IJARSCT
ISSN (Online) 2581-9429
International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
Impact Factor: 7.301
Volume 3, Issue 7, January 2023

Impact of Digital Currency on Management Accounting and Finance

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Abstract: *In the recent year the digital economy has developed with active strength or force relying on interest technology and blockchain technology has played an vital role in promoting high-quality information processing. The closely connected digital currency system is still in the rising stage with faults in all aspects and hidden risks in the market that cannot be ignored. In order to ensure the lawful rights and likes of investors this paper deeply research the current global economic development of and advanced database mechanism that allows transparent information sharing within a business network. Digital currency will allow us to make efficient transfer of money.*

A cryptocurrency is a kind of virtual or digital money that is protected by encryption, which prevents double spending on a distributed network.

A few nations publicly quote on the global market because of the significant price volatility of digital currency. In light of the fact that these two items somewhat fit the criteria of financial instruments, the currency is acknowledged as a financial asset for accounting purposes.

Risks can arise when using cryptoasset technology. The risks associated with new technology include operational and legal issues as activity migrates or new entities and business models arise, as well as financial risks from direct exposures or spillovers between markets and new forms of entities.

Keywords: Cryptocurrency.

I. INTRODUCTION

Digital Currency" refers to electronic money that is issued via blockchain technology with distributed ledger technology serving as the information infrastructure. Furthermore, central bank digital currencies (CBDCs) offer the distinct benefits of finality, liquidity, and integrity associated with central bank money settlement in a digital format.

Digital currency is an (unlike any other thing in the world) (related to computers and science) (moving ahead or up) that has received increasing attention from (people who work to find information), (people or businesses who give money to help start businesses), banks and (devices that control things/groups of people that ensure rules are followed). It is a mode of exchange that does not have a physical or able to be touched/real basis and exists purely in an electronic form. It should not, however, be confused with electronic money such as an online bank account, which shows the amount of cash that is held in a specified account and is linked to a physical currency. Many businesses are now chasing after digital currency as part of their wider (related to managing money) management system, and this should be appropriately recorded in their (related to managing money) statements. (even though there is the existence of) the fast increase in the amount and frequency of digital currency transactions, there is no clear guidance from the International Accounting Standards Board (IASB). The classification of digital types of money is a significant issue, and lack of guidance from standard-setters affects the accounting treatment of digital types of money and statements to people in (related to managing money) statements.

1.1 Objective

- To study about different types digital currency
- To study about concepts of management accounting and finance
- To study about impact of digital currency on management accounting and finance

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1.2 Types of Digital Money

Central bank digital currency (CBDCs)

Central bank digital types of money (CBDCs) are types of money issued by the central bank of a country. They are separate from fiat types of money, which are also supported by the authority and credit of a central bank, and are another (responsibility/duty) of the institution. CBDCs reduce money-based policy putting into use by removing (people who get between two arguing parties to help them agree) from the policy by beginning and building on a direct connection between the government and the average person (who lawfully lives in a country, state, etc.). Banks and banks responsible for distributing national currency are no longer needed/demanded in the process

Cryptocurrencies

Cryptocurrencies are digital types of money designed using (the science of making secret codes). The crypto wrapper around a digital currency provides improved security and makes transactions tamper-resistant. The two most well-known cryptocurrencies are Ethereum and Bitcoin. Since 2017, the (quality of being liked a lot or done a lot) of cryptocurrencies as an investment class has very quickly risen very high their value and the overall market capitalization of crypto markets. By July 2021, the market cap of cryptocurrencies had gone past $2 trillion

Stablecoins

Stablecoins are a difference/different version of cryptocurrencies and were developed to fight against the price dangerous nature/wild up and down prices of regular cryptocurrencies. Stablecoins can be compared to a form of private money whose price is tied to that of an official order currency or a basket of products (that are bought and sold) to make sure that they remain stable. They can be a substitute for fiat types of money, except they are not supported by governmental authority.

1.3 Advantages of Digital Money

Digital money eliminates the need for physical storage and safekeeping that is a (feature/ quality/ trait) of cash-intensive systems. You do not need to invest in a wallet or bank vaults to make sure that your money is not stolen.

Digital money simplifies accounting and record-keeping for transactions through technology. Therefore, manual accounting and separate thing/business-clearly stated/particular ledgers are not necessary to maintain records of transactions

While it has already shortened the amount of time and the cost needed/demanded to move (from one place to another) money across borders, digital money has the possible ability to further (totally change and improve) the payment industry by eliminating (people who get between two arguing parties to help them agree) and further reducing the costs connected with cross-border moves (from one place to another).

Digital money removes (people who get between two arguing parties to help them agree) in the (putting into) use of money-based policy and makes it possible to include groups of people who were (before that/before now) left out/kept out from the (process of people making, selling, and buying things). For example, those who are unbanked can still participate in a (process of people making, selling, and buying things) by using digital money present in their online wallet or mobile phones.

In the case of cryptocurrencies, digital money transactions can become (deleting offensive things from books, movies, etc.)-resistant, meaning they can be strong (against attack) to watching and following by government or other people in charge

1.4 Disadvantages of Digital Money

Digital money is easily able to be harmed or influenced by hacking. Even as it removes the need for physical safekeeping, digital money's origins in technology secure/make sure of that this form of money becomes a target for computer criminals, who can steal from digital wallets

A very smooth (related to managing money) (basic equipment needed for a business or society to operate) consisting of digitally connected things/businesses can be brought down by computer criminals. The 2018 SWIFT hacks, which affected many countries, are an example. Hacks of digital money on a large scale have the possible ability to bring a country's (related to managing money) (basic equipment needed for a business or society to operate) to heel and become a national security threat.

Digital money has its own set of costs. For example, digital wallets are needed/demanded to store digital money. Cryptocurrencies also require (rights to care for and protect someone) solutions that act as a failsafe against computer criminals. Systems that use blockchains also have to pay transaction fees, or the costs connected with processing the transaction, to miners

Digital money presents (more than two, but not a lot of) challenges on the authority and control and set of rules front. This form of money is unknown (land area owned or controlled by someone) for policymakers, and problems have already begun newly appearing in its community.

Digital money use can agree (after everyone gives something up) user privacy. Cash is unnamed, and it is nearly impossible to track and trace its users. While the use of internet cookies enables targeted advertising, the effects/results/suggestions for digital money watching and following are more (affecting lots of things in many ways for a long time)

1.5 Impact of digital currency on management accounting and finance

The use of digital currencies may result in modifications to transaction procedures and consumer behavior. Transactions with digital currencies can be completed more quickly, affordably, and securely, which may encourage more people to use them.

It is anticipated that the digital rupee would have a widespread effect on the Indian economy if it is integrated into the country's monetary system. Benefits of CBDC including fewer transactions using actual cash, faster transaction times, and increased digital efficiency are expected to create this impact.

II. CONCLUSION

Digital currency is greatly affected by macro market changes, and its price goes up and down often. There are large transaction risks and it is very hard to maintain basic (firm and steady nature/lasting nature/strength). Therefore, many countries include digital currency as a virtual (something of value) rather than legal cash equals in the market.

Efficient money transfers will be possible with the use of digital currency.

It also makes it possible for cross-border transactions to be soft and seamless, with lower transaction costs and quicker asset settlement.

Digital currencies come both benefits and drawbacks. They come with hazards, like instability and security issues, even if they give users more control and security. Users should carefully consider the benefits and drawbacks of digital currencies and be aware of the risks associated with them as they continue to gain popularity. When making an investment in digital currencies, like with any other, it is crucial to do extensive study and consult a professional.

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