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Accountability of Accounting Stakeholders

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Strictly as per the compliance and regulations of:

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I. Introduction

Accounting is a language of business but this language is not useful if the information provided by accounting are not relevant, reliable and consistent. To get useful information accountable accounting is necessary. Accounting will ensure the accountability only when all the stakeholders related to accounting perform their respective responsibilities or roles. Day by day accounting profession has become dynamic due to changing environment of business and needs of accounting users. Accounting will lose its accountability if there is a crisis of reliable and relevant accounting information.

Since previously many accounting scandals have been observed, it is necessary to ensure the accountability of accounting stakeholders to get reliable and relevant accounting information because only accounting standards will not be able to bring the desired outcomes of accounting. So the objective of this study is to show that accountability of accounting depends on the accountability of the accounting stakeholders.

II. Methodology of the Study

It is considered that suitable accounting rules, regulation, and systems can provide relevant and reliable accounting information which will help the accounting information users to make useful economic decisions but if the stakeholders of accounting are not sincere to uphold the accountability of accounting standards then it is necessary to ensure that all the accounting stakeholders are performing their roles, responsibility.

So this study focuses the accountability of accounting on the basis of responsibility or rules of the accounting stakeholders.

III. Literature Review

Accountability can be defined by the responsibility to execute a desired role. Dykstra (1939) says, "In ethics and governance, accountability is answerability, blameworthiness, liability, and the expectation of account-giving."Watkins (2007) says, "An accountability view of accounting might offer a useful grounding with respect to maintaining a better sense of the profession through an ever-changing business environment."Accountability relates to the objectives of financial reporting—the base upon which all accounting practices must be founded (Beechy, 2007). Accountability is often presented as a means by which to achieve the collective and individual goods of democracy, justice, administrative performance, and ethical conduct in governance (Dubnick and Justice 2004).Barata et al. (1999) say, "Accountability has been defined as the obligation of anyone handling resources, public office or other position of trust to report on the intended use of the resources of the designated office." Earl and LeMahieu (1997) say, "Accountability is the conversation about what the information means and how it fits with everything else that we know, and about how to use it to make positive changes."Bovens (2005) says, "In modern political discourse, 'accountability' and 'accountable' no longer convey a stuffy image of bookkeeping and financial administration, but they serve as synonyms for fair and equitable governance." Lerner and Tetlock (1999) say, "Accountability is a logically complex construct that interacts with characteristics of decision makers and properties of the task environment to produce an array of effects -- only some of which are beneficial."

Accountability has several meanings and is the subject of a broad debate in American governance. Some of the simpler definitions include: responsibility or capable of being held responsible for something; capable of being explained; being held to account, scrutinized, and being required to give an account or explanation. (en.wikipedia.org/wiki/Accountability).

To maintain the accountability of accounting many scholars have shown their opinions. Rika et al., (2008) say, "To improve standards of accounting and accountability, it will be necessary to revise accounting

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procedures, automate accounting systems, upgrade accounting skills and decentralize accounting functions." Barata and Thurston (1999) say, "Stakeholders in the accountability process cannot effectively perform their accountability obligations nor be held properly accountable unless the evidence of their actions is made available through organized, secure, yet easily accessible means. To achieve this, reliable documentary evidence in the form of records must be consistently provided. Records are the indispensable foundation of the accountability process. Without reliable and authentic documentary evidence underpinning all essential accountability processes, government, civil society and the private sector cannot ensure transparency, guarantee accountability or allow for the exercising of good governance." Watkins, 2007) says, "One must consider the unique competencies accounting comprises. One could, for example, select from among the elements of decision usefulness, stewardship, control, fairness, attestation, relevance, reliability, representational faithfulness, and accountability for the grounding norms for both accounting information and accountants' competencies."

The stakeholders of accounting can be classified as: i) regulators, ii) preparers, iii) researchers, iv) users etc. Weygandt et al. (2012) say "There are two broad groups of users of financial information: internal users and external users. Internal users of accounting information are managers who plan, organize, and run the business. These include marketing managers, production supervisors, finance directors, and company officers. External users are individuals and organizations outside a company who want financial information about the company. The two most common types of external users are investors and creditors. Investors (owners) use accounting information to make decisions to buy, hold, or sell ownership shares of a company. Creditors (such as suppliers and bankers) use accounting information to evaluate the risks of granting credit or lending money. Financial accounting provides economic and financial information for investors, creditors, and other external users. The information needs of external users vary considerably. Taxing authorities, such as the National Board of Revenue, want to know whether the company complies with tax laws. Regulatory agencies, such as the Securities and Exchange Commission, want to know whether the company is operating within prescribed rules. Customers are interested in whether a company will continue to honor product warranties and support its product lines. Labor unions want to know whether the owners have the ability to pay increased wages and benefits."

IV. Discussions

Before discussing the accountability of the accounting stakeholders, it is necessary to know who the stakeholders of accounting are. This study classifies the stakeholders of accounting into three categories: i) International Bodies, ii) Regional Bodies, and iii) Local Bodies. The details of the stakeholders are depicted in the following diagram:

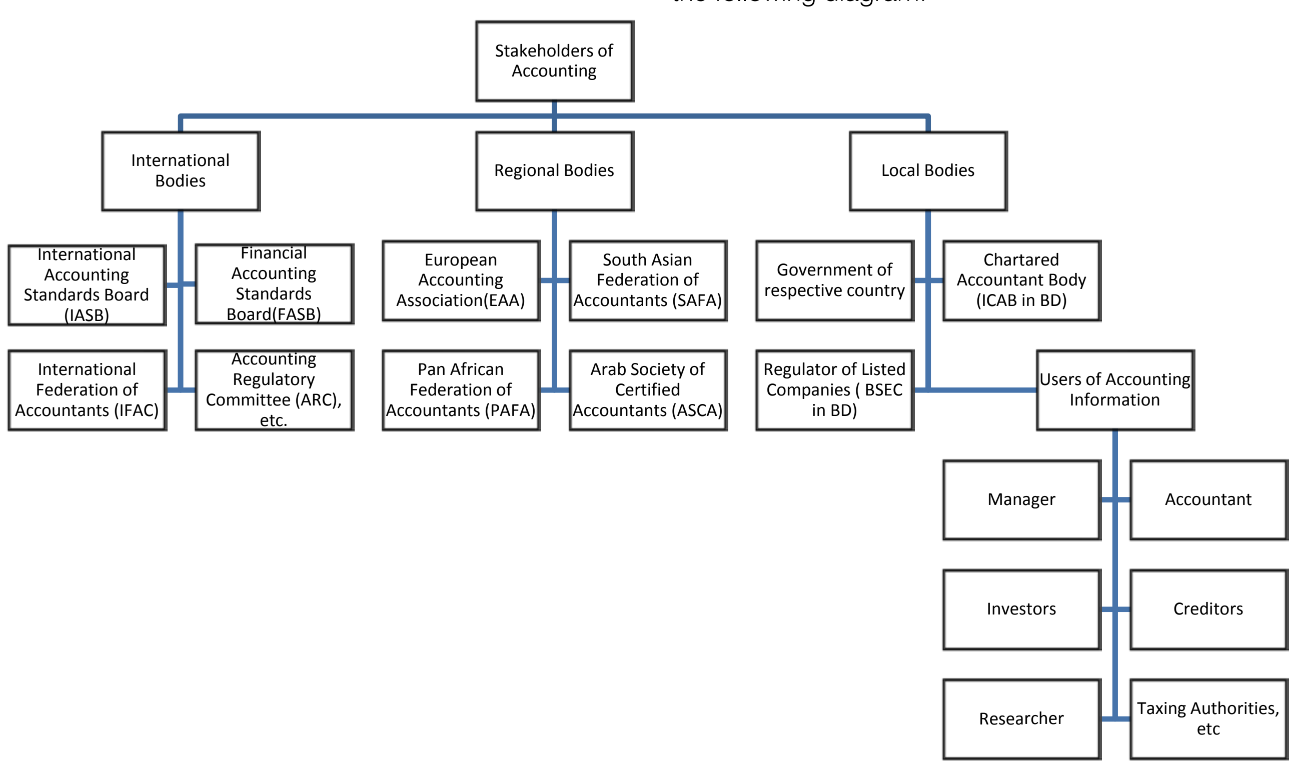

Figure 1 : Various stakeholders of accounting

a) *Accountability of International Bodies*

Since comparability and consistency of accounting information are expected by every stakeholders of accounting, so there should be one International Accounting Body where every country (who prepares financial statements, especially UK's IASB and USA's FASB, since they are the big stakeholders of accounting in the world) will participate and collaborate to get a uniform accounting standards which should be the single set base-accounting-standards for every country. This international body must maintain a platform where the stakeholders of Regional Bodies and Local Bodies can share their experiences regarding their accounting practices and problems facing while formulating accounting standards. Annually this International Accounting Body should arrange an annual meeting to discuss various matters regarding uniform accounting standards and by such meeting mutual understanding and cooperation among the stakeholders of accounting throughout the world will be increased which is very necessary to get desired uniform accounting standards. The most important thing is that the standard resulted from the participation of world's all accounting stakeholders should be free and easily accessible to all and there should an option in the website where any stakeholder can make any query to know any clarification/explanation regarding the standards, rules, principles, practices etc.

b) *Accountability of Regional Bodies*

The regional bodies should cooperate between International Bodies and Local Bodies. They should act as a disseminator of international accounting standards of International Accounting Body to the national level accounting bodies. They should ensure that national governments, national accounting bodies are participating to uphold the accountability of accounting through proper education, training and practices. Regional bodies should identify the difficulties and discrepancies of accounting practices of accounting profession and to do this they should provide a congenial platform so that all national accounting bodies can exchange their views and experience regarding to uphold the accountability of accounting.

The regional body should maintain a website where the regional accounting practitioners will be able to share their day to day experiences. Suppose in a region there is a practice of various estimation regarding an accounting standard (i. e., one institution guess that their machine will last for 10 years, on the other hand there is another institution which guess that same machine will last for 14 years, so in average that machine is lasting for 12 years and this 12 years can be considered as the estimated life of that machine). In this waythose regional accounting practitioners can know the subjective estimation regarding various accounting treatment by which they can reach to a unique estimation and that type of unique estimation will create consistent accounting information. As a result there will be relevant and reliable information which will increase the consistency of accounting information throughout the regional level.

c) *Accountability of Local Bodies*

i. *Government of respective country*

The accountability of government is most significant as it is the supreme body in a country. It should be committed to ensure the transparency in maintaining the accountability of accounting. Since it has the legislation power, it should assign the particular authority to revise and monitor the systems of accounting. It should assign the authority (Taxing authority, Labor and Corporate Laws authority, Regulators of Public Corporations, Certified Public Accountants) with the suitable responsibility to maintain the accountability of accounting. The government should sponsor all types of cost to maintain such activities. The government should ensure that there is an existence of high-quality practices of accounting standards by professional accountants to uphold the accountability of accounting.

ii. *Chartered Accountant Body (ICAB in BD)*

Chartered Accountant Body act as a national regulator of auditing profession. So this accounting body has a great role in maintaining the accountability of accounting. To uphold the accountability of accounting it has to perform various responsibility such as attracting graduates to be the member of the body and providing training them with the latest developments of accounting standards. Although Chartered Accountant body is a national body, they have to adopt and work with the international accounting standards which is very essential to ensure the consistency worldwide. Maintaining accountability becomes very easy when this national regulator are accountable to perform various activities with sincerity such as: i) arranging symposiums and seminars to disseminate professional accounting knowledge towards the auditing firms, accounting professionals, ii) providing auditing services with accountability to all sectors including industry, commerce or public service throughout the country, iii) protecting and maintaining professional independence of auditors and implement professional supervision standards over them as a means of advancing the professions of accounting and auditing, iv) developing and facilitating the circulation and exchange of academic and professional knowledge among accountants and other professionals through professional research, v) ensuring sound professional ethics and code of conduct by its members, vi) providing professional expertise in Accounting, Auditing, Taxation, Corporate Laws, Management Consultancy, Information Technology and related subjects, vii) fostering acceptance and observance of International Accounting Standards (IAS) and International Standards on Auditing (ISA), viii) havingup-to-date of latest developments in Accounting techniques, Audit methodology, Information technology, Management consultancy and related fields, etc.They should work independently to ensure the reliability of a company's financial disclosure which is done by the auditor's report. There should be annual publication to introduce the latest practices.

iii. *Regulator of Listed Companies (BSEC in BD)*

This is a most important authority to maintain the accountability of accounting because it has roles to perform regulating activities by coordinating several stakeholders, namely, listed public companies, government and auditing authority. It monitors whether the listed companies are producing financial statements with reliable, relevant and consistent information which ensure the accountability of accounting. It suggest the auditing authority to be enriched to ensure best auditing. It recommend the government to legislate appropriate rules (on taxation, business law and related matters) to uphold the integrity of the accounting profession. So it should be more conscious to maintain accountability by enhancing organizational reporting, raising awareness in accounting profession.

In context of Bangladesh, the BSEC should circular compliance issue to establish effective control mechanism by every company toavoid: poor tone at the top, lack of competent personnel in oversight roles, lack of independent checks/audits, lack of employee fraud education, lack of clear lines of authority, lack of reporting mechanism, lack of internal control, override of existing internal controls, lack of management review etc. This will ensure that financial reports prepared by the companies will satisfy the interest groups necessities. At times BSEC should make survey/research to know whether the users of accounting information are satisfied which ultimate ensure the accountability of accounting. It should ensure that all the companies make the annual reports available in their website which will facilitate the researcher to find out any anomalies contains in those annual reports through analysis and research.

iv. *Accountant*

Accountants are closely related with preparing accounting information. To ensure the accountability of accounting accountants should be careful and knowledgeable in their professional activities because their negligence hampers the true fact of accounting information. On the other hand an accountant is responsible for the authenticity and exactness of the financial statements even if errors were not made by them. So an accountant should be expert in accounting principles, rules, and standards to avoid errors of accounting treatment. Accountants need various skills to uphold the accountability of accounting such as international accounting standards, current accounting practices, taxation and VAT knowledge, internal and external audit knowledge, recording and summarizing transactions, professional course completion from ICAB or ICMA, knowledge on accounting software, knowledge on interest of internal and external users of accounting information etc.

v. *Investors*

Investors are interested to see summary explanation of a company on issues in the decision process. There are two types of investor: i) present investor and ii) potential investor. Present investors seek information to decide whether they should continue their investment and potential investors seek information to decide whether they should buy shares of company or invest somewhere else. Investors are concerned about risk and return in relation to their investments. They also need to be able to assess whether a business will be able to pay dividends, and to measure the performance of the business' management overall. To take investment decision all investor require relevant, reliable, and easy understanding information. So the accountability of the investor should be to inform the regulator whether they are satisfied or not with the provided accounting information. This will help the regulator to take necessary steps to uphold the accountability of accounting.

vi. *Creditors*

There are two types of creditors: i) suppliers and trade creditors ii) financial creditors. Both types of creditors must be competent to analyze the financial statements before extending credit to a company. So to maintain the accountability of accounting they have roles by criticizing fraud statements and avoiding them from giving credit.

vii. *Employees*

The accountability of the employee regarding accounting fully depends on their ethical behavior. Most of the cases, employees know what is happening, what is going to be happened, what is the financial performance, what is the financial position of the company. Since they are aware about those information, then they can compare between actual results and presented resulted in the annual reports. If they find any discrepancy, then they should inform it to the particular regulator to uphold the accountability of accounting.

viii. *Manager*

Management has the ability to determine the form and content of the information presented in financial statements.Most of the cases management may try to manipulate the entity's financial statements because there are clear incentives for the managers to do this as their pay is usually tied to company performance. If there is any misrepresentation of financial performance and financial position of a company then the management is responsible for that fraud. So the accountability of accounting mostly depends on their wish whether they are interested or not to uphold the integrity of accounting. If management are committed to ethical values then relevant, reliable and consistent accounting information will be easy to produce which ultimately ensure the accountability of accounting.

ix. *Investment analysts*

Investment analysts uses financial and other information in order to analyze the competitive performance of a business. While analyzing the financial data they can understand whether there is a consistency of accounting information or not. So in accountability context of view they can help to uphold the accountability of accounting by providing thefacts of any inconsistency in accounting information.

x. *Researcher*

The universities should be the factory of producing new knowledge and techniques. Hence teachers of universities should dedicate themselves in research work spontaneously. They should invent various knowledge to solve various types of problems. There are many models already invented to identify any fraud existence in financial statements and those models can be used to identify the fairness of financial data through research, even they should invent new model to compete with the new challenges of fraudulences. Hence the researcher can contribute in upholding the accountability of accounting.

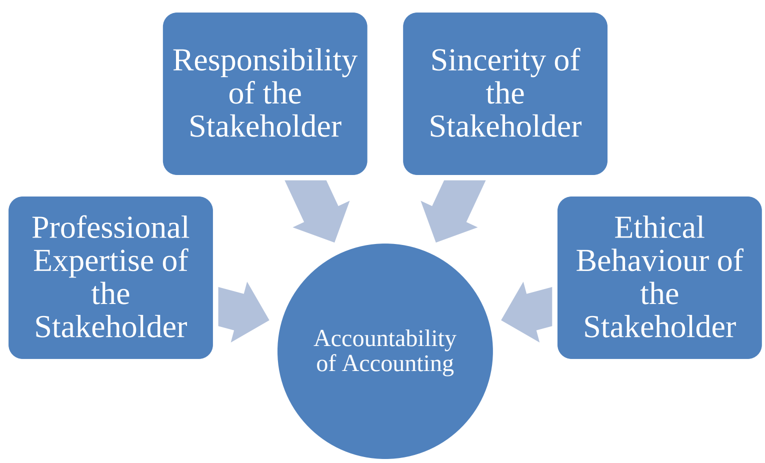

Figure 2 : Factors affecting the accountability of accounting

V. CONCLUSIONS AND RECOMMENDATIONS

Since accounting is the language of a business, accounting information will be useful only if accounting produce reliable, relevant and consistent information which depends on maintaining the accountability of accounting. Accountability of accounting depends on the accountability of the accounting stakeholders. If there is situation where someone has been refused to be accountable, then accountability fails to bud in the society. So an environment is needed to practice accountability by the stakeholders of accounting which will ultimately ensure the accountability of accounting and it is possible only when there is an existence of ethical society. All the stakeholder should perform their best to uphold the accountability and they should consider it as an accountability corporate social responsibility.

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