

ფედერაციო დიომედას ეს ორი სტატია, რომელიც ეხება ბუღალტრული პროფესიის განვითარებას ევროპასა და მსოფლიოში და მცირე და საშუალო საწარმოებში აუდიტორული მომსახურების როლის გაზრდას 2011, 2013 წლებში გამოქვეყნებული იყო ფინეთის ბუღალტერთა ასოციაციის ჟურნალ „სუუნტა“-ში. სტატიებში განხილული საკითხები აქტუალურია ჩვენი რეალობისთვისაც.

ავტორის თანხმობით, ვაქვეყნებთ მათ ჩვენი მკითხველისთვის.

## THE DEVELOPMENT OF THE ACCOUNTING PROFESSION IN EUROPE AND INTERNATIONALLY

Along with updating the definition for accountant to meet current requirements in the evolving business environment, it's a good time to look at what they key competence of the future professional entails.

The only current definition of "accountant" is the IFAC one that refers to the individual members of an IFAC member body. Looking into dictionaries will for sure result in a variety of definitions being found that firstly depend on the word used in a specific national language to translate the English common noun "accountant".

I am sure that many of these definitions in general refer to experts in the accounting field providing services to the private sector and to businesses, or working in businesses in accounting and administrative departments.

IFAC has recently started a project on the new definition of "accountant" that aims to update the old definition and refers to the key elements of the accounting profession, such as ethical behaviour and competence in order to serve the public interest.

### Accountants help businesses to grow and flourish

Considering that the origin of the accounting profession is generally credited to Luca Pacioli, the Italian friar that in the 16th century created double entry accounting, it is not difficult to agree that an accountant is a person that uses numbers to measure businesses and economic transactions. Using numbers implies a technique to work them into a framework that is useful for the preparer. These preparers that have interrelations with other businesses have a need to „show“ their numbers, hence the need to agree on a common framework and also the need to check "how you do it" in order to assure that they have been properly prepared.

We can therefore agree that an accountant is an expert that is asked to prepare or asked to help prepare the organization's representation of economic transactions and its periodic results in order to measure the business (satisfaction of internal needs) and to transfer the financial information to external stakeholders (satisfaction of external needs).



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The driver of this process is the need to keep alive the related business and to improve it. Economic personal and social development are involved right from the start. Hence the common link of the accounting profession to the „public interest“ (still not yet precisely defined).

This short introduction aims to show that the „raison d'être“ of the accounting profession is nowadays strongly linked to businesses, their development and growth.

Accountants assist the businesses when they start and during their life.

Accountants assist the businesses in their annual reporting needs.

Accountants assist the businesses with assurance engagements when required by the public interest.

This last activity is normally identified with „auditing“ and tends to identify a sort of autonomous profession – the auditor – which in reality is simply a strictly regulated specialization of „accounting“ No doubt, in fact, that without the existence of a business and of a financial reporting framework, no auditing could take place.

There are therefore three areas of intervention of the accountants: assisting the current life of businesses, assisting their financial reporting needs/obligations, auditing the financial statements when required by law or regulation or indeed providing an alternative assurance service when demanded on a voluntary basis.

These elements are clearly and substantially evident in that part of the accounting profession called „SMPs“: Small and Medium Sized practices. They are the majority of the accountants and they normally provide services to SMEs: Small and Medium Sized Enterprises, covering the above mentioned three areas.

Having said that, what are the developing factors of the accounting profession as we see them in 2011?

It is quite clear that for a long time the accounting profession has been called to cover compliance needs of businesses (including auditing) more than advisory needs of the businesses themselves. Bookkeeping and tax reporting together with auditing have played a relevant role because of the increasing national regulation in that area. Accountants, therefore, have been forced to forget that advisory services are key elements to allow compliance having a sense. No doubt that compliance is important, but compliance „per se“ is useless.

For these reasons in recent times there are many, who have started to argue that the accounting profession should go for (I should say resume) a stronger advisory activity in order to satisfy the needs of SMEs (considering the SMPs typical market). Whilst this is accepted widely these advisory services seem to get less attention.

### Advisory role of accountants on a rise

What, then, are the most important advisory needs of SMEs?

Starting up a business implies incorporating the company and solving governance issues, financing the start-up and setting up the right internal administrative organization (entrepreneurs are often too much commercial oriented).

Running a business implies measuring and checking performance, reporting to internal and external stakeholders, checking the cash flow and providing proper finance.

Improving the business implies taking economic developing strategic decisions based on correct information, measuring the implications of the new strategy on the current business and checking the needs for new finance, measuring the impacts on the organization and preparing relevant changes.

Preventing the business crisis implies putting in place sufficient budgeting and reporting systems to prevent the crisis, using the managerial information to measure future performances and apply urgent correction to a business policy, self-rating the business to avoid bad news when asking for more finance.

Helping the crisis implies putting in place the best policy

to save the core business and its value, limiting the damages onto the internal organization and avoiding disperse the best human resources, avoiding illegal entrepreneurial behaviour, promoting timely external communication that helps bridging the crisis as much as possible, making use of proper restructuring tools/procedures according to the national legislation.

These examples show that the accountant, who is generally acknowledged as the best advisor for SMEs thanks to his personal and strong relationship with the owner or manager of the enterprise, has a high profile role to play mostly based on the wise and proper use of the information coming from the normal compliance services provided. The level of ability of the accountant in interacting with the business in a true managerial and dynamic way distinguishes a „good accountant“ from a „normal“ accountant.

### Evolution of the dynamic accountants

The challenge, therefore, for the accounting profession in 2011 (and onwards) is how to increase the number of dynamic accountants. This challenge, in my view, is a pure “private” challenge. No regulator or legislator will ever be interested in directly promoting such an evolution.

Looking at the accounting issues now discussed in Europe and worldwide by standard setters and legislators, it is easy to see that financial reporting and auditing are key factors. Although good financial reporting and good auditing are elements affecting also the accounting profession and driving its performances, the needs underlying current policies on both issues are more business and politically oriented.

On the contrary, the possibility for the profession to increase the level of high profile advisory services is driven by an internal evolution of the profession itself through the following elements:

The recognition that advisory services are more and more needed by SMEs and deserve proper attention;

The study of key factors in education and training that help accountants to be more dynamic;

The implementation of proper action to enhance young accountants starting right from the beginning also with advisory services, rather than relying only on compliance to enter the market;

The implementation of proper systematic „tools“, including software, to help dynamic accountants provide meaningful advisory services.

The recognition that individuals are important, but small practices suffer more than larger practices because of the need of specialization also in advisory services, hence the need for a policy of wise concentration of SMPs with the proposal of methodologies and organization that allows SMPs to keep the value of individuals within a well-structured company or office.

The role of national accounting bodies together with their