

# Contemporary Issues of Advanced Technology in International Accounting



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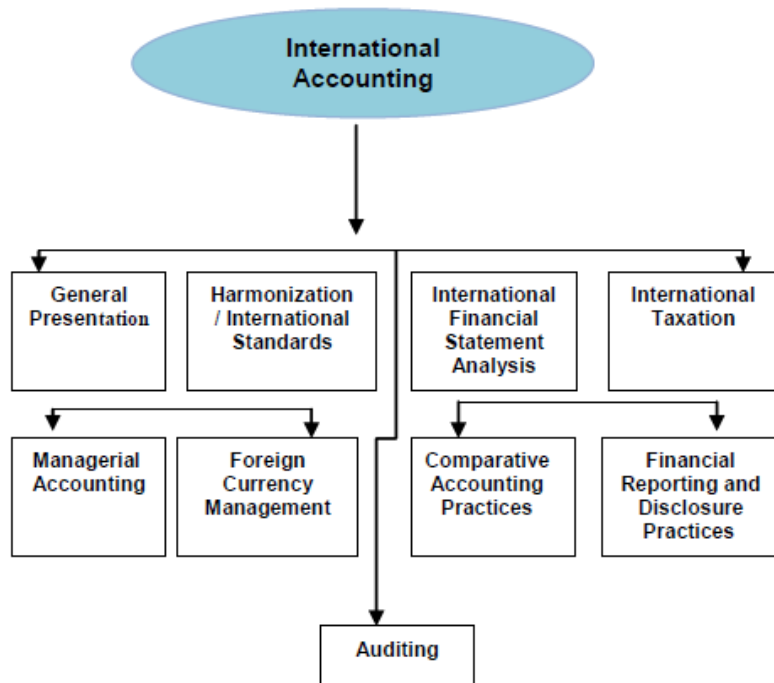
## Abstract

International Accounting is classified in two aspect in this paper Part A and Part B, where in Part A we have discussed about the Recent Development in International Accounting and Part B we have discussed about How advanced technology like ERP is going to be beneficial or issues involved therewith in implementation of IFRS (International Financial Reporting Standards) also called as IAS. The main objective of the paper is to demonstrate the recent changes that have transpired in the international accounting scenario and to highlight the impact of advanced technologies in the achievement of standards mandated in this respect. It may thus be seen that the conversion of financial information using legacy systems would be difficult task and with advanced technologies the translation process can be standardized. However, it must be noted that advanced technologies can function only when the technologies themselves work on the same platform and data is captured in the same model.

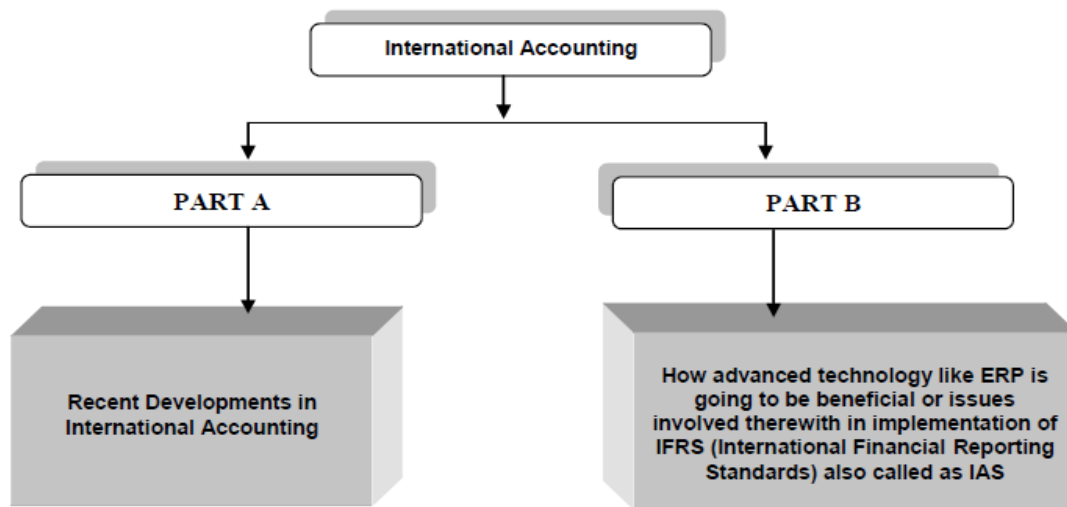
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## Introduction

International Accounting is the international aspect of accounting, it does includes the accounting principles and reporting practices in different countries and their categorization, pattern of accounting development, accounting related to foreign currency transaction not only this it also deals with the international comparisons of consolidation accounting and inflation accounting. International Accounting comprises of general principle of accounting along with international standard which are accepted worldwide it also deals with the international financial system, taxation, foreign exchange, comparative accounting, financial reporting and auditing aspect same through out.



**Contemporary Issues of Advanced Technology in International Accounting**  
**This Article Comprises of the Following Parts**



### Literature Review

**John Hegarty (2004)** "Implementation of International Accounting and Auditing Standards" It describes the Report on the Observance of Standards and Codes (ROSC) program, outlines the methodological approach followed, identifies problems common across several jurisdictions, and makes suggestions for initiatives that could enhance the implementation of international standards. At present, the ROSC accounting and auditing assessments are undertaken in client countries of the World Bank. The results presented herein therefore do not purport to be reflective of the issues in developed market economies. It is arguably the case that before the recent accounting scandals in Europe and the United States, these issues were regarded, not least outside Europe and the United States, as unique to developing markets; after the accounting scandals, these issues are regarded as major causes of those financial scandals.

**Mary E. Barth (2007)** "International Accounting Standards and Accounting Quality" Generally, we find that firms applying IAS exhibit less earnings smoothing, less managing of earnings towards a target, more timely recognition of losses, and a higher association of accounting amounts with share prices and returns. We generally find that IAS firms have higher accounting quality than firms that do not apply IAS. Differences in accounting quality between the two groups of firms in the period before the IAS firms adopt IAS do not account for the post-adoption differences. We generally find that IAS firms evidence an improvement in accounting quality between the pre- and post-adoption periods.

**Enrique Bonsón-Ponte (2010)** "The Need to Adapt to New Financial Accounting Technologies Information in the Context of Global Economic Crisis" The accounting field has changed over last years. Accounting organizations have increasingly been using technology to obtain important benefits. In this context, they are developing accounting data management services to all support their activities. Input for such services comes from data sources that are available today on the Internet. In our opinion, the

most important is the Securities and Exchange Commission's EDGAR (Electronic Data Gathering, Analysis, and Retrieval) Internet repository including corporate filings with the SEC. Many Internet official sites provide public access to financial data, analysts' forecasts, news of business relevance and more. Organizations need give all know, in real time, what chances are in competition. Investors and their management require information and knowledge they offer much more than the traditional annual financial audit. Accounting firms cannot respond in real time their customers are automatically at a disadvantage compared to competitors. As a result, the phenomena of virtual global economic environment are the emerging new model of financial accounting audit.

**Nicoleta Maria Lenciu (2013)** "Changes occurred in the evolution of International Accounting Standards" The main moments we have identified indicate that standard have suffered structural changes due to the emergence of the need of permanently improve their contents in order to facilitate their understanding and application at a general level.

### Research Methodology

The proposed research work based on descriptive research. Data will be collected through the entire relevant source like publication of various corporate bodies, government organization, other published books and journal related to the Contemporary Issues of Advanced Technology in International Accounting Commercial magazines, Newspaper and various research papers.

### Part A

#### Recent Development in International Accounting

The European Union (EU) has mandated that all the companies listed on its stock exchange must report their financial statements as per International Financial Reporting Standard (IFRS) by 2005. This has in fact triggered a panic button for most of the companies which aren't ready for such translations for more than one reason. There are as many as 1700+ European companies listed with 25+

exchanges functioning under the jurisdiction of EU. The obligatory conversion has rendered few issues in the stir, which needs an early answer so that the implementation may be made more practical and rapid. The issues involved may be as follows.

#### **Centralizing Accounting Data from Various Locations Across the World**

In the case of multinational companies the major issued involved is that the companies are scattered across the globe and they work and report as per the local norms and taxing statues. They not only differ in chart of accounts but also the way the incomes and expenses are being recognized, which leads to lengthy consolidation procedures.

#### **Enterprises Resource Process (ERP) Related Systems to be Consolidated**

ERP system functioning with related systems like

1. Customer Relationship Management (CRM)
2. Supply Chain Management (SCM)
3. Data Mining
4. Data Warehousing
5. Decision Support Systems (DSS)
6. Management Information Systems (MIS)
7. Business Process Re-Engineering (BPR)
8. On-Line Analytical Processing (OLAP)

High Business Intelligence: It is do or die situation with the companies to convert their financial statements as per the IAS and also wield proper international control over the working. This demand high business intelligence tools so that the CFOs of the company are in a position to trace abnormal financial activity in a short span of time and avert adverse financial situations.

#### **New Phase of Training and Conversion Process**

With the IAS coming into picture the new training process has implemented which is not going to be easy one as it will engender the way the business functions are measured and recorded. This will further require proper communication in the organization about the change to take place so that the change can be effectively brought about.

#### **Preparation of Comparative Figure for Last Two Years**

The complete IAS statements may require presentation of financial information with comparative figure of one or two years. In such a situation the work simply reporting 2005 statements as per IAS will not suffice, which in turn needs lot of manual work before the statements are actually produced and reportable.

### **Part B**

How Advanced Technology like ERP is going to Be Beneficial or Issues Involved There with in Implementation of IFRS

#### **Centralizing Accounting Data**

This is indeed one major problem, which companies working in different countries will face. However with advanced technology the matter can be stored out in a very standardized manner. The manner of beating this problem is to adopt the common data model i.e. to say standardizing all organizational data-charts of account, cost centre structure, customer lists, product codes, employee data, vendor list, and so on. This will ensure that data

will be entered once and reports will be generated in standardized from without calling for ant time consuming changes or consolidation. This is achievable only through advanced technologies like ERP. The ERP software will convert the data fed from various locations into standardized reports and causing fast and easy access to information and reports.

#### **ERP Related Systems- Issues**

1. Implementation of ERP leads to a lot of confusion and disorder in management.
2. Appropriate Training required, if untrained staff are allowed than there might loose of data or software might burn all important corporate data.
3. Proper Analysis Required, if there is short of analysis of data than it will lead to non-availability of certain essential information.
4. Co-ordination by top level personnel required, if top level personnel doesn't make co-ordination with their personnel then it lead unnecessary complication which give rise to frustration which with delay the operation of organization.
5. ERP Module, companies associate different business people to implement different ERP module depending upon their competency. It is very important that there must be way to handle compatibility issues.
6. Cost overhead and Infrastructure, ERP does lead to expenses for the companies so it should be discussed before hand at planning phase it will indirectly affect the cost of production or services.ERP application modules will require good processing speed and adequate storage. Not allocating suitable budget for infrastructure will result in reduced application speed and other software issues. Hardware and Software Security is also important.

#### **Converting to "Real Time Reporting"**

There are no two views about the reporting on real-time basis by advanced technologies. The quick update of records and no room for duplicate date added with topmost security features can be useful in reporting for IAS.

#### **High Business Intelligence**

ERP packages are supported with top business intelligence tool like Decision Support System, Budgetary Control System, Artificial Intelligence and similar other systems. The control or highlight of abnormal financial transactions or taking adequate financial decision is now easy with ERP packages, which will allow fast and flexible way of reporting for IAS.

#### **New Phase of Training and Conversion Process**

It may appear to be an easy process of conversion until one indulges him into work of translation. Conversion is nothing less than major changes program. Key changes include

1. IAS requires accounting procedures that finance staff may not always be familiar with like accounting for taxes, intangible assets and pensions.
2. The notes to financial statements under IAS are lengthier and time consuming for e.g. disclosure for segment reporting or for fair market disclosures.

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3. Most of the conversion will have huge impact on the financial indicators of the company
4. All the above will demand tough training and education for the employees, which may not be easy in short run. The implementation of ERP and advanced technologies will lighten the work to a great extent and also online trainings can be smoothen the conversion process.

**Preparation of Comparative Figures for the Last Two Years**

The conversion process may not be work like a knife in the butter. It will also require conversion of financial information of the preceding one or two years. If one would work on the legacy system of accounting, this would not produce desired result and may also cause lot of manual work. However, with advanced technologies the work may be simple and standardized.

**Conclusion**

It may thus be seen that the conversion of financial information using legacy systems would be a difficult task and with advanced technologies the translation process can be standardized. However, it must be noted that advanced technologies can

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function only when the technologies themselves work on the same platform and data is captured in the same data model. Besides that training of employees and their capability to work with technologies should be adequately harnessed before the conversion process is embarked.

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