

Reaction paper- asian and global crisis

[Business, Corporate Governance](#)



During the Asian and Global Crisis many of the criticisms are against accounting and accountants. In my further readings, I've read that during the Asian Crisis in 1997, where affected countries suffered severe setbacks in their economies and where development stagnated, the accountancy profession, including its standards, policies and levels of information disclosures, had played a role in the start of the crisis, and perhaps had even worsened it.

Moreover, I've also read that during both crises, the Asian Crisis and Global Crisis in 2008, insufficient clarity in what was being measured, the wrong things being measured or things being measured inappropriately, lack of standards, inadequate transparency and poor ethical conduct, in short, poor corporate governance is the main breadth and depth of the crises.

As a future accountant, what will I do after all the doubts and criticisms against the profession? In my opinion, sufficient clarity on what to measure, measuring things appropriately, following the applicable standards, adequate transparency and good ethical conduct are the things that I should carry out.

It should be clarified in the accountant on what is the thing that he/she should measure. If I'm the accountant I should be knowledgeable on the nature and I should have understood necessary facts about the account when doing measurement or on examining the reasonableness of the measurement method used by the management. In addition, in measuring risks like financial risk, I should use a valid and reliable risk measurement technique because the information that I'll be giving will be the basis for the management's decision-making. If I have measured the things incorrectly or a wrong technique has been used, it could be misleading to the decision-

making of the management and may cause chaos in the future to the company.

In an accounting perspective, applicable generally accepted accounting standards should be used in the accounts of the financials of the company. Strict compliance should be observed so that transactions are properly recorded, summarized, classified and accounted for. Adequate disclosures should also be done. In the auditing perspective, as an auditor, auditing the company should be in accordance with the applicable generally accepted auditing standards. The auditor should be independent so that the opinion will be unbiased.

I would like to emphasize that in compliance with the generally accepted auditing standards, the auditor should always take into consideration if the company provided adequate disclosures. Disclosure on significant matters is really important for the users who don't have enough information regarding the matter will be informed. However, I have read in an article that there is also a lack of standards that also caused the hitch on crises. Regarding the lack of standards, I think it is already in the hands of the appropriate groups with authorities.

Accountants need to refocus the structuring of financial transactions so that they comply with generally accepted accounting principles and that the economic substance of financial transactions is communicated. More accountability and ethical awareness needs to be instilled in the individuals who deceitfully structure financial transactions. Regulatory bodies need to ensure more transparency by closing loopholes and better enforcement of accounting standards. Audit committees, need to be sure

that a company is communicating the true economic reality of the financial transactions and financial position of the business entity.

Off-balance-sheet financing is one of the most significant ways, among others, that the user of financial statements can be misled. It is time for regulatory bodies to eliminate overly rules-based standards, clearly state the economic objective of each standard, and require firms to disclose the economic motivations for the accounting practices they adopt.

While making judgment accountants need to be cautious and prudent. Accounting transactions and other events are sometimes uncertain but in order to be relevant it should be reported in time. Accountants have to make estimates requiring judgment to counter the uncertainty. Prudence is a key accounting principle which makes sure that assets and income are not overstated and liabilities and expenses are not understated.

The bottom-line for all of these is to have good corporate governance. As defined by Robert M. Bushman, corporate governance structures serve: 1) to ensure that minority shareholders receive reliable information about the value of firms and that a company's managers and large shareholders do not cheat them out of the value of their investments, and 2) to motivate managers to maximize firm value instead of pursuing personal objectives.

I believe that all of the things I have mentioned are some of the keys that can help me as a future accountant in dealing the reality and to get out of all the doubts against the accounting profession.