

The Future of Accounting Expectations and Possibilities in the Integration

TIBOR PÁL

SENIOR LECTURER, PH.D.

E-mail: stpal@uni-miskolc.hu

SUMMARY

The prospect of global harmonisation of the accounting standards have seemed far away up to now. Countries with relatively low economic potentials – like Hungary – faced a great many questions when they regulated their accounting rules. Accountancy was regarded as the language of business.

In Hungary there did not exist any unified conception for a system of norms considered as an aim to be followed in the long-run. The change, which involved the re-codification of regulations together with the acceptance of the demand for harmonisation and, was actually an increase in effects, such as corrupt practices in companies and terror attacks, which fundamentally influenced the economy in international terms.

BEFORE THE JOINING – HOW SHOULD ACCOUNTING GO ON?

As on several occasions since 1968, the Hungarian theory and practice of accounting is searching for its identity again. From an outside view the cause of this is the European integration at the moment, although the question is more complex. Of course entering the union raises problems, but handling them would not mean unsolvable tasks in themselves for Hungarian proficients who have been through so much. Nevertheless, not just expectations appear, in connection with joining, but at the same time more far range of things appear in the next relatively short term: demands of external and internal changes which are also related to theoretical bases of accounting practice. In the years past the continuously developed Hungarian proceeding system – here it involves also the native institution of auditing besides accounting – has followed the lead of practice of developed countries quickly. However, significant deviations have become visible in that – and are becoming visible also at the moment – the certain areas could have performed the required steps, and how were they able to judge whether their progress' rate and tendency is right or not. While the defining of targets, in connection with auditing, could be happened relatively unambiguously with the using of international standards, during this time there were not any theoretical base or accepted international experience for

accounting by which it could be supported to depart on the way of unification and closing-up. The causes of this can be found in the norm-system of the international accounting practice and in the significant divergences between certain theoretical approaches. Three categories can we emphasize with the remark that in other opinion we could focus on the distinction of European and Anglo-Saxon regulational methods:

- the directives¹ in the European Union which deal with accounting (with auditing)
- International Accounting Standards²
- the USA's own standards³

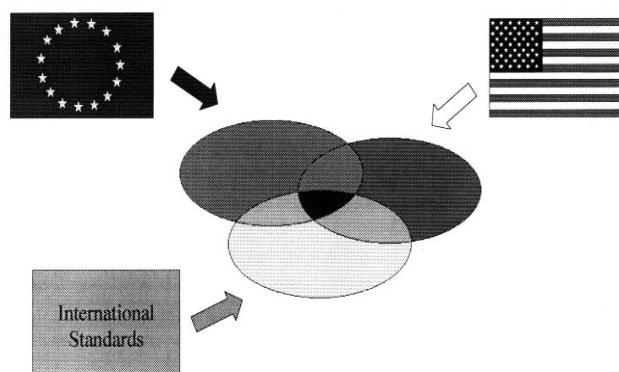


Figure 1. Accounting norm-systems
in the international practice

We face to the next problem. The tendencies of the EU do not provide support as a general rule to the handling of detailed specification. We have to see that the deviation, which characterizes the member states because of continental⁴ and Anglo-Saxon⁵ accounting approach, does not promote building up a unified system. The International Accounting Standards work as principle-based rules, the US GAAPs, which compose the general rules of the USA in very detailed form, are just the other way round, they appear as models which are based on rules. Application of these 3 norm-systems at the same time, which is obligatory in certain domains (Exchange, controlling of affiliated firms...ect.), create theoretical difficulties and increased practical tasks also in certain firms at the moment.

The possibility of the global standard-harmonization has seem to be very distant till now. It has seem to be such a theoretical possibility whose appearing influences are restricted in the enterprise practice. It follows from this, when the application of accounting, which is considered the language of business, was controlled, the countries, which are less significant because of their economic importance – so Hungary as well – face severe „grammatical” questions which did not have unambiguous possibilities. So in Hungary as well, similarly to other European countries’ practice, the instrument system came – the order of procedures which is defined by lawful control -, but till now there has no appeared a unified conception to the approaching of norm-system which could be followed and be defined as a target. The change, which accompanies recomposing of lawful prescription with general accepted harmonization-claim, meant the strengthening of those influences, which had an essentially effect on economy’s practice reasoning the theoretical composing as well.

NEW FACTORS’ INFLUENCES ON ACCOUNTING – AND AUDITING

In the recent past new factors have appeared between external effects which did not or did in less proportion characterize accounting or any related professional fields’ activity. Instead of the totally view we examine those processes that determine courses in Hungary and the choosing between norm-systems.

The demand on more rigorous control from the side of the private sector and the state

Because of shortcomings of the accounting and the enterprise abuses based on the unsuitable auditing control in the USA initiatives have appeared toward the more rigorous control and to supervise the work of auditors by the private sector or the state. The reason for this is that the present – American – shortcomings of controlling could undermine the enterprise practice that postulates the capital market and investigators’ confidence increasedly. According to assumptions quality-control, narrowing of other services - which can be offered by auditors -, and composing of new regulations - which make other efforts to re-establish the confidence- are characteristics within the compasses of working out new rules.

New factors of the judgement of the risk and the independence of auditing

The most important question of the modern auditing is the independence which is the essential ethical rule. In the course of the auditor’s work the concept of the risk and the independence are in connection with each other inevitably,

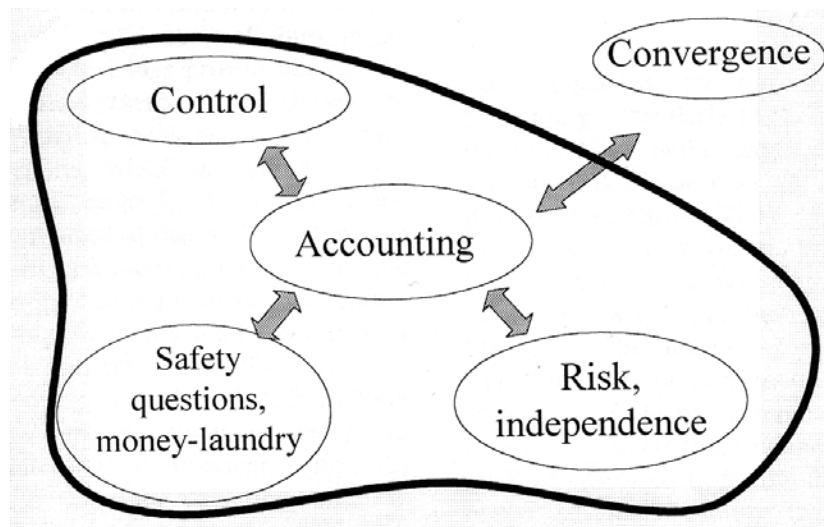


Figure 2. Influences of new factors

but while risk-estimation can be treated with economic-methodological solutions, till the possible moral-ethical problems of independence - distance from management, possibilities and claims related to remuneration...ect. – have some significance beyond economics, they can be treated by its instrument-system indirectly or only in part. The influence of interpretations, common interests of enterprise and auditing, the mentioned abuses and accounting scandals appear in this respect as well.

Safety questions related to accounting and auditing

In economic practice such question treatment has appeared essentially which are far from the field of accounting, in consequence of terror-attach against USA increased the demand of controlling and prevention of financing business and transactions related to illegal groups. The „money-laundry” which can be in connection with wide range of activities consider its content and the rules, which aims forcing back this kind of activities, and the unique steps, which spread over the service sector, alter the relationship of the economic participants and influence their connections. It is issue of facts that all over the world resources had to be devoted to high degree to make observance of new regulations, and the financial service and to a lesser extent the commercial sector are unanymously forced to treat disadvantages related to money-laundry . Among other things one of these disadvantages is reporting duty of shady business which can indicate professional mistakes and errors because of the shortcomings of unified interpretation and opinion, no mention the mistrust which comes from the partners.

Appearing of convergency demand toward the different norm-systems

Tight relation to the previous things we can compose like that due them changes have happened in the judgement of norm-systems. It is true for the American opinion as well, which considers the US GAAP the only true faith, and they recognized that professional critics, appearing on the basis of abuse in the recent past, are not causeless. These critics proved that inspite of detailed American regulation there is possibility to manipulate accounting data. American rule-makers had to face the opinion that enterprise-reports, which are based on the international standards, are more suitable for investigators. European countries could be convinced of that it is expedient not to build original standards on EU's directives, but to create the basis of a unified accounting system on a global scale accepting with the International Accounting Standards and harmonizing it with the US GAAP. The EU accepted that the Exchange companies make their reports on the basis of the IAS from 2005 and the EU commits its expansion to companies which are outside of the Exchange. Parallel with it American companies are required to change over to the common regulations till 2007 in the way that they approach American and international rules to each other.

The relative slow process of convergency contains serious tasks, but according to expectations it contributes to increasing of companies' penetration and to formation of unified capital market.

NATIVE REGULATION IS IN THE SITUATION OF DECISION

The direct accounting influences of a part of tendencies in the international practice do not turn into recognizable immediately and unanymously. Down to date member states in the EU can be characterized by accounting variousness which consequence of the relative simple suitability of the directives' comprehensive type. It is such a state which resulted the maintenance of possibly very different accounting solutions. As follows European states could not give answers on the merits for the demands of unifying – which have appeared since 1990's, the most of them assumed the position of „wait and see”. More version occurred among possibilities:

- > developing a detailed rule-system from the directives of the EU
- > wide application of International Accounting Standards
- > acceptance of American regulation
- > „selecting” from the factors of certain norm-systems

As we saw in the description of influences the present tendency shows toward accepting⁶ the International Standards – after its approach to the US GAAP.

Nowdays new influences appearing on international level – listed in the previous part -require decisions from member states as the competent institutions of the EU's and the USA's accounting rule-making make unambiguous with comprehensively composed convergency-expectation. The question tends to that whether Hungarian regulation has to make steps in this situation can be answered by a vigorous „yes”, but after it we have to focus on the evaluation of decision.

BEFORE JOINING – TOWARD STANDARDS IN THE ACCOUNTING

The significant questions have been decided: the native accounting – similarly to the auditing – have moved into such theoretical and methodological tendencies and as a result of this the opportunity occurs to adopt international standardized procedure-systems. The decisions about preparation of regulation were born or they are under preparation⁷, the Hungarian practice will work on the basis of own national standards which are built on the International Accounting Standards. The accounting regulation has to necessarily give something new in comparison with auditing standards system - which is

partially complete equal with the international regulation – to compose independently its requirements which in justified cases has to follow the Hungarian national economy's nature besides accepting the common rules. Emphasis and importance of working-out of International

Accounting Standards will become visible to the participants of of the economy in the course of application, the communication role of business' native „language” can accomplish itself within the integration.

NOTES

- ¹ Principles which control accounting are the nexts: Principle No. 4. (25.07.1978) is about content and formal controlling of capitalistic enterprises' year-report and business statement; as well as about making them public and their auditing.
Principle No. 7. (13.06.1983) is about capitalistic enterprises' consolidated year-report
Principle No. 8. (10. 04. 1983) is about giving permission to people who are responsible for legal auditing of accounting documents
- ² International Accounting Standards (IAS). It is published by the international professional corporation, it contains explanations, interpretations, but not with obligatory character. The new standards are published by the name of IFRS (International Financial Reporting Standards) .
- ³ They are the general accepted accounting principles in the USA. The American control is essentially case-law, it is unambiguous and comprehensive, it composes the strict interpretations and their applications on a great scale.
- ⁴ *The continental practice is built ont he Roman statute, the accounting laws are regulated by orders, deductive inference characterizes its approaches, its valuation procedures are a feature of prudence.*
- ⁵ *Who follow the Anglo-Saxon accounting practice build on precedent-law, they approach questions with inductive proceedings, they consider reality primary.*
- ⁶ *It was composed in a provision of law in the EU – No. 1606/2002. („IAS”) statute*
- ⁷ *Ministry of Finance, Hungarian Accounting Committe*

REFERENCES

- ADORJÁN, CS.- BARY, L.- DUDÁSNÉ, M. - FRIDRICH, P. – LUKÁCS, J. – PÁL, T. – RÓTH, J. – SZTANÓ, I. – UJVÁRI, G. – VEIT, J.: (2001) Számvitel és elemzés I. Budapest, Magyar Könyvvizsgálói Kamara
- KAPÁSNÉ, B. M. –EPERJESI, F.: (1999) *Kompkozult kiadó, Budapest*

Zusammenfassung

Die Möglichkeit der globalen Standardharmonisierung schien bis heute fernliegend in dem Rechnungswesen zu sein. Die Länder mit relativ wenig wirtschaftlicher Bedeutung – wie auch Ungarn – standen vor vielen Fragen bei der Regelung des angewandten Rechnungswesens, das als die Sprache des Geschäftslebens gilt. In Ungarn gab es keine einheitliche Konzeption für die Annäherung des langfristig befolgenswerten Normsystems, das als Ziel zu bestimmen sei. Die Änderungen wurden durch die Verstärkung der Wirkungsprozesse (wie z.B. Unternehmenmissbrauch, Terrorgriffe) hervorgerufen, die das wirtschaftliche Leben international grundlegend beeinflussten. Die Änderung bedeutet einerseits die allgemeine Akzeptanz des Harmonisierungsanspruches, andererseits das Neuabfassen der Rechtsvorschriften.

Összefoglaló

A globális standardharmonizáció lehetősége a számvitelben egészen a jelenlegi időszakig nagyon távolinak látszott, ebből következően a gazdasági súlyuknál fogva kevésbé jelentős országok – így Magyarország is – az üzlet nyelvének tekintett számvitel használatának szabályozásakor sok kérdéssel találták szemben magukat. Magyarországon nem jelent meg egységes koncepció a hosszabb távon követendő, célként meghatározható normarendszer közelítésére. A változást, amely a harmonizáció igényének általános elfogadása mellett a jogszabályi előírások újrafogalmazásával is együtt járt, azoknak a hatásoknak (vállalati visszaélések, terrortámadások) felerősödése jelentette, amelyek nemzetközi méretekben is alapvetően befolyásolták a gazdálkodás gyakorlatát.