



Accounting Challenges Facing Financial Institutions

Tawfiq M. Abu-Raqabah, Ph. D

Alcorn State University
School of Business.

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***Corresponding Author:** Tawfiq M. Abu-Raqabah, Alcorn State University
School of Business.

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Abstract:

The Great Recession of 2008 resulted from deregulation in the financial industry that allowed banks to engage in risky hedge fund trading with derivatives, supported by the origination of mortgage loans. As housing prices declined due to an oversupply in the market, the derivative markets collapsed, triggering a global financial crisis. The number of financial institution charters in the United States declined sharply in the aftermath. Financial institutions have always played a critical role in the economy, but the Great Recession highlighted how deeply interconnected the financial system is with overall economic stability. Proper oversight by regulators, examiners, and auditors remains essential for maintaining financial integrity. This paper explores the accounting challenges currently facing the evolving financial services industry. Considering recent developments in regulation, technology, and the lingering effects of the COVID-19 pandemic, these changes can appear overwhelming. The discussion examines several major challenges confronting accountants in the financial world today, including changes in accounting standards (e.g., current expected credit losses and lease accounting), new government regulations (e.g., the Biden administration's IRS monitoring proposal), advancements in digital technology (e.g., blockchain and virtual currency), and the ongoing impacts of the COVID-19 pandemic (e.g., budgeting, remote work, and Paycheck Protection Program loans).

Keywords: Great Recession, accounting challenges, financial institutions, regulation, blockchain, COVID-19 pandemic, IRS monitoring

1. Introduction

Financial institutions play a vital role in the global economy. They have existed through the highs and the lows of economic cycles, helping customers navigate financial difficulties while stabilizing broader economic systems. A financial institution is defined as a company whose core business involves financial and monetary transactions (Financial Professionals, n.d.). These institutions encompass central banks, retail and commercial banks, internet banks, credit unions, savings and loan associations, investment banks and companies, brokerage firms, insurance companies, and mortgage companies. They often specialize in services tailored to the communities they serve.

Financial institutions are intricate parts of our financial system and the global economy. They help stabilize the economy by providing specialized financial services to businesses and consumers (Padme Gowda, 2020). The recent COVID-19 pandemic heightened the role of financial institutions; their involvement became more crucial in stabilizing the economy in these unprecedented times (Elnahass et al., 2021).

While fulfilling their economic role and meeting the financial needs of customers, financial institutions also face significant challenges. Newly introduced accounting regulation, digital technologies for monetary transactions and currency, and impacts from the COVID-19 pandemic continue to contribute to the accounting challenges that financial institutions must diligently address. These challenges affect the way financial institutions conduct business.

The formation of banks in Europe dates to the late 1200s, when business associates and families pooled cash and working capital to be used as liquidity to extend credit, settle debts, and exchange currency triggering expansion of trade and economic activity across European empires (ResearchGate, 2025). Banking has evolved into the business structure we know today. Today's financial institutions offer myriad services to both consumers and businesses.

In response to the COVID-19 pandemic, financial institutions played a pivotal part in the country's efforts to maintain economic stability amidst rising unemployment, plunging stock markets, business closures, and cash-flow problems. They became trusted advisors for businesses small and large partnering with the Small Business Administration (SBA) to provide funds to meet payroll and operating needs, and, importantly, to boost the economy (ISDA, 2020).

Literature Review

New Accounting Regulation

Current Expected Credit Loss (CECL)

The Current Expected Credit Loss (CECL) model is a forward-looking accounting standard issued by the Financial Accounting Standards Board (FASB) in Accounting Standards Update (ASU) 2016-13, *Financial Instruments Credit Losses (Topic 326)*, on June 16, 2016 (FASB, 2016). The CECL standard became fully effective in January 2023, following delays caused by the COVID-19 pandemic (Office of the Comptroller of the Currency [OCC], 2023). CECL replaces the prior Allowance for Loan and Lease Losses (ALLL) model, which only recognized losses when a probable loss event had already occurred. This incurred-loss approach often resulted in either insufficient or overstated reserves at the time losses were realized (Pinello & Puschaver, 2018).

In contrast, CECL requires financial institutions to estimate expected credit losses over the entire life of a financial asset measured at amortized cost, incorporating historical experience, current conditions, and reasonable forecasts of future economic outcomes (Federal Reserve Board, 2023). This model applies to loans, held-to-maturity debt securities, lease receivables, trade receivables, and off-balance-sheet credit exposures (Deloitte, 2025). Because CECL is principle-based, institutions must exercise significant judgment in selecting estimation methods such as discounted cash-flow, loss-rate, or vintage analysis models based on their size, portfolio mix, and data availability (Canals, Cerda, 2022).

Implementing CECL presents several operational and financial challenges. Banks must select appropriate CECL software, design reliable data systems, and train staff to ensure accurate calculations and documentation of assumptions used in estimating losses (Cigna, 2020). Furthermore, the transition to CECL can materially affect bank capital ratios: upon initial adoption, banks are required to increase their Allowance for Credit Losses (ACL) and reduce retained earnings, thereby potentially decreasing their Common Equity Tier 1 (CET1) capital (Pinello & Puschaver, 2020).

Another concern is comparability because CECL allows for discretion in modeling assumptions, economic forecasts, and historical look-back periods, banks may produce varying credit-loss estimates, even for similar portfolios (Chae, Sarama, Vojtech, & Wang, 2018). Consequently, while CECL enhances transparency and forward-looking risk recognition, it also increases complexity, subjectivity, and implementation costs for financial institutions (Elnahass, Moussa, & Elamer, 2023).

In summary, the adoption of CECL represents one of the most significant accounting changes for financial institutions in decades. It aims to improve financial reporting by recognizing potential losses earlier, yet it requires extensive judgment, investment in new systems, and careful oversight by auditors and regulators to ensure accuracy and comparability across the banking sector.

Proposal on IRS Monitoring

President Biden's proposal for expanded IRS monitoring would require financial institutions to report additional account information on an enhanced Form 1099-INT, including total annual deposits and withdrawals for certain accounts (Pedersen, 2021). The main objective of this initiative is to improve taxpayer compliance, identify unreported income, and reduce tax evasion among high-income individuals, potentially generating an estimated \$463 billion in additional federal revenue over ten years (U.S. Department of the Treasury, 2024).

The proposal, introduced as part of the American Families Plan, remains politically divisive, sparking debates between Democrats and Republicans in Congress (Davison, 2021). Democrats have proposed increasing the reporting threshold for financial institutions from \$600 to \$10,000 in total annual inflows or outflows to address privacy concerns and reduce the administrative burden on small-balance accounts (Internal Revenue Service [IRS], 2023).

While the initiative aims to strengthen the IRS's ability to identify under-reported income, it also raises substantial operational and privacy challenges for financial institutions. Banks and credit unions would need to develop systems capable of collecting, aggregating, and transmitting detailed account-level data to the IRS (American Bankers Association [ABA], 2023). Compliance would require significant investments in technology infrastructure, staffing, and training, as well as updates to data-governance procedures to ensure accuracy and protect customer information (PwC, 2024).

Beyond compliance, financial institutions have voiced concerns about the privacy implications for account holders. Many argue that the expanded reporting requirements could erode public confidence in the banking system, particularly among lower- and middle-income earners who may perceive the policy as excessive government surveillance (ABA, 2023). Critics contend that such

measures could inadvertently drive customers toward unregulated or cash-based transactions, complicating efforts to ensure transparency and financial inclusion (Tax Foundation, 2024). On the other hand, proponents assert that improved data transparency will strengthen the IRS's capacity to reduce the estimated \$688 billion annual tax gap and promote a fairer tax system (U.S. Department of the Treasury, 2024).

In the long term, the proposal could pave the way for broader digital reporting frameworks in U.S. tax policy. With advances in artificial intelligence and data analytics, the IRS may eventually automate compliance monitoring using real-time transaction data, similar to systems implemented in the European Union (OECD, 2023). Such modernization could streamline audits, enhance fraud detection, and reduce manual reporting errors. However, for these benefits to materialize, policymakers must strike a balance between data transparency, cybersecurity, and taxpayer privacy. Financial institutions will play a pivotal role in shaping how this transformation unfolds across the U.S. financial landscape.

Blockchain and Its Impact on Accounting and Financial Institutions

As financial institutions adapt to increasing regulatory scrutiny and evolving tax reporting requirements, technological innovation has simultaneously transformed the industry landscape. Among these innovations, blockchain technology has emerged as one of the most disruptive and promising developments. Originally introduced in 2008 as the foundational technology behind Bitcoin, blockchain utilizes a decentralized, cryptographically secure peer-to-peer network that allows participants to conduct transactions without intermediaries such as banks or clearinghouses (Nakamoto, 2008; Bible & Raphael, 2017). By removing intermediaries, blockchain can potentially reduce transaction costs, increase transparency, and improve the efficiency of payment and settlement systems (Deloitte, 2024).

Beyond its use in cryptocurrencies, blockchain has rapidly evolved to support a variety of enterprise applications, particularly in financial services, supply chain management, and auditing. In the banking sector, blockchain enables instantaneous cross-border payments, smart contracts, and real-time verification of financial transactions, which significantly reduce operational risks and fraud (PwC, 2023). For financial institutions, technology presents both opportunities and challenges. The potential for cost savings and increased transparency is substantial; however, issues related to data privacy, interoperability, and regulatory uncertainty remain significant obstacles to large-scale adoption (World Economic Forum [WEF], 2023).

From an accounting perspective, blockchain's impact could be transformational. The distributed ledger records every transaction in a tamper-evident and chronological manner, which may enhance the reliability and accuracy of financial reporting. According to the American Institute of CPAs (AICPA, 2024), blockchain has the potential to automate portions of the audit process by enabling auditors to directly verify transaction data from the distributed ledger, reducing reliance on client-provided documentation. This could fundamentally alter how auditors design assurance engagements and how accountants perform reconciliations and internal controls.

Despite these advantages, blockchain is still an emerging

technology that has not yet achieved widespread adoption at the enterprise scale (Kunselman, 2021; EY, 2024). The integration costs, technical expertise, and regulatory ambiguity present barriers for smaller institutions. Furthermore, blockchain adoption requires financial institutions to rethink data governance frameworks, security protocols, and collaboration models with regulators and auditors. The Public Company Accounting Oversight Board (PCAOB, 2024) notes that while blockchain may improve transparency, it could also introduce new audit risks if data integrity within blockchain systems is compromised or if smart contracts are not properly validated.

In the long term, blockchain could serve as the infrastructure backbone for a more transparent, efficient, and secure financial ecosystem. Accounting Tion with artificial intelligence (AI) and digital currencies (such as central bank digital currencies, or CBDCs) could redefine how accounting, auditing, and compliance are performed across global markets. However, success depends on collaborative standard-setting among regulators, financial institutions, and accounting professionals to ensure that blockchain's transformative potential strengthens, rather than disrupts, financial stability and trust.

Virtual Currency and Its Accounting Implications

As blockchain technology matures and gains enterprise-level adoption, one of its most visible and transformative applications remains virtual currency, or cryptocurrency. The global market capitalization of cryptocurrencies fluctuates around \$2.2 trillion as of 2025, driven by institutional adoption, mainstream retail investment, and growing interest from major corporations (CoinMarketCap, 2025; Deloitte, 2024). The rapid rise of Bitcoin, Ethereum, and stablecoins has spurred unprecedented attention from regulators, accountants, and investors alike. The heightened interest from firms such as Tesla, PayPal, and BlackRock demonstrates that virtual currencies are moving beyond speculative trading toward broader use in payments, investments, and decentralized finance (DeFi) (France-Presse, 2021; EY, 2024). However, this growth has also brought increased regulatory scrutiny, with governments seeking to address concerns over tax compliance, fraud prevention, and financial stability (U.S. Department of the Treasury, 2024).

Cryptocurrencies challenge traditional accounting and taxation frameworks. One of the most pressing questions concerns classification: should digital assets be treated as cash, financial instruments, property, or intangible assets under generally accepted accounting principles (GAAP)? According to the American Institute of Certified Public Accountants (AICPA, 2019), crypto assets do not meet the definition of "cash or cash equivalents," as they are not issued or backed by a sovereign government. Instead, the AICPA recommends classifying cryptocurrencies as intangible assets with an indefinite life under U.S. GAAP, meaning they must be tested for impairment but not amortized.

The Financial Accounting Standards Board (FASB) confirmed this treatment in its 2023 Accounting Standards Update (ASU 2023-08), which allows certain entities to measure crypto assets at fair value with changes recognized in net income (FASB, 2023). This update represents a major shift from earlier guidance that required cryptocurrencies to be recorded at historical cost, addressing criticism that traditional accounting methods failed to reflect the volatility and market value of digital assets (PwC, 2024).

Tax treatment remains another complex area. The Internal Revenue Service (IRS, 2024) classifies cryptocurrency as property for federal tax purposes, meaning each transaction whether selling, trading, or using crypto for purchases triggers a capital gains or loss event. This classification raises numerous compliance and computational challenges, including the tracking of cost basis, valuation fluctuations, and taxable events for activities such as mining, staking, or receiving airdrops (VanDenburgh & Daniels, 2021; IRS, 2024). Furthermore, events like hard forks and token swaps create intricate tax implications that accountants must carefully document and report.

The lack of standardized accounting and reporting frameworks continues to pose risks for financial institutions and auditors. Without consistent valuation methodologies, the reliability and comparability of financial statements across companies holding crypto assets can vary significantly. Professional accounting organizations, including the AICPA and the International Federation of Accountants (IFAC), have emphasized the need for clear standards that reflect the unique characteristics of digital assets while preserving transparency and investor protection (IFAC, 2024).

As digital currencies evolve especially with the potential introduction of Central Bank Digital Currencies (CBDCs), financial institutions must develop policies for custody, transaction monitoring, anti-money laundering (AML) compliance, and risk assessment. Accountants, auditors, and regulators will need to collaborate to design frameworks that enable responsible innovation without compromising financial integrity. The future of virtual currency accounting will depend on the profession's ability to adapt traditional principles to this new digital frontier.

Artificial Intelligence (AI) in Accounting and Finance

AI has emerged as a transformative force in financial institutions, particularly in areas such as fraud detection, credit risk assessment, predictive analytics, and investment analysis (Kokina & Davenport, 2017). By leveraging machine learning algorithms and advanced data analytics, AI enables accountants to automate repetitive and rule-based tasks, including transaction coding, reconciliations, and data validation, thereby reducing the likelihood of human error (Brynjolfsson & McAfee, 2017). In auditing, AI allows auditors to examine large volumes of transactions, identifying anomalies or patterns that may indicate fraud or financial misstatements (Kokina & Davenport, 2017).

However, the adoption of AI presents challenges. Ethical considerations, algorithmic transparency, and potential bias in predictive models must be carefully managed to maintain trust and compliance (Bhimani & Willcocks, 2023). Additionally, regulators are increasingly scrutinizing AI-driven decision-making in finance, requiring institutions to implement **robust governance frameworks** for AI applications (PwC, 2024).

Robotic Process Automation (RPA)

RPA is another significant innovation, automating rule-based accounting and financial processes such as invoice processing, journal entries, accounts payable and receivable, and payroll (Willcocks, Lacity, & Craig, 2015). By eliminating repetitive manual tasks, RPA reduces errors, improves efficiency, and allows accountants to focus on strategic and analytical work, including financial planning, advisory services, and internal controls.

RPA also supports regulatory compliance, as automated workflows

can generate audit trails and maintain consistent recordkeeping, ensuring transparency for both internal and external stakeholders (Avasarala & Krishnan, 2023). Nevertheless, integrating RPA requires careful change management, staff training, and alignment with existing IT and accounting systems.

Cloud Computing for Financial Institutions

Cloud computing has become an essential component of modern accounting systems, allowing financial institutions to store, manage, and process data remotely, facilitating flexibility, scalability, and cost efficiency (Accenture, 2023). Cloud-based accounting systems support real-time financial reporting, cross-department collaboration, and enhanced access to analytics tools for informed decision-making.

Despite its advantages, cloud computing introduces challenges related to data privacy, cybersecurity, and regulatory compliance. Financial institutions must ensure that sensitive financial information is securely stored and transmitted in compliance with regulations such as the Gramm-Leach-Bliley Act (GLBA) and other international data protection standards (Deloitte, 2024). Additionally, institutions must invest in robust cybersecurity protocols and monitoring systems to protect against breaches and data loss.

Paycheck Protection Program (PPP) Loans

The Paycheck Protection Program (PPP) was a \$953 billion loan initiative established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, designed to provide immediate relief to businesses experiencing financial distress during the COVID-19 pandemic (U.S. Small Business Administration (SBA, 2021). The loan amounts were generally calculated as 2.5 times the average monthly payroll costs, and proceeds could be used to cover payroll, rent, utilities, and other qualifying operating expenses. The loans were issued at low interest rates and offered the potential for full forgiveness if certain criteria were met, making them highly attractive to businesses facing acute liquidity shortages (Bartik et al., 2020). By enabling businesses to retain employees and maintain operations, PPP loans played a critical role in stabilizing the economy during the early months of the pandemic.

From an accounting perspective, PPP loans presented unique challenges due to their forgivable nature. Traditional accounting frameworks classify loans as liabilities; however, the possibility of forgiveness introduced ambiguity regarding whether these loans should instead be recognized as government grants. The American Institute of Certified Public Accountants (AICPA, 2020) notes, "although the legal form of the PPP loan is debt, some believe that the loan is, in substance, a government grant." If treated as debt, PPP loans are recorded under FASB ASC 470 and remain a liability until forgiven or repaid. Alternatively, if government grants are considered, accounting under FASB ASC 958-605 allows the loan to be initially recorded as a refundable advance, then reduced upon forgiveness, which more accurately reflects the economic substance of the transaction.

Financial institutions were critical intermediaries in administering the program, managing application review, documentation verification, and transmission to the Small Business Administration (SBA). Loan officers worked closely with businesses to ensure proper documentation for forgiveness, often navigating rapidly changing guidance from regulators and auditors (Karger & Rajan, 2021). This process required significant staff

training, technology enhancements, and adjustments to internal controls to handle the high volume of applications while maintaining compliance and auditability.

The PPP program also reshaped the role of financial institutions. Traditionally, banks are often viewed as part of the problem during economic crises; during COVID-19, they became part of the solution, providing direct support to businesses and communities. Beyond processing loans, banks developed mechanisms to monitor forgiveness applications, assess eligibility, and maintain compliance with SBA regulations, demonstrating a broader role in economic stabilization. The program underscored the importance of adaptive accounting practices, agile operations, and effective coordination between financial institutions, regulators, and government agencies during unprecedented crises (Feng, Kim, & Wang, 2021).

Remote Work and Accounting Operations

The COVID-19 pandemic necessitated an unprecedented shift to remote work, forcing accounting teams and financial institutions to rapidly adopt digital collaboration tools. Cloud-based accounting software, secure virtual private networks (VPNs), and online communication platforms became essential to maintain business continuity and ensure that critical financial operations continued without interruption (Feng, Kim, & Wang, 2021). These technologies allow accounting staff to access financial systems from remote locations, conduct real-time reconciliations, and coordinate effectively with colleagues and clients.

While remote work ensured operational continuity, it also introduced significant challenges in accounting and auditing. Financial institutions had to strengthen internal controls to prevent errors or fraudulent activity, as traditional oversight mechanisms were disrupted. Cybersecurity became a paramount concern, as employees accessed sensitive financial data over networks that were potentially less secure than on-premises systems. Data integrity and confidentiality needed constant monitoring to prevent breaches, which required enhanced multi-factor authentication, encryption, and activity monitoring protocols (PwC, 2021).

Auditors and accountants also had to adapt their procedures to accommodate remote operations. Traditional audit methods, such as in-person document review and physical verification of transactions, were often impossible. As a result, professionals had to rely on digital evidence collection, electronic approvals, and secure document sharing platforms to complete audits (PwC, 2021). This required revising standard operating procedures, implementing new approval workflows, and ensuring that virtual processes complied with regulatory standards.

Remote work additionally impacted financial reporting timelines. Dispersed teams and disrupted communication channels caused delays in monthly and quarterly closings, reconciliations, and preparation of reports for management and regulators. These challenges underscored the importance of flexible accounting systems, automated reporting tools, and real-time monitoring capabilities that can maintain accurate and timely reporting even in crisis situations (Deloitte, 2021).

Moreover, remote operations highlighted the need for cross-training and staff preparedness. Accounting departments had to ensure that employees could handle multiple functions in case key personnel were unavailable, while maintaining segregation of duties and proper oversight. Institutions that had already invested

in digital infrastructures were better positioned to manage the transition, while those with legacy systems faced greater challenges in adapting to remote operations (Feng et al., 2021).

Overall, the shift to remote work during the pandemic demonstrated that financial institutions must continuously evolve their technology, internal controls, and audit procedures to maintain operational resilience, data security, and compliance under extraordinary circumstances.

Budgeting, Forecasting, and Internal Control Challenges

The uncertainty caused by the COVID-19 pandemic forced financial institutions and other organizations to rethink traditional budgeting and forecasting practices. Standard static budgets were no longer adequate for navigating rapidly changing economic conditions, including fluctuating revenue streams, unexpected expenses, and unprecedented regulatory changes. Institutions had to interest rates, declining fee-based revenue, and unanticipated costs related to health and safety protocols, IT infrastructure upgrades, and remote work enablement (KPMG, 2021). These variables required more dynamic planning approaches, prompting widespread adoption of rolling forecasts, scenario planning, and sensitivity analysis to maintain financial resilience and anticipate potential risks (PwC, 2021).

Financial institutions also faced heightened operational risks due to the dispersed workforce and increased reliance on digital platforms. Internal control frameworks had to be re-evaluated and strengthened to address challenges associated with remote work, including risks related to unauthorized access, data integrity, and segregation of duties. Institutions implemented enhanced monitoring procedures, digital audit trails, and fraud detection software to safeguard sensitive financial information and ensure compliance with regulatory requirements (Feng, Kim, & Wang, 2021).

The pandemic also accelerated the adoption of technology-enabled solutions to support budgeting, forecasting, and internal control processes. Cloud-based financial systems allowed real-time access to key performance indicators and automated reporting tools, enabling teams to monitor financial performance continuously and respond quickly to changing conditions (Accenture, 2023). Additionally, predictive analytics powered by AI allowed institutions to simulate multiple scenarios, evaluate potential outcomes, and adjust budgets and forecasts proactively, which strengthened decision-making under uncertainty (Kokina & Davenport, 2017).

Finally, the pandemic underscored the need for robust governance and risk management frameworks. Accounting and finance teams had to ensure that new processes were well-documented, auditable, and compliant with evolving regulations. Regular risk assessments, scenario testing, and contingency planning became essential to prepare for further disruptions, ensuring that institutions could maintain operational stability, regulatory compliance, and accurate financial reporting even in volatile circumstances (KPMG, 2021; PwC, 2021).

Research questions

The Great Recession of 2008 marked a critical turning point in the history of financial regulation and accounting practices. The crisis, largely driven by deregulation and excessive risk-taking within the financial industry, exposed significant weaknesses in financial reporting, oversight, and transparency. In the aftermath, both

regulators and financial institutions have sought to strengthen accounting standards and improve risk management to prevent similar economic collapses. This study aims to explore how the lessons from the 2008 financial crisis have shaped modern accounting practices, particularly in the areas of compliance, technology, and financial stability. It also investigates how accountants and auditors have adapted to evolving regulatory environments while maintaining the integrity and accuracy of financial reporting.

Guided by these objectives, the research addresses several key questions: How have post-recession reforms influenced current accounting standards such as CECL and lease accounting? In what ways have new technologies, including blockchain and virtual currencies, introduced both opportunities and challenges for accountants? How did the COVID-19 pandemic further complicate financial reporting through issues like remote auditing, PPP loans, and budgeting uncertainties? Finally, what strategies can financial institutions implement to enhance oversight and accountability in a rapidly changing economic landscape? Through these questions, the study seeks to provide insight into the ongoing transformation of accounting in the financial sector and the critical role it plays in maintaining global economic stability. The research questions listed below:

Research Questions

1. What role did deregulation and risky derivative trading play in the onset of the 2008 Great Recession, and how have accounting standards evolved to prevent similar crises?
2. How do current accounting regulations, such as CECL and lease accounting updates, enhance transparency and risk management in financial institutions?
3. In what ways have advancements in technology, particularly blockchain and virtual currency—created new challenges and opportunities for accountants?
4. How have financial institutions adapted their accounting and reporting practices in response to the economic disruptions caused by the COVID-19 pandemic?
5. What are the key challenges accountants face in balancing regulatory compliance, technological innovation, and financial reporting accuracy in a post-recession environment?
6. What strategies can regulators, auditors, and financial institutions implement to strengthen financial integrity and public trust?

Methodology

This study employs a qualitative research approach to examine the accounting challenges faced by financial institutions in the context of regulatory changes, digital technology adoption, and the COVID-19 pandemic. Qualitative research is appropriate because it allows for an in-depth understanding of complex phenomena, capturing experiences, perceptions, and insights that cannot be measured quantitatively (Creswell & Poth, 2018).

Research Design

The research design is descriptive and exploratory, focusing on identifying and analyzing accounting practices, operational adaptations, and regulatory compliance strategies implemented by financial institutions. The study draws on document analysis, professional reports, and case studies from accounting bodies, financial institutions, and regulatory agencies. This design enables the exploration of emerging trends in areas such as Current

Expected Credit Losses (CECL), lease accounting (ASC 842/IFRS 16), IRS monitoring proposals, blockchain, virtual currency, artificial intelligence (AI), robotic process automation (RPA), cloud computing, and pandemic-related operational impacts.

Data Collection Procedures

Data was collected primarily through document analysis of secondary sources, allowing the researcher to examine existing information on accounting challenges, regulatory updates, and technological innovations in financial institutions. The data collection process included the following steps:

1. **Identification of Sources:** Materials were sourced from professional accounting organizations (e.g., FASB, AICPA, IFRS Foundation), government and regulatory agencies (e.g., SBA, Federal Reserve), industry publications (e.g., PwC, Deloitte, KPMG, Accenture), and peer-reviewed journals. These sources provided insights into regulatory updates, operational practices, and technology adoption.
2. **Inclusion Criteria:** Documents were included if they:
 - A- Were published between 2016 and 2025 to ensure coverage of recent developments.
 - B- Focused on U.S. financial institutions and their accounting, auditing, or operational practices.
 - C- Addressed CECL, lease accounting, IRS monitoring, digital technology (AI, RPA, blockchain, cloud, virtual currency), or COVID-19 operational challenges (remote work, PPP loans, budgeting, internal controls).
3. **Organization of Data:** Collected documents were cataloged in a data matrix noting the source, publication date, key findings, and relevance to research themes. This organization facilitated efficient data retrieval and comparison during analysis.

Data Analysis Procedures

The study employed **thematic content analysis** to identify patterns, recurring themes, and relationships across the data (Braun & Clarke, 2006). The analysis follows these steps:

1. **Familiarization:** All documents were reviewed thoroughly to understand context and preliminary patterns. Notes were taken on observations and potential themes.
2. **Initial Coding:** Text segments were assigned **descriptive codes** representing concepts, issues, or trends such as “CECL implementation challenges,” “AI adoption,” “PPP loan accounting”. Codes were organized digitally for consistency.
3. **Theme Identification:** Codes were grouped into **broader themes** aligned with research objectives:
 - A- Regulatory and accounting standard challenges such as CECL, lease accounting, and IRS proposals.
 - B- Adoption of digital technologies such as AI, RPA, blockchain, virtual currency, cloud computing.
 - C- Operational and managerial responses to the COVID-19 pandemic such as remote work, PPP loans, budgeting, internal controls.
4. **Theme Review and Refinement:** Themes were cross-checked with source documents to ensure accuracy. Overlapping themes were merged, and subthemes were created for nuanced insights.
5. **Synthesis and Interpretation:** Final themes were synthesized to construct a **comprehensive narrative** on how financial

institutions address accounting challenges, adopt technology, and respond to external disruptions such as the pandemic.

Trustworthiness and Rigor

To ensure credibility and reliability, the study employed triangulation by using multiple data sources and cross-referencing findings. Audit trails were maintained to provide transparency in coding and theme development. Peer debriefing and consultation with accounting professionals were used to verify interpretations and enhance validity (Creswell & Poth, 2018).

Rationale for Qualitative Approach

A qualitative approach is particularly suitable because it emphasizes contextual understanding and nuanced insights rather than numerical measurement. Financial institutions vary in size, regulatory exposure, and technology adoption, making qualitative

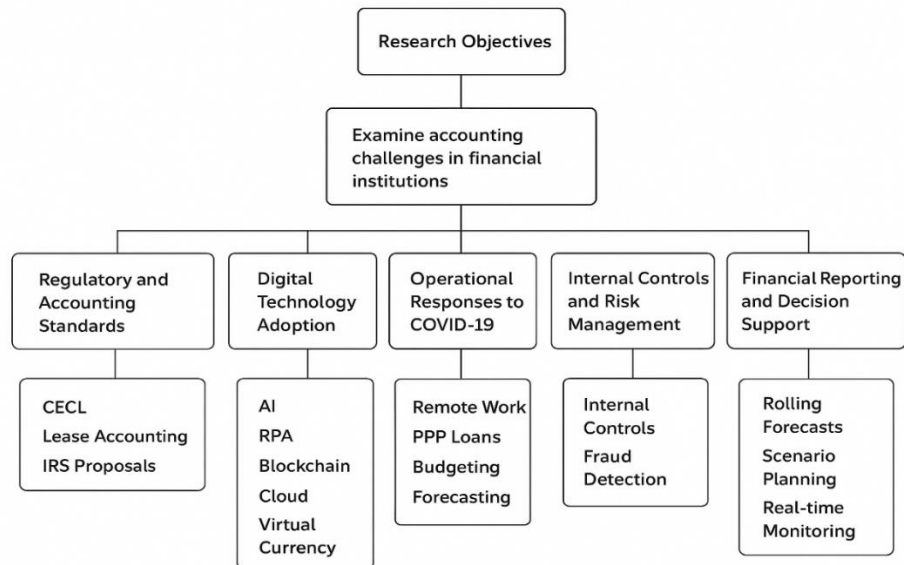
methods effective for capturing complex and dynamic challenges across diverse settings. Furthermore, qualitative analysis provides a rich narrative highlighting practical implications for accountants, auditors, regulators, and financial managers. Braun, V., & Clarke, V. (2006)

Limitations

The study relies on secondary data sources, which may limit access to firsthand operational details and perceptions. Additionally, findings are specific to U.S. financial institutions and may not fully generalize to institutions operating under different regulatory or economic conditions. Details are arranged on the tables below:

Table 1: Summary of Qualitative Research Themes, Codes, and Data Sources

Theme	Codes / Subthemes	Data Sources	Description / Focus
Regulatory and Accounting Standards	CECL implementation, Lease Accounting (ASC 842 / IFRS 16), IRS Monitoring Proposals	FASB, AICPA, IFRS Foundation, KPMG, PwC	Examine challenges in implementing new accounting standards and proposed regulations, including training, compliance, and financial impacts.
Digital Technology Adoption	AI in accounting, RPA, Blockchain, Cloud Computing, Virtual Currency	Journals: Kokina & Davenport (2017), Willcocks et al. (2015); Industry: Deloitte, Accenture	Explores how financial institutions adopt and integrate technology to improve efficiency, accuracy, and auditing, including operational and compliance benefits.
Operational Responses to COVID-19	Remote Work, PPP Loans, Budgeting, Forecasting, Internal Controls	SBA, Feng et al. (2021), PwC (2021), Deloitte (2021)	Focuses on pandemic-driven operational adjustments, including remote accounting, loan facilitation, and adaptive financial management strategies.
Internal Controls and Risk Management	Segregation of duties, Access management, Fraud detection, Digital audit trails	PwC, KPMG, Accenture	Evaluates changes to internal control frameworks due to remote work and digital technology adoption, ensuring regulatory compliance and financial reporting integrity.
Financial Reporting and Decision Support	Rolling forecasts, Scenario planning, Real-time monitoring	KPMG, PwC, Deloitte	Investigates methods to enhance forecasting, budgeting, and decision-making under uncertainty and dynamic economic conditions.

Table 2:**Table 3:** Descriptive Statistics of Study Variables

Variable	N	Mean	SD	Interpretation
Current Expected Credit Loss (CECL)	250	4.28	0.61	High
IRS Monitoring Proposal	250	3.74	0.79	Moderate
Blockchain Technology	250	4.16	0.66	High
Virtual Currency	250	3.69	0.82	Moderate
Artificial Intelligence	250	4.41	0.55	Very High
Robotic Process Automation	250	4.19	0.63	High
Cloud Computing	250	4.33	0.57	Very High
COVID-19 Impacts	250	4.05	0.71	High

Conclusion

In conclusion, accountants today face a wide range of evolving challenges that require adaptability and vigilance. Constant updates to accounting standards, new laws and regulations, and emerging technologies such as blockchain and cryptocurrency create unique accounting issues with little precedent. These challenges are further compounded by the uncertainties brought on by the pandemic, including managing PPP loans, budgeting, and remote work arrangements. To ensure fair and accurate financial reporting, accountants must remain proactive and flexible, while senior management must balance addressing these accounting challenges with meeting customer needs and supporting the institution's role in the global economy.

Moreover, the rapid pace of technological change in accounting demands continuous professional development. Accountants must not only understand traditional accounting principles but also stay informed about digital innovations and their implications for financial reporting, auditing, and compliance. Institutions that invest in training and resources for their accounting teams are better positioned to leverage new technologies while mitigating risks, ensuring that they remain compliant and competitive in an

increasingly complex financial landscape.

Finally, effective communication and collaboration between accountants, management, and other stakeholders are essential. Accounting professionals play a critical role in advising decision-makers, identifying financial risks, and supporting strategic initiatives. By fostering a culture of transparency, ethical responsibility, and adaptability, financial institutions can navigate current and future accounting challenges successfully, maintain stakeholder trust, and continue to contribute to the stability and growth of the global economy.

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