

What Every Accountant Needs to Know about Blockchain

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There has been a lot of talk about blockchain technology (<https://etch.work/>) and the impact that it will have on business, but there has been very little explanation of how it will affect us in plain English.

Blockchain is of huge significance to the accountancy world, especially in the short term as clients will be assessing the benefits of this new technology.

Blockchain is often described as one of the most significant recent developments in computing technology, with applications that have the potential to change the way we do business, consume goods and store our data. But while the term is widely used, it is not always totally understood.

A blockchain is a digital ledger in which transactions made in bitcoin or another cryptocurrency are recorded chronologically and publicly.

When digital currencies were first imagined, they could never work because of the 'double spend' problem. Programmers couldn't figure out how to reliably prevent digital currencies being spent more than once without relying on a centralised service to validate transactions.

A blockchain is an innovation which helps solve the 'double spend' issue of digital currencies by gaining the 'consensus' of multiple computers which solve a cryptographic puzzle to validate transactions. Cryptography ensures tamper-proof security, authentication, and integrity of transactions.

Transactions are recorded on a single ledger (the blockchain), which can't be edited, is secure and provides a clear audit trail based on transaction addresses. Blockchain technology is based on a concept called triple-entry accounting, which removes the need for transactions to be processed by a financial institution.

Euros Evans, CEO of Etch (<https://etch.work/>), a new blockchain-based payroll system that allows employers to pay workers second by second, believes that blockchain has the power to change the way payments are made forever. He says, "The whole world requires trust to function. People and businesses simply don't trade with others they cannot trust. In centralised models, we rely on third parties to create trust around transactions. We trust financial institutions to make sure our transactions happen safely and securely without anything going wrong.

"This, however, has a cost. Using middlemen to ensure trust incurs fees and transactions are slowed down to the speed at which they are able to operate. The middlemen who we trust are still prone to errors and sometimes things still go wrong.

"Using a blockchain means you don't need a trusted middleman to prove that a transaction has taken place and currency has changed hands. A blockchain enables a cryptographically signed receipt which verifies the transaction has taken place and stores it on the immutable, secure blockchain.

“Blockchains are creating the possibility to have faster transactions at a lower cost, without needing to trust a third party. Blockchain technology is making micropayments possible and even enabling smart contracts to be created which can transact other assets types, in addition to currency.”

Euros Evans (<https://etch.work/>) continues, “Businesses are becoming more efficient and profitable due to this technological progress. New business models are emerging around transacting different types of value.

“Organisations who take advantage of blockchain technology can improve visibility across their operations, providing additional information to them which would improve their access to, and reduce the cost of credit lines.

“It will become possible for businesses to integrate blockchain technology into their accounting and payroll systems to reduce administration burden for tax and compliance activities while ensuring these activities have a much better audit trail to protect them in the case of any legal disputes.”

Etch’s technology is based on the Ethereum blockchain, which allows for ‘smart contracts’, which are essentially programmable money. They allow the user to take a unit of value and program conditions into it so that, upon those conditions being met, the programme will transact that unit of value automatically.

Employees of firms using Etch’s platform will be paid in the currency of their choice and can arrange for part payment to a family member at home or abroad. It uses an innovative payroll card that will be accepted at millions of locations worldwide. Additionally, the system allows those who do not have bank accounts to be paid securely.

Etch is currently hosting an Initial Coin Offering (ICO) in order to raise £5million.

Etch is the first approved decentralised app (dapp) created with the support of the London-based Construction Blockchain Consortium, a group of leading UK champions of disruptive technology who are transforming the building environment. The Etch platform is particularly applicable to the construction industry where the payment system can be complex and late payments can cripple otherwise successful businesses.

Euros Evans said, “Billions of the world’s population live paycheque to paycheque, a situation that can lead to mounting debt, stress and poor health. The Etch solution enables employers to pay their employees in real time. If, for example, they don’t have any money at the beginning of the day, their morning’s work will mean they have enough money for lunch and other purchases.

“When people are being paid as soon as they’ve earned it, we can reduce the need for payday loans and other such instruments to plug spending gaps, as well as improving employees’ peace of mind.

“We use Ethereum blockchain technology to unify payroll and remittance services to create a platform that not only benefits employees, but reduces business inefficiencies, saving them time and cost in payroll.”

KPMG (<https://home.kpmg.com/uk/en/home.html>) is also advising on the best business practice for the current ICO phase, encompassing valuations, tax implications, risk framework, governance and controls.

Chris Mills, head of Blockchain for KPMG UK said, "Etch is a superb initiative because it provides guaranteed payments in real-time for all work completed, something that no other platform is currently known to achieve.

"There are clear and immediate benefits, particularly for low and average income workers, who make up the clear majority of the population.

"Etch stands out as it leverages blockchain, mobile and digital technologies in a customer-friendly way. It uses smart technology to power intuitive apps that deliver exactly what's needed in a simple and neat format for those most in need of cash flow.

"What's also noteworthy is that Etch has an exceptionally strong delivery team who are well placed to deliver long term growth plans."

The Etch system will use its own token, called the Etch Token (symbol: ETCH).

Etch comprises a team of highly-skilled innovators including Etch CTO Tomasz Mloduchowski, a former MIT student of computational physics and supercomputing. Tomasz has been involved in blockchain since 2010, has worked on a number of technology projects and is also a technology consultant for a number of financial institutions.

As well as Euros and Tomasz, Etch has a talented technical team including engineers Joshua Richardson and Denis Lukianov, and digital entrepreneur Ben Whyte. Joshua is a blockchain engineer and programmer who deployed his first commercial software at the age of 13. Denis created a prototype for Bitcoin future's exchange and invented Compact Confidential Contracts in 2015. Etch Community Manager, Ben Whyte ran his first business at the age of 14 and later became a blockchain consultant and business developer.

For more information about the Etch and the token sale please visit <https://etch.work>

Etch White Paper https://app.etch.work/static/files/Etch_White_Paper.pdf

Construction Blockchain Consortium <https://www.constructionblockchain.org/>

KPMG <https://home.kpmg.com/uk/en/home.html>

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High resolution images are available on request. Euros Evans is available for interview. For further information please contact Adam Betteridge at adam@famouspublicity.com, George Murdoch at george@famouspublicity.com or Tina Fotherby at tina@famouspublicity.com or call 0333 344 2341.

Alternatively, if you would like to contact Etch directly, please contact Ben Whyte at ben@etch.work.

About Euros Evans

Euros Evans is the CEO of Etch. He spent over 25 years in the construction industry. First, he worked as an apprentice builder with his father before studying to become an architect.

Always having an interest in innovation, in 1993 he co-founded the UK's first student accommodation website. Realising the potential of blockchain he set up N.O.M.A.N in 2015 and built a community of 900-plus, forging strong relationships with the people who have now become key members of the Etch team.