

The implementation of Accounting Standards, a necessity of global financial reporting and accounting standards for businesses

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Abstract- *Historically, financial reporting standards have been developed individually by each state. Sometimes standards are set by governments, and in some cases even by the accounting professionals or independent accounting boards. This scientific research fills a scientific, theoretical or practical gap, in removing the dilemmas regarding pro or against the implementation of IAS / IFRS. This research has been conducted by comparing KAS, laws and regulations of various countries as well as disputes and problems without solutions in the field of accounting, with IAS / IFRS*

Keywords: *KAS; IAS; IFRS; alignment; interpretation; approval; implementation.*

1. INTRODUCTION

It is necessary at the very outset to specify what we mean by the term *standard* and what is implementation¹ of IAS / IFRS, implementation difficulties, and the experience of EU countries.

"By standards we mean general rules that determine how things should be done in practice in order to achieve same and correct conclusion for economic activities or carried transactions."

IFRS standards are already set as global norms in the financial and accounting reporting, and their adaptation is being used increasingly in the countries of the region. These standards ensure that representatives of different areas, different industries and in different countries have a common language for financial and accounting reporting. Training will develop participants' knowledge about various issues of International Financial Reporting Standards when it comes to performance and more advanced level of accounting, reporting or auditing. Accounting rules are established in order to be used in the accounting process and the final preparation of financial statements.

These rules are set out in the form of:

1. accounting principles;
2. accounting standards

We should first clarify the difference between legal and professional regulations. By legal regulations is meant the Law on accounting and auditing as well as legislation acts which have to do with the enforcement of this law.

By professional regulations are meant the Code of Ethics for Professional Accountants, International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), International Standards on Audit (SNR / SNA) and the framework for the preparation and presentation of financial statements.

A large number of studies conducted in different countries, have highlighted the benefits of having a single set of financial reporting standards throughout the world. Few studies have given conflicting opinions about the importance of adopting IFRS development in emerging economies.

Often we say that the building of national accounting standards should be in accordance with IAS / IFRS. What will be presented in this paper is precisely the measurement of this harmonization. We will identify the measurement of formal harmonization between national accounting standards and international standards, as well as the measurement of formal harmonization between overall accounting plan and international standards.

For this purpose are reviewed studies conducted in regards to the identification of compliance of national accounting regulation with those of IAS / IFRS.

In the paper it is also intended to present the implementation of accounting standards in the countries of the region, in order to identify the specifics and similar problems in the process of accounting regulation.

Through the paper, it is shown that reforms in the field of accounting enable the construction of a set of accounting standards in accordance with IAS / IFRS.

Textbooks regarding National Standards and International Accounting specialize in issues such as, for example, financial instruments, translation of transactions denominated in foreign currencies, the impact on the

¹ *The word implementation derives from English language and in Albanian it means Zbatim*

result before income tax, measurement and recording of provisions, measurement and identification of fair value, etc.

When it comes to accounting standards, one can not be indifferent about the harmonization and standardization processes, which are necessary and indispensable when it comes to setting up accounting regulations in a country.

In order to standardize the different types of financial statements, each country should work on creating the accounting principles, which can be used in all the world, in accordance with IAS / IFRS (Epstein and Mirza, 2007). Although the goal *prima facie* seems easy, its achievement may be challenging because of the diversity of current accounting principles in different countries.

To address these issues, domestic and international literature has been used in order to tackle the theoretical and practical aspect of this scientific paper, as well as accounting and auditing laws such as Directives IV and VII of the EU accounting.

The Council Directive of EU, Council Directive 2013/34/EU dated 26.06.2013 is aimed at reconciliation until 20/05/2015, to enter into force on 01.01.2016

The study concluded:

1. Different accounting practices,
2. Different laws on enterprises,
3. Changes in legal regulations
4. Accounting Directives of the EU and the ordinances
5. Accounting standards and principles
6. Shape and content of financial statements
7. Rules of capital markets
8. Timelines of reporting (quarterly, semiannual, annual)
9. Acts and regulations that are adapted to requirements and general accepted accounting principles (GAAP)

These changes make it more difficult and slow down the unification of national and international standards.

Data collection includes collecting data from the World Bank publications, statistics, rules and laws, which were used to gather information in order to come to conclusions based on the survey findings.

The causes must be sought in the schools of accounting. Through these is shall be understood that there are differences in regulations and bookkeeping in different countries.

Sorts of financial reports vary between countries that are object of study:

- a) As in the forms of financial reports,
- b) Economic terminology, and
- c) The presentation of balance sheet based on structural principles.

Financial reports vary between regional countries and mainly in:

1. The use of terminology;
2. Reclassified balance sheet in accordance to principles of safety and liquidity;
3. According to the accounting plan (processor principle and the balance principle).

Besides the terms used in:

- Serbia, Macedonia (based on German language)
- Kosovo (based on English language)
- Albania (based on French language)

2. RESEARCH METHODOLOGY

Recognition of studies conducted on the methodology of scientific research, and the capacity for independent development of scientific research work through the method of comparing the standards and accounting methods.

Here we will explore the basic concepts of KAS, IAS, IFRS, their role in the field of accounting, transfer of scientific achievements.

Gathering of required data through methods of collection, regulation and data processing.

Europe has been the catalyst for international adoption of IFRS, by making their application mandatory for public companies from 2005 onwards. Upon this decision by European Union, many other countries decided in the same manner. While countries that did not directly adopt IFRSs, converged their national standards with IFRS.

The Council of Ministers of the EU, approved "guidelines" that within a specified period, each member state is obliged to reflect on its legal provisions. Besides the directives, the EU also adopted Decrees (Regulations) that have the force of law, without having to pass the legislation of each member state.

Directive shall enter into force 20 days after publication or on the date specified in the directive itself. Directive into national law is generally between 18 to 24 months after publication.

These restrictions for SMEs are presented in the fourth amending Directive 2003 (Council Directive 2003/38 / EC).

In the European Union, the European Commission is the executive body of the EU. This accounting regulation committee-EC is assisted by the Accounting Regulatory Committee (A.R.C). European Financial Reporting Advisory Group (EFRAG). EFRAG is the organization that gathers professional bodies, drafters and users of accounting as well as accounting national policy makers in Europe.

All EU laws that together are known as the "ACQUIS COMMUNAUTAIRE"² include all:

- Primary legislation (treaties)
- Secondary legislation (regulations, directives, decisions, recommendations, etc.) and
- Law based on cases (judgments of the European Court of Justice and the European Court of higher instance

² *Acquis includes all primary legislation (treaties), secondary legislation (regulations, directives, decisions, recommendations, etc.) and based on case law (judgments of the European Court of Justice and the European Court of higher instance)*

2.1 Common³

All standards IAS / IFRS are translated from English, Entities that apply IFRSs are listed economic entities and public interest entities (commercial banks, insurance and reinsurance, securities funds) These include small and medium economic units that implement MRS, designed in consistence with IAS (IFRS). All countries in the region implement NAS, except Macedonia which has implemented IAS.

2.2 Specific⁴ SERBIA

Serbia⁵ implements 31 KAS since 2005, harmonized with the IAS / IFRS

Plan of accounts harmonized with IAS.

While specific accounting rules are generally consistent with full IFRSs, yet there are significant differences and simplifications.

There is an Accounting and Auditing Law in Serbia (RS Official Gazette no. 46/2006 of 111/2009).

Serbia has not harmonized FS with IAS, they are regulated by special regulations for FS.

IFRS for SMEs has not been supported so far, but that is expected to be implemented from 2014.

Arguments / facts – if we put IAS / IFRS on one hand, and on the other hand we put local accounting problems and disputes, we reach to the conclusion that a significant number of IAS deals with questions which are not present in our country.

2.3 Specifics about IAS in Macedonia

Macedonia⁶ applies 29 IAS from the date of 01.01.2008 translated in Macedonian by the English company IMCL, under the responsibility of NAC, with no changes from the original English text, which become mandatory for application on January 1, 2008. Order no. 65 dated 05.05.2008, the date of approval of the Act, 30.07.2008, official gazette No. 119, dated 30.07.2008. So no KAS.

According to Accounting Management Regulations ("Official Gazette of RM" no. 94/2004 accounting guidance is provided by IAS which are certified by the Committee (IASC / IASC) and the same are part of this regulation.

Accounting Plan of accounts in Macedonia is based on the Law on Accounting, it is not harmonized with ISA.

Implementing IFRS for SMEs since 2012.

PF forms are foreseen in Regulation (off.gaz. RM, 52/11 and 174/11)

³ <http://www.iasb.org>

⁴ Generally accepted (GAAP) means an authoritative accounting policymaking institution, has established a principle in financial reporting in a certain place, or over time such practice is accepted as appropriate for the application because of its universality

⁵ Law on Accounting and Auditing in Serbia ("RS Official Gazette"), no. 46/2006 of 111/2009)

⁶ Accounting Management Regulation, Skopje (Official Gazette of RM 94/04, 11 / 05, 116 / 05)

2.4 Specific⁷ in ALBANIA

Albania⁸, starting from 2009, is engaged through NAC, very seriously in the process of translating the IFRS updates.

14 other SKK implement other economic units

15 SKK will enforce economic micro entities.

NAC⁹ have a sufficient collaboration with professional groups such as:

- Institute of Chartered Auditors (ICAA)
- League of Accountants (LAA), and
- Association of Accountants and Financiers of Albania (AAFA)

Specific in KOSOVO

- Kosovo¹⁰, during the transition has had challenges as a new constituent, without accounting laws, or plan of accounts, no unified financial statements.
- Kosovo Accounting Standards at the moment are 19, one of them was removed, 18 remained since 2001, and this is what is estimated by experts as necessary for the application of the total number of international accounting standards.
- References¹¹ of SKK belong to the English version (KAS - Kosovo Accounting Standards). Some basic formulations are also provided in the original language (English). The English word "Fair" is transcribed only in English, "Fer" straight, is not translated at all. This word means a faithful presentation of "fair conditions in financial reports".
- Law no. 04 / L-014 "On Accounting, Financial Reporting and Auditing", which will come into force on September 9, 2011. The IFRS for SMEs since 2009.
- Kosovo by Administrative Instruction no. 2/2013 / MoF dated 20.03.2013, has determined the structure and content of annual financial reports.
- Administrative provisions Directive No.2 / 2013 / MoF, dated 20.03.2013

⁷ Existing Accounting adjustments refer to DCM No. 783, dated 22.12.2006, "On the definition of Accounting Standards and Regulations" which replaces Decision No. 334, dated 07.09.1993 "On Approval of the General Accounting Plan"

⁸ Law no. 9228, dated 29.04.2004 "On Accounting and Financial Statements", as amended by Law nr.9477 dated 09.02.2006

⁹ Jorgji BOLLANO, "Achievements, difficulties and challenges of FR and CCC strategy for the future "

¹⁰ "Law no. 04 / L-014 on Accounting, Financial Reporting and Auditing"

¹¹ SHKÇK/SCAAK, "Kontabiliteti Financiar", Prishtina., 2008

3. CONCLUSIONS

- [1] Some notes should be added in order to make it easier for readers to base conclusions on IASC, with a complete list of these corrections.
- [2] To elaborate a Glossary of terms of IASs to clarify readers.
- [3] Insufficient or incomplete handling of the problem of harmonization of IAS / SNKRF, by different authors.
- [4] Accounting Harmonization, as a new strategy, introduces the need to harmonize EU accounting directives with International Accounting Standards (IAS), in order to meet the requirements of international capital markets. Financial Reports vary between regional countries with different criteria used for the definition, measurement and recognition of items in the financial statements (FS)
- [5] The choice made by the countries of the region for the implementation of International Financial Reporting Standards (IFRS), was adapted to the conditions of our economy, the objectives of unifying our legislation with that of the European Union countries and takes into account the tradition of accounting practice of our country.
- [6] Council Directive of EU, Council Directive 2013/34/EU dated 26.06.2013 is aimed at harmonization until 05/20/2015, to enter into force on 01.01.2016

4. RECOMMENDATIONS

- [1] We propose to work more diligently to expand the NAS in the region harmonized with IAS / IFRS. To eliminate the need to harmonize differences, GAAP / GAAP + IAS / IFRS IAS + EU Directive = Global Standards.
- [2] To develop the plan of accounts (coding) unified with other member countries of the EU.
- [3] To develop an accounting regulations based on the law "On Accounting, Financial Reporting and Auditing" in accordance with Directive IV and VII of the EU and EU decrees, US GAAP / US GAAP, IAS / IAS / IFRS = Global standard.
- [4] To improve existing NAS to reflect the substantial changes. To draft the missing NAS in the countries of the region.
- [5] To establish advisory groups for financial reports in all countries, to examine the disputing problems which are hampering the implementation of the IFRS for SMEs.
- [6] To make the above changes to the financial statements 05.20.2015, drafted on the basis of EU Directive which must be implemented by 01.01.2016.
- [7] Member States of the EU to take a final position on the adoption of IFRS for SMEs.
- [8] The results of this study show that there is enough space for further studies regarding the recognition or enforceability of NAS in the region and these can serve readers, professionals or researchers in their

further work and especially in similar studies . It will also serve as a textbook for the academic world.

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5.1 Serbia

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- [3] The Law on Accounting and Auditing; "RS Official Gazette" no. 46/2006 and 111/2009

5.2 Albania

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- [4] Law no. 9477, dated 09.02.2006, in Albania

5.3 Kosovo

- [1] Kosovo SCAAK (Association of Chartered Certified Accountants and Auditors of Kosovo)
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- [3] <http://gazetazyrtare.rks-gov.net>

5.4 Macedonia

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- [2] Accounting Management Regulation, Skopje (Official Gazette of RM 94/04, 11 / 05,116 / 05)
- [3] Regulation on the form and content of annual accounts (Official Gazette of RM no. 113 / 06,110 / 07, 52/11 and 174/11)

5.5 World Bank

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- [2] Web: www.ifrs.org
- [3] http://www.kkk.gov.al/
- [4] http://www.iasb.org
- [5] http://www.iasc.org.uk/
- [6] International Financial Reporting Standard; http://www.ifrs.org/

5.6 Abbreviations

- [1] IAS - International Accounting Standards
- [2] IFRS - International Financial Reporting Standards
- [3] IASB - International Accounting Standards Board

- [4] SAC - Standards Advisory Council
- [5] IFRIC - International Financial Reporting Interpretations Committee
- [6] IASCF - International Accounting Standards Committee Foundation
- [7] GAAP - Generally accepted accounting principles
- [8] IFAC - International Federation of Accountant
- [9] SEC - Shares Exchange Commission
- [10] NAS - National Accounting Standards
- [11] SIC - Standards Implementation Committee
- [12] IOSCO, International Organization of Securities Commission
- [13] WB - World Bank
- [14] FASB - Financial and Accounting Standards Board
- [15] GASB - Government Accounting Standards Board
- [16] AICPA - American Institute for Certification of Public Accountants

ANNEXURE

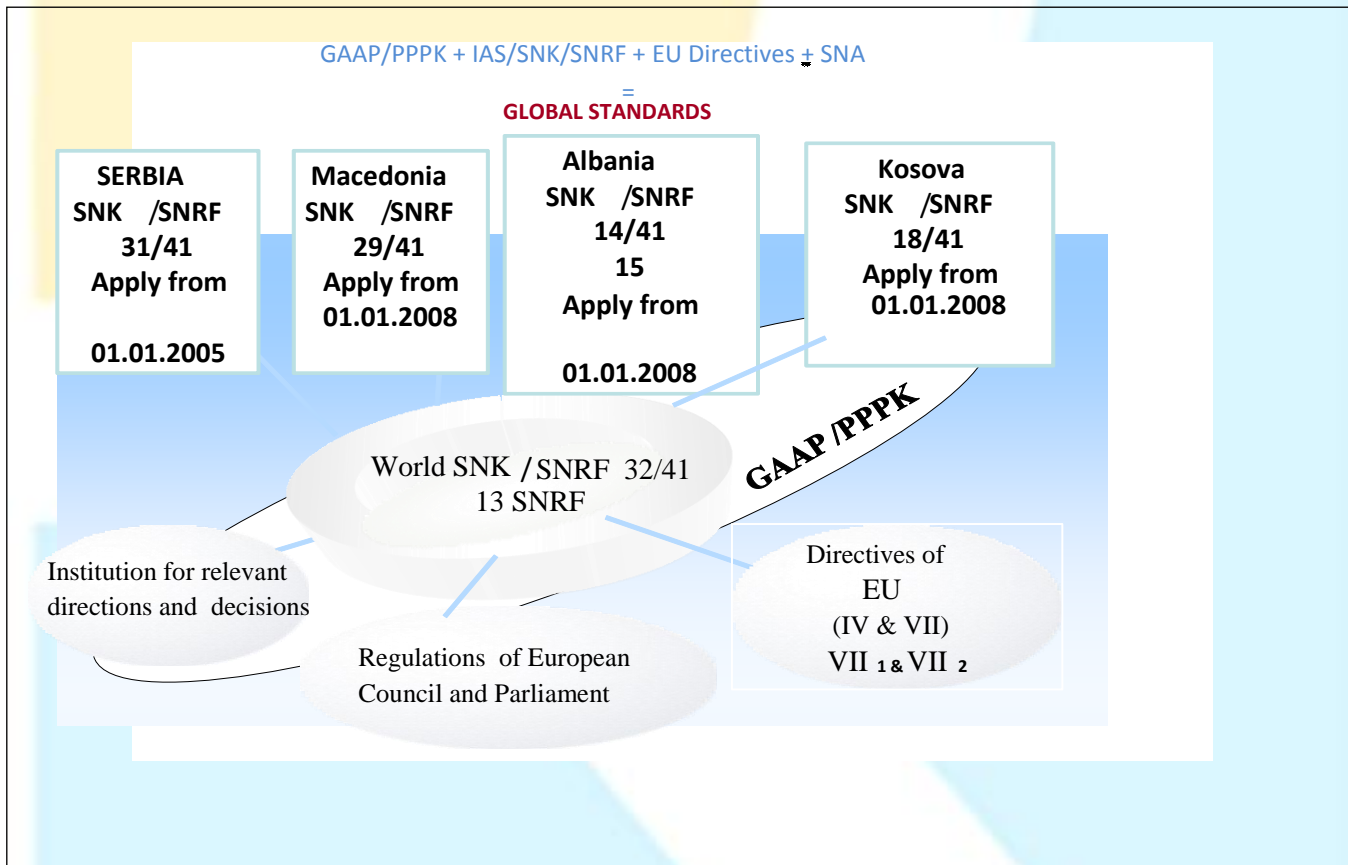


Figure 1. Implementation of standards in Albania, Kosovo, Macedonia and Serbia