
**ACCOUNTING IN THE CONTEXT OF GLOBAL CORPORATE MANAGEMENT –
CONTEMPORARY REQUIREMENTS AND PROBLEMS**

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Abstract: The paper focuses on the key requirements and problems related to the creation and use of accounting information in the context of today's global corporate management.

In the contemporary conditions of globalization the role of globally oriented companies, which view the entire world as a single source of supply of resources and as a single global space to deploy their various investment, production, trade and other activities, is constantly growing. The companies that develop business globally through their foreign subsidiaries in different countries around the world undoubtedly are the main driving force of globalization processes and exert increasingly significant influence on the functioning of the global economic system nowadays. The complex organizational structure of these companies, including a parent company and foreign subsidiaries, the enormous scale of their operations, the broad diversification as well as the variety of parameters of the surrounding international environment, determine the specificity and complexity of their management. The specific characteristics of the management of modern companies with global activities entail specific requirements for the organization of the processes related to the creation and use of accounting information for adoption of management decisions. The accounting must provide the necessary information for planning, controlling, analyzing and coordinating in a long-term and short-term aspect of all activities carried on by the company in various countries worldwide. A key problem related to the flawless running of the processes of analysis, planning and control within the globally oriented company is the necessity for the accounting information system to be flexible and adaptive to the informational needs of both the headquarters management and of the management of the individual foreign subsidiaries. A number of difficulties arise in this respect due to the differences in the implemented accounting practices in different countries worldwide in which the company's subsidiaries function.

The efficient use of accounting information in the internal processes of planning, control, analysis and coordination is an essential premise for the successful management and prosperity of companies with global activities. It is of exceptional significance that the organization of processes related to the communication of accounting information would comply with the important requirement for companywide goal congruence and providing reasonable measures of performance evaluation of the foreign subsidiaries.

It is a fact that in this electronic century modern information technologies allow for generation of information that is wide-ranging and enormous in volume, as well as for its rapid transfer across remote distances. And yet the fundamental problem is, by using these options, to achieve efficient management of the complex information processes running within the companies with global activities, to identify properly the specific information needs at the different management levels and the information provided by the accounting to be maximally complied therewith.

Keywords: accounting, information, global corporate management.

1. INTRODUCTION

In the contemporary conditions of continuously increasing globalization the role of globally oriented companies, which view the entire world as a single source of supply of resources and as a single global space to deploy their various investment, production, trade and other activities, is constantly growing. The companies that develop business globally through their foreign subsidiaries in different countries around the world undoubtedly are the main driving force of globalization processes and exert increasingly significant influence on the functioning of the global economic system nowadays. The complex organizational structure of these companies, including a parent company and foreign subsidiaries, the enormous scale of their operations, the broad diversification as well as the variety of parameters of the surrounding international environment, determine the specificity and complexity of their management. The specific management approaches and practices applied by the companies with global activities are related to the emergence and development of a new, independent line in contemporary business management, the accepted name for which is global management.

2. SPECIFIC REQUIREMENTS AND PROBLEMS RELATED TO THE CREATION AND USE OF ACCOUNTING INFORMATION IN THE CONTEXT OF TODAY'S GLOBAL CORPORATE MANAGEMENT

The specific characteristics of the management of modern companies with global activities entail specific requirements for its information support, including requirements for the organization of the processes related to the creation and use of accounting information for adoption of management decisions. The accounting must provide the necessary information for planning, controlling, analyzing and coordinating in a long-term and short-term aspect of all activities carried on by the company in various countries worldwide. The complexity of these processes ensues from:

- the complicated international division of labour within the company;
- the complexity of the organizational management structure and the interrelations within it;
- the great variety of the international activities being performed;
- the specificity of the surrounding environment in different countries worldwide and the dynamic changes occurring in it.

Through processes of planning globally oriented companies should adapt to the complex, hyper competitive international environment, full of uncertainties and numerous risks. They are related to determining the mission and goals of the company, the main lines of its activities, the selection of strategies, the elaboration and acceptance of a system of plans. Planning in these companies is oriented towards synchronization and optimization of various operations being performed in the conditions of different surrounding environments while taking into consideration the mission and goals of the company.

For planning in globally oriented companies as especially characteristic may be distinguished the following activities:

- assessment of the international surrounding environment (identification of the respective economic, social, political, cultural, technological and other specific features of the different countries in which the company operates);
- evaluations of the foreign subsidiaries (determination of the strong and weak points of each subsidiary in the context of the specificity of the environment in which it operates);
- setting the goals and priorities of the company as a whole and of its foreign subsidiaries individually;
- elaboration of the plans for each foreign subsidiary of the company and defining the criteria and standards for evaluation of its activities.

Upon planning the global activities of a company, the specific factors of the surrounding environment must be taken into account. Among the dominant factors exerting substantial influence on the processes of planning, analysis and control are the various national currencies, the exchange rate changes between them, the fluctuation of prices, the different interest rate levels, the taxation differences, etc. The assessments in respect of subsidiaries and the characteristics of their surrounding environment form the basis for drawing up a general strategic plan for the overall activity of the company on a global scale. The strategic plan must set out the objectives of the company and the means for their achievement. It must meet the important requirement for companywide goal congruence, which presupposes that the goals set to the managers from all parts of the world where the company operates should be coordinated with the general goals of the company as a whole.

Of exceptional importance in the planning for companies with global activities is to define the criteria and standards which are to be used subsequently for the evaluation of the activities and the factual achievement of the planned goals. Of special significance is to ensure comparability between the planned indicators and the indicators of the factually performed activity. This is in turn related to the problem about the specific scope of the information that the accounting must provide to the decision makers from the headquarters and subsidiaries of the company so as to implement the plans successfully, to control the factual implementation of the planned underlying goals and to introduce changes, if necessary. This information must provide a possibility for identifying the effect of already taken management decisions and to analyze the reasons because of which the expected results differ from those actually achieved.

The control in the management of the companies with global activities enable the assessment of already adopted decisions, the achievement of set goals, ascertainment of the reasons for any occurring deviations and the mapping of measures for regulating the operations in one or other direction. The control must be organized in such a manner as to assist decision making and to allow for the introduction of any changes in the plans for the activities, if necessary, in view of achieving the most efficient results possible.

The implementation and normal running of the interrelated processes of analysis, planning, control and coordination in the companies with global activities is not possible without the necessary information provided by the accounting. Against the background of these internal management processes there can be clearly seen the exceptionally important role of information, controlling and analytical function of accounting and the high cognitive value of accounting information.

A key problem related to the flawless running of the processes of analysis, planning and control within the globally oriented company is the necessity for the accounting information system to be flexible and adaptive to the informational needs of both the headquarters management and of the management of the individual foreign subsidiaries. A number of difficulties arise in this respect due to the differences in the implemented accounting practices in different countries worldwide in which the company's subsidiaries function. The specific features and differences in the applicable accounting systems in the individual countries, conditioned by economic, cultural, social, technological and other prerequisites considerably hinder the provision and delivery by the subsidiaries to the headquarters of comparable accounting information, generated following unified principles and standards. Within the process of management this leads to serious hardships both in making comparisons between the planned and actually attained activities by the company as well as in making comparisons between the operating results of the individual foreign subsidiaries. In order to overcome these difficulties and ensure efficient management, it is necessary to determine and validate single rules for internal reporting of the subsidiaries to the headquarters which are consistently applied in time within the company and ensure comparability of the information being necessary for taking management decisions. Of substantial significance for successful resolving of the problems in that regard is the proper identification of the specific informational needs of the headquarters management of the company in relation to the performance of its managing functions and defining the requirements for provision on the part of the subsidiaries of an appropriate, adequate information needed for planning, analyzing and controlling the overall activity of the company in a global aspect. For each set of information transmitted "corporate management must determine the relevant time period of the reports, the level of accuracy required, the frequency of reporting, and the costs and benefits of timely preparation and transmission"¹⁷³.

The companies with global activities encounter specific problems and challenges in assessing and analyzing the operating results of their foreign subsidiaries. They are related to the necessity to identify the possibly most appropriate system of measures for each foreign subsidiary and to provide the necessary information about their sufficient implementation. The selection of appropriate approaches and parameters of analysis depend to a very large extent on the place and role of each subsidiary within the overall global activity of the company, on its particular characteristics and goals. A serious problem for the company is also the fact that it is necessary to use different measures for evaluating the activities of the subsidiaries and for evaluating the work of their managers. The evaluation for each of the subsidiaries must be distinguished from the evaluation of its manager. Whereas the evaluation of the subsidiary's activity should be made based on the results attained thereby, irrespective whether directly controlled and dependent on the decisions of its manager, in evaluating the manager it is necessary to eliminate the factors over which the latter has no control.

It is typical for globally oriented companies that the headquarters, through global integration and coordination of the activities, strive after improving the general profitability of the company as a whole, after maximizing global profit and achieving global optimization. By pursuing such goals these companies often use specific mechanisms for manipulating the expenses, revenues and profit of their foreign subsidiaries in view of decreasing the amount of the taxes paid as a whole on a global scale, decreasing the import duties, etc. (for instance, transfer prices, distribution of expenses common for company towards the individual subsidiaries, etc.). Given the fact that the managers of foreign subsidiaries are responsible for the effected operations, and yet do not have the power to make the major decisions related to profit and return, the evaluation of their activity based on the concept of profit centres is inappropriate. The managers should not be held liable for any results falling outside the scope of their control, since this would exert a negative impact on their motivation and behaviour. That is why in evaluating their work it is important to take into account the specificity of the pursued goals and the degree of control over the operations, the specific features of the surrounding environment and the uncontrollable alterations thereof (such as fluctuations of foreign exchange rates, interest rates, tax rates, etc.).

¹⁷³ Choi, F., Meek, G., International Accounting, Seventh International Edition, Pearson Education Limited, 2014, p.358

Designing an effective performance evaluation system for foreign subsidiaries of the company requires decisions with regard to the following:¹⁷⁴

- the measure or measures on which performance will be evaluated;
- the treatment of the foreign operation as a cost, profit, or investment centre;
- the issue of evaluating the foreign operating unit versus evaluating the manager of that unit;
- the method of measuring profit for those foreign operations evaluated on the basis of profitability.

The financial measures applied in analysis must be tied with the goals of each foreign subsidiary and with the specificity of its activities, and also must be appropriately integrated relative to the specific competitive strategies implemented by the company. The changes undergone by these strategies due to the rapidly changing conditions in which the company carries out its operations, condition the necessity of changes in the applied approaches and methods of analysis and rethinking of the significance and role of the various measures. This in turn, is in harmony with the trend typical for globally oriented companies for increasing the flexibility of management in the aspiration to implement efficiently global strategies and adapt to the hyper competitive, highly risky and dynamically evolving international environment. The continuous alterations of external and internal factors influencing the multiple and varied activities carried out by the subsidiaries of a company in various countries worldwide require from the present-day global managers flexibility in the processes of planning, control and analysis, a skill to cope with changes and to search for their possible benefits for the company as a whole.

An essential premise for the successful implementation of analysis of the activities performed on a global scale is the availability at the company of sufficient accounting information, both in terms of quality and quantity. It is important to note that the reliability of the analysis indicators is determined by the reliability of the information used for their calculation. The weak points of the accounting system of the company and of the organization of the accounting information processes in it exert immediate impact on the suitability of the analysis indicators. The quantity and quality of the accounting information received by the managers at different management levels constitute a crucial prerequisite for the implementation of the common objectives and tasks of the company with global activities. All of this conditions the necessity of continuous improvement of the management of accounting informational processes within the globally oriented company and the building of a single, integrated information environment allowing for adoption of efficient management decisions.

3. CONCLUSION

The important role of accounting information in the management of the companies with global activities necessitates the organizing of its creation in such a manner as to satisfy to a maximum degree the needs of contemporary global management processes and to enable the formulating of justified management decisions. The ability of these companies to organize their information as their basic resource and use it as a strong competitive advantage in the conditions of the complex and dynamically changing global environment is a key prerequisite for their long-term success and stable prospective development. It is of exceptional significance that the organization of processes related to the communication of accounting information would comply with the important requirement for companywide goal congruence and for providing reasonable measures of performance evaluation of the foreign subsidiaries.

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¹⁷⁴ Douppnik, T., Perera, H., International Accounting, Fourth International Edition, McGraw-Hill Education, 2015, p.642-643