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ACCOUNTING TRANSPARENCY AS A MODERN TREND

In recent years, the term «transparency» has emerged as one of the most popular and keenly-touted concepts in the world. In the economic-political debate, the principle of transparency is often advocated as a prerequisite for accountability, legitimacy, policy efficiency, and good governance, as well as a universal remedy against corruption, corporate and political scandals, financial crises, and plenty of other problems. Increased transparency is a bearing ideal behind regulatory reform in many areas, including financial reporting and banking regulation. Parallel to these developments, as noted by Forssbaeck J. and Oxelheim L., the concept of transparency has seeped its way into academic research in a wide range of social science disciplines, including the economic sciences. This increased importance of transparency in economics and business studies has called for a reference work that surveys existing research on transparency and explores its meaning and significance in different areas [1].

According to the definition of Transparency International, an independent NGO that deals with the study of corruption in the world, transparency is about shedding light on rules, plans, processes and actions. It is knowing why, how, what, and how much. Transparency ensures that public officials, civil servants, managers, board members and businesspeople act visibly and understandably, and report on their activities. And it means that the general public can hold them to account.

Transparency can defeat corruption in a range of areas, because it is the surest way of guarding against corruption, and helps increase trust in the people and institutions on which our futures depend [2].

Kokemuller N. mentioned that accounting transparency means offering a clear, concise, and balanced view of a company's financial situation to shareholders. The importance of accounting transparency grew after several prominent business and accounting scandals and heightened government regulations that require companies to comply with specific reporting standards [3].

Accounting transparency relates to the financial reporting process of accounting where companies report their financials to the public. This includes distribution of common financial reports such as balance sheets, income statements, statements of cash flow and statements of owners' equity. Transparency extends expectations for accurate financial reporting beyond basic honesty. Transparent accounting is important because a complete and understandable picture of a company's financial position reduces uncertainty in our markets. Besides company are transparent when it reports anything that could potentially impact users of accounting information.

According to Abdel-khalik A. Rashad, the linkage between accounting and economic systems should be transparent to all participants in the information environment; the efficient functioning of capital markets is conditional on the availability of relatively timely and reliable information. The process of transferring information between those who produce it and users should lead to lower information asymmetry. Transparency of accounting covers two aspects: first, the amount, frequency and type of information transferred to the public domain should be sufficient to allow for proper evaluation of the firm's performance without revealing the industry secrets that may compromise the reporting firms' competitive advantages; second, the process should allow all external users equal access to information [4].

Many companies understand or experienced the importance of transparency in financial disclosures, but for some of them it is a hard way. Rigorous, accurate, strict

accounting is the main key to ensuring transparency of accounting information and management and this true to for any kind of private or government enterprises and for governments as well. There are plenty of evidences that strict reporting regulation improves public welfare. So what should companies, and especially governments, be doing to increase transparency, boost investor confidence, and ultimately make better decisions?

A positive experience in solving the problem of transparency of accounting and financial reporting information of domestic enterprises are the steps taken by many countries, including members of the European Union. Considering the problem of accounting transparency and to eliminate the issues related to the comparability of information, the European Union decided to go by setting mandatory requirements which based on IFRS and special Directives for disclosure of information about the company. In general, the steps taken by the EU to establish mandatory requirements for information disclosure and accounting transparency, had a positive impact on the market, business and transparency of public finances in the EU member states. These results are presented in the works of many scientists, who studied the effects of the mandatory transition to IFRS in the EU [6].

In particular, a summary review of publications conducted by scientists of Institute of Chartered Accountants of England and Wales (ICAEW), analyzed the results of the mandatory transition to IFRS in the EU. Information, which presented in the survey, indicates the positive effects of the IFRS adopting on the accounting transparency and financial reporting, comparability of cost of capital, market liquidity, efficiency, corporate investment and cross-border capital flows [7].

The results of studies that were presented at the Oxford Handbook of economic and institutional transparency are similar to the previous researches. According to the researchers, the mandatory adoption of IFRS for the EU-listed companies contributed to the transparency and comparability, improved the functioning of the internal market, increased investor protection and ensured confidence in the capital markets, as well as helped EU companies compete on equal terms within the EU and world markets [1].

In conclusion, accounting transparency should be based on quality accounting and reporting standards, as well as adequate disclosure methodology which provides an environment in which information about existing conditions, decisions and actions taken by the company, is accessible, transparent and understandable to all market participants.

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