancing the quality of accounting information, developing financial processes, and raising the level of operational efficiency, which ultimately translates into achieving a sustainable competitive advantage for organizations in a constantly changing and highly competitive business environment.

LITERATURE REVIEW

The Concept of Cloud Accounting: - Many definitions have addressed the concept of cloud accounting, and the most prominent can be summarized as follows: Cloud accounting is a system accessible via the internet, allowing users to access their accounting records from anywhere using their personal devices with an internet connection. This model is an extension of traditional accounting systems, offering advanced services including information management and administrative decision-making. This system provides the ability to upload data via the internet and interact with accounting information using personal computers and mobile devices anytime, anywhere, thus contributing to enhanced performance efficiency and ensuring the availability of accounting information. In another definition, cloud accounting is a strategy that relies on the use of accounting software hosted on external servers belonging to a third party via the internet. This model enables companies to prepare their accounts in collaboration with specialized accounting firms. It contributes to reducing the costs associated with preparing financial reports and enhances compliance with international regulations and laws.^{10}

Benefits of Cloud Accounting :- Various economic institutions can reap several benefits from implementing cloud accounting, as follows:^{7}

- **Lower Costs:** The costs associated with using accounting software consist of both the initial investment and subsequent maintenance expenses.

Organizations can significantly reduce the initial investment through cloud accounting solutions because the business model doesn't require purchasing hardware or proprietary software licenses.

- Access to All Accounting Information: Cloud computing surpasses traditional methods in saving time, provided the user has an internet connection. They can access their accounting records via laptop or smartphone anytime, anywhere.
- Real-Time Information Updates: In traditional accounting systems, updating accounting information is done manually at multiple levels, including reports, ledgers, and other documents. However, with cloud accounting, when new data is entered, all levels (records and documents) are updated. This saves time and money and reduces the potential for errors.
- Ensuring Financial Information Security: This is achieved by securing all financial information in cloud computing through highly advanced security strategies such as encryption, which ensures that data transmitted over the internet or stored on cloud servers remains secure and protected from unauthorized access.
- Enabling Team Access: Cloud accounting services allow teams to have constant access to available data. Adding new users is easy through profile creation and usernames, facilitating collaboration.
- Automatic Data Backup and Recovery: Cloud accounting surpasses traditional accounting in this area. It enables automatic data backup and reduces the potential for human error.
- Accounting information can be backed up automatically and stored in a location outside the workplace, thus securing information in case of a data breach or database failure.

Difference Between Cloud Accounting and Traditional Accounting: - Companies providing cloud accounting services share similar financial policies and standards with traditional accountants, but the tools used differ in several ways: ^{6}

- ✓ Cloud accounting software is similar to traditional accounting software installed on computers, but it is not installed on the computer itself. Instead, it is accessed via the internet. Data is sent to the cloud, processed there, and then returned to the user. All application functions are used remotely, not on the user's desktop.
- ✓ Cloud accounting is characterized by its flexibility, as accounting data can be accessed from any device in any location with a secure internet connection, unlike traditional accounting, which is limited to a small number of devices in specific locations.
- ✓ Cloud accounting applications automatically update financial information, ensuring timely availability of financial reports and accurate account balances because the data is not processed manually.
- ✓ Cloud accounting technology allows for the efficient management of operations within organizations across multiple currencies and companies.
- ✓ Cloud accounting systems are more secure than traditional accounting systems due to the reduced likelihood of errors. The system ensures continuous security through automatic backups of all operations, eliminating the need for application downloads or updates, unlike traditional accounting systems.

Cloud accounting software requires minimal hardware investment. Maintenance, such as backups, error detection and repair, and update installation, is handled by vendors. Cloud accounting software enables both managers and employees to access, update, and use data globally from anywhere with an internet connection. ^{4}

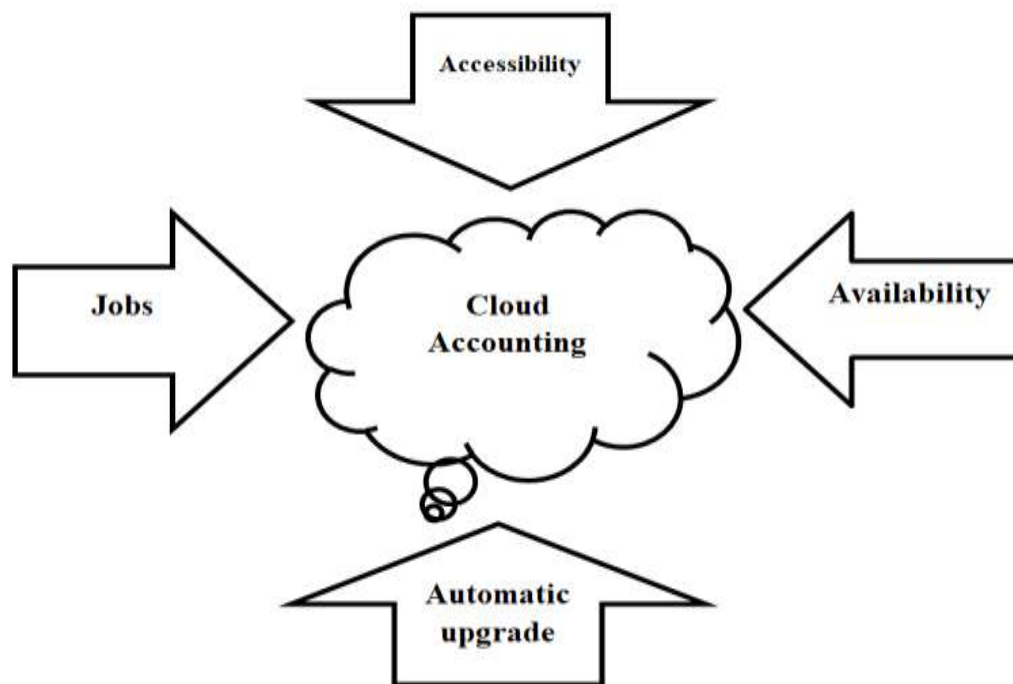


Figure1. Characteristics of Cloud Accounting Technology ^{5}

Concept of Digital Transformation: - Digital transformation plays a significant role across various digital and economic sectors by providing payment services and digital platforms. These platforms aim to save time and effort and increase performance levels due to technological advancements, modern technologies, and the information generated by digital transformation. ^{1} Digital transformation necessitates the development of comprehensive programs designed to provide services related to the overall management of financial information. Furthermore, it aims to achieve financial inclusion to foster growth, attract investments, improve government performance through automation, create job opportunities, and facilitate collaboration between the public and private sectors. In the field of accounting, the current era demands the ability to adapt to digital technological advancements. Digitization facilitates faster and easier data storage. Digital technology encourages all fields of science to embrace digital transformation, including practical accounting, enabling the use of technology to perform various accounting tasks. The digitization of financial reporting can accelerate and simplify decision-making in strategy design and forecasting potential future conditions. Digital accounting systems help organizations record transactions, leading to more efficient and effective data processing through the electronic preparation, representation, and transmission of financial information. The digitization of accounting information systems impacts the role of accountants in data processing, shifting their function from manual financial reporting to the

use of digital technology. This, in turn, helps accounting systems develop more automated processes, improve data processing, and generate faster and more accurate reports. Digital transformation aims to help organizations compete in a globalized economy and a thriving industrial revolution. ^{11} the success of organizations in implementing digital transformation must consider three key factors: cost, profitability, and convenience. Digital transformation within organizations is implemented in two phases or processes: digitizing documents and records, and implementing the digital transformation itself. ^{9} The concept of digitization refers to the process of converting physical records into digital formats, while the concept of documentation refers to the process of creating and preserving records and information. Both digitization and documentation play a crucial role in the digital transformation of organizations. Digital transformation is defined as the process by which organizations strive to utilize information, communication, and internet technologies to improve the performance of their various tasks and operations, and to communicate the digital transformation procedures to internal and external users. This relies on three main resources: the flow of information, the information technology used, and human resources. Digital transformation is also defined as a radical and structural change in organizations' business models through the use of digital technologies in carrying out various operational processes and in building relationships with suppliers and customers on the one hand, and with various stakeholders on the other. ^{8}

Digital Transformation in Accounting Systems for Small and Large Enterprises: - In light of digital transformation, small businesses are finding it difficult to keep pace with large corporations due to the vast resources and advantages that larger companies possess. Most large corporations find digital transformation easier and faster than small and medium-sized enterprises (SMEs). Small and medium-sized enterprises (SMEs) need more external assistance, particularly in the field of financial technology (FinTech), which facilitates the digital modernization of their accounting systems. Despite progress, SMEs are showing increasing interest in digital transformation. For example, the mobile payment platforms and fintech booming in the People's Republic of China are growing evidence of SMEs' adoption of and confidence in solutions achieved through digital transformation. Since the outbreak of the COVID-19 pandemic, surveys from several global institutions have shown that the rapid adoption of remote work and digital point-of-sale (POS) systems in SMEs not only indicates a significant shift in business models but also highlights the remarkable acceleration in the pace of digital transformation of accounting information systems. Traditional accounting relies on storing data in the traditional way by uploading paper files and databases. Currently, this traditional method is being replaced by other technologies such as electronic money transfer, internal and external internet access, and electronic data exchange. Thanks to these technologies, digital applications have begun to be used in the accounting profession. With the adoption of digital accounting, the presentation and transfer of information electronically has become possible. In the new accounting approach, the accounting process has changed radically. ^{2} The classification, recording, and reporting activities that were previously performed manually have been replaced by artificial intelligence (AI) technology through the use of various methods such as machine learning and deep learning. This has made it possible to process and analyse massive amounts of data in a short time. AI technology performs these processes through digital transformation, resulting in several advantages, including reduced costs, increased productivity, and the emergence of new products and services. Benefits have also been realized in terms of speed and efficiency, enabling transactions to be completed in

minutes instead of the lengthy manual processes they previously required. Digital transformation has led accountants to use online programs for invoicing, record-keeping, and electronic archiving, and then to shift to cloud computing systems instead of traditional online archiving. The continued use of the internet for accounting transactions signifies that the accounting profession has evolved significantly and become increasingly important. {3}

CONCLUSIONS

- ❖ Cloud accounting is a key pillar of digital transformation technologies, as it digitizes financial processes and contributes to improving the quality of accounting information.
- ❖ Cloud accounting contributes to faster and more accurate decision-making by providing immediate access to financial information through the automation of accounting processes. This leads to faster work completion in various modern organizations.
- ❖ Implementing cloud accounting helps reduce time, costs, and manual effort, and contributes to minimizing human error.
- ❖ Implementing cloud accounting helps enhance the competitiveness of organizations in a complex environment that is moving towards digital transformation and striving to increase their capabilities for innovation and rapid technological advancements.

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