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Alvi, Mohsin

University of Karachi

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CRITICAL ISSUES IN ACCOUNTING

MOHSIN HASSAN ALVI
mohsinhassanalvi@hotmail.com

Abstract

The world has numerous languages to communicate, understand and interpret problems. The language of finance, business and numerical figures is recognized as accounting. The roots of accounting sprouted in the Middle East, but flourished in Europe. The concept of accounting is thousands of years old, where ancient citizens used it to deal with money problems, majorly in the cases of recording expenditures, and trading goods. The modern accounting has merged countless latest techniques to improve the practice and implementation in practical life.

Accounting plays a significant role in many ways to resolve financial dilemmas.

Keywords: Accounting Issues, Ideas, Recommendations

1. Investment Analysis

Efficient analysis of financial statements helps investors in making effective decision making to achieve maximal benefit through their investment in a business. The process of accounting facilitates investors in reviewing all financial processes and profitability status of a business.

2. Financial Record Keeping

Documentation and record keeping systems are the gist of a business or organization. Accounting promotes well maintained records of the finances of a business. The record keeping process is done through data collection from various resources, which later can help in judging the financial and economical condition of the countries and developing effective strategies and policies.

3. Forestall Acts of Fraud

Accounting helps anticipating fraudulence and deception by keeping track of financial proceedings. All the financial procedures are well calculated by accounting and then recorded by maintaining statements, which reduces the risk of fraud.

4. Fund Raising

The overall financial status of business can be presented effectively by using accounting methods. A clear picture of financial affairs can promote awareness about the needs of funds and loans in less critical way.

5. Prestige and Reputation Building

Extensive and accurate knowledge of accounting maintains the reputation of business. A clear cut picture of all financial proceeding depicts an honest submission of inventories. The field of accounting has proved itself as a miracle for business and organizational setup to cut down their efforts in maintaining their financial records. But, unfortunately, on the other hand, this field has some critical issues which need to be catered side by side.

Critical Issues in Accounting

There could be many hindrances arise in the smooth functioning of accounting processes.

1. Requirements of Latest Skills and Trainings

Every profession needs latest and modified trainings, skills and efficient models to make the functioning more productive. The purpose of accounting is not limited to dealing with numbers, but it is a presentation of financial status of a business. In the field of accounting, technical skills are mandatory to work in practical arenas. Just like other fields, accounting is expanding and growing itself time to time. Every aspect of a business and each department of an organization requires much more than making balance sheets and counting numerical figures. With the advancement in information technology, accounting has been moving towards the heights of advanced technology procedures. The incompetency in using computerized accounting can be a pitfall for accountants and can damage their market image and reputation.

2. Proficient Workforce

Efficient and skilled workforce is the back bone of an organization. Accounting has become one of the most highly demanding professions in the world, due to increasing competitions in the field of business. As much as the field of accounting is converting as the basic need of every business, the demand of skilled accountants is reaching to its peak. Experienced, capable and trained accountants are needed by modern organizations to meet the standards of present day financial sectors (Ingolfsson, Haque & Umnikov 2012). The proficient accountants are not only skilled in accountancy, but they also have good communication and interpersonal skills. Unfortunately, experienced accountants with the expertise of latest methods are found rarely (Wootton & Kemmerer 2000).

3. The Role of Corporate Governance

Corporate governance plays a critical role in providing opportunities to enhance the efficiency of system in an organization. This is the duty of corporate governance to investigate about timely financial reporting to maintain the credible documentation (Lacker, Richardson & Tuna 2016). There should be a time limit to review all the reports in order to assure accurate documentation. These financial reports can be helpful for the organization and corporate governance authorities can take help from these accounting reports to make policies to run the business. Lack of financial information can push the organization in ambiguity and increases the risk of loss and can become hazardous in developing organizational policies.

4. Organizational Environment and Culture

It has been found that organizational culture fills color in its services and enhances the reputation, quality, and efficiency of its practices. The performance of employees, internal and external operations, and sources to run the business are included in organizational environment. The smooth running of these operations influences accounting procedures and its implications in both; within and outside the organization (Erserim 2012). Organizational culture is created by its employees and management. The efficiency of teams can constantly improve the quality of financial aspects of business. The inappropriate dealing with internal, external affairs can cause errors in accounting statements due to lack of knowledge and responsiveness by management.

5. Fraud Prevention

Another issue in accounting is organization's poor accounting systems and internal procedures. Usually, the organizations are divided into various departments, and teams, where every department has its own expenditures. All the divisions and departments produce their own

balances, which makes an overall sum-up of all expenses. By merging all the amounts, it becomes easier to detect fraud and deception, while proceeding through final accounting procedures. Although, every organization has ethical standards, policies, and professional know-how in detecting fraud, but accounting minimizes the risk of fraud to great extent (Oyinlola 2010). This is why, organizations emphasize on accounting control systems and implement its activities to keep a track of its all assets and equities. Accounting has organized way of presenting its records, so that all fraudulent acts can be avoided by mentioning each factor accurately. Along with the impacts of corporate governance and organizational environment, internal system of accounting in an organization has extreme value in exploring the financial status of organization.

6. Efficiency in Accounting Measurements

Another critical issue is about the quality of accounting report and measurement. The quality of financial reports and summaries is important to improve the functionality of accounting. There is no doubt that, without clear presentation of all the domains of finances, the expectancies of accountancy cannot meet. Few accounting institutes are greatly emphasizing on improving the quality of financial reporting. For examples; Financial Accounting Standard Board, accounting academia, and accounting professions have been putting up their efforts in introducing new techniques of financial and accounting reporting. By developing more workable and simplified accounting techniques, the method of measurement and recording can become easier for accountants.

7. Measurement of Quality

The efficient measurement and maintaining the quality of its efficacy is very much difficult till now in the field of accounting. To strengthen its quality, meaningful policies are made to implement certain laws and regulations to protect the efficacy of procedural quality. One important thing in maintaining the quality is the selection of most appropriate method and then to take decision to apply it to deal with a problem. Disclosures and accounting conservatism are two other important terms, which have a close relationship with accounting quality (Nikolaev 2014).

8. Accounting Irregularity

Accounting irregularity is a term for inappropriate practice, which is against accounting norms and law, and conducted to deceive other party. The collapse of an organization, failure of a business or bankruptcy takes place by creating accounting irregularities. Investigation to explore the reasons behind irregularity can help finding issues inside the organizations most of the times (Anon 2016). Sometimes, the management or governance staff seeks the opportunity to present inappropriate information for the sake of their personal gain, which is very unethical and against the laws of accounting.

9. Auditing Requirements

The method of assessing the quality of financial system, audit takes place. An intensive examination of all accounting procedures is done by the audit team to maintain economical sustainability. The influence of management, biasness of auditor and personal judgments can destroy the purpose of auditing. The whole process of audit of an organization should be done by the same audit committee to reduce the risks of errors. Just like proficient accountants, flawless

examination of financial procedures demands proficient auditors, who have the ability not only to investigate the accounting procedures, but also can develop a healthy supportive relationship with the management and governance of organization.

10. Relationship with Other Disciplines

The importance of accounting lies behind the understanding of its users. The goal of accounting is to diminish the confusion regarding finances amongst its practitioners. That's why, accounting has achieved much more innovations than previous years. However, accounting can be used with other domains and disciplines of business and other sectors to strengthen their financial stability and avoid crisis.

11. Accounting Internationalization and Convergence

Few years back, the practice of merging multiple techniques of accounting was in practice, which was commonly known as accounting internalizations. The main purpose of this practice was to bring a harmony in accounting procedures and setting a new trend in this field. The perception of practitioners was to facilitate international accountant to understand the system effectively. Unfortunately, understanding regarding these practices is still limited.

12. Relevancy

Another challenging issue for accounting is the high rates of accountants. Personnel with lack of modern training and demands for high salary packages often have poor combination. Low level of work does not match with their compensations and they can also claim for rules and regulations which can lead to compliance revenue. The decision of buying modified equipments highly depends upon timely financial reports. Poor decision making due to accounting process can lead towards unreliability or loss in an organization.

13. Change in Practice Globally

A global change in accounting standards can impact the processes of local accounting. The purpose of working according to the global practice is to make the understanding and interpretation easier for international users. The consistency in financial reports can present transparency and expertise of accountant and make the organization reputable worldwide, which is the basic goal of every sector. The inability to work along with the latest globally known standards can cause hindrance in the procedures of accounting.

14. Lack of Communication Trainings

Just like other professions, communication skills in accounting have massive importance. Along with expertise in technical and technological services, communication skills can help the accountants to deliver their work more efficiently with their clients. Unfortunately, the focus of institutes is on the knowledge of accounting techniques rather than making their students more skillful in communication. To gauge the problem, accounting firms and educational institutions should work to ensure that current and future CPAs, accounting professionals, and marketers in the industry possess the skills and knowledge necessary to communicate with all publics (clients, employees, prospects and the community) using all methods available.

The criteria for accounting professionals should not be only limited to learning technological skills, but they must be able to communicate financial knowledge through verbal and written communication publicly. Accounting professionals should have the tendency to represent their

work, organization, financial assets in an effective manner. The image of organization and its accounting statements have high importance in business world. Organizations are recognized by the world on the basis of their financial performance and their presentation. The absence of effective communication skills can hinder in gaining professional image and reputation in market (Zaid 1994).

There are many resources available worldwide to train the practitioners in communication skills. It is preliminary to work on communication education and training, the sharing of best practices on international level, and should make effort to make meaningful connections between manly struggle and utilization of technology through digital, Web and social media tools.

It is evident that demands for professional expertise and technological improvements are increasing day by day. With the increase in requirement of technical standards and change each year, there may be less time spent on developing and managing relationships. The idea of improving the already recognized techniques in the field of accounting can fill the gap of ages. It can be said that knowing the great importance and value of being able to merge “old-fashioned networking” and taking it “off the golf course” to the digital world, can help create and maintain relationships and open up new opportunities for accounting professionals of all ages, levels of experience and gender.

To have an insight about own weakness in communication can help professionals to motivate themselves in learning new communication skills. The understanding of the importance of communication and self efficacy in dealing with communication problems can develop need for learning, which enhances the image of accountants. More skillful communication gives opportunity to build confidence and gain success in chosen field. The value of attaining education, knowledge and expertise is nothing without communicating the learned skills in an effective way.

Ideas to Resolve Critical Issues of Accounting

The issues of accounting procedures, its documentation, and reporting have been a big concern in instability of organizational reputation and poor financial handling. It can be much disastrous than above mentioned issues, if the problems cannot be sorted properly. Constant investigations are required to promote effective accounting skills.

Concerned authorities should take charge to forbid the corporate governance to take personal advantages by making wrong financial statements. It should be the duty of government to produce skillful accountant, who can explore and resolve accounting matters effectively.

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