
THE ADOPTION OF A GLOBAL ACCOUNTING FRAMEWORK AS A FOUNDATION FOR THE INTEGRITY OF THE FINANCIAL REPORTING

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Abstract: The subject of research in this work is the accounting of non-financial enterprises on a global scale. The subject of the article is to develop a global accounting framework for preparing and presenting the financial statements of business enterprises. The primary objective of the study is by analyzing the applicable accounting frameworks of IFRS, US and EU to derive the concept of financial reporting fundamentals. In the article is supported the thesis that the integration of different national accounting legislation and internationally applicable accounting frameworks is a theoretical and practical possible and feasible process at the center of which lies the deductive conceptual approach.

The ultimate outcome of accounting integration will be reflected in the global adoption of the concept that financial reporting is a whole, comprehensive and complete process that aims to provide high quality information about the entity's business, the results achieved and the effectiveness of its operations, the changes in its cash flows and equity.

The research approach is aimed at carrying out a structural analysis of the fundamental rules, norms and requirements of the conceptual frameworks of IFRS and the US Generally Accepted Accounting Principles as well as the EU Accounting Regulations. On this basis, on the one hand, the basic similarities and resemblances of the accounting frameworks in question are systematized and, on the other hand, their most significant contradictions are summarized. An attempt has been made to outline the factors, conditions and circumstances that have led to the establishment and adoption of different concepts in the accounting and presentation of financial statements of business enterprises. The article presents the role and importance of the processes of harmonization, convergence and adaptation of accounting rules as part of the evolutionary development of financial reporting. The author draws special attention to the fact that the integration of financial reporting should not be absolutized. Accounting globalization implies that, at global level, basic concepts, principles, rules and bases of accounting and presentation of aggregated accounting information are adopted in the financial statements of enterprises but at the same time hierarchically subject to specific rules and norms corresponding to the local, national and regional specificities. Although a global consensus has been reached on the purpose of financial reporting, at an individual enterprise level, accounting needs to meet the objectives, requirements and needs of both the owners of the capital and the external users of the summarized accounting information. In this regard, the European Union's experience with the enterprise categorization approach and, for each category, the applicable accounting basis and the minimum requirements for the content and structure of the financial statements can be successfully used internationally.

Keywords: accounting framework, financial reporting, globalization, integrity

INTRODUCTION

Globalization in the field of accounting and financial reporting is seen as an objective, historically conditioned process. It represents a qualitatively new stage in the development of accounting standardization, which is defined as the process of overcoming the relative national accounting features and integrating them into unified global accounting standards⁸⁶. Its essence is expressed in the mutual penetration and interaction of national, regional and international accounting norms and rules worldwide. Accounting globalization is an integral part of, and at the same time a result of, economic globalization, which in turn is at the threshold of the "fourth wave" in its evolutionary development. Over the last decade, new factors have begun to influence the globalization process that directly and indirectly impress upon financial accountability. Among them, it is worth paying particular attention to the following factors:

- ☑ digital technologies as a transformer of global trade;
- ☑ automating production processes and increasing productivity without the intervention of human power;
- ☑ additive processes (3D-printing) and shrinkage of value chains.

A number of authors in the field of accounting theory and practice bring the benefits of globalization into financial accountability by specifically emphasizing that:

- ☑ it provides faster and easier access for corporations to the capital markets of individual countries;
- ☑ it creates conditions for growth of cross-border corporate investments;
- ☑ it limits barriers to attracting new investors and shareholders.

Emerging globalization factors in practice confirm that the "fourth wave" of globalization does not follow a straightforward and predictable trend of development and that the planned benefits of globalization at the level of transnational corporations (TNCs) will not be met with political, institutional and corporate plans and expectations. In connection with this, the founder and CEO of the World Economic Forum Klaus Schwab at the opening of the Davos event on January 22, 2019 announced that „...**the fourth wave of globalization must focus on people and be sustainable**. We are entering a period of great global instability caused by the technological breakdown of the Fourth Industrial Revolution and the rearrangement of geo-economics and geopolitical forces“⁸⁷.

Since financial reporting is directly related to the establishment and operation of TNCs, changes in TNC activity directly affect financial reporting. Highly impacting factors on the economic activity of TNCs with unexpected effects have been digital technologies, additive processes and the automation of manufacturing processes that have led to a reduction in existing value chains and the closure of a number of large enterprises that produce intermediates. At the same time, market niches for smaller and more specific industries are created to provide more frequent deliveries of specific products and much better replace existing TNCs.

Economic reality shows that TNCs are losing their positions, and economic subjects give way to national enterprises. Following the global economic and financial crisis of 2008, TNCs have begun to be seen as factors exacerbating economic and social inequality and creating jobs abroad, not in their "own" countries. A survey of Economist magazine on the activity of the 500 leading international corporations shows that in 8 out of 10 sectors the volumes of TNC sales have been growing at a slower pace than those of their national competitors. A number of studies have shown significant falls in the rate of return on equity of TNCs over the past 10 years. In the future, the work of politicians and institutions will focus on more and more TNC regulations as well as on:

- ☑ preservation of the national character of the subsidiaries;
- ☑ preservation and provision of new jobs in the TNC divisions;
- ☑ development of R&D in any country where TNC divisions are located;
- ☑ paying taxes in countries where profits of TNCs are generated.

These factors are a small part of the overall network of factors surrounding the global economic environment in which TNCs operate, but they are indicative of the fact that globalization is not the "absolute economic panacea" of the 21st century. It turns out that globalization is a process that has unexpected and uncontrollable forces that can lead to extremely destructive consequences for TNCs and national economies. There is a need to create new national and international institutional structures in a short period of time to regulate in a modern and adequate way the new economic reality in which technology, machinery, goods and human intelligence interact. This also applies to the regulation of accounting and global financial reporting.

2. GLOBAL ACCOUNTING FRAMEWORK FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The concept of developing a global framework for financial reporting and establishing global accounting standards worldwide began in the second half of the 20th century. It has a progressive character of development. Precursors to globalization in accounting are the processes of harmonization, convergence, adaptation and integration (complete transformation) of individual national accounting systems to the emerging core of standardization in the face of International Accounting Standards (IFRS)⁸⁸. According to the IFRS Foundation, by the end of 2018, the GDP of jurisdictions requiring the application of IFRS by enterprises is \$ 35 trillion of the world's \$ 76 trillion, which is a 47% share. As of March 31, 2019, IFRS applies to 166 worldwide jurisdictions (Figure 1).

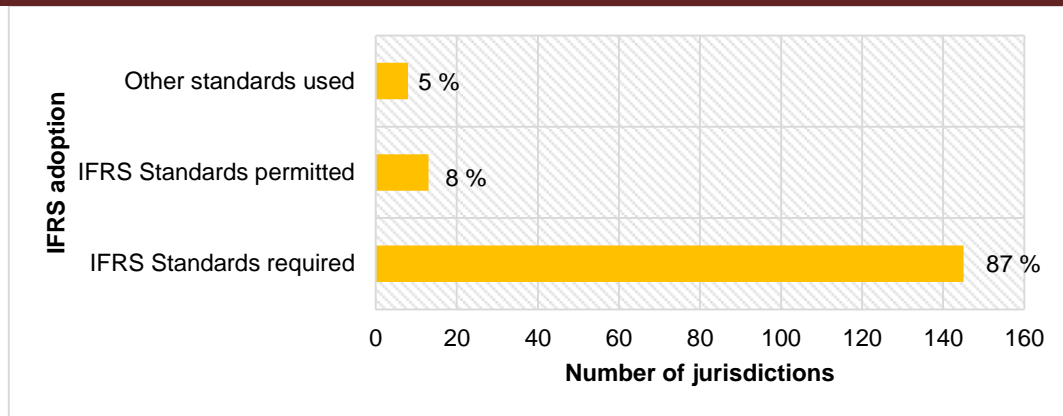


Fig. 1. IFRS adoption around the world

Source: IFRS Foundation. Annual Report 2018

The decade-long development and globalization of accounting standards has been and is accompanied by a number of stimulating and limiting factors, conditions and specificities. Two key events that have changed the profile of financial reporting and have developed the processes of harmonization and convergence:

The first is related to the adoption of Regulation 1606/2002 of the European Parliament and of the Council on the application of international accounting standards through which significant changes have been made in favor of **international accounting harmonization** by the introduction of IFRS as a basis for preparing and presenting the financial statements of enterprises whose securities are admitted to trading on regulated financial markets (stock exchanges). This is also a major contribution to the globalization of financial reporting, which has led to significant changes in the reporting of financial performance and the presentation of the financial position of thousands of companies worldwide. The adoption and application of IFRSs by publicly traded companies within the Community is a regulatory solution aims to protect investors' interests, preserve confidence in the financial markets, and ultimately secure free movement of capital (Figure 2).

International Harmonization of Financial Accountability of TNCs is a constructive process that has embedded globalization into accounting at international corporate level through the Financial Reporting Concept Framework and International Accounting Standards.

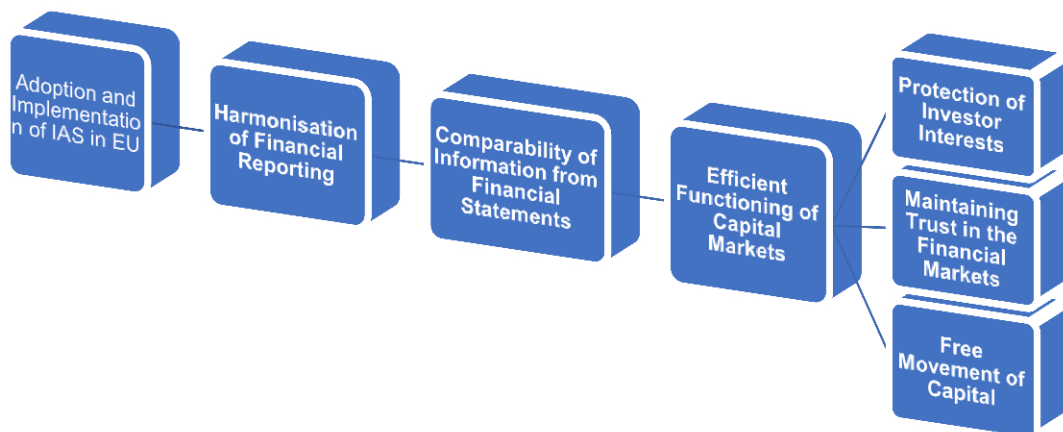


Fig. 2. Objectives and expected results of the adoption and implementation of IAS by listed companies in the EU from 1 January 2005

The second is the ongoing process of **convergence in accounting**, conveying the convergence of US GAAP and IFRS, which is an important strategic decision for the future of global capital markets⁸⁹. Convergence is one of the

key steps in the process of adopting and applying global accounting standards. It goes through different phases, and for the purposes of this work it is a scientific interest signed in September 2002. **Memorandum of Understanding**, better known as the "**Norwalk Agreement**"⁹⁰. Among the key priorities of the agreement that have been overcome over several years of work have been the elimination of major differences between IFRS and US GAAP, the creation of a common conceptual framework, and the mutual coordination of future work programs to overcome differences.

3. IASB CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

By May 2019, there is no globally-accepted global financial reporting framework globally. Leadership positions in the strategy for globalizing financial reporting take up International Accounting Standard Board (IASB), US Financial Accounting Standard Board (US FASB) and EU regulators.

The IASB as a structural unit of the IFRS Foundation is one of the founders of conceptual thinking in accounting, which was materialized in 1989 in the form of "General Presentations for the Preparation and Presentation of Financial Statements", which were replaced in 2010 by the "Conceptual Framework for financial reporting ". As a result of the dynamic changes in the economic environment, a revised version of the Conceptual Financial Reporting Framework was adopted in March 2018 to be applied when preparing and presenting financial statements for periods beginning on or after 1 January 2020. The conceptual framework is an accounting standard and cannot replace or revoke an accounting standard or interpretations to the standards. The conceptual framework and IFRS are developed in consensus with each other. However, if, as a result of the review of an accounting standard, it turns out that the latter is in conflict with the Conceptual Framework, then the Standard.

The conceptual framework has been purposefully developed by the IASB to provide concepts and:

- ☑ to assist IASB in developing IFRSs to provide financial information that is useful to investors, lenders and all other creditors of the enterprise;

- ☑ to assist preparers of financial statements to develop, on their own and consistently, accounting policies for transactions or other events that have not been developed and are not applied to accounting standards, or for which there is an accounting standard that allows a choice between different approaches;

- ☑ to assist all stakeholders in understanding and interpreting IFRSs.

The conceptual framework also appears to be the validator of IFRS, which guarantees to all its users that "Standards have been developed in accordance with the single accounting theory"⁹¹.

The revised conceptual framework from 2018 has attempted to strike a balance between generic concepts and more detailed information to be in full benefit to the IASB and all stakeholders.

In substance, the following improvements have been made to the 2010 Financial Framework Concept Framework.:

Firstly, new concepts are included on the initial recognition, presentation and disclosure of financial statements, and the writing off of the financial statements that satisfy the interests, objectives and views of stakeholders.

Secondly, existing reporting gaps in the measurement, evaluation, presentation and disclosure of information on certain reporting sites are filled.

Third, Foundational concepts have been updated in line with newly adopted accounting approaches for the definition, recognition and recognition of assets and liabilities.

Fourthly, existing ambiguities and contradictions in objectives and qualitative features are **precised and clarified**, such as: caution and fair presentation of information in financial statements, management responsibilities in enterprise management, measurement deviations and valuation of financial statements, economic advantage content before the legal form.

Structurally The conceptual framework for financial reporting includes the following eight (eight) chapters presented in Figure 3:



Fig. 3. Content of Conceptual framework for financial reporting, 2018

Chapter 1: The objective of general purpose financial reporting determines that the financial statements should provide information on the **financial position and the effects of transactions and other events** that alter the economic resources and claims to the reporting entity.

Among the underlying objectives of the conceptual framework are the financial performance of the reporting entity to be based on:

☑ **Current accrual principle** - accrual accounting describes the effects of transactions and other events and circumstances on the economic resources and claims (liabilities) of the reporting entity in the periods in which those effects arise even if the cash receipts and payments received arise in a different period. Applying the accrual principle provides a better basis for assessing the entity's past and future performance than information about cash receipts and payments only during that period;

☑ **Reporting entity's cash flow summary** - the cash-flow information of the reporting entity during the period helps users assess the entity's ability to generate future net cash flows and assess the entity's management of economic resources.

In this chapter IASB **reintroduce the concept of stewardship** and clarify its meaning⁹². According to the IASB, the information needed for the management assessment should be presented separately from the information consumers receive in order to assess the future net cash flows of the enterprise. Both types of information are needed to make decisions about the provision of enterprise resources and therefore to achieve the objective of financial reporting.

Chapter 2: Qualitative characteristics of useful financial information. This chapter is above all a clarification. The Conceptual Framework 2010 has made first and foremost clarifications and additions. The usefulness of financial information is determined by the extent of its relevance and credibility, as well as the conditions and possibilities for its comparability, verifiability, timeliness and comprehensibility. The qualitative characteristics of the information contained in the financial statements are divided into two groups:

The first group is fundamental qualitative characteristics and it includes:

☑ **Relevance** – Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. Financial information is capable of making a difference in decisions if it has predictive value, confirmatory value or both. An important feature of the significance of financial information is its materiality. From the accounting point of view, it is assumed that financial information is material if its omission or misrepresentation may affect the decision-making of users of this information.

☑ **Faithful representation** – financial information must faithfully present the essence of the phenomena it claims to represent. In many cases, the nature of economic phenomena and their legal form are the same. But if they are not the same, providing information on the legal form would not be just the representation of the economic phenomenon. For the information in the financial statements to be fully accurate, the latter needs to have three characteristics: completeness, neutrality, and lack of errors. IASB has however reintroduced the concept of **prudence**, and defined the concept of **measurement uncertainty** in assessing the usefulness of financial information. IASB believes that prudence supports neutrality of information and therefore describes prudence as “the exercise of caution when making judgements under conditions of uncertainty”. The concept of **substance overform** as a separate component of faithful representation is restored again.

The second group includes the following four enhancing qualitative characteristics - comparability, verifiability, timeliness and understandability. “Enhancing qualitative characteristics should be maximized to the

extent possible. ... Applying the enhancing qualitative characteristics is an iterative process that does not follow a prescribed order. Sometimes, one enhancing qualitative characteristic may have to be diminished to maximize another qualitative characteristic.”⁹³

Chapter 3: Financial statements and the reporting entity. In structural terms, this chapter is new to the 2010 Conceptual Framework. The content includes:

☑ **Objective and scope of financial statements** – to provide financial information about the reporting entity’s assets, liabilities, equity, income and expenses (the elements of financial statements) that is useful to users of financial statements.

☑ **Reporting period.**

☑ **Going concern assumption** – it is assumed that the plant is in operation and will continue to function for the foreseeable future. The enterprise has neither the intention nor the need to stop its economic activities.

☑ **Reporting entity**-an entity that is required, or chooses, to prepare financial statements. A reporting entity can be a single entity or a portion of an entity or can comprise more than one entity. It is not necessarily to be a legal entity.

Chapter 4: The elements of financial statements. In this chapter are defines the five elements of financial statements:

☑ Assets, liabilities and equity, which relate to a reporting entity’s financial position. The major changes are to the definitions of an asset and a liability.

☑ Income and expenses, which relate to a reporting entity’s financial performance.

Those elements are linked to the terms “economic resources”, “claims” and “changes in economic resources and claims” as follow:

Categories		Elements
Economic resource	➤	Asset
Claim	➤	Liability and Equity
Changes in economic resources and claims, reflecting financial performance	➤	Income and Expenses
Other changes in economic resources and claims	➤	Contributions from holders of equity claims, and distributions to them. Exchanges of assets or liabilities that do not result in increases or decreases in equity.

Fig. 4. Relationship between categories and elements of financial statements

Chapter 5: Recognition and derecognition. Recognition is a process of including in a statement of financial position or a financial performance report a position that meets the definition of one of the elements of the financial statements - an asset, a liability, an equity, income or expense. Recognition is only appropriate if it results in both relevant information about the element being recognized, and faithful representation of that element. The **derecognition** guidance is new and is associated with removal of all or part of a recognized asset or liability from an entity’s statement of financial position. According to paragraph 5.27 of Conceptual Framework accounting requirements for derecognition aim to faithfully represent both a) any assets and liabilities retained after the transaction or other event that led to the derecognition, and b) the change in the entity’s assets and liabilities as a result of that transaction or other event. Derecognition usually occurs when the entity:

☑ Loses **control** of all or part of the recognized **asset**.

☑ No longer has a present **obligation** for all or part of the recognized **liability**.

Chapter 6: Measurement. This chapter describes what information measurement bases provide and explains the factors to consider when selecting a measurement basis. IASB considered that different measurement bases could provide useful information to users in different circumstances. For this reason, two sets of measurement bases are included – historical cost and current value.

Measurement Basis	
I. Historical cost	
Provide monetary information about assets, liabilities and related income and expenses, using information derived, at least in part, from the price of the transaction or other event that gave rise to them.	
II. Current value	
Fair value	The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.
Value in use (for assets)	The present value of the cash flows, or other economic benefits, that an entity expects to derive from the use of an asset and from its ultimate disposal.
Fulfilment value (for liabilities)	The present value of the cash, or other economic resources, that an entity expects to be obliged to transfer as it fulfils a liability.
Current cost	The current cost of an asset is the cost of an equivalent asset at the measurement date, comprising the consideration that would be paid at the measurement date plus the transaction costs that would be incurred at that date. The current cost of a liability is the consideration that would be received for an equivalent liability at the measurement date minus the transaction costs that would be incurred at that date.

Table 1. Measurement basis of the elements of the financial statements

The main purpose of financial statements is to provide information that is useful for decision making by investors, lenders and other creditors. For this reason, the following two main factors should be taken into account when selecting an enterprise's valuation basis:

☑ **Relevance** - The relevance of information provided by a measurement basis for an asset or liability and for the related income and expenses is affected by: a) the characteristics of the asset or liability and b) how that asset or liability contributes to future cash flows.

☑ **Faithful representation** - Faithful representation of information provided by a measurement basis is affected by: a) measurement inconsistency and b) measurement uncertainty.

Chapter 7: Presentation and disclosure. This chapter includes concepts on presentation and disclosure and guidance on including income and expenses in the statement of profit or loss and other comprehensive income⁹⁴.

The chapter introduces the following⁹⁵:

☑ Concepts describing how information should be presented and disclosed in financial statements.

☑ Guidance on classifying income and expenses for the IASB to use when it decides whether they are to be included in or outside of the statement of profit or loss.

☑ Guidance for the IASB on whether and when income and expenses included in other comprehensive income (OCI) should subsequently be recycled to profit or loss.

Chapter 8: Concepts of capital and capital maintenance. As indicated at the beginning of this chapter, the content is unchanged from the Conceptual framework for financial reporting issued in 2010. The equity is defined as a residual interest in the assets of the entity after deducting all its liabilities. Two concepts of capital are perceived – financial and physical. Under a financial concept of capital, such as invested money or invested purchasing power, capital is synonymous with the net assets or equity of the entity. Under a physical concept of capital, such as operating capability, capital is regarded as the productive capacity of the entity based on, for example, units of output per day. The selection of the appropriate concept of capital by an entity should be based on the needs of the users of its financial statements. The concepts of capital are directly related to **concepts of capital maintenance and the determination of profit** – a) Financial capital maintenance, and b) Physical capital maintenance.

4. USA FASB CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

Financial Accounting Standards Board (FASB) of USA was founded in 1973. FASB is represented by members of various organizations concerned with accounting standards. FASB is supported by the Financial Accounting Foundation (FAF). FASB has created an important document in the formulation of a conceptual framework providing a current and future structure for accounting and reporting standards⁹⁶. FASB has issued statements of

financial accounting concepts (SFAC's), called "Concept Statements" to describe its conceptual framework, covering the following subjects:

- ☑ Concepts Statement No. 4 - Objectives of Financial Reporting by Nonbusiness Organizations.
- ☑ Concepts Statement No. 5 - Recognition and Measurement in Financial Statements of Business Enterprises.
- ☑ Concepts Statement No. 6 - Elements of Financial Statements - a replacement of FASB Concepts Statement No. 3 (incorporating an amendment of FASB Concepts Statement No. 2).
- ☑ Concepts Statement No. 7 - Using Cash Flow Information and Present Value in Accounting Measurements.
- ☑ Concepts Statement No. 8 - Conceptual Framework for Financial Reporting - Chapter 1, The Objective of General Purpose Financial Reporting, and Chapter 3, Qualitative Characteristics of Useful Financial Information (a replacement of FASB Concepts Statements No. 1 and No. 2).
- ☑ Concepts Statement No. 8 - Conceptual Framework for Financial Report in - Chapter 8, Notes to Financial Statements.

The Framework provides a basic reasoning on which to consider the merits of alternatives. Although it does not provide all the answers, the framework narrows the range of alternatives to be considered by eliminating some that are inconsistent with it. It thereby contributes to greater efficiency in the standard-setting process by avoiding the necessity of having to redebate fundamental issues⁹⁷.

☑ In 2010, the FASB and IASB completed a part of the Phase Project for a Conceptual Framework for Financial Reporting and others were postponed by the IASB. Due to the high degree of convergence between the two conceptual frameworks, only a few differences are presented in this paper:

☑ Purpose of the framework – both frameworks have very similar purpose. FASB framework is at a lower level in the hierarchy than the Standards. However, IASB states that when an accounting question is not addressed in the Standards, then the users may refer to the Framework.

☑ Objectives of financial statements – FASB framework provides separate objectives for business entities versus non-business entities rather than oneobjective as in the IASB framework.

☑ Qualitative characteristics– in general both frames identify the same quality characteristics. The main difference is in their hierarchy. FASB framework classified characteristics of primary, secondary and user-specific. IASB considers that the qualitative characteristics should be divided into two groups – fundamental and enhancing qualitative characteristics

☑ Elements of financial statements – there are differences in the names and content of the elements, as well as in the criteria and conditions for their measurement, recognition and derecognition.

Barth (2008) and other authors provides the reasons why the FASB and IASB have different financial standards and conceptual frameworks: political pressures; influence of legal organizations; styles of setting standards over the years regarding the levels of detail guidance; role of culture; the regulatory system of a country; the language, terminology and law enforcement.

5. REGULATORY FRAMEWORK OF ACCOUNTING AND FINANCIAL REPORTING IN THE EUROPEAN UNION

The EU's accounting regulatory framework is an integral part of secondary (derived) Union law and incorporates:

☑ **Regulations** - contain mandatory general rules. With their entry into force, they are directly implemented by all EU Member States without transposition into national law.

☑ **Directives** - acts of a targeted nature. They oblige Member States to achieve a certain outcome, without laying down conditions for the ways, means and forms to achieve it. The directives do not apply directly but by transposing them into national law.

☑ **Solutions** - binding acts with direct and immediate effect against a particular addressee (individual, legal entity, member state).

☑ **Recommendations and opinions** - formal legal acts and a binding effect on the addressees. Accepted by the EU institutions on issues where the latter are not empowered to adopt a binding act, or where they consider it unnecessary.

Large corporations established on the territory of the Member States of the European Union and whose shares are publicly traded on the stock exchange use the IFRS accounting base and are financially accountable for their activities under the IASB's Conceptual Financial Reporting Framework. European TNCs are therefore fully integrated into the global financial reporting framework.

For micro, small and medium-sized enterprises, the conceptual framework for financial reporting is built up by applicable accounting directives and their transposition into national accounting legislation and applicable national accounting standards for small and medium-sized enterprises. The Founding Accounting Directive, which, since 1 January 2016, forms the conceptual framework for financial reporting of EU small and medium-sized enterprises is the **2013/34 / EU Directive**. It is the result of the EU's desire to ease the business environment of small and medium-sized enterprises by simplifying reporting requirements and mandatory disclosure for this category of companies.

Therefore, the conceptual framework for financial reporting applied by enterprises operating in the Member States of the European Union is a hybrid set of objectives, baseline assumptions and features for regulating financial reporting created by the interaction between:

- ☒ National accounting legislation and traditions.
- ☒ European accounting legislation.
- ☒ International Accounting Standards.

Union legislation in the field of accounting is based on the concept of striking the right balance between the interests of users of financial statements and the interests of the undertakings themselves by applying the most mitigating principles of financial reporting. The foundations of accounting and financial reporting are defined by accounting regulators by applying the regulatory approach to encompass all enterprises operating on the territory of the EU member states by creating a "common accounting language" through which:

- ☒ Cross-border investments should be facilitated.
- ☒ Comparability of information from financial statements should be improved.
- ☒ Public confidence in financial reporting should get increased through improved and more detailed disclosures of additional financial and non-financial information.

The integration of accounting concepts defining the framework for financial reporting of TNCs is almost certain and achievable to be done on the basis of IFRS. IFRS Foundation reports and reports confirm that the IASB's Conceptual Financial Reporting Framework is the future basis for TNC accounting.

However, at the current stage of development of globalization processes in accounting between the different accounting frameworks there are differences and contradictions, the resolution of which requires the development and active implementation of a program for the full globalization of financial reporting. The need for and the search for a single set of global accounting standards and a global CFfFR are well documented by a number of accounting researchers (Barth 2007; Barth et al., 2008, Botzem 2012, Camfferman and Zeff 2009). regulatory frameworks should be implemented at the following three levels of integration:

- ☒ Transactional corporations (TNCs) whose securities are publicly traded on the financial markets.
- ☒ Small and medium-sized enterprises operating within one or several national economies.
- ☒ Micro-enterprises carrying out economic activity on a local level within a national economy.

The strategy for eliminating the differences between accounting systems worldwide should carefully and thoroughly investigate and investigate the factors, conditions and circumstances that led to the establishment and adoption of different concepts in the accounting and presentation of financial statements of business enterprises. Based on the in-depth analysis of the similarities and contradictions between the accounting concepts underlying the different regulatory and conceptual frameworks it is necessary to arrive at the adoption of clear quantitative criteria on the basis of which companies are identified which fall into each level of regulation of the financial accountability.

Based on the conceptual framework of the IASB, FASB and EU accounting regulatory authorities, there is an extremely high level of similarity in conceptual and regulatory approaches in defining the foundations of financial reporting of TNCs. The integration of different national accounting legislation and internationally applicable accounting Framework is a theoretical and practically possible and feasible process that can be achieved after the development and phased implementation of a Global Strategic Coherence financial reporting on which to base the IASB's Conceptual Financial Reporting Framework. In defining the foundations of financial reporting of micro, small and medium-sized enterprises globally, responsible institutions, regulators and professional organizations should be guided by the "think globally - act locally" rule and develop a strategy for globalizing the financial reporting of the basis of integrating and coordinating national accounting systems. Accounting globalization at this level should lead to convergence and the overcoming of differences, but in a more general global context in which to preserve the specifics, peculiarities and needs of direct users of information from the financial statements. It is not

necessary and necessary for national enterprises to seek a profoundly transforming effect from the globalization of their financial reporting. The most tangible in this respect are the decisions of the EU, which adopted a policy for better regulation of small enterprises, which is 99% of all enterprises in the Union. The initiative to reduce the administrative burden of small and medium-sized enterprises also includes simplifying and simplifying financial reporting, and accounting and auditing requirements for small and medium-sized enterprises.

6. CONCLUSION

Globalization changes the expectations of accounting theorists and practitioners about the future of the single accounting model. The adoption of a globally accepted conceptual framework should be built on the ways in which the harmonization process takes place in the accounting. The direct and unconditional adoption and application of a single accounting framework by all categories of enterprises will rather cause formal, static and inefficient unification of accounting and financial accountability, not the harmonious interaction of individual national and regional accounting systems.

The globalization of the accounting regulatory environment should be at different levels, at different levels of convergence and at different "speeds" depending on the size and capabilities and needs of enterprises, and according to the objectives of the users of financial information.

The global financial reporting framework should be based on the following two underlying assumptions: (a) accounting information is used to make economic decisions, and (b) the demand for high-quality accounting information increases over time (Figure 5).

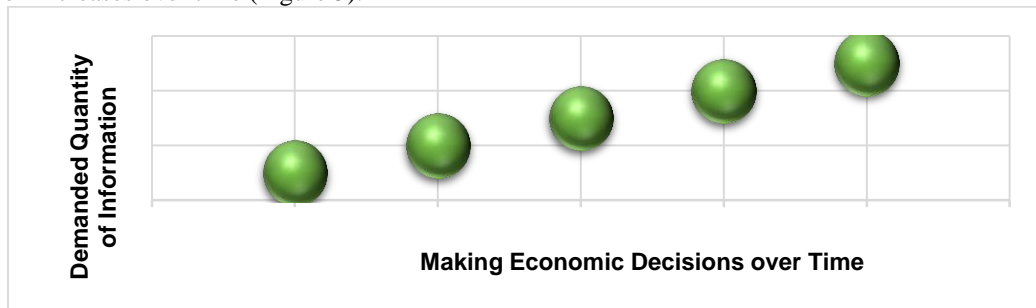


Fig. 5. Relationship and dependence between making economic decisions over time and demanded quality of information from financial statements

Removing borders and disparities between individual national and regional accounting frameworks, concepts and regulations globally will provide benefits to all stakeholders. The integrated global accounting framework for financial reporting, based on generally accepted accounting fundamentals, should be considered bilaterally.

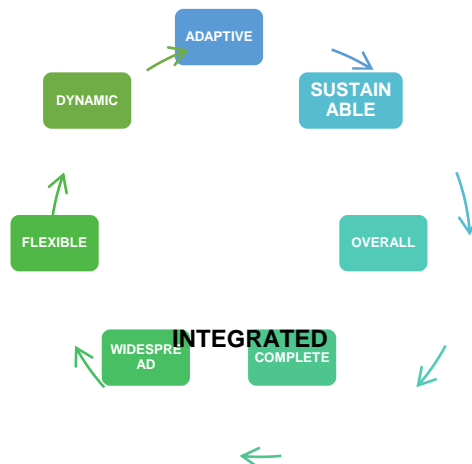


Fig.6. Key features of Integrated global framework for financial reporting

On the one hand, the global conceptual framework is an open, dynamic system of accounting rules that skillfully adapts to changes in the global economic environment and continuously preserves the integrity, balance and harmonious interaction between its constituent parts. On the other hand, the financial reporting framework accepted by all countries in the world should be perceived as a sustainable and complete system of concepts covering all the phenomena and processes of the enterprise that have a monetary value.

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