REGULATION OF ACCOUNTING

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A different financial and especially fiscal policy which is tightly connected with each country is prevailing among particular European countries as it has a critical influence on providing its operation. The arrangement of accounting and subsequently also tax systems of individual states stems from different presumptions, which might be historical traditions, system introduced with financial institutions, sociological factors or economic conditions. In relation with the prepared entry of a number of countries into EU it is necessary to harmonise a number of concrete procedures which besides others concern also accounting in the Czech Republic.

In particular European countries accounting systems developed relatively separately in accordance with national, economic and historical customs and therefore discrepancies arose naturally, above all in the area of reporting. In the 70’s, with the development of the world economy, international harmonisation of accounting reporting started. The aim of this process is to ensure the international comparison of information on financial situation and P/L of businesses. The accordance of procedures and accounting co-ordination of accounting systems of EU countries should be the result. Crucial differences in the area of international accounting appear in the approach of continental Europe and approach of Anglo-American accounting reporting. The whole continental Europe gets under the pressure of international capital companies, world development of accounting which aims to more liberal conception of accounting.

At the present time international harmonisation of accounting is being realised in the three main areas:

1. International Accounting Standards – IAS
2. Directives of the Board of European Community
3. Generally Accepted Accounting Principles – GAAP

International Accounting Standards (IAS) have the widest international professional perspective and long-term tradition. Standards are not obligatory, but they exist on the base of recommendation which is verified by the usage in the practice. They are prepared and issued by the International Accounting Standards Committee – IASC with the residence in London.
The Committee was founded in 1973 on the basis of the agreement of professional accounting organisations in nine countries. (Australia, Canada, France, Germany, Japan, Great Britain, United States of America, Netherlands, Mexico). The first standard came into operation already in 1975. The International Accounting Standards Committee where the influence of the representatives of Anglo-American world is prevailing, closely co-operates with the American Securities Committee (SEC), which was founded by the Congress of the United States of America in 1934. The members of the committee for IAS creation are professional accounting organisations which are the members of so called International Federation of Accountants (IFAC). At presence also Czech institutions, such as the Chamber of Auditors in the Czech Republic and Union of Accountants, are the members of this Federation. All the applicants for the entry into IFAC agree on ensuring of harmonisation of national accounting standards and national accounting legislation with IAS. The Committee for the creation of IAS reached its informal respect and the interest in the co-operation by its long-term intensive activities, quality elaboration of standards as well as the ability to promptly react to the up-to-date problems. IAS seems to be under a strong American pressure. Primarily they are designed for big consolidation subjects quoted on world markets. (At the present time 38 international accounting standards exist.)

Directives of the Board of European Community – Directives EU – they are proposed by the European Committee and are accepted after the discussion in the European Parliament and Council of Ministers. The directive is a legal instrument which follows the achievement of a certain goal, it should ensure practical realisation of harmonisation, however decisions on its application are in competence of particular countries. Therefore, directives are not accepted always by all member countries, as there is not, in fact, any way to force the countries to accept them. Their aim was to help with harmonisation of the tax system and legal standards and creation of a unique business environment. They put greater emphasis on a formal side of reporting and on concrete patterns of accounting statements. However, they are criticised for their obsolesce, degree of their tolerance, and they call for updating.

Generally accepted Accounting Principles (GAAP) arose and have been applied especially in the USA. The USA started its harmonisation after the Great Economic Crisis in the 30’s to ensure comparable and trustworthy economic information. They represent a set of certain rules which are followed by business in bookkeeping, designing and presenting accounting statements to their users. They occurred in the past by generalisation of accounting procedures from the practice in the USA. They are not obligatory, however they are generally accepted and applied.

All the three forms of the harmonisation of accounting do not concern current bookkeeping, but they involve requirements regarding the content and form of a financial statement. They do not comprise a complex and complete modification of financial reporting but only certain items which are considered to be crucial for the mutual co-operation. It means that the selection of certain items cannot guarantee a complete comparison. None of the above-mentioned forms of harmonisation also does concern all types of organisations. They focus only on the business sphere. They do not involve organisations financed from the government budget (e.g. non-profit organisations). It sets limits only on selected organisations, especially on big groups of enterprises or organisations quoted on markets.

The above-mentioned situation is necessarily reflected also in the regulation of the Czech accounting. The bases of our existing accounting were laid after the Second World War in 1945 in relation with the renewal of the Czech Republic. The removal of discrepancies and gradual creation of unique accounting was started. Harmonisation and unification of
accounting always involved both the financial reporting (both the content and form) and current bookkeeping. (methodology and accounting procedures). The Czech Republic approached to the international harmonisation of accounting to a considerable extent by the modification of our accounting valid since 1993. The modification of our accounting in relation with the entry into EU should be the next step towards the harmonisation. The effort for the entry into EU expressly determines the selection of the form of the international harmonisation of accounting. Directives of EC Board are decisive for us.

In relation with the amendment act on accounting the implementation of Czech accounting standards into the system of legal modification of accounting are presupposed. It implies a significant change in comparison with the present state as well as the traditions of accounting in the Czech Republic. Development of our accounting in the Czech Republic was strongly influenced by the regulations of the continental and Central Europe. It was always governed by the legal norms issued by government institutions. These regulations were of different legal standard and different extent of details. The force of a new legal regulation is presupposed from January 2001. Thus the act having been in operation for 8 years without considerable amendment will be changed.

With respect to the detailed modifications of accounting, it is purposeful to start from international accounting standards, in spite of the fact that they are not obligatory, and reflect them to our regulations as national accounting standards, however obligatory. The application of these international standards does not have to be in contradiction with Directives.

Development of the world economy, mutual co-operation, influence of multinational businesses and development of the international capital market require of course the necessity of the further harmonisation of accounting. Companies and their integration which need to draw capital on international capital markets have to compose two financial statements. The first one in accordance with the statutory regulations valid in a particular country (in EU countries according to European accounting directives, in the USA only financial statements composed in accordance with generally valid accounting principles are recognised – GAAP etc.) and the other one according to the standards and principles recognised on a particular capital market. It is very demanding and costly even if it concerns rare situations and big corporations and their integration. That is why a new way for the more profound harmonisation of international accounting in the world scale is sought.

At the present time in relation with economic globalisation the process of further deepening and intensification of the world harmonisation of accounting has been in progress. Within the frame of EU harmonisation of European accounting directives and international accounting standards are being solved to avoid any discrepancies between them and to make the financial statements in membership EU countries composed in accordance with standards and directives compatible.

Certain steps aiming to the creation of worldly unique accounting statements have been already realised. The Committee for International Accounting Standards offered a co-operation in the creation and modification of IAS to the Committee of European Union. It also indicates the case of international organisation of stock exchange committees (IOSCO) and IASC. Present international accounting standards with the most extent application should form the base for the detailed modifications of a financial statement and accounting in Europe. However, they should be updated and completed under EU assistance to follow more the requirements of EU countries and requirements of international capital markets. In fact, it will be a very complicated and long-term process. The existence of strong and enough stable,
worldly unique accounting standards must ensure effective operation of EU. It is welcomed that the Czech Republic is involved in the activities of European Community in the area of accounting systems earlier than it becomes the member of EU.

The process of approaching of the above-mentioned systems represents complicated problems that are possible to be solved gradually with respect to the fact that the membership countries preserve their independence within the frame of EU. At the same time realised harmonisation has not been based on the existence of complex comparable studies, which would realise a complex analysis of differences in economic, legal, historical, tax and other factors and conditions in particular countries, define their causes and proposed the ways leading to their removal. As late as in the last years attention has been paid to this problem.

Facilitation of the entry of European companies into international capital markets is the next demanding problem at the present time. The reason is that particular international security markets and regulators of capital market condition the registration of companies by composing financial statements according to the different set of accounting standards than European directives.

The closer ties of EU accounting directives with the process of international accounting harmonisation in accordance with IAS seem to be the easiest way for achieving a higher degree of harmonisation at the presence.

Regarding the fact that the harmonisation of world accounting seems to be on the crossroad of its further development, setting priorities demanded in Czech accounting must not be realised in a narrow focus on the only direction of the standardisation of accounting, but in a wider world context.

Résumé
Development of the world economy, mutual co-operation, operation of multinational companies and development of the world-wide capital market of course bring further necessity of accounting harmonisation. The process of approaching of the above-mentioned systems represents a complicated problem that might be solved only gradually. The Czech Republic with its preparation for the entry into EU cannot ignore the requirements of harmonisation within the frame of this integration of countries. At the present time closer ties of EU accounting directives with the process of international accounting harmonisation in accordance with IAS seem to be the easiest way of achieving a higher degree of accounting harmonisation.

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