

Has the accounting
profession lost its
way?



**ASSIGN
BUSTER**

Introduction

If communication uses a language to be able to be understood, business has its own language too and it is known as accounting. Accounting is essential to a business. It is needed to evaluate the situation of the business. The information generated by accounting should be clear to whom it is intended for and should be prepared for the purpose of how the information should be used. There are different types of accounting based on the lecture notes (2010) for this week: financial accounting, management accounting, and financial management.

I have to agree that the accounting profession indeed has lost its way and is no longer helping the requirements of various users of accounting information in a way which is suitable and important for the worldwide commerce setting of today. The biggest gap I have noticed these days that accounting still has not accurate measurement for is web traffic. I own and manage a local forum-based website and our web traffic according to some is already worth a lot of money. Opinions and the corresponding valuation of our web traffic vary depending on the perspective of the specialists who evaluates it. Bastaldo (2009) has confirmed such observation by stating that most overlook to associate monetary worth to the varying types of web traffic and it is hardly ever stated into the worksheets. But again this opinion about how the accounting profession and its path of how it serves the various users of the information it needs is on case to case bases which depends on the type of organization that needs the information. But if I were to base it on our Business Process Outsourcing (BPO) business, I would have to say that I disagree because everything that we want to know is clearly

shown in black in white on paper based on the external and internal auditor's assessment. As what my previous module's instructor said "it depends" (Williams, 2010).

There are various groups who use the accounting information. These are the following most important groups that have been identified by the Managing Resources book (2010): customers, competitors, employees, government, community representatives, investment analysts, suppliers, lenders, managers, owners. The greater part of these cluster according to the Managing Resources book (2010) exteriorly related to the business but they have a stake in the business. The information that is needed by the said user groups is prepared for the purpose on how they will use the information, the information should be of importance to the needs of the user's and they would distinguish what it is they would like to know basing on the details presented to them.

According to an in-depth study by Tullao, et. al (2001), since the 1990's the accounting services industry here in the Philippines has faced challenges and pressures have caused re-evaluation of the function of the trade in the economy, the character of services and procedures used to provide clients and the potential consequences of "liberalization on accounting services." Navarro (2005) stated that the accounting profession here in our country has changed and is now at the forefront of leading the drive towards good governance. The dark days of accounting which has also affected the accounting profession here in the Philippines, only highlighted the mistakes that the accounting profession can bring out and the lessons that have been learned because of it. The accounting profession here also had celebrated

cases such as the financial reversal at CAP, Victorias Milling, Piltel, Ramcar, of which the effects and consequences of the said scandals are still a stumbling block according to Navarro (2005). The dark days of 2001 and 2002 showcased the exposure and collapse of Enron, as well as other major corporations in the US owing to the shortage of thoroughness in financial reporting or utter disobedience of accounting standards with the simultaneous conspiracy of bankers, financial advisors, brokers and external auditors. The profession can only move forward and look at what happened as a learning experience to serve as a guide for the future. According to Navarro (2005), the Philippine accounting and regulatory framework is molded after the US structure and has followed the changes in the US through the years. It was not a surprise when parallel loopholes in our accounting and auditing system were found when the scandals shocked the accounting profession in the dark days. Internationally, reforms were initiated worldwide according to Badawi (2005), in order to re-establish the investor's faith in the accounting profession, financial reporting, and the global financial markets. The Sarbanes-Oxley Act of 2002 was passed and President George Bush signed the said Act into law (Public law 107-204). The said act produced a big transformation towards compliance observance of large US and non-US companies which mandated the important user groups (executives, auditors, board of directors) to undertake measures to implement responsibility, greater accountability and that financial reporting should be transparent. The Public Company Accounting Oversight Board was also created to set-up a new shield in financial reporting. The scandals became a turning point for the accounting profession here in the Philippines. A serious review of the ethics and the policy and a re-evaluation of the

practice of the profession were done. Companies now are required by the Securities and Exchange Commission to follow a new set of requirements and rules, rules that are concentrated on promoting a strong obedience to the improved standards on accountability, transparency and fairness, this code is what is known as the Code of Corporate Governance of 2002 which had a revision on 2009. Corresponding shifts from the private sector and professional assemblies have also been introduced. Other organizations and support groups have also been launched. According to Fortuna-Ibe (2008), the reaction of the Philippines to the worldwide dilemma of corporate governance is passable, but it is yet to be coordinated in the Filipino corporation's daily task.

Conclusion

The accounting profession is evolving. What it was before is not what it is now. A lot of things and procedures have been changed to adapt to the current situation. The change will have to come from each CPA in the profession because change starts within us. What is right has to be done instead of doing what is convenient. To be able to start change and be able to spread it, we must show that we too are changing for the better. The challenge is to make the law and the codes work and to stand firm on the basic principles and concepts of accounting and to abide by the principles of excellence, quality and integrity.