

Implementation of National Accounting Standards Focused in Albanian Reality

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Abstract

This paper deals with the achievements and weaknesses of the implementation of the National and International Standards of Accounting, for property in general, the problems encountered in the implementation of these standards as well as comparisons between different societies. This work will be carried out through questionnaires and direct interviews with various businesses, especially those businesses that deal with the implementation of IAS 16 and 5. The methodology used will be qualitative and quantitative methods and empirical data - where you will get the right information about the problems and difficulties faced by various companies and qualitative methods through a detailed analysis of the data obtained to reflect the reasons for non-compliance with these standards. Benefits of International Accounting Standards may be financial, economic and political. Preliminary evidence suggests that companies, lenders and investors would prefer, a convergence of domestic accounting standards with the International Accounting Standards to create a framework of financial reporting quality. Although there are many significant benefits for the implementation of International Accounting Standards and has grown pretty its importance, there are still many challenges for the further development and implementation authoritative. To better understand these challenges need to look at the factors that influence the development of accounting regulations. These factors may include social and cultural values, political and legal systems, business activities and economic conditions; standard-setting processes; capital markets and forms of ownership; and finally the cooperative efforts of nations. These factors need to be understood if we can mitigate or even eliminate the challenges of International Accounting Standards. International Accounting Standards are important today and will probably become even more important in the future, as they are further developed. This work will be carried out in close cooperation with the theme leader Prof. Jorgji Bolanos to reach the criticism and solutions to problems encountered in this research.: "Which are the problems that implementation process will face in Albanian reality?"

Keywords: *International Accounting Standards (IAS), National Accounting Standard, implementation process.*

1. Introduction

Developments in the field of accounting have started since 90 years. 'At that time, Albania is facing big changes going from a centralized economy to a free market, which of course requires major changes in the field of accounting and information providing by it as well. This fact made the reform in the accounting and fiscal legislation a necessity. As a part of overall economic transformation, accounting reform was based on the recommendations provided by the Institute for European and International Financial by the circumstances, past experiences and qualifications. This reform was crucial given the need to have government and all economic sectors, for accurate and reliable information as a key factor for the decision-making process.

The main objective of the reform was the adoption of a new accounting system in light of the drastic changes taking place in Albania. However, besides efforts during this period a lot of problems and issues were identified in both the legislation and regulation framework: Law 9228, dated 19.01.1993 "For accounting" was not in line with IAS. Law " For accounting" and the law " For Commercial Entities" were written on the same time without having the possibility for coordination and harmonization of rules applied by both laws. Application of an Accounting Legislation, far from International Standards, brought up problems for foreign investors for the consolidation of their financial statements, etc.. In order to address the shortcomings in the previous law, a new accounting law was enacted in 2004. So, the Accounting Law (1993).

Complemented by General Accounting Plan which provided detailed guidance for all business entities in Albania was repealed when the new Law on Accounting and Financial Statements (2004) became effective on January 1st, 2006. However, as a lot of delays happened, like: the translation process finished only end of 2006, just before the date set up for implementation, the professionals involved in the process and moreover the government and public institutions were not prepared to start and assist the implementation process. In these conditions was decided to postpone the

implementation date until January 1st, 2008. This decision for postponement was the first signal that the implementation process was not going to be a smooth one.

Referring to different studies and cases, we find that exist two different positions held by researches whilst analyzing this kind of process. So, Cheney, (2002), draw attention to the fact that, in many countries within the EU, especially those countries with a local GAAP that is not particularly developed or where it quickly adjusts to international standards, will have no difficulties to prepare consolidated statements in accordance with IAS. In the other hand, Wilson (2001) believes that IAS implementation problem will be huge for many European companies. This is because Europe is embracing a future for financial reporting that is not necessarily that widely known or understood. In the other hand, Wilson (2001) believes that IAS implementation problem will be huge for many European companies. This is because Europe is embracing a future for financial reporting that is not necessarily that widely known or understood.

In Albanian case, considering the basis of the old accounting system used, far from IAS principals, outdated in respond to the new economic development, not sufficient for the foreign investors interest, we believe that implementation process will have problems that need to be analyze.

National Accounting Standards (NAS) must be applied starting from January 1, 2008 accounting. Standards was prepared by the National Accounting Committee (CCC), thanks to a project assisted by the World Bank in collaboration with the "Price eater House Coopers. "This set is prepared in accordance with International Accounting Standards (IAS) and are in force to be applied by all Albanians, from medium-sized and small businesses. While, large companies, financial institutions should implement only (IAS) . Realistically application (NAS), was scheduled for 1 January 2006, but the process of implementation or enforcement was not and will not be easy considering the transition from the model of the French school (the overall accounting) Anglo-model Saxon (standards).

National Accounting Standards conflict with Albanian legislation and tax these conflicts will not be resolved in the near future. In addition, there are other reasons for professional and administrative resources to be taken into consideration such as: not all IAS have been translated into Albanian language. Most of accountants were not sufficiently familiar with the standards IAS, KAS and to implement them etc.

The final section presents the main conclusion from the surveys and interviews conducted outside conclusions are based on analysis of these findings and other information, which contained. These guidelines are intended to provide objective answers to this topic and question that arises from this: *"Which are the problems that implementation process will face in Albanian reality??"*

2. Methodology

In orders to give readers the opportunity to make his/her own judgment concerning the quality of the results (Gill & Johnson1997), I will describe the methods used.

In this study, I first compared the old accounting rules with the new standards and then analyzed the consequences of different perspectives. My approach, the abductive one, was neither to build up a new theory nor to test an existing one, as in induction and deduction. As the abductive approach is a combination of the deductive and the inductive approach (Alverson & Sköldberg, 1994), I started with the comparison between the accounting standards, got ideas for theory, and then went back to the empirical findings for further analyses. Regarding the ollection of empirical data, as referring from the literature, there are two different research methods, quantitative and qualitative (Merriam, 1988). The qualitative method is harder to define than the quantitative. When applying the qualitative research the aim is to understand the significance of a particular phenomenon or experience. Based on this theory we have explored the differences between NAS and General Accounting Plan and the consequences of the implementation of these NAS, which is a qualitative approach. We explored NAS documents, General Accounting Plan manuals, the National Accounting Standards, the IASB's and the FASB's accounting standards.

The quantitative method focuses on the common, the average or the representative. The research objects must be able to be measured and the result must be able to be presented in numeric form (Eneroth, 1984). In this frame, a postal questionnaire (Annex 1.), was prepared and sent out in order to collect empirical data. After designing the questionnaire, we consulted it with other colleges of accounting field, through interviews, in order to refine the questionnaire and later to check the reliability of the survey results and seek further explanation for some of the responses. Contacting a number of experts in the accounting field was considered from us as an important technique to make the project worthwhile.

The questionnaire was sent to about 600 accountants approved (by 1300 approvals anationally). Only 50 of them responded. However, the information gathered was considered sufficient for the purpose of statistical analysis.

Finally, all parts in theoretical frame of reference and the empirical findings where analysed and conclusions where drawn.

3. A Review on the Old Accounting System and its Gaps

Before the new law on Accounting (2004) as the basis of accounting financial reporting in Albania was the law of the year (1993) completed by the General Accounting Plan, which provides detailed guidance including a gafik accounts summarized in demand applicability Accounting Financial Reporting for all business entities Albanians.

Accounting old law (1993) was based on the French model where the state had a major impact on the economy and related fields. This was intended to protect the owners and the interests of the creditors of the companies organizing a fiscal goal oriented accounting process of the state and maintain national account. Key features of GAP were:

Storage revenue was expressed in more detail, especially in the detection of categories of labor costs.

- GAP was intended to require the classification of costs, based on the nature or type of expenditure and not according to company functions;
- There were no adjustments on financial consolidation for groups of companies;
- GAP did not provide an appropriate regulations for specific businesses acquired companies and lease (leasing);
- Translation of assets and liabilities in foreign currency circulation were made using sites balanced accounting and non-accounting P &L;
- GAP predicted no treatment differences by changing accounting methods and accounting matjtet;
- Construction construction treatment and treatment postponement of tax does not exist.

All these led to the conclusion that this model is highly centralized and does not provide flexibility and freedom for judgment in preparing financial situation thus creating the conditions for the implementation of a new law. Thus the law no. 9228 "Accounting Financial Reporting" was completed after 2 years of work. (2004). Based on this new law GAP had to be restored by MRS. Then began the process of writing the MRS as a responsibility of the National Accounting Committee, a process that was completed only at the end of 2006. Meanwhile began the translation and publication of IASs. Now we are at the moment where fourteen NAS are approved and in force since 1 January 2008. Këto be implemented by small and medium companies, while IAS and IFRS should apply only to financial institutions and the banking activities Although not yet published in the English language.

4. Achievements and shortcomings in the way of implementation of standards

Design and implementation of Accounting Standards have thought and perceived not as something immediate and unchanging, but as an ongoing process, a process which will own time and that has to do with providing material infrastructure and professional capacity, as well as reflect post-practice requirements for the necessary changes in order to modernize and simplify them. Experience two years of implementation of standards has highlighted achievements and shortcomings.

5. Achievements

The greatest achievement is that Albania starting in 2008, implementing an accounting system that prepares financial statements based on International Standards and National Accounting Standards developed in coherence with the first. The question is: Are we fully prepared to start the implementation of Accounting Standards 1 January 2008?

We are confident that no work, no project can not start waiting carried all conditions, which in our case say to begin implementation as we were familiar with the standards and to have adopted the broad masses of professionals. When we talk about and hence accounting for its standards, they are taught by working as teaching and being introduced into the water swimming. A good experience in this regard had to the implementation of the General Accounting Plan.

From surveys made and verifications have shown that, in general, the preparation of financial statements for the 2008 closure was based on the standard. Thekësojmë preparation of financial statements and bookkeeping, for there are many entities in the first year did not change in bookkeeping but did fit in time prepared financial statements. In the second year increased interest entities organized on the basis of accounting standards, having as support for the drafting of financial statements.

Better in this regard have been working entities adopting International Financial Reporting Standards. This has its reasons that are:

- A good portion of them are subsidiaries of foreign companies and as such have been working and preparing financial statements with both local Fiscal issues and international standards for consolidation with the parent.

- Banks have generally been working and preparing financial statements based on manuals that come close to International Standards.
- Insurance companies, some of them are part of the group of foreign companies, which allow these to prepare financial statements in accordance with IAS.
- The other major domestic societies have engaged foreign companies, consulting for drafting the financial statements.
- the above companies have been able to hire professionals to assess and professional capabilities.

Regarding entities that implement the National Accounting Standards, in the first part began to organize accounting and financial statements are prepared on the basis of standards, another continued with existing accounting adjustments; while another part is not prepared financial statements, as previously had no organized accounting and had not prepared financial statements. These latest units called mikronjësi except the reason that they lack experience, can not afford even the cost of maintaining accounting and financial statements.

Given the purpose of the use of information about the state and performance that prepare financial entities, the National Accounting Council concluded that these economic mikronjësi (as a bakery, a shoe repairer, a professional, etc.) be exempted from the obligation of implementing Standards National Accounting. These units occupy a significant percentage of the total small and medium units and as such can not be left out of accounting regulation. Necessary legal changes were made in the framework of the National Accounting Standards was developed and published a special standard number 15 "On principles of Accounting and Financial Reporting by small and medium business".

This standard is intended to give basic concepts and principles and to establish rules for the application of these principles to the presentation of economic events and the preparation of financial statements. Small and medium business physical status with turnover up to 2,000,000 ALL will hold a simplified accounting not prepared financial statements, and other units, up to 10 000 000, will hold a progressive accounting and prepare only two simplified statements;

- Balance and
- Statement of income and expenses and related notes.

During the period of implementation of the standards was done in cooperation with the supervisory and regulatory bodies with the Department of Taxation for better harmonization of legislation and special rules with accounting legislation.

6. Deficiencies

Implementation of Standards for a number of entities characterized by low level of preparation of financial statements makers. Another part of entities with considerable sensitivity to the importance of the implementation of the Standards and legal obligation to do so had difficulties and problems related to:

1. Transition problems, the transition from the existing arrangements in accounting standards.
2. Measurement, evaluation and presentation of the elements of financial statements.
3. New financial statements.

7. Transition problems

They dealt with the treatment of the previous balance elements, which will have a new treatment in the accounting future period. Worth mentioning some of them:

Referring conversion differences, entities have their voices considerable value of the asset or liability, and standards should make another accounting treatment. With the new standards, conversion differences would profit and expenses element. So we can mention and startup and expansion costs. They were significant voices of the asset, while the new standards should make another accounting treatment. These problems are more difficult due to entities that apply IAS given that these changes will be reflected retrospectively, which means to correct previous years, while the entities that will implement the National Accounting Standards these changes will be reflected in the way prospectively, which means not to touch the past.

8. Problems of measurement, evaluation and presentation.

They had to do mainly with the new concept of evaluating the elements of financial statements. Mainly fair value problems. Refer property, as there is no active market for them, then the problem of presenting their fair value is a problem for these economic entities. While use of alternative modes requires a highly qualified relevant staff that deals

with the design of the financial statements. Referred to intangible assets and liabilities, little has been done by entities to present them at fair value. In this, the impact has been insufficient training of staff, as well as reporting culture as it is known has been leaning towards reporting purposes fiscal issues. In this context entities have not made serious efforts to make a statement as true and correct the position of financial performance.

9. Problems encountered in the design of new financial statements

New financial statements which differ from the previous ones created in the first place on the formal side problems in their development. The tradition of presenting information in a certain way to create problems of adjustment. Already had to be inverted such concepts as:

- a) by two financial statements and three specific reporting formats for fiscal purposes, developed five standards required financial statements, including financial statements and notes attachments
- b) ratio of asset and liability items, the order of which on the balance sheet would be otherwise previous submission.
- c) Presentation of property and equipment in the balance sheet would be to net book value.
- d) Submission of revenue statement and would be spending on a single statement (by nature or by function) already presented several items in their net value (allowing compensation).

10. Conclusions

This year is compiled and distributed by the Board of Standards, for the discussion of international financial reporting standard (IFRS) for small and medium enterprises (SME). Which is obtained, and translated and is making a comparison with national accounting standards and have observed:

1. Both are consistent with international accounting standards.
2. Differences are not significant.

National Accounting Council, as the only professional organization, with the authority to draft MRS and other accounting rules, after having received the opinions of stakeholders, will officially express its opinion regarding the above standard. In advance, we can say that we will continue to implement NAS after a 4-5 year period because:

- a) We have national standards as noted above in two levels
 - For small and medium enterprises
 - For small enterprises
- b) Entities have two years invested in their application and are still fully not familiar.
- c) There are no an opinion expressed by the European Community to make mandatory this.

Based on the above treated conclude that Albania is on the implementation of national and international accounting standards that are consistent with the first; international auditing standards and progress has been made in this way. A significant contribution to this achievement has given the Ministry of Finance and the Government which have been ready to resolve any proposal made by professional organizations related to the simplification and modernization of accounting information. Also no less important assistance given us international professional organizations updated with material us and invited us in conference and video conference organized from time to time in order to increase professional skills in terms of financial reporting

11. Recommendations.

1. Under the process of educating the teaching profession should be a process that starts at school and continues indefinitely while exercising. By this we must understand that university education should provide the theoretical foundations of future professionals or accounting audit and this should be reviewed curricula and programs.
2. Professional organizations and continuing education training of preparers and auditors of financial statements need to consider as a priority in their work, programs updated with changes to standard treatment by the relevant competent bodies and reflecting to problems arising from the practices and seeking solutions.
3. Encourage and stimulate individual works or bashkëautorësi accounting educators and professionals as well as organizations and various professional organizations.
4. To give special attention sensibilimit business environment the importance of the implementation of accounting standards.

- The business community, especially senior management must understand that financial statements are drawn not only to the tax office, but also for many other users. The correct application of accounting standards means treating the whole and not a few of them.
 - In this context, we believe that a much more efficient resolution towards increasing business for the implementation of the mandatory accounting standards would be an additional change in the law "On Accounting and Financial Statements," which relates to establishing appropriate penalties in its violation. Liberal spirit of the rule of law does not help in this case because the lack of penalties integration process is one of the reasons why standards have not been applied to a portion of entities.
5. Set up and operate the necessary structures professionally capable to solve problems dealing with assessments and revaluations of assets and as required by the standards.
 6. Increase limits for classifying economic units making the change in the legislation approaching them with those of other countries in the region, which will bring a cost reduction for business information. Currently these terms of turnover criteria, we have several times lower than in the region, while those of the EU have more.
 7. To expand and further intensify cooperation and exchange of experience with regional counterparts in the field of accounting.

And finally I would like to add that references and conclusions that will emerge in this paper, both from the theoretical and practical, will be not only a fulfillment of what refer, but an in-depth treatment of specific problems argued that have arisen in the way of implementation of accounting standards that require solutions.

Now we live in a time where the need to change our culture of thought and action, for the preparation of financial reporting statements and their audit. Today we are a candidate to join the EU and have to think of the act as such. The opening of capital markets, the signing of the Stabilization and Association Agreement, the signing of the Free Trade Agreement and the Europeanization of the Albanian Economy requires transparency and accounting same language. The fulfillment of these conditions would also facilitate Albania's EU integration problems. Expressed confidence that the army of accountants and auditors of our country will be able to evaluate and utilize all opportunities to move with time requirements by not allowing themselves to remain behind.

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