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Questions of introducing and teaching international standards in Georgia

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Abstract

In terms of perfecting the market economy system in the country, introducing and exploiting the mechanisms of accounting and reporting facilitating the economic relations between the countries and making the economic results comparable is problematic. Many countries had or still have a similar problem. Georgia tried to solve this problem by the combined actions of the legislative and executive bodies. Changes in this direction have posed certain problems to the academic sector, too, and solving them has become quite urgent. This complex of problems has become the subject of the present study. The goal of the study is to consider the role of international accounting standards in Georgian economic system. Global economy has accelerated the need to move toward global accounting standards. Implementation of the international standards helps the countries to save on financial, human or other resources. Engaging in such a process is particularly beneficial for the countries with scarce resources. With their intellectual resources and by considering their past experience, they can make a valuable contribution to the international cooperation. Consequently, the purpose of the study was further specified to orient on the questions of introducing and teaching the international standards, identifying future trends in this direction, particularly for small countries like Georgia is, and demonstrating the positive role of the academic sector in this process. Georgia was successful in harmonizing the technical and professional standards in accounting and audit with the international standards. Several governmental and non-governmental organizations are participants of this process, namely the Parliament of Georgia (drafting the relevant legislative acts), Georgian Federation of Professional Accountants and Auditors (GFPAA), Accounting Standards Commission, Auditorial Activity Council and others. Conclusion is that it is both timely and necessary to converge and harmonize global (world) and local (country) standards into a single set of Global Accounting Standards. This will lead to a more stabilized and prosperous world economy, also it will help to resolve many of the world's financial reporting problems.

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1. Introduction

Implementation and realization of different technical and professional standards in different fields of economy is quite important to improve and help rational operation of any economic system. The world economic system is gradually becoming unified, as both, the developed and developing countries, following their past experience, try to develop the rules of business and accounting, which would facilitate the economic relations and more or less consider the comparability of the outcomes.

The role of the international committees and commissions is particularly noteworthy for transient economies. The transition process from the planned economy to the market economy was quite painful and long for many post-Soviet countries, including Georgia. The state budget was particularly deficient at the starting point of the transient period, and therefore, sharing the international experience proved to be important and quite efficient. In particular, the financial and human resources were used to introduce the approved systems in other countries even more so when the country's strategic plans envisaged living with international standards.

On February 5, 1999, the Parliament of Georgia passed the Law of Georgia on Regulation of Bookkeeping and Accounting (enforced on February 11, 1999) making Georgia a pioneer among the post-Soviet countries in introducing the international accounting standards. The international standards allow successful registration of the economic operations in terms of the market economy and differ from the accounting system Georgia had until the 1990s in terms of imperative-administrative economy.

Introduction of the international standards is the "best finding". Standards can be adopted after careful consideration of the standards applied in other countries. A proposed standard is subject to so called "mandatory procedure", i.e. becomes a subject of public consideration. It receives final amendments, i.e. minor corrections following the national peculiarities. The International Accounting Standards Committee was founded in 1973 by the professional accountants' organizations of different countries to improve and harmonize accounting and financial reporting over the world. The international accounting standards incorporate up to 140 professional accounting organizations from over 100 countries of the world.

2. Illustrations

In the process of research were used the methods of analysis, synthesis and comparison. The data of official and non-governmental and international organizations were processed for the study purposes: legislative acts, scientific articles, reports of international organizations, etc.

Owing to the scarce and divergent statistical data, no quantitative analysis was done.

3. Results

Georgia, by adopting the full package of the International Accounting Standards, has made an important step towards the integration and alleviated unnecessary barriers. Large companies must accomplish accounting in line with the International Standards (IFRS). Since companies are compared by analysts with a focus on revenue dollars, investors tend to regard revenue as a measure of net worth. The corporations with higher revenues will benefit. Thus companies using IFRS standards for financial reporting will have a distinct advantage over US Multinationals using US GAAP [Fosbre, A., Kraft, E. & Fosbre, P. p. 70]. As for the small and medium enterprises, their accounting system should be based on the International Financial Reporting Standards (IFRS For SME). Besides, they are allowed to use the International Financial Reporting Standards.

The Law of Georgia on Regulation of Bookkeeping and Accounting considers the recommendations of the International Standards Committee:

- For most of the enterprises, the International Accounting Standards officially approved by the International Accounting Standards Committee became a mandatory and sole accounting system to be used.
- The Book-Keeping Standards Commission was established at the Parliament of Georgia with the participation of the financial information users. The Commission affiliates representatives of the Ministry of Finance, although most of its members are from the private sector. Therefore, the private sector has a decisive vote to regulate accounting in its own sector.

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