

GLOBALIZATION IMPACT ON THE DEVELOPMENT OF NEW DIRECTIONS AS RELATED TO ACCOUNTING

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This paper explores the idea of globalization in economy in general and its role in that process in order to develop new directions for the accounting concepts. Globalization is a reality in today's world. As globalization intensifies the need for complex financial information becomes obvious. Expanding capital markets require analysis of financial statement prepared under diverging accounting standards. Investors believe that the lack of common financial statement increases the risk of an investment and affects the free flow of world capital. A single set of accounting standards would bring great benefits to the investors and would reduce the cost of accessing capital markets around the world. The convergence of accounting standards would assure enhanced comparability, greater reporting transparency, more efficient capital markets.

Keywords: *globalization, convergence, fair value, international accounting*

The accounting evolution has always been triggered by the phenomena occurring at the level of the real economy. The economical progress has led to the evolution of the technique and the development of civilization in general. Therefore, the big scientific and technical discoveries have had an impact on the economic evolution, and all this reflected in the evolution of accounting, as subject within the information system of the economics. Even from the oldest times, a lot of initiatives have been identified relating to organizing the accounting, in countries which have managed to establish solid and stable organizations. Thus, accounting has taken shape once with the need to organize a certain evidence in Economics, evidences in Economics, and the economic evolution has always imposed and asked for a higher level information on the economic status.

The present is governed by globalization, a phenomenon that defines the global economy. The globalization effect consists in implementing international financial reporting standards across the world. By contrast more and more countries try to benefit from using cultural values and tradition of accounting.

1. The globalization phenomenon and the implications on the economical – political and accounting level

In the last part of the 20th century and in the beginning of the 21st century, a popularized and equally controversial phenomenon has marked and has had a great impact on the economies existing on the global level: namely the globalization.

The term of globalization was proposed for the first time in 1983 by Theodor Eleviu, meaning the convergence of the markets all around the world, which would operate as a sole entity. Starting from this definition, in practice and the special literature there have been issued a number of opinions on

globalization. Wikipedia, the free online encyclopedia defines globalization as „a series of economic, social, technological, cultural and political changes seen as increasing interdependence, integration and interaction between people and companies in disparate locations”. The International Monetary Fund defines globalization as the “growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology”.

From an economic point of view, globalization is identified with a series of trends:

- Increase in international trade at a much faster rate than the growth in the world economy
- Increase in international flow of capital including foreign direct investment
- Development of global financial systems
- Increased role of international organizations that deal with international transactions

Supporters of globalization pretend that this process offers great benefits to the economies of the world such as raising living standards in developing countries, development of new markets and new jobs creation, removing obstacles to international flow of good and capital. Although there are also a lot of opponents, the effects of globalization on the world economy cannot be denied (Gorgan & Gorgan, 2006).

On the international level, the present phenomenon is controversial, and there a various for and against opinions. An interesting overview of the reasons in favor and against as related to globalization, is accomplished by Barna in 2003, (as quoted by Ristea et al., 2006). Presented below, for the purpose of creating a picture of the said phenomenon, we shall present a synthesis of the said arguments. The arguments in favor of globalization are:

- Globalization is a stable support of the economic growth;
- Globalization is a stable support of the global trade;
- Globalization and competitiveness are complementary;
- Globalization enables the getting of all scale advantages, the capitalization of the synergic advantages, the turning into account of the geographical advantages and of those corresponding to its own market power.

The arguments against globalization are:

- The existence of a tendency to increase the inequality of incomes, at the global level, but also inside the countries;
- Globalization causes asymmetric shocks, of the type: social break between the rich and the poor, the duality of work - unemployment, the duality: lack of power in interdependency;
- Globalization is a potential process of disappearance of the state - notion;
- Globalization, through the transnational companies has suppressed and even eliminated some of the national markets.

The strong and weak points as previously present are capable to enhance the significance of this phenomenon in the contemporary period and the implication exercised by the latter within the most different areas: the environment, technologies, culture and communications, economy etc. Globalization in the economical field has also implications on the accounting level, a fact which triggers the following questions: which is the trend to be followed by the accounting in the future? (Calu, 2005).

The international accounting standards (financial reporting) and the European accounting directives, are results of the efforts made by the representatives of various countries for the purpose of attenuating those differences caused by the specific character of the application of the several national accounting regulations. Yet, the common view on the drawing up of the financial standings is a desideratum of all those involved in the process of the supply and demand of accounting information. From a linear perspective, an approach of accounting from the point of view of the globalization phenomenon generates a reply which seems to be unequivocal: the implications on the accounting level of the phenomenon of the economic globalization are represented by the process of implementation of the international standards for the financial reporting on the global level.

2. The analysis of accounting concepts evolution

Identifying and analyzing the relationships between economical and political mutation across history and the accounting evolution have been a permanent concern for researchers in the last decades. Most of them conclude that the economic development was the factor that propelled the accounting evolution (Collase, 1995, Richard, 1996, Dobroțeanu, 2005). The specific of every historical age (the Antiquity, the Middle Ages and Modern Times) has determined the appearance of accounting mutation, the appearance or disappearance of some concepts.

The historiographic researches reveal the fact that in Antiquity there were a lot of accounting notes, which were present in a primitive form, especially at old peoples having an ancient civilization and economy. From this particular period, there is information from the field of public accounting (the state role), agricultural accounting and bank accounting. In the period of Middle Eve there begins the systematization of notes, an accounting technique is shaped and even a theory elaboration is tried by some. Thus, „In may Italian cities there has been used, even from the 13th century, the single – entry bookkeeping, and in the other cities, the double – entry bookkeeping” (C. G. Demetrescu, 1972, as quoted by Calu, 2005). The first published work presenting the „Venetian art” of the double – entry bookkeeping is the Accounting Treaty of Luca Paciolo (Pacioli), as included in *Summa de arithmetica, geometria, proportioni et proportionalità*. The latter has appeared in 1494. But the double – entry bookkeeping system shall be generalized, in West European Countries, as of the second half of the 19th century, due to various causes such as: the increase of competition, the increase of the administrators’ information needs, as well as of the new model capacity to calculate the outcomes of the activities and not just the monetary overplus. As related to the evolution in this particular period, Stevelinck (as quoted by Dobroțeanu, 2005) believes that „the phase of the commercial capitalism has inserted in the accounting the patrimony – related concepts and that of the protection of wealth with the help of the accounting books, be the latter either public or secret, the agent accounting, but also the concept of an artificial person, a concept which has imposed itself within the subsequent stage, that of the industrial capitalism, each of the aforementioned phases requiring more and more complex accounting techniques”. The analysis of accounting in the period of the corporatist capitalism (after the years 20-30 of the 20th century) should be done within the existing economic, social and political context. From the accounting point of view, this period is mainly marked by: all the initiatives existing on the global level, for the purpose of creating a plan of accounts (in the West Countries), respectively all the initiatives relating to the improvement of the financial communication, given the fact that, „the 1929 crisis has made the public aware of the lack of any accounting information” (A. Naciri, 1986, as quoted by N. Feleagă, 1995). At the same time, the concept of „true and fair view” has been introduced; more precisely this concept has replaced the previously existing one, namely, „true and correct view”.

Although from a historical point of view, *cash accounting* preceded the *accrual accounting*, nowadays only a few small economic entities from developing countries use the cash accounting. On the other hand the accrual accounting is used by most world businesses. Even if some specialists support the confidence offered by cash accounting (they know exactly when pays occurred), developing financial statements useful in making decision cannot be done without accrual accounting. The IASB conceptual framework states that “in order to reach their objectives, the financial statements must be prepared on an accrual basis”.

Within the context of the remarkable development of economy, accounting specialists face a dilemma as related to assessment in accounting: is the classic model of the historical cost still adequate for the display of the reality within the financial standings or does the model of the fair value have to be enforced?

It is indeed true that accounting based on *historical costs* is one oriented towards the past, which it describes through the distinction between flow and stock (profit and loss account – balance sheet). The historical cost presents, as compared to other bases of assessment, a series of advantages but a large number of limits as well. The main advantage as related to the other bases of assessment is given by its fiability (credibility). Using this basis of assessment enables the offering of objective and checkable information. But during the periods of inflation and deflation, the use of the historical cost is harsly criticized, leading to a series of deformations in the financial standings. The limits of the historical cost are also represented by the its approximate and subjective estimations, especially when it is about the assets depreciation, which estimates are strongly influenced by the interests of those drawing up the financial standings.

For a couple of years, certain courts for accounting normalization (FASB, IASB etc) have consecrated the practice of the fair value in an extensive way, which tends to cover all the balance sheet assets, starting with the financial instruments, investments in real estate assets and ending with the agricultural products (Ionaşcu, 2003). The American standard no. 157 Fair Value Measurements, issued by the Financial Accounting Standards Board (FASB) on September 15, 2006 provides enhanced guidance for estimating the fair values of assets and liabilities reported in financial statements. The supporters of *the fair value* bring arguments to the fact that the latter represents a highly superior basis for assessment from the economic point of view than the historical cost. Most of the times, the fair value is not checkable, is not exact, is not faithful and moreover, there is the risk to be misrepresented through subjectivity” (Ristea & Dumitru, as quoted by Lapteş).

The conclusion is that the economical and political evolution influenced the accounting and concepts development. If at the beginning of the Middle Age cahs accounting was appropriate, the development of commerce and banking, the industrial revolution, the transition towards an economy based on services have lead to the need of using accrual accounting. Having analyzed the relation between advantages - inconveniencies we may clearly find the supremacy of advantages. It is obvious and without any doubt that the investors represent the users, if not the main ones, at least the ones appointed as those who need to be privileged, as related to the requirements and the offer of financial information. In this respect, they wish to get informed based on the fair value. Nevertheless, the near future won't bring the abandon of historical cost. In other words, we are heading towards a *mixed model* of balance sheet assessment: the fair value for the negotiable assets and liabilities, respectively the historical cost for the rest of the elements. The future of the fair value needs to be mainly searched in the construction of the consolidated financial standings and not as a singular model for assessment, that replaces the historical cost, but more as a solution for the adjustment of the historical cost, considered by the European Accounting Directives as being the fundamental basis for assessment (Lapteş, 2007).

3. The globalization effects over accounting environment

It is clear that nowadays the entire world is affected by *globalization*. Under these circumstances, attention has been paid to the need for the *international harmonization* of the accounting practices. Harmonization stands for the agreement between the national, the European and the International in accounting, by limiting the variations between the accounting systems. This term is especially used as related to the agreement upon the accounting regulations from the European Union member states, through the European Accounting Directives. Harmonization is a process for the increase of the compatibility of accounting practices through delimiting a degree of variations. On the European level, for the purpose of harmonization of the accounting, the European Directives have been gradually adopted by the European Union member states (Ristea et al., 2006). Moreover, the European Commission with the hope to improve transparency, comparability and quality of the financial standings, has approved the international accounting standards, which are applied for the financial years as of January the 1st 2005, this way compelling all the companies quoted on the European markets, to present their consolidated financial standings in accordance with the said standards. Such an action determines the parallel use in the European Union countries of two sets of accounting standards: both the international and the national ones. The accounting directives shall remain the basic accounting legislation for those companies which are not quoted and shall continue to regulate those fields which are not covered by the IFRS standards.

Through the decision taken by the European Union, which decision has been followed by various similar methods in Russia, Australia and the New Zealand, the trust in the international accounting standards has increased, just as their role as standards for the global economy also increased. The tendency to create a common language in which the financial standings of the companies from many countries of the world should be presented, has also manifested through the signing of an agreement regarding *the convergence* between IAS/IFRS and US GAAP in 2002 between The council for the international accounting standards-IASB and The council for the financial reporting standards-FASB. Within the said agreement, both signatories have undertaken to make best use of their efforts in order to: make it possible for the already existing financial reporting standards to be fully compatible as soon as possible and to coordinate their future working schedules, so that once obtained, the compatibility shall be maintained.

Not all the countries walk at the same pace and with the same speed on the road of the convergence with the international accounting reference. The national accounting standards of the countries with a slower

pace usually cover less problems than the international accounting standards (Ding, Jeanjean, Stolowy, 2005).

CONCLUSIONS

The globalization, the harmonization and the international accounting convergence stand for the phenomena which tend to be more and more present at the level of the entire world. The application of the international accounting standards has become a necessity in order to ensure the quality of the accounting information. However, many of the world's countries are at present trying to maintain their domestic identity, through the capitalization of the latter's cultural values and of the tradition as related to accounting. This thing can especially be noticed at the level of the individual accounts of the national companies, which apply their own national standards, the latter being the result of the legal, economic, social and cultural particularities. The international harmonization, followed by the international convergence are significant factors for the development of various new directions regarding the accounting concepts.

For as long as the globalization phenomenon shall remain a reality, the tendency in accounting shall be represented by the implementation of the international standards for financial reporting (IFRS), doubled by the reconciliation, through the accounting convergence, between the opinion as expressed within the American standards for financial reporting as issued by FASB and the IFRS's. Just the implementation of the international accounting standards does not automatically stand for the amelioration of the national accounting system, if at the same time there are no deep changes occurring as related to the policies of economic development, the mechanisms of corporate governance and the operation of the financial market (Ding, Hope, Jeanjean and Stolowy, 2007).

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Globalisation Essay: The Positive and Negative Impacts of Globalisation on the Developing World. What is Globalisation? Globalisation Essay: Globalisation and world wide interdependence. Another positive impact of globalization on developing countries is an increase in standard of living. One of the aims of globalization of economies is to reduce poverty, and this aim is being achieved by the increased access to foreign funding from industrialized nations to developing countries. And with transfer of new technology from developed countries comes more opportunities for training for local employees. Quite often manufacturing subsidiaries have also been linked to establishment of distribution networks that expand employment even further (Mubiru 2003). Globalization definitely has certain impact on sovereignty. For instance, more negative impact on African nations. Due to MNCs dominating role in these countries, government of the day are persuaded in policy making. In case of other Countries, bodies like WTO reduces economic sovereignty. Likewise international conventions restricts the law making power of parliament which intact affects Parliament's sovereignty over law making. Despite this, the nation state remains to be ultimate sovereign. They make decisions on global organization like UN or WTO on the basis of national interest. 5. Sponsored by nexo.io. Unfortunately, the courts do not understand the long term health impacts related to peoples' toxic exposure. It evaluates the financial globalization positive and negative impacts. International financial flows and banking linkages which influencing on CEE countries and Ukraine banking stability are studied. The paper is to assess the financial globalization conditions, trends and their implications on banking. It evaluates the financial globalization positive and negative impacts. International financial flows and banking linkages which influencing on CEE countries and Ukraine banking stability are studied. mental in upgrading grant of public services, steady socioeconomic development of regions. 1. A budgetary code of Ukraine is from 08.07.2010 year -2456-v //http: // www.liga.net.