

Effects of globalization on accounting concepts



**ASSIGN
BUSTER**

- Haiyan Lin

Increasing global business competitiveness.

Globalization results in more opportunity and threats, as well as more competition and customers for many countries and organisations. Business need to improve their competitiveness. To realize product differentiation and cost controlling or provide better products or services to customers, deliver responsiveness are most of firms' goal.

To realize business competitiveness goal led organisation to take new management accounting systems and techniques such as Activity-based cost systems and Activity-based budgeting systems. Activity-based cost system is more accurate to calculate the cost of goods, services, customers and other activity within organisation and also shareholder values, as well as business budgeting. Activity-based budgeting is also more accurate technique to forecast firm's future costs and better benchmark to compare actual costs. (Langfield-Smith, 2012)

Raising global mobility of labour

Globalization is also raising mobility of labour all over the world.

Organisations especially as IT companies have more shortage in IT talent. So they are more possible to recruit employee from other countries.

The famous case in New Zealand is Wellington's "BRING IT A WORLD OF TECH TALENT TO WELLINGTON" plan. Government support Wellington's organisation to recruit world high tech talents which pay 100 candidates' flight tickets and accommodation when candidates come to interview with their potential employers in Wellington.

Increasing pressures for accountability, involving ethical and governance issues.

Management accounting use techniques such as inventory management and time management to realize accountability. The inventory management is effective method to reduce supplier costs, manufacturing costs and production costs. Just-in-time philosophy is important inventory methods using in manufacturing, Toyota is famous example.

Profession ethical codes need to be applied to accountant. As management accountants, they have obligation to themselves, their colleagues and their organisation to follow high standards of ethical codes.

Increasing awareness of sustainability issues, especially climate change.

Environment became worse when economic is developing fast. The most serious environment issue is global warming. So for sustainable global developing, many businesses try to use environment friendly materials or reducing CO2 emission and use of some other scarce resource such as water.

Example: both Australia and New Zealand reduce or reduce greenhouse gas emission no more than 1990 levels. (Langfield-Smith, 2012)

Conclusion: Business environment will change continuity in the future, management accounting should be adjust, improve and develop new techniques, structure and systems all the time.

- Uses of information

Management accounting: the users are internal users such as managers and employees at all levels. Managers need management accounting information to make strategies and decisions.

Financial accounting: the users are external such as shareholders, creditors, bank, stock exchange, and government agencies. Banks use financial statements to decide whether to lend loan to the business; potential shareholders use financial statements to consider whether to invest in the business.

- Regulations

Management accounting: there are no external rules or accounting standard. Managers generate information for the purpose of their management.

Financial accounting: there are accounting standards and corporation laws to regulate the content of external financial reports such IFRS.

- Source of data

Management accounting: the sources are come from both external and internal, as well as financial and non-financial data. The internal data is from physical and operational data from production systems. External data is from market, customer and economic database.

Financial accounting: data almost from internal- organisation's core transaction-based accounting system.

- Nature of the information

Management accounting: subjective; relevant; timely; past, current and future-oriented; supplied for all level to satisfy managers' needs.

<https://assignbuster.com/effects-of-globalization-on-accounting-concepts/>

Financial accounting: not timely; not always relevant; past; reliable; highly aggregated. (Langfield-Smith, 2012)

Issues of privacy and ownership in the personal information industry.

How to protect employees or customers privacy is important issue for the business. Business need to consider whether or not to reveal employees or customer's information to the unrelated parties.

For example: bank send their customer's information to policies as policies requested but there was no permitted from their customer. The result was bank was sued by their customer.

Issues of computer security refer to accuracy and confidentiality.

Computer security systems are aim to prevent fraud and other unauthorised users to access the protected confidential database. However, the higher security system still can lead to other problems such as used to spy on legitimate users.

For example: the secure computer system for Unitec, all students and staffs have their own account name and password to access to online Portal. It is more convenient for their work and study. Online Portal has their personal information such phone number, home address and passport copy. That is why portal need to separate student and staff login to protect student personal information from unauthorised person.

The ownership of property. What can organization or individual own?

Laws are designed to protect rights of ownership for properties, such as software.

The question is whether individual and organisation should be restricted for using or access to this Intellectual property.

For example: copyright laws protect those people who developed software from being copied. However, there is question whether copyright right or wrong, because many people believe there is more harm than good to have copyright laws. The problem is whether need to pay if to see or touch softcopy. The purpose of copyright laws is to encourage developing new software or arts, but in fact copyright may have opposite impact.

Issues of equity access involving culture, economic status and safety.

Example: if documents are prepared in one language and poor translated.

Individual and organisation need to acquire technology equipment based on their economic ability. And the access of equity also need to consider safety of pregnant women or the minors.

Environmental issues.

It is easy to print because of computer and printer, however, print large amount of paper will result in disappear of tre

Strategies:

Sarbanes-Oxley Act (SOX) and Section 406 require company to have ethical code applied to CEO, CFO and controller.

<https://assignbuster.com/effects-of-globalization-on-accounting-concepts/>

Section 406 require ethical codes:

- The process to deal with conflict of interests.
- To provide full, fair, accurate, understandable and timely disclosure in documents and financial reports.
- Legal compliance: require employees to follow government's laws, rules and regulations.
- Organisation's mechanism to report permit prompt ethical violations.
- Accountability: the ethic procedure should effectively take action when ethic violation appear.

1)Strategic planning

Strategic planning is long term planning usually for three to five years, wide range and made by senior manager. Strategic planning is including corporate and business strategy decisions corporate strategy decisions are about the types of businesses or markets. Business strategy decisions are about how the businesses to realize their particular market. (Langfield-Smith, 2012)

2)Operational planning

Operational planning is short term planning, more details and narrow range than strategic planning and made by under senior managers. The main purpose for operational planning is to set detail process to complete their vision.

3)Linkage between strategic and operational planning

Operational planning is process to make strategic planning come true. Every goal on operational planning should link one or more strategic planning, otherwise, there is no meaning of operational planning, and company will waste their time and resources. For example, if a manufacturing want to set second factory, their employees will spend more time in what it is not priority for their second factory if there is no strategic planning.

References

A. Hall, J. (2016). *Accounting Information Systems*. Boston, MA, USA: Cengage Learning.

Langfield-Smith, K. (2012). *Management Accounting: information for creating and managing value*. Sydney, NSW 2113, Australia: Rosemary Noble.

McDonnell, S. (n. d.). *links between strategic and operational plans* .

Retrieved from Azcentral: <http://yourbusiness.azcentral.com/links-between-strategic-operational-plans-25572.html>