

# [Concepts of global accounting](https://assignbuster.com/concepts-of-global-accounting/)

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Concepts of Global Accounting

The changing business structures and international laws on business formality have lead to fundamental changes and development in accounting.  Generally, the changing phenomenon in international business concepts has been as a result to create new structural concepts that can provide better structures for undertaking global business.  With the diversity on the cross-border regulations and business laws, the business law and concepts have been developed to provide a more lucrative system of approach which gives a more detailed activity within the global accounting.

Conventionally, the similarity in the accounting concepts across the global imagery is a fundamental development which seeks to rationalize onequalityin undertaking business accounting and control measures.  Generally, these controls fall under specified standards provided by the General Accepted Accounting Procedures.  (GAAP)

The development in accounting concepts has come is the widespread need for high business management through the use of management tools for the success of such business.  These concepts therefore provide a first hand remedy that is aimed at providing the most adequateenvironmentfor undertaking business.  Currently, the idea of accounting is growing and expanding to incorporate specific fundamentals which are seen to affect the current state of business activity.  These are functional formalities that help to spearhead competition at the market full of competition

Broadly, Accounting concepts are provided in three broad understandings.  These are assumptions, conventions and accounting principles.  Generally, accounting assumptions are the agreeable motions which the managers/accountants assume as holding true in the application within the business cycle.  Accounting principles act as the benchmark and the support tools with which accounting activity is done according to their regulatory autonomy.  Through these accounting principles, managers are able to formulate their accounting activities which would be in agreement with the global standards and approaches and hence avoiding levels of conflict within the international business community.  Elsewhere, accounting concepts follows the protocols of accounting conventions which are the international agreements which support the role of accounting transactions in the global imagery. (Bhimani, 106)

The concepts are the general guidelines as well as rules which define the accounting activity. For high and active approach in the accounting profession, these concepts should be followed adequately.  The accounting Standard Board (ASB) provides the adequacy of these concepts under the global portfolio.  Various elements provides for the concepts so implied in accounting. Accounting concepts are diverse which include, consistency, prudence, accruals, objectivity, going concern, duality, entity, cost materiality and realization concepts.  They form the benchmark for the basic of accounting work by the accountants.  The rationality in the development in these concepts has been to provide an environment in which the interest of the parties in a business activity can be protected.  Such parties are both within the internal and external business environment.  In all cases, the interest of the shareholders must always be protected.  However, the same protection can only be secured and provided through application of the principles and concepts which help to ensure that the accounting activity is done at the most adequate manner. (Bhimani, 109)

Evidence of following these concepts by the accountant will help to ratify the authenticity and scope of relevance of the accounting results.  Adequacy in their application helps to reduce the level and chances on conflict between the stakeholders in use of business accounts.  Any conflict in the process of accounting provides the biggest threat in the final success of the organization within the global imagery.

The main aim into these concepts is to improve the financial reporting quality.  This is through the provision of adequate financial statements which can adequately serve the interest of the stakeholders involved in the accounting process.  They help to ensure that the purpose for which the financial reports are prepared for is adequately provided for in its due course through a well established system of use and exploitation of the accounting profession.  In the global outlook, there are four main concepts that dominate the reality of accounting concepts.

Firstly, the concept of going concern, which is the assumption that the organization is not to go broke in the due process of the business performance activity.  Since the valuation of both the liabilities and assets of the organization can only be done when under concern, this concept/assumption will therefore ratify the need for the involvement in the undertaking the business activity.  The concept of consistency provides a seldom stable manner with which the method of calculating business accounts and valuation process is within the legitimacy of a constant and consistent astronomy. (Kirkegaad, 90)

Through a stable and consistent approach of formulating business accounts and valuation, stakeholder can therefore formulate basic comparisons about the business activity.  This is important in providing a statutory stability into the activities of the business which the best management conclusions can be drawn out.  The concept of procedure is very crucial.  This provides that the sale of product services/output gives out profit mark ups.  Either, the final factor leading to profit/goal of the organization would be through the sale of its activity to consumers.  Elsewhere, the concept of matching income and accruals is ideally important in creating standards for the support of comparison between the levels of income and expenditure in order to visualize thehealthof the organization.  Unless a good match is so provided, the authenticity of the accounting information would perhaps fail to hold true for the general accounting requirement.

Accounting concepts helps to provide the most adequate grounds which the accounting statements provide the most adequate management focus.  This is the reflection of a true substance as held by these statements.  The role of such concepts is therefore to provide the most adequate based on true and fair recommendation about the worth of the statements.  Unless the right concepts are used in providing accounting management, the statements will therefore be held fallacious which may not adequately serve the interest of the various stakeholders to the business. (Belkaoui, 67)

Professionally, the discipline of accounting is a critical activity where a descent support for the basic fundamentals of the professional should always be held at a high esteem.  Generally, the decency of this professional depends on the manner with which the accountants perform their roles and activities which includes following suit of particular concepts, principles as well as conventions.

Summarily therefore, accounting concept under the global understanding helps to provide a unified code of activity which is to be rationalized in undertaking the various activities within the profession. Through its adequate approach, it seeks to ensure that there is less conflict between the users of the accounting statements and therefore the rights and obligation of thedifferent stakeholdersis maintained.  These concepts help to unify the general scope of understanding in the accounting profession.

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