

GLOBALISATION AND ITS EFFECTS ON ACCOUNTANTS

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What exactly is globalisation? What does it involve? More importantly, what are its effects? Globalisation entails the process of enabling financial and investment markets to operate internationally, largely as a result of deregulation and improved communications to make it worldwide in scope and application. Due to this advancement, the role of accountants has changed in recent years and will definitely continue to do so. The tasks of accountants have expanded to reflect these developments from merely an information provider to information facilitator. The profession will be faced with a number of challenges, shaped by the forces of globalisation and the significant increase in business complexity.

First, we must note that the globalisation of business has brought with it the need for common standards of reporting and auditing. The financial markets are where the story begins. The call of globalisation and convergence has always focussed on financial reporting. Throughout history, each country has developed a different set of accounting standards, fixed by their national standards setter, and now, after all these years, we have almost got our act together. The FASB and IASB have embarked on a Commitment to Enhance Consistency, Comparability and Efficiency in Global Capital Markets Convergence Project, so that in the future financial statements can be prepared, based on one set of recognized standards. Consequently, inconsistency between international IFRS and Malaysia FRS will result. The transition to IFRS is only the beginning of the choices, challenges and decisions facing accountants. In relation to presenting their financial statements they need to consider and decide on an appropriate IFRS compliance presentation format.

Besides, accountants need to take into consideration the needs of the stakeholders and also the statutory requirements to provide relevant, reliable, comparable and understandable information. Different stakeholders will no doubt have different views on the best way to present information to cater for their different needs. Although there may be several methods of presentation that are equally valid, once a specific method is selected, it should be applied consistently.

In the current liberalized and globalised environment, Islamic finance is now on the threshold of a new dimension in promoting the financial linkages between nations in the global economy. Malaysia is now entering a new phase in the development of an Islamic financial system, to position itself as an International Islamic financial hub, with the objective of strengthening the economy and promoting more international trade and investment activities. As a result, we can see the entrance of new foreign Islamic financial groups into our financial system. Unlike conventional corporations, Islamic institutions are prohibited from paying or charging interest. Instead, they are required to offer profit-sharing investment accounts. Due to their nature, supervisory bodies, in

countries in which Islamic organisations operate, have taken various approaches to regulate the enforcement of Islamic principles. Such variations resulted in Islamic institutions adopting different accounting treatments for their reporting. This rendered the financial statements of Islamic corporations not comparable. It implies that it is time for worldwide adherence to international standards to achieve harmonization in financial reporting, regardless of cultural differences that affect the way in which business transactions are carried out. It is becoming a major challenge for accountants to explore and also find a way to incorporate Islamic values and ethics in their way of reporting to cater for the unique characteristics that govern the operation of Islamic institutions.

As the consequences of greater competition in the business environment, companies tend to show favourable reports. One of the alternatives that the management will opt for is creative accounting; a process whereby accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business. Why creative accounting? The shareholders and market reaction is related more and more to managers' actions and directors are increasingly judged on profit, growth and EPS. Therefore, companies want to use the report to present the message they want investors to see and at times this necessitates creative accounting. When accountants are required by the management to undertake creative accounting, the really tough choices are not between what is right and wrong, but often between truth and loyalty. The reputation of the accountancy profession has not benefited from the major corporate scandals. Scandals involving Enron and WorldCom have challenged the accountancy profession, which faces daily conflict from competing interests that could pose a threat to their professional values.

Globalisation also affects accountants in many other ways. The ability to communicate in English is becoming a skill that is considered as essential for today's finance professionals as this language is spoken increasingly around the world. In terms of recruitment, employers are more eager to hire individuals with a good grasp of English. Those who are proficient will certainly stand out compared to other candidates. This is because they are able to deliver their interpretation of financial information more clearly.

Since accounting has evolved into business consulting, and accountants are thrust into advisory roles to meet the demands of big business and entrepreneurial activities, they need to develop new proficiencies and train themselves to be more broad-based business people. Thus, accountants must have additional skills, so called "soft skills" that enable them to contribute positively to the tasks that they are required to perform. These skills include general abilities that are typically viewed as normal accounting skills such as report writing, identifying and organizing information, analysis and interpretation of data and ethical reasoning. In addition, behavioural aspects such as creativity, flexibility, independence, and interpersonal competencies that give the ability to listen, share knowledge, negotiate and work in a team are deemed of equal importance.

The expected evolution of accounting professions to a more central role, providing strategic and risk management advice to all parts of the organisation, will eventually lead to the leadership role of an accountant in the organisation. A recent survey carried out by

the ACCA, showed that finance professionals around the world are now expected to demonstrate higher levels of accountability and control. These pressures mean that accountants must ensure that they have excellent leadership traits in order to succeed in the increasingly scrutinised and competitive global environment.

The increasing interconnectedness of people has also resulted in advances in technology. The information era is here to stay and at the current rate of development in technologies will outpace accounting many times over. The responsibility to act is on the accounting profession. Although the development of information technology in the business environment may benefit organisations, there are areas in which it restricts the growth of accounting. For instance, decisions by accountants are dictated by computers causing accountants to become more technocrats with a high dependence on IT that is slowly making robots out of us. What happened on Black Monday 1987 is an example of how technology dictates how people do their jobs. The reliance and enhanced technicalities of accounting is taking away the initiatives and decision making potential of accountants. Taking all the above into consideration, I feel that we have arrived at the stage where the accounting profession as a whole should continually upgrade itself with the latest IT skills and understanding of the changes that need to take place, and reposition itself in the organisation hierarchy where it can produce useful information for the formulation and implementation of business strategies.

To sum up, we can conclude that with the new markets developing, the accountancy profession is also evolving with more demands being placed on qualified and multi-skilled accountants. Thus, accountants need to show more technical expertise, demonstrate professionalism and through an ethical approach be fully effective in doing their job.

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