

THE IMPORTANCE OF THE MANAGEMENT COMPANY BY USING THE INTERNATIONAL ACCOUNTING STANDARDS

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Abstract

Managing the company requires a higher degree of standardization of processes, decision-making, decision-making, application of standard operating methods in companies, the use of international accounting standards, the standard of international financial reporting, and many other forms of business that can improve business operations and manage the company.

There are numerous advantages for the top management of companies especially for those who have decided to apply the International Accounting Standards in everyday business in the accounting and financial sector of enterprises primarily, and then in other parts of the company. Their implementation allows for realistic financial reporting, which is extremely important for making a timely decision regarding strategic decision-making in an enterprise. This is particularly true for countries in transition, as well as for those countries that have not applied more widely to international accounting standards in regular and continuous business.

The application of international accounting standards as well as the application of international financial reporting standards can lead to positive results and the enterprise can realize multiple benefits, especially if the company fully applies fair reporting in its business to top management but also towards the owners of the company or the founders of the company.

Keywords: *International accounting standards, financial statements, financial analysis, management.*

Classification JEL: *M41.*

1. Introduction

The authors in this paper draw attention to the importance and application of International Accounting Standards, in particular MRS16, to corporate governance as well as to the potential benefits that top management can have in this type of management that is primarily seen in the accounting and financial sector of companies [1], [2], [3], [4], [5], which can be quickly delivered to the top management to decide, change the business concept, or the way the company manages it.

In their properties, the size, the activity in which the predominant part of the surplus value is realized, the companies are very heterogeneous and they notice business in very specific conditions for most of them [6], [7], [8], [9], [10] It means that the management of the company must be dealt with in several aspects so that the company can achieve a satisfactory result, as indicated by numerous authors [11], [12], [13].

Many factors influence the company's operations. They are very heterogeneous, complex and specific. These specificities should be noted in order to establish a system for monitoring business activities through accounting, finance or management of the company, while respecting the requirements of the top management, which is ultimately responsible for the company's results. In addition to the classical methods to be considered by management, internal and external audit reports can also be taken into account in order to make valid business decisions [14], [15], [16], [17], [18].

Accordingly, companies acquire the conditions to be able to compile true and fair financial reports. In any case, this requires a greater degree of professionalization of the work in the company, leading to the termination of the autarchy of the work in the broadest sense of observation [19].

An inseparable part of improving business and decision-making should be dedicated to planning and cost control in order to benefit from managerial accounting, financial management of the company in middle and large companies, especially.

Therefore, the primary goal is for the company to continue its business in the foreseeable future in its real capacity that will enable the normal development and survival of the company in the market [20], [21], [22], [23], [24].

International reporting standards allow financial statements to be prepared in accordance with generally accepted accounting financial and management principles or other rules. International accounting standards foresee and permit the use of more than one method to enable fair financial reporting of assets managed by the company's management in order to achieve real results.

Among other things, only the valuation of total corporate assets by the fair value method, and the application of this method require explanations in the footnotes of the financial statements additional explanation which must indicate the essence of the experience acquired by the authors in the financial reporting.

The company's management combines various procedures and manages the company, and they are conditioned and very dependent on real financial reporting to top management.

Planning represents the primary phase of the governance process, during which decisions are made depending on strategies, policies and plans, and business operations can be considered as a process in order to achieve positive results. International accounting standards, as well as the standards of international financial reporting, is increasingly being used in this trend of decision making.

2. The starting position for the important introduction of international accounting standards, especially MRS-16

The setting of the application of international accounting standards can be given in different ways. In this paper, the authors have fully adopted the already published schematic presentation of the SWOT analysis of the application of IAS 16, which may be the most striking review and picture of the situation in a transition country regarding the introduction of standardization into the accounting and finance of medium and large enterprises.

Table 1. SWOT analysis of the situation in the Serbian companies that apply ias in order to reach the result of "fair value" in the period since 2010.

Available options	Weaknesses
<ul style="list-style-type: none"> • The existence of positive legal regulations adopted by the state authorities, • Existence of positive attitudes of the external audits regarding the companies implementing IAS, • Internal audits' favouring procedures that reinforce standardization procedures in conducting financial records, • Many decades long tradition in the application of the adopted accounting policy by the highest authorities 	<ul style="list-style-type: none"> • The lack of complete information about the importance of IAS, especially for small companies, • The lack of interest of local governments to sufficiently increase the operational reliability of the companies, usually founded by the local governments, • Insufficient interest of the local utility company for standardization of the financial reporting to the local government, because they behave comfortably, getting huge funds from the budget of the local government, • Common changing of responsible managers by the local government, but in general there is a discontinuity regarding the knowledge of already established procedures and standards,
Chances	Threats
<ul style="list-style-type: none"> • Increasing the degree of alignment with the business practices of EU countries, • Increasing security in the activities of the professional staff in companies that applied IAS in their business records, The implementation of IAS increases and strengthens state institutions, especially in the field of financial reporting, • It facilitates the activities of the international companies that are present in the Republic of Serbia, especially in the field of financial reporting, • To increase new Greenfield investments, because there is a greater degree of unification of the total business operations 	<ul style="list-style-type: none"> • The negative impact of certain legal provisions in the field of finance, and regarding a number of companies, especially those established by the local government, also the laws made by the local government, • The increase in property taxes, which are the responsibility of the local governments, which directly affects the companies not to implement fair value because the increasing of the fair-valued assets means increasing tax expenditures, especially property taxes.

Source: [25]

General assessment of the influence on the financial system in the Republic of Serbia regarding the application of a realistic approach to international accounting standards is most often limited to the assessment of the financial system of an individual legal entity or company. In this regard, the primary interest of the application of standardization is not the accounting reports obtained at the request of internal auditors and auditors by the accounting of legal entities, but are controls that ensure the quality and accuracy of accounting data within the financial statements submitted to the top management within the business decision making process of the same.

They contain:

- Audit of financial and accounting reports in order to obtain a reasonable confirmation that the financial statements represent the correct financial position of a legal entity,
- analysis of financial data in order to review compliance with adopted criteria,

- consideration of the compliance of a public legal entity with specific financial requirements,
- reviewing the structure of internal controls related to financial reporting, ie obtaining the belief that internal control has been adequately designed and implemented in an adequate and effective manner.
- Monitoring of income and expenditure accounts,
- Movement of cash distribution reports,
- monitoring the budget requests of state bodies by legal entities,
- determining the differences between the projected and the actual financial position,
- control of compliance with laws and regulations,
- Data retention control,
- including the IT system of a public legal entity,
- the possibility of the occurrence of embezzlement and
- the emergence of a criminal act.

Therefore, the standardization is related to two large sub-systems of the legal entity of the public sector: the financial-accounting and information system of the entire organization.

In addition to the aforementioned accounting and financial continuous activity of the internal audit interest, there is also a connection with the application of audit skills to the entire IT sector.

International standardization should be familiar with the basic concept of the application of the IT technology itself, because usually the audit of control in these legal entities is part of the standard system revision. With the advancement and development of IT, the tasks of the controlling authorities of the company are also increasing, as they have to be constantly improved and continuously trained.

In addition, they are described only as part of the overall control strategy of the company that are continuously implemented, and the effects of control activities as a result of the application of international standardization, for example, Through the application of the IAS, they are the most visible in the form of submitted financial statements of the accounting and financial sector to the management of companies or state bodies. In addition to the standard methods used in the standardization and control of IASs, there are various tests, sampling and other methods to indicate weaknesses in the system.

At the last stage, the observed failures are presented and give the basic suggestions to the management in order to correct and correct the situation, with the aim of optimizing the work in the future.

3. Delivery of top management reports by controlling authorities based on international standards applied in enterprises

International standards involving the application of IAS by the designated controlling authorities in the company should provide comments through the reports on the observed weaknesses, or through submitted documents to the management to propose solutions. In this respect, the authors in Table 2 provide an overview of the basic parts of the report with the possible gradation of the report interval per enterprise.

Table 2. Grading of possible risk based on the delivery of the description of control bodies to top management

No.	Description	Risk interval for implementation by top management
1.	the need to develop the system of each individual sector of the organization	Middle level of risk
2.	Identify the basic goals of the new organization	High level of risk
3.	provide alternative solutions	Low level of risk
4.	Provide contours of organization and control of the development process	Low level of risk
5.	give their judgment and vision after the implementation of the newswires introduced by the management	Middle level of risk

Source: Authors

The control authorities give an independent assessment and conduct testing procedures. Authors in this paper give a possible review of the evaluation after testing. The display is given in Table 3.

Table 3. Possible presentation of the assessment after the testing of the control bodies delivered to the management

No.	Description	Risk interval for implementation by top management
1.	safety of business procedures	High level of risk
2.	IT planning procedures	High level of risk
3.	procurement of new IT systems	Middle level of risk
4.	Economy, effectiveness and efficiency in using the IT sector within the company.	High level of risk

Source: Authors

The authors point out that in addition to the above descriptions that are submitted to the top management by the control authorities, there is also the submission of reports that contain some of the given views in Table 4 with the grading of the possible risk.

Table 4. Delivery of other data to the top management with a possible risk interval

No.	Description	Risk interval for implementation by top management
1.	basic information on the subject of privatization	Middle level of risk
2.	information on the balance of assets and liabilities	High level of risk

3.	analysis of the current business	Middle level of risk
4.	status documentation	Middle level of risk
5.	Property and legal documentation	Middle level of risk
6.	financial statements for the last three years, together with the auditor's report	High level of risk
7.	Data used to estimate the fair value of capital that will be used in the sale of capital.	Middle level of risk

Source: Authors.

4. Expectations from the management related to the implementation of the standardization of the financial sector of the company

In the years to come, the Republic of Serbia is expected to launch a large number of new estimates of the value of the company's assets, especially those belonging to the public sector, with the aim of realizing the top management's reporting.

A number of such companies will be privatized, re-capitalized, and others. Starting the process of assessing the value of property by the control authorities can occur in many ways. Most often this is at the request of the management, but there are other ways.

The control authorities in enterprises in the Republic of Serbia have yet to substantially consider the structural impacts of the companies in which they operate, which largely help the standards internationally recognized related to IAS and IFRS.

In companies, control is currently operating with constraints, which slows down the management to understanding the essential performance of the company. This leads to poorer business results.

Work can serve and be applicable in a large number of companies as a guide to future management in terms of improving results. Management of the company should introduce control mechanisms in order to increase the security of the functioning of the company itself.

In addition to this, it would be necessary for these control mechanisms to somehow propose instruments of functional management alert to both current and expected business in the future.

One check should help and encourage the creation of conditions for a safer financial reporting, which will affect the overall business performance of the company.

5. Conclusions

By this work, the authors accomplish the basic goal of the research, which is an indication of the importance of introducing control mechanisms primarily from the aspect of increasing the security of management reporting in the function of corporate governance based on adopted and adopted international accounting standards as well as the standards of international financial reporting.

With this work, the authors give an overview and systematize some of the important impacts on the possible results of the majority of medium and large enterprises in the Republic of Serbia. The aim was to present possible business that will take into account and improve the behavior model in order to achieve better results.

This paper points to the importance of introducing management thinking about controlling internal companies, making internal controls, a risk interval in top management reporting.

The result of such an action, in the forthcoming period, should start the activities of launching a financial analysis, assessing the value of assets and other existential issues per company in Republic of Serbia and in accordance with the internationally recognized standards especially in the EU countries.

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