

## Challenges and Opportunities of Accountancy Profession— SAFA Perspective



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During the late 19<sup>th</sup> century, the earliest professional accounting was concerned mostly with the concept of insolvency, insurance, debt collection and book keeping. Over the years, accountancy has expanded to cover costing and information systems, fraud prevention, asset and business valuation, prospectuses and takeovers. Auditors and financial analysts provide value to supply chain management, portfolio investment analysis,

project appraisal, assurance to risk management, governance and internal control process through high-quality corporate reporting. Financial sector development plays an important role in increasing economic growth, through improvement in the capital accumulation. There are a lot of roles that accountancy play, but they are not well understood or known by most individuals, specifically in the developing countries.

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# Special Write-Up

investor confidence, thus promoting financial stability. A strong and internationally comparable reporting system facilitates international flows of financial resources while, at the same time, helping to reduce corruption and mismanagement of resources. It also strengthens international competitiveness of enterprises in attracting external financing and taking advantage of international market opportunities.

In the wake of various financial crises, continued efforts are being made towards improving the quality of corporate reporting as an important part of measures towards strengthening the international financial architecture. In this regard, the implementation and application of internationally recognised standards, codes and good practices in the area of corporate reporting has been strongly encouraged as a reflection of the increasing pace of globalisation and international economic integration. However, the effective adoption and implementation of such standards and codes remains a challenge for many developing countries and economies in transition, as they lack some of the critical elements of corporate reporting infrastructure—from weaknesses in their legal and regulatory frameworks, to lack of human capacity and relevant support institutions. In the face of these challenges, there is a need for a coherent approach to building capacity in this area, as well as for tools to measure and benchmark progress and identify priorities for further actions.

To build an accountancy infrastructure is a complicated process because it is part of an economy's legal and regulatory system. It needs to be attuned to the interests of many stakeholders and the availability of financial, educational and human resources. Capacity building helps reinforce proper legal frameworks and institutional arrangements. It is concerned with developing and upgrading certain skills, competencies and performance. It is also about enhancing the capacity of individuals, groups or institutions that are to carry out corporate reporting, for it is reporting and transparency that often drive improvements.

Various findings had proved that capacity building, public interest and sustainability, as proven areas where accountancy can contribute to enhancing and improving the social welfare of citizens. Undoubtedly, one area which gives huge impetus to national development is the long-term continual process of development

involving the capacities of individuals, institutions and governments. Accountancy help to develop individual, institutional and government capacities through establishing quality financial institutions since, all stakeholders of national development need additional competencies for stronger and efficient collaboration. Nevertheless, what will profit the country if it plans national development, yet fails to increase the knowledge and skills base of its citizens and government? Accountancy therefore, plays its essential role by building government's capacity thus enhancing its ability to collect revenue, prepare national yearly budget and allocation, and promote private participation and civic engagement.

For example, the World Bank introduced 'Reports on the Observance of Standards and Codes' (ROSCs) produced as a joint initiative with International Monetary Fund for audit and accounting, which took into account the different levels of development and varying priorities in different countries. With such capacity initiatives, a country's access to proper legal frameworks, institutional arrangements, technical resources and human capacity which serve as additional competencies, must be carried out. Also, accountability measures will minimise the proliferation of corruption which is a major setback in national development through international comparable reporting system, knowledge of relevant law, integrity and objectivity. Indeed, accountancy is the heart of capacity building and a strong accountancy profession in this region is essential to economic development and also economic confidence both in the public and private sectors.

Furthermore, another major area of national development is public interest. Recently, countries invested much in branding the nations, so as to enhance its ability to secure foreign direct investments. If global standards of accounting are practiced, it will facilitate transparency and feasibility analysis during its negotiations with developed

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countries and at global capital markets. The profession provides Programme Based Budgeting (PBB) and International Financial Reporting Standards (IFRS) which are globally practiced over 100 countries since these ethical frameworks are prerequisite for national development. Professional accounting thereby, facilitates the mobilisation of international investments, fostering investors' confidence, reduce corruption and mismanagement of resources, and eliminate the practice of restructuring transactions and financial engineering.

National development plans, to a large extent, depend on sustainability. Sustainable development is a process of change in which the exploitation of resources, the direction of investments and the orientation of technology development and institutional changes are in harmony and enhance both current and future potential to meet human need and aspirations. This needs to be measured and reported with respect to integrity through quality information. Taxes, subsidies, rating and benchmarking, voluntary codes, tradable permit and stakeholder interest are mechanisms and activities constituting an accounting infrastructure which promotes the language sustainability. These mechanisms must be supported by various stakeholders who obviously will rely on credible information which professional accountants do in exerting pressure on the activities of the nation in the quest of sustainability. This will shape the way in which government; tax authorities and market regulators operate; thereby influencing the country. Despite challenges in the capital market, the profession still contributes to national development through sustainability reporting and verification. This concept of sustainability is well incorporated in accountancy and often goes beyond publishing sustainability reports. Accountancy's role in sustainability involves providing assurance through

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use of performance indicators, strategic planning, formulating corporate policies and managing effects of sustainability issues.

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There is an increasing diversity in the accountancy profession. Cooperation and collaboration among nations is crucial in order to enhance competitiveness and financial stability. As the region works through the current challenging economic environment, nations will achieve competence and competitiveness at a macro level. These qualities are central – to create smart, inclusive and sustainable growth, which in turn will increase employment, expand access to education and reduce poverty.

Accountancy will forever respond to emerging demands and market changes. Developing our human resource base, ensuring public interest through global standards like IFRS and implementing sustainability framework such as Global Reporting Initiative (GRI) on capital maintenance will create a future out of poverty for developing countries.

To conclude, let's recall a famous quote by Abraham Lincoln: *the best way to predict the future is to create it*. Therefore, if developing countries yearn for improved living conditions, then such a future can hardly be decoupled from Accountancy. ■