

THE IMPORTANCE OF THE ADOPTION AND APPLICATION OF ACCOUNTING POLICIES TRANSITION COUNTRIES WITH REGARD TO COMPANIES IN SERBIA

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Abstract

Accounting policy should be seen as a framework within which policy is formed to keep business events with the primary objective of increasing safety, especially financial reporting of management. Some management companies is who is responsible for the end result of the economic activity of enterprises run by.

To be able to reliably managed by the company shall have a built in system management and logging of all activity in the company, it is necessary to respect the recommendations of the internal control and audit and external audit recommendations. The accounting policy is closely related to the implementation of IAS/IFRS, which are more practical use in the Republic of Serbia starting from 2002.

Greater application of these standards, companies must make changes to the accounting policies as it begins to implement the increasing number of requirements of the standard in the field of increase of caution, especially in the context of recognition and accreditation. Practically the back door is introduced replacing "the concept of historical cost" (caution), "the concept of fair value" (neutrality). The emergence of large financial and global crisis of 2008, a growing number of actors want to be informed through the financial statements of the real and the real situation in the companies, which are trying to raise the level of protection above all creditors and investors.

Also in the first half of 2013, and the state wants to ensure protection management in the public sector and imposes solutions obligatory presence of Internal Auditors of the public sector in public enterprises.

Keywords: *management, value, money means, risc, financial situation.*

Classification JEL : *M41*

1. Introduction

Accounting policy forms the basis for high-quality financial reporting and on three levels: the company, interested persons (creditors, investors and others.), The State (Ministry of Finance first of all). The accounting policies are largely affect the quality of information presented in the financial statements. In addition, the purpose of accounting policies to ensure the implementation of a large number of the requirements of IAS / IFRS, primarily due to increased comparability of financial statements for legal entities in the country, but also for those persons who are not strictly related to its operations in Serbia, especially for companies that work in several countries.

Since 2000, a large number of foreign companies privatized enterprises in Serbia or opened their organizational units in Serbia, and it is still one of the real demands related to the harmonization of IAS/IFRS, with the

countries of the EU. Undoubtedly, that in these processes the company accounting policy should be compatible with the common practice in EU countries.

Real economic conditions impose management to company management to adjust the desired compromise between securities, which is associated with the cost and speed the adoption of the financial statements, and that speed is often in conjunction with the ratio of the number of applied risk and cost. In fact, if we want to reduce the security of financial reporting to be optimum, then reduce the costs of internal control, audit and others, and vice versa. Accounting could be viewed as a service, a service function in the management process, which basically serves finance, internal audit, if established within the company, and at the end of the financial year is included in the submission of data related to the entire business which occurred during the previous business year. Monitor and study the "raw data", and converts them into information needed to manage the entire enterprise.

The financial statements are the final product of accounting process in which are embedded the selected accounting policies, and as such must comply with the adopted goals of the business policy of the company. Accounting policies are the specific principles and methods that the company's management decided, usually at the request of Head of accounting or finance managers of companies with the aim of real impressions.

2. Accounting principles under the observation of accounting policies

The basic accounting rules initiated accounting practices and eventually develops into accounting theory must have its basic application in transition countries like the Republic of Serbia. Without establishing the proper comprehensive approach to accounting requirements management cannot speak of the prosperity of the company.

In addition, they can essentially determine the concept and basic features of accounting, especially in medium and large companies. Another important category relates to the real category of the financial statements, and that the companies which are the rule, and a big business for 15 years on the territory of the Republic of Serbia. In the above-mentioned companies must take into account the principle of the real display in financial reporting. So that realistic accounting presentation must take into account the essence of accounting principles. With them are made and activities related to assisting in assessment, recording and reporting on business activities, with a large note that there must be compliance with international accounting standards and the standards of the finance reporting. The harmonization must be a connection with the accounting policy for a company.

Comparison of the different accounting principles and assumptions relating to the large number of transition countries like the Republic of Serbia, the authors presented in Table No. 1.

Table No.1: Comparison of the possible accounting principles and assumptions

ACCOUNTING REGULATIONS	
ASSUMPTIONS	PRINCIPLES
<ul style="list-style-type: none"> ➤ Business Entity ➤ Continuity ➤ Period ➤ Business Entity ➤ Strong And Stable Currencies ➤ Consistency 	<ul style="list-style-type: none"> ➤ The Documentary ➤ Tidiness ➤ Promptness ➤ The Acquisition Cost ➤ Caution ➤ Accuracy ➤ The Odds Be Over Form ➤ Relevance ➤ Individual Assessments ➤ Time Connection Balance Sheet Positions

Source: Production authors.

In recent years, especially on the recommendation of the external auditors informed public companies an increasing number of companies are introducing IAS, especially IAS 16, which essentially means the introduction of "fair valuation of assets which has company". The announcement of leaving by then the dominant model of the "precautionary" We meet with the author [1], [2], [3], [4], [5] in quite a long time.

Throughout the aforementioned period the authors were trying to find a model that current procedures regarding the company's assets determine more possible values of assets with which real companies have. So realistically meet financial reporting as a basis in the attitudes of many authors since the financial reporting happiness with many authors and their works, More 80s of the last century [6], noting that most of then issued setting applies at the end of 2015, and

relate to and apply them to delay many other transition country, such as the Republic of Serbia. Generally, financial reporting must respect the principle of multi-disciplinary [7].

3. Observation of harmonizing accounting policies and risks

So at the end of the observation of harmonizing accounting principles, it must be emphasized that this presentation of the financial reporting, primarily relating to the actual financial position of the company presentation, the changes that have occurred with respect to financial and operating results that are consistent with generally accepted accounting principles of the company. In addition to the aforementioned every company can make a gradation of risk and adopted policies accounting in their company. Table No. 2 authors provide an overview of the generally accepted accounting principles that apply most of the enterprises of the Republic of Serbia, and the possible gradation in the range of risk for the company.

Table No.2: **The application of accounting principles in the Republic of Serbia and the interval risk medium-sized enterprises, possible categorization**

Accounting Principles Companies That Also Applies	Interval Risk	The average interval for the risk level of the average medium enterprises
The Principle Of First Purchase,	1-5	3
The Principle Of Objectivity,	1-5	3
The Realization,	1-5	3
The Principle Of Income and Expenses,	1-5	5
The Principle Of Materiality,	1-5	4
Principle Fully,	1-5	3
The Principle Of Consistency And	1-5	2
Precautionary Principle.	1-5	2

Source: Production authors.

3.1. The most commonly used IFRS and IAS in medium and large enterprises in transition countries

In the process of adjusting and unifying the overall business transition countries like the Republic of Serbia, is an important application of uniform standards in business, especially in medium and large enterprises. The authors in Table 3 provide an overview of the important and the most commonly used standards in business and financial organization and sandwiched between other accounting policies, which must take into account the importance of IFRS and IAS.

Table No.3: **IFRS and IAS that are commonly used in the daily operations of most companies**

INTERNATIONAL FINANCIAL REPORTING STANDARDS	INTERNATIONAL ACCOUNTING STANDARDS
IFRS 1 First-time Adoption of International Financial Reporting Standards	IAS 1Prezentiranje financial statements
IFRS 2 Share-based Payment	IAS 2 Inventories
IFRS 3 Business Combinations	IAS 7 Cash Flow Statements
IFRS 4 Treaties establishing	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	IAS 10 Events after the balance sheet date
	IAS 11 Construction Contracts
	IAS 12 Income Taxes
	IAS 14 Segment Reporting
	IAS 16 Property, Plant and Equipment
	IAS 17 Leases
	IAS 18 Revenue
	IAS 19 Employee Benefits
	IAS 20 Accounting for Government Grants and

	Disclosure of government assistance IAS 21 The Effects of Changes in Foreign Exchange Rates IAS 23 Borrowing Costs IAS 24 Related Party Disclosures IAS 26 Accounting and Reporting by Retirement Benefit Plans IAS 27, Consolidated and Separate Financial Statements IAS 28 Investments in associates IAS 29 Financial reporting in hyperinflationary economies IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions IAS 31 Interests in Joint Ventures IAS 32 Financial Instruments: Disclosure and Presentation IAS 33 Earnings per share IAS 34 Financial Reporting period ' IAS 36 Impairment of Assets IAS 37 Provisions, Contingent Liabilities and Contingent Assets IAS 38 Intangible Assets IAS 39 Financial Instruments: Recognition and Measurement IAS 40 Investment Property IAS 41 Agriculture
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Source: Production authors.

3.2. Developing mechanisms to improve the accounting policy

A framework which can be a large number of companies affected shall be at the level of the government of a state. Therefore, in this work the most respected acts of the Government Republic of Serbia. Government of the Republic of Serbia adopted a strategy for the development of internal financial control in the public sector, with the aim of establishing a comprehensive and effective system of internal financial control in the public sector, as well as with the aim of good governance and protection of public funds, regardless of their source and to comply with the requirements of *Chapter 32 - Financial Control*, for negotiations on joining the EU.

In addition the European Commission will assess the overall system of internal financial control in the public sector, but will also provide assistance in understanding and implementing a well-developed and effective internal control system, which should be seen as a mechanism to help accounting policy, especially in the first phase of the public sector, and later the rest of the economy.

The primary responsibility, which includes ensuring that the public affairs are kept in accordance with the law and relevant standards, and that public funds are managed with absolute integrity, and that they spend dedicated, remains the ministers and other elected representatives, as well as the heads of the various officials in every organization. To fulfill this responsibility, it is essential that public authorities and all persons responsible for the management of public affairs establish and maintain an appropriate structure for the conduct of its affairs and storage resources that are available to them.

The audit in the public sector "adds value" not only through analysis and reporting on what happened, but also "looking ahead", and identify areas where improvements are possible and encourage good practice. In this way, all forms and types of audits to the promotion of improved standards of governance, better management and decision-making processes, and in short, contribute to effective use of taxpayers' funds.

Questions of harmonization of accounting policies are increasingly coming to the fore in the transition countries [8]. In addition a number of the author draws attention to the question of valuation of assets as part of the harmonization of the accounting policies of the company [9], [10], [11], [12], [13], [14], [15]. All these attitudes, it is important to implement by the company's management and the importance of establishing internal control mechanisms.

The authors point out that the audit in the public sector is an important link in the chain of responsibility since it strengthens the responsibility, in terms of elected or appointed officials, and in terms of beneficiaries, taxpayers and citizens in the broad sense, which is achieved through:

- auditor's independence from the audited entity;

- wide scope of the audit in the public sector, which includes regularity, "decency" and "value for money";
- The ability of auditors to the results of audits and reviews available to the public and democratically elected representatives who are responsible for funding the relevant activities.

In addition to the results shown in the paper, the authors emphasize the importance of considering the important, potential risks to the business of a large number of heterogeneous enterprises such as:

- general factors of influence,
- the impact of activities and
- View the internal factors of the company.

4. Conclusion

Financial, accounting and any other unified transition countries like the Republic of Serbia demands the implementation of various heterogeneous business standards. In this paper, the authors have included the International Accounting Standards Board, and it allows the use of different methods for accounting for and valuation of the same balance sheet positions.

Management is therefore the one who chooses the best accounting policy at the enterprise, but in accordance with the true and fair view of the business activities of enterprises. At the end of the reporting accounting must take into account the notes to financial statements. They represent a special report in a set of mandatory financial statements. The authors point out the most important functions such as the functions of explaining the basics of the underlying financial information presented, to break down many of the items and provide analytical insights into the real situation of the company, as well as aiding and abetting and more complete understanding of the financial position and success of the company.

In this paper, the predominant part of the observation refers to medium and large businesses in transition countries, especially those that operate in the Republic of Serbia, which does not mean that the majority of accounting principles, financial policy and management cannot be used and companies in other countries.

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