

# Problems of Development of Accounting in the Conditions of Globalization of the World Economy

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## Abstract

The article investigates several theoretical and methodological foundations of accounting development in the conditions of globalization of the world economy. The transformation of the basic categories and the development of accounting objects have characterized. The features of the impact of globalization on the development of accounting in the world have highlighted. New problems of accounting in the conditions of globalization of the world economy have raised.

**Keywords:** Accounting, Accounting System, Analysis, Globalization Processes, Globalization, Global Accounting.

## I. INTRODUCTION

The development of globalization in the world creates economic preconditions for the development and implementation of generally accepted accounting requirements.

The globalization of the world market has led to several problems related to further unification at the international level.

Globalization has caused new trends in the field of accounting. The task of accounting is proposed to be delegated to independent accounting agencies, which will be responsible for the reliability of reporting and will save time in management [17, p. 71; 8, p. 183].

Globalization processes raise new problems in accounting, one of which is the divergence of accounting regulation that arises between countries. It complicates communication processes between actors in the international sphere. However, the development of globalization in the world creates economic preconditions for the development and implementation of generally accepted requirements for accounting and analysis and preparation of

financial statements based on International Financial Reporting Standards.

Historically shaped national models of accounting and analysis and reporting do not always reflect global economic phenomena and processes and do not create the conditions for mutual exchange of financial information. One of the major international processes taking place in the world today is the harmonization of national accounting and financial reporting systems across countries.

The global economy is under the conditions of transformation processes, which require a scientifically grounded approach to reforming all institutional areas, reforming institutions is impossible without the development of specific measures to improve accounting, improve the quality and content of training of specialists aimed at their effective functioning.

## II. LITERATURE REVIEW

Discussions in the rationale for global accounting have divided scientists into two groups: some defend the idea of its existence (O.P. Voynalovich, V.A. Deriy, V.M. Zhuk, S.F. Golov), others (O.M. Petruk)

- categorically deny it. So, O.P. Voynalovich believes that at the present stage the global model of accounting organization, which is supranational, has become widespread since it serves the interests of industrial-financial groups, multinational corporations, global firms [8, p. 183]. Sharing this opinion, V.A. Darius concludes that the use of international accounting, reporting and auditing standards are manifestations of globalism that shape global accounting and auditing [11, p. 12].

Inturn, S.F. Chief describes the global accounting system as a system of collecting, transforming and providing external and internal users with reliable, relevant and timely financial and non-financial information about the past and future parameters of the enterprise and its external environment [9, p. 212].

The opposite opinion is held by O.M. Petruk, who argues for the absence of international (global) accounting due to the lack of objective grounds (there is no planetary ownership of the means of production, as there is no world country with the relevant regulatory institutions) [20, p. 40].

Familiarity with the work of scientists shows that all without exception elements of modern accounting have formed under the direct influence of globalization processes.

Along with the indisputable scientific value of the works of the above scholars, it should note that, in the opinion of the authors of the articles, all these areas of study need to be complemented by applied aspects, taking into account current experience in accounting development in the context of globalization of the world economy.

### III. METHODOLOGY

The primary aims of this research is to study the impact of globalization on the global economy on the prospects for accounting. Globalization has caused new trends in the field of accounting. The task of accounting is proposed to be delegated to independent accounting agencies, which will be

responsible for the reliability of reporting and will save time in management [17, p. 71; 8, p. 183]. The global economy is under the conditions of transformation processes, which require a scientifically grounded approach to reforming all institutional areas, reforming institutions is impossible without the development of specific measures to improve accounting, improve the quality and content of training of specialists aimed at their effective functioning.

The scientific methods of analysis and synthesis of induction and deduction, ascending from the abstract to the concrete, as well as specific methods of analysis: grouping, comparison, and others have applied in the article.

### IV. RESULTS

The term "globalization" (comes from the French "global"), that is, planetary, inclusive and means a comprehensive process of transformation of the world community into an open holistic system of information-technological, financial-economic, socio-political, socio-cultural interconnections and interdependencies [3, p. 126].

Globalization is the process by which the society has transformed into a single global system. The issue of globalization became quite relevant in the 1990s, although scientists since the 1960s and 1970s have seriously debated various aspects of this process.

In today's world system, globalization is a crucial determinant of society's development and its most influential force. It covers all areas of public life, including economy, politics, social sphere, culture, ecology, security; influences the production of goods and services, the use of labour, investment and technology. It is the transformation of humanity into a single structural, and functional system of specialists [21, p. 28-35] has characterized as a process of globalization. Today, the term "globalization" is the most used category used to research and describe current trends in the development of the world economy.

The global economy has regarded as a historical, socio-economic process, the content of which is the growing interconnectedness and interdependence of national economies, the merger of national markets into a single world market [5, p. 23].

The globalization of the world society is the transformation of the world space into a single zone where information, goods and services, capital have freely moved, ideas have freely disseminated, and their carriers move freely, stimulating the development of modern institutions and establishing mechanisms for their interaction.

The process of globalization of the economy has accelerated in recent decades as various markets, in particular capital, technology and commodities, and to some extent labour, become increasingly interconnected and integrated into a multilayered MNC network. Although several MNCs operate in the traditional trade sector, in general, international firms are in favour of industrial restructuring of many developing countries through the creation of new industries, such as automotive, petrochemical, mechanical, electronic, and the modernization of traditional ones, including textile and food.

Globalization has accelerated significantly as a result of the abolition of the Bretton Woods gold exchange rate system and the start of the new Washington Consensus (1989), determined by the IMF, the World Bank, and the U.S. Treasury, which provided for tight budget savings, privatization, and privatization. However, as early as 2011, IMF chief Dominique Strauss-Kahn found the consensus policy to be wrong, as it created a financial crisis and social inequality between developed and developing countries [22]. Assessing the effects of consensus, J. Stiglitz draws attention to the destruction of the middle class, unemployment and rising prices in the countries where it has imposed (Latin America, Russia) [12].

It is necessary to identify the places of the countries of globalization (Ukraine among them) in the global economy and to study the dependence of accounting

on the interests of "global" players.

Experts and researchers of globalization have not developed a unified approach to the retrospective of the emergence, stages of development and factors of development, consequences and manifestations of globalization processes in the global economic space, due to the complexity and complexity of the above process.

The globalization of the economy, the deepening of international relations, the emergence and development of transnational corporations, holding companies, industry and financial groups, have necessitated the harmonization and standardization of accounting at the international level.

In connection with this, on June 29, 1973, an International Accounting Standards Committee was established based on an agreement between professional accounting organizations of ten industrialized countries of the world, which in May 2000 has renamed the International Accounting Standards Board (IASB). Its activities have aimed at harmonizing as much as possible national provisions (standards) of accounting (P (S) A) and accounting policies of different countries of the world by developing and implementing in the interests of the public a single system of clear and acceptable International Financial Reporting Standards (IFRS). During the activity of the Committee and the IASB Board, 41 IASs and 8 IFRSs have issued, of which 30 IASs and 8 IFRSs are in force today.

According to experts, "the globalization of the economy is accompanied by the transfer of the right to regulate global flows of physical and financial capital from the national level to the international one. The subjects and conditions of regulatory influence on the processes of economic reproduction and their accounting system are changing" [2, p. 65].

The rapid development of information technology globalization in the formation of a post-industrial society is made possible by realizing the potential of transnational capital, which takes on forms of

foreign investment, erases national borders, establishes control over national markets and raw materials. The acceleration of capital exchange leads to the emergence of globalization processes in all spheres of society. Domestic scientists estimate modern globalization as a process of establishing dependence of national economies in the interests of individual countries and entities [10, p. 63].

In a global economy, transnational corporations and banks are the major players in the market. In economic research, the Global Competitiveness Index is used to assess a country's readiness for globalization. According to the Global Competitiveness Report presented by the World Economic Forum, according to the Global Competitiveness Index, Ukraine ranks 89th among 139 countries, that is, our country is virtually defenceless to global players. The accounting profession also influenced this indicator: the level of reporting and auditing standards (128th place), the effectiveness of corporate governance (90), the level of investor protection (93) [1, p. 44].

Globalization has also manifested itself in the organization of audit activities. According to O.A. research Petrica's globalization has fostered the emergence of transnational accounting (auditing) firms that, with significant intellectual and financial capital, have displaced national audit entities from the professional services market. Besides, Ukrainian affiliates and subsidiaries of publicly listed companies listed on the New York Stock Exchange have forced to comply with Sarbanes-Oxley's 2002 law. This law defines the criminal liability of top management for the reliability of financial statements. In the new environment, new types of audit services have also emerged, such as the audit of IFRS statements [18, p. 67-69].

Well-known researcher M. Castels describes globalization as "... a constant process of development of the capitalist mode of production which, overcoming the boundaries of time and space, transformed the world economy into a global

economy at the end of the twentieth century with new infrastructure created by information and communication technologies" [15, p. 354]. "The global economy, according to Castels, is an economy capable of operating as a single, real-time system across the globe, so globalization is about the informational transformation of society, not scale or economic activity" [15, p. 452–458]. According to experts of the International Monetary Fund, globalization has defined as a growing degree of integration of countries around the world, due primarily to trade and financial flows, as well as the movement of labour and technology across international borders.

An essential issue in a globalized economy is the need to expand accounting and reporting assets. According to L.V. Napadovskaya accounting should form separate information about land resources and environmental costs incurred by the enterprise, and the information itself requires an assessment of both the primary production resource and the finished product [16, p. 57-59]. O.O. Bortnikova agrees with this, proposing to disclose environmental factors in the financial statements 4, p. 170].

Allocation of investment resources requires analysis of information about intangible assets of companies, which provides for their evaluation and reporting: ideas, special skills, organizational structures and capabilities, brands, mailing lists and databases; networks of social, professional and business relations [6, p. 9]. Provisions on the need to increase reporting rates are supported by D.O. Pankov and L.V. Pashkovskaya. Scientists suggest that the reporting is not separate transactions, but complete agreements and financial schemes; statistical indicators should be supplemented by the dynamics of the enterprise based on market valuation, the statement of cash flows needs restructuring to reflect "own" and "attracted" financial flows, and the reporting itself should make more frequently - monthly [17, p. 69-71].

The research of the issue of state regulation of

accounting and financial reporting in the conditions of globalization has not ignored. Public policy should aim at harmonization of national accounting standards with further standardization and unification of them at the level of accounting policies of the enterprise [23, p. 215]. The topical issue of the two-tier system of regulation of national accounting standards and financial reporting, which involves a combination of administrative influence and control by the professional community, is the most effective [13, p. 34]. In international harmonization of accounting, the scientist sees several advantages: comparability of general financial information; Reducing the costs of individual companies to prepare reports by reducing the number of adjustments, consolidating reporting documents, applying uniform performance indicators; access of accountants to international labour markets [13, p. 44-45].

One of the peculiarities of the impact of globalization processes is the widespread use of the latest competitive information and communication technologies in all spheres of public life. The existing accounting systems are conservative and not perfect, do not take into account the current conditions of functioning of economic (economic) entities, will not use the latest achievements in the field of information and communication technologies and public information and analytical systems of various levels and purpose. The lack of proper theoretical substantiation of accounting as a science causes the slowdown of the development of the accounting system in the conditions of influence of globalization processes.

The question arises in justifying the need to strengthen state control over the national accounting system and protect it from the adverse effects of globalization. As a result of globalization, the process of "erosion" of the nation-state can be stopped only by strengthening state regulation in the fields of stimulating scientific and technological progress, gathering and processing information, creating favourable conditions for domestic

entrepreneurs [19, p. 357]. The framework of the global control system as a combination of nation-states and a specific supranational structure [7, p. 141]. Given that global structures (IMF, World Bank, WTO) have often accused of significant business concessions, the state should establish social control over the process of opening national markets, attracting foreign capital, developing international cooperation. It will protect national interests from the adverse effects of global competition and the attraction of transnational capital [7, p. 164-165]. Of course, this provision is also relevant to the accounting profession.

## V. DISCUSSION

The study found that in the context of globalization, the national economy is trying to introduce new "rules of the game" to create favourable business conditions that are possible with effective economic policies. Its main task is to create a competitive "business model". In the absence of a unified policy for the development of the national economy, crisis phenomena arise, the formation of long-term international competitive advantages of the country in the world economy has hampered, and international competitive positions have weakened. Accounting (as part of the accounting system) - an orderly system for collecting, registering and generalizing information (in a monetary measure) about property (movable and immovable; tangible property, things owned by a legal entity), liabilities (contractual and non-contractual) sub ' economic entity (enterprises, institutions, organizations) and their movement by methods of continuous, continuous and documentary accounting of all economic transactions. The primary (key) elements of the method of accounting are: 1) documentation; 2) inventory; 3) costing; 4) accounting accounts; 5) double entry; 6) balance.

Under the influence of many factors of globalization, which has both positive impacts and specific threats, every country that intends to integrate into the world economic space has faced

with the task of determining its competitive advantages in order to compete with other countries in the world market.

It is worth agreeing with the relevant and essential view that the accounting system today has theoretical, methodological and regulatory constraints that do not allow current accounting to make on the basis of cross-functional linking with a strategy, such as an enterprise, which makes it impossible to obtain the information necessary for strategic development.

## VI. CONCLUSIONS

Thus, we can conclude that the global economy is in the conditions of transformation processes that require a scientifically sound approach to reforming all institutional areas, reforming institutions is impossible without the development of specific measures to improve accounting, improve the quality and content of training specialists aimed at their effective functioning.

The processes of globalization in content and structure are incredibly complex, multifaceted and contradictory, which makes it impossible to formulate a single, acceptable for all cases definition of their impact on national economies. The most important aspects of this plan are increased competition between them and business entities; transformation of economic functions of the state and delegation to the global level of some of them; expanding spheres of influence beyond national borders in line with the new global rules for economic activity; making fundamental changes in the structure of the national economy and creating a new environment for national development as a whole; strengthening of processes of international integration and interaction of national economies, which becomes the most potent factor of their functioning.

Under the influence of many factors of globalization, which has both positive impacts and specific threats, every country that intends to

integrate into the world economic space has faced with the task of determining its competitive advantages in order to compete with other countries in the world market. Such a policy must radically be changed based on developing and implementing the concept of competitive development of the national economy in the context of globalization.

The globalization of the world economy has characterized by the accumulation of considerable financial and intellectual capital in the hands of multinational companies that use the services of global accounting (audit) firms, which leads to the destruction of national markets for accounting and auditing services.

In the context of globalization, accounting develops in the direction of its harmonization and enhancement of the role of supranational structures that dictate policy in the field of reporting and auditing methodology, control and supervision of the profession; science, education and professional ethics (IASC, IFAC and others). Supranational structures unify (bring to the same type) elements of the accounting profession in the form of formal international institutions (standards, codes), which in the process of convergence (approximation) have distributed at the regional and national levels. Harmonization of the profession of an accountant has both positive and negative sides.

The negative central side of harmonization should be recognized methodologically: the dependence of national accounting systems on constant changes in professional standards.

It is possible to counterbalance the negative aspects of the harmonization of elements of the profession of an accountant by strengthening social control, the most effective form of which is the combination of state regulation and taking into account the positions of the professional community.

Globalization involves the formation of a single (shared) international economic, legal and cultural-information space. In other words, the phenomenon

of globalization goes ahead a purely economic framework and has a significant impact on all major spheres of social activity - politics, ideology, and culture. It will undoubtedly play a significant role in the world economy of the 21st century, giving a strong impetus to the formation of a new system of international economic and political relations.

Practical implications. The prospect of further research in this area is the study of accounting under the influence of globalization of the world economy

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