BLOCKCHAIN IN MANAGEMENT ACCOUNTING
WHAT WE’LL COVER TODAY

• LOT ABOUT BLOCKCHAIN
• LOOKING AT MANAGEMENT CONSULTING FROM A DISRUPTION LENS
THE FUTURE OF MANAGEMENT ACCOUNTING?
LET’S TALK ABOUT BLOCKCHAIN

- Trust & Disclosure
- Fundraising
- Auditing
- Incorporation
- Disrupting the Firm
WHAT IS BLOCKCHAIN?

Blockchain technology: in short;
- Records data in blocks of transactions,
- In a digital ledger held by all participants, and
- Uses a network to agree on information that can only be added to the ledger.

Despite reflecting similar information as databases today, it has been heralded as infrastructure for a trust revolution – but why?
TRUST

- **Blockchain – the trust machine**
- **What is trust**
- “A confident relationship with the unknown” – Rachel Botswana
- **Why does this matter in a corporate context?**
- **Who do we trust?**
- **Think of everything that corporations have to do to keep public confidence…**
- **Scaling Accountability**
- “Verifying identity and establishing trust is no longer the right and privilege of the financial intermediary”
SMART CONTRACTS

• **Now that we have trust — what can we do with it?**

• **Regulation and compliance in many ways is structured for many contingencies**
  
  - *It often has a right answer*
  
  - *Works well with if this — then that statements*
  
  - *Has defined parameters and thresholds*
  
  - *Particularly in the central circle…*

  **Can this be coded?**
TRUST, AUDITING & DISCLOSURE

- Disclosure / auditing
  - Company disclosure
    - Annual reporting
    - Auditing
      - Assessment of assertions of existence, accuracy & completeness of information could be automated
  - Shareholder requests
TRUST & DISCLOSURE

• Directors disclosure
• Improve transparency and improve privacy — blockchain can do both at the same time

Conflict of Interest: A Director’s Duty to Disclose
FUNDRAISING

- IPO
  - Extensive disclosure requirements + expensive
  - Sophisticated investor requirements
- ICO/IEO/STO – Similarities & differences to IPO
  - Augur – 2015
  - $4 million
  - 1 week
  - 3,500 people from the US, China, Japan, South Africa, Kenya, Uganda
FUNDRAISING

DLT is an efficient and scalable database technology
DLT-based CHESS removes reconciliation and delivers reliable, accurate, more timely data

CHESS today
Sends messages to reconcile many and different systems

DLT-based CHESS
Offers single source of truth data on standardised databases

HTTPS://WWW.YOUTUBE.COM/WATCH?v=POYcro53SOI
INSOLVENCY

- **Smart Contracts**
- **Distributing Assets Automatically**
- **Pre-Existing Preferences**

Expenses properly incurred in preserving, realizing, the property for the company / carrying on the business

Costs for application to wind up

Other expenses necessary for an orderly winding up eg. Debts for which an administrator is entitled to be indemnified

Remuneration or fees for the service of a liquidator

Employee costs eg. outstanding wages / superannuation
INTEGRATION

- **Smart contracts**

  "Without any legislative change, traditional paper-driven, highly iterative processes can be transferred to the blockchain securely and effectively, increasing efficiency and dramatically lowering costs"  

  - Antoine Verdon, Co-founders of Proxeus
THE “FIRM”

- A company abstracts transaction cost between contractors
- Free market inefficient in picking many layers of contractors in large projects
  - How to ensure quality
  - Payment settlement
- Create the “firm”
  - Hire to create trust
  - Everything inside can be trusted
- Use blockchain to create a DAO
  - Orchestrates governance
  - Deploys capital and funding
  - Open, public, neutral, censorship resistant
THE DAO

- **DAO – Decentralized Autonomous Organization**
  - The constitution is replaced with code
  - Removes human processing that doesn’t add value
  - Can make international transactions almost instant
  - Operates in a global jurisdiction
  - Is completely transparent
  - Is controlled fully by shareholders
  - Is not subject to government regulations
STILL EARLY DAYS...

- LIMITED use cases
- EXPENSIVE
- CODE & subjectivity don’t mix
- WE need to know the limits of transparency in achieving good corporate culture

BUT an opportunity to reassess human value in the financial system