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IMPACT OF THE WORLD ECONOMY GLOBALIZATION ON NATIONAL ACCOUNTING SYSTEMS

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Abstract

The paper argues the external pressure of the economy globalization on the accounting methodology, which led to irreversible qualitative changes of standards for the provision of information, made the IFRS a mandatory element of the world information system. It is justified that the globalization of the modern economy imposed special requirements on national accounting systems. Public non-profit organizations seeking to become the participants in the global trading platform are forced to decide on the advisability of adopting the IFRS rules. This cannot but have a certain impact on national accounting in different countries. The paper proposes the study of the impact of globalization of the economy on the development of modern accounting. There are positive factors and risks of such influence that will permanently change the quality of the accounting system and have already posed modern countries with the choice of switching or abandoning the transition to the IFRS. The consequences of globalization, including for Russia, were identified, which changed not only the methods of summarizing accounting information, but also the very attitude to the accounting reports of its consumers. The study concluded that all effects of the economy globalization led to a positive change in the quality of the accounting system for those countries that became the participants in the global trading platform. However, to maintain this quality, it is necessary to improve the accounting process not only at the state level, but also at the level of educational institutions and professional communities of accountants.

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1. Introduction

The development of productive forces against the background of digitalization of the sphere of production and management has become the format of the modern economy giving it the status of a global economy. The interpenetration of innovative technologies into all spheres of human life accelerated the information formation, its processing, response to user requests, managerial strategic and tactical decisions (Kuznetsov, 2019). This was most relevant in the area of accounting, subordinating the methods and techniques of maintaining it to international standards and, thereby, leading to uniformity in the formation of accounting reports in order to guarantee its objectivity and comprehensiveness for the widest possible range of users. The prerequisite for this was the “problems associated with insufficient development of the regulatory framework governing the activities of organizations in the digital economy” (Bogataya, 2019, p. 22). At the same time, standardized rules concern not only accounting, but also auditing of its results, which is also dictated by international communities in the field of auditing. In this regard, it has become mandatory for many countries to adopt international accounting and auditing standards for their business as a guarantee of security of mutual investment and confidence in dividend policy. Nevertheless, the participants in global processes of economy faced a choice either to adapt their management resources to the new format of requirements of larger players and adopt new rules for the formation of reporting or remain “in the shadows” preserving the national identity of accounting. The consequences of the second choice may include limited access to investment in the business of such a country and, as a result, more limited access to innovative technologies and innovative projects due to limited foreign investment.

2. Problem Statement

Over several decades the globalization of the economy has led to a widespread introduction of unified standards in all areas of human activity: metric system, quality standards, technical standards of stresses and frequencies, professional standards, etc. This led to significant transformations in the field of business information and analytical support, which led to the formation of international accounting and auditing standards. Today, no company’s shares can be represented on world stock markets unless their statements are compiled according to a single, understandable maximum range of users, standards. Besides, a significant number of countries have not yet abandoned national accounting systems. Despite the globalization of the economy, the participants in the capital cycle “are somewhat vulnerable in their plans to conquer the world market for objective reasons. To a large extent, these reasons are associated with “bottlenecks” in the information support of the current digital economy: lack of full confidence in the security of its information resource, on the basis of which significant management decisions are made” (Sharovatova, 2020, p. 47). In this regard, the present study seeks to critically analyze the effectiveness of the decision to completely discard the national characteristics of accounting in favor of exclusive application of international financial reporting standards (IFRS).

3. Research Questions

3.1. The globalization of the world economy led to qualitative changes in accounting methodology. To assess their content, it is necessary to consider the reason for the IFRS and their impact on the quality of accounting information.

3.2. The harmonization of accounting standards at the legislative level led to relatively separate subsystems of financial, tax and management accounting in a single accounting system, which requires a study of new accounting functions.

3.3. The external pressure of globalization on the accounting methodology, which led to irreversible qualitative changes in the standards for the provision of information, made the national economies of individual countries choose either the option of completely abandoning national accounting systems or a more costly option – their alignment with the IFRS.

4. Purpose of the Study

The purpose of the study is to systematize and disclose the advantages and risks of the impact of the economy globalization on national accounting systems in the context of a strategic decision for the country: shift to the IFRS or maintain the national format of accounting methods.

5. Research Methods

The basic tools of the present study included general scientific methods such as analysis, synthesis, detailing, comparison, formalization, analogy, historical, logical and systemic approaches. Besides, the study utilized private methods of scientific cognition, such as the method of analytical tables, schematic structuring of data, critical assessment, grouping and synthesis of economic information.

6. Findings

Over the last two centuries accounting with its centuries-old history has undergone glial changes caused by the rapid expansion of global trade flows. There has been a shift in the information paradigm of accounting from a focus on ensuring the information needs of domestic users to a priority for the interests of governments and world capital. The inherent essence of accounting, i.e. to control the availability and use of resources, basically remained the same, but underwent certain qualitative changes. In modern conditions, the circle of owners is not limited to a narrow circle of individuals. A huge circle of minority shareholders geographically located in various parts of the world own capital through primary and derivative financial instruments. Small shareholders not only directly purchase shares listed on stock exchanges of any country, but are also consolidated through the participation in ETF, trust funds and other financial instruments. Under these conditions, the control over the efficiency of capital use becomes a priority of accounting. Moreover, accounting becomes a platform for the redistribution of investment flows, since accounting (financial) reporting is the main component of a fundamental analysis of business performance. The capital flows from less profitable areas to more profitable and promising sectors of the

economy in terms of venture capital investments. Against this background, the systems of adaptive and innovative digital accounting and management are widely introduced into the practice of advanced foreign companies, which meets the requirements of a singular turn in management (Krokhicheva, 2020).

Such tasks for the global economy cannot be achieved without the harmonization of the rules for the compilation of information on the availability of assets and financial results, which led to the emergence of the IFRS that allow users to uniformly perceiving the results of accounting. It is known that its principles ensure the unity of a set of requirements for accounting and conditions for the uniform application of international standards. The permanent strengthening of the IFRS has already led a number of countries to abandon the use of national accounting systems altogether. IFRS are mandatory for many countries in Africa, Asia and even in some European countries. In the USA, the transition to IFRS and the rejection of GAAP has been discussed since 2008. In Russia, the concept of reforming accounting in accordance with the IFRS was adopted back in 1998, since 2005 all credit organizations provide reports according to international standards, and since 2010 the obligation to provide such reports at the legislative level has been expanded to insurance organizations and organizations which securities are admitted to circulation at stock exchange trading.

However, no major state has yet completely abandoned national accounting systems. In our opinion, there are several reasons for this. First, the IFRS are initially focused on meeting the information needs of a large capital. Small and medium-sized enterprises, which in many countries have significant weight in the GDP, almost fall out of the regulatory zone of a particular country with the abandonment of national accounting systems. There is only one standard focused on small and medium-sized enterprises (IFRS for SMEs). Second, the globalization of accounting processes leads to the loss of key achievements in the field of industry accounting and calculation. For example, in Russia for the last century, national accounting was aimed at preserving the assets of enterprises, as well as identifying deviations in accounting for all cost elements in the implementation of state plans, which required scientific and applied cost accounting techniques. To this end, industry ministries, research institutes provided enterprises with industry methodological recommendations for keeping records and calculating costs in various industries that are significantly different from each other in terms of calculating objects, cost calculation algorithms, calendar schedules for providing accounting information, etc. Thirdly, the modern concept of accounting is focused on providing information not so much for owners as for investors and fiscal authorities, which allow a more liberal approach to accounting for operational activities, their interest is focused on the final result of accounting – financial reporting.

Thus, the main reason for the emergence and wide dissemination of the IFRS was to give priority to the information needs of transnational capital. Due to the typification of accounting techniques for funds and sources in accordance with the IFRS, management accounting methods were formalized making it more attractive to entrepreneurs as an effective business management system. However, it is worth noting that management accounting is the prerogative of large business due to the complexity of its effective implementation in practice and the materiality of costs for maintaining it due to the need to attract highly paid personnel. Under these conditions, small and medium-sized enterprises with a total transition to the IFRS will be in the information vacuum in terms of regulating accounting processes.

Globalization contributes to more advanced information technologies to protect information. The access to more promising security information platforms and products has increased globally. In this regard, the response of business to the phenomenon of globalization is the deepening of international ties with the aim of creating global communication protection in all its forms. This makes it possible to raise substantial financial resources for investments in the development of advanced protective technologies, thereby bringing the global economy as a whole to a new level. New technologies are emerging in the accounting and management infrastructure of the business as a protective function against external unpredictable factors.

Table 1 presents a summary of the impact of globalization on the transformation of accounting.

Table 1. Summary of the impact of globalization on the transformation of accounting

Qualitative criteria	Result of criterion impact on microeconomics resource
Division of accounting into subsystems by function	Identification of financial, management and tax accounting subsystems
Orientation of regulatory direction of accounting to satisfy information interests of large capital	Fulfillment of internal information needs in the management accounting system, ensuring commercial secrecy on its results
Dissemination of innovative accounting technologies at the international level	Improving accounting efficiency in business management
Strengthening the value of the accounting resource in the choice of investment policy when choosing capital investment directions	Confidence in obtaining value added from investments
In the context of modern IT technologies, transparency of the results of processing business transactions in current accounting in relation to reporting indicators	Digitalization of accounting in all management subsystems: logistics, production, marketing

Thus, the external pressure of the globalization of the economy on the accounting methodology, which led to irreversible qualitative changes in the standards for the provision of information, made the IFRS a mandatory element of the world information system. This, in turn, placed the national economies of individual countries in the need to choose either the option of completely abandoning national accounting systems, or a more costly option – their alignment with the IFRS. As we see it, in the first option the main advantage is the absence of costs for the development of national standards and their information support. The use of ready-made IFRS makes it possible to reduce a number of structural units financed from the state budget. The second option, involving parallel application of both IFRS and national standards, lacks this important economic advantage.

Despite the fact that the benefits of globalization of the world economy become clear, which irrevocably changed the processes of summarizing accounting information in connection with the changed requests of its users, the presence of certain risks caused by the impact of the economy globalization on changing business accounting should be taken into account (Khakhonova, 2018). Thus, the rejection of historically established standards leads any country to irretrievable loss of accounting methodologies adapted to the peculiarities of the national economy.

Another risk of abandoning national standards altogether in favor of the IFRS is the total dependence on international professional communities to regulate accounting. This is especially relevant

for the Russian economy in the light of the fact that one of the amendments to the 2020 Constitution of the Russian Federation was a declaration of the priority of national legislation over international legislation. Thus, in accordance with Part 3 of Art. 7 of the Federal Law “On Security” No. 390-FZ of 28.12.2010 (as amended by No. 365-FZ of 09.11.2020), “decisions of interstate bodies adopted on the basis of the provisions of international treaties of the Russian Federation in their interpretation, contrary to the Constitution of the Russian Federation, are not enforceable in the Russian Federation”. Hence, it remains to be noted that the positive effects of modern globalization, which changed accounting at the global level, turned out to be more than doubtful. The globalization of the economy has forever transformed national accounting systems, since “the importance of the accounting resource for shareholders and external investors obliges the methods and techniques of its management to obey certain unification standards” (Labyntsev, 2017, p. 53). Taken together, the processes of economic globalization’s impact on accounting have improved the quality of accounting itself. The views of many researchers discussing the problems of globalization and its impact on accounting are that it makes no sense for countries that do not focus on the IFRS, but want to participate in world trade, in an irreversible globalization, to distance from the process of accounting harmonization. Figure 1 systematizes the positive results and risks of globalization of national accounting systems.

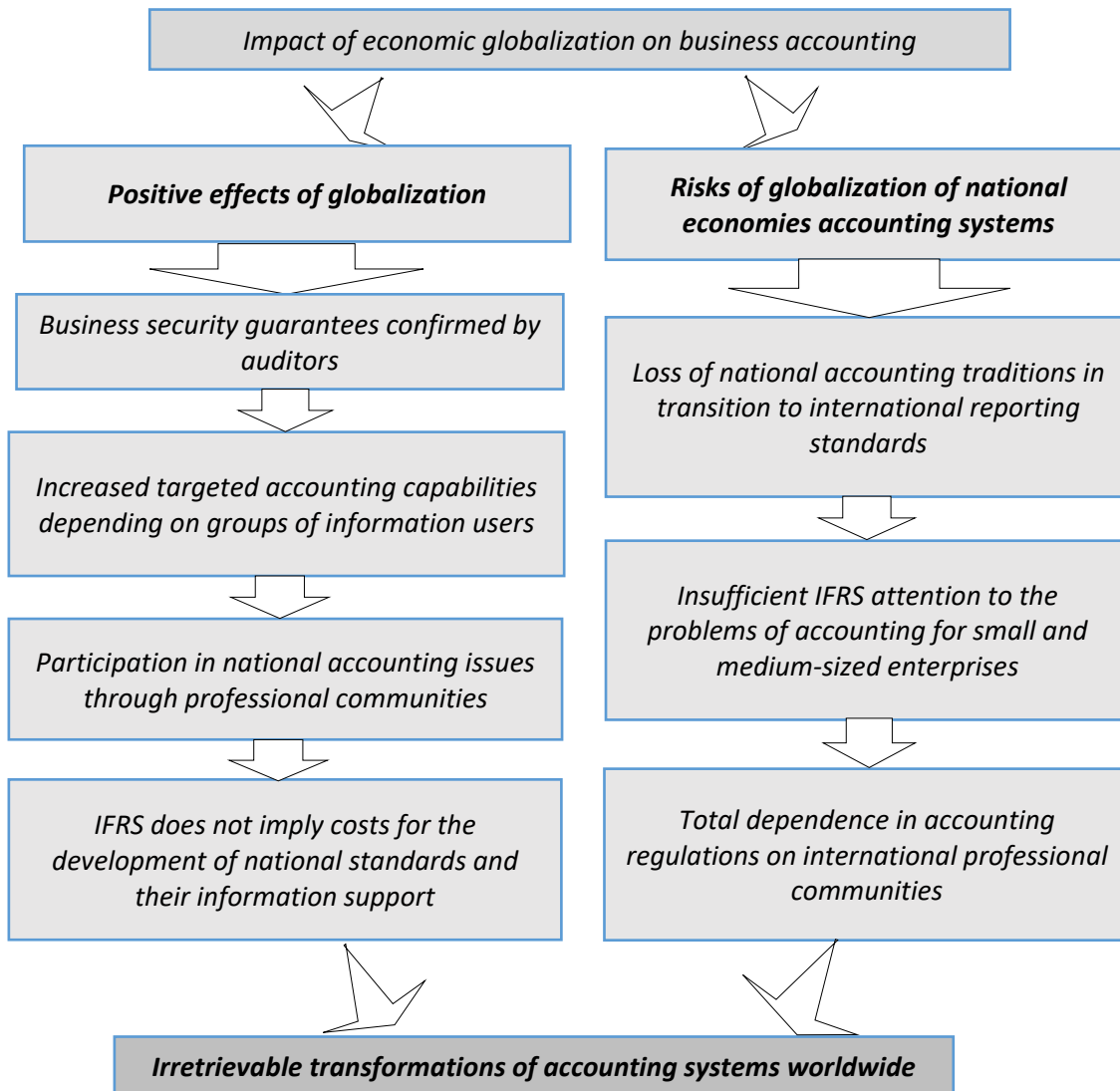


Figure 1. Impact of economic globalization on business accounting

Thus, globalization of accounting processes does not only have positive results, but also carries certain risks. In our opinion, this is the reason for the mass preservation of national accounting standards. Besides, it is not a secret that lobbying private interests of the representatives of large financial capital may affect the IFRS processes.

7. Conclusion

The strengthening of globalization processes in the global economic space, the aggressiveness of competition and, despite this, the expansion of the market for innovative technologies and offers, requires mutual integration of business and standardization of accounting in order to find a balance between the innovative direction of the development of accounting techniques and the possibility of their mass application in business.

The worldwide transformation of the accounting system has made irretrievable the large-scale implementation of unified accounting standards – IFRS. Besides, most countries have not abandoned the

national accounting systems. In our opinion, this approach is still the most optimal, since it combines the advantages of implementing the IFRS and eliminates the risks of abandoning the national standards.

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