

# НОВІТНІ ПІДХОДИ В ТЕОРІЇ І ПРАКТИЦІ МЕНЕДЖМЕНТУ

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## THE BRAND OF ACCOUNTING FROM THE PERSPECTIVE OF ACCOUNTING STRENGTHS AND WEAKNESSES IN THE 21<sup>st</sup> CENTURY

Accounting, as an applied science, combines the activities of both practical and theoretical nature. Modern accounting should be interpreted in three dimensions: the practical one, as the knowledge applied in the operations performed by economic units, the theoretical one, as the science distinguished based on the research subject matter and purpose, the political one, as the set of principles and legal regulations referring to its application (Babuška 2013, pp. 25–37).

The analysis of accounting development allows identifying: the period of practice dominance (till the 5<sup>th</sup> century), the development of theory (from the 15<sup>th</sup> century till the first half of the 20<sup>th</sup> century), the dominance of accounting policy (since the first half of the 19<sup>th</sup> century) and the growing, but continuously unsatisfied information needs resulting from the practice and problems associated with the theory. The recent years have confirmed the overwhelming dominance of accounting policy and practice and the absence of new theoretical solutions allowing to solve many problems within the framework of accounting system, which are most frequently reported by external stakeholders.

In the 21<sup>st</sup> century the changes/transformations occurring in accounting can be observed, which result from the impact exerted by numerous factors of external nature, i.e. business oriented, economic, political, legal, cultural and technological. In particular, the following factors can be listed: legal systems, tax systems, economic factors, sources of business operations functioning, inflation, the status of theory, historical events, relations with other countries, cultural factors, technological factors, forms and the size of enterprises. These factors either strengthen or weaken accounting (including its brand).

Defining both strong and weak points of accounting allows identifying the condition of accounting brand, which constitutes an important component of its intellectual capital also influencing its image, reputation and relations with stakeholders.

In the opinion of Ph. Kotler (1999, p. 410) «a brand is a name, term, symbol, model or their combination created in order to identify the seller's goods, services or their group and distinguishing them from the competition». Based on the above definition a conclusion can be drawn that the term «accounting» remains a brand

based on which it is possible to separate accounting from other social science disciplines by means of a specified goal and identified research subject matter, characteristic instruments, theoretical and practical output and the specific approach to enterprise wealth and transformation occurring in it.

The accounting brand allows for its identification, offers the awareness of existence and ensures durability. It should guarantee a certain level of information and services quality. Many components have impact on the accounting brand strengthening and weakening (Bąk 2015). A strong brand capital is represented by the lasting, positive and exceptional associations, which influence the relations with stakeholders and also the image (Kłeczek 2006, p. 11).

The criticism of accounting brand has adverse influence on it and the main objections refer to: the object of measurement (non-material resources are not disclosed), the method of measurement (valuation is based on historical values), complicated and unclear financial reports, mistakes in measurement and information disclosure in reporting, unethical attitudes presented by accountants, negative practices, the fabrication of financial statements, excessive standardization (standpoint against the domination of standards in accounting)<sup>2</sup>. The financial crisis in 2007–2009 had a particularly unfavorable impact on the accounting brand, since many commentators of this phenomenon accused accounting for the participation in its formation.

The weaknesses of accounting (depreciating brand value) are as follows: superficial research covering the history of accounting; applying it as an ideological instrument; criticizing accounting for the financial crisis; practical solutions without theoretical support; the domination of tax oriented solutions in small economic units; disproportioned relations between the theory and practice; complicated regulations of balance law, growing requirements in terms of financial reporting; the dominance of international standards; the absence of economic substance reflected in accounting information; failure to comply with the rule of presenting true and fair view; biased interpretation of accounting as: 1) bookkeeping and reporting, 2) domestic and international legal regulations, 3) forms of tax settlements; gaps in knowledge, experience and skills of accounting department employees; insufficient theoretical support for solving social and ecological problems; the application of reprehensible practices, accounting frauds; fabrication of financial statements; low awareness of the importance of accounting.

The accounting brand is positively influenced by: standardization (unification of standards in a justified sense), the policy of accounting with the possibility of positive creativity, ethical attitudes (introducing the code of ethics in accounting), reference to the problems of social responsibility and sustainable development, investigating new instruments.

A strong brand increases trust and has favorable impact on both image and reputation. The accounting brand is strengthened by: its long history related to the development of human civilization; accounting policy focused on meeting information needs presented by the stakeholders; the theory of accounting; mutual

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<sup>2</sup> Reporting information manipulation by means of IAS/IFRS can become the source of fraud (e.g. corruption), which has adverse impact on the reputation and quality of information.

relationship between theory and practice; accounting policy and standardization; clearly defined purpose and research subject matter; accounting unity in the diversity of its applications; outstanding representatives/creators; reference to relations and events of social and ecological nature; following the rule of ethics in accounting; relations with other scientific disciplines.

The presented examples of positive and negative associations with the accounting brand prove that it is clearly perceived (has its advocates and opponents). Therefore it is crucial to ask – does the environment of accountants take proper care of the strong brand of accounting? The review of literature and the observation of practical activities allow concluding that the accounting brand has become significantly depreciated, especially outside the accounting environment. Hence its restoration focused on changes is so crucial (under the influence of the above-mentioned factors), the changes postulated by both, the external and internal environment of accounting.

### References:

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## **PERFORMANCE-BASED BUDGETING AS AN ELEMENT OF MANAGEMENT CONTROL IN THE PUBLIC FINANCE MANAGEMENT PROCESS**

The introduction of management control in the entities of the public finance sector is intended to contribute to significant changes in the operation of public administration, including self-government administration, through gradual transition