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**THE GLOBAL ECONOMIC CRISIS AND THE FUTURE OF EUROPEAN INTEGRATION**

# THE CRISIS WITH A MESSAGE FOR THE FUTURE OF FINANCIAL REPORTING - GLOBAL FINANCIAL REPORTING STANDARDS - REALITY OR UTOPIA

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***Abstract:*** *The paper justifies the contemporary necessity for changing the paradigm and introducing a new holistic approach in the reporting of an enterprise's activity with all its essential aspects and effects (including non-financial ones). The applied heuristic methods of knowledge (analysis and synthesis, induction and deduction, comparison, analogy, observation, descriptive method etc.) are generally accepted for scientific research in the respective area and are frequently used by authors, which is due to their universal nature and to the predictable results that could be achieved through them. A wide range of specialized scientific literature and empirical data have been investigated and explored by the author for the purposes of this research.*

***Key words:*** *financial accounting, holistic approach, integrated reporting.*

## 1. Introduction

Contemplating and exploring the fundamental issue regarding the future of financial reporting, a matter more controversial than ever before, one cannot overlook phenomena and processes which have a very strong impact on the development of the world today and outline the aspect of passing and coming decades. Therefore, essential problems of contemporary life today stand out in the present research. Each of these problems can be the subject of scientific research or a public discussion, because it is significant and may have important economic, accounting and socio-ethical aspects and long-term consequences for the economic and social development. The combined and well-coordinated efforts on the way towards solving these problems may contribute to a remarkable outgrowth for the present and future generations and to an adequate response to the challenges facing mankind. The belief is that the simultaneous analysis of these problems would underline and confirm their intricate interrelation (the key aim of this research), thus making the debate on the future of financial reporting more meaningful and constructive. The debate would most probably promote the standpoint I personally maintain which is also endorsed by an increasing number of supporters in Europe and around the world, implying in particular that apart from a process of unification, what is also necessary is a change

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in the philosophy and culture of reporting and presentation of the financial state and the significant effects and impacts of the activity, as well as a general understanding of the broader and far-reaching goals which it must be subordinated to – today and in the future. It is expected that this will provoke speculations and ideas towards further research as well as provide a reference point for the right way to be pursued. The terminology of the research is predominantly in the field of financial accounting and reporting under the International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs). The structure of the research is subordinated to an author's objective to justify in the appropriate manner the contemporary necessity for changing the paradigm and introducing a new holistic approach in the reporting of an enterprise's activity with all its essential aspects and effects (including non-financial ones). The applied heuristic methods of knowledge (analysis and synthesis, induction and deduction, comparison, analogy, observation, descriptive method etc.) are generally accepted for scientific research in the respective area and are frequently used by authors, which is due to their universal nature and to the predictable results that could be achieved through them. A wide range of specialized scientific literature (including Bulgarian and foreign resources) and empirical data have been investigated and explored by the author for the purposes of this research.

## 2. Climate Changes

At the Summit meeting in Durban[1 2 3], South Africa, 28th November - 9th December 2011, a message was put across to the world – the climate changes and the destruction of the biological diversity of the Planet lead to interruption of the natural chains among living organisms. When the planet loses an animal or plant species, the chain of life and natural history undergoes changes. This is an impingement on the freedom of nature and a fundamental threat for mankind. Scientists and environmentalists have been sounding the alarm for decades now that the prevailing mode of production, imposed by the economic globalization and merging of business entities, aimed at monopolizing certain activities, has a strongly detrimental effect on the eco systems on the Planet.[4] However, there are ecological limits and if the model is not changed, the probability (risk) of the processes becoming irreversible considerably increases. At the Conference of the United Nations for sustainable development, held in Rio de Janeiro, 20th-22nd June 2012, also called “Rio+20”[5], held two decades after the first summit meeting about the Earth in 1992, the discussions were mainly dedicated to the “Green Economy” in the context of sustainable development and eradication of poverty and the Institutional framework for sustainable development. Along with it there was also held the summit meeting of the peoples in which social movements participated. Our (my) study indicates that the assessments of the accomplished results in Durban are controversial and even extreme.[6 7]

[1] Durban Climate Change Conference - November/December 2011, details at http://unfccc.int/meetings/durban.
[2] See also United Nations Framework Convention on Climate Change (UNFCCC).
[3] Doha Climate Change Conference - November 2012, at http://unfccc.int/meetings/doha.
[4] Ramonet, Ignacio, "The Climate – an urgent case", *Le Monde diplomatique Bulgarian edition,* January 2012. Ignacio Ramonet was the editor-in-chief of *Le Monde diplomatique* from 1991 until March 2008. He has been a professor at Université Paris-VII, a leading French University, also known as Université Paris Diderot - Paris 7.
[5] Ramonet, Ignacio, "The Challenges of Rio + 20", *Le Monde diplomatique Bulgarian edition,* June 2012.
[6] "The states reached a climate agreement in Durban but with a postponed start", 11 December 2011, Dnevnik, also available at www.dnevnik.bg. Dnevnik reports that for the first time the USA, China

## Essential Problems and Issues Arising from the Forthcoming Climate Changes

The changes in the climate generate problems, some of which are human and demographic, whereas others are economic and social in nature with important managerial, accounting and financial reporting aspects. What is embarrassing and disturbing is the speed at which the changes occur as well as the lack of experience. The solution of these problems is not within the power of even the most influential institution or the most powerful organization or state. Mankind must ponder over whether it is not too late in reassessing its priorities. The dynamics in the development of the processes indicates that the elaboration and adoption of a new strategy for the future (sanctioned by the competent authorities of the respective states) is mandatory and urgent. Phenomena in nature and events in society and economy serve to remind us that a course is necessary to be taken in the direction of a radical change in the process of extracting as well as acquiring and expending of goods and resources and of creating new value and wealth. The approach must be interdisciplinary and supported not only by the political will, but also by an general (uniform) commitment. The states, governments, jurisdictions, organizations of independent scientists, world and international legal, regulatory, supervisory and other institutions with prerogatives in different areas of social life, non-governmental organizations, academic communities and others should use all their knowledge, resources and accumulated experience and should coordinate efforts, activities and mechanisms for exerting influence in the combat against climate changes.[8] In our (my) opinion, moderately optimistic assumptions could be made that the climate changes will drive the world towards a technological leap and will remain a challenge which will most probably bring about innovations and improvements in technologies and in the characteristics of the basic resources.

A great deal of crucial issues arises of a scientific and practical viewpoint (technological, legal, ecological, socio-economic, accounting and financial reporting, fiscal

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and India have committed themselves to take part in an agreement on restricting their own greenhouse gas emissions. The negotiations are expected to start in 2013, to end by 2015 and the document should come into effect in 2020. The expectations that China, India and the USA will join the future agreement is the greatest success of the climate change negotiations in Durban and according commentators – also the most considerable progress for the last 14 years since Kyoto. The Kyoto Protocol following the United Nations Framework Convention on Climate Change is one of the most important international juridical acts in the combat against climate changes.

[7] In "A Stance of Climate Coalition – Bulgaria" regarding the outcomes of the UN Climate Change Summit in Durban a concern is stated caused by the fact that in Bulgaria there is a continuous support for intensive industries with high levels of carbon emissions (mainly in the energetics, transport and construction), industries which should bring us about a low-carbon future. Such activities are in conflict with the need for investments in creating sustainable low-carbon economy that our country needs urgently due to the high energy consumption of the economy, the weak competitiveness and the lagging behind in the development of technologies – comments **Georgi Stefanov**, an expert "climate change" of World Wide Fund for Nature (WWF) in Bulgaria. Information is available at www.wwf.bg and climatebg.org/bg.

[8] Morales, Alex, "EU Demand for Climate Pledge From Japan, Russia Raises Hurdle at UN Talks", November 28 2011, Information is available at www.bloomberg.com/news/2011-11-28/eu-demand-for-road-map-to-climate-treaty-complicates-kyoto-talks. More information is available at www.bloomberg.com/sustainability and http://forthenature.org/news.

etc.). Among the issues significant for society, economy and for the accounting system of the enterprise as well as for the state in the context of a lasting recession intensified by the unfavourable effects of climate and other exterior influences are:

- To what extent the resources (assets)[9], used in activities and productions, situated in various territories and geographical latitudes, are capable of resisting the growing aggressive phenomena and impacts occurring with the changes in the physical and geographical conditions of the environment;
- Do risks arise, which have not been investigated so far, and if the manifestation of such risks today is not noticed or is still only slightly probable, can it be anticipated in perspective;
- Which resources, activities and productions become carriers of a higher risk under the influence of outside factors of the environment and are the methodology and methods of making an expert assessment and its expatiation reliable – is it necessary to implement corrective measures and to make adjustments; are the supervision and control efficient and effective;
- How is the process of depreciation controlled, especially regarding assets subjected to a higher degree of aggressive influences of the environment; are the terms of technical life-span and good operation mode sound and reasonable; are the terms of useful life determined by the entity for accounting and financial reporting purposes sound and reasonable – these terms have to be economically substantiated from the standpoint of the enterprise, rather than being influenced mainly by the fiscal ones (which is the prevailing practice in Bulgaria) or by the technically prescribed, which is less likely;
- Are the assets maintained efficiently and effectively, including the riskier, such as the too obsolete and outdated ones which are still in practical use (a typically Bulgarian problem) and to what extent do the harmful emissions deviate from the normally permissible ones and whether the negative effect is intensified under the influence of climate changes (and vice versa);
- Is the methodology of measuring the impact of an enterprise's activity on the environmental components reliable and to what extent is the assessment precise (authentic);
- How is the independence of the competent authorities determining the assessment guaranteed; can it be influenced by a political pressure or lobbyism serving the economic interests and covering up detrimental non-economic effects of economic activity;
- Is effective and efficient supervision ensured for safety and control over the maintenance of infrastructural facilities of national, regional and international significance; are the normative requirements in conformity with the nature, specifics and sensitivity of the particular assets subjected to the occurring climatic changes.

The profound analysis of each of the issues is not an easy task, nor can the answer be fast and unambiguous. Society, enterprises from the separate branches and sectors of the economy in their function of economic agents and reporting entities, states would all benefit from a public debate being initiated, in which leading specialists, experts and

[9] These are not synonymous words and are not used by the author as synonyms. Not all resources held by an enterprise are recognized as assets from an accounting and financial reporting viewpoint – the issue is complicated and controversial.

consultants from all areas of science, technologies, law, jurisdiction and economy must be included, as well as representatives of national, European and world institutions with their respective authority and prerogatives.

We cannot overlook neither ignore the fact that potential and current investors, creditors and shareholders are more and more focusing on the effect which the climate changes may have on the resources owned or held and controlled by an enterprise or a company and its financial position (this reasoning could be further developed to embrace the outdated production facilities in Bulgaria, both in public and private sectors, and the infrastructure of municipalities in unenviable situation). The forecasts for expected climate impacts influence important investment and managerial decisions. The investors realize that the climate changes are assuming larger and larger economic dimensions. The problem embraces a wide range of aspects and it is clear that its detailed analysis cannot be included in the main part of the present research. In the debate on the future of “global financial reporting”[10] our (my) aim is to underline that the relation between nature and economy is rather complex, multspectual and unique in its nature due to the economic invisibility of nature and other factors and impacts. The essence and content of the outlined problems supports this and gives rise to many reflections regarding the processes in the world of which Bulgaria is an inseparable part. The first fundamental issue is how to overcome the “irregularities” due, above all, to the threateningly becoming obsolete (morally and physically) material and technical base in many and various branches and sectors of the economy (both public and private: transport, power engineering, water supply, healthcare, public utilities and others. From an accounting and economic standpoint another problem is also of significance for Bulgaria – for a long time now there has been a need for developing a methodology and a set of methods for accounting of the operating costs (or expenses) which an enterprise incurs in activity for environmental protection, maintenance and restoration (especially regarding enterprises in the branch of power engineering, transport and others); this would revive and consolidate a tradition in the Bulgarian accounting science[11] [12]. The main reason is the intensive carbon-related productions and harmful

[10] The phrase, used for the sake of brevity, can be found in the foreign specialized literature.

[11] It is relevant to remind that in the Republic of Bulgaria the National Council of Accountancy used to function as a consultative body under the Ministry of Finance. As the Accountancy Act, in effect from January 1st 2002, enacted: "§ 8 (1) For the period till the overall implementation of the International Accounting Standards (IAS) from January 1st 2005 the activity of the National Council of Accountancy, which supports the development of juridical norms and regulations of accounting, is prolonged. (2) The National Council of Accountancy elaborates and adopts an exemplary model of national plan of accounts that is recommendatory to enterprises till the introduction of the IAS. (3) The training of accountants in the IAS is carried out under a programme developed by the National Accountancy Council." The abolition of this Unit, though not unexpected, is assessed as governance weakness. This development was "helped" by something else. A delicate issue is whether this body was functioning efficiently.

[12] Dushanov, Ivan, "A Statement on the occasion of inconsistencies …", June 19, 2006. On the occasion of inconsistencies in the implementation (of) and non-compliance with the Accountancy Act and the lack of decisions towards reinforcement and affirmation of a strict accounting and control in the enterprises, Prof. Ivan Dushanov, Doctor of Economic Sciences, Chairman of the Union of the Accountants in Bulgaria criticizes the National Council of Accountancy, as a member, for its harmful inertness due to which the Council contributes the disgraceful state of the accountancy in Bulgaria and is indirectly responsible for it.

emissions, characteristic of the branch, and the strongly contaminating industrial productions, for instance coal mining, ore extraction, extraction of inert materials and others. In some International Accounting Standards (IASs)/International Financial Reporting Standards (IFRSs) and Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) as in their Bulgarian analogues among National Financial Reporting Standards for SMEs (small and medium-sized enterprises) there are only some rules on separate specific issues. Nonetheless another thing is more important, with the coming climate changes the significance of the non-financial information submitted through the financial reports or in another way is expected to grow. The explanation is that specific aspects of the interaction between the enterprise and the natural environment are reflected and presented through it. This is a sensible way to use the possibilities of the accountancy as an informational system, which can function not only to the benefit of the good corporate management but also to the benefit of the sustainable development[13]; this in itself means an open and transparent policy towards the people concerned to be established, pursued and implemented through even voluntary disclosure of the non-financial or non-economic effects of the economic activity. It is necessary for the benefit of the trust of investors and creditors, institutions and society an enterprise to reveal the prospects of further development, to publicly announce the priorities and the future strategy. It is necessary and even obligatory from a moral perspective for the enterprise to disclose the policy, the acts and responsibilities undertaken by the management to sustain and renew the environment, to ensure and guarantee safety and reliability in time of: construction and introduction of an asset into service, exploiting, writing off and physical destruction (liquidation) of production facilities (for example nuclear facilities); disposing of waste or toxic materials and deactivating of not harmless waste products; carrying out of archeological activities and rescuing artifacts and valuables in support of socially significant projects and others. It is well-known that the impact of the enterprise's activity on the components of the environment and other essential effects of its activity are measured and presented through non-financial indicators. Investors, institutions, society and others are increasingly in need of adequately transparent and rich in content (but not excessively overburdened with details) pertinent and appropriately structured non-financial information (usually the non-financial information is attached to the main reporting forms, constituting the financial statements, or is presented independently in separate reports or a single report, so that it is accessible to the people concerned and the general public). The usefulness of the non-financial information to users would grow if it is accompanied by essential (not simulative) disclosures concerning the nature and function of the applied non-financial measures, the methods of calculating the specific indicators characterizing a particular activity and others. All this would contribute to the improvement of the information links between the reporting entity and the people concerned and would render communication more meaningful.[14] It is

[13] For "Mini Maritsa Iztok" EAD the environmental preservation is a priority target for sustainable development. In 2009 an Integrated system for the management of quality, environment, health and job safety in conformity with the standards BDS EN ISO 9001:2008, BS OHSAS 18001:2007, BDS EN ISO 14001:2005 was developed and implemented. In 2012 it is expected that "Mini Maritsa Iztok" EAD will invest 3,5-4 mil levs for ecology and for recultivation of 1186,71 decares of land and for the gathering of 1 126 500 cub.m humus ahead of the fronts of the coal-mines.

[14] Non-financial information, as it is well known, is provided to interested parties and the general public through statements or reports on the activity of the enterprise attached to the financial statements (called explanatory notes of the management on the activity of the enterprise) or through

significant for the criteria related to the respective type of an activity to be clear and comprehensive in content and scope and well substantiated depending on the nature and peculiarities of the branch, the activity and the production and their inherent non-financial effects.[15]

Reporting for the state of the economy and the processes in it has been a realized socially vital activity for centuries. Apart from the economic implications and fiscal effects, the reporting activity has also ecological, demographic, socio-ethical and moral dimensions. The use, interpretation and analysis of the information, submitted by the enterprise as an entity reporting to the outside world, can also be a basis for assisting the functions of the management and managerial decisions when the information gives a true and fair reflection of not only the activity of the enterprise in all its essential aspects but also of its policy and strategy with all their comprising components – in the past and for the future; this means, only in the case when the information is relevant (at an enterprise level and significant for society) and optimally transparent to all stakeholders as to reveal the responsibility of the management and leadership for the present and future generations, the environment and nature (not only to the state and fiscal authorities); furthermore, the evaluations of various items of financial statements (also objects of financial accounting), some of which may strongly be influenced by even long-term prognoses or quite distant future or past events, should be neutral (well-founded and unbiased); the best possible estimates that can be required and applied under certain circumstances while recognizing present liabilities of uncertain maturity or amount should be made in a trustworthy, faithful and honest manner; and all this should be in support of professionalism and the necessary expertise; in many cases for the purposes of financial accounting and reporting in conformity with IFRSs the best possible estimate and the fair value as well may be required and applied as an assessment of an item (or object) or may be necessary as a measurement basis or starting point of evaluation both at its initial or subsequent recognition*;* for example the amount recognized as a provision in the balance sheet/statement of financial position should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date; as regards to the subsequent measurement of investment property the cost model or the fair value model can be used to account for investment property (land use rights can also be classified as investment property); after the initial recognition an entity that chooses the fair value model should measure all of its investment property at fair value, except in the cases described in the particular standard Investment property (IAS 40); items of property, plant and equipment may subsequently be measured and recognized using either the cost-depreciation-impairment model or the

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separate reports or a report disclosing important non-financial effects and aspects of the activity (e.g. the influence of the enterprise's activity and its impact on the environmental components, the methods of assessing the impact, deviations from the permissible norms, the frequency and periods of the measurements, the social policy and responsibility etc.) In my research I found that the voluntary provision of non-financial information alongside with the presentation of the annual financial statements particularly of industrial enterprises is a good trend for Bulgaria.

[15] In my research I found that the voluntary provision of non-financial information alongside with the presentation of the annual financial statements particularly of industrial enterprises is a good trend in Bulgaria. Many entities also present, outside the financial statements, reports and statements such as environmental reports and value added statements, in industries in which environmental factors are significant and when employees are regarded as an important user group. It should be underlined that reports and statements presented outside financial statements are outside the scope of IFRSs.

revaluation-through-equity model consistent with Property, plant and equipment (IAS 16); using the revaluation model, those items are measured at fair value as of the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment. The cost model or the revaluation model can be applied to intangible assets for which an active market exists under Intangible assets (IAS 38). A number of options relating to the accounting for financial instruments under Financial instruments (IFRS 9/IAS 39) exist[16] including use and application of fair value. In compliance with IFRS 9 all financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. [IFRS 9, paragraph 5.1.1]. IFRS 9 divides all financial assets that are in the scope of IAS 39 into two categories – measured at amortised cost and measured at fair value. Classification is made at the time the financial asset is initially recognised, when the entity becomes a party to the contractual provisions of the instrument. [IFRS 9, paragraph 4.1.1]. The available-for-sale and held-to-maturity categories in IAS 39 are not included in IFRS 9.

The ‘new’ standard IFRS 13 Fair Value Measurement seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity’s intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following: (a) the particular asset or liability being measured; (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximise the use of relevant observable inputs and minimise unobservable inputs. Those inputs should be consistent with the inputs a market participant

[16] Under certain circumstances, an entity can elect to use hedge accounting if the instruments had been designated as hedges under the reporting entity's predecessor financial reporting regime; an entity may also designate financial assets and liabilities to be measured at fair value through profit and loss; reassessments of accounting for embedded derivatives, permitted before IFRS 9, are not allowed upon initial adoption of the IFRS. In addition, in a cash flow hedge of a forecasted transaction that subsequently results in the recognition of a nonfinancial asset or a nonfinancial liability, or that becomes a firm commitment for which fair value hedge accounting is applied, the carrying amount of a nonfinancial hedged item can be adjusted for gains and losses on the hedging instruments, determined to be an effective hedge. Trade date versus settlement date accounting can also be applied.

would use when pricing the asset or liability.

The major concern and the essential issue which can arise and in fact can remain without clear, accurate (precise and detailed) answer, i.e. without professional response from a practical perspective, is how, to what extent is the "fair value" true and fair; and how, to what extent is the evaluation or the measurement reference point faithful and reasonable at the relevant date (of recognition of an item in the balance sheet/statement of financial position); derivative issues arising logically and immediately are: how, by what means the fair value is ascertained, approved, substantiated or verified in the particular context (with its inherent features) and in a concrete case especially; is it realistic to be assumed and considered the approaches, methods and techniques of evaluating, determining and proving fair values of various assets of different classes) for financial accounting and reporting purposes can be the same (identical) in dissimilar national states and economies, branches and types of activities, jurisdictions and geographical territories? The predicted accounting estimates (prescribed by IFRSs) of probable future benefits, carriers of which may only be the resources held and used by an enterprise in the specific conditions subjectively expected in a foreseeable perspective, should be as reliably made as possible it is etc. Just how to achieve the most reliable estimates in order to attain the best possible evaluations in the financial report? Only in the case when the best possible evaluations are in fact being made, the disclosures referring to the nature and degree of potentially existing risks or uncertainties surrounding future or past events, the judgments of which influence amounts in the financial statements through the subjective assessments attributed to elements (including assets, liabilities, components of owner's equity etc.), would be meaningful and significant for the stakeholders; the reports of the management, providing an additional non-financial information would increase the usefulness of the interrelated financial information contained in the main reporting forms; only when this requirement is fulfilled the reports would considerably contribute to the overall efforts and activities aimed at creating "green economy" and rehabilitation, maintenance and preservation of the eco systems in nature and would improve the aggregate result. The general necessary prerequisite is that the managerial information system (the key place in which is occupied by the accountancy) should be successfully hierarchically structured and viably functioning. Moreover, the management activities and the units, which obtain, collect, accumulate and transform the information data in order to create and provide the expected (desired) aggregate information should be expediently organized (according to a specific purpose, investment objectives, future development vision etc.) and well-coordinated, systematically monitored and preventatively controlled. It would be realistic to admit that even if all this is accomplished, the final goal would be difficult to achieve.

The solution of the problems, characterizing the Bulgarian reality, in our opinion, should be supported by a change in the institutional approach for getting rid of outdated attitudes and inclination towards rough formalism, inherited from the time of the unique transition (under the pressure of a burdensome and unstable normative basis, the burden of legal ambiguities and contradictions and too complicated mechanism of tax transformation for fiscal purposes, relegation of the role, status and functions of the accountant[17] and

[17] Dushanov, Ivan, "The Chief Accountant", Glavniat Schetovoditel, Nauka i Izkustvo, Sofia, 1974, page 94 and following ones. A lot of the scientific works of Prof. Ivan Dushanov, Dr. of Ec. Sc., are dedicated to this fundamental problem. Professor Ivan Dushanov, Dr. of Ec. Sc., is awarded the medal

others). The right way, in our opinion, is to gradually create a favourable legal, institutional and psychological environment, in order to develop and consolidate a new economic culture, social and "green" ethics in the financial and corporate reporting and presentation, based on philosophy and morals (a system of values), adequate to the historical circumstances. To what extent, however, the civil society in Bulgaria is functioning in order to contribute to a change in the desired direction in the near future is only a rhetorical question. The announcement of the financial and non-financial effects of all transactions and events (the essence of the activity) in all their dimensions – from economic, ecological, demographic, socio-ethical and other viewpoints must be encouraged. The voluntary disclosure of any (even ostensibly ancillary) effects of the enterprise's activity for the stakeholders and society should be a sign of good image as liquidity and solvency are a criterion for the credit institutions and the state. All this would assist the process of optimization of the transparency, based on the moderate, sensible (not too conservative) prudence, and would assist self-discipline and responsibility.

## 3. The Crisis Intensifies the Social Polarization in Europe and Elsewhere

Despite the remarkable progress, even today among the most negative phenomena are the social polarization in various parts and states of the world, even on the Old Continent, the exploitation of child labour, the discrimination of children and women. The events in Asia and Northern Africa, social, ethnic and political conflicts and tension intensify the effect of the economic concussions, suffered by the European societies. The scarcity of the resources on the planet, the imposed consumer model, the wastefulness despite the poverty in vast geographical regions (Asia, Africa, Southern Europe and elsewhere) and among the elderly population even in Europe, including aging Bulgaria, do not create expectations for reducing the social abyss and portend neither a fairer distribution of wealth and resources nor more sparing expending. The picture of senescent population in areas of Europe, Asia and others struggling to maintain their living standards and infrastructure seems like a vision from an anti-utopian novel, but it is something over which people should seriously consider. The explored data and the conclusions, based on comparative economic analyses of world and international organizations and research institutes in Europe and around the world, reveal and prove contrasts and drastic socio-economic and demographic differences established and confirmed also in the process of our survey works.

The financial crisis, arisen as a debt one and evolved into economic one as well, has been staying on longer than the expected term and is intensifying stratification. The analyses and the conclusions explaining the reasons for the bankruptcies in Europe and the world, cannot compensate the serious implications for millions of suffering people having lost their subsistence incomes, for societies and states. Therefore, a thesis (widely covered in research studies as well) is supported that the establishment of optimal systems for reducing risks should be the goal, function and primary task for the managerial authorities in each enterprise, insurance company, credit institution, non-profit organization and the state. It should be based on the principles of prudence, combined with optimal transparency and honesty, and adequate knowledge of the risks (as nature and degree) inherent to the

"Luca Pacioli" for global achievements and contributions in the accounting theory and practice, and the "Golden Accounting Star" (Russian Federation, Moscow, 2005).

activity and geographical location. In the contemporary polarized, technocratic and dynamic world, however, there arise dangers, involving risks whose nature is probably less known, the rules, systems and means of prevention of which are about to be developed.

## 4. Economic Growth of States in Asia and South America

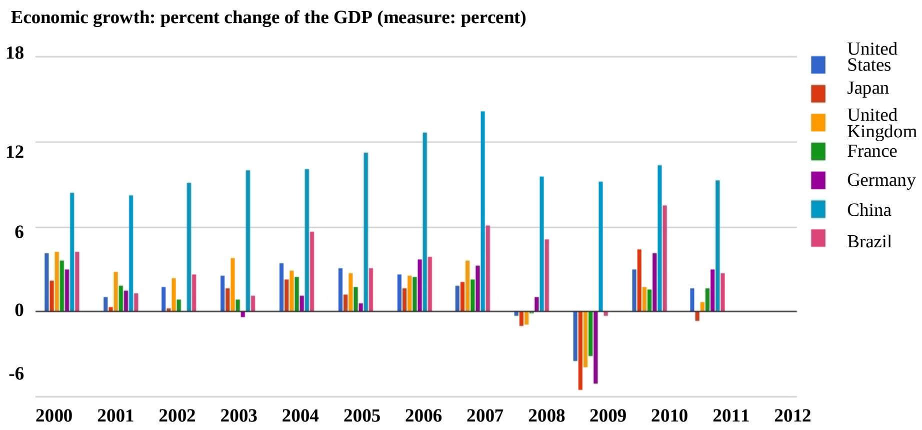
In his article "Industry, the basis of power", published in the renowned edition Le Monde Diplomatique, Laurent Carroué, Director of Research at the French Institute of Geopolitics (IFG, University of Paris-VIII, Institut Français de Géopolitique, IFG), writes that for 20 years, between 1990 and 2010, in the world hierarchy deep and significant changes have occurred. Faced with the dynamism of emerging economies, regional powers and geopolitical forces, the productivity of the thirties in Europe (twenty-seven countries of the European Union plus Iceland, Norway and Switzerland) – according to Laurent Carroué, decreases from 36 percent to 24.5 percent.[18] The author of the impressive article argues that in terms of economic growth during the past decade, in 2011 China turned into a leading power in the world and that Brazil, having become the sixth global economic power, has overtaken France in terms of industrial production. Our (my) study conducted particularly for the purposes of the present research, does not give any grounds for these statements to be rejected for the time being.[19] As a result of de-industrialization of European economies and relocation of productions in areas of Africa, Asia and elsewhere 23.4 million people on the Old Continent are looking for a job while European politicians obsessed with the election race acknowledge industry as the basis of power[20] and publicly announce it.

[18] Carroué, Laurent, "Industry, basis of power", *Le Monde Diplomatique Bulgarian edition*, March 2012. Carroué states that South Korea outranked the United Kingdom, which then, in turn, is closely followed by India. In his analysis Carroué maintains the view that these geo-economic changes are attributed to the emergence of a new international division of labour within a multi-polar global system. "We are witnessing an unprecedented shift in the geographical location of markets requiring investment, creating of new jobs, establishing of business activities. Between 1990 and 2010 the profits of the 220 largest European companies established in the fast developing emerging countries rose from 15% to 24%. This distorted the logic of establishing trans-national enterprises. Delocalisation based on differences in wages, continues, but companies aim also at meeting the demand of new solvent strata of the middle class urban population while the incomes of the same class of people in the North are frozen. There is a massive influx towards southern markets."

[19] The Global Economy Bulletins, August 2012, Newsletter.

[20] Carroué, Laurent, "Industry, basis of power", *Le Monde Diplomatique Bulgarian edition*, March 2012, "Return to industrial production may be the way ahead Europe's economic disarmament", *Le Monde Diplomatique English edition*, March 2012. EU policy for the past 30 years has denied the importance and value of industry in Europe, assuming that the continent's future lay elsewhere. This has been a huge mistake, costly in unemployment and long-term prospects – Carroué considered. "People have been talking of a 'post-industrial leisure society' for 20 years, but industry still has a major role in the territorial organisation, production processes and power relations that underpin globalisation. Between 1990 and 2010, the global hierarchy changed drastically..."

**Figure 1**




*Source:* TheGlobalEconomy.com, World Bank. The Global Economy Bulletins, August 2012 Newsletter

## 5. Ongoing Recession in Europe

In the financial center of European states in which the bourgeois culture and democracy were born and established, large banks in a financial predicament are being nationalized which has raised doubts as to a "temporary transfer of property to the public sector" as well as suspicions that under an old rule the losses are nationalized and the profits – privatized. It – the author Frédéric Lordon[21] has in mind the state – is "called upon to pay the debts, after it has already guaranteed the deposits on public funds, which is actually an investment of 55 billion GB pounds (72 billion euros), and after that simply drive away the insolvent (or bad) payers indebted to my neck."

In October 2011 Robert Zoellick did not restrain his attacks and, by expressing regrets, indirectly criticized for the lack of vision about the crisis in the Eurozone. "The Europeans have so far been trying to solve their problems with the assistance of liquidities (guaranteeing sufficient amount of available money), but one way or the other the problem was not solved. In this way only time is saved", adds Zoellick (October, 2011, Berlin, AFP).[22] Several months later (in June, 2012), Zoellick stated that the controversies among the states from the Eurozone along the ways of settling the crisis lead to a risk of a financial collapse in Europe. The President of the World Bank, whose term of office expired at the end of June, 2012, a little before that, stated that there was a risk for Europe to end up in a

[21] Lordon, Frédéric, "Financial crisis with no lesson learnt", *Le Monde Diplomatique, Bulgarian edition,* March 2008. "These financial storms are nothing new – Lordon writes. They are predictable and are part of the deregulation process." Frédéric Lordon is Director of Research at National Centre for Scientific Research (CNRS) and researcher at Centre de Sociologie Européenne (CSE). He is a member of the group "The Economists shocked". The National Centre for Scientific Research (French: Centre national de la recherche scientifique or CNRS) is the largest governmental research organisation in France and the largest fundamental science agency in Europe.

[22] Zoellick, Robert, "Germany has no vision of the crisis in the Euro area", October 8th 2011, http://www.vesti.bg.

situation, comparable to the concussions and turbulences, caused by the bankruptcy of Lehman Brothers in 2008.[23] In an interview, published for the *Observer*, Robert Zoellick pointed out that he would sound the alarm at the Summit meeting of G20 in Mexico about the risk of a financial collapse in Europe, which would have catastrophic implications for the developed countries. “Europe could turn out to be incapable of coping with the crisis, but the risk is growing”, Zoellick points out.

At present it seems only the Big Four are in good health, more united than ever. With the financial collapse of Arthur Anderson – the *Economist* wrote – most of his thousands of partners and clients simply redirected their interest to the other accounting firms of the Big Four. They audit nearly all public companies, registered in America, as well as the majority of these companies in Europe and Japan. The alarming thing is that the number of services is growing almost as fast as the revenues from the auditing services of the four firms.[24] The doubts among stakeholders and society are that to this day things have not changed significantly.

***A former chief accountant at America’s Securities and Exchange Commission calls the audit firms a “public utility”, but worries they do not see themselves that way***

It is hardly news that the Big Four accounting firms get bigger nearly every year – the *Economist* wrote nine years later. “For all four, Asia is a bright region. Deloitte’s revenue in Asia grew by 16.3% in dollar terms, faster than anywhere else. This was despite long-running worries about dodgy audits of Chinese companies by Western firms. American and Chinese regulators have been rowing over whether America’s accounting watchdog may inspect Deloitte Shanghai’s work. The two sides recently announced that American regulators could visit and observe, but not perform their own inspections.

Yet more important, at all four firms consulting has been growing much faster than the audit business in recent years. In fiscal 2012 Deloitte increased its revenues from consulting by 13.5% and from financial advisory by 15%, compared with just 6.1% for audit and 3.9% for tax and legal services ... Barry Salzberg, Deloitte’s boss, says he expects consulting to continue to grow by double digits, whereas the audit market is mature. Deloitte is adding consulting staff at twice the rate as employees for audits (at the end of May the firm had 193,000 people on its payroll). If the two businesses continue to grow at the 2012 rate, the firm would do more consulting than auditing by 2017. Some lawmakers already fret that consulting and tax advisory (when the Big Four are explicitly helping companies make money) can be in conflict with auditing (where the firms should take a wary, outside view of the books, in the service of investors not management). Lynn Turner,

[23] Lehman Brothers’ bankruptcy caused a worldwide shock driving the overall global financial system to the edge of an abyss. Governments were forced to bail out their banks threatened in turn to go bankrupt. The financial crisis was followed by a profound economic crisis.

[24] *The Economist*, October 18th 2003, "Reforms of the auditing industry do not go far enough". The *Economist* writes: "And yet, despite new ‘independence’ rules barring auditors from providing clients with management consulting and other advice, the Big Four still can and do offer clients lucrative tax-planning and other non-audit services…By requiring that all companies listed on public stock exchanges file audited financial reports, governments around the world have given accounting firms not only a unique franchise, but a public mandate. Their role in ensuring the honesty of financial reports, a critical check on company management and a key component of investor trust in global markets, makes the independence of auditors a paramount concern."

a former chief accountant at America's Securities and Exchange Commission, calls the audit firms a 'public utility', but worries that they do not see themselves that way.[25]

The European Commission in Brussels proposed taking a meat-axe to the problem – the *Economist* wrote. It stated a draft directive provides for the creation of audit-only firms in the European Union. But the legal-affairs committee of the European Parliament does not like the idea. With the EU's legislative machinery slow and complex, it is impossible to predict the final outcome. Asked what would happen if people perceived Deloitte as a consulting firm with an audit business rather than the other way round, Mr. Salzberg replies: "…we're not going to take our eye off our professional responsibility with respect to either."

It seems the future of the Big Four's business model may depend on whether lawmakers in Europe[26] and America are convinced that this is possible.

## Global Financial Reporting Standards – Reality or Utopia

### 6. The Securities and Exchange Commission (SEC) does not Give "Green light" to the International Financial Reporting Standards in the USA

During debates focused on the reasons for the crisis in Europe, organized by academics and analysts, opinions have arisen that the introduction of the Euro and the adoption of the International Financial Reporting Standards (IFRSs) in the European Union and other countries have been encouraged by inspirational rhetoric about gains from uniformity. Our (my) viewpoint is that the process of unification today is unavoidable because it is a prerequisite for achieving a meaningful communication between the economic agents by means of exchanging a comparable information, so the combined efforts towards uniformity are objectively necessary. On the other hand, however, it should be underlined that the application of a uniform process or procedure or rule in economies and societies, formed in the course of centuries under the influence of various in nature factors (historical, legal, political, institutional, cultural, national and psychological, divergent factors of the natural environment and other dissimilarities and even contrasts) cannot generate equal or uniform results. There exists also the risk and probability for the effective supervision and control over the process of creating rules for global use to become impossible and not sufficiently balanced with so many contributors. It seems to be a little rash to consider defeat. In the opinion of

[25] *The Economist*, September 29th 2012, From the print edition, "The Big Four accounting firms Shape shifters With the audit market maturing, accounting firms become consultancies".
"In 2002 the Sarbanes-Oxley act limited what kind of non-audit services an American accounting firm can offer to an audit client. But contrary to what many people believe, it did not forbid all of them. In its last full proxy statement before being bought by JPMorgan, Bear Stearns reported paying Deloitte in 2006 not only $20.8m for audit, but $6.3m for other services. The perception that auditors and clients are hand-in-glove, fair or not, is a reason why shareholders of Bear Stearns sued Deloitte along with the defunct bank. (JPMorgan and Deloitte settled in June. Deloitte paid out $20m, denying any wrongdoing.)", the quotation is from the same article.

[26] "Reforming EU audit services to win back investors' confidence", Justice and home affairs, 25 April 2013, Committee: Legal Affairs. Obliging companies to switch auditors regularly and prohibiting auditors from supplying certain non-auditing services are among the changes voted by the Legal Affairs Committee to a draft law to open up the EU audit services market and improve audit quality and transparency.

eminent lecturers and academics from the United Kingdom and the United States, however, the defeat stemming from non-recognition of risks (potentially existing dangers concealed behind uniformity) and the absence of risk management due to this and the strict adhering to samples and principles has driven the European Monetary Union to the brink of a critical abyss. These opinions and assessments seem to be a little extreme, but they are far from being accidental, because first and foremost they evoke one association. Similar to the above, risks can be expected as a result of the long-term efforts of the International Accounting Standards Board (IASB), of the accountancy profession and some international regulatory institutions, the efforts of which are expected to lead to the adoption of IFRSs for global use. It is admitted that the two boards (IASB based in London and FASB of the USA) ever since 2002 have been expending considerable resources and have been trying to reach an agreement about common accounting standards. Despite the ongoing efforts, it is underlined that IFRS are not approved by SEC for adoption in the USA. It is assumed that the Commission (SEC) will never perhaps risk causing a political storm by yielding the control on its accounting to an institution outside the USA (non U.S. body). There is more to that and it is the following: "We can learn from the euro debacle and assess not only if the vision of one set of global accounting standards is achievable but also if it is desirable[27]." Is the comparison relevant? Is the parallel appropriate? These are matters of contemplation! Finally it seems that reasoning gives way, a little, to sentiment. We must admit that our understanding of the essence of existing problems and disadvantages stemming from IASs/IFRSs and of the nature of the various reasons which cause them, is quite similar.

The main reason for some of the inconveniences is that the accounting standards in many and different ways are interacting with laws, social and ethic codes, fiscal rules and others, which in our (my) view is inevitable and in each state and jurisdiction has its specific nature and aspects. What contributes to this are the traditions and the historical continuity in accountancy as a science and practice, as well as the legal doctrine, jurisprudence and the degree of their interrelation, the nature and the peculiarities of the national legal and accounting system, the cultural and historical impacts as well as the principles on the basis of which the state and its systems are established, interact and function. What is also of importance is the hierarchy in the system of state and economic governance and its structure, the influence of national regulatory, supervisory and controlling institutions, the power of the accounting and auditing profession, the professional associations and organizations, the academic community, the maturity of the civil society, the combat with the financial and economic crime, corruption, morals and others. Considering all this, one can find explanation of the difficulties and obstacles on the way to the unified application of the prescribed common rules. It is another issue that in order to apply whatever accounting rule correctly, one must have a clear understanding of its essence and the conceptual idea which it is subjected to. Otherwise, the rule will be mechanically applied. This means that the effect produced as a result of the application of the idea, embodied in the rule, cannot stand out clearly and distinctly within the national context, so the effect cannot be assessed accurately due to the specific influences. In all

[27] Fearnley, Stella and Shyam Sunder James L. Frank, "Global Accounting Rules – An Unfeasible Aim", Published June 4, 2012, by the *Financial Times*. Stella Fearnley is a distinguished university Professor of accounting at Bournemouth University. Dr. Shyam Sunder is the James L. Frank Professor of Accounting, Economics, and Finance at the Yale School of Management. He is a world-renowned accounting theorist and experimental economist.

this, however, I (Hr. Or.) cannot see an argument for rejecting the necessity of global accounting rules, nor can the blame be "pinned" on the existing European standards (the IFRSs as they are issued by the IASB and are adopted in the EU and elsewhere).

It is true that in its agenda IASB has discreetly and inconspicuously laid down that it is not to be held responsible for recurrent inadvertent and unexpected implications. This causes more heated attacks such as these that the "disaster" of some companies and banks should be attributed to the drastic decrease in their capital following payments of bonuses and dividends deducted from false, fictitious profits recognized under the prescriptions of IFRSs due to "defective" valuations of financial instruments assessed using "unhealthy" measures on the market. The IFRSs are criticized for containing scanty information and being too general as accounting rules for the extracting and mining activities (in contrast to the detailed regulations in GAAP US), for providing incomplete and inappropriate or imprecise and unclear key terms definitions[28] (e.g. of an asset, a contingent liability etc.). Much older are the critical observations about the contradictions relating to the essence of the core accounting principles and assumptions, discussed in the Conceptual Framework for the preparation and presentation of financial statements. There are critical comments and interpretations of the available possibilities (always under suspicion) included in the IFRSs probably under the influence of lobbyists' interests – the prerequisite for excessive subjectivity in judgments and conclusions and thus allowing deliberately inflated or deflated values (amounts) in the financial statements depending on the target and the prevailing economic reality, e.g. possibilities for overstating or understating of the accounting valuations of depreciated, impaired, amortized assets or liabilities or components of equity etc. which can be overestimated or underestimated. It is appropriate to underline that any valuation is subject to a number of assumptions and judgments due to which differences are bound to occur. There are criticisms about prescribing and preference to some methods of calculating operating expenses and revenues and repealing of others; about the potential for diversion from the essence and covering up the nature of transactions and contracts (as the case may be with financial leases and operating leases), for fogging, obscuring or disguising of future events surrounded by uncertainties (as into the cases of judicial disputes, legal proceedings and others). There is criticism about the ambiguity in the disclosure criteria of contingent liabilities and contingent assets what in its turn can reflects on (affects) judgments concerning the probable recognition or non-recognition of such items in the financial statements, if certain conditions occur or not. A great disapproval exists due to something else as well – a lot of forecasts and approximate evaluations, probable (prospective) fair values and discounted values in the balance sheet are in a state of "artificial symbiosis" with the historical ones. The effect is creation and presentation of non-homogeneous information, on the one hand historical, based on data of events and transactions, reflecting the economic conditions of the past, and on the other hand a prognosticated one, influenced by the subjective expectations and outlooks for the future. All this also reflects on the information contained in the income report (respectively the statement of comprehensive income) and the statement of changes in equity and leads to a blurring, distortion and misrepresentation of the value of owner's equity. The implications

[28] Nacheva, Raina, "For the 'new' accounting in Bulgaria and some applied and scientific accents in it", Accounting – science, practice, independence, Yubilee International Scientific Conference, 90 years Department of Accounting and Analysis 20 years Union of accountants in Bulgaria, UNWE, Sofia, 20 April, 2010, Universitetsko Izdatelstvo "Stopanstvo", Sofia, 2011, p. 108. Raina Nacheva, Ph.D., is a longstanding and distinguished university Professor of accounting at the University of National and World Economy, Sofia, Faculty: Finance and Accountancy, Department of Accounting and Analysis.

and troubles, however, do not stop here because this in its part means incorrect ratios and financial indicators, further analyses, based on unhealthy information and erroneous conclusions regarding the enterprise's financial position, results and performance and thus may mislead both analysts and stakeholders (investors, creditors, hired people, society, state, tax authorities, and fiscals). Critical comments can also be targeted at other "deficits" of IASs/IFRSs. More supporters among the academic community in Europe (France, The United Kingdom and other countries) uphold the thesis that the economic crisis has exposed weaknesses stemming from the fair value model of IFRSs and the neglecting, disparaging and abandoning of the conceptual idea of prudence.[29] In January 2009, **Lord Turner**, Chairman of the UK Financial Services Authority, criticized for the "illusory" profits provided (ensured) through IFRSs in a rising market where holding companies' gains on securities held for trading are recorded as profits available for dividends and bonuses. There are other illusions – Lord Turner adds – a debt downgrade marked to market reduces the liability, thus producing another "illusory" profit. Irrespective of this IASB has vigorously defended its model in the name of global consistency and uniformity and the convergence with US GAAP and attacked non-conformity. In 2008 Société Générale and their auditors were pilloried by current and former IASB members in the International Herald Tribune for "creative" accounting, because they "prudently" carried back the whole loss caused by their rogue trader to their December 2007 year end accounts. Doing away with prudence changed bank bad debt provisioning to an incurred loss loss model, thus limiting provisions when debt portfolios were growing in riskiness.

IFRSs are subjected to criticism for the tension between the historical value, determined on the historical costs, factual and retrospective in its nature, and the presumptive fair value, prospective and probable in nature, on the basis of which significant valuation models and rules (for initial and subsequent measurement and recognition of assets, liabilities and components of equity) are devised.

Despite the criticism, it would be fair to admit at least three things: IFRSs contain original, rational and interesting solutions in terms of science and of practice primarily; second, IFRSs have been conceived, developed and set as standards of the broad guidelines (rather than of the detailed rules), in their core there lies a general idea and presumptions embodied in the Conceptual Framework; and third, even the best rules would be ineffective when the morals in society are unhealthy or missing.

The financial world in Europe, America and elsewhere expected the decision of the USA, which Sir David Tweedie, Chairman (since April 2012) of the Institute of Chartered Accountants of Scotland (ICAS) has defined as being of key priority for the future of the International accounting standards, not only because it would also influence states with powerful economies such as Japan, China and India, which, according to Tweedie, cannot adopt IFRSs, if the USA do not accept them. Tweedie admitted that he feared inconsistencies and fragmentation in the application of the International accounting standards (IASs), if the USA does not get on board. In January 2012 the present Chairman of the Board (IASB) Hans Hoogervorst in a speech in Moscow forecast that the Commission (SEC) would probably

[29] *Finance Director Europe (FDE)*, Tony Hines, Vivien Beattie and Stella Fearnley, "The Accounting Standards Debate: The Academics", 5 May 2009. Vivien Beattie and Stella Fearnley are professors of accounting at Glasgow and Bournemouth Universities respectively. Tony Hines is a principal lecturer at the University of Portsmouth.

adopt IFRSs for US issuers. Hoogervorst made it clear that both he and Leslie F. Seidman, Chairman of FASB USA, continue to sustain their consensus that the continuance of the current process of carrying out the convergence along separate projects is not an acceptable way for the future. IFRSs pose very practical challenges to the Commission (SEC), Hoogervorst admits. This is not an easy decision to take, he adds. US authorities have been working for many decades now and have already developed and designed a complex set of financial accounting standards. The apprehensions relating to the transition must be considered and assessed carefully. Hoogervorst acknowledges that these challenges are real, but his comments regarding the Commission (SEC) in relation to IFRSs and the decision expected remain optimistic. In August 2011 AICPA recommended the Commission (SEC) that the U.S. public listed companies should be granted the opportunity of adopting and applying the IFRSs since the Commission was discussing a possible future framework for the incorporation of IFRSs into the US financial reporting system.[30] “Whether or not the SEC decides to incorporate IFRS into the U.S. financial reporting system through an endorsement/convergence approach, we believe U.S. issuers should be given the option to adopt IFRS as issued by the IASB,” Paul V. Stahlin, AICPA Chairman, and Barry C. Melancon, AICPA President and CEO (Chief Executive Director of AICPA), said in a four-page letter to the SEC. The motives, the main arguments, propounded by Paul V. Stahlin and Barry C. Melancon were that an adoption option would provide a level of consistency in the treatment of U.S. companies and foreign private issuers that report under IFRSs which does not exist today, and would facilitate the comparison of U.S. companies that opt for (elect) IFRSs with their non-U.S. competitors that use IFRSs. “Furthermore, giving U.S. companies an option to adopt IFRSs as issued by the IASB would be another important step towards achieving the goal of incorporating IFRSs into the U.S. financial reporting system. Anecdotal evidence suggests that the number of companies that would choose such an option would not be such that system-wide readiness would become an issue”[31], Stahlin and Melancon argued. The SEC final staff report 'Work Plan for the Consideration of Incorporating IFRSs into the Financial Reporting System for U.S. Issuers'[32] which was coming slowly in vague and blurred

[30] Roberts, William, AICPA Recommends SEC Allow Optional Adoption of IFRS by U.S. Public Companies, Published August 17, 2011.

[31] Roberts, William, AICPA Recommends SEC Allow Optional Adoption of IFRS by U.S. Public Companies, Published August 17, 2011. In the four-page letter to the SEC the American Institute of Certified Public Accountants (AICPA) commends the SEC Staff for issuing the Staff Paper for public comment and offers its comments on the Securities and Exchange Commission’s May 26, 2011 SEC Staff Paper, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation*. Discussing on the objective of endorsement method the AICPA (representing the accounting profession, with nearly 370 000 members in 128 countries) announced that it supports the goal of a single set of high quality, comprehensive financial reporting standards to be used by public companies in the preparation of transparent and comparable financial reports throughout the world. "We believe one common financial reporting language would benefit investors, as well as issuers and capital markets, because it would facilitate the comparison of reporting entities domiciled in different countries. We believe the standards issued by the International Accounting Standards Board (IASB) are best positioned to become those global standards. We, therefore, agreed with the objective outlined in the Staff Paper that a U.S. issuer compliant with U.S. generally accepted accounting principles (GAAP) should also be able to represent that it is compliant with IFRS as issued by the IASB," Stahlin and Melancon said.

[32] On July 13, 2012, the SEC issued the final staff report Work Plan for the Consideration of Incorporating IFRSs into the Financial Reporting System for U.S. Issuers. The report marks the

outlines remain "wordless" (with no recommendation or opinion) as to whether, when and how the United States can begin "the long-awaited transition" to IFRSs.

In completing its analysis, the major themes identified by the staff are the following:

- ***Development of IFRSs – Globally***

IFRSs are generally perceived to be high quality standards. *While both U.S. GAAP and IFRSs contain areas that are underdeveloped, the perception among U.S. constituents is that the "gap" under IFRSs is greater (e.g. the accounting for extractive industries, insurance, and rate-regulated industries).* Progress has been made as it relates to the FASB's and IASB's current convergence projects.

- ***Interpretive Process***

*The IFRS Interpretations Committee should do more to address application issues on a timely basis to reduce diversity in practice in the application of IFRSs.* Although recent changes to the Committee's process may address this concern, it is not yet known if the changes will be effective.

- ***IASB's Use of National Standard Setters***

*The IASB acknowledges that it needs to understand different domestic reporting and regulatory frameworks and should consider relying more on national standard setters, e.g. on assistance in areas where they have expertise, outreach activities, identifying diversity in practice, and post-implementation reviews. The IASB is in the process of developing a plan to formalise its relationships with National Standard Setters as it contemplates its future agenda.*

- ***Global Application and Enforcement***

Although the financial statements that the SEC staff analysed largely appeared to comply with IFRSs, *there is diversity in application of IFRSs globally. Regulators in various jurisdictions would need to work cooperatively to foster consistent application and enforcement of IFRSs.*

- ***Governance structure of the IASB***

The governance structure of the IFRS Foundation *"appears to strike a reasonable balance of providing oversight of the IASB while simultaneously recognising and supporting the IASB's independence."* Mechanisms may be necessary to consider and protect the U.S. capital market, e.g. by allowing the FASB to endorse IFRSs in the U.S.

- ***Status of funding***

While there has been progress in developing a funding mechanism for the IFRS Foundation, *the staff expressed concern about existing funding sources, including the reliance on large accounting firms to provide funding.* Currently the funding is provided by

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culmination of the work the SEC directed the staff to perform in relation to the work plan that the SEC initiated in February 2010. The purpose of the work plan was to consider specific areas and factors that would be relevant to the SEC as to whether, when and how to incorporate IFRS into the U.S. financial reporting system. The SEC staff published a number of reports over the last few years that provide insights on progress, observations and findings pursuant to the work plan. The final Staff report summarises observations and findings into a single document.

"businesses, not-for-profits, and governments in fewer than 30 countries." The IFRS Foundation has been unsuccessful in raising sufficient funds for the U.S. portion of the budget.

- ***Investors' understanding***

*Investors do not have "uniform" education on accounting issues. Irrespective of any ultimate decision made by the SEC, the staff plans to further explore how investors' engagement and education can be improved.*

What may be most interesting is not what the final staff report is, but rather what it isn't. It does not include a recommendation nor does it provide a glimpse as to what the Commissions' next steps may be in relation to IFRSs. The report does indicate that it has not been approved or sanctioned by the SEC and does not necessarily reflect its views officially and that its publication "does not imply – and should not be construed to imply – that the Commission has made any policy decision as to whether International Financial Reporting Standards should be incorporated into the financial reporting system for U.S. issuers, or how any such incorporation, if it were to occur, should be implemented." The work plan also "did not set out to answer the fundamental question of whether transitioning to IFRS is in the best interests of the U.S. securities markets generally and U.S. investors specifically."

***AICPA applauds SEC's Effort to Review IFRS and Urges SEC to Act***

AICPA applauded the SEC staff for its robust efforts to review IFRSs and urged the Commissioners to consider the staff report with expediency[33] because the world's capital markets know no borders. "The participants in those markets need high quality, transparent, and comparable financial information to enable them to make sound investment decisions. The Institute also urged/recommended the Commissioners to allow U.S. public companies the option to adopt IFRS", Melancon stated (Melancon's Statement, July 13$^{th}$, 2012).

Commenting on the U.S. SEC's report on incorporating IFRS into the financial reporting system for U.S. issuers, Stephen Haddrill, Chief Executive of the Financial Reporting Council (FRC)[34] argued and admitted: "We have all followed the SEC's work on determining whether, when and how to move to a system incorporating International Financial Reporting Standards for a long time. It is disappointing that transition is not yet clearly recommended. It is imperative that this is not allowed to affect the continued development of high quality global standards. Now that the era of convergence is coming to an end we urge IASB to make the highest quality of the standards its principal objective" (Stephen Haddrill's Statement on U.S. SEC report on IFRS, 16 July 2012).

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[33] AICPA Applauds SEC's Effort to Review IFRS; Urges SEC to Act, Published July 13, 2012, http://www.aicpa.org.

[34] The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. The FRC sets the framework of codes and standards for the accounting, auditing, actuarial and investor communities and oversees the conduct of the professionals involved. The FRC is the UK's lead audit regulator. The FRC works to promote high standards in accounting, auditing and actuarial practice. The FRC is accountable to Parliament and its wide range of stakeholders. The FRC is funded through non-statutory arrangements and adheres to the principles of better regulation, especially wide public consultation. The FRC's culture is open and collaborative. Its goal is to ensure that the capital markets benefit from timely and relevant information about company performance and board behaviour.

With respect to the report publication, Michel Prada, Chairman of the IFRS Foundation trustees, expresses the view that: "…The report reiterates the many challenges that a large economy such as the United States faces when transitioning to IFRSs – challenges that other jurisdictions have successfully overcome when completing their own transition to IFRSs."[35] Prada considered that United States was well-placed to achieve a successful transition. "While acknowledging the challenges, the analysis conducted by the IFRS Foundation staff shows that there are no insurmountable obstacles for adoption of IFRSs by the United States".

The Trustees' replied that it intended to carefully study the report in detail and take further steps as necessary. The initial assessment was that many of the findings are broadly consistent with the conclusions of the Monitoring Board and Trustees' respective Governance and Strategy Reviews completed earlier in 2012, and already addressed in the work plan for the year.

While recognising the right of the SEC to determine the method and timing for incorporation of IFRSs in the United States, the Trustees expressed regret that the staff report was not accompanied by a recommended action plan for the SEC. Given the achievements of the convergence programme inspired by repeated calls of the G20 for global accounting standards, a clear action plan would be welcome. For the benefit of both US and international stakeholders, the Trustees look forward to the SEC resolving the continued uncertainty regarding the US's commitment to global accounting standards.[36]

Hans Hoogervorst, Chairman of the IASB, indicated (pointed out) that: "IFRSs have already achieved critical mass as international standards and with more than two thirds of the G20 now on board, the momentum behind them becoming global accounting standards is irreversible. We are confident in our mission to achieve a single set of high quality global accounting standards and we continue to work to serve investors and other users of IFRSs across the world" – claimed Hoogervorst. "We are at a pivotal moment for our organisation. The IASB has started working on a new agenda. The era of convergence is coming to an end. We are revamping our institutional infrastructure to provide for a more inclusive approach to international standard setting. This is the right timing to come on board and participate in shaping the future of global accounting."[37]

In August 11th, 2012, the Chartered Financial Analysts Institute (CFA Institute) published a brief summary of issues arising from the staff report of the United States Securities and Exchange Commission on the possible incorporation of IFRS into the U.S. financial reporting system. The summary provides a critique against the report, pointing out a number of areas where the CFA Institute believes more analysis and evaluation is required. The report, entitled "Does the SEC have the will to find a way towards IFRS?"[38] noted/resumed that the final report is comprehensive and organized around a number of key themes, such as the costs

[35] Response to US SEC publication of staff report on IFRS, 15 July 2012, available at the website of the IFRS Foundation and the IASB: http://www.ifrs.org

[36] Response to US SEC publication of staff report on IFRS, 15 July 2012, available at the website of the IFRS Foundation and the IASB: http://www.ifrs.org

[37] See also ibidem.

[38] CFA Institute ISSUE BRIEF: FINAL SEC REPORT ON 2010 IFRS INCORPORATION WORK PLAN DOES THE SEC HAVE THE WILL TO FIND A WAY TOWARDS IFRS?, available at www.cfainstitute.org/ethics

and obstacles issuers would face in making a change from US GAAP to IFRS and the degree to which existing US GAAP is entrenched in U.S. regulatory regimes.

However, the report opines that "observations on investor preparedness, regulatory impact, issuer impacts, and human capital readiness offer commentary on the current state of affairs which, in our view, will evolve once a decision to adopt IFRS is made".[39] The report later concludes that in the CFA Institute's view "readers of the Final Report are left with data and observations but without an indication of how they will be weighed and evaluated"[40]. The report laments the lack of analysis of whether IFRS is 'so sufficiently flawed' as not to be interests of investors, what exact modifications to IFRS would be needed to incorporate it into the US reporting regime, and whether issues of lack of comparability in IFRS is a greater obstacle than exists with multiple accounting languages.

The report outlines a number of analytical or evaluative issues that the SEC staff report does not answer, such as: which of the dimensions of the SEC IFRS Work Plan are most critical to a recommendation; which, if any, of the challenges are considered to be insurmountable and why; what, if any, actions can or should be taken (and by whom) to address the challenges or obstacles, and over what time period; to what degree should 'regulatory capture' of U.S. GAAP serve as an obstacle or deterrent to adopting accounting standards which are meant to serve investors rather than regulators etc.

The observation the report concludes with is that: Requiring most immediate attention, the Final Report leaves stakeholders wondering: What are the SEC’s next steps? Will there be a recommendation and what might be its timing? "We believe it is imperative for the SEC to define the way forward, as failure to act or provide clear direction is, in substance, a decision not to incorporate IFRS. Rather than continued evaluation and delay, we believe investors would prefer the SEC to provide a path forward with an affirmative or negative decision."[41]

In October, 2012 the IFRS Foundation released a detailed response to the SEC’s exhaustive report on IFRS, released in July, providing its own analysis. The SEC’s report outlined and expressed concerns, some of which focused on the funding of the International Accounting Standards Board (IASB), the timeliness of responses to widespread accounting issues by the IFRS Interpretations Committee, and other issues. The SEC staff raised anxieties about the IFRS Foundation’s reliance on funding from the large public accounting firms, and argued that fewer than 30 nations contribute to financing of the IFRS Foundation. In addition, the SEC contended, that the IFRS Foundation’s trustees had been unsuccessful obtaining the funding for the portion of the foundation’s budget allocated to the United States. The SEC also said U.S. sources are providing “in-kind” funding such as the FASB staff efforts on U.S. GAAP-IFRS convergence projects.

The IFRS Foundation maintains that some of those problems are being addressed in current initiatives. The IFRS Foundation also contested the SEC’s arguments on funding, saying the United States’s contributions are lacking in proportion to the size of its economy and its number of representatives in IFRS Foundation bodies. What’s unclear is whether the IFRS Foundation report will make a difference in the SEC’s ultimate decision on whether to allow or mandate that U.S. public companies use IFRS for their financial reporting.

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[39] See also ibidem.
[40] See also ibidem.
[41] See also ibidem.

The report comes a day after AICPA President and CEO Barry Melancon, during a speech to the AICPA Governing Council, warned that the United States could face consequences for not pushing steadily forward on convergence and adopting IFRS. The issue of IFRS adoption in the United States remains in the hands of SEC commissioners with no known timetable in an uncertain political landscape[42].

The IFRS Foundation, in its report, responded that:

➢ *The SEC analysis overlooked the fact that the biggest contributor to the IFRS Foundation budget is the European Commission, which represents 27 member states. When royalty payments and some voluntary funding arrangements are considered, 69 countries provide financial support for the IFRS Foundation.*

➢ *FASB's work should not be factored into the U.S. contribution because the convergence program is a joint process with efforts, resources, and benefits shared by FASB and the IASB.*

➢ *The lack of a publicly sponsored funding arrangement in the United States means that it is not contributing a proportionate amount to the IFRS Foundation's budget. A proportionate U.S. contribution based on GDP would amount to just over £4 million ($6.4 million) in 2012, while £1.3 million ($2.1 million) is expected to be collected.*

➢ *While 20% to 25% of the seats on the IFRS Foundation's bodies are held by U.S. representatives, U.S. contributions make up less than 10% of the total country contributions to the foundation's budget.*

"Ultimately the lack of public funding in the U.S. can only be resolved by the U.S. authorities themselves, directly or indirectly," the IFRS Foundation staff wrote. Funding may be the biggest obstacle for IFRS adoption for U.S. public companies, because of the fact that the SEC cannot act as a fundraiser for a private organization, and payment to the IASB could be viewed as a foreign subsidy.

The IFRS Foundation also pointed out:

➢ *The IFRS Interpretations Committee has implemented changes that will make it more effective; however the SEC had expressed concerns about the committee's failure to address issues on a timely basis.*

➢ *The IASB has begun preparatory work to establish an Accounting Standards Forum comprising national standard setters and other regional bodies to provide feedback. The SEC had recommended that the IASB should extend its involvement with national standard setters.*

➢ *Costs of transition to IFRS for U.S. preparers should be reduced (it may be expected) compared with other countries because the convergence program has reduced differences in standards.*

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[42] Sean Lager, the lead partner in Frazier & Deeter LLC's International Financial Reporting Standards Group, said there was little movement on the issue since the SEC released its report in July. That report did not make a recommendation on whether U.S. public companies should be allowed or required to use IFRS for their financial reporting. Lager said IFRS had taken a back seat to other issues with a U.S. presidential election in its final stages. "You just get more significant events," he announced. "And this gets overshadowed."

The IFRS Foundation report included an appendix describing a review of academic research on the benefits of IFRS adoption, noting that the SEC staff report did not analyze the benefits of IFRS in the United States. The reason is that those benefits could not simply be projected onto the United States because it already has high-quality accounting standards that are understood globally. Nonetheless, it is pointed in the report that, in many ways, the United States is better prepared than other jurisdictions to consider the adoption of IFRS.

"While the size of the U.S. economy relative to other jurisdictions presents significant challenges in transition that are unique to the U.S.," the report said, "the experience of other countries suggests that many of the challenges can be overcome with the appropriate political will to make a commitment to the mission of a single set of global standards."[43]

In the debate on the adoption of IFRS in the U.S., Eva Jermakowicz, CPA, Ph.D., International accounting expert and Chair of the Accounting and Business Law Department at Tennessee State University predicts that the SEC eventually will require US public companies to use IFRS to file their financial statements. "The US has to mandate IFRS because the US would become isolated internationally [without it]," Jermakowicz believed and argued into that. "… The US could not remain out of a global system forever."[44]

When the SEC issued its final report on its work plan on IFRSs, it laid out the issues and challenges of adopting them in the United States. Inside, Robert Herz took a look at how Canada met the challenges when it adopted IFRS. He assumed discussing the problem the experiences of U.S. neighbor to the north could provide valuable insights into a potential path forward.[45]

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The picture is saturated with eclecticism. Eclecticism, due to the clash between traditions and influences (juridical, political, institutional, cultural etc.), among concepts, approaches and methods, between reasons and arguments, forecasts and estimates of risks and benefits under particular national conditions stamped by a profound and lasting recession; the clash between factors and specific impacts that have shaped the different views and attitudes. In this motley picture "global financial reporting" seems to be on the cross roads looking for the right direction in the new century.

## 7. Idea for a Radical Change in Financial Reporting and Presenting

A coalition of businesses, regulatory bodies, accountants, stock exchanges and non-government organizations have paved the way for (have laid the beginnings of) the global initiative concerning revision of international financial reporting standards with the aim to stave off a new financial crisis, *Financial Times* writes. Paying heed to the accumulated

[43] Tysiac, Ken, "IFRS Foundation report says SEC's concerns can be overcome", *Journal of Accountancy*, October 23, 2012.
[44] International accounting expert Eva Jermakowicz, CPA, Ph.D., Chair of the Accounting and Business Law Department at Tennessee State University, Statement of Eva Jermakowicz on IFRS adoption in the U.S.
[45] Herz, Robert, "For an Example of a Successful Transition to IFRS, Look North", *Compliance Week*, October 30, 2012.

dissatisfaction/discontent the International Integrated Reporting Council (IIRC) intends to accomplish a radical change in financial reporting thus making easier the comparison of financial reports from different countries. The proposed new model of integrated financial reporting considers not only the financial state of a company but includes also a comment on the governance, corporate policy, remuneration policy and the issues connected with environment preservation and social responsibility. G20 have already supported the idea. The Council (IIRC) confirmed their plan to present/publish the first in the world framework for a global integrated reporting model by the end of 2013 (London, 8 June 2012).[46] A summary published by the Council comprising different views on the report, that was the subject of a long-lasting discussion started in September 2011, shows/reveals/discloses the stakeholders' support for the Council (IIRC) in its idea to start the next phase in the development of the framework. This includes specific guidelines for work on the issues of materiality, the value of concept and the business model. The Council's intention is to implement this phase through close dialogues with the stakeholders and the players on the market to guarantee that the process is transparent. It is expected that the integrated reporting framework will provide the basis for accelerated development of corporate reporting in the world and will aid organizations to communicate in virtue of a full range of factors accounting for the creation of value and at the same time will guarantee that they (the factors) are part of the organization's strategy.

Commenting on the publication Paul Druckman, Chief Executive Officer of the Council (IIRC) explains that enormous efforts aiming at including risk disclosure in financial reporting have been made in the last years. He also argues that the reporting of sustainable development ensures a new dimension, which can make us consider (deliberate on) the creation and preservation of value. Not only how to create but sustain value in a long-term perspective seems to be a fundamental issue in the changing world today.

In spite of the innovations (relating to the idea for introducing radical changes in corporate reporting and presentation) it could still be difficult to understand how the companies create sustainable value by reading their published reports. The integrated reporting framework has been designed to contribute to the process of corporate reporting enabling investors and other stakeholders to get a better understanding of the ways in which companies create sustainable value. A Council's (IIRC) analysis of the views of organizations and natural persons from over 30 countries on the Discussion Paper identifies four significant areas, which have to be researched additionally in order to develop the framework: basic terms underlying the definition of integrated reporting; the target audience of the integrated reporting; the point of view from which should 'value' be considered (value of the organization, of the investors, of other stakeholders or of the society as a whole); work-schedule for preparing the framework.

[46] The International Integrated Reporting Council (IIRC) has released a summary of feedback received on its 2011 Discussion Paper 'Towards Integrated Reporting – Communicating Value in the 21st Century' and committed to publishing its 'Integrated Reporting Framework' by the end of 2013, June 15, 2012. The IIRC received 214 responses from organisations and individuals from over 30 countries. Reporters, accounting bodies and standard setters represented well over a third of all responses, but responses were also received from a broad spectrum of other organisations and individuals.

The purpose of the integrated reporting is to address the need for concise, clear, consistent and comparable reporting (and presentation/representation). It allows for presenting of material financial and non-financial information and its structure integrates strategic objectives, governance and business model.

## 8. Conclusions

The idea of highly regulated uniformity (unification) of financial reporting and presentation is among the most advanced in the contemporary world. Accounting ensures fundamental support for the capital markets and the distribution of the international financial reporting standards worldwide represents one of the most advanced experiments in developing consistent financial reporting rules and regulations. However, to think about a uniform accounting methodology on a global scale is incorrect and immoral. Experiments would be unsuccessful, damaging to tradition and continuity but in favour of technicalities and cliché.

In spite of the doubts the social necessity of developing, adopting and applying uniform global financial reporting standards in key and priority areas cannot be underestimated, still more ignored. The International Accounting Standards have emerged as a consequence of global capital markets functioning. The common accounting principles and rules are necessary at least because the global capital markets exist. At all events, the independence of the institutions creating, setting and supervising the enforcement of the standards should be guaranteed both at international and national level. It is necessary to provide a fair environment of equal rights for all the participants in the standard-creation process without favouring one jurisdiction rather than another. However in order to accomplish this goal the status quo of the global financial reporting standard setter and the problems of quarantining the neutrality of the members and their unbiased contribution to the norm creating process should be subject to profound analysis and discussion worldwide especially from juridical point of view.

The transparency based on prudence and cautiousness should be raised to the level of absolute priority in financial reporting and presenting and in disclosing of material financial and non-financial information, historical and prognostic.

We believe that the current economic crisis will remain in the annals of world history as a challenge inciting mankind and financial reporting and presenting towards a significant progress in devising new avant-garde (advanced) ways of development and existence.

***Appendix 1***

**The move towards global financial reporting standards**[47] ***Table 1***

| Country | Status for listed companies as of December 2011 |
|---|---|
| **Argentina** | Required for fiscal years beginning on or after 1 January 2012 |
| **Australia** | Required for all private sector reporting entities and as the basis for public sector reporting since 2005 |
| **Brazil** | Required for consolidated financial statements of banks and listed companies from 31 December 2010 and for individual company accounts progressively since January 2008 |
| **Canada** | Required from 1 January 2011 for all listed entities and permitted for private sector entities including not-for-profit organisations |
| **China** | Substantially converged national standards |
| **European Union** | All member states of the EU are required to use IFRSs as adopted by the EU for listed companies since 2005 |
| **France** | Required via EU adoption and implementation process since 2005 |
| **Germany** | Required via EU adoption and implementation process since 2005 |
| **India** | India is converging with IFRSs at a date to be confirmed. |
| **Indonesia** | Convergence process ongoing; a decision about a target date for full compliance with IFRSs is expected to be made in 2012 |
| **Italy** | Required via EU adoption and implementation process since 2005 |
| **Japan** | Permitted from 2010 for a number of international companies; decision about mandatory adoption by 2016 expected around 2012 |
| **Mexico** | Required from 2012 |
| **Republic of Korea** | Required from 2011 |
| **Russia** | Required from 2012 |
| **Saudi Arabia** | Required for banking and insurance companies. Full convergence with IFRSs currently under consideration. |
| **South Africa** | Required for listed entities since 2005 |
| **Turkey** | Required for listed entities since 2005 |
| **United Kingdom** | Required via EU adoption and implementation process since 2005 |
| **United States** | Allowed for foreign issuers in the US since 2007; target date for substantial convergence with IFRSs is 2011 and decision about possible adoption for US companies expected in 2011. |

*Resource:* Data of IFRS Foundation[48] and IASB

47 The list in Table 1 refers to listed companies only. This is not an authoritative assessment of the use of IFRS in those countries. In the majority of cases, the information has been provided by the relevant national authorities or is based on information that is publicly available. Definitive information on the use of IFRS in any particular country or countries can be provided by the relevant national authority or authorities directly.

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[48] The IFRS Foundation is an independent, non-profit private sector organisation working in the public interest. Its objectives are: to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB; to promote the use and rigorous application of those standards; to take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs); and to promote and facilitate adoption of IFRSs, being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs. The governance and oversight of the activities undertaken by the IFRS Foundation and its standard-setting body rests with its Trustees, who are also responsible for safeguarding the independence of the IASB and ensuring the financing of the organisation. The Trustees are publicly accountable to a Monitoring Board of public authorities.

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## KRIZA SA PORUKOM ZA BUDUĆNOST FINANSIJSKOG IZVEŠTAVANJA – GLOBALNI STANDARDI FINANSIJSKOG IZVEŠTAVANJA - REALNOST ILI UTOPIJA

***Rezime:*** *U radu se navode razlozi koji opravdavaju neophodnost promene paradigme i uvođenja novog, holističkog pristupa u izveštavanju o poslovanju preduzeća, sa svim esencijalnim aspektima i efektima (uključujući i nefinansijske). Primenjen heuristički metod saznanja (analiza i sinteza, indukcija i dedukcija, komparacija, analogija, opservacija i td.) prihvaćeni su kao metodi naučnog istraživanja i autori ih često koriste, kako zbog univerzalne primenljivosti, tako i zbog predvidljivih rezultata. Autor je u radu koristio specijalizovanu naučnu literature i istraživao empirijsku građu kako bi dokazao svoje tvrdnje.*

***Ključne reči:*** *finansijsko računovodstvo, holistički pristup, integrisano izveštavanje.*