

# **THE ROLE OF ACCOUNTING SYSTEM IN ALBANIAN ECONOMIC DEVELOPMENT**

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## **Abstract**

*This paper aimed to analyze the role of accountants on economic development Albania. The main objective of this paper is to discuss the relationship that exists between accounting and economy on developing countries like Albania. Accounting profession is important for a country, because it gives contribution on economic development and financial stability, helps on effective functioning of capital market as well as of the public sector. At the same time, it must be mentioned that a quality financial information is fundamental not only ensuring the adequate function of a business unit but even reducing economy informality rate which gives an enormous effect on country economic development.*

*Keywords: Accounting, Economic Development, IFRS, Financial Information, Ethics, Stability Albania*

## **INTRODUCTION**

Accounting has a critical role in economic development. A high quality financial reporting is considered as the most important key on aspects such as: transparency improvement; facilitation of national and international investments mobilization on creating a friendly invests situation as well as increasing the investitures' confidence.

All above promote the financial stability and economic development as well. A well-built reporting system and internationally comparable not only facilitates the worldwide inflows of financial source but at the same time helps on reducing corruption and resource misapplication. It strengthen the international competition of companies on attracting the exterior financial as well as enlarge advantages on global trade.

While the financial crises continuous, efforts on improving the quality of financial report as an important issue on strengthen the financial global design are done. From this point of view, International Standards implementation and practicing, coding and positive practice on financial reporting field has been encouraged on necessity movement response for international economic integration. Anyhow, effective implementation and adaptation of such standards is still a challenge not only for Albania but even for many developing countries where key components of infrastructures and financial reporting are missing. Components such as weakness of legislative and regulatory framework, lack of human recourse and supportive institutions should be improved.

Considered researcher's result on study accountants' role as people and accounting as discipline on economic development of a country must count. According to Perera, 1989, accounting can be used on improving the harmony relation of macro economy strategy and national economic objective. Through this approach, accounting has an essential role on accomplishment of the objectives of country economic development.

This result relies even on duties that an accountant has starting from investment evaluation up to preparing the financial statement sheets which help managers come across accounting information on progress economic unit decision making.

## **ALBANIA ECONOMIC DEVELOPMENT**

Country economic development has to do with country capacity on increasing the level of social economic welfare of his population. Economic development depends on abilities of using economic recourses efficiently and effectively. The main goal for all developing countries is their economic development. Main beneficiary of economic development is poverty and inequality reduction of income delivery.

Ongoing economic development is one of the most important objectives of all developing countries and for Albania as well. Albania is the last communist country of Center and West Europe starting the democracy and free market reforms. Albanian's start was inconvenient because of inherited economic policy of communist regime. Democratic elections of 1992 open a new door on ambition economic program regarding opening out economy and heading to financial market place system. Steps back on our economic development system were the collapse of pyramidal schemes and destabilization which came along with. In our days, Albania is a potential candidate to become part of European unit, but still different reforms on economic system must be taken. Even with such improvement steps taken, our country is still one of the poorest countries in Europe. High level of informal market and corruption hampered the accomplishment of the successful reforms.

Economic achievement and financial stability indicators were enhanced among 2014. First quarter INSTAT data and fourth quarter of Albanian Bank data published higher economic indicators compare to previous year due invigoration of interior requirement. Therefore, Albania market kept on operating on full capacity facing with new unknown experiences. Weakness cyclical demand as well as decreases tendency of imported inflation has shaped a poorly pressures atmosphere on decreasing consume prizes. Inflation and expectation rates were set on low level, even under 3.0% of Albanian Bank objective. Encouragement monetary policy was selected as respond of this situation. Therefore, Albanian Bank dropped three times focal interest rate; signaled market on keeping motivate plane of monetary policies for the future and continue injecting liquidities. Monetary policies contributed on having a fluid fiscal environment with low interest's rate, by creating the right conditions on encouraging requirements and keeping 3.0% of inflation close to Albanian Bank midterm objective.

### **ALBANIAN ACCOUNTING SYSTEM**

According to Samuels & Oliga (1982), Perera (1989), accounting system on many developing countries doesn't accomplish and replicate the needs and circumstances of that country.

A missing consistence on accounting theory and practice is present in our country. Presented difficulties has to do on elements such as comparing and evaluating financial sheets; structuring the effective budget; measuring the efficiency and performance of all economic units as well as compiling economic development trusted plans. This is the reason that investors, creditors, government and foreigners don't believe on components of financial statement sheets of economic unit.

Zeghal & Mhedhbi (2006) believe that an important aspect on economic development of a country is existence of capital market because of its influential role on optimal resource delivery between different economic sectors as well as among units of each sector. Trusted and important information about performance and economic components position help on resources effective mobilization.

Albania previous accounting system used on '90 was Soviet Union borrowed system but modified consistency with needs and mentality of that time accountants. Following step by step fulfillment drafted plans through financial information of existing data which helped on economic performance evaluation were main goals of that system.

This firm system changed after '90. New General Accounting Plan was composed and implemented on 1993. Trade market enforced the need for such changes. Accounting information had to report based on trade market requests and last trends of this field after communist regime field. Accomplishment of new system based on European standards was as

necessary as difficult at the same time. Some of the complicated reasons are related to lack of human resource experts who possess theory and experience knowledge's. It took almost five years on preparing first post-communist generation accountants trained at universities inside and outside Albania. Another reason referring as above is the short time on plan implementation.

Above all, post transition period which corresponds on passing from commanded economy to market one characterized from an intense work which open doors for further more progress. As result, new framework law and monitoring system was prepared. Those helped on reformatting Albanian accounting system based on Fourth Directive of European Union.

## **CONNECTION BETWEEN ACCOUNTING AND ECONOMY**

Accountants can take a lot of responsibilities on country economic development. Economic development increased depends on the seriously and strictly delivered recourses. Since accounting is focused on cost and reduces calculation therefore is one of the main resources of progress economic development. An accountant can take different tasks on country economic development.

### **Assessment Investment Function**

All know that economy can't grow up and go on without including investment. Investment assessment is a process assessing possibilities that an investment has versus financial and non financial factors aiming the validity of potential investment. Accountants are few experts who can effectively perform this function by using minimal amount of necessary resource.

### **Compiler Financial Sheets**

Investitures and business owners don't have to be there on their business places in order of its functioning. Our day's accounting concept considers businesses and owners as independent parts from each other. Owners can supervise accountants. The only way of taking information about their business situation is through company financial statement sheets. Those financial statements sheets designed by accountants' shows another important function on country economic development. Can't forget the fact of key role that financial information prepared by accountants has on succession and performing of economic unit therefore these are important information for all economic decision taken. So, smarter and ethic accountants are on their qualified job more correctly and trusted they are on preparing information. Fewer are going to be cases on incorrect and no ethic taken decision. All above help accountants on having more chances on increase work performance.

### **Cost Savers**

Referring to an old quote that no one of us can be rich by gain money and not spending at the same time, saving. The same argument can be used on country economic development meaning minimizing costs in order of increasing economic development.

At this point, an exclusive and important contribution has economy accountants because they are the only one professional who have broad information about and at the same time they have strong knowledge connecting the accounting between cost and managing. Because of all above, those persons are the only ones where managers can support their work on decision making on different situations.

### **Trick Fighter**

Every one of us has heard about many financial scandals all around world which appeared as result of different tricks. Stressing that recent decade's world economy has lost a lot as because of many trick activities taken. Must know that if such activities don't isolate and keeping under control economic development will be vague or perhaps worst. In our days accountants are always intensively treated to be leader against tricks and corruption. Such process, of course, is looking not only for accountants with full knowledge on accounting, law technology of information but even an awareness and strong person regarding ethic of practice professions. Accountants must hired and encouraged with growing requirements on creating and implementing inner control at each business unit where are involved.

Definitely, because businesses are main stimulation of each economy and accountants are known as business language, their role is vital. At this point of view their job is enable business language to be understandable for all. As matter of fact, accountants represent the most important professions who strongly indicate n country economic development.

### **CONTRIBUTION OF ALBANIAN ACCOUNTANTS ON ECONOMIC DEVELOPMENT**

All above mentioned are real, truth and proven concerning to the role of accountants on economic development. While talking about Albania case a question come up: up to what level Albanian accountants fulfill their functions? The answer comes out clearly if we referring to high informality on our economy as well as high level of corruption.

Today, unfortunately benefits at any cost are becoming more popular and negative factors on risking accountants. Phenomena such as world financial scandals, presented financial crises, as well as tricks cases where Albanian accountants have been involved brought up issue regarding ethics on accounting. Accountants often work under pressure in name of benefits maximizing by not being professional. At this critical point of view, accountants of our

country don't represent persons who perform appropriately their profession by given a negative contribution on country economic development at the same time. During work performers a missing ethic on profession implemented is seeing. This doesn't go along with Code of Ethics. Long term education of accountants is critical, so, government must encourage involving ethic topic on their training session required by Law nr. 10091 accomplishments, this way, visibility decrease and an ethic performs awareness is delivered.

An addition, Albania must stay away from following wrong practice on prevention formal conflict interest where audit prepare the balance financial sheet and then an approved expert accountant signed. Audits can't appear as autonomous but must be autonomous in their work. Financial crisis, collapse of economic unit as well as accountants' failure shown that by abusing the independent principle special effects can involve not only the trade market but even expectation at accounting experts.

On ethic standard application, expert accountants must recommend economic unit the right direction so, they can be part of trick and abusion scheme which are bad for both side. If during his involvement ethic question appeared, a memo with explanations and arguments about different issues and details on how the problem solve or even all arguments about effects of that not ethic action. If the client doesn't convince then the most ethical behavior for an accouter is withdraw from his mission.

Infringements happened in Albania with refunding of TVSH with fictive bill or fake balance prepared by accountants and shown to banks allow as think that accounting expert tempted to manipulate figures by benefitting thick income. Government must oblige continuous brawling the fiscal invasion by cutting the possibilities on fiscal system. At other side, accountants can't follow those abusive way advantages by suggesting paying less tax. Those non ethic approaches can't continue in Albania, because risking the public expectation at those accountants' experts.

Also, government must set up rules, which can enforce bank or even the tax company to be in line with each other for the same loan balance. Accountants must stop preparing three balance sheets instead of one – one balance sheet with low income for tax office; bank balance sheet with high financial income; the company owner balance sheet has real statement. These is unacceptable for accounting expert, government and public interest.

Transparency and confidentiality of financial statements are important so, the government must encourage strengthen the audit situation. Acting on ethic way asks for code behavior implementation. The approach "of don't see and don't addressing infringement" is destination to destroys the economic unit and accountants reputation too. High standards and the zero tolerance must be applied.

People who prepare the rules must have more power on implementing ethic proactive on accounting. At this area, it's necessary applying correctly against standard accountants infringers to insure transparency on taking and sending financial information. Prepare rules must apply. Applying examples of close down any accounting association for unethical practicing will help on practicing ethic code.

At the end, the main goal of business must be the qualities service for all sociality and not only increase income. A accountant can't allow himself depending from his client. He can't financially totally depend on him as long as he can't violence ethic code and can't face the decrease income.

Adaption of above recommendations will represent step forward confidence returns to a profession that can't function without public confidence. Their contribution toward country economic development through decreasing informality and corruption level in our country is important.

## CONCLUSION

Albania, as one development country as well as under global pressure on economy is trying to reach step ahead on trade market. Financial information is vital on country performance economic evaluation. However, in Albania such kind of information is missing.

Accounting plays key role on country economic development of developed country by providing those places with need information on successful development plans implementation. Thereupon implementation and development of accounting appropriate system will influence on huge aspects economic development of those countries. Underline, Albanian accountants don't impress us with their work according to ways of profession working as well as their minimize contribution on country economic development.

Stressing, there are accountants expert who can push ahead the economic development of our country. As early mentioned, at accountants deep desire on fulfilling their mission is missing. Accountants are oriented toward their income increased. Some recommendations steps according to accountants' experts' reorientation towards ethic principles on maximizing country economic development contribution were given at this paper.

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