

Impact of Accounting Challenges, Trends and Issues

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Abstract

Accounting is a business language. We can use this language to communicate financial transactions and their results. Accounting is a comprehensive system to collect, analyze, and communicate financial information. The origin of accounting is as old as money. In early days, the number of transactions were very small, so every concerned person could keep the record of transactions during a specific period of time. Twenty-three centuries ago, an Indian scholar named **Kautilya** alias **Chanakya** introduced the accounting concepts in his book **Arthashastra**. In his book, he described the art of proper account keeping and methods of checking accounts. Gradually, the field of accounting has undergone remarkable changes in compliance with the changes happening in the business scenario of the world. A book-keeper may record financial transactions according to certain accounting principles and standards and as prescribed by an accountant depending upon the size, nature, volume, and other constraints of a particular organization. With the help of accounting process, we can determine the profit or loss of the business on a specific date. It also helps us analyze the past performance and plan the future courses of action.

KEYWORDS: Accounting, Challenges, issues and Business Transactions

INTRODUCTION

The purpose of accounting is to provide a means of recording, reporting, summarizing, and interpreting economic data. In order to do this, an accounting system must be designed. A system design serves the needs of users of accounting information. Once a system has been designed, reports can be issued and decisions based upon these reports are made for various departments. Since accounting is used by everyone in one form or another, a good understanding of accounting principles is beneficial to all.

ACCOUNTING FIELDS

The accounting profession is generally divided into two categories:

- 1) Private accounting: Private accountants are employed by a business, while public accountants practice as individuals or as members of an accounting firm. Private accountants on the other hand require no licenses. They perform tasks which have been determined by their employer.
- 2) Public accounting. Public accountants are subject to strict government regulations and requirements which are determined by each individual state where a license is granted. Accounting fields exist that specialize in very specific areas of a business. Examples are auditing, budgetary, tax, social, cost, managerial, financial and international.

BASIC ACCOUNTING PRINCIPLES & CONCEPTS

Bookkeeping is concerned with the recording of business data, while accounting is concerned with the design, interpretation of data, and the preparation of financial reports. Three forms of business entities exist: 1) sole proprietorship, 2) partnership, and 3) corporations. Corporations have the unique status of being a separate legal entity in which ownership is divided into shares of stock. A shareholder's liability is limited to his/her contribution to capital. Whenever a business transaction is recorded, it must be recorded to accounting records at cost. All business transactions must be recorded. All properties owned by businesses are assets. All debts are liabilities. The rights of owners is equity.

THE ACCOUNTING EQUATION & TRANSACTIONS

Assets, liabilities and owner's equity are the basic elements of the accounting equation. The excess of assets over liabilities is owner's equity. Thus, assets are equal to liabilities plus owner's equity at all times. Any business transaction has to affect at least one of these elements.

ACCOUNTING STATEMENTS

There are two basic accounting statements used by most businesses. The balance sheet presents the assets, liabilities and owner's equity. Each account balance in the balance sheet is reported as of the last day of the financial period. The income statement determines whether a net profit or loss was realized by matching total revenue and expenses for a specific time period. A third statement is used by some businesses. It is the statement of owner's equity which presents the changes which have taken place in owner's equity over the period.

CORPORATE ACCOUNTING STATEMENTS

The financial statements of corporations are different from those of other forms of business in several aspects. Instead of having an owner's equity section in the balance sheet statement, a corporation has a stockholders' equity. Shareholders' equity is composed of capital stock and retained earnings. Capital stock represents the initial investment of the shareholders. Retained earnings represents accumulated profits. The owner's equity statement is usually called retained earnings statement. The retained earnings statement will at times have deductions called dividends which represent payments of earnings to shareholders. Whenever shareholders buy shares of stock from the corporation, assets and stockholders' equity increase. The reverse occurs when dividends are distributed.

INCOME STATEMENTS

The income statement reports the amount of net income or loss determined by subtracting expenses from revenues during a specific time period. Only expenses which are attributable to items of income are recognized as period expenses. The net income or loss from the income statement is recorded in the statement of owner's equity.

STATEMENT OF OWNER'S EQUITY

The statement of owner's equity records the changes in the value of owner's equity. Additional investments and net profits increase owner's equity. Dividend payments, owner withdrawals, and net losses decrease owner's equity. Net profits or losses are derived from the income statement. The statement of owner's equity (or retained earnings statement for corporations) is the connecting link between the income statement and the balance sheet.

BALANCE SHEET

The balance sheet lists all assets, liabilities, and owner's equity balances as of the last day of the financial period. The balance sheet always begins with assets, then liabilities and owner's equity. Assets which are listed first are the most liquid, such as cash, accounts receivable and prepaid expenses. Liabilities are grouped by due date, with short-term liabilities listed first.

BUSINESS TRANSACTION & THE BALANCE SHEET

The following is a summary of business transactions and how they affect the items of the balance sheet.

- Initial and additional investments increase both assets and owner's equity.
- Assets purchased on credit increase both assets and liabilities.
- When assets are used to purchase other assets, there is no net change in the amount of total assets.
- Assets used to pay debts decrease assets and liabilities.
- Net income increases assets and owner's equity.
- Net losses decrease assets and owner's equity.
- Assets that are used up for the purpose of the generating revenue decrease assets and owner's equity.
- Withdrawals owners and dividends decrease assets and owner's equity.
- Expenses reduce assets and owner's equity.

CHALLENGES OF BEING AN ACCOUNTANT

1. **You may find yourself doing the same thing over and over again for a while.** This is especially true if you work in one of the bigger accounting firms, where you'll have to do some repetitive audit work before you can move up.
2. **There are cyclical periods of time when you'll almost certainly have to work overtime.** When it comes time to do taxes and other big events in the fiscal year, accountants work up to 80 hours a week.
3. **It's competitive.** Most of the people who get into accounting are naturally driven, focused, and intelligent, so that means competition for training and jobs can be intense. It's definitely not a career you can float into.
4. **You have to be able to focus under pressure.** Accounting is all about making sure that every detail is just right, and when you've been working long hours or are under a tight deadline, it can be hard to keep your focus.

5. **The training is never all the way over.** Continuing professional development is important in this field, so you'll have to be prepared to keep studying throughout your career.
6. **It's detail oriented.** This can be a good thing if you're naturally more detail-focused, but it can be really annoying and overwhelming if you're not ... and there's not really any way around it.
7. **It's traditionally a hierarchical career.** If you go into a traditional accounting position, you'll normally have to follow a very specific set of steps to move up in the hierarchy. Of course, this is changing with modern firms!
8. **Deadlines are non-negotiable.** Making deadlines is really important, since you or your clients can often get fined if you miss them, so if you're the type of person who likes to push things up to the last minute (or watch deadlines go by entirely), accounting isn't the best career for you.
9. **It's hard to watch clients make bad choices after you give them good advice.** One of the best parts about being an accountant is that you really get to know the nuts and bolts of a business, which means that you can give your clients really good advice about what they should do. Unfortunately, that doesn't mean they have to take it ... and it can be hard to watch a client do something you know will hurt their business.
10. **There's a lot of logistical requirements if you run your own business.** You've got to have your insurance and continuous professional development if you want to work as an accountant, and if you want to be a chartered accountant you'll also have to pass regular inspections.

ISSUES FACING ACCOUNTING PRACTICES

1. Staying on top of tax changes

Constant changes to the tax regime mean the need for public practice accountants to stay up to date is greater than ever. Whether those changes are intended to stimulate parts of the economy, benefit certain taxpayers, close loopholes or directly raise greater revenue, they can affect many taxpayers when only targeting the behaviour of a few, says Robyn Jacobson, a senior tax trainer from Tax Banter Pty Ltd.

At the CPA Australia Public Practice Conferences in May and June 2018, Jacobson will outline the most important changes of the last 12 months and hold master classes in Victoria and New South Wales. "Most of the tax policy I'm seeing at the moment is in response to groups of taxpayers who are not complying," Jacobson says. "Sometimes there are only small groups of people in certain industries who are not complying, but the government will turn its attention to that entire industry. It's like the old expression, 'using a sledgehammer to crack open a walnut'." "In some cases, there are just a few people doing the wrong thing but the government introduces integrity measures which affect everybody." Jacobson says some of the measures are "incredibly complex" and can increase the likelihood of taxpayers and their advisers making inadvertent errors. "Practitioners need to be across all of these changes in order to correctly advise their clients," she says.

2. Being alert to work-related expenses crackdowns

The Australian Taxation Office is also focusing on work-related expense (WRE) claims, with Tax Commissioner Chris Jordan repeatedly saying that the WRE gap (the difference between what you can claim and what is being claimed) is estimated to be greater than the corporate tax gap of A\$2.5 billion. Overclaiming is worse when an agent prepares the return, says Jacobson. “It is so important to remember that you must have incurred the expense to claim it; there is no standard deduction.” “The message is that it never stands still – tax changes are a constant,” Jacobson says. “I go out to clients once a month and speak with them about the changes, and a month later there is always so much more to talk about.”

3. Delivering to deadline without killing yourself

Public practice accounting businesses are all about client service delivery. A practice without a client service focus is not going to be in business for long. Where there used to be downtime between client deadlines, time to regroup and plan for the next project, today’s practitioners leap from one extreme deadline to the next.

“People with fantastic technical skills are being smashed by deadlines and burning out,” says Alena Bennett, leadership expert from alenabennett.com.au, who will discuss the challenge at the CPA Australia Public Practice Conference. “It’s not because they’re no longer good at what they do. Rather, it’s because they haven’t had the opportunity to experience how leadership skills can support their superb technical skills.” Why is there no longer any downtime? “There is an increasing number of changes in the market and that means the volume of work is also growing,” says Bennett, a qualified accountant. Of course, there are also changes in staff attitudes to work and to work-life balance. Where once everybody stayed until the work was complete, an exodus at 5.15pm is now not uncommon. “That leaves the partners to get the remaining work done themselves,” Bennett says.

4. Getting clients on board with new technology

Bennett says, “There are constant regulatory changes that public practitioners need to stay on top of and guide their clients through. Technology continues to evolve and that can create great opportunities for practices, but it also throws up the challenges of making the right investment, successfully deploying the new technology solutions and getting their clients on board.”

5. Growing or sustaining your accounting practice

What’s the solution? How does a business existing under constant pressure remain not only sustainable, but achieve growth? How does a practice lurching from one project to the next find time to innovate, or to surprise and delight clients with improved delivery and tailored communication?

Bennett shares four practical tips:

1. Get clear on your critical path. The landscape has changed, so must your practice. Delegate or drop non-critical activity.

2. Understand how changes as a result of #1 might impact the nature and frequency of interactions with your client and how you spend the rest of your time. Optimise your workflow.
3. Be transparent with your clients and staff about how the changes in your practice will impact them. Have effective conversations (see below).
4. Remember that any actions from #1–3 need to be congruent with your practice philosophy. If you don't have a practice philosophy, or you haven't revisited it in a while, now's a great time!

6. Thinking of small changes you can make

Bennett says, “My challenge to those that attend my presentations is to go back to work the next day and do one thing differently. “It can be as simple as communicating to your clients or staff differently, or simply considering the impact of your conduct and behaviour. How can you do things differently based on that awareness?” Small changes that inspire the people around you lead to greater clarity and thus a better ability to make decisions, which comes back to improving the business, Bennett says. It's about turning a painful cycle into a positive one, and that's good for everybody.

7. Working on your communication skills

When she first went into business 21 years ago Ondina (who these days goes without a surname), director and personal presence expert from Ondina Studio, had what she describes as “dreadful workplace conversation habits”.

It wasn't until six or seven years later that she realised something had to change. Her business was growing and she had less and less time to manage her people. “People go into business because they have really good skills around their chosen field,” Ondina says. “When they do that, they don't necessarily have other skills that are vital for running a business and particularly for managing staff.” Relationships in the office are defined by conversations, she says, and the quality of those conversations affects the quality of the business. “We all expect our team to come in and just do the job,” she says.

8. Keeping an eye on the future

Accounting firms have to be proactive if they are to attract top talent. The sector faces an ongoing skills shortage, so small- to medium-sized practices need to shift gears to ensure they attract and retain the next generation of practitioners. This can be challenging for smaller firms competing against larger organisations with more resources, but there are some key tactics that smaller firms can use to attract top talent, including highlighting the benefits of working for a small or medium practice and developing prominent brand awareness so the company is known as an attractive place to work.

CONCLUSION

You should now have a clearer idea of the context in which accounting is set. You should also be aware that accounting is the recording and processing of data into information, of the characteristics of 'good' information, and of the relationship between accounting and organisational objectives. The new accounting theory that would be introduced ,keeping into the mind that it will have a mixed application of the accounting

particular, result that the separate application of the debt and equity has so many clauses which are still remained into exceptions. The accounting concept would require to be revised as there are more provisions to be made the accountants will have to rely on more such provisions, which would bases on the case to case basis. This will not give a clear picture in the account. The more the provisions are, greater are the chances of losing there

liability. As we all know, the concept of accounting is a dual aspect and has it an application in both the place to reconcile the final state of the accounting entry. Making or providing more provisions will not help much as it will either have no correct treatment for the accounting entries. Moreover, implementation of such changes in the accountancy standards will take some more time to implement correctly all over the place, the impact which it would be making is that the movement and merging of the current measures to globally acknowledged ones will constrain accounting experts to take in the new standard, and will prompt consistency in book-keeping practices.

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