Accountancy – Overlap between Communication and Harmonization

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Abstract
The relationship between accountancy and communication is easily understandable especially from the investors’ point of view. Since until recently almost every country had its own accounting language, the introduction of the international financial reporting standards led to an increase in competitiveness and competition especially in the international market. Specialists believe that this is mainly due to accountancy, but we cannot deny that accounting communication as a process of transmitting the information was also a determining factor.

The aim of this article is to highlight the importance of the accounting communication process and especially the importance of the international financial reporting standards, since we live in a society where competitiveness makes the difference between success and failure and information is power. It is also important to emphasize that accounting education plays a key role especially when it comes to investments.

Keywords: accounting education, competition, IFRS, communication, harmonization

1. Accountancy as a communication tool/ a specific economic language
Accountancy can also be seen as a communication tool, as a specific economic language. It is imperative to correlate and adapt the accounting language adopted at national level to the specific objectives to be achieved:

- Constant interaction with the investors and customers, either creditors or debtors;
- Communication with the fiscal authorities, etc.
However, we must not forget that the trend of harmonization is from the developing, transition economies, towards those that have fully proved their viability and effectiveness. As shown in the specific literature (Feleagă, N., 1999), (Zeff, S.A., 1978), the potential investors ask natural questions regarding the economic and financial state of certain companies from other countries where they plan to invest; the financial statements corresponding to various accounting systems should be easy to understand.

Moreover, we would like to emphasize the fact that the most important differences taken into consideration when comparing certain accounting systems refer to the relative importance of the various legal forms used by the firms (enterprises), but mostly the financing methods adopted. Thus, on the one hand, the objective of accountancy is to determine an outcome that can be distributed to the shareholders, without affecting the interests of the other parties, mainly those of the creditors. On the other hand, we are facing the Anglo-American experience, where the investors need the greatest possible transparency in order to defend their own interests.

Also, in the field of comparisons between the major accounting systems, we can see how the national organizational culture has influenced and is permanently influencing the regulations in this area, or more precisely the mechanisms that ensure these regulations, in terms of the flexibility and adaptability of the accounting rules implemented. Thus, the Anglo-Saxon system is characterized by a maximum simplification of the legal regulations, focusing on self-regulation achieved through the normalizing act of the profession. In contrast, other countries, such as France, see the accounting regulations as social conventions resulting both from the unanimous perception that accountancy is a social construction, as well as from the compromises and unwritten laws that occur between the different parties involved.

In this context, it is also worthwhile mentioning the well-known study of Geert Hofstede (Hofstede, G., 1987), (Hofstede, G., 1996), based on the approximately 50 countries analysed, which meant to prove that management tends to become universal, both theoretically and practically. Thus, in order to describe the national cultures, the author uses an original terminology, made of 4 different criteria, which he calls dimensions. Having to interblend and exist relatively independently at the same time, these dimensions refer to:

a. individualism vs. collectivism ;

b. large vs. small power distance ;

c. strong vs. weak uncertainty avoidance ; this dimension was also studied by D. Kahneman and A. Tversky; their studies analyse the ways of decision making under risk and uncertainty, which are situations that show the value of a decision-maker ;

d. masculinity vs. femininity, which makes us think of the well-known characteristics of the two major philosophical currents of China: Confucianism and Taoism ;

However, in this paper we do not plan to study the comparability of the accounting systems, by analysing them in terms of the four dimensions mentioned above. Let us say that the need to relate
to the Anglo-Saxon accounting system also lies in the fact that the whole economic process in this area is rigorously standardized and aims at emphasizing the key moments within each process of producing goods or providing services. The outcome of these activities, described in few and synthetic steps, must clearly indicate whether the respective action ends with favourable results or not, that is whether the desired profit is obtained; the profit is an institution of the market economy which represents the raison d'être of any activity undertaken by the various economic agents operating in the market.

Another advantage in favour of the comparison with the Anglo-Saxon accounting system regards the reality of our time, a time of globalization and information society, in which the firms (enterprises) that compete in the various markets of the world, which are characterized by a strong interdependence, actually enter into competition with the Anglo-Saxon systems, given that the United States are considered to be the “engine” of the current wave of globalization. Furthermore, the analysis of the accounting systems from the developed countries of the world easily shows that, for example, the Canadian accounting system is very close to the American one, while the systems of Australia and New Zealand are similar to the British one.

When presenting the reasons for our scientific analysis, we mentioned the crucial issue of international accounting harmonization. In our opinion, this is an issue that needs to be taken into account when it comes to the permanent adaptation of the accounting systems to the world of today, since globalization, mainly the globalization of the capital markets, attracts all the countries and thus the economic agents in the whirl of competition, where one can only succeed by holding certain competitive advantages. In today's world, the basic problem raised by the adoption and functioning of the accounting systems is the credibility of the statements and information provided by them. This requirement was imposed mainly due to the different views provided by the statements of several well-known companies that operate across the globe.

Hence the requirement of harmonizing the accounting systems which, strictly referring to the major accounting systems, the European system and the Anglo-Saxon system, should be seen as a long-term process, since even the major normalizers of today’s world (here we are referring to IASC – International Accounting Standards Committee and FASB – Financial Accounting Standards Board, its American correspondent) are not organizations with power of constraint over the implementation of the rules adopted. Moreover, the permanent taste of the national institutions for standardization and harmonization leads to the improvement of their accounting referential in relation to their own philosophies, as well as to the international requirements, so as to balance the lack of the coercive function of the international organizations through a natural functioning mechanism.

2. The systemic view about communication
As a synthesis of the various definitions of the concept of communication, regardless of the school of thought or the view that it belonged to, we must highlight the fact that, from the ancient times until today, this fundamental element of the human existence has been a process of transmitting information, ideas, opinions, experiences, from one individual or group of individuals to another individual or another social group.
Even the Latin etymology of the word indicates this meaning, in the sense that the term communication, coming from the Latin word “communis, -onis”, has the meaning of “harmonising with”, “being in connection with”, or even “in relation with”. In order to achieve the aim of this analysis, it is extremely important to present a definition of communication from the sociological perspective, in accordance with the Encyclopaedic dictionary: “A fundamental form of psychosocial interaction between people, achieved through articulated language or other codes, which aims at transmitting information and achieving stability or certain changes in the individual or group behaviour”.

Turning back to the need for synthesizing a definition of communication, from the many such ideational products, a notable definition is that related to the systemic view, in the sense that communication can be considered to exist when, within a system, or even between different systems, a certain source produces influence upon a receiver; however, the receiver must select and sort out the right messages that ensure the connection between the transmitter (source) and the receiver through the transmission channels.

In order to actually achieve this operation of transmission and reception of signals that are subject to decoding, communication as a complex process meets several outstanding features that are related to its role of enabling the relationships between individuals in a specific environment:

- Takes place in a particular given context;
- Has a dynamic character;
- Has an irreversible character;
- Just like public opinion, it has a latent but also manifest content; the first one has a stronger meaning in many situations;
- The meaning attached to a certain message can be perceived differently by the partners of an act of communication;
- In crisis situations, the communication process turns more alert and also includes a broader range of issues covered.

Although apparently accountancy and communication are different fields, they overlap when we need to provide certain information to the business partners or the specific institutions. Therefore, accountancy is an area where artificial intelligence is present through expert systems; understanding the text of an accounting work involves syntactic analysis, followed by the interpretation of the text (Patrut, B., 2002). Before the introduction of the international financial reporting standards, each country used a different accounting language; thus, we can say that the same event or transaction was given a different interpretation (Dumitru, M., Bănuță, M., 2006). The introduction of the universal accounting rules and practices marks out the transition towards international accounting harmonization. In our country, the accounting harmonization program began in 1997 on the one hand due to the need to attract foreign investment and on the other in order to join the European Union. The Financial Reporting Standards were developed by the International Accounting Standards Board (IASB), which was created in 1973 and aimed at issuing accounting standards that were supposed to be used for the elaboration and presentation of the financial statements worldwide (Căruntu, C., Lăpăduși, M.L., 2011). The activity of IASB also entailed the increase of the number
of countries using the IFRSs, thus the objective of IASB – that of global accounting standards – being almost fully achieved. If we take into account the communication of financial information at international level, we can say that harmonization requires that most users have access to information in order to:

- Decide when to buy or sell capital (Căruntu, C., Lăpăduşi, M.L., 2011);
- Assess the real results (Căruntu, C., Lăpăduşi, M.L., 2011);
- Assess the limits of the loans granted to enterprises (Căruntu, C., Lăpăduşi, M.L., 2011);
- Assess the self-financing possibilities (Căruntu, C., Lăpăduşi, M.L., 2011);
- Assess the company’s ability to pay the wages (Căruntu, C., Lăpăduşi, M.L., 2011);
- Determine the profit and the dividends that can be paid (Căruntu, C., Lăpăduşi, M.L., 2011);
- Set out the financial policy of the company (Căruntu, C., Lăpăduşi, M.L., 2011);
- Assess the company’s overall activity (Căruntu, C., Lăpăduşi, M.L., 2011).

In order to achieve efficient communication and enhance transparency, the International Financial Reporting Standards act as a basis for decision. Therefore, the investors from other countries benefit from an important instrument that helps them make the wisest decisions. The financial information and the risks faced by a company are essential elements that help an investor make safe investments in the foreign markets.

Conclusions

Effective communication in business can make the difference between success and failure, especially nowadays. For this reason, we thought it would be appropriate to associate the term communication with that of accountancy, so as to be able to highlight the fact that in the field of accountancy financial information requires transparency and clarity both for the investors as well as for the managers. The fact that the International Financial Reporting Standards have been adopted by most countries is particularly important, given that the global standards improve the consistency in the quality of the audit and enable education and training (Căruntu, C., Lăpăduşi, M.L., 2011). Until recently almost every country had its own accounting language, but the introduction of the international financial reporting standards led to the increase in competitiveness. Specialists believe that this is mainly due to accountancy, but we cannot deny that accounting communication as a process of transmitting the information was also a determining factor.

In this paper we have analysed issues related to accountancy and communication and we have pointed out the fact that, especially in the economic field, they are in a relationship of interdependence; accounting education also plays an important role, since it can make the difference between failure and success within the international markets.

References


