

T.C.
ISTANBUL AYDIN UNIVERSITESI
INSTITUTE OF SOCIAL SCIENCES



**THE EFFICIENCY ANALYSIS OF ACCOUNTING TRANSPARENCY AND
REALISATION ON IAS 1 PRESENTATION OF FINANCIAL STATEMENTS
WITHIN TRANSNATIONAL MANAGEMENT**

THESIS

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FOREWORD

Transparency issue is considered as one of the main problems worldwide and it is times more difficult when the company is big and transnational. Due to this reason, I preferred to choose this subject for the thesis.

This purpose of this thesis is to show how important to implement various standards and how it is times more effective when one organisation applies various standard at the same time.

I would like to thank Assist. Prof. Hülya Boydaş Hazar for all her suggestions and guiding which is highly appreciated by me. I would also like to thank my family who is always by my side.

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Ozlam TAHIRLI

TABLE OF CONTENTS

	<u>Page</u>
FOREWORD.....	iii
TABLE OF CONTENTS.....	iv
LIST OF TABLES.....	vi
LIST OF FIGURES.....	vii
ABSTRACT.....	viii
ÖZET.....	ix
1. INTRODUCTION.....	1
1.1 Purpose of Thesis.....	1
2. IAS 1: PRESENTATION OF FINANCIAL STATEMENTS.....	3
2.1 IAS 1 Definition.....	3
2.2 IAS 1 Principles and Requirements.....	3
2.3 Set of Financial Statements Required by IAS 1.....	4
2.4 IAS 1 Purposes and Influences.....	11
2.5 IAS 1 Implementation.....	13
3. TRANSNATIONAL ORGANISATION.....	16
3.1 Transnational Organisation Definition.....	16
3.2 Transnational Organisational Accounting Structure.....	20
3.3 Transnational Organisational Policies and Procedures Relating to Accounting Compliance.....	24
3.4 Transnational Organisational Development and Integration.....	34
3.5 Importance of IAS 1 for Transnational Organisations.....	38
4. INTERNATIONAL ACCOUNTING TRANSPARENCY AND DISCLOSURE.....	44
4.1 International Accounting Transparency and Disclosure Definition.....	44
4.2 International Accounting Transparency and Disclosure Priorities.....	50
4.3 International Accounting Transparency and Disclosure Significance.....	51
4.4 IAS 1 Application to Corporate International Accounting Transparency and Disclosure Policy.....	54
4.5 Factors Influencing International Accounting Transparency and Disclosure.....	55
4.5.1 Costs and Risk.....	55
4.5.2 Public's Right to Know Good Governance.....	56
4.5.3 Rights of Public Servants.....	56
4.5.4 Effective Public Administration.....	57
4.6 Benefits of International Accounting Transparency and Disclosure.....	59
4.7 International Accounting Transparency and Disclosure Failure.....	63
5. PARTIES AFFECTED BY INTERNATIONAL TRANSPARENCY AND DISCLOSURE.....	67
5.1 Affection by International Transparency and Disclosure	67

5.2 Government and its Entities.....	68
5.3 Company Board of Directors.....	70
5.4 Company Management.....	71
5.5 Company Employees.....	72
6. APPLICATION.....	74
6.1. Introduction of the Company.....	74
6.2 Company History and Structure.....	74
6.3 Integration of Transnational Organisations into Accounting Transparency and Disclosure.....	74
6.4 Single Standard Implementation and Realisation.....	84
6.5 Factors of Single Standard Implementation and Realisation.....	86
6.6 Benefits of Single Standard Compliance.....	88
6.7 Failure of Single Standard Implementation and Realisation.....	90
6.8 Additional Actions for International Transparency and Disclosure Realisation.....	94
6.9 The Mechanism of International Transparency and Disclosure Realisation.....	98
7 CONCLUSIONS AND RECOMMENDATIONS.....	118
7.1 Practical Application of This Study.....	118
7.2 Recommendations for Realisation of International Transparency and Disclosure Procedures	123
REFERENCES.....	134
RESUME.....	136

LIST OF TABLES

	<u>Page</u>
Table 2.1: Statement of financial position sample	5
Table 2.2: Statement of comprehensive Income sample	6
Table 2.3: Balance sheet sample.....	8
Table 2.4: Statement of cash flows sample	9
Table 3.1: Duty division.....	25
Table 3.2: Fund authorisation sample.....	26
Table 3.3: Backup System Procedures sample.....	33
Table 3.4: Backup System Targets.....	34
Table 5.1: Most and least transparent companies.....	69
Table 5.2: Functions of the Boards.....	70
Table 6.1: Examples of differences between IFRS and U.S. GAAP.....	76
Table 6.2: Examples of differences between IFRS and U.S. GAAP.....	77
Table 6.3: Transparency realisation stages.....	94
Table 6.4: Payment history.....	106
Table 6.5: Extract from payment history.....	106
Table 6.6: Extract from payment history.....	106
Table 6.7: Extract from payment history.....	107
Table 6.8: Extract from payment history.....	107
Table 6.9: Extract from payment history.....	107
Table 6.10: Extract from payment history.....	107
Table 7.1: A sample of differences between IFRS and U.S. GAAP.....	122

LIST OF FIGURES

	<u>Page</u>
Figure 2.1: Worldwide share scale	15
Figure 3.1: Top transnational companies sales statistics	18
Figure 3.2: Company structure model	20
Figure 3.3: Financial/accounting division model	22
Figure 3.4: Transnational organisations entity connection.....	23
Figure 3.5: Transnational organisation’s barriers and targets.....	36
Figure 4.1: Accounting transparency factors	52
Figure 4.2: Transparency view from perspective of company and investors.....	53
Figure 4.3: Influences affecting transparency	56
Figure 4.4: Corporate Governance cycle	63
Figure 5.1: Transparency effect.....	67
Figure 6.1: 1st phase activities.....	78
Figure 6.2: 2nd phase activities	80
Figure 6.3: Money laundering forms.....	81
Figure 6.4: 3rd phase activities.....	83
Figure 6.5: 4th phase activities	84
Figure 6.6: Algorithm of applied solution	100
Figure 6.7: Algorithm of applied solution	101
Figure 6.8: Algorithm of proper management in scope of transparency realisation.....	103
Figure 6.9: International transparency mechanism (single entity).....	114
Figure 6.10: Organisation departments scheme and integration (application).....	115
Figure 7.1: International transparency mechanism (several entities).....	120

THE EFFICIENCY ANALYSIS OF ACCOUNTING TRANSPARENCY AND REALISATION ON IAS 1 PRESENTATION OF FINANCIAL STATEMENTS WITHIN TRANSNATIONAL MANAGEMENT

ABSTRACT

Accounting standards are counted to be the force that guarantees the proper compliance of a company to the accounting principles. Each standard has a specific role in the accounting processes, however each company has its own attitude to all of them. This attitude depends on number of factors, such as the scale of company, region of activities, its own principles and etc.

At the time when a world is living through globalisation and integration, international companies are ruling companies in the world as they cover big territories and involve many people. In order to be able to properly manage such companies the management has an obligation to create certain standards inside the companies that would fit its entities all around the world. These standards are playing the role of a unique and universal “language” within certain sphere of activities. Respectively, the company has to deal with its accounting issues as well and determine its own standards within the company which at the same time have to fit the international accounting standards as well. While each company has to follow these standards in full power, in reality it rarely happens and most of the time companies live through number of gaps. The compliance of standards is the liability of the company management and it directly affects both image and prosperity of the company.

Below we will observe all the issues that a company faces while trying to comply one of the most important accounting standards, IAS 1 and what happens when a standard is mistreated. As a result of gaps in standard compliance we will see the effect of management mistakes on the company image and performance. Besides that, we will overview the experience that was gained in an international construction company regarding standard compliance and elimination of transparency and disclosure failure, its consequences which will show what actions should be taken in order to keep the image and performance of a company on top.

Keywords: *Accounting, IAS 1 Standards, Transparency, Transnational Organizations.*

MUHASEBE ŞEFFAFLIKININ UYGULANAN MALİ TABLOLARIN SUNUMUNA İLİŞKİN UYGULAMA FAALİYETLERİNE İLİŞKİN ETKİNLİKLER İLE İLGİLİ ANALİZ

ÖZET

Muhasebe standartları, bir şirketin muhasebe ilkelerine uygunluğunu güvence altına alan bir güçtür. Her standardın muhasebe süreçlerinde belirli bir rolü vardır, ancak her şirketin her biri kendi tavrına sahiptir. Bu tutum, şirket ölçeği, faaliyet bölgesi, kendi ilkeleri ve benzeri faktörlerin sayısına bağlıdır.

Bir dünya küreselleşme ve entegrasyon vasıtasıyla yaşarken, uluslararası şirketler, büyük toprakları kapsadığı ve birçok insanı içerdikleri için dünyadaki yönetici şirketler. Bu tür şirketleri düzgün bir şekilde yönetebilmek için, yönetim, şirketlerin tüm dünyaya uyacak belirli standartlar oluşturma yükümlülüğüne sahiptir. Bu standartlar, belirli faaliyet alanlarında benzersiz ve evrensel bir "dil" rolü oynamaktadır. Şirketin her biri aynı şekilde muhasebe konularıyla uğraşmak ve şirket içinde kendi standartlarını belirlemek ve aynı zamanda uluslararası muhasebe standartlarına uymak zorundadır. Her şirket bu standartları tam güçle takip etmek zorunda iken, gerçekte nadiren olur ve çoğu zaman şirketler boşluklar yaşar. Standartların uyumu şirket yönetiminin sorumluluğudur ve şirketin imajını ve refahını doğrudan etkiler.

Aşağıda, bir şirketin en önemli muhasebe standartlarından birine uymaya çalışırken karşılaştığı tüm sorunları, IAS 1'i ve bir standart kötü muamele gördüğünde ne olacağını gözlemleyeceğiz. Standart uyumluluktaki boşlukların bir sonucu olarak yönetim hatalarının şirket görüntüsü ve performans üzerindeki etkisini göreceğiz. Bunun yanında, bir uluslararası inşaat şirketinde standartlara uyma ve şeffaflığın ortadan kaldırılması ve ifşa hatasının ortadan kaldırılması konusundaki deneyimine bir şirketin imajını ve performansını en üst seviyede tutmak için ne tür önlemler alınacağını gösteren sonuçlara genel bir bakış yapacağız.

Anahtar Kelimeler: *Muhasebe, IAS I Standardı, Şeffaflık, Uluslararası Örgütler*

1. INTRODUCTION

1.1 Purpose of Thesis

The purpose of this thesis is first of all to show all the issues and factors which an international company lives through by trying to fit the accounting standards at all of the stages of company progression. By showing these factors we will observe the main barriers within the standard that the company meets and how they should be treated in order to keep the company both fitting the accounting standards and continuing its own internal processes.

Once we determine the tough points of IAS 1 implementation into the company's accounting processes we can find alternative solutions that company may apply. As per the experience of international construction company we will be able to see how they managed to fix their issues within the company, including such important ones as transparency and disclosure failure. Besides that, it is an important issue to fully understand the purposes of the international accounting standards and recognise the benefits that it may provide to the company. While each country has its own accounting standards, other countries are obligated to understand and comply the standards of other countries. International accounting standards eliminate this issue by providing with single stated standard that is internationally accepted, tested and recognised. Respectively, international accounting standards play role of universal solution for the management of international companies. When a company understands and recognises this significance it is ready for full implementation of all standards.

This thesis will show the true purposes of standards and how they actually benefit companies. On the sample of transnational management, we will be able to observe how this factor is fully explored and recognised.

Another purpose of this thesis is to show how non-compliance to the standards raises internal issue of the company and what are the symptoms of such issue. On the sample

of construction company, we will be able to see how the company had passed through employment crisis due to the non-compliance to the IAS 1. This crisis brought up to temporary termination of all the construction processes that put the whole work of the company under the risk. However, this crisis became a lesson for the company that had to take a deep analysis of the situation in order to fix all the gaps in shortest possible period of time.

The final purpose of this thesis is to show how efficient international accounting standards are realised on the case of transnational management, the reasons of the outcome, its factors and consequences. It is important to determine the difference of accounting standards realisation between single-country based and international companies, the factors that influence these processes and where the differences occur. Also, we will observe the outcome of the differences and be able to build up a mechanism that will fully show what an international company should take as an instruction while complying IAS 1 and eliminating all the ways to transparency and disclosure failure possibility. Such kind of mechanism would guaranty an efficient IAS 1 compliance and accounting transparency and disclosure, which is a key for prosperous company management and performance.

2. PRESENTATION OF FINANCIAL STATEMENTS

2.1 IAS 1 Definition

International Account Standard 1 was primarily presented to the society in March of 1974 and had full name as Disclosure of Accounting Policies. This title bares basic and main principle of this standard despite further changes in it that followed during next years. Overall ISA 1 lived through 22 changes with last one that happened in December of 2014 and second title change that happened in September 2007 when the standard full name became IAS 1 Presentation of Financial Statements. (Edmonds, T., Edmonds, C., McNair, F. and Olds, P., 2012, pg.90-103)

IAS 1 Presentation of Financial Statement is a standard that states all the conditions and requirements settled before the company management regarding financial statement construction, provision, content and presentation. IAS 1 covers all required documents, forms, tables and statement that should be included in the provided statement. IAS 1 guarantees the truthfulness of provided information when a company complies all its requirements in full power. IAS 1 is an unavoidable requirement for company willing to be internationally recognised and accepted. IAS 1 is the very first standard among all other accounting and financial standards which is explained by its and unavoidable significance as IAS 1 is the base and starting point of accounting standards complying processes.

2.2 IAS 1 Principles and Requirements

The main principle of IAS 1 is providing true and transparent disclosure of all required information to the related parties. The related parties may be primarily and secondary related ones. The primarily related parties are active shareholders and company

members, i.e. employees and management. The secondary related parties are media and public in general, i.e. possibly future shareholders.

Once a company fully complies the IAS 1 requirements, it fulfils the principles of the standard in whole. It is obvious that shareholders and company members have right to get wider scope information about the financial position of the company, however it does not approve any false information provided to the media and public. In other words, the public and media may not be provided with deeply detailed information about the financial statement of the company but general numerical information provided to them must be true and transparent.

IAS 1 is the standard that defences the rights of shareholders and public in general by forcing the companies to provide transparent information and widest disclosure that is applicable in the frames of company privacy as well. IAS 1 principles do not harm the confidentiality of the company however it states that the confidentiality frames of one company may not conflict with the right of shareholders on information disclosure. In other words, a company may not avoid information sharing with its shareholders when it refers to their dividends which is directly connected to the financial statements of the company, by approving it with company confidentiality policy. IAS 1 made the process of dividend sharing among shareholders transparent and realised the process of the financial disclosure. As we can see per history IAS 1 had a history of more than 40 years and it is constantly gets upgraded that proves its significance and need. (Best, N., Stiff, P., Astanti, 2014, pg.100-112)

Before observing the technical requirements of IAS 1 first of all we should have a deep analysis on the meaning, reasons of these requirements, i.e. see the roots of statement provision requirement. IAS 1 main requirement form the companies is the responsible use of all funds, income that company gets, its usage and division. A company should first of all understand that shareholder/stockholder is not just a party that buys some shares and keeps them till certain period, first of all he/she is investor that automatically gives him right to know what truly happens inside the company, what its strong and weak points are, which risks it ever had or may have in future. In other words, a company has to have a “professional respect” to its shareholders and make sure that the funds that are invested by them are fairly managed. Meanwhile shareholders may not be involved in all daily processes inside the company and the

instruments that provides them with all required and sufficient information are financial statements of the company. Correspondingly by providing information to the shareholders the company is responsible to provide truthful and transparent information.

Once a company fully understands its responsibility before the shareholders it would be able to keep all its accounts in proper position. Respectively transparency and disclosure realisation would be correctly applied as well.

Another requirement of IAS 1 is to provide understandable information to the shareholders and public, i.e. information that would be clearly understood by its users. Due to this IAS 1 identified all the statement and its proper construction principles. At each upgrading IAS 1 gets new changes for better understanding of financial information that is provided to shareholders, with deeper explanations and appendixes.

2.3 Set of Financial Statements Required by IAS 1

As it was stated above a company has certain standard for information provision as per IAS 1.

Below we can see the list of required documents that a company should provide to its shareholders.

1. a statement of financial position as at the end of the period

This document has to include all eligible information about assets, liabilities and equity respectively.

In assets part it should mention all below units:

- Current assets: cash and its equivalents, accounts receivable, prepaid expenses, securities, inventory, and other liquid assets.
- Fixed assets: all units with corresponding depreciation
- Current (short-term) liabilities: payables and expenses
- Long-term liabilities: debts and etc.
- Equity: common stock and earnings (Radebaugh L.H. and Gray S.J. (2002). p.19-33, 104-125, 347-364)

As per the statement of financial position the user may access information about how much money is cumulated as equity for shareholders.

sample:



Table 2.1: Statement of financial position sample

<p>Statement of Financial Position December 31, 2015</p>
--

Assets

Current Assets

	Cash	\$ 32,800.00
	Inventory	\$ 39,800.00
		<hr/>
Total Current Assets		\$ 72,600.00

Fixed Assets

	Leasehold Improvements	\$ 100,000.00
	Accumulated Depreciation	\$ -2,000.00
		<hr/>
Total Fixed Assets		\$ 98,000.00

Other Assets

	Trademarks	\$ 20,000.00
	Accumulated Amortization	\$ -8,000.00
		<hr/>

Total Other Assets	\$ 12,000.00
	<hr/>
	\$
Total Assets	182,600.00

Liabilities

Current Liabilities		\$
	Accounts Payable	49,000.00
		\$
	Accrued Expenses	1,000.00
		<hr/>
Total Current Liabilities		\$ 50,000.00
Long-term Liabilities		\$ 25,000.00
		<hr/>
Total Liabilities		\$ 75,000.00

**Owner's
Equity**

Owner's Equity		
	Common Stock	\$ 20,000.00
		\$
	Retained Earnings	87,600.00
		<hr/>
		\$
Total Owner's Equity		107,600.00
		<hr/>
Total Liabilities and Owner's Equity		\$ 182,600.00

Source: (Edmonds, T., Edmonds, C., McNair, F. and Olds, P. (2015) pg.54-60)

2. statement of comprehensive income for the period

This document shows all information about the revenue and expenses and what net income and comprehensive income is after all movements.

sample:

Table 2.2: Statement of comprehensive income sample

Income Statement	
For the Year Ended Dec 31, 2015	

Revenues	
	\$
Merchandise	24,800.0
Sales	0
Music Lesson	\$
Income	3,000.00
	\$
Total	27,800.
Revenues:	00
Expenses	
	\$
Cost of Goods	10,200.0
Sold	0
Depreciation	\$
Expense	2,000.00

	\$	
Wage Expense	750.00	
	\$	
Rent Expense	500.00	
	\$	
Interest Expense	500.00	
	\$	
Supplies Expense	500.00	
	\$	
Utilities Expense	400.00	
	\$	
Total Expenses:	14,850.00	
	\$	
	12,950.00	
	\$	
	12,950.00	

**Comprehensive Income Statement
For the Year Ended Dec 31, 2015**

			\$
			12,950.
Net Income			00

Other

Comprehensive	Unrealized gain on available	\$	
Income	for sale securities	1,000.00	

\$ -

Unrealized loss on held to maturity securities	500.00
--	--------

Foreign currency adjustments

	\$	-	\$
	100.00		400.00
			\$
			13,350.
			00

Source: (Edmonds, T., Edmonds, C., McNair, F. and Olds, P. (2015) pg.54-60)

3. a statement of changes in equity for the period

This statement shows the details of what equity contains as per the income and expenses during the year.

Table 2.3: Balance sheet sample

sample:

<p>Balance Sheet Dec 31, 2015</p>

Asset
s

Current Assets

		\$	
	Cash	32,800.00	
	Accounts Receivable	300.00	
	Prepaid Rent	1,000.00	
	Inventory	39,800.00	
		\$	
	Total Current Assets	73,900.00	

Long-term Assets

	Leasehold	\$	
	Improvements	100,000.00	
	Accumulated	\$ -	\$
	Depreciation	2,000.00	98,000.00

	\$
Total Long-term Assets	98,000.00

	\$
Total Assets	171,900.00

Liabilities

Current Liabilities

	\$
Accounts Payable	49,000.00

	\$
Accrued Expenses	450.00

	\$
Unearned Revenue	1,000.00

	\$
Total Current Liabilities	50,450.00

	\$
Long-term Liabilities	99,500.00

Total	\$
Liabilities	149,950.00

**Owner's
Equity**

Owner's Equity

	\$
Retained Earnings	11,950.00

	\$
Common Stock	10,000.00

	\$
Total Owner's Equity	21,950.00
	\$
Total Liabilities and Owner's Equity	171,900.00

Source: Edmonds, T., Edmonds, C., McNair, F. and Olds, P. (2015) pg.54-60

4. a statement of cash flows for the period.

This statement shows all cash movements of company as this account is very sensitive for each company and bares necessary information

sample:

Table 2.4: Statement of cash flows sample

<p>Statement of Cash Flows Dec 31, 2015</p>

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Net income	\$ 12,950.00
------------	--------------

Adjustment to reconcile net income to net cash provided by operating activities:

Depreciation on fixed assets	\$ 2,000.00
------------------------------	-------------

Increase/decrease in current
assets

Accounts Receivable	\$ -300.00
Inventory	\$ -39,800.00
Prepaid Expenses	\$ -1,000.00

Increase/decrease in current
liabilities

Accounts Payable	\$ 49,000.00
Accrue expenses and unearned revenues	\$ 1,450.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 24,300.00

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	\$ -101,000.00
NET CASH USED IN INVESTING ACTIVITIES	\$ -101,000.00

**CASH FLOWS FROM FINANCING
ACTIVITIES**

Proceeds from line of credit	\$ -
Payments on line of credit	\$ 10,000.00
Proceeds from long-term debt	\$ 99,500.00
Payments on long-term debt	\$ -

NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES	\$ 109,500.00
	<hr/>
NET INCREASE (DECREASE) IN CASH	\$ 32,800.00
BEGINNING CASH BALANCE	\$ -
	<hr/>
ENDING CASH BALANCE	\$ 32,800.00
	<hr/>

Source: (Edmonds, T., Edmonds, C., McNair, F. and Olds, P., 2012, pg.90-103)

5. notes, comprising a summary of significant accounting policies and other explanatory information
6. a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Depending on the different company policies the mentioned above statements may have different names, which still has to have the same content of information as the statements above do.

While reporting to the shareholders a company has an obligation to provide with full information including each and every above mentioned statement which is considered as responsibility of company management. Absence of any of mentioned statements is not accepted and would be valued as IAS 1 abuse. In further units on examples we will review how these reports actually look and that will deeply explain their significance by showing their full content.

Many companies may also provide some additional documents while reporting to shareholders as per below stated:

1. External information about company performance, such as journal articles and public reviews, environmental reports and explanatory letters, internal and external audit process, result information

2. List naming the funding entities, calculation of finally ratios.
3. The company's resources that are not recorded in the statements that are permitted as per IFRS. (Radebaugh L.H. and Gray S.J. 2014, pg.30-55)

Environmental reports may be some annual reports, reviews of feedback from the local entities where a company operates and which should be responded by the company management in order to resolve the issue.

At the same time when a company lives through tough periods the company management may wish to present some explanatory letter to its shareholders. Usually, such letters include reasons and explanations why a company has some certain issue and proposals of future changes, possible forecast of company future, action and business plans. All these documents are not required by IAS 1, however there are welcomed and a proof of company's responsibility recognition and deduction.

By listing the funding, investing entities the company usually tries to prove the performance success of a company, showing the interest of other entities in their business. The same purpose is hidden in provision of financial ratios, as the numbers with positive meaning would motivate the shareholder and play an advertisement role for a company. This action would help a company to gain more shareholders and interested parties.

There is a negative side of additional information provision, as in case a company stops provided with additional information it may be considered by shareholders that the company I has certain issues and simply does not have certain achievements to share with its shareholders. This is the reason why companies as per precedent are very sensitive about provision of additional information and usually limit themselves with standard newsletter.

2.4 IAS 1 Purposes and Influences

The purpose of IAS 1 is to develop certain system or standard within each company that would ensure proper provision of information to shareholders and all involved parties. Each company has its own internal procedure and policies that determines the route how a company acts. At the same time company and its management are only

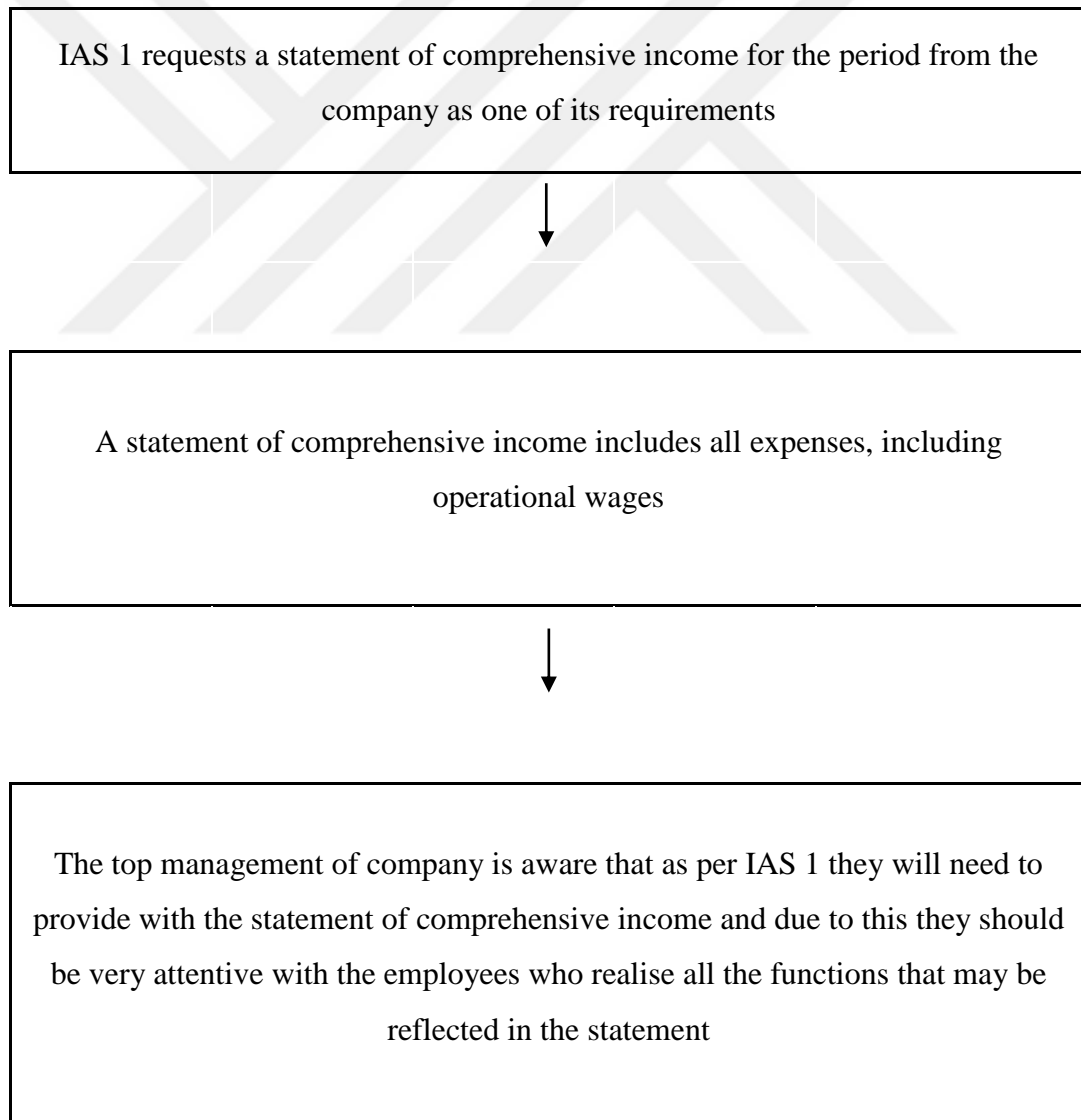
parties that have an access to full information about their company and respectively they may provide some information or not. In order to have an outside mechanism that would make the companies obliged to provide necessary information to the shareholders IAS 1 made a frame of significantly important and needed information that each company has to provide to its shareholders. Otherwise the company would be counted as non-compliant to the international accounting standards and would not be recognised as a reliable side. The main purpose of IAS 1 is to keep all necessary information for shareholders transparent and proper in order to avoid misunderstanding and failure. IAS 1 ensures fair conditions of business organisation between one company and its shareholders. (Radebaugh L.H. and Gray S.J. 2014, pg.30-55)

At the same time IAS 1 is influencing the whole company by setting certain standards and requirements before them. The company feels responsibility for its actions and it is not related to only reporting period, it affects their daily business life as they all know that at the end of reporting period they would need to answer for this actions. From the other side they may not keep their company with transparent but poor performance as this will also affect the decisions of shareholders. IAS 1 influences the company decision making processes which lie in the very centre of the company. The decision making of each company is tightly connected with all strategical processes of the companies, including business plan development, policy construction and new market integration. Respectively it means that IAS 1 influence both administrative and operating departments of the companies. In other words, IAS 1 is the standard that makes company act the most proper and transparent way both inside the company and in relationship to its shareholders.

It is the top management's duty to follow IAS 1 requirements as it falls under strategical decisions category which is the management's responsibility. Non-compliance to the standards can directly bring up to the loss of shareholders, decrease of the share prices in the stock exchange market, harm of company image, revenue loss, high employment liquidity and other issues that can bring up to irrecoverable results. As per precedent of other companies during last 40 years the companies are aware of possible issues that they may experience in case of standard failure and due to this they value the option of IAS 1 non-compliance as the worst possible scenario.

It is a known fact that companies have to make daily efforts in order to gain the name of company that follows the IAS standards and especially IAS 1, however the compliance of the standard brings up to many benefits, including main one, revenue rise. This is a driving power for the company management once they make decisions, including employee hiring and procurement processes. The responsibility that falls on the management makes them be very sensitive in each and every decision making within the company, so that it does not impact the reports that will be submitted to shareholders as per IAS 1 requirements on constant basis. (Rzayev,Q. 2007, pg.45-57)

Below as sample we may see some processes that get influenced by IAS 1. (Rzayev,Q. 2007, pg.60-76)





As management requires fair and responsible employees, Human Resources department is responsible to find and employ eligible professionals for corresponding positions.



When a Procurement department with professional employees, chooses a supplier it knows that all the processes should be done with high level of transparency, including tenders if necessary. Procurement department keeps in mind, that the wages would be reflected in the statement of comprehensive income, and it will be controlled by management



Once a supplier is chosen and a contract is signed, the Operational department is aware that all the expenses should be adequate and reasonable, as it will affect the statement of comprehensive income. Due to this, it will be controlled by management directly

As we may see in the table 5, all the processes inside the company are interrelated and this connection gets more sensitive because of IAS 1. This sample showed only one small part of IAS 1 requirements that make us recognise the significance of this standard in whole. Due to this we may state that IAS 1 influences the whole company in general and certainly bring progress to the company.

2.5 IAS 1 Implementation

Once a company prepares all the necessary reports it should enclose them with the shareholders. Nowadays this process happens easier than it was before, as just emails get sent to the corresponding parties.

The reporting period should cover 1 year and be presented at the end of each year, however this year may not be a calendar year. It is a known fact that most of the times companies have the financial year, which rarely starts and ends as a calendar year in order to escape information traffic and work load issues. However, if a company decides to change its financial year and presents the reports earlier or later than it usually did, it should present an additional appendix explaining the change of reporting period beforehand and in addition provide a report covering the difference period. In

case a company mistreats this rule it is counted as IAS 1 abuse. Besides that, in the comments that company provide to the shareholder comparative analysis should also be included. This analysis should show all the rises and falls in different categories correspondingly. (Radebaugh L.H. and Gray S.J. 2014, pg.67-89)

In case a company decides to make internal changes such as changing the classification of financial statement items, it also should mention it in appendix, so that shareholders may detect the items properly for their reference. IAS 1 insists on transparent and proper explanatory report showing all the reasons why the classification change happened within the company. This was the shareholders may be understanding true reasons why a company decides to make certain changes.

Besides that, all information should be introducing in consistent way, as it is mentioned in IAS 1 guide book.

In case a company does not comply to any of International Accounting Standards, including IAS 1 it would be defined a non-compliable to standards company and would fall out of Stock Exchange.

If we look at IAS 1 and its guide, we can access all information about how company should prepare all the reports and what are the full list of requirement will all the details. However, IAS 1 means much more for a company than just a guide for reporting to shareholders. This standard bares critical points of each company and its compliance makes a company to enter a new stage of professional business making. This standard does not relate to the accounting area of a company only, it influences whole company and its route in general. When a company complies to International Accounting Standards and enter Stock Exchange it becomes visible and valuable for whole world and immediately become capable to enter new financial markets. From that moment any capable share buyer may become a part of this company by investing in its business. In whole this process IAS 1 play is a standard that makes a company to provide certain information to the shareholder. However, each and every company has hard time in preparing such reports, it should clearly value this process as key to new market integration. (Fraser, L.M. and Ormiston, A. (2010) pg.55-102)

By providing such reports to the shareholders it may either lose the shareholders or sell more shares to existing shareholders and gain new shareholders. This part totally depends on the performance of the company and IAS 1 is a standard that will show the

results to shareholders. Each company targets to get the best results in their performance so that it would be reflected in the IAS 1 reporting and would attract new shareholders that will result in the rise of the share price. However, in case c company shows poor performance it would also be reflected in IAS 1 and respectively may end up with loss of shareholders and decrease of share prices. The companies are very sensitive about their performance as in IAS 1 it is very hard to hide the poor sides of the company, however it is still possible and IAS 1 constantly work on its development and upgrading. Despite all the requirements and standard of IAS 1 the companies still find ways how to cheat on their shareholders in indirect ways and this proves how IAS 1 is important for both sides and why its compliance should be carefully watched. (Radebaugh L.H. and Gray S.J. 2014 pg.24-56)

In order to show the significance and scale of share floating in the world, we can take a look on below map of free-float equity market capitalization.



Figure 2.1: Worldwide share scale

Source: (Rzayev, Q. 2015, pg.66)

As we may see the share market occupies almost whole world and this is a ruling power that motivates the companies to show high performance in their areas. Each

company tries to become a part of world share net and IAS 1 is the standard that they have to deal with in order to achieve their goals and targets.



3. TRANSNATIONAL ORGANISATIONS

3.1 Transnational Organisation Definition

Transnational organisations are the organisations that operate in more than 1 country by locating there their maintenances. It does not particularly consider that the organisation will have the same name in each organisation or even locate any office. Transnational organisation may simply hire some other company to work for them or invest in some company for service provision.

Before overviewing the transnational organisations in details we should first of all determine the main core differences between the 4 types of the organisations that all practice business in various countries as the same time.

Below we may mention above 4 types of organisations:

International organisations:

International organisations realise importing and exporting of either raw materials, spare parts of ready products from and to different countries but they do not make any business in those particular countries. International organisations practice the pure trade of needed materials, products but is not directly interested in the business market of each country from where they are connected.

Multinational organisations:

These organisations actually do have investment in various countries and they differentiate their product as per demand of each market. Such organisations prefer to study the tastes and needs of each market in order to present the best buyable product to the potential buyers.

Global organisations:

Global organisations are well known for presenting single type product to all markets where they participate. Such organisations are usually famous for their brands that are strongly demanded in any market they wish to participate in. Franchising type of activities are mostly commonly used by global organisations.

Transnational organisations:

Transnational organisations are considered to be a more complex structures with the various types of services that they may provide with branches and entities in various countries. Unlike other types of the organisations the transnational ones mostly prefer to invest into the companies that would be realising certain activities. At the same time such companies may change their profile and chose to invest into totally different type of company that would realise type of service that was not realised before. The strongest managerial task in transnational organisations is being able to keep all entities together as each entity is free to choose the internal managerial functions and tasks, respectively fitting the frames and standards of the transnationals organisations. Besides that, the transnational organisation does not have any headquarter in the way other types of organisations do, the headquarter for transnational organisation is considered to be a centre where all reports, statements, statistics and information is gathered with purpose of modifying the organisation in a whole.

Legally transnational organisations are treated like regular companies and the taxation does not vary for them than from any other companies and each entity is observed with legal legislation of each country. As it was mentioned before the transnational organisation is more considered as a certain union that has main purpose of development and better business making. In addition, the transitional organisations target to implement the least legal integration in to their business, however, it does not mean that the companies have poor corporate governance and standard implementation. In opposite, the transnational organisations are very sensitive about their corporate governance and practice constant development of standards and procedures, that is from one side considered as requirement which will be explained in next units.

Unlike other organisation types like global and multination organisations, transnational organisations have the highest responsiveness power to the changes in the markets they are involved in. It is a usual case that a company makes certain efforts

in analysing the market before entering it, however transnational organisations constantly hire analytic consultancy companies that on constant basis analyse the market and give forecast to their clients. With their help a transnational organisation is capable to increase or decrease its investments in certain companies. (Barlett, A.C and Beamish P.W. (2014) pg.275-311, 541-591, 625-642)

Due to the complex structure the most transnational organisations are members of various stock exchange markets and prefer to sell shares to the potential shareholders for a more adequate and transparent management. Respectively, the shares are sold not by each entity or branch but by the whole transnational organisation which makes the input of each entity/branch highly valuable for the organisation.

There are various reasons why an organisation may wish to become a transnational one and most of them fall under below categories:

1. New market opportunity
2. Less cost (labour cost, raw material cost, other wages, taxes)
3. Simpler legal procedures (Litneva N,A. and Malyavkina 2006, pg.10-27)

Below we may see top transnational companies in the world along with their sales figures as off year 2011.

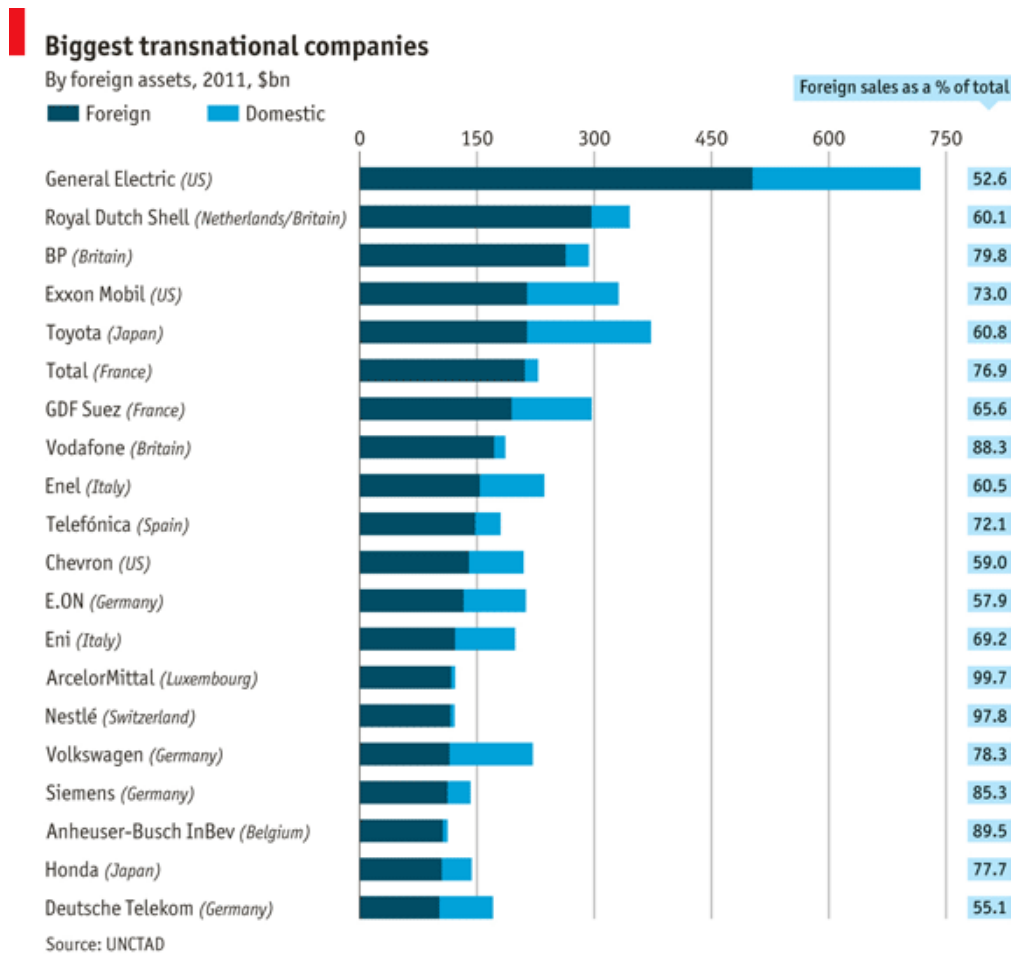


Figure 3.1: Top transnational companies' sales statistics

Source: (Skousen C.J and Walter L.M 2012, pg.30-48)

As per precedent the transnational companies are counted to be more reliable due to their image and international practice and their appearance in a new country bares success from the very beginning, however in certain cases there may be some factors due to which the companies may not wish to open there any entity or to invest in other company.

One of such samples in Starbucks company that still denies to open a company in Italy. In 1973 Starbucks company had analysed the market of Italy and the decided that Starbuck company should not open there any shop or sell any products for long period due to big competitive power inside the company. All of the drinks that Starbucks company presents to their customers were primarily invented in Italy which can easily be seen in the titles on the drinks and whole world accepts those titles as well. Italy is a country that has huge number of small coffee shops all over the country that provide

with various coffee drinks and that are widely accepted, recognised and valued by the users. As per analysis the Starbucks company would not be used by the local customers as their services would not be new or special to them. In 2016 Starbucks made another country analysis and decided that they may open a pilot company in early 2017 in Milano in order to test if the company would have any success. The reason why shop Milano was chosen as pilot one was due to huge number of tourists in that city. In other words, Starbucks company still recognises the fact that local people would not be interested in the coffee products of the company and target tourists mainly, that would value Starbucks as a familiar to them brand. However, in the end of 2016 one of the leading newspapers of Milano, Milanotoday announced the decision of Starbucks to postpone the coffee-shop opening till the middle of 2018, which is still not a certain decision.

Below we may see short part of the article which was published by Alessandro Rovellini and shared by numerous sources: (Nurunnabi, M., 2006, pg.27-90)

MILANOTODAY sections **Economy**


Economics / Duomo / Piazza Cordusio

2017, the year of Starbucks in Milan? American cafe in Italy

Where and when will

Alessandro Rovellini
31 DECEMBER 2016 15:03

3 Comments 1322 Shares




Starbucks cream

One of the most eagerly awaited new for 2017 is undoubtedly **the landing in Milan** - and, for the first time ever in Italy - of **Starbucks**, among the most famous chains of coffee shops in the world. A small Copernican revolution as the store always had 'ignored' Italy, although it is present throughout the world.


On the timing there are still certainties - as often happens in these cases there are slips - but in autumn there was talk of a possible opening in September 2017, with the beginning of the promotional activities in January and February of the New Year. At present, although many specialized sites give open recruiting efforts, **there are still no official positions** where a candidate, nor was specified what are the profiles required. And an update confirms this thesis: the number 1 Percassi, the group that will bring Starbucks in Italy, said that **"everything will be ready in June 2018"**.

INSIGHTS




Starbucks in Milan, now it is all done, the coffee shop will open in September in Cordusio

October 20, 2016







Starbucks, as well as on arrival in Italy, becomes more "Milan": partnership with Princi

July 15, 2016




Starbucks in Milan

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As we can see in the article the coffee-shop opening of Starbucks company had already been postponed for several times and it may seem that the reason of this uncertainty is just the competitiveness power of Italian market, however the roots of this issue lie much deeper. The main reason why Starbucks is not sure about the success in Italy are the cultural and historical factors of the country. Italy already has all the services and products that Starbucks want to sell in the country and it make their goods less attractive for the users. It may seem that Starbucks should not have succeeded in Turkey as well, due to the fact that coffee from the beginning was taken to whole Europe from Turkey. However, in Turkey Starbucks has been succeeding for many long years. There appears a question why there is a risk of failure for Starbucks company in Italy. The reason is that unlike Turkey Italy had developed big number of various coffee drinks that are very popular in the country itself, while in Turkey such drinks have not been widely provided by local coffee-shops. Besides that, Italy has several world leading companies that traditionally been working on inventing and developing numerous machines that prepare different coffee drinks. These companies had developed a brand name that is recognised all over the world, such as Illy, Lavazza, Gaggia, Bialetti.

As we can see there are various reason why one company may decide to integrate or not into one country which bares big analysis behind it.

3.2 Transnational Organisational Accounting Structure

Once a company is a transnational company it has to have a well-developed system inside the company so that all entities interact with each other and provide the needed services. The details of the system depend on the type of the company and services that it provides. However, it a known fact that any company no matter how big it is needs a well-functioning accounting system.

Transnational organisations respectively have a more complicated internal system than a local companies do and it relates to accounting department as well. Unlike local organisations, the transnational ones have to deal with legislations of different countries, including tax legislation as well. Besides that, the transnational companies have to develop such system where all entities of an organisation would have to tightly interact with each other a have a well-functioning communication system.

Before determining how accounting structure should look in transnational organisations we should observe the look in regular companies and what are their main differences. As a single-country based company does not have to deal with different entities from other parts of the world and different legislations, the structure of such company would look a simple scheme. However, this scheme has many implications in reality and the implementation of all duties consider hierarchic relations between the parties. (Skousen C.J and Walther L.M (2012) pg.30-48)

Below we may see how a company’s accounting system should look when it is properly constructed.

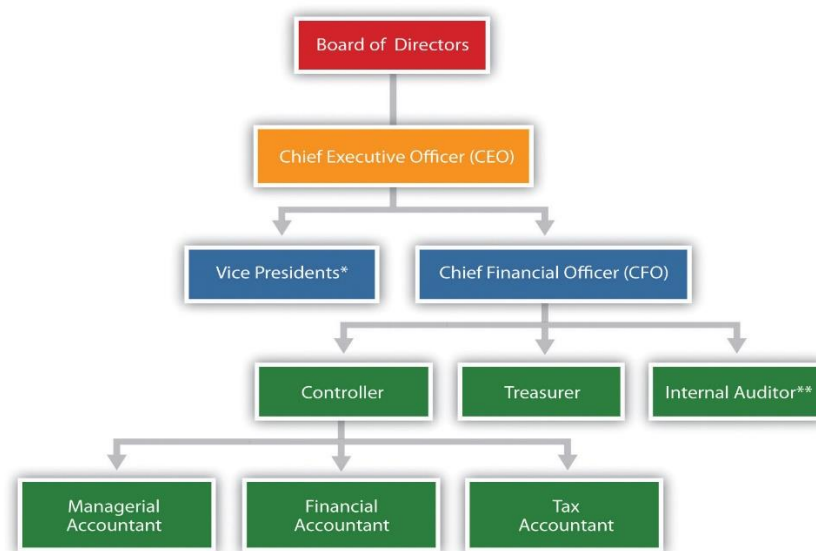


Figure 3.2: Company structure model

Source: (Warren, C.S., Reeve, J.M. and Duchac, J. (2013). pg.100-112)

As we can see on the top of an organisation there is Board of Director who are responsible for the main strategic decisions of the company and shoes the route of company the way it start and should keep going on. The Board of Directors are the main shareholders of the company, which means that when an individual or company buys certain percentage of shares of certain company it becomes the member of Board of Members.

The Board of Members have only one person from the company who they communicate with and who directly reports to them, is responsible for Board of Members meeting organisations and request implementations. That person is Chief

Executive Officer (CEO), who is actually counted to be the one who passes the decisions and instructions of Board of Members to all the company and that is why he/she is considered as “head” person in the company. We should keep in mind that most of the times the company never meets any members of Board of Members. Besides mentioned responsibility’s, CEO is responsible for the management of whole company in general and in order to keep everything under control he has his managerial advisors/assistants.

Vice Presidents and Chief Financial Officer are obliged to report to Chief Executive Officer and to properly manage their entities. The company may have several Vice Presidents responsible for operations, customer services, administration and other entities depending on the company profile and a Chief Financial Officer who is totally responsible for accounting department and financial management of the company. (Spiceland, J.D., Thomas, W. and Herrmann, D. (2010). pg.60-71)

Chief Financial Officer is not responsible for financial planning and management only, one of its most significant duties is managing the financial risks of the organisation. This position is one of the most important positions of the company and each company spends lots of effort in order to finds proper CEO for their organisation. Chief Financial Officer is the one who decides the financial direction of the company and the way they should manage their funds. (Warren, C.S., Reeve, J.M. and Duchac, J. (2013). pg.100-112)

At the same time Financial Controller, Treasurer and Internal Auditor have to report directly to Chief Financial Officer and further on we may see that Managerial Accountant, Financial Accountant and Tax Accountant have to report to the Controller.

However, when there is a transnational organisation this hierarchy looks quite different. Once a company has different divisions around the world, starting from Cheif Financial Officer the hierarchy changes as per below.

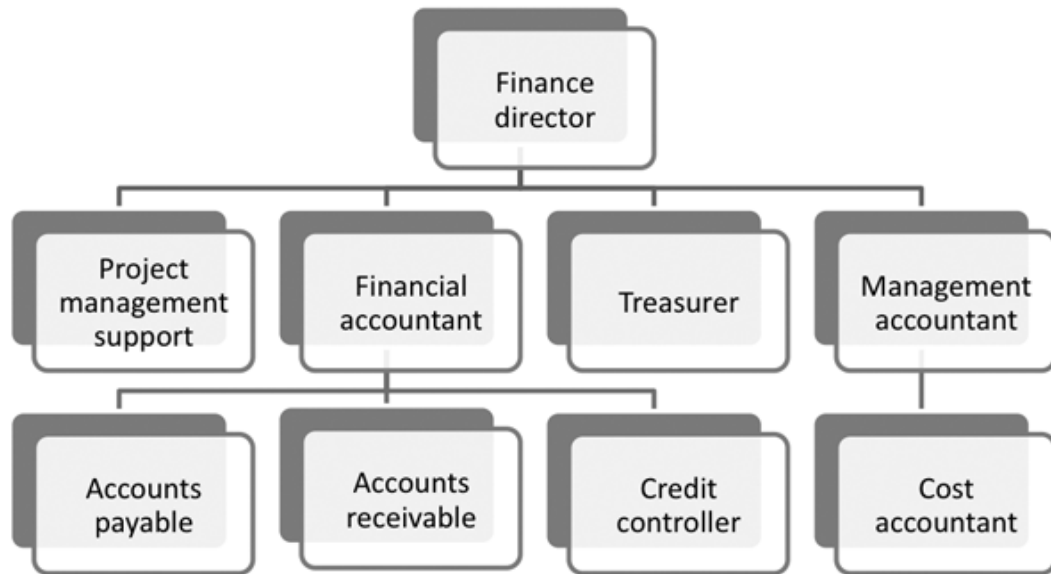


Figure 3.3: Financial/accounting division model

Source: (Warren, C.S., Reeve, J.M. and Duchac, J. (2013). pg.100-112)

In transnational organisations Finance Director of each entity in each country have to report directly to the Chief Financial Officer. In such situation Finance Director is responsible for combining all the information and providing it to CFO, instead of three different responsible employees as we saw in table 10. There are various reasons why the hierarchy has such big change in its structure once the organisation is transnational. (Barlett, A.C. and Beamish P.W, 2014, pg.56-87)

However, each company has its own suitable working structure, we may see below why such hierarchy is suitable for transnational organisations:

1. Distance issue: it is considered that when an organisation has various divisions around the worlds, it is harder to control them and due to this they make internal division of company more detailed, so that each employee knows his/her duties in strict frames.
2. Information management issue: Chief Financial Officer is only one person and an organisation may have big number of different branches all over the world and in order to have more compact and combined information, Financial Directors are the solution to this issue by providing their assistance. The CFO would have to contact only one person from each branch in order to have a full view of situation of the company.

3. Cultural and communication issues: each country in the world has its own unique culture and even though some cultures may seem familiar, it should not be the issue for CFO while he/she tries to deal with a branch from other country. Financial Director plays a role of intermediate person between the Chief Financial Director and all finance/accounting employees from each branch of the company. Any issues and concerns lived in the department would be informed by Financial Director to the Chief Financial Officer.
4. Confidentiality issues: however, this issue is normally considered regarding external matters, the confidentiality is an extremely important issue inside the company as well. Certain employees may bare some confidential data that should not be expanded inside the company as well. Respectively, if there is only one person who has access to the large number of confidential information, the lack of such information has lower risk. It does not consider total isolation from such risk, but it limits it and in case such failure actually happens, it is easier to find the weak points of the company, than if such information was kept by several employees at the same time.

As per above we saw how a transnational company's structure should look like and the reasons of this kind of division. Besides that, we should view the way a company manages its different branches/entities and controls them all at once and synchronically.

While an organisation is a transnational one it has many entities where each entity has an accounting structure as in table 10 and at the same time they cooperate with each other and have head departments as we saw in table 9. In such organisation the main division or entity is not defined and the company is ruled by board of members that may locate anywhere in the world without any relation to located entities. Transnational organisations manage to have management that has a total division from the offices and employees, however at the same time their financial state depend on the performances of the employees and the departments.

Proper work organisation of transnational organisation may be realised with clear, operative and high functioning communication processes. Otherwise transnational organisation will fail to perform its duties and will fall apart that would bring up to a fatal end correspondingly. (Cabrera, E.B. (2007), pg.15-30)

Below we may see how the transnational organisation has its departments tightly interacting as per structural chart.

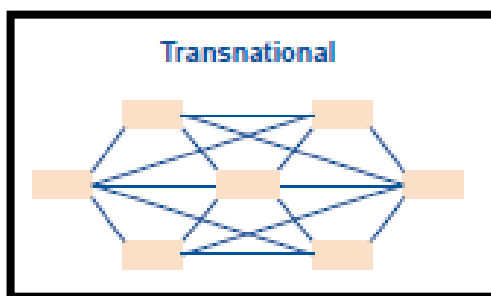


Figure 3.4: Transnational organisations entity connection

Source: (Ietto – Gillies, G. (2005). p.91-130)

This interaction does not consider only reporting side, where all the performances would be simply compared in financial way. Such tight communication and interaction considers daily exchange of gained experience in issue solving, accounts management, team building, client satisfaction and other processes. This exchange also helps a company avoid issues that could be faced. In other words, if one branch experienced some issue, by sharing its experience it may help other branches escape this issue or simply be prepared for solution proceedings. (Barlett and Beamish, 2014, pg.45-66)

3.3 Transnational Organisational Policies and Procedures Relating to Accounting Compliance

Each company despite its size and sphere of work has certain policies and procedures that establish the rules how the employees should act at their working places. It frames the responsibilities of employees and conducts procedures for implementation of certain tasks. Besides that, it states all prohibited actions that have to be properly followed by the employees. A company may have different number of procedures and policies depending on the profile of company, its needs, targets and what kind of service/product it provides. However, each company is entitled to have its own accounting procedures and policies.

The main purpose of internal accounting procedures and policies is to safeguard to company's assets, make sure that the company is managing its finances in accordance to the international standards and principles and that all accounts are transparently

recorded and logged. Respectively all personnel are entitled to comply to these accounting procedures and policies. As per standard, when an employee is hired to some certain position, he/she has to sign under these procedures as well that will prove their awareness and deduction to them. The set of organisational policies and procedures is usually called Corporate Governance.

However, each company decides for itself how internal accounting procedures and policies should be constructed there are some standard requirements that should be followed by any company in order to comply to international standards. These internal accounting procedures and policies are equally related to transnational organisations as well, that should be implemented in all branches without exception.

Below we may see necessary contents that should be mandatory included in the Accounting Policies and Procedures set manual:

1. Duty division
2. Invoicing procedures
3. Cash receipt, distribution and petty cash procedures
4. Taxation compliance procedures
5. Reporting procedures
6. Purchasing policies
7. Meeting procedures
8. Information backup systems and procedures
9. Internal and external confidentiality policy (Barlett and Beamish, 2014, pg.75-97)

Beside the mentioned above procedures and policies, a company may have some additional ones depending on the company needs and targets.

1. Duty division procedure states what each employee of accounting department is responsible for, what duties he/she has, who they report and explains the frames of employees' authorisation. According to the duties mentioned in the Accounting Policies and Procedures set manual Human Resources department conducts employment contracts for corresponding employees. The duties that are mentioned in the Accounting Policies and Procedures set manual may not differ from the duties list mentioned in the employment contracts. Besides the sum that each managerial/controlling employee may authorise is strictly

mentioned in this section. All the decisions that may be made by corresponding employees are explained and stated in this procedure in details and in case of doubt an employee may refer to the Accounting Policies and Procedures set manual for information. Except fund assignment and decision making, corresponding employees may sign certain invoices depending on the content and value.

Below we may see a sample how duties of several employees of the company are standardly mentioned in Duty Division section of Accounting Policies and Procedures:

Table 3.1: Duty division

Sign checking	Payroll approval	Accounts Receivable data entry	Accounts Payable data entry
Compensation adjustment realisation	Invoice payment approval	Allocation of payments	Payroll preparation and control
Inter-bank transfer realisation	Cheque request authorization	Reconciliation of bank account and receivables balance	Petty Cash control
Control on follow up activities	Contractor approval		
General Journal overview/audit	Purchase order approval		
Variance analysis	Contractor control		
Balance sheet account reconciliation	Follow up realisation		

Client and vendor data control	Fund withdrawal and deposit control		
	Bank account control		
	Balance sheet control		

Source: (Cabrera, E.B. 2014, pg.67-88)

Besides that, it is important to show in details what kind of fund authorisation actions each employee of accounting team is entitled to with detailed information of payment type and form. As per accounting principles this matter is considered with high importance and significance. (Barlett, A.C. and Beamish P.W., 2014, pg.56-76)

Below we also may see some sample of fund authorisation chart:

Table 3.2: Fund authorisation sample

Cash Payments (maximum 50 USD)	Authorise by one accountant and Financial or Accounting Manager (depends on what the procedure states)
Cash Payments (maximum 250 USD)	Authorise by two accountants and Financial or Accounting Manager (depends on what the procedure states)
Bank transfer, cheque and credit card payments under 600 USD	Authorise by two accountants and Financial or Accounting Manager (depends on what the procedure states)
Bank transfer, cheque and credit card payments over 600 USD	Authorise by two accountants and General Manager (most of the times CEO, depends on company structure)

Source: (Collins, B. and McKeith, J. (2009). pg.40-75)

2. Invoicing procedures stand for the standard instructions of how an invoice should be issued and within how many days it should be sent to the client. It mentions all the regulations and advises to follow the contract terms according to each case. Usually, the standard form of the invoice is also added to this procedure for the employee's convenience and describes each unit and its concern.
3. Cash receipt, distribution and petty cash procedures part of the Accounting Policies and Procedures Set Manual shows how below matters are dealt.
 - a. Cash receipts: what is considered as cash receipt, who first accepts it and what steps should be taken.

Below we may see a sample of how cash receipt procedures are shown in a standard Accounting Policies and Procedures Set Manual. Please note

Cash receipts procedures:

Once a company receives any kind of cheque payment, it should be recorded and then passed to the accounting department where it must be overviewed. Once the cheque is reviewed and confirmed (detected by whom and for what), it may be passed to the bank for receiving the funds. However, such kind of cheque should be additionally registered as an income to the company balance.

Usually, each company has its own registration form where all data should be input in order to realise proper accounting behaviour.

Respectively, cash may also be received in direct physical way as well, which also needs to be properly registered with corresponding receipt provision and necessary data input actions.

Below we may also see how other payment methods are dealt in comparison:

Wire Transfer:

Unlike cheque payments, wire transfers are considered as a safer way of payment, as it cannot be hidden or mistreated, while cheque can simply be lost or not valid.

When the company receives certain funds, it needs to allocated it with any kind of debt or prepayment in order to have clear accountancy.

When the company is not receiving, but is paying, it is also considered as a safe type of transfer, as each account holder has unique credentials. However, in order to keep the accounts in proper way, some companies prefer to have a more secured transfer realisation by requesting additional information about the bank account details.

Inter-fund transferring:

Such kind of transfer is a very valuable action for the company. First of all, company need to decide how much maximum they may keep in their operating amount and what should be done when the sum exceeds. In order to secure the funds companies, transfer the funds from the operating account once the sum exceed certain limit or simply on periodic matter. Such kind of action is called inter-fund transferring.

Credit card charges/payments:

In various cases the company may decide to use such payment or charging method as using credit cards which is very popular not only among individuals but the companies as well. Usually, banks present various solutions for credit card payments, such as corporate cards and other. Respectively, the same is also applicable for charging from credit cards.

- b. Cash distribution: how much funds can be distributed at one time, who is responsible to the approval, how it should be recorded and reported.

Below we may see a sample of how cash distribution procedures are shown in a standard Accounting Policies and Procedures Set Manual.

Cash Disbursement Procedures:

1. Input of all incoming invoices with corresponding actions as per the procedure requirements
2. Analysing of the information
3. Reporting to the supervisors
4. Registering any cash transfer as per the requirements of the company and legislation
5. Requesting the cash payment approval from the corresponding party, i.e. supervisor who has authorisation right on certain sum.
6. Audit of all realised work
7. Reporting to the governmental entities as per legislation

- c. Petty cash procedures: what can be considered as petty cash, limit for petty cash allowance, the responsible employee for petty cash approval and proceeding, recording and reporting.

Below we may see a sample of how petty cash procedures are shown in a standard Accounting Policies and Procedures Set Manual.

Petty Cash Fund

1. The sum of petty cash may not exceed certain limit, mostly companies do not set limit more than 100-400 USD, depending on the country of activity.
 2. All information should be analysed by the supervisor
 3. Reporting to the supervisors
 4. Reporting to governmental entities as per legislation
 5. Audit realisation on periodic basis
4. Taxation compliance procedures represent the international standards of internal reporting for taxation and states that each entity should follow local tax legislation during tax paying. Besides that, it mentions some specific cases when double taxation may appear and the actions that should be done in order to avoid such cases. Usually, such cases would be mentioned in in the Accounting Policies and Procedures Set Manual when some procedure is considered as outstanding for specific company, services or products.

Below we may see some small part of tax payment to the vendors (suppliers)

Sales tax payment

A. The purpose of policy:

- The main purpose of this thesis is to present a guideline to the accountants and managers with corresponding needed instructions.

B. Overview:

- State tax law legislation, all deadlines and instructions.
- Reporting should be done either monthly, quarterly and/ or annularly (depends on requirements)

5. Reporting procedures represent all the details of how reporting should pass, by mentioning all deadlines and general reporting standards. Besides that, this unit mentions the hierarchy of how employees inside the company should be reporting to the corresponding manager and controllers. In addition, the reporting to the governmental entities is also mentioned in the procedure and stated that it should meet the local legislation requirements as well. Each company has a mandatory plan of reporting that include below ones:
 - a. Monthly reporting
 - b. Year- end reporting
 - c. Reporting to governmental entities

The governmental entities include such departments as social fund (pension fund), labour department (it should be reported both by Human Resource and accounting team as well, where the average salaries are mentioned), statistics department, tax department and others. Depending on the country structure this list of governmental entities may vary.

Below we may see some part of how this procedure looks as a sample for financial reporting, that happens inside the company:

Financial reporting:

Monthly Reports:

Usually monthly reports are only internal ones, while government requires quarter, semi-final and annual reports in most of the times.

Monthly reports show the financial health of the company, development, regress, issues and other important aspects that are very valuable for data analysis.

Annual reports:

Annual reports divide in two groups as per below:

1. Reporting to governmental entities as per legislation
2. Internal reporting which mostly does not match the calendar year in order not to overload the employees dealing with local reporting

Each company decides what kind of time limit should be settled for report submission, its analyse and outcome.

Annual reports are considered as the overall reports of all mothly reports that show the general picture of company financial healt and any issues.

6. Purchasing policies are considered and valued as one of the most important policies of any company as there is usually a contradictory attitude toward to this matter among the employees and the management.

This procedure ensures the truthfulness and transparency of all the purchases that are made within the company and urges all the documentation to be realised on proper way.

The procedure for purchasing the products and services differ depending on type of payment and all the steps are shown in the Accounting Policies and Procedures Set Manual.

As per accounting principles the purchasing procedure lies through several stage control, i.e. once a company purchases some goods several employees of different levels should first analyse and control the purchase and then approve it by signing the corresponding document. Full control of purchasing procedures lies through detailed and strict authorisation processes the compliance of which is considered as top important matter within the company and cannot be skipped in any matter, even if a purchase is made directly by CEO or CFO. (Collins, B. and McKeith, J. (2009). pg.40-75)

The main aims off the company while purchasing any goods are:

- a. Using the company wealth properly and wisely
- b. Follow all procedures and comply the principles
- c. Make a purchase of correct goods in correct amount for reasonable price of right quality at the right time and from the proper source

- d. Ensure the confidence among all the parties and make sure that the high ethical standards are provided

Below we may see a sample how a standard purchasing procedure should look:

Purchasing:

The Prompt Purchases:

The prompt purchases are the ones that are done either by cheque or cash at the place and moment of fee occurrence.

Credit Card Purchases:

Credit card purchasing is realised when the company employee (usually supervising position) is authorised to carry a corporate credit card for payment of certain expenses.

Most of the times such expenses are below:

1. Phone bills
2. Meal charges (business meeting and other)
3. Car rental fees (mostly while on business trip)

Unfortunately, it is a common case, that company employees abuse the authorisation that the company gives them and misuse the purchasing function in their own interest.

In order to avoid such issues, below procedures are normally applied:

1. Request to keep all receipts and back up for any fee occurrence
2. Detailed information about the need of such service when fee occurred
3. Setting limit on credit cards, cheque book and cash
4. Filling the expenditure form with all details in addition to the provided receipts and back up documents.

As per the sample that we saw in Table 19 we may see how authorisation procedures are emphasised with details of importance and purposes. As per proper accounting principles these steps carry high importance and should be carefully handled by the employees in a hierarchic way. The transparent realisation of these processes ensures the internal health of company and its operating departments.


7. Meeting procedures describe all mandatory meeting that a company should organise and attend within certain period of time. For a company it is a regular process to organise certain meetings depending on the needs of the company

and on the situation, however there are certain meetings that have to be realised with certain employees' and board of members' attendance. Each company decides for itself which meetings it wants to realise, however all of them have at least 1 annual meeting in order to comply accounting principles. Some companies may include in semi year, monthly or even weekly meetings into their Accounting Policies and Procedures Set Manual.

Besides mentioning which exact meetings a company should organise on constant basis this procedure also provides below information:

1. Annual period when meetings should be organised
2. Period when the meeting notice should be sent to the employees
3. Employees/board of members that should attend the corresponding meetings
4. The process of minutes of meeting recording
5. Agenda of each meeting, i.e. what should be evaluated, communicated and analysed during the meetings
6. Which documents/reports/presentations should be presented at meetings (optional and mandatory)
7. When should all the results and decisions made during the meetings be presented to the rest of the company

Below we may see a sample of a meeting notice where the agenda of planned meeting is shown: (Cabrera, 2014, pg.67-95)



BES 30th ANNUAL GENERAL MEETING
NOTICE

All members of the **Barbados Economics Society** are invited to attend the **Annual General Meeting** at the Meeting Room, Frank Collymore Hall on **Thursday, August 08, 2013** commencing at 5:30pm.

AGENDA

- Ascertainment of quorum
- Call to Order
- Welcome Remarks
- Adoption and Confirmation of Minutes of Last AGM
- Matters Arising Therefrom
- Presidents' Reports
- Treasurer's Financial Report
- Amendments to By-Laws/Constitution
- Elections
- Any other Business
- Closure of Meeting

Wayne Elliott
Secretary

The main reason why this notice is sent to the corresponding parties is to ensure the readiness of all parties to them meeting. This notice ensures that all the parties would prepare their documents/reports/presentations as per procedure along with questions regarding the matters that they wish to clarify of propose for a change.

The main importance of meetings that are mandatorily scheduled in the Accounting Policies and Procedures Set Manual is to ensure that certain matters would be negotiated within the company and board of members, corresponding reports and statistics would be presented in order to see how the company does in its business and what are the results of certain changes and efforts. Each meeting is considered to bring some input into the work of the whole company, make a change, test some new strategies, new launches, projects, business plans and company routs in general. At the same time in each meeting the previous steps are evaluated and certain results are gained, based on which a company makes some actions. Accounting department is the one that carries the most significant information that shows what the revenue of the company is, what is its long and short term liabilities, receivables, assets in general and etc. As per all the provided information the company may consider the full image of the company health by setting wide analyse on the received information. Due to this the organisation and attendance of meetings are important for the company and it is a ruling power in the management's decision making processes. (Atashov, B. and Novruzov N. (2009). pg.20-31)

8. Information backup systems and procedures represent all the steps that should be taken in order to ensure some information storage with full security. Company information and data is highly important matter for each organisation and each company should choose for itself the way all the information should be stored and secured. Accounting information is considered as a highly sensitive information and its confidence is one of the prior duties of the management. Nowadays the technology lets the companies to have various solutions in order to keep their information securely stored and it all should have certain action plan in order to have high performance. The backup information should not be only securely kept inside the company it should also considered as confident between the company employees and department as well, depending on the content and the target of the information.

Accounting information backup systems and procedures should mandatorily include below information:

- a. Type of information
- b. Date when back-up should be retained
- c. Corresponding recording version
- d. Responsible parties (Information and Technology and Accounting department employees)
- e. Back-up security reporting

Below we may see a sample of how certain steps and their deadlines are described in Information backup systems and procedures:

Table 3.3: Backup system procedures sample

Type of Data	Minimal Backup Policy	Backup Retention Policy
System software	Weekly at least + upgrades	Weekly/monthly/annually
Application software	Weekly at least + upgrades	Weekly/monthly/annually
System data	Daily	Weekly/monthly/annually
Application data	Daily + upgrades	Weekly/monthly/annually

Source: (Barlett, A.C. and Beamish P.W., 2014, pg.67)

Besides that, in below chart we may see how each target and purpose of certain back up information is reflected in the procedure:

Table 3.4: Backup system targets

	Operational network	Personal network	Strategic network
Network's purpose	Getting work done efficiently	Develop professional skills through coaching and mentoring; exchange important referrals and needed outside information.	Figure out future priorities and challenges; get stakeholder support for them.
How to find network members	Identify individuals who can block or support a project.	Participate in professional associations, alumni groups, clubs, and personal-interest communities.	Identify lateral and vertical relationships with other functional and business-unit managers—people outside your immediate control—who can help you determine how your role and contribution fit into the overall picture.

Source: (Alekseyeva, 2015, pg.25)

In this procedure all the information should be identifies in numbers and letters for proper storage.

Besides electronic way of information storage each company has certain procedure for keeping responding documents in hard copy backup as well in addition to electronic backup. For example, Accounting Policies and Procedures Set Manual along with other procedure manuals have to be mandatory kept in hard copy as well. It also should be located in a reachable space for all relevant employees.

As per above mentioned units we may see that the Accounting Policies and Procedures set manual contains the most important procedures in the accounting department that any employee should be aware of and follow.

The breaking of any of procedures is usually considered as breaking any of contract terms and certain actions by management follow such issues. It depends on the company strategy and management which steps should be taken toward employees that mistreat any of procedures. Normally, companies are very sensitive regarding Accounting Policies and Procedures as these ones are considered as the most important ones.

3.4 Transnational Organisational Development and Integration

For each organisation it is a regular case to dare to develop both vertically and horizontally, i.e. to develop in both present and other perspective markets. For most companies it is a difficult target to be able to balance the product/service division between different entities, and this task gets only harder when it has an international integration. The company should build up a geographically oriented team in order to be able have a transnational business working with proper targets and complying all standards. (Barlett & Beamish, 2015, pg.34-76)

At the phase of development and integration the transnational organisation has three main targets:

1. Global efficiency optimization
 2. National responsiveness
 3. Worldwide learning
-
1. Global efficiency optimization is a system of strategical action that an organization takes with purpose of making equally satisfying products/services at all branches at the same time. All the branches of the organisation have to be synchronically managed and all the changes/updates should be implemented equally. It may not comply to the internal changes of each branch but it has to be mandatory reflected in all the goods and services provided by the organisation's different branches. The company may be considered as globally efficient when their services are equally efficient all around the world. The client company should be sure and confident that the provider would provide goods and services of equal quality in any other part of the world, wherever the office/branch is located.
 2. National responsiveness is the reason why a transnational organisation may decide to open a branch in one country. Before deciding to open a branch in any country the company has to make a research regarding the national responsiveness of the market, i.e. the demand of the products and services that the company provides in the corresponding country, as it was described before. Later, the transnational organisation should constantly make national

responsiveness analysis in order to make sure that the product/service they provide are still needed in the market. In case the national responsiveness changes regarding the provided products and services company should immediately respond to the changes in order to keep the revenue up. (Barlett & Beamish, 2015, pg.34-76)

Below we may see how a company should change its attitude:

- If the national responsiveness rises – the company has to increase the number of offices or stores in order to provide their services/products to all the clients.
- If the national responsiveness falls or stays the same – the company has to make research in local market and differentiate the products/services as per newly obtained demand.

Sample: In 2016 Dolce and Gabbana decided to launch a brand new hijab collection for Arabian clients, that would be sold in the stores of Arabian countries only. (Alekseyeva, G.N (2004) pg.45-68)

3. Worldwide learning is the driving power of the organisation in experience gaining processes. Each branch of a transnational organisation gains certain knowledge in their daily work and this is normally shared between the branches of one organisation. In the end as the result of all the gained and shared experience the company gains the worldwide learning as result.

It is considered to quite difficult and much effort demanding process of balancing all the components that were described above. Once these components are properly realised the company may succeed with its targets and aims.

Besides that, an organisation should choose its own route of how they want their company be spread all around the world.

Below we may see a scheme of what a transitional organisation faces during the development:

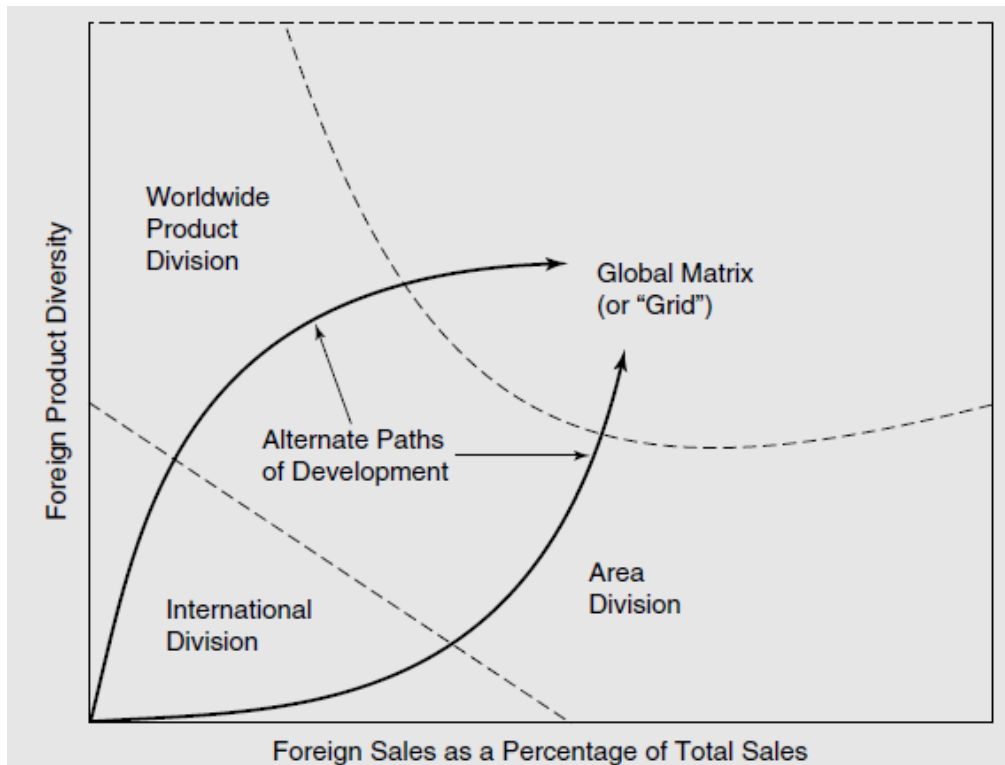


Figure 3.5: Transnational organisation's barriers and targets

Source: (Alekseyeva, G.N (2004) pg.45-68)

As we may see in table 23 when a transnational organisation experiences the development in order to reach the global matrix, it has two ways of solutions:

1. To differentiate the products depending on each country and it would be each branch's duty to make the proper products and services as per demand.
2. To "divide the world" as per areas and then sell some specific products to each area as per demand. In this case the organisation would have some kind of central headquarter of each area in order to ensure full and immediate communication between different branches of each area.

Above mentioned division would be faced only once a company already has certain products and services that are already internationally adopted for world market integration.

The main issue that the companies face during transnational development and integration is the incapability of the branches to face the pressure of local issues. The management of each branch should be ready to face some issue that is unique for them and be able to overlap it in order to gain the clients. Different geography, time

zones, languages and other specifications should be a barrier for the branches as well, in opposite these factors should be used for the benefit of the company.

There are three interdependent processes of management that a transitional organisation should develop on its way to business building around the world within each branch and the organisation on general:

1. Centralisation
2. Formalization
3. Socialization (Abbasov, Q. 2010, pg.13-29)

Centralisation is the process on dividing and constructing a detailed scheme of decision types and the responsible parties for them. This allows the top management be able to fully control the company's main decisions and be connected to the parties who can make certain changes within the company. It also includes main resource management and allocation processes that are very sensitive for the organisations. While integrating into a new market the organisation should make clearances in the decision making processes and entitle certain employees for controlling those processes, who will respectively report to the top management as well.

Formalization is the process of further team structuring, when the organisation decides what employees they need for certain positions and tasks, the number of needed employee in each branch and office, their duties and responsibilities. When an organisation decides to develop and integrate into a new market it has to make decision of affordable number of employees and that number should meet the number of needed position in the branch. Formalization process is one of the most important processes of the company as it plays a significant role in further working processes of the company, as once it is formalised it get much more difficult for the organisation to change its internal structure in the future. Some changes may bring up to negative feedback from the employees and that would directly decrease the productivity of the branch.

Socialisation is the process where all the employees of the company should be able to negotiate and communicate with each other and be able to refer to top management when it is necessary, this way the top management would ensure the responsiveness of all organisation and certainly new branched should be involved in this process. Team building events are key actions in order to keep the employees motivated and

make sure that each employee feels responsibility for the organisation and at the same time feels the connection and deduction. Socialisation also improves employee work productivity and team compliance that are irreplaceable in the working process of any organisation and is extremely needed in transnational organisations.

Once above mentioned processes are fully implemented the transnational organisation may consider a new branch settled up for the work implementation. Considering that the main three targets (Global efficiency optimization, National responsiveness, Worldwide learning) of the company are also being constantly realised the organisation may keep up on development and integrating into the markets, however there are certain externalities and issues that each branch and the transnational organisation would face and they would be mentioned in further units. (Fraser, L.M. and Ormiston, A., 2013, pg.45-65)

When a company decides to make an integration into some market it should make sure that standards of the company are fully implemented in all the branched, however it also is responsible for implementation of international and local standards as well. While integration and development companies may face standards that would exclude each other due to certain unexpected reasons and the management of the transnational organisation should be ready to face and deal with such issues. Each taken decision should be sensitively analyses and consulted with corresponding parties in order to make the most optimal decisions. At the same time the transnational organisation should keep its branches complying to all the standards in full power and these processes should be fully controlled. (Ietto – Gillies, G. (2005). p.91-130)

One of those standards are International Accounting Standards that should be carefully overviewed and fully implemented in all branched of a transnational organisation. While these processes take much time and effort at the same time they ensure that the company branches live through the same accounting procedures and this experience makes their communication and problem solving processes easier. Besides that, as it was mentioned before the standard compliance make a company better provider for the clients and this way it may gain new clients with its high service and fair attitude toward the shareholders.

3.5 Importance of IAS 1 for Transnational Organisations

Before we review the importance of IAS 1 for the transitional companies we should firstly state one important aspect that the countries experience in their working procedure.

When the transnational organisation has certain entities all over the world despite the governmental structure and development of those countries, they have to obey the International Accounting Standards including IAS 1 which is one of the hardest for most of the countries. This aspect gives a high importance to the mandatory compliance of International Accounting Standards, and particularly IAS 1.

Below we may see the main reasons why IAS 1 is important for transnational organisations:

1. Transparency compliance
2. Marketing purposes
3. Well trained employees
4. Image improvement (Fraser, L.M. and Ormiston, A., 2013, pg.75-95)

Transparency compliance

To transparency compliance is the result that an entity would come to if it follows IAS 1 in proper way. IAS 1 does not accept any hidden figures and money movements that do not have any reasonable explanation.

Example:

Some transitional organisation may have one entity that is located in 3rd world country which suffers the corruption issues. Despite all the conditions in that country, the entity of transitional organisation has an obligation to follow and comply all International Accounting Standards. Out of those standards, IAS 1 considered the hardest in implementation as it includes all the reports which may not be that simple for such companies to provide. However, the entities located in some 3rd world country despite the tradition of bribery and lack of transparency understands that in case they do not comply the IAS 1 they may lose whole company, as it would not be considered as a part of transitional organisation, in case they do not comply the standards. In such

cases the company complies to the standards standing against all conditions within the company and finally succeed in being transparent company.

When a transitional organisation gets some entity in any side of the world, it may consider that such issues may not be worth of investing in such business, however, due to certain economic reasons they still may decide to choose some kind of “problematic” country for business making. Such economic reasons may be cheap work force, raw materials or any other ones.

For a transnational organisation it is important that its all entities around the world comply the regulations that would keep its accountancy transparent and IAS 1 gives them another argument to set before the entity that would be able to ensure the transparency.

By considering the transparency issues the company may not just provide matching documents without any proof and timely audit reports regarding the cases. In further units the transparency issues would be explained and overviewed with more detailed analysis.

Marketing purposes

The organisation may be considered complying to international accounting standards only when its all entities are complying to all the standards. Even if only one entity has a gap in standard compliance then the whole transnational organisation would not be considered as complying to the standards.

When a transnational organisation is not complying to the international accounting standards it means that the company would not be counted reliable from the perspective of shareholders, then respectively less potential clients would be interested in buying the shares, that would take to the decrease of share prices. Reasonably, this would bring to the decrease of investments and it is not acceptable for the organisation. (Fraser, L.M. and Ormiston, A., 2013, pg.75-90)

As per above mentioned the transnational company has to ensure that all of its entities purely follow the standards.

There are various ways how to ensure the compliance which are shown below:

1. Educational activities – the organisation should make sure that it provides full educational activities for the employees of all entities, so that all entities are familiar with main below aspects:
 - a. The reasons why these standards are set and their benefits
 - b. The reasons why the entity should comply any standards
 - c. What the target of these actions is
 - d. What the risks for entity and respectively for employees are in case the company fails to comply the standards
 - e. What actions should be taken in order to comply to the standards
 - f. What each standard stands for and who (departments, employees and management) is responsible for compliance to each of them

There are various training programs that the company may organise itself or hire the third party companies that can provide such trainings to the employees.

2. Internal audit – the organisation should organise the audit control activities of the entities on periodic basis, so that the compliance of the company to the standards is ensured. The gap in compliance to the standards may appear randomly, on purpose or without. In any of the cases the weak points should be detected and liquidated. The transnational organisation should remind to the entities that it is their mutual interest to have the company properly functioning. The auditing may be organised with the forces of the organisation itself (specified audit department) or hired from outside as the services of third party company which are widely spread.
3. Encouraging the entities who comply to the standards – this is the motivational activity that big transnational organisations prefer to host after the internal audit of all entities is finished. Besides letting the entities know about the results of the audit control the organisation should make some contest, as result of which the top complying entities would get some kind of prize for their efforts and hard work. This prize should be something from what all employees would benefit, such as some bonus to the salary, gift cards with certain sum and others. Such activities would motivate the employees to show best performance that they can afford in order to comply the standards, which meets the interests of the transnational organisation. In addition, it is suggested not to

have only one winning entity, but to practice encouraging best three, five or ten entities complying to the international standards, depending on the total number of transnational organisation's entities. This kind of actions would motivate much more entities, than if only one entity would have been encouraged, as in such case some entities may consider that they would not be entitled to any prize anyway as there are other stronger entities, who would surely get the prizes, while prising several entities at the same time would motivate all of them.

Well-trained employees

Employees are considered to be the working force of any company and reasonably each company wishes to have professional employees with all required skill and capability.

Above mentioned educational activities would bring up to more professional and trained employees, especially if the entity is located in 3rd world country where employing well skilled employees may consider an issue.

The well-trained employees that would fully understand the responsibility for their duties and the work of entity in whole would be more sensitive about timely and correct implementation of their duties.

The conditions of IAS 1 appliance require big contribution of the employees to their work and it makes them more trained and experienced. (Curuk, T. (2001) p.15-46,106-192)

Below we may see main improvements that employees experience while making all efforts to follow the requirements of IAS 1:

1. Responsibility realisation
2. More professional approach in reporting processes
3. Rise of contribution and willingness to work
4. Willingness to learn new skills and procedures
5. Acceptance of new challenge
6. Responsiveness improvement
7. Open-minded approach

Once the employee gets obliged to work on the requirements of IAS 1 at the first time without any previous experience with such information, even after the trainings are provided, they live through below stages of development:

1. Decline of work proceeding
2. Realisation of non-avoidance of duties
3. Studying and research of settled issues/targets
4. Analysing the available data and information
5. Referring to the experience others (entities and companies)
6. Interest appearance to the implementation within their own conditions of entity
7. Beginning of work implementation
8. Realisation of duties
9. Achievement of targets, which may not be accomplished from the first time, but after the certain period of hard work the targets would be reached.

The specification of IAS 1 considers that for the employees it is usually hard to accept such duties and realise all requirements of the International Accounting Standards, however, once it is achieved the company employees get experienced in this sphere and positively more accept the realisation of these duties in next periods. More experienced and better trained employees as usual get more confident in their work and it makes them more satisfied which positively influence the company processes in general.

From the other side for the company/transnational organisation the well-trained employees always consider some risk of leaving the company for better suiting for them company. This issue may be partially solved by realising motivational activities for the employees that would keep the loyal to the organisation.

Image

Image and reputation of the company is an aspect that is considered to be the top priority for any organisation, especially for transnational organisations.

If the transnational organisation has a gap in International Accounting Standard compliance, then the other companies would trust it less and its reputation would fall which is not acceptable for the organisation. In case the non-compliance to the standards happens due to non-compliance to IAS 1, it means that the company lives

through certain issues that can be detected from the outside, which automatically would be reflected in the image and reputation of the transnational organisation that would lead to further issues. (Lundan, S. (2015), pg.105 – 290)

Below we may see the explanation of the reasons why an organisation would be considered non-trustable if it does not comply to IAS 1:

1. If the organisation is not complying to IAS 1 in proper way then it means that the organisation is not providing the full requests reports, i.e. shows low transparency level. None of the potential stockholders would prefer to deal with such company and be provided with vivid reports.
2. If the organisation is not complying to IAS 1 and not providing the clear reports as per standard requirement, it means that the company probably has certain issues with money laundry and bribery, which would mean that the stockholders would get less dividends at the end of the period which may not be accepted as none of shareholders would like to be lied to.
3. If the organisation is not complying to IAS 1 it does not mean that the company cannot perform its duties or that its services and goods have low quality, it may simply mean that some person or people are cheating on company revenue and net income, i.e. cheating on the dividend payment to the shareholders. In other words, non-compliance to IAS 1 may seem unfair to the employees that fairly do their duties day by day but at the same time their organisation would not be accepted in proper way and not quite interesting to the potential shareholders that would decline buying the shares of the transnational organisation. However, it has a reasonable explanation of fund seizing that lies inside the company management. Such kind of issue harm the company image and reputation in hardest possible way.

As per above we may see how non-transparency of the company harms the image and reputation of the organisation. Image and reputation factor has a special complicated scheme as per which paining image and reputation is a tough target and once it is achieved the organisation should make all possible action not to lose it, as if it loses its image and reputation for once it would be much more difficult to regain it due to the psychology which hardly accepts such kind of image and reputation regaining.

If the transnational organisation is relatively young organisation, then the shareholders usually give it a credit to build up a strong core and start following the international accounting standards. So that when a new transnational organisation enters the stock exchange market the potential shareholders consider a possibility to buy certain number of shares from young company and evaluate its way on appliance and compliance to the international accounting standards. Later on if the company accomplishes to comply the International Accounting standards, then the potential shareholders would invest more into the company, some would become the company board of members and attract new stock holders. In case the company does not succeed in complying to the standards, there is still high chance that the shareholders would give them chance to reach their targets in soonest future. However, if the organisation accomplishes to comply the standards and after the certain period it fails to keep to following the international accounting standards, including IAS 1, then the shareholders would lose the interest in such company for once. The regaining of the trust would be much harder process that gaining it as the first time. This is a contradiction factor of image and reputation management of any organisation. Once the organisation fails to company the IAS 1 or any other international accounting standard, the board of members would become concerned about the company performance and the transparency issues, the other shareholders would also prefer to sell the previously bought shares as soon as the price has not fall too low, that would bring up to the crisis for the organisation. (Lundan, S., 2016, pg.45-98)

In order to avoid above mentioned issues and risks the company should be very cautious about international accounting standard compliance and provide all necessary reports in time to all regular shareholders and board of members with full clearance, explanation and transparency.

As per above we have overviewed the main reasons why IAS 1 compliance is important for the transnational organisations and the reasons why the company should be sensitive about the corresponding issues. (Penman, S.H. (2010), pg.56-78)

As per statistics IAS 1 is considered the hardest International Accounting Standard to compliance and it is reasonably explained with the risk that its non-compliance may end up.



4. INTERNATIONAL ACCOUNTING TRANSPARENCY AND DISCLOSURE

4.1 International Accounting Transparency and Disclosure Definition

The definition of transparency and disclosure stands for the timely, clear, accurate and timely provision of information to relevant parties. The board of directors and regular stakeholders have right to know about the financial situation and health of the company which is obligation for the organisations to provide the relevant information.

International accounting transparency and disclosure also mean the state of organisation's readiness to enclose the information with the relevant parties. International accounting standards insist on high level of transparency and disclosure, however the companies constantly try to avoid the transparency and disclosure in various ways. It may be considered that such kind of issues occur in less developed countries, however it also relates to the developed societies as well. Due to these organisations yearly spend certain funds on auditing of such cases and detecting the gaps and fails in the provision of transparent information to relative parties. The corporate governance of the organisations should have a proper structure that would guarantee the accurate and timely disclosure of all necessary information as per international accounting standards, particularly IAS 1 as per the case. The corporate governance framework should include all the requirements that meet the regulations of IAS 1 in order to be able to comply to the standard in proper way. (Nurunnabi, M. (2016). p.27- 90)

Below we may see a short example of typical issues that are faced while the companies are audited for transparency and disclosure performance level. Below report is related to the area of Middle East as per audit held in 2015:

Disclosure and transparency realisation results:

Material usage information disclosure:

Issue: some companies have business relations that they do not want to be known, which creates a conflict

After the first testing implementation below transparency integration results were achieved:

- 4% shared information related to certain party
- 4% shared information related to most of transactions
- 19% shared both
- 73% decline to share any kind of information
- Very low number of companies were open to share any kind of information.
- The relations between various companies have strong relations that are out of business frame that make it extremely unlikely for them to be open to transparency realisation from the beginning

As per report in Table 24 we may see the main issues that are detected relating to the international accounting transparency and disclosure matter. The report shows that only 23% of companies provide certain kind of disclosure, while 73% does not provide any needed information to the needed parties which automatically excludes them from the organisations that comply the International Accounting Standards, as per requirement at least one standards, IAS 1.

As per audit report, the main reason of such secrecy is the interexchange of company funds with the other entities which are called subsidiary/member companies that do not have legal background, i.e. such companies are built by certain members of the hiring company, i.e. their interaction is considered to be non-transparent due to certain reasons. (Draghi, M. (2004). p. 40-85)

Below we may see the main two reasons why cooperation of such companies is automatically considered illegal:

1. Conflict of interests – the company may not hire any other company whose manager or owner is any employee from the hiring side. This kind of action is considered as conflict of interests, that leads up to non-transparent and unfair work management which stands against the corporate governance principles. The situation when professional interests of the company clash with the

personal interests of certain employee or number of employees is called the conflict of interest. As result of such situation the employee becomes unreliable for the company and the company becomes unreliable for the clients and shareholders, which directly worsens the business state. There are various ways how the conflict of interest issue may be hidden but in never stops to be the illegal action.

Any case of conflict of interest detection should be reported and such business making is not applicable for any reliable company.

2. Tender procedure and optimal contractor choosing. It is the obligation and reasonable approach of the company to choose the most optimal client that would fit all requirements of the company. Once the procurement department evaluates all potential clients, it has to choose one best fitting company for cooperating with it. However, in case such best matching company belongs or managed by relative, friend or the employee itself, who works in the company-hiring side, then such contractor should be avoided, despite all the privileges it fact it may offer. In case the company hires such contractor, it would experience the conflict of interests that is not accepted as per International Accounting Standards.

As per legislation of each country, there is some limit amount that is set for contractor choosing. Once that limit amount is overlapped then the company is obligated to announce tender to the public and host full tender process after which the best matching contractor would be chosen. The limit amount is settled by each country as per legislation. However, some big companies, including most of transitional organisations have their own limits for calling up the tender.

Below we may see which limit amount should be chosen, in case the company's limit amount does not match the limit amount of the relative country:

- a. If the company's limit amount for tender announcement is less than the one that the country of activity set, the company has to choose its own limit of amount in order to comply its own settled policies. At the same time the country limit for the tender does not decline the cases when the company

chooses to call for tender for less contract amount than the one is stated in legislation.

- b. If the company's limit amount for tender announcement is more than the one that the country of activity set, the company has to choose the country's limit of amount in order to comply the country legislation.

The country legislation rules are always considered to be top priority for the companies/organisations that have activities in that particular country.

As per above mentioned reasons we may see the importance of transparency and disclosure that the companies have to comply.

Different organisations in different countries experience various issues with provision of totally transparent and disclosed information to the stakeholders and this is another reason why IAS 1 get updated from time to time. As per the experience of world leading audit companies every year there are numerous cases of transparency and disclosure gap detection. (Fridson, M.S. and Alvarez, F. (2012). p.26-72)

As we have seen in previous units the shareholders may request some explanatory documents for the matters that look suspicious to them and there is no real frame of such activities that may put both the shareholders and organisations in a tricky situation. However, the organisation should be open to distributing the required documents to its stockholders, especially if it is the transnational organisation, despite the complicity of its internal structure. In order to be able to ensure the full international accounting transparency and disclosure the transnational organisation has to set up a special mechanism that would make company to comply the IAS 1 and in such case it would be called integrated approach to transparency due to its transnational characteristics.

Below we may see some important issues that arise when the transnational company applies such integrated approach:

While integrating the transparency to certain organisation, the management faces below issue which is asked both by themselves and employees:

- What is the purpose and targets of transparency?
- How to face negative consequences?

- Are there any barriers for transparency?
- Is transparency a matter that should be officially reported?
- Should different organisations compete in term of transparency realisation?

The goals of the transparency are below:

1. Risk decrease – the absence or poor transparency is always a risk for company to lose something, income, clients or all of them, which would bring up to the loss of business that is the not acceptable.
2. Efficiency increase – the organisation that provides the high level of transparency and professional disclosure is considered to be reliable for outsiders and each potential stock buyer may become an active shareholder for such organisations.
3. Reasonable allocation of income – the funds that the company gains as revenue should be reasonably spent on the needed expenses and may not be seized on unnecessary and indefinite purposes. In such way the net income would rise and it would bring up to the increase of interest from the outside in investing in such kind of organisation, that would be counted trustable.
4. Equal division of net income – the transparency and disclosure lets the shareholders to understand the process on net income division, make own analysis, calculations and come up to the final decision if the information provided by the organisation is satisfyingly responding to their concerns. The higher level or transparency and disclosure is, the better shareholders would appreciate the reports and information provided to them by the organisation.

Transparency and disclosure activities bring up to liquidation certain issues of the company as per above mentioned, however at the same time by detecting the company problems it respectively has deterrent and embarrassing points. The employees that are cause of transparency and disclosure issues may be suspected and some would be found guilty for certain illegal actions. Respectively the company would make corresponding actions in order to get free of such employees and this is counted to be negative part of the transparency and disclosure activities. However, at the same time such activities would bring up to below relevant outcomes:

1. The company would get “cleaned” of the unfair employees
2. The company would get free of the issue that made a barrier for it to be transparent in proper way
3. Other employees would be aware that in case they do such kind of unfair action the same fate would wait for them

Above mentioned outcomes would be considered as positive outcome for the company and its business which are worth for the company to make efforts for.

Transparency is considered to be the attitude of the organization however it is primarily the skill of the employees who are responsible for daily routine work within the organization. The employees should be aware of the transparency and disclosure requirements and the company management should make sure that the proper training events are organized for the employees, as some may be not aware of mistakes that they do. The organization may not be responsible for the gaps that the employees’ education may consist of, but they are responsible to educate their employees once they hire them. As it was mentioned before the educational activities would both teach the employees how to keep their company transparency and disclosure level on proper stage and what may happen if they do not perform their responsibilities, what are the risks and the worst scenario. (Ietto – Gillies, G. (2005). p.91-130)

The employees should know how to deal with below stages of transparency and disclosure issues:

1. What should be done beforehand so that they do not meet transparency and disclosure issues in future.

For example: If the accountant responsible for payments gets some invoice for payment with suspicious contract information (such as vivid signature, absence of corporate stamps, shortage of necessary information and others), it should report it to the supervisor so that the case is investigated. Reason of this action is the responsibility of accounting team for the future reports. The employee should think about possible issue that his/her company may face beforehand.

2. What kind of information is needed as per IAS 1 requirements?

The accounting department employees should be aware of formatting and consistence of information that is required and be able to present required reports in time to relevant parties. It also considers all procedures that the file

approval and analyses stages that the reports should pass before being considered as ready for presentation.

3. What kind of back up/correspondence/additional information may be requested by the stockholders?

The accountants should be ready and open to hear the additional requirements of the stockholders. Then the corresponding actions should be taken in order to deal with the stockholders and provide needed information to them.

4. What kind of information might be needed in next periods?

As per previous requirements of additional explanation from certain stockholders the company employees should forecast that the same stockholders may wish to get same data in next periods as well, which means that they should be ready for such actions.

Despite the various internal policies of organizations that urge the employees to state their concerns and issues there are always some kind of barriers due to which not all employees are ready for open communication with the management.

The lack of proper communication between employees and supervisors may bring up to serious issues alike below ones:

1. Lack of information provided to managers regarding the working processes. While some employees may prefer to keep certain issues not spoken to their supervisors, they do not consider that the manager may simply not be aware of certain issue existence, respectively would not show any help in that matter. It is important to communicate the issues for both managers and employees in equal way.
2. Wrong decision making. While some employee feels any risk of decision making and takes the risk on his/her own without notifying the manager, he/she may make mistake that could be avoided if the manager was aware of it due to various reasons, such as bigger experience, awareness of possible issue solution and other. Besides that, the manager would not appreciate such actions that would be done without his/her acknowledgement as it does not meet the internal company policies.
3. Double work issues. While some employee performs certain duties or tasks without the manager's acknowledgement the manager may not be aware of the

completeness of work and refer to some other employee to do the same task that may end up with double work.

4. Poor team performance. The teamwork considers the proper communication of the company employees about the work they do and have a well working system. When such system is not properly built, it may be easily seen from outside and show the company as not enough professional.

Above mentioned issue are very sensitive in the reporting processes that the company performs as per IAS 1 requirements and it is the company management's duty to ensure that the team has proper communication processes. (Lanza, R.B. (2009) p.29-52)

From the other side, there may be some issues that the employees may live with their supervisors and it would respectively become a barrier for employee to speak up as shown per below:

1. Manager's poor attitude skills: The manager should be always open to hear and listen to his/her employees. The employee should not doubt if he/she has to talk to the manager regarding certain issue. The employee should not consider that he/she may be understood in wrong way and should have open communication with its supervisor. Due to this the manager should have his/her "door" always open for the employees and perform good communication skills.
2. Tough hierarchic system of the company: The company should not be too strict on showing the employees who they may ask certain question, why, when and where. The employee should feel comfortable of asking the questions that concern him/her and this way the employee would show more interest in accomplishing the task.

The above shown issues may be a barrier for the employee as he/she may not properly understand the IAS 1 standards itself, its requirements, the reports that he/she prepares and what the stockholders really require from them. In order to avoid such issues, the organizations, especially transnational organizations and world leading companies implement "open door" policy which states that the employees are welcome to refer to any manager if they have any questions or concerns. Such approach lets the employees feel that they always can get advice on the issue they are not sure about. As per research such kind of approach is positively accepted both by employees and

managers as the final result of such attitude brings up to additional clearance, transparency and understanding of work that is done by employees. (Alfredson, A., Radford J., Leo, K. (2005) p. 15-62)

By complying to IAS 1 the company gets obliged to share certain information with the public and if the company does not follow the regulations it simply would not be considered as the complying one. (International Financial Reporting Standards (2016). IFRS p.10-55)

The wish of different big organizations to compete on the level of transparency and disclosure of each company is a reasonable approach as depending on the transparency level the potential stockholders may choose one company for investing, instead of other one.

As per above mentioned we could overview what the transparency and disclosure in international accounting is and what are its main points.

4.2 International Accounting Transparency and Disclosure Priorities

The priority for any organizations and especially for transnational organizations is to be able to keep up its business with balanced processes in all departments.

While the company has various priorities one of the main ones is lying on the international accounting transparency and disclosure providing mechanism.

In order to be able to organize and provide the mechanism of transparency and disclosure within the international accounting the organization should ensure the truthfulness of below matters in separate way:

1. Procurement department

The organization should ensure that the employees responsible for contractors are acting in fair way as per the proper principals and do not experience any wrong and unhealthy actions toward the organization and the contractors. The

2. Payables of the company

The payables of the company firstly depend on the procurement department performance and then on their own actions only. The accounting department has to comply all accounting principles in proper way in order to avoid the fraud in payables procedures

3. Receivables of the company

The accounting department has to comply all accounting principles in proper way in order to avoid the fraud in receivables procedures

4. Management of the company

The management should ensure the truthfulness in performance of above mentioned duties and make all needed steps in order to educate the organization's employees how the transparency and disclosure should be realized.

While the priority of the company is providing the truthful information as per above mentioned units that would fit the transparency and disclosure frames there are certain issues that may not be considered as the priority for the company and may be negotiated.

Below we may see some samples of such issues:

1. Formatting – the format of provided statement and information may not be a matter of priority and may be negotiated under proper conditions.
2. Unreasonable request of additional data – the shareholders may request additional data if they have any question, however the privileged should not be abused by the users.

In order to avoid such kind of issues and no spend less effort on such matter the organization should practice below approaches:

1. Improvement of statement/report navigation -the reports should be prepared in such way that it would not consider much effort from user to find the needed information. The important information should be sorted in the decreasing way, i.e. the most important information must be shown first, while secondary one should follow it.
2. Disclosure of main policies, estimations, analyses, appendixes – in case the organisation assumes that the user would have certain questions regarding certain matter the employees should prepare and provide with such “outstanding” information in order to avoid additional questions. (Draghi, M. Geneva Reports on the World Economy. 2015, pg.26-78)

International accounting transparency and disclosure processes should be oriented on avoidance of fraud while providing the needed reports and statement to the public and it is considered as its top priority.

4.3 International Accounting Transparency and Disclosure Significance

As per logical reasons the investors/stockholders would prefer to get as much information as possible from the organisations that they invest to and this the reason why company prosperity rises when it has high professional level or transparency and disclosure. It is explained with preference of potential stockholders to buy shares and into more transparent organisations, as if the company does not hide information, then it does not have any shameful information at the same time.

Transparent and disclosed approach of sharing the information with investor is considered to be the true way to gain the investor's trust and loyalty.

In each market there is certain number of employees that provide blur and mixed information to their investors, trying to hide the fraud and this is not appreciated by the stockholders.

From the other side there is certain number of organisations that are actually transparent within their business performance but due to certain reasons they cannot present it in proper and easy readable way that makes them look suspicious from the perspective of potential and active shareholders, which harms the business of that particular organisation.

When the company has a complex structure, i.e. performs business in different countries at the same time, like a transnational company it has a contradictory relation to itself by the side of the investors. From one side the potential investors consider that such companies are professional ones as they succeed to do their business in several different markets at the same time and from the other side some investors may consider that such companies are not too targeted on certain market and may not consider their business in one market quite serious enough. Due to this the transitional organisations should be very sensitive about the reports and statements that they provide to the investors.

As per the feedback of the market analysts it is confirmed that the investor appreciates the openness of the organisations to the investors and market analysts by letting them better evaluate their working structure and processes.

Besides that, there are two systematic outcomes that are overviewed by the market analysts as per below:

1. When an organisation is showing high level transparency and disclosure of its accounting processes, it is considered that the company does not have any unpleasant moment to hide from the investors, i.e. the company is sure about the made steps and can purely prove the truthfulness of any fund transactions and movements.
2. If the organisation is showing high level transparency and disclosure of its accounting processes, it means that its business is going in right direction, so that the organisation may present “good” results to the public. (Nurunnabi, M. 2015, pg.56-78)

Lack of information in the statement and reports automatically means some kind of uncertainty for the investor, that make them avoid organisations that have such approach. Most of the investors do not have any other detecting mechanism other than the reports in order to value the health of the company. When the investor meets the organisations with poor transparency and disclosure performance it considers that there is a certain risk bared in the particular business.

Below we may see the relationship among the mentioned factors:



Figure 4.1: Accounting transparency factors

Source: (Weygand, J.J., Kieso D.E. and Kimmel P.D. (2010). p.47-58)

In above mentioned cycle we may see how the factors are connected.

As it was mentioned before it is the company management and board of directors' responsibility to ensure that all the reports and statements that are provided as per IAS 1 are properly constructed and presented. Even though the report is not prepared by the mentioned parties physically, there are the last entity who approve the reports and statement for the presentation to the investors, shareholders and public. (Alfredson, A., Radford J., Leo, K. 2015, pg. 34-67)

Respectively, the protection of the shareholders' rights depends on how well the organisation's management and board of directors performs their duties and how they value the shareholders, their opinion and trust.

Depending on the importance of shareholders' right protection to the organisation's top management, the level of transparency and disclosure is settled up.

Usually, this cycle is viewed in the other direction as per below:

The investors see the transparency and disclosure level of accounting information and depending on its level they assume how the investors are valuable for the organisation. Respectively, the shareholder also assumes how much of this transparency and

disclosure processes happened due to the hard work and intentions of the organisations' top management and board of directors. However, in reality, the cycle is primarily built as per the information on table 26, as the company route depends on its management decisions and priorities.

Besides that, in below chart we may see the core and inner view of company's transparency and disclosure approach that shows the connection between the factors from company's and investor's perspective:

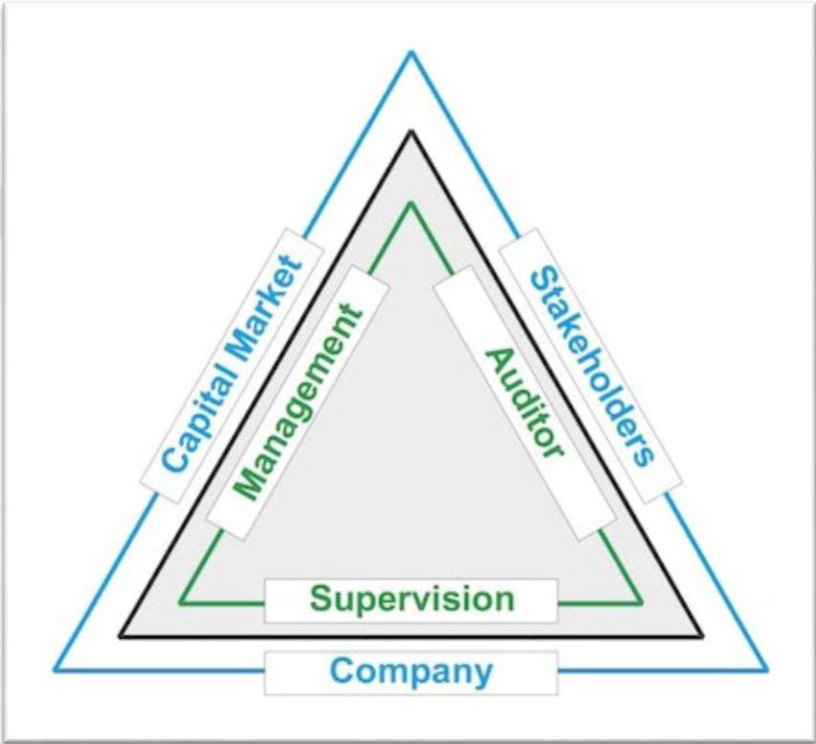


Figure 4.2: Transparency view from perspective of company and investors

Source: (Weygand, J.J., Kieso D.E. and Kimmel P.D. 2015, pg.45-67)

As we may see in table 27 the inner core of the international accounting transparency and disclosure approach lies on the supervising, managing and auditing processes. As it was mentioned before the transparency and disclosure processes are controlled by the top management which directly controls the supervisors who in their part control the direct employees performing corresponding duties for realisation of transparency and disclosure processes.

At the same time the company should constantly control its activities by “side view” of auditors which should analyse in details the actions that the accounting department

makes. AS per the analyse of the auditor the company may detect its gaps and weak points, then fix them and be ready to present all needed information before the investors. (Nurunnabi, M. 2013, pg.67-89)

From the outside of the triangle we may see the company, stakeholders and capital market as per the table 27.

The organisation's level of transparency and disclosure directly affects the attitude of the shareholders to the particular organisation which is reflected in its investments and interest in the shares. At the same time the capital market reflects any changes that happen in share buying processes, which makes these three processes interrelated and shows the significance of the decisions that are made regarding the transparency and disclosure issues of the organisation.

Above mentioned matters show how important the compliance to IAS 1 is important to the organisation in its own interests. As it is shown in tables 26 and 27 we may consider that the IAS 1 compliance has a direct connection to the revenue that the transnational organisation or any other one makes, i.e. to the prosperity of the business. The organisation's top management should be able to feel the connection between these matters and use such relevance in the interests of the company. As it was stated before, more the organisation shows up to the public, better it is accepted and appreciated by them that would financially benefit the company in the end.

4.4 IAS 1 Application to Corporate International Accounting Transparency and Disclosure Policy

The objective of IAS 1 is to set up the standard of how the companies should present the general information about their performance in a numerical/accountable way with certain explanations, so that the investor who does not have any information about the company may simply evaluate the level of organization's business making prosperity by over-viewing the company reports and statements. Such reports and statements should help the investor to compare it to the indicator and results of previous month and other competitive companies as well.

Each organization has certain internal policies on how it should manage the transparency and disclosure processes which may not clash or stand against the

requirements of the IAS 1 if the organization demands to be complying the International Accounting Standards in general, which is reasonably does not stand as question in most cases. IAS 1 does not put strict frames on how the reports and statements should look from the format perspective while in strictly emphasizes the information that corresponding statements and reports should content. Due to this the organization, may chose itself the format that is best suitable for them in order to meet the IAS 1 standards. In other words, the IAS 1 application lets the policies concerning international accounting transparency and disclosure chose its own format for reporting. (Alfredson, A., Radford J., Leo, K. 2015, pg.67-90)

As usual, while the organizations make such decision their main concerns are as per below:

1. The format should be affordable for the origination's employees – the format should not be too complicated for working on, as it is the accounting department's duty to fulfill the requirements and they should be capable to di their duties in best way, i.e. the format should not consider any points that would be uncertain for the employees constructing it.
2. The format should be accepted by the investors – the format should be positively accepted by the investors while the evaluate the information shown in it. The investors should not be confused by the data that the organization provides them as a report. The transnational organization should consider that certain investors may not wish even to deal with too complicated or mixed report, by considering such report not professional enough or simply losing interest and patience as per human factor. The reports and statements should be structured and the required information should not be difficult to access by the investors.

Most of the time the organizations try to disclose the information that shows them from better side, however the organizations have to comply the IAS 1 and disclose all the information in proper way despite their internal disclosure preferences.

The corporate transparency and disclosure policy of the organizations consider the transparency and disclosure in all spheres of organization's activities, including the accounting one. Once the company is complying to the international accounting principles and standards, it has to automatically adopt such policies that would fit IAS

1 and meet their requirements in the company's IAS compliance purposes. From the other side, international accounting transparency and disclosure policy of organisations also include the matters that may not be shared with the public, that is not shown in any way in IAS 1.

As per the logical outcome the organisation may apply the corporate international accounting transparency and disclosure policy that would meet the IAS 1 requirements in full, otherwise the organisation would lose its route between the IAS 1 requirements and what organisation's internal policy lets them to. In order to escape such issues, the company managements should sensitively comply the organisation's corporate international accounting transparency and disclosure policy to IAS 1 conditions and once IAS 1 is getting upgraded all the changes should be reflected in the corporate policy as well.

4.5 Factors Influencing International Accounting Transparency and Disclosure

It is obvious that the International Accounting Standards is the driving force that makes the organizations treat their shareholders in proper way, that includes the high level of transparency and disclosure. IAS 1 is the part of International Accounting Standards that directly is responsible for the standards that the organizations should comply in order to be transparent and disclosed enough before the public and shareholders, however in real life not all companies do indeed comply to these standards in proper way. In other words, even though as per the principal and the standards, the organizations should keep up their transparency but many of them have gaps in their processes, while some barely show correct reports to the public and shareholder. Despite this fact, they still sell their shares and exist as part of exchange market. The reasonable question that arises here is who is responsible to force the organizations truly comply International Accounting Standards, IAS 1 in particular. (Nurunnabi, M. 2013, pg.67-89)

Below we may see what influences the true implementation of international accounting transparency and disclosure that ensures the IAS 1 compliance:

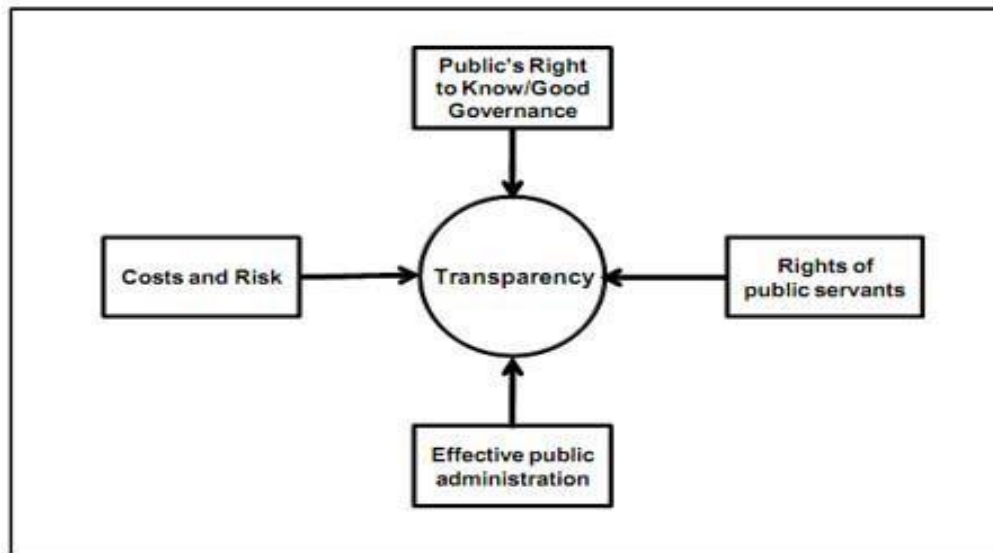


Figure 4.3: Influences affecting transparency

Source: (Weygand, J.J., Kieso D.E. and Kimmel P.D. 2014, pg.56-96)

As we may see in table 28 there are certain factors which relate both to the public, government and the organisation itself.

4.5.1 Costs and Risk

Costs and risk is the factor that relates to the organisation's issues in full. Due to certain reasons the organisations may live through certain expenses that they may wish not to show the public and the shareholders. Excluding the factors of bribery and fraud that was shown in previous units, the organisations may have other reasons that may urge them to hide such information. Especially if the organisation is transnational, control of such processes considers a much difficult and mostly unsuccessful process.

For example:

The transitional organisation may have one entity in UK and another one in Egypt. In production the organisation may be using certain spare part, unit of which costs \$2.00 in UK and \$0.20 in Egypt due to the difference of material prices in the countries. Such difference in one unit of spare part that is widely used would make a huge difference in total amount spent for spare parts for whole year. When the active or potential shareholder would evaluate such report, this difference in the spending for spare parts that would be included in expenses would look suspicious to him/her. Even though the company did not have chance to send the cheap spare parts from Egypt to UK due to

some customs limitations, such details would not be interesting to most of shareholders and public. In result the company would be avoided by certain part of the possible investors that makes it respectively unwanted for the organisations to share detailed information about their costs and expenses. (Alfredson, A., Radford J., Leo, K. 2016, pg.45-87)

Due to above mentioned and other cases information sharing may bring up certain risk to the organisation. However, lack of transparency and disclosure would bring risk as well which may be more dangerous than if the company had voluntarily exposed all weak and strong points before the shareholders and public.

4.5.2 Public's Right to Know Good Governance

Reasonably the public has right to demand the allowed information as per the international accounting standards that are determined within the frames of the IAS 1, however in reality the public is not well educated about their rights and the IAS 1 in general in order to know what information they should rely on. It is reasonably considered that in such cases it is the user's obligation to take care of its decisions and reasons why they take any of them, their education and background. However, from the other side it is the organizations' obligation to have a fair working principal and provide all required data as per legislation. The organizations may not use the lack of public's right knowledge and avoid their own obligations instead. The public has certain rights in frame of international accounting transparency and disclosure as per IAS 1 standards and they should be mandatorily provided by the organization. (Quliyev, V., Kerimov, A. and Fatullayev, R. (2012). p.22-60)

The education of the public about the proper market working structure and what the international accounting transparency and disclosure is would bring up to high level of its demand by the public and would bring to progress of this sphere in the end.

4.5.3 Rights of Public Servants

While the organizations carry responsibility of ensuring the fulfillment of international accounting transparency and disclosure issues, there are corresponding public servants that should be able to control the truthful realization of mentioned matters. Unfortunately, not all countries and governments have certain entities that take control

on the transparency and disclosure issues of the organizations. However, many countries, including all developed ones have special entity within the ministry of economics or any relative one, that ensures the realization of International Accounting Standards requirements, particularly IAS 1. Rights of public servants should be spread on the control organizations' duties of transparency and disclosure processes relating to the public and shareholders as this kind of information is very sensitive in economy building processes and exchange market development. These duties should not be just written rules but they should be actively practiced in reality and the public servants should fully feel the responsibility over the realization of their duties regarding the mentioned issues.

Such kind of activities influence the level of international accounting transparency and disclosure that the organizations provide about their business to the public. The existence of such services may not be noticed in the public and the country, however its absence makes a big difference which is very sensitive for proper market structuring.

4.5.4 Effective Public Administration

Another factor that influences the transparency and disclosure in international accounting matter is the public administration and its effectiveness. Public administration considers all public entities that have to control the transparency and disclosure issues of the organizations, particularly concerning the international accounting standards. This factor is close to the previously described factor, however, unlike the Rights of Public Servants factor, effective public administration considers the wide net of the entities itself which is determined by the development of the countries. Better country is developed, stronger and more effective public administration net it has. Besides that, this factor includes all other type institutions and unions, who analyze the market and make any influence on the international accounting transparency and disclosure processes. This factor also stands for legal rights that the citizens of certain countries may bring to court against the company that gave misleading information to the potential stockholder, or hid some data from the active shareholder.

It is reasonably considered that more the society is concerned about the international accounting transparency and disclosure processes and the effectiveness of public administration in this sphere, more the organizations will have to comply those regulations.

Besides the mentioned above Rights of public servants and Effective public administration factors are considered to be political factors, as the attitude of the structures involved in these factors construction depends on the situation in particular country of business making and how the government of that country treats transparency issues. Despite existence of various independent communities and organizations that act responsible for the international accounting transparency and disclosure implementation, their activities may be framed by the government, depending on the country structure of particular case. Also, we should keep in mind that the culture of each country also makes a change in the factors and may not be mistreated or undervalued. (Weygand, J.J., Kieso D.E. and Kimmel P.D. 2015, pg.45-65)

In addition to above mentioned outcome we should remember the Environment Determinism Theory which states that the accounting transparency and disclosure of any organization making business in one country is shaped and framed by its environment and its interests. It states that the transparency and disclosure processes are sensitive and quite vivid which means that its level and stage of implementation depends on the environment of each particular country. In other words, it means that the level of the international accounting transparency and disclosure practice in one country may differ from the same processes in other country, due to the governmental interests and preferences. For transnational organization such kind of theory has even bigger meaning, as it brings up to the analytical outcome that one transnational company may have one entity with poor international accounting transparency and disclosure performance, while other one may have a high level of the same practice. The country that does not have strong governmental control over the accounting transparency and disclosure issues, would not be urging the companies to share all necessary information, while other one with stronger control on fair business making would have a high level IAS 1 implementation requirements. Due to this we may see once more how important it is for the organization itself to keep up a high level of the

international accounting transparency and disclosure policies implementation despite the country of activity, in order to have a healthy image of the organization at first place.

Unfortunately, the world practice shows that only in certain number of case the organizations that do not comply to International Accounting Standards, including IAS 1 get any kind of penalty for deluding the shareholders and having gaps in international accounting transparency and disclosure processes.

It cannot be considered that it is the stockholder's responsibility to choose the organization to invest in as per the information that is provided. It is also the responsibility of the organizations to give truthful information to requesting parties, otherwise the non-transparent information would mislead the public

As we could see above there are several factors that influence the international accounting transparency and disclosure processes while three out of four of them are related the to the position of public and government while only one of them is considered to be an inner issue of the organizations.

All factors that have any influence to the transparency have a reasonable background and it is important to be able to organize high level international accounting transparency and disclosure despite all negative factors and be able to use the positive ones in order to have a fair business performance.

4.6 Benefits of International Accounting Transparency and Disclosure

When the organization is a new constructed one, or when some organization at some point decides to comply International Accounting Standards while it has not been practicing it before, at first stage it faces big issues starting with IAS 1 that demands that the organization should be transparent. In previous units we have overviewed how the employee lives through certain stages while such new duty is given to him/her and very similar processes happen to the whole company as well.

The company that has not been practicing any attitude of sharing such big amount of significant information with public and stockholders is very inflexible on complying to international accounting transparency and disclosure approach at the first time and

the only way it can totally and voluntarily accept it is the experience that would be gained with certain time. (Skousen C.J. and Walther L.M. (2013). p.25-40)

As per the reports of Transparency International most of the companies that comply to the transparency and disclosure policies become satisfied with the results in second – third year of such experience by simple evaluation of results.

International accounting transparency and disclosure compliance as per IAS 1 brings many significant benefits to the organization which show that it is in their interest to follow the corresponding policies.

Below we may see main benefits that are gained due to appliance to international accounting transparency and disclosure as per IAS 1 requirements:

1. Efficiency improvement of the organization - transparent and disclosed management of the accounting processes within certain organization is an act of additional internal audit that is counted to be the strictest one for the organization and which liquidates all unhealthy treatments of company funds and capabilities. As result of such pure business making the company usually improves the company income which is the indicator of company efficiency improvement. The company expenditure gets under better control and requires reasonable management of expenses, respectively the same is applied to revenue collection and other processes.
2. Hierarchy and culture improvement - when the organization is ready to demonstrate its accounting processes and actually implements international accounting transparency and disclosure the inner health of the company improves as the employees get more motivated in such organizations. They gain feeling of fair business making and rely that their organization is applying the best practice of accounting standards implementation that makes them feel proud of their work and being part of such organization. The employees also would know that in case someone makes any fraud or bribery act toward the organization they would be dismissed and probably sued for such action irrelative of the employee hierarchy and the position that they have. Such culture is highly appreciated by the professional employees and most of the time non-fair employees avoid being hired in such companies by themselves which benefits the organization once more.

3. Improvement of inner audit/control mechanisms - when the organization applies the international accounting transparency and disclosure policies as per IAS 1 it automatically means that the company succeeds in applying one of the main and hardest standards that lets company avoid expenses on implementation of expensive control/audit mechanisms. Proper implementation of transparency and disclosure policies is considered to be the best and most optimal control approach that the organization may need. Besides that, on way to accomplishing the transparency and disclosure policies company lives through certain experience and lets them modify their own policies as well, that would strengthen the control. In such way, the organization gets two duties done at once.
4. Better responsiveness to market changes – the company that complies to the international accounting transparency and disclosure policies is better prepared for the route changing depending the market situation and is not scared of changes. While the company is open to share its accounting information with the public and stockholders it may afford itself some significant changes in expenses and company route in general as the stockholders and public would be sure that the information would be shared with them in time and it guarantees the stability of such business for them. Besides that, the organization that complies International Accounting Standards is considered to have a strong proactive and professional team, as only such one may comply to all the standards in proper way, which also ensures that the organization may afford itself difficult tasks and is capable of handling various situations at once.
5. Better acceptance of organizational changes – when the origination has reputation of transparent origination its organizational changes would be positively accepted both by the organization insiders and the public in general. For example, of a transnational organization that is complying to international accounting transparency and disclosure policies as per IAS 1 decides to open some new entity in any part of the world it would be positively accepted as per below:
 - a. The company employees would be satisfied with the organizational expanding as it indicates the stability of the organization in general

- b. The public and stockholders would be satisfied with such decision as it would be strengthening the company business making and would positively accept such evolution for transparent and disclosed organization. (Letto – Gillies, G. 2015, pg.56-89)

As per above mentioned we may see how the organization normally benefits from the implementation of to international accounting transparency and disclosure policies. As mentioned before such benefits bay not be seized from the beginning of the process, however such effect is guaranteed by the practice of various counties around the world and it beings an irreplaceable benefit to the organization. As per above mentioned units we also may conclude that the compliance to the international accounting transparency and disclosure policies as per IAS 1 is also a matter of prestige for the organizations and makes a huge input in its image. (Nurunnabi, M. 2016, pg.32-67)

Besides the benefits that the international accounting transparency and disclosure procedures bring up to the organization, there are also benefits that it brings to the market, society and the country of activity.

Below we may see some of the main benefits that the market and the country itself experiences from IAS 1 compliance by the organization:

1. Improvement of customer services – when an organization performs high level of to international accounting transparency and disclosure processes it also indicates that the company managed to liquidate some other issues as well that brings up to better sufficiency of the organization. Such organization would optimize its service/goods provision services so that the business would have a strong core that would show high level performance as well. As such processes are directly and/or indirectly interrelated to accounting processes which would result in improvement of customer services processes, as in result the society would benefit from it. The transparent organization may afford being transparent and disclosed once it has a healthy inner core and proper business management, which means that such company would provide high level service and products to the clients respectively.
2. Market strengthening – a strong organization that has a perspective business and that complies to international accounting transparency and disclosure standards as per IAS 1 is considered to be a strong market participant, which

give a better value and image to the market itself. Each market demands to have strong participants that are accepted by society and the stockholders and in reality comply to international Accounting standards, that respectively include international accounting transparency and disclosure policies. Besides that, when the market participant is a transnational organization it becomes more valuable as interest to its business naturally is more than to others. Such kind of “star” organisations that treat both public and stockholders in fair way make a positive input to the image of the market in whole.

3. Economic benefit – an organization that complies to IAS 1 standards and is accepted by the public and stockholders, which meanwhile after the optimization of the processes continues its business would be constantly growing and would become a stable organization with certain significant revenue, which respectively bring economic profit to the country of its activity that meets the country interests directly. Especially, if the organization is a transnational one, several countries would be interested in it at once and its prosperity would bring benefit to any of them where it would be able to perform its business. The transparency and business strength are both considered as benefitting factors to the society and the government.

As per above mentioned we may see how the international accounting transparency and disclosure processes bring various benefits both to the organization complying them and the market where the organization acts. Considering all these sides the organizations should be practicing the improvement of the international accounting transparency and disclosure processes and fulfillment of compliance to International Accounting Standards. The constant development of IAS 1 itself means that there is always space for growing and exploring this field in order to avoid any fraud and any other accounting principal harassment. Automatically, it means that the organizations also need to spend more effort on liquidating any such kind of unwanted issues and succeed in benefitting both themselves and the society as result of their hard work. (Nurunnabi, M. 2015, pg.67-78)

Unfortunately, as per the reports of Transparency International there are constantly detected new ways of how the IAS 1 can be avoided or mistreated, so that an organization would still comply the international accounting standards and practice

bribery inside the company at the same time. There are also numerous cases when the companies put wrong information in the reports and statements required by IAS 1 in order to mistreat the public and stockholders. Even though IAS 1 tries to resist such cases with constant upgrading and tightening the rules, not all countries assure that their participants comply to the policies within the market. As mentioned before the organizations should understand that the appliance to the IAS 1 and to other International Standards benefits them as well in the end.

4.7 International Accounting Transparency and Disclosure Failure

International accounting transparency and disclosure compliance as per IAS 1 is quite a difficult, very responsible and much afford and time requesting process. Besides that, this process requires a totally fair attitude to the work, which lies in base of the IAS 1 purposes. Despite all efforts to urge the organizations share the accounting information with the public and shareholder as per IAS 1, that includes applying all education events and explanatory workshops, there is still huge number of organizations that do not recognize international accounting transparency and disclosure as valuable, reasonable and necessary approach to business making. While certain number of such organizations have a more traditional attitude to work, due to which they decline such information distribution and sharing, many of the organizations decline to do it due to their own reasons, which are considered as pure fraud. Any of such actions despite the intension are considered as international accounting transparency and disclosure compliance failure. (International Financial Reporting Standards., IFRS)

The main action that is strictly considered as inappropriate is expropriation of both existing and potential investors through the deliberately misrepresentation or asset diversion.

Most of the time the organizations may have wrong employees that misuse their duties and deliberately practice bribery by harassing the accounting principles and harming the company business making processes.

The accounting transparency and disclosure issues are the one of main goals and duties of Corporate Governance. The Corporate Governance has a strict obligation to develop such a well-structured mechanism that would liquidate any possible fraud issues.

As per below chart we may see how accounting transparency and disclosure is considered as one of main goals of Corporate Governance:



Figure 4.4: Corporate Governance cycle

Source: Weygand, J.J., Kieso D.E. and Kimmel P.D.

The Corporate Governance is responsible for setting the policies for all type of activities that the company is involved in as we could experience in previous organisational policies setting procedures.

As we may see in table 30 the international accounting transparency and disclosure procedures are included in general transparency and disclosure procedures of the organisation.

The Corporate Governance is the set of policies and instructions that do not only consider the ways to implement international accounting transparency and disclosure procedures that meet IAS 1 requirements as well, it also instructs the company of what actions should be taken in order to detect fraud, liquidate it and prevents its further appearance. (Curuk, T. 2015, pg.56-89)

The actions that should be taken must form a well-structured mechanism that would actually be implemented in real life with purpose to implement mentioned Corporate Governance duty.

Detection of fraud considers following steps:

1. Employee involvement in fraud detection - the employees of the organisation have an obligation to report any suspicious cases they ever face that can be considered as fraud or any risk to fraud as per their estimation. Each company states its own situations when the fraud may be faced. As per world practice it is stated that the biggest fraud incidents are met in procurement and accounting department, including all managerial level employees of whole organisation. In case any fraud and/or international accounting transparency and disclosure failure is faced by the employee, he/ she must report it to the supervisor immediately so that the management would be able to investigate the potential case.

In case the employee had faced such issue and had not reported it to the supervisor (respectively if his/her awareness is proved) that particular employee would be counted as a part of fraud cause once it is detected. Such sensitivity of international accounting transparency and disclosure makes it unavoidable for reporting to proper party.

2. Technological input – the organisation should set up well combines system that would be able to track inside communication with the outside resources and filter any suspicious movements. This kind of action may detect the cases when employees make some wrong actions and by harassing the accounting principles act against the company interest

Below we may see some of such ways that are widely used around the world:

- a. Mail filtering – most of the world leading organisations actually filter the communication mechanisms of their organisation. Sometimes the employees are notified about such approach, sometimes they are not and as these communications are considered as business communication only the organisations have right on such actions. Even though this matter is doubtful this is an active practice applied all over the world.
- b. Information exchange – some companies are very strict about any information exchange that their employees are participating it and track all inputs and outputs though the special computer programs.

Prevention of fraud considers following steps:

1. Proper alignment of senior managers – the senior/top management has to know exactly what the organisation's goal in the mentioned matter is and what is the final result they are trying to reach. Once the top management has a clear view of how the general transparency and disclosure should look, including the international accounting one in particular, they may start to settle up a strategy of the organisation's route in order to have it properly functioning. Especially when the pattern is about a transitional organisation, the company has a bigger scope of information that differs from each other, which means that the organisation has to get a universal approach of the issue solving, which should be supervised by the company top management respectively.
2. Proper communication between top and middle managers – in daily life work implementation processes the top management of the company is mostly not aware of daily issues that the company is constantly facing, while they are dealing with more strategic matters. Due to this the middle management of the company has to have a tighter communication with the top management so that the top management is aware of common issues that the organisation is facing. In such way it would be able to have a clear image what the organisation needs to deal with, determine the priority of issues and build up a strategic solution plan.
3. Reporting about the impact – the employees and the whole team should be properly informed about the impact that the lack of intentional accounting transparency and disclosure on behalf of general transparency and disclosure brings to the organisation and how it affects all of them in the end. In such way employees would better understand why such matters as transparency and disclosure should be important to them and why the organisation is so sensitive and critical about it. Besides that, the organisation should also share the benefits that the company gets due to a high level of intentional accounting transparency and disclosure that the organisation is practicing. This kind of information may be shared by comparing the organisation's internal practice to the issues of other companies, any news that are heard from media and others. This kind of approach would also show the employees what kind of negative influence they could have experienced if they had not practiced the proper intentional accounting transparency and disclosure implementation.

In any case the employees would understand the importance of their work and would be more motivated in following and complying to their daily routine duties.

4. Issue communication with employees - the employees should be constantly communicated regarding the cases that are count to be intentional accounting transparency and disclosure failure and what actions should be taken for prevention of such kind issues. The employees should have a clear view of what the organisation is targeting, what it tries to prevent and what are the corresponding actions. Besides the educational events that the company organises for its employees it is very essential to share real cases and targets for particular issues that the employees may daily face on their working place. In such way, they would have a better view of what to do, target, how to deal in doubtful moments and what to report. (Collins, B. and McKeith, J., 2016, pg.45-67)

Notification about contract termination – the employees of the organisation should be aware that in case they deliberately commit any intentional accounting transparency and disclosure failure they would immediately be dismissed from their workplace as the least penalty. The additional steps would be taken depending on the particular case.

The employees should not live under permanent stress that they may be dismissed as any time, however, they should clearly know that the fraud would not be undervalued by the top management. (Curuk, T. 2015, pg.69-109)

Liquidation of occurred fraud considers following steps:

1. Employee dismissal – in case the fraud is detected and in the end of investigation the guilty employee is determined, that particular employee would be dismissed from the working place with the corresponding reason.
2. Suing the employee - in case the fraud is detected and in the end of investigation the guilty employee is determined, that particular employee may be sued due to corporate governance harassment. As result of such legal case the company may demand for compensation to be paid by the employee for the occurred difficulties. In certain cases, when the value and meaning of the fraud

is significantly big, the employee may be imprisoned for certain period, which depends on the local legislation of the country of activity.

As per above mentioned units we may see various steps that the organisation should take at different stages of intentional accounting transparency and disclosure management. Despite all efforts of the organisations to prevent any fraud cases within their business there are lots of cases when the organisations still face such issues due to various reasons. However, any fraud including the one that happens within the scope of intentional accounting transparency and disclosure happens due to the wish of certain employee to gain more funds by mistreating the trust of the organisation to that particular individual or several people. Unfortunately, some individuals do not value the trust of their organisation and act in the most possibly incorrect way toward it.

Even if the employee feels that the organisation has treated it in wrong way, he/she may not practice any bribery/fraud attitude toward the organisation and seek for the legal solution of the occurred issue.



5. PARTIES AFFECTED BY INTERNATIONAL TRANSPARENCY AND DISCLOSURE

5.1 Affection by International Transparency and Disclosure

It is reasonable that such critical and mandatory actions like intentional accounting transparency and disclosure processes may not leave any sides without certain changes and effect on them. While some parties including the public and stockholders consider intentional accounting transparency and disclosure as benefit for them, there are also certain parties who take it as a disadvantage and both of them have respective reasons. (Curuk, T. 2015, pg.96-122)

Despite the various attitude that different parties show to the intentional accounting transparency and disclosure, it is a mandatory policy for the organisations complying to International Accounting Standards and all of the parties have to deal with it.

Below we may see a simple chart what the accounting transparency means for the market and its investor, which is actually the driving power why the organisation truly understands the importance of IAS 1 requirements implementation in the scope on International Accounting Standards:

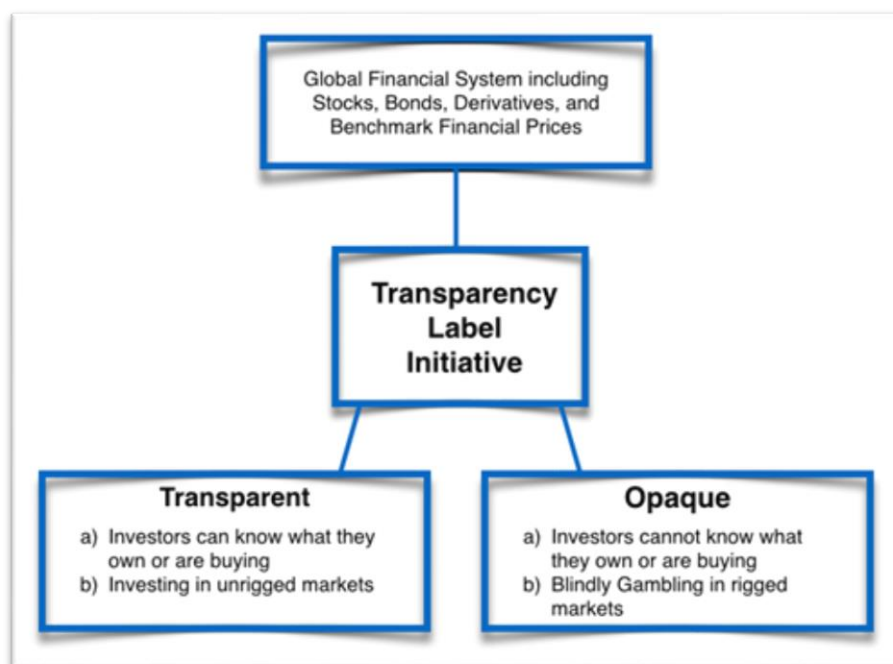


Figure 5.1: Transparency effect

Source: (Fridson, M.S. and Alvarez, F. 2016, pg.66)

As we may see in the table 31 and as it was mentioned in previous units, when the potential investor can transparently see the information about certain organization, he/she would not need to blindly search for any uncertain information and chose any organization to invest relying on vivid assumptions. Respectively, if the organization wishes to have certain investor, it has to show her/him proper results, that would make the investor's mind to invest.

Once the organization realizes the above mentioned connection between the accounting transparency and disclosure performance and the company business making, it would eagerly dare to comply to IAS 1 standards, despite the fact that it would have to do it anyway in order to comply the International Accounting Standards. However, the organization is not the only party that gets affected by the accounting transparency and disclosure performance level. The other effected party is the market of the country of activity and the country economy itself respectively. (Collins, B. and McKeith, J. 2014, pg.45-76)

5.2 Government and its Entities

While an organisation is complying to international accounting transparency and disclosure policies there are certain governmental entities that get affected by such activities.

Below we may see the entities that get affected depending on the country structure:

1. Tax department - all countries have certain tax collection legislation and any organisation has to pay some of them. While the organisation provides all reports and statements as per IAS 1 to the public, the tax department controls that information as well and makes sure that all the data matches and the calculations are correct. It helps them also determine if the tax payment of the organisation is done in proper way according to the legislation.
2. Social and pension fund department – in certain countries the social and pension fund collections happen on mandatory way, i.e. the government is responsible to the allocation of social funds to employees, which are respectively collected from the organisations. Once the organisation provides all reports and statements as per IAS 1 to the public, the social and pension fund department controls that information as well and makes sure that all the data matches and the calculations are correct. (Fridson, M.S. and Alvarez, F. 2016, pg.57-87)

As per above we can evaluate how the transparency and disclosure processes help the governmental entities have a better control over the payment that the organisation makes to them. However, the better control technique is not the only advantage that the international accounting transparency and disclosure policies bring.

Below we may see direct changes that the international accounting transparency and disclosure policies compliance result with:

1. Trust building – the transparency and disclosure in the accounting processes of organizations bring up to transparent market in general, that results with the trust in community. The stockholders and the organizations practice fair business making and build up a healthy market that is very valuable for the government. Such market makes important input in the country economy and infrastructure.

2. Strong competitive market – international accounting transparency and disclosure compliance in frame of IAS 1 makes the particular organization much stronger as the experience that it had gained makes it more efficient in the sphere of activity. Such organization is considered to be a strong competitor in the market and while there are several organizations with high compliance level to International Accounting Standards, the competition level rises in the market, which makes it stronger and better prepared to the changes.
3. Crisis management – the world lives through financial crisis from time to time and it is the period of hard decisions and management for both countries in general and the organizations in particular. However, when the organization is complying to International Accounting Standards and has high level of international accounting transparency and disclosure implementation it is better prepared to face the crisis and has a more flexible structure to survive in such conditions. The countries need such companies to help them pass the crisis as they may rely on their business making that would still have a high level of performance despite the complications.
4. Input in ecology – while the originations comply to international accounting transparency and disclosure policies the also improve the payment procedures and cost saving activities, which brings up to less waste and wages. The most developed countries find it very critical and support such work attitude that in result helps them to keep to deal with ecological problems that become bigger day after day. (Collins, B. and McKeith, J. 2015, pg.45-69)

Below we may see a list of most and least transparent companies as of 2013:

Table 5.1: Most and least transparent companies

Shades of opacity
The most and least transparent companies, 2013

Company	Country	Industry	Index
Eni	Italy	Oil and Gas	7.3

Vodafone	Great Britain	Telecommunication	6.7
Statoil	Norway	Oil and Gas	6.6
BNP Billiton	Australia	Mining	6.1
Banco Standarter	Spain	Financials	6
Sberbank	Russia	Financials	1.5
Agricultural Bank of China	China	Financials	1.4
Bank of Communications	China	Financials	1.3
Honda	Japan	Consumer goods	1.3
Bank of China	China	Financials	1

Source: Barlett, A.C. and Beamish P.W. 2015, pg.57

As we may see in table 32, the most transparent companies belong to the highly developed countries which is reasonably explained by the country requirements to the IAS 1 compliance. In reality, more the countries demand for the international accounting transparency and disclosure policies compliance more it benefit from such actions, that makes it respectively one of its main priorities. Most of the time the countries do not directly demand for the transparency and disclosure compliance and do it through indirect ways, by supporting the independent organizations that monitor the level of transparency and disclosure.

Besides that, the governments of highly developed countries mostly refuse to accept any kind of services/goods from the organizations that do not comply to International Accounting Standards, in particular to IAS 1 that indirectly makes the organizations comply to the regarding standards. By showing such requirements the governments of highly developed countries insist on mandatory international accounting transparency and disclosure compliance which respectively effects and benefits them as well.

5.3 Company Board of Directors

Once the company decides to comply to international accounting transparency and disclosure policies the Board of Director becomes responsible for the implementation of the corresponding duties also with other ones.

Below we may see short description of what the Board of Member are responsible for:

Table 5.2: Functions of the Boards

Functions of the Board	
Strategic Oversight and Control	<ul style="list-style-type: none"> • Determines the Corporate Governance basic matters • Determines the strategic changes and updates • Hires and terminates the board of Executive Board • Controls the standard realisation
Control, Disclosure and Transparency	<ul style="list-style-type: none"> • Responsible for accuracy or procedure realisation • Controls the reporting processes • Realises the internal control • Deals with risk management issues • Responsible for financial reporting compliance
Shareholder Rights	<ul style="list-style-type: none"> • Responsible for Annual General Meetings • Approves the transactions to the

	related parties • Realises the resolving the corporate conflicts if interested
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Charter Capital and Assets	• Fundraising of the chartered capital • Issuing of bonds, securities as per company strategy and legislation requirements
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Source: (Fridson, M.S. and Alvarez, F. 2016, pg.78)

As we may see one big unit of Board of Directors' duties is the implementation of Control, Disclosure and Transparency. While the Board of Directors is responsible for general disclosure and transparency of the organisation, it's very sensitive part is the international accounting transparency and disclosure that in details contains all reports and statement presented to the public and shareholder.

As per the Corporate Governance the Board of Directors are being elected by the shareholders for certain period and they actually do represent the rights and requirements of the stockholders, which means that the provision of proper information to the stockholders is one of the main priorities.

The international accounting transparency and disclosure processes have a direct influence to the Board of Directors, as they are counted to be the top management of the organisation that have obligation to choose a route and methods of actions for the corresponding organisation in the matter of transparency and disclosure. (Ietto – Gillies, G. 2016, pg.45-67)

5.4 Company management

The company management that reports to the Board of Directors respectively need to perform corresponding actions for international accounting transparency and disclosure compliance as part of activities.

While the Board of Members are responsible for strategic decisions in international accounting transparency and disclosure processes as per IAS 1 requirements, the lower management employees are responsible for finding solutions as ways to implement the strategical decisions. Besides that, the management of the company should report to Board of Directors about any issues that the organisation is facing while complying to the transparency and disclosure procedures.

As we may see the organisation's managerial employees realise all action on the way to the international accounting transparency and disclosure fulfilment, which is one of top priorities.

The international accounting transparency and disclosure processes have a direct influence to the organisation management's working processes as it is one of their duties. The management of the organisation is the intermediate connecting element that represents the requirements and needs of Board of Directors and the whole employee staff to each other and assists in finding the solution for arisen issues and targets. (Nurunnabi, M., 2015, pg.56-78)

5.5 Company Employees

The international accounting transparency and disclosure is the factor that influences all company employees in general, not just the ones who have financial connection to the processes and provided information.

As it was mentioned before all employees pass through certain stages while they start to comply all requirements of IAS 1 in scope of International Accounting Standards, however, once the employees totally accept and comply the transparency and disclosure compliance requirements they start to experience certain changes. (Libby, R. (2015). p.37-49)

Below we may see positive changes that the employees experience due to the transparency and disclosure compliance:

1. Trust and respect from the stockholders – once the employees manage to do their business in transparent way they gain bigger respect and trust from the stockholders, that get satisfied by the loyal work implementation and appreciate the hard work and deduction from the employees.

2. Trust to the company management – once the employees are sure that their company is working in transparent way, they feel themselves in a safer working place and become ensure that their company would not treat them in unfair way as well. As the company, itself mostly represented to employees by their supervisors and management such kind of trust and respect is referred to them respectively. When the employees know that all funds are reasonably spent and allocated within the contractors and the company employees itself, they also feel equally treated with all employees within the company that also bring them the feeling of comfort, security and healthy business management.
3. Professionalism – as it was mentioned in previous units, the proper compliance to the international accounting transparency and disclosure requirements as per IAS 1 require certain skills from the employees, however it also teaches the employees of new skills how such reports and statement should be conducted and what should be done in order to avoid any complications within the working process. Such skills bring high level of professionalism to the employees that makes a positive input into their carrier in general as well. The employees may not be aware of such positive input right away, however in certain time they may feel their prevalence in this sphere and it would depend both on the company requirements in the sphere of international accounting transparency and disclosure processes and their own efforts as well.
4. Better employee culture - as it was mentioned before the transparency and disclosure is more than just a skill, it is the attitude and the attitude forms the culture of the employees. Once the employees get aware of how the international accounting transparency and disclosure processes should be realized in proper way and when they actually comply to all the international accounting standards, they gain a special attitude that forms the general culture of international accounting standard compliance. Such kind of transformation is also mostly not sizable from the beginning however, it is realized both by employees and top management in certain time. The employees become employees of high standard and this bring positive value to their professional skill that was described above.

Despite the positive influences that were shown above there are also doubtful issues that may be lived within the company employees. At some point the company may notice that the employees are constantly unhappy about the standards compliance.

Below we may see two reasons why the employee may be unsatisfied with the international accounting transparency and disclosure compliance:

1. The employee may be unhappy due to the big load of work that he/she has to realize in addition to the standards requirements. This reason is considered as natural reason of an employee and in such case the company management should motivate its employees in order to change his/her attitude. Such kind of attitude does not consider big risk, however, it should be dealt, in order to avoid mistakes in the working process.
2. The employee may be unhappy due to the personal reasons, i.e. due to wrong working attitude that clashes the employee's personal interest with company's ones. There are certain employees that regret the international accounting transparency and disclosure compliance as it does not allow them to practice and fraud and bribery within the company. Such kind of employees consider big risk to the company and should be liquidated from the working process and the company in whole. The company management should be very careful with the employees that have such kind of attitude and take legal actions respectively.

The company management should be attentive to its employees and be able to construct a psychological profile of all employees, so that they know true reasons of certain attitude that the employees commit. More the company management aware about the employee attitude, better they are prepared to the possible risks and know how to avoid them. (Alfredson, A., Radford J., Leo, K. (2005) p. 15-62)

As we may see they international accounting transparency and disclosure compliance depends on all employees of the company and it is the company management's obligation to keep their employees well educated and aware about the IAS 1 and other International Accounting Standards' positive influences and values.



6. APPLICATION

6.1 Introduction of the Company

The Great Life is a construction and consultancy transnational organization that is working on building of hotel type buildings for general use. The Great Life had an entity/branch located in Baku and the funds that were invested in it were deducted from the other entities of the transnational organization. The other entities of the organization are located in more than countries, including United Kingdom, Turkey, China, Russia, Kazakhstan and other ones.

The reports and information that were accessed from the Great Life Baku branch are below:

1. Investment change report during 2005 – 2007
2. Interviews of organization's employees
3. Interview of board members
4. Interview of shareholders

6.2 Company History and Structure

The Great Life Baku branch was established in 2001 in Baku as part of transnational organization with the central office for reporting and coordination located in Korea, Seoul. Due to financial problems, Great Life Baku branch was closed in 2011. During this period the organization worked on 5 main projects in Baku that were completed within 3 years of work per each. The apartments of the buildings were sold to the public and the prices were considered as reasonably competitive in the market. Once the company shut down, it sold the building management rights to the other company.

The Great Life had a typical internal structure of a transnational organization and it was a member of exchange market, where its shares were sold. Even though the Great Life closed Baku branch in 2011, the other branches continued this business.

6.3 Integration of Transnational Organisations into Accounting Transparency and Disclosure

As it was mentioned in previous units the accounting transparency and disclosure is the attitude implementation not to one department or entity but to all organization and its branches in general.

Once the organization is a transnational one and its entities are settled all around the world the organization has to ensure that all the processes that are being realized in scope of international transparency and disclosure are done in equal way step by step. It means that all entities should be on equal level of development despite the place of activity.

As per the transnational organization's specification each entity of the organization may produce a separate product that is oriented on the local market and its demand. This kind of differentiation makes the appliance to the international transparency and disclosure a more complicated process. (Barlett, A.C. and Beamish P.W., 2016, pg.67-89)

The Great Life organization has a totally differentiated product/service provision in each entity as each project in each city was unique.

When the organization opened a branch in Baku, first of all it started implementing all the standards that were compiled in each other entity of Great Life. However, those standards were not accepted at once in other entities either.

Great Life organization had specific standard compliance policies which differed from the internationally accepted standards and it included the variance from the international accounting standards as well.

The Corporate Governance of the company had stricter policies than the international ones and it required better and more stratified control methods. This referred to International Accounting Standards as well. Referring to IAS 1, the corporate

governance of Great Life stated that the reports which should be provided to public and the stockholders had a bigger range, including stricter notes and attachments.

Such policy development in scope of corporate governance happened due to certain experience that the company experienced in its different entities.

As Great Life has firstly opened in South Korea, first of all it had to comply local policies and legislations that was not much strict about transparency and disclosure processes along with other certain accounting principles' requirements. The strictest policy of South Korea referred to taxation only.

Later on the organization started to wider the boarders and opened new branches in several European countries and due to this it had to comply to EU legislation and became obliged to comply to international accounting standards. Once the organization became applying to the standards the demand for its shares rose in exchange market which brought up to bigger investment flow.

While the organization was complying to international accounting standards, it still has to comply to the legislation requirements of Korea as well that anyhow referred to the accountancy of the company, excluding taxation, as taxes are paid differently in each country as per local legislation.

After certain time the Great Life organization integrated to China and several other countries, that did not change the policy compliance a lot, however it still brought certain type of adjustment and update.

Later on, the Great Life opened an entity in United States of America, where the transparency and disclosure standards are strictly complied and some technical differences are applied in its implementation. Due to this Great Life had to make certain changes in order to meet the requirements of USA as well.

As per legislation of USA US GAAP (United States Generally Accepted Accounting Principles) is applied to all accounting processes instead of IAS or IFRS. The principles of both standards are similar, however there are some technical differences that are unavoidable and should be complied.

Below we may see some samples of differences between US GAAP and IFRS:

Table 6.1: Examples of differences between IFRS and U.S. GAAP

Some Examples of Differences:	
U.S. GAAP	IFRS
Acquired intangible assets recognized at fair value	Recognized if there is a chance to have a future economic benefit or there is a liability measured
Cost allocated to individual assets	Initial measurement is at cost
Finite lives amortised over the period	M&A Intangibles are counted at fair cost
Examples: Cost of advertising Web development	Regular revaluation is organised

Source: (Fraser, L.M. and Ormiston, A. (2010). p.55-102)



Table 6.2: Examples of differences between IFRS and U.S. GAAP

Topic	IFRS	U.S. GAAP
Inventories	LIFO valuation is prohibited	LIFO valuation is allowed
Buildings, Property & Equipment, and Intangible Assets	Regular revaluations of assets are required when the revaluation option is chosen	Historical cost is used. Revaluations are NOT permitted
Asset impairments	Impairment is assessed using discounted cash flows. Reversal of impairment losses is sometimes allowed	Impairment is assessed using undiscounted cash flows. Reversal of impairment losses is NOT allowed
Restructuring Allowances	Recognition is allowed if a formal plan has been adopted and implementation initiated	Losses are not recognized unless a liability has been incurred, and no changes to the plan will occur
Convertible debt	Amounts are split between debt and equity	Usually recognized as a liability
Classification of deferred taxes	Non-current	Current or non-current based on underlying asset or liability
Revenue recognition	Occurs when the risks and rewards of control have been transferred	Similar to IFRS in principle, but there are numerous specific rules for specific types of transactions and industries
Purchased in-process research	May be capitalized and amortized	Valued and immediately expensed
Definition of a discontinued operation	Generally restricted to operating units	Less restrictive than IFRS
Comparative prior financial statements	At least one prior year comparison required	No requirement for private companies. SEC requires comparative statements
Accounting policies of parent and subsidiaries	Must be conformed	No conformity is required

Source: (Fraser, L.M. and Ormiston, A. 2016, pg.56)

After the integration into USA market, Great Life happened to have quite a combined form of accounting policies that matched the requirements of all countries where they had any activities. Later on, several more entities opened in some other countries, however there was no need to update the policies as the existing ones were already enough to meet new requirements.

In some cases, where the standards clashed between each other as per the country's requirements, Great Life made adjustment as per the outstanding country and reported it to the corresponding parties respectively. However, the organization insisted on avoidance of such cases and tried to apply a unique corporate governance that would meet the requirements of all countries at once.

Once the Great Life opened a new entity in Baku as a transnational organization, it already had quite a strict set of policies that Baku office had to comply to.

As Great Life had active business in number of countries, it complied to the combined set of policies in each of them, even if the country legislation did not require it. The purpose of Great Life was to be able to compete in exchange markets which could not be realized without appliance to transparency and other standards.

The Great Life Baku office automatically applied the corporate governance of the organization which met the requirements of Azerbaijan Republic's requirements as well.

Along with the other standards, the compliance to the IAS 1 standards happened in a systematical way by applying it to each entity equally. The standards that were applied by Great Life in scope of IAS 1 were in quite a stricter way due to the changes and upgrade as per the requirements of other countries' legislation. (Interviews of Great Life transnational organisation's employees)

Below we may see the chart of activities:

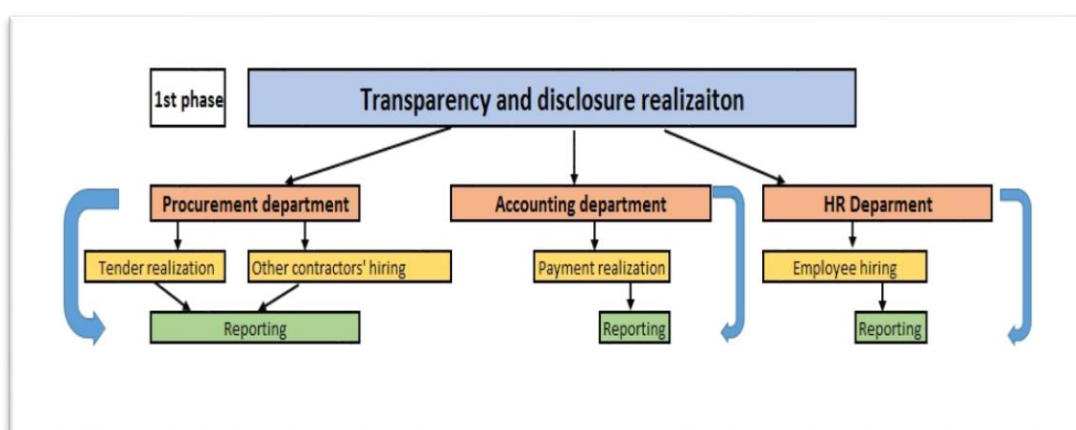


Figure 6.1: 1st phase activities

As at the 1st phase the organization has to settle up an entity first, it starts with main three departments (Procurement, Account and Human Resources) as we may see it in above chart.

Great Life organization invited some employees and specialists from the entities located in other countries in order to make a specific training for new hired employees. The training consisted of presentation the Corporate Governance of the organization and explaining the need of the company, what they want the new entity perform, what standards should be applied and how.

First of all, the Procurement department's activities were targeted from the transparency and disclosure perspective. The organization needed to buy some big scope of various supplies and needed to have all these processes in the most transparent way as the biggest expenses would be realized in this section respectively. The Corporate Governance stated that the tenders should be realized for most of the main purchases as all of them had big value, due to the projects that the Great Life prepared to be realized in Baku. Respectively, there were many other less valuable contacts for purchases of services and goods, where the transparency and disclosure policies had to be applied respectively. As per the policy the procurement department had to report each case to the management with all back up and evidences, which respectively meant a full analysis of committed work. The employees who were hired for the procurement department were familiar with IAS and US GAAP, however they still were trained for the specifically upgraded corporate governance of Great Life which had certain differences from both standard versions of IAS and US GAAP as it was stated above.

When the Great Life started implementing the accounting transparency and disclosure policies to the accounting department at 1st stage it was concerned about the payment processes of the company as at that point the company was not getting any income.

Firstly, the payments of the company referred to the office settling and preparation for construction works in scope of upcoming project. Besides that, the company also paid the salaries as the employees were getting hired. Respectively the reporting part was the main indicator of how the company is doing its business and the management was very concerned about its transparency and disclosure aspects.

As per the information provided by the Great Life organisation's employee as first stage the company lived through certain issues and the main one was the management

if petty cash. The Great Life transnational organisation had a strict limit for petty cash payments, which allowed a very small amount to be paid for services/products without any receipt. This kind of standard was primarily hard for compliance due to taxi payments that the company employees had to use for business purposes. (Interviews of Great Life transnational organisation's employees)

In 2001 the taxis in Baku rarely provided with any kind of receipts which was so important to the Great Life at its first days when the corporate cars were not yet bought. Due to this the company decided to hire a taxi company that would provide with invoice on monthly basis. The accounting team was also provided with training regarding the corporate compliance of Great Life and the full reporting policies were enclosed and explained to them.

Meanwhile the Great Life also started implementation of transparency and disclosure processes to the HR department working process that were responsible for employee hiring processes. HR department was obliged to prove the truthfulness of employee selection processes even though the final decision was made by each corresponding department. HR department was also provided with corresponding trainings regarding the corporate governance.

When the company finally settled up and had enough employees and preparations for starting the project it passes to the 2nd stage of transparency and disclosure implementation processes.

Below we may see the 2nd stage of transparency and disclosure implementation:

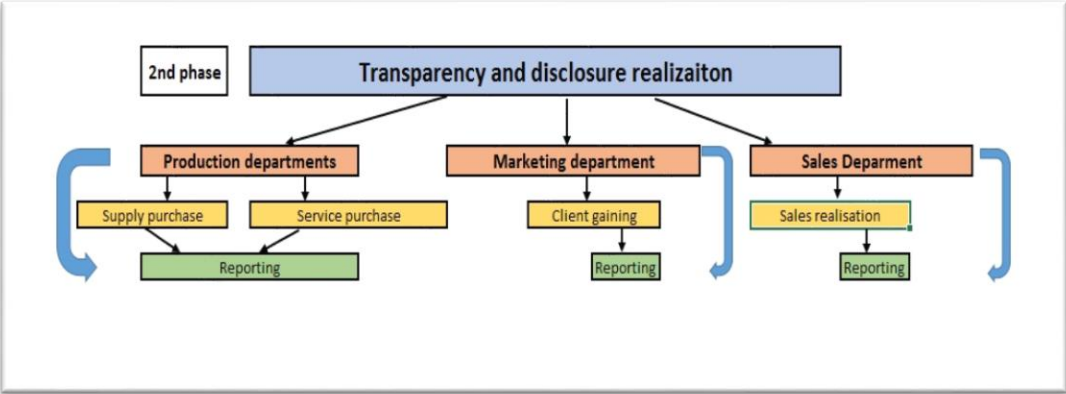


Figure 6.2: 2nd phase activities

At 2nd stage Great Life already had several different production departments that were responsible for various processes of construction. Each of them was responsible for the purchases of needed supplies and services, as per contracts signed and approved on behalf of procurement department. As per the transparency and disclosure policy of the organization, Great Life production departments had to apply reasonable materials and other goods/services in respect with precedent. (Interviews of Great Life transnational organisation’s employees)

In other words, the construction department could not purchase materials less or more than it used to as per the normative procedures. In case such issue happened, it had to prove why there is such difference and if it was needed to order more or less goods/services. Besides that, the production department was not allowed to order anything outside of the range of contractors and it case it needed any such kind of services/goods, it had to prove the advantages of proposed contractor in the specific field and request for evaluation of such case. In case new contractor was approved both my procurement department and the management the production department could be using their services/goods in scope of contract conditions.

The third widest and the strictest transparency and disclosure realized within the Greta Life Baku entity was applied in the production departments as the accounting transparency and disclosure directly depended to the performance of production department (partially). It means that the accounting department could question and

analyze any data that was provided to them by production and procurement departments.

Respectively, the production department would try to apply all necessary policies in order to avoid any issues and misunderstanding. Besides that, as per the corporate governance of the Great Life, the organization permitted accounting department to realize internal control over the data provision of production department in scope of international accounting transparency and disclosure realization.

In case the employee of accounting department seized any doubt of fraud and bribery it should have informed the supervisor about it and could urge to realize an immediate audit realization. Such audit would be realized with emphasis on finding the fraud, i.e. would skip technical issue such as filing gap which may be explained by non-expiration of time allowance.

At the same time the Great Life started to implement the transparency and disclosure into the Marketing and Sales departments as at that point these departments started to develop within the company as the company started to find the clients and sell their apartment of the project that had just started.

The main points that were emphasized from the accounting transparency and disclosure point were emphasized by the organization in the scope of corporate governance. (Libby, R. (2015). p.37-49)

The main risk that the Great Life was concerned about in scope of the marketing and sales departments' performance was the money laundering issue.

The money laundering is the process of transforming the profits that were gained by crime and corruption into a "legal" business which is not such in reality. There are many various methods how money laundering is applied in real life that we may shortly observe in below table:



Figure 6.3: Money laundering forms

Source: (Fraser, L.M. and Ormiston, A. 2015, pg.45-67)

The money laundering that had risk for the Great Life was the real estate laundering that normally may happen in two different ways:

1. Some party buys certain number of apartments with money usually gained with illegal ways trying to hide the illegal funds in such kind of investment. This kind of action may be detected in one person buys many apartments at once, however, it is not always so easy, as sometimes the one party may buy many apartments on different names related to that very party in the end.
2. Some party buys certain number of apartments on discounted or real value and then resells them to the real buyers with higher prices and transfer the funds to some offshore bank as per seller's request, which is a legal activity. This method may also be detected if the organization sees that one person buys many apartments, however as it was mentioned before, there are alternative ways to do such action. However, when some party tries to make some real

estate money laundering of such kind, that party tries to buy almost all vacant apartments of such project in order to keep all project in hand.

When some party makes such kind of money laundering it reaches two main targets as per below:

- a. The funds come to the seller in a way that would look totally legal.
- b. The reselling party would gain extra funds respectively.

While any party applies the 1st type of real estate money laundering the party does not gain the illegal profit and laundered money from the beginning and would need to wait for certain time so that the money laundering would not be detected.

Unfortunately, the Great Life previously had such real estate money laundering issue on other entity and since that the corporate governance of the company had certain changes which made accounting department obliged to control any suspicious activities that could be realised within the marketing and sales departments' performance.

Due to the above mentioned risks and issues that the Great Life organisation experienced the company applied below changes that influenced the activities of marketing and sales departments respectively:

1. Client profiling
2. Limit to apartments sold for one party only
3. Strict pricing processes
4. Strict discounting processes
5. Control of selling processes by accounting/finance department

Once the company started the marketing and sales processes the organisation passed to then 3rd stage of accounting transparency and disclosure processes.

Below we may see the 3rd stage of transparency and disclosure implementation:

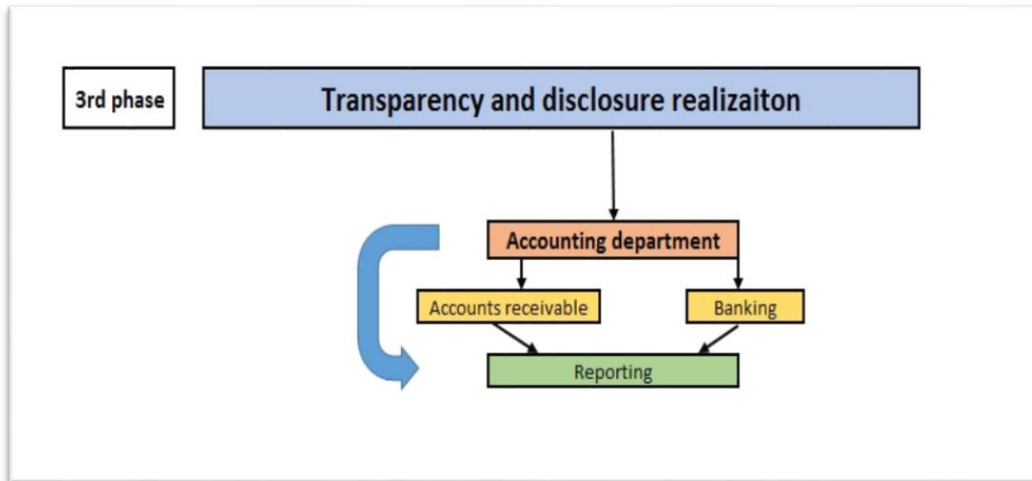


Figure 6.4: 3rd phase activities

As we may see in above table, at 3rd stage the Great Life company emphasized its transparency and disclosure processes on the accounting department as the company had started to make sales and certain amount of funds was transferred to the organisation.

The Great Life was concerned about below main points within the accounting department performances from the international accounting transparency and disclosure perspective:

1. Payment allocations – proper and transparent allocation of paid funds with the debts/receivables as per the performance of sales and marketing departments
2. Accounts receivable management – follow up of outstanding debts and proper communication processes, complying to the proper accounting principles
3. Banking – the bank transfers should be properly controlled and the allocation has to be done in proper way, so that the reconciliation processes are complete.

When the company finally has a settled up business making processes the Great Life Baku office passes to the 4th stage of transparency and disclosure implementation processes.

Below we may see the 4th stage of transparency and disclosure implementation:

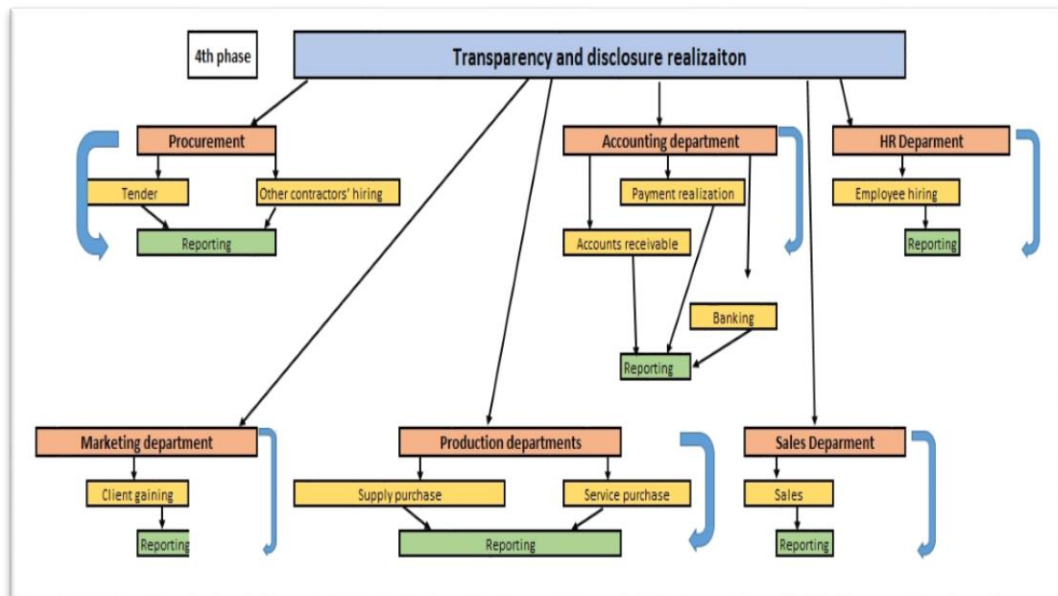


Figure 6.5: 4th phase activities

As we may see in above table the 4th stage was considered as the last stage of transparency and disclosure realizations development. However, later on there were certain complications and the company had to apply additional stage, that would be described in future units.

At 4th stage the organisation planned following up all settled policies as per corporate governance procedures.

As the Great Life was a transnational organisation it made a certain input in the transparency and disclosure processes that related to the services and goods that it provided. Besides that, the transnational organisation required transparent and disclosed attitude of the contractors that cooperate with them.

6.4 Single Standard Implementation and Realisation

As each organisation is developing a unique corporate governance it gets obliged to develop certain standards for each working process within the company. Especially, if the organisation is a transnational one it needs to settle standard for each routine situation that the employees would face during the working processes. (Libby, R. 2015, pg.45-87)

There are several general reasons why such standards are determined:

1. It is easy to implement for employees, as standards are usually the most universal solution of the issues
2. It liquidates most of questions, as usually same questions arise for same issues and standards liquidate such double job
3. It is easy for evaluation and adoption, as any person from any company entity would refer to the same standard, such kind of information would be both easy to evaluate and use by the supervisors and managers
 - a. It meets the requirements of the users, any standard that is determined by the organisation is something that is testes, i.e. it proves that the work done based on standard to work and be accepted.

As the standards applied in all spheres of the organizational activities, the standards are also used in the accounting department.

Below we may see a brief information about the general standards that are applied in the world:

Accounting standards in different countries:

- There are 32 various Accounting Standards applied in India, including IAS 1
- IFRS contents 41 standards in total
- IFRS adopted only in certain countries

While the mentioned standards are concerned about main activities within the departments the employees need other standard for daily usage and routine works that include purchase order forms, invoice forms, filing and others. While the International Accounting Standards include such information as well, some specifications are decided by each organization separately, such as logo location, shift type, size and other elements.

When the standards concern the accounting transparency and discloser processes the organization should also determine certain standards to comply.

The Great Life has also developed the corresponding accounting transparency and disclosure processes that complied both international standards as IAS and GAAP meanwhile and met the addition requirements of other countries.

The single standard that Great Life has committed for corporate compliance was more strictly concerned about below matters:

1. Audit checks that had to be mandatorily applied at least annually
2. The signature authorities that were needed to be at the annual reports
3. Financial report provision – as per the standard the organization was supposed to provide with full explanation of each unit
4. Cash flow report provision – as per the standard the organization was supposed to provide with full explanation of each unit (Interviews of Great Life transnational organisation's employees)

Besides the standard requirements of the IAS, GAAP and some countries where the company operated, Great Life had to be more sensitive regarding above mentioned cases and provide with explanation of each unit from the report and statements. While the IAS requested notes in general attachment form, the company developed it to the form where the report had comments and explanations inside of the reports with details. As it was informed by the Great Life's employee the details that were requested as per the company standards was superior that IAS 1 or GAAP, which was considered as acting in the interests of stockholders and public.

6.5 Factors of Single Standard Implementation and Realisation

Implementation of single standard for accounting transparency and disclosure within the various entities of one organization simplifies the analytical procedures that are very critical for the management.

Below we may see the factors that influence the single standard creation and realization:

1. Need of proper settled mechanism within the organization – a transnational organization needs a well settled working mechanism that would let to synchronize the data of all entities that can be easily achieved if all of the entities apply the same system of information provision. Such kind of approach is critically needed when the company is working on accounting transparency and disclosure processes within the IAS 1, GAAP or any other system.

2. Need in quick realization of routine procedures – any organization faces the processes that gets repeated from time to time and respectively it needs them to be completed quick and in time. The single standards let the employees save time on the proceeding and decision making processes, as the employees would be implementing the duties in a systematical way, due to the repeating of the same type of tasks. Respectively, this factor also influences the accounting transparency and disclosure processes as well, which as very critical for the organizations. The management prefers that the employees would know exactly which steps should be taken at certain situations, rather than be in doubt and make mistakes which can bring to the failure of one of the main priorities of the company.
3. Need in high level of transparency and disclosure – no matter of the organization complying to IAS 1, GAAP or any other kind of transparency and disclosure standards, the main purpose of such standards is to have a high level of transparent and true information. The only way an organization may reach such target is by conducting a single standard of all possible situations that the employees may face. In other words, the organization should try to predict any situations where the transparency and disclosure matters may be tested, i.e. the situations where any fraud and bribery may arise. It is a very tricky and sensitive task, however, the single standard conduction may help the management manage such issue.

As we may see above, there are certain factors that are considered general for all organization in matter of accounting transparency and disclosure realization, however, in reality each organization may face those factors in various ways.

As per the experience of Great Life, from the very beginning of building the accounting transparency and disclosure policies, the standards that the organization had contented very basic situations that were far from the IAS 1 requirements. (Interviews of Great Life transnational organisation's employees)

When the Great Life started to implement IAS 1 requirements and conducting the standards that would meet the international accounting transparency and disclosure needs they lives through below stages that fit the above mentioned factors:

1. Great Life realized that the accounting transparency and disclosure issue may not be avoided and due to this they aimed to find quick solution of the issues and this need brought up to the decision to build up a single standard for all entities, which were only few at that period of time. The organization needed such solution in order to be a competitive member of the exchange market and be interesting to the potential investor and public in general, that would play an important role in the company's future. (Falls under the 2nd factor from above mentioned ones)
2. Then Great Life organization understood that they do not have enough standards that would help them manage the international accounting transparency and disclosure issue as the standards had a rough form and did not cover even main cases. Respectively, the company had to increase the number of different standards and review their content with proper information and subject of use. Such kind of steps increased the level of international accounting transparency and disclosure proceedings that was the aim of the company from the beginning. (Falls under the 3rd factor from above mentioned ones)
3. Later, when the Great Life organization had various standards for potential situations where the transparency and disclosure matters could be tested, the organization realized that the standards are not interconnected and some of them clash with each other that put the employees in doubt and the parties do not know which standard actually prevails over the other one. The real issue was that the company did not have a well-structured mechanism of single standards implementation within the scope of international accounting transparency and disclosure. Due to this the company had to review the standards once more and implement certain changes, so that the standards would look reasonable, matching and clear to the employees from all the entities of the transnational organization. This process took quite a long time as it was hard to change something that was wrongly conducted from the beginning. The management had reconstructed all applicable standards of the company. (Falls under the 1st factor from above mentioned ones)

As we viewed above the Great Life organization live through number of issues due to the non-compliance of the company to the proper standards within the scope of

international accounting transparency and disclosure processes. Unfortunately, the company did not have well-qualified employees that could construct the set of proper single standards for each awaited situation. It is clear that any company lives through transformation of its policies throughout the life period, however it is very important to have a pure base that would properly accept the changes. (Interviews of Great Life transnational organisation's employees)

When the international accounting transparency and disclosure processes are considered for the transnational organization, the strong base of standards is very vital for the organization as it would surely influence on its future development and prosperity respectively.

Above mentioned review and examples are an additional proof of how important it is to have a correct approach of international accounting transparency and disclosure appliance, which may not be undervalued in the interest of the organization in whole.

6.6 Benefits of Single Standard Compliance

Standards are conducted with the purpose to establish specifications and procedures which have to ensure the reliability and truthfulness of the information related to provision of goods and services that are presented to the public, that respectively ensures the reliability and truthfulness of goods/services itself.

Below we may see the benefits of settling the single standards within the organization:

1. Simplification of analytical processes and audit – the single standard that is applies within the accounting transparency and disclosure processes simplifies the auditing and lets the employees spend less time of dealing with format and other technical issues within the organization. Besides that, the analytical procedures are also automatically simplified due to the standard application.
2. Readiness to the changes and upgrade – when an organization has one universal standard for all the entities, it is much easier to apply any change, as a such kind of change would be simply repeated in each entity, while without such standard any change would bring useless complication. In such cases the result of changes within the transparency and disclosure of accounting may bring up to the mess that would make the truthfulness of information fall under doubt.

Especially, as IAS 1 changes from time to time, the single standard is critically needed for the management.

3. Employee acceptance – the employees are more open to implementation of some task that have a well settled stapes with known directions, outcome and final results, rather that working on vivid processes. A single standard lets the employees feel confident of implemented work and not fair if they are making wrong choice of every step they have to take. Due to the employee acceptance of the well settles steps in process implementation, the companies are eager to set the single standards for most of the processes within the organization.

As any achievements of any organization happen with the help of its employees it is important for the management to make sure that staff knows the benefits that they are entitled to when they actually work on standard in scope of international accounting transparency and disclosure policies.

The salary may not be the only motivating factor that would urge the employees to realize their duties. The employees have to know that what they actually do is very important, helps their company and that the company's achievements happened because of their valuable efforts. Otherwise, the employees would not feel any need in their work and the quality of work would constantly fall which is not acceptable especially when the matter is international accounting transparency and disclosure realization. (Libby, R., 2015, pg. 56-106)

As we overviewed in previous units, there are different ways how to educate the employees about the importance of the international accounting transparency and disclosure realization and what may happen if it is not done.

Besides that, it is very vital and sensitive to appreciate the work of employees and show how important their effort is. The employees should feel that they are important for the company and that they are outstanding professionals in their work. In reality, it may not be so, but such attitude and respect shown to the employees would motivate and stimulate their working skill and attitude.

As per research and interviews around the world, it was stated that above mentioned approach may not ne useful due to the various cultural factors of different countries, however, it is preferable if the value of employees is emphasized by the organization that would benefit it in first place as the result.

In Great Life, the management lived through various issues with the single standard implementation, especially in some entities.

At some point the management of several entities that after the update of the single standard implementation the employees are not very eager to manage the international transparency and disclosure implementation, which brought to worsening on the performance in the mentioned area, while the employee acceptance is considered to be one of the main benefits. Due to this the company decided to make a research and find out what was the barrier for poor international accounting transparency and disclosure realization. (Interviews of Great Life transnational organisation's employees)

As result of the research it was stated that the company employees have a non-sufficient training that had to explain the employees below matters:

1. Why the standards got updated and why the final single standard was the superior one
2. What the meaning of such standard to the company was
3. What the meaning of such standard to the employees was

Later on the company management relaunched another training for the employees that explained properly the mentioned matters. The employees were explained what benefits such new single standard would bring to them.

In addition to the training below table was mentioned as content of main principals for the whole team:

Transparency promises

When an employee or company accepts the terms of any kind of transparency, it considers certain promises automatically

Below we may see main of them:

1. Making a claim to share your thoughts, decisions strong and weak points
2. Using transparency and its methods with purpose to help the society
3. Presenting your thoughts truthfully and immediately
4. 4. Sharing information, tools, knowledge in transparent way in order to avoid the further negative consequences

As result of such actions the performance of the employees in the realisation of duties within the scope of international accounting transparency and disclosure. Only after that the employees started for experience the benefits of the single standards that were implemented by the organization for proper management of the international accounting transparency and disclosure processes.

The proper explanation of true purposes of various standards and procedures in the responsibility of the management and case it is not happening both the employees and the company do not benefit from those standards and procedures, which makes the whole process useless and meaningless.

When the procedures and standards are not benefitting the employees and the company there are only two reasons for such issue:

1. The meaning of the standard is not properly explained to the team (which is shown in above overview)
2. The standard is not sufficient for the targeted task (will be shown in the next unit)

6.7 Failure of Single Standard Implementation and Realisation

As per the previous unit we may see the benefits of single standard implementation, however these benefits may be useless if the specification is not realized. In other words, the company may benefit from the single standards as it is mentioned above, but it would not mean that the company is on the right track. It also means that the benefitting from the single standard implementation within the scope of international accounting transparency and disclosure does not indicates the development of the organization.

All standards, including the international accounting transparency and disclosure standards as per IAS 1 have below specifications that is very vital for the organization:

- a. From the business point of view, the standards guarantee that the organization would be on right track of business making and it would respectively bring progress to it.

- b. From the management point of view, the standards guarantee that the employees would not make any big mistakes and would not lap the limits of any kind.
- c. From the employees point of view the standards guarantee that their daily work is done in acceptable way for the management and that they properly and truthfully realize their duties as per labor contract terms.
- d. From the users (buyers, public, stockholders) point of view the standards guarantee that the choice they make on that very organization is reasonable, correct and would certainly benefit them with competitive preference. (Radebaugh L.H. and Gray S.J., 2016, pg.36-87)

In case any of above specifications are not realized and felt by the correspondingly mentioned parties, it means that the organization fails to conduct and implement proper standards within the matter of its purpose. Even though if the organization experiences the certain benefits of standard settling, the main purpose of the standard implementation would not be achieved and realized in interest of the organization.

Below we would evaluate what happens if the company does not succeed to achieve the realization of its specification:

- a. Business point of view: as it was mentioned above the single standard compliance ensures that the company is on the right way to development and as result of it the company sees the benefits of standard implementation. However, in some cases the company feels above mentioned benefits, but the company itself is not doing correct actions in a whole. In other words, the company may have simplified analytical processes, but from the public and stockholders point of view the organization would not look reliable enough for investing in it.
- b. Management point of view: same scenario may happen with the management as well. The employees may seem ready for new changed within the company and be open to the new policy implementation, however the management would not be sure that the employees would not make any unacceptable mistakes.

In the working process the management may detect certain attitude of the employees which may not have any evidence but at the same time the

management would not have trust in the truthfulness of the employees and their working attitude.

- c. Employees point of view: the implementation of single standard for all activities of one organization has to guarantee the confidence for the users, however, it is not always happening so.

While employees show positive acceptance of the single standard implementation, it does not mean that this standard is the best for them and fits their requirements in scope on work as it could be. In such cases the employees have certain doubt if what they are doing indeed right and would be accepted by the management. As per research it is proved that the feel doubts of what employees do would definitely bring to the regress of the company's development.

- d. User's point of view: unfortunately, sometime the company may feel sufficient with all work that it does and how it implements the transparency and disclosure approach realisation within single standard, however for the users the company may steel look unreliable and experiencing lack of potential. The difference of this specification from the one described in unit a (business point of view) is the fact that when the issue is felt from business point of view, the company feels the unhealthy job implementation, which is not only connected to transparency issue. It normally includes also the wrong marketing direction of the company, weak sales or poor production units.

However, when there is issue with users' acceptance of the transparency and disclosure realisation in scope of single standard, it means that the company has the issue in the standards itself only and the way they present information to the public and stockholders. As was mentioned in other units, the company itself still get the benefits of the single standard implementation in such case as well.

Failure of single standard implementation and realisation is not the case of fraud of bribery in direct way, however in indirect way it may be used as an excuse. (Radebaugh L.H. and Gray S.J., 2015, pg.67-123)

The failure of single standard in scope of international accounting transparency and disclosure realisation is considered to be more technical issue with the realisation of settled duty.

However, meanwhile the failure if single standard implementation and realisation may bring up to the consequences that may be hard to control, turn back and fix. Besides that, due to the unhealthy attitude of some employees such kind of simulated fake action may be done on purpose that bare fraud and bribery as the main target.

In other words, some employees may treat the standards as useless and wrong with purpose of manipulation of company funds and capabilities in their own interest.

The Great Life has experienced several cases when they lived through single standard failure issue.

Below we may see 2 of them:

1. In one entity of Great Life after the implementation of IAS 1 in addition to previous transparency procedure the company had below issues:
 - a. The senior accountant stated that the new standards would not work in proper way and is useless.
 - b. The accountant responsible for accounts payable stated that the senior manager is right and that the standard is inappropriate.
 - c. Later on the senior accountant additionally stated that the team cannot work with such standard and that the single standard should not be applied to their entity and separate standard should be constructed for their entity.
(Interviews of Great Life transnational organisation's employees)

As per above feedbacks the management decided to communicate with the senior accountant in order to understand the points that made him/her think that the standard is totally wrong.

While the communication, one of the managers detected that the senior accountant was totally inflexible regarding the standard and his/her arguments were not reasonable and did not consist the common sense.

Then the company management decided to make a deeper research on the working attitude of the accounting senior in general.

Unfortunately, as the result of such research it was found out that the senior accountant was constantly making fraud actions and it was made with the assistance of the accountant responsible for accounts payable.

In result both employees were eliminated from the company and the legal actions were taken against them.

After such issue was solved, the entity continued implementing the international accounting transparency and disclosure procedures as per the single standard that was accepted by Great Life.

In above mentioned case certain employees refused to implement the duties and comply the standards telling that the problem consisted in the wrong contribution of the standard itself, however, in reality it was not so and the reasons of standard rejection were the fraud actions that could be more easily hidden in a system that had a more vivid international accounting transparency and disclosure policies.

2. In other entity of Great Life after the implementation of IAS 1 in addition to previous transparency procedure the company had below issues:
 - a. An accountant responsible for the taxation stated that the standard has weak points and needs a further upgrade in interest of the company. As per his/her statement the company would not be value in proper way by the public if the changes would not be implemented.
 - b. Later on, the financial controller also stated that the single standard developed in scope of international accounting transparency and disclosure policies does not cover main strong sides of the organisation that should be shown to the public and stockholders.
 - c. Meanwhile the manager of procurement department added that the new single standard does not cover the performance of their department, which would be interesting to public and stockholders. In addition, he/she stated that the single standard is not fully and properly complying to IAS 1 as per its requirements and conditions.

As it happened in previous case the management decided to communicate with the financial controller in order to understand the points that made him/her think that the standard is not wholly correct.

All employees who were asked about the weak points and gaps of the single standard and as result it was detected that all of the asked employees were concerned about the same issues which was the wrong direction and data presentation of the standard, that would not reflect the strong sides of the organisation which would gain interest of public and stockholders in case they would be shown to them. Besides that, the procurement manager was asked separately for truthfulness of research and he/she conformed the concerns and added that stricter but more valuable single standard in scope of international accounting transparency and disclosure policies would benefit all entities of the organisation, as he/she was aware that they have common weak and strong points. (Interviews of Great Life transnational organisation's employees)

Then as per the comments and feedback of the financial controller and other employees company management decided to make a deeper research on the points that were mentioned by the employees.

As the result it was proved that the single standard had certain gaps and needed an upgrade. Within next month the single standards in scope of international accounting transparency and disclosure policies was changed, all point of mistreatment of IAS 1 requirements were corrected and the standard was integrated to all entities of Great Life.

In any of above mentioned cases it is the responsibility of the management to evaluate all processes that happen inside the company and make sure that they are open to hear what the employees tell and complain about.

As we could experience on the samples of Great Life, it is important to understand the employees and know what is their intent. While some employees try to develop the internal procedures of the company and give useful advises and feedbacks on how it should be done, some of them prefer to abuse the company and its principles by practicing fraud and bribery.

6.8 Additional Actions for International Transparency and Disclosure Realisation

The corporate governance of each company sets its own methods on how it should manage the transparency and disclosure realization, which respectively relates the international accounting transparency and disclosure actions as well. (Radebaugh L.H. and Gray S.J., 2015, pg.56-79)

It is clear that each company tries to make adjustments as per the standards they are applying to, however, besides the normative requirements of the standards, the companies try to add additional procedures that would stimulate the realization of main targeted transparency and disclosure tasks.

On the example of the Great Life we would be able to see what kind of solutions they applied and what really helped them.

First of all, we should see below the stages of international transparency and disclosure procedures evolution that the organization passed through:

Table 6.3: Transparency realisation stages

Great Life					
1st stage	2nd stage	3rd stage	4th stage	5th stage	6th stage
South Korea	EU	China	USA	Other countries (Middle East, CIS and other countries)	Azerbaijan
Transparency and disclosure policies:	Transparency and disclosure policies:	Transparency and disclosure policies:	Transparency and disclosure policies:	Transparency and disclosure policies:	Transparency and disclosure policies:
Local legislation	IAS 1	Local legislation	US GAAP	Transparency and disclosure policies: Local legislation	Local legislation

As we may see per above table the Great Life organization had through various stages and even though each country had certain input on the company transparency and disclosure policies, the main improvement and development of it happened with implementation of IAS 1 requirements and then US GAAP added certain corrections.

The organization started to sell its shares in the exchange market only once it started complying to IAS 1.

As it was mentioned before in order to have the best fitting international accounting transparency and disclosure policy Great Life developed a corporate governance that covered all of them, excluding several cases that the organization had to separately mentioned for the entities located in USA.

When Great Life decided to comply to the IAS 1 in scope on International Accounting Standards it started with a plan that was supposed to make the company ready to implement all requirements of IAS 1. Respectively, Great Life was implementing other International Accounting Standards as well meanwhile, however, IAS 1 was one of the main priorities for the organization. (Interviews of Great Life transnational organisation's employees)

Below we may see the main targets that the organization set before itself:

1. Study of IAS 1 requirements and procedures by top managerial employees along with legal advisors' assistance – before adding any updates into the corporate governance the organization decided that the management should first of study the IAS 1 and its requirements. The they asked the help of legal advisors who explained them how the IAS 1 should be implemented, the weak and strong points of the organization from the IAS 1 perspective and how it would be implemented to the business of Great Life with all its entities. Afterwards the top management decided what main targets should be settled before the team and the stages of its implementation.
2. Organization of a conference meeting with the corresponding employees regarding the realization of IAS 1 requirements – before informing all employees about a plan to comply to IAS 1, Great Life invited all accounting managers and financial controllers to the head office in Seoul, where the top management explained what IAS 1 is, why the company decided to comply to such standards, what its targets are, how the company needs to build a system of its proper implementation and what are the expectations of the management for the team and its activates. Besides that, the top management wanted to hear what the managers suggest for such case and what they predict about the

company's realization plan as they are aware about employees' attitude and behavior in a better way.

The Great Life heard some outstanding suggestions about such standard implementation and already had an assumption that the team would need proper trainings so that they will receive the employees' confirmation as well regarding standard compliance.

3. Organization of 1st meetings in each entity for all employee of the organization – the 1st stage of meetings that was organized in each entity was an introductory even, explaining what the company plans to do, why and how. Besides that it was a testing event to understand how the team is ready to implementation of such standard, that is very new for the organization and most of employees. Besides that the Great Life presented the meeting as a will of company to negotiate with the employees what may be done for the better development of company and team for their common prosperity and interest. Such act of respect was positively accepted by most of employees from most of the entities, which partially ensured their openness to the process.
4. Organization of educational event – the management of Great Life determined and committed provision of corresponding training program for all employees to ensure what course their company is taking. The training was organized in all entities of the organization.

The training covered below subjects related to IAS 1 related to the Great Life:

- a. Why IAS 1 is important to the organization as part of its development and why it is needed
- b. How IAS 1 may improve the internal and external business processes of the organization
- c. The hardest processes within the IAS 1 requirements realization
- d. The input of the employees' efforts in the realization of IAS 1 requirements and conditions
- e. The benefits of IAS 1 implementation both the organization and its employees

Such training answered to all the questions of the team and prepared them to the implementation of the requirement of IAS 1.

5. Settling up the targets – after the provision of training to the employees the organization settled up the targets of what should be done in order to implement proper reporting and statement provision. At this stage the organization needed to make a plan of proper arrangement and liquidation of weak points that may be a barrier for proper IAS 1 compliance. These targets were settled for the whole company and the supervisors were controlling its realization.

The targets included such issues such as production cost decrease, accounts receivable management, improvement of employee skills and others.

6. Implementation of reports and statements of IAS 1 request and 1st Audit check of the achieved reports and statements – at this stage the company made a test version of all reports that were supposed to be provided to public and stockholders. Even though, the company made such reporting on internal basis this time it was a totally different level of reporting, where all cost and accounts were strictly controlled. Once the test version for the period was ready for whole transnational organization, the Great Life asked an external audit assistance which made a check on the organization's business processes and the readiness of the reports and statements. After such audit checking it was detected that certain costs were not reasonable and the debts were quite big, which would not be positively accepted by the public and potential stockholders.

7. Corrections – after the advises of the auditors the organization emphasized the correction works on below issues:

a. Cost-cutting – the eliminations of useless costs or replacement of unreasonably high cost services with lower more economic costs.

b. Debt collection (Accounts receivable management)

c. Control of accounts payable management

d. Clearance of procurement procedures

8. 2nd Audit check of the achieved reports and statements – once all corrections were done the Great Life invited the audit assistance company once more for audit check.

After such control the auditors confirmed that the procedures are properly settled up and in case the organization continues to contribute in such way, the

reports and the statements provided as per IAS 1 would be positively accepted both by the public and the potential stockholders as per the prognoses.

In case the auditor did not confirm the acceptance of the company international accounting transparency and disclosure procedures level in scope of IAS 1, the company would have been making further corrections till the auditors accept and confirm the acceptance.

9. Upgrade of the corporate governance as per the results – at this stage after all the decisions were made Great Life made final updates in the corporate governance for further implementation processes. The update consisted of all procedures that were needed for the proper provision of international accounting transparency and disclosure procedures within the scope of IAS 1. The Great Life had included the procedures in the corporate governance only once the final decision was made regarding the update and changes.
10. Organization of 2nd meetings in each entity for all employee of the organization – this meeting was organized with below purposes:
 - a. Informing the team about the final results from of the implemented work and efforts of the employees
 - b. Informing the team about the final decisions regarding the implementation of international accounting transparency and disclosure procedures
 - c. Appreciating all efforts and acceptance of such challenge

Once the stages of international accounting transparency and disclosure realization were complete the organization decided to make an adjustment in employee payouts and make a bonus payment for all the efforts of all employees as appreciation of employee deduction to such importance challenging task.

Even though the organization may have a clear plan of how the implementation of international accounting transparency and disclosure procedures should be implemented, it is very important to conduct a certain detailed structure what the company should do in their daily working life in scope of the business.

The additional steps are very important in the working process and they indirectly influence the realization of international accounting transparency and disclosure procedures within the scope of IAS 1 and/or US GAAP.

After the implementation of IAS 1 the local legislation of China regarding the international accounting transparency and disclosure was added to the main core of the corporate governance in corresponding sphere. (Interviews of Great Life transnational organisation's employees)

The next challenge that the US GAAP that was added when the organization entered USA market and opened their entities. As it was mentioned in previous units when the policies clashed between each other as per the requirements of IAS 1 and US GAAP, Great Life decided to make adjustments for the entities located in USA. The corresponding changes were added to the corporate governance.

Respectively, the organization had to make some educational events in the USA departments and makes sure that they aware of the procedures and how they should be implemented.

Each organization has to make own choices regarding the additional steps that they feel necessary for the development of the entity. Besides the assistance audit companies and training facilities, the organizations may also feel need in such actions as:

- a. reconstruction of departments – the company may feel that some employees are not doing the work that they are best at and may decide to make some arrangements
- b. division of uniting the department – in some cases the organization may feel that there are too many departments dealing with similar issues, or in opposite, the departments may have too big workload of various non-related of tasks. In such cases, the company management may decide to may certain changes in the organization. Such actions may also consider the hiring or dismissal of certain employees.
- c. Outsourcing or inviting the employees from one entity to another in order to have the experience shared among the team so that the single standard of international accounting transparency and disclosure would be better explained and respectively realized.

As per research the implementation of detailed additional actions clarifies all non-clear aspects of the tasks that are set in scope of international accounting transparency and disclosure procedures and end with an irreplaceable positive effect to the achievement of the targets.

Besides that, as result of making adjustment of local legislative requirements to implementation of IAS 1 from international accounting transparency and disclosure perspective ended up with development of the corporate governance that had stricter requirements than IAS 1 normally has and Great Life experiences highly effective influence of such application to the business management of the organisation. In addition, such kind of approach brought up to the faster development of the Great Life transnational organisation. As per the information provided by senior accountant of Great Life, due to such developed international accounting transparency and disclosure realisation processes, the organisation had a very clear plan of actions and was positively accepted both by the company, employees, public and stockholders.

6.9 The Mechanism of International Transparency and Disclosure Realisation

When the company sets a purpose to implement the international accounting transparency and disclosure procedures it has to start with its management as it was overviewed earlier, then the company should be trained and prepared for such task with all corresponding details. However, besides all steps to building a strong base of international accounting transparency and disclosure the organization should also build up a strong system inside the organization. Such system would be working on base of mechanism that would have main targets and duties as per below: (Radebaugh L.H. and Gray S.J., 2015, pg.56-78)

1. Compliance to transparency and disclosure in all activities of the organization on daily basis
2. Compliance to transparency and disclosure in all entities
3. Requiring transparent and disclosure accountancy attitude toward the organization from the contractors.
4. Prevention of any activities and decisions that stand against Compliance to transparency and disclosure policies and do not meet its requirements

5. Constant upgrading of the corporate governance and relative policies depending on the corresponding changes (IAS, USGAAP and local legislations)
6. Constant employee training upgrading regarding the updates within the scope of international transparency and disclosure procedures

When the organization comes to the point of making any kind of decision the management and employees should consider the international accounting transparency and disclosure policies. In case such action is not applied the corresponding employees would be responsible for such mistreatments and inaccuracy. In other words, when the company has certain planned and activity and stands before any choice it has to prove that complies to IAS 1 requirements.

As we experienced in previous units, IAS 1 does not require what the company should do in their internal business processes directly, however, it requires enclosing and sharing of such information that indirectly makes the company build up certain procedure, so that at the end of the period they do not have any issues with implementation of IAS 1 requirements.

Below we may see the algorithm of how the company deals with any new decision made within the organization:

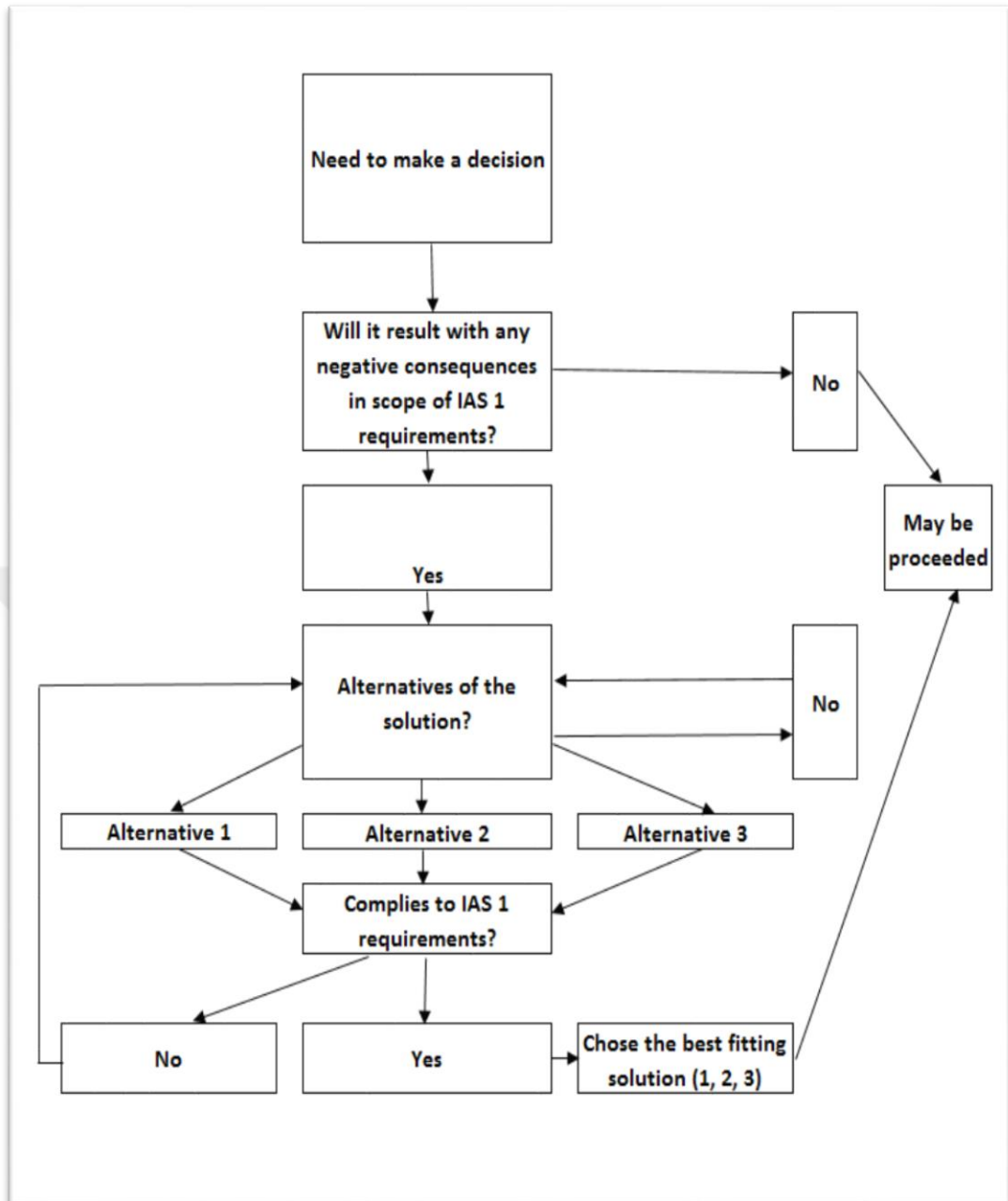


Figure 6.6: Algorithm of applied solution

Source: (Radebaugh L.H. and Gray S.J., 2015, pg.45-89)

As we may see in above table 45 it is important for the organizations to proceed on main two targets while making any kind of decisions:

1. Management and employees always have to remember about transparency and disclosure procedures as per IAS 1 requirements.
2. Management and employees always have to choose the best fitting solution of the situation that would ensure the highest level of IAS 1 compliance.

3. Any IAS 1 non-compliant decision may not be accepted under any circumstances
4. In case there is no alternative solution of the issue the organization should always find any other way to solve the issue, including the change of task in its root.

Below we may see a sample of such issue if the company had to make a decision on hiring some office cleaning services:



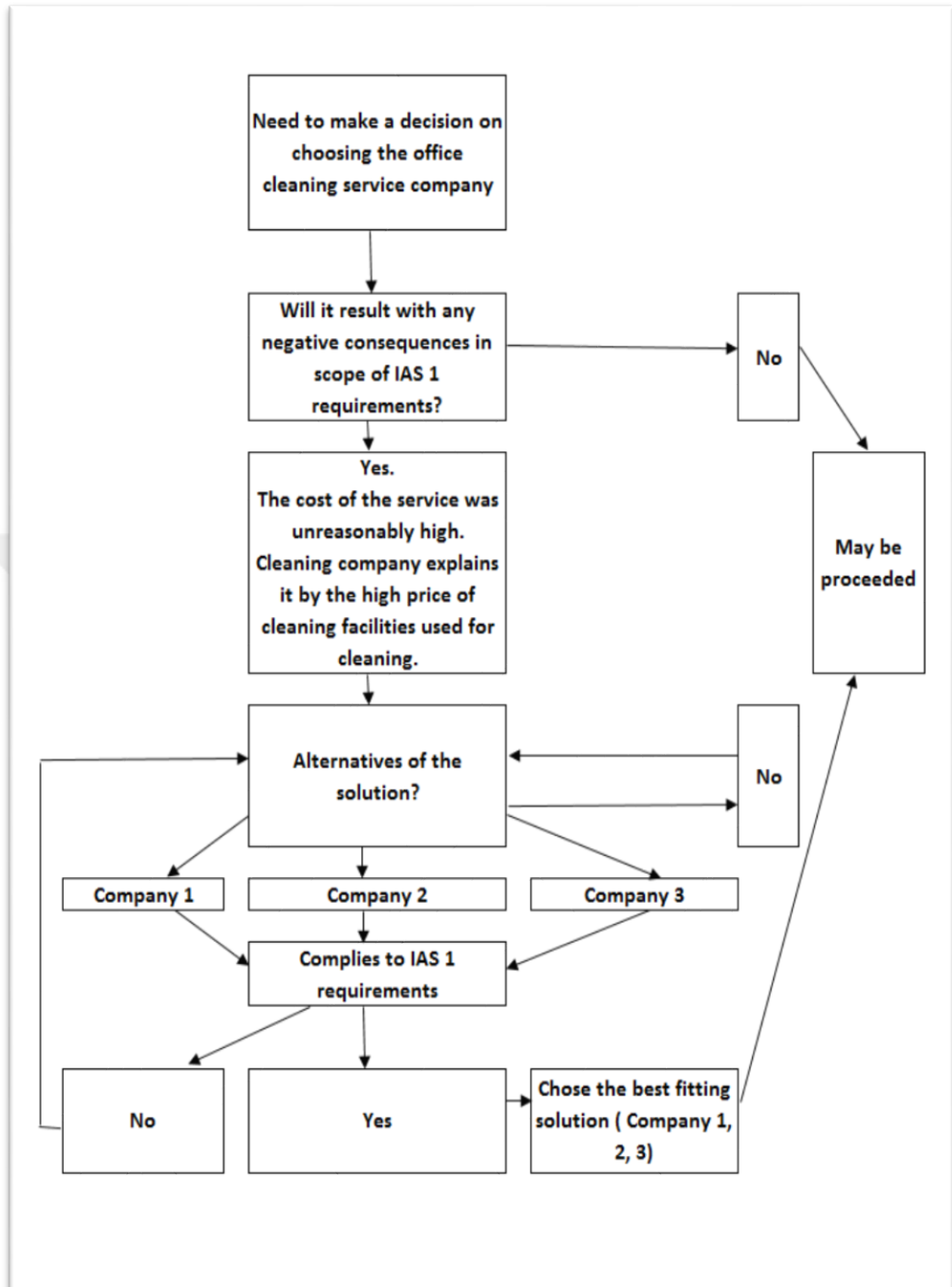


Figure 6.7: Algorithm of applied solution

As we may see in above figure, it is a sample of how a company had to decide which cleaning company it may chose that would also comply to the IAS 1 requirements.

Indeed, the IAS 1 does not require any special requirements for choosing the cleaning company for the office, it does not direct what the company may choose and for what

cost, however IAS 1 insists and requires on sharing the various statements and reports including the statement of comprehensive income. Respectively, the statement of comprehensive income does include the expenses that the company experiences, and reasonably the company would not like to observe unreasonable expenses, which would not be positively accepted by the public and stockholders respectively. The above mentioned sample was a decision making process of the procurement department and as we could see it has quite a strong and interrelated connection with the international accounting transparency and disclosure policies as it was explained in previous units.

This is the way IAS 1 indirectly shows the route to the company while it is making its decision in almost each and every area of activity.

Below we may see another sample of the international accounting transparency and disclosure issue that occurred with Great Life:

The production department had to buy some spare parts in one entity located in South Korea. The production department manager advised to choose one contractor company, which manager was a close relative of the entity's manager meanwhile.

Please note that below algorithm meanwhile shows how the process should be actually managed in order to realise the international accounting transparency requirements within IAS 1 in proper way. It was considered as a final way of solving such issues which was achieved after certain number of failures.

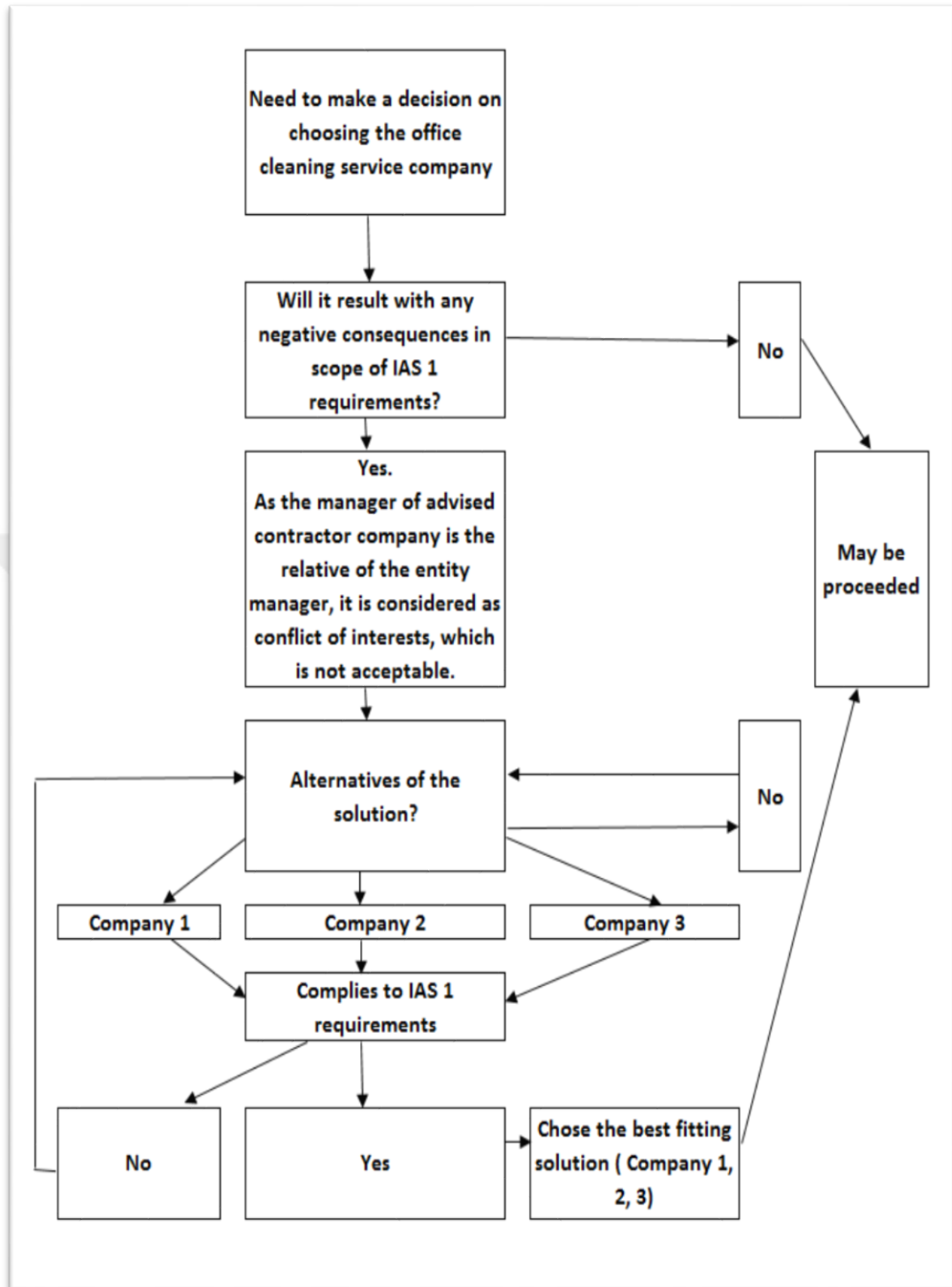


Figure 6.8: Algorithm of proper management in scope of transparency realisation

The conflict of interests is not considered as the direct requirement of the IAS 1 as well, however, as in previous case, IAS 1 has strict requirements that may bring to very serious consequences.

When the Great Life organisation was founded in South Korea, on primary stages it did not consider any corporate governance policies covering the issue of conflict of interest, despite the fact that this is one of the most widely spread policies in the world. However, later on when the whole transnational organisation accepted the IAS 1 requirements and other policies relating to International Accounting Standards, it automatically had the coverage of such procedures as well. (Interviews of Great Life transnational organisation's employees)

Despite the fact that the conflict of interest is not covered by IAS 1, it is still considered as an indirect influencing power. If we assume that the conflict of interest is not covered by the corporate governance of The Great Life organisation and it is not prohibited to choose the contractors that have corresponding relations with managerial employees of mentioned organisation, Great Life still would like to avoid such activities, considering the issues and consequences that it may bring to them as per IAS 1 requirements.

In case Great Life somehow does hire a contractor that falls under conflict of interests' category, it would immediately put itself under the risk as per below explanation:

The Great Life would respectively show certain expenses which are paid to that very contractor that was mentioned above and correspondingly the stockholders may feel important for them to request additional information about the contractor as supporting documents which are permitted. In case they feel some kind of suspicious which usually happens due to the amount paid to contractor, they may make some independent research and find out that the relations between the managerial employees of both sides. Due to this the stockholders may consider the act of fraud and bribery between the sides which would bring to the legal actions, decrease of interest in the company, image fall and other issues which would hard the company in whole. Reasonably, none of the companies would like to take such risk and would prefer to have their business complying the international accounting transparency and disclosure policies.

Despite all corresponding efforts that the company members input into their daily work, there is always a possibility that somehow an act of fraud and bribery would actually happen.

Below we may see a sample what Great life company experienced regarding such issue:

After the annual report and statement provision to the public and stockholders that Great Life realised within the scope of IAS 1, several stockholders were concerned about the expense that the organisation experienced on periodic basis as its description was not clear to them. The case that made the stockholder suspicious was the expenses spent on production materials for one entity in EU.

The stockholders insisted that the amount paid for the production materials is not reasonable and that the invoice description has a vivid content which increases their suspicions. Due to this the management of the entity informed the stockholders that the investigation would be held and the result would be enclosed respectively.

While the investigation, below matters were detected:

1. Invoice items billed to Great Life exceeded the purchases that Great Life did to them, which was checked by Purchase order and invoice documents
2. The information shown on the numerous invoices do not have any evidence of material provision

At that point of time the Great Life had not implemented IAS 1 requirements in full and was more concerned about new entity settling.

Besides that, at that time Great Life had below procedures for payment confirmation and realisation:

1. Invoice cover with signature of both employees responsible for account payables and Accounting Manager
2. Invoices were supposed to be sent with corresponding back up documents sent by the contractor as proof of provided materials

After the first investigation was held it was detected that the employee responsible for the accounts payable had a secret arrangement with the contractor company that provided the materials to the Great Life. (Interviews of Great Life transnational organisation's employees)

The detailed results of investigation were as per below:

1. The contractor company had been constantly issuing extra invoices to Great Life with same purchase orders that were already used.
2. The accountant responsible for accounts payables has constantly been approving those invoices, marking them as matching to contractual terms and corporate requirements.
3. Accountant manager has constantly been approving those invoices, marking them as matching to contractual terms and corporate requirements and automatically sending to the payment.
4. During the internal annual reporting processes, the mistaken payments were not detected and reported in any way.
5. The production department had copies of all purchase order documents that matched with the true amount used and inventory material stock, however the same purchase orders were used in several invoices billed to Great Life by contractor. It meant that same ordered materials were paid several time over and over again.
6. The total amount of the overpayment that Great Life made to the contractor was equal to 494,500.00 USD.

Besides that, the invoice payment history was as per below:

Table 6.4: Payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-356	01/06/1996	Materials	\$ 90,000.00	\$ 90,000.00	\$ -	GL-96/1136
TP/96-378	21/06/1996	Materials	\$ 110,500.00	\$ 110,500.00	\$ -	GL-96/1162
TP/96-396	24/06/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
TP/96-420	29/06/1996	Materials	\$ 87,000.00	\$ 87,000.00	\$ -	GL-96/1276
TP/96-479	04/07/1996	Materials	\$ 75,000.00	\$ 75,000.00	\$ -	GL-96/1394
TP/96-590	15/07/1996	Materials	\$ 65,000.00	\$ 65,000.00	\$ -	GL-96/1461
TP/96-701	27/07/1996	Materials	\$ 69,700.00	\$ 69,700.00	\$ -	GL-96/1688
TP/96-722	29/07/1996	Materials	\$ 110,500.00	\$ 110,500.00	\$ -	GL-96/1162
TP/96-724	01/08/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
TP/96-730	09/08/1996	Materials	\$ 90,000.00	\$ 90,000.00	\$ -	GL-96/1136
TP/96-770	14/08/1996	Materials	\$ 65,000.00	\$ 65,000.00	\$ -	GL-96/1461
TP/96-789	16/08/1996	Materials	\$ 75,000.00	\$ 75,000.00	\$ -	GL-96/1394
TP/96-797	18/08/1996	Materials	\$ 123,500.00	\$ 123,500.00	\$ -	GL-96/1796
TP/96-843	27/08/1996	Materials	\$ 87,000.00	\$ 87,000.00	\$ -	GL-96/1276
TP/96-861	02/09/1996	Materials	\$ 74,050.00	\$ 74,050.00	\$ -	GL-96/1911
TP/96-874	04/09/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
TP/96-897	10/09/1996	Materials	\$ 22,000.00	\$ 22,000.00	\$ -	GL-96/2100
TP/96-910	17/09/1996	Materials	\$ 88,200.00	\$ 88,200.00	\$ -	GL-96/2254
TP/96-927	20/09/1996	Materials	\$ 90,900.00	\$ 90,900.00	\$ -	GL-96/2291
		Total	\$ 1,423,850.00	\$ 1,423,850.00		

Source: (Interviews of Great Life transnational organisation's employees)

As we may see on above table the total amount that Great Life paid to its contract for certain period was equal to 1,423,850.00 USD, however as per the purchase orders it exceeds the value of what was ordered by the production department.

The same Purchase Numbers were used for different invoices and as it was checked, all Purchase Order units were covered in a single invoice in every case, i.e. the contractor could not claim that they issued invoices partially covering each of mentioned Purchase Orders. (Interviews of Great Life transnational organisation's employees)

As per below we may see how invoices for each purchases order was billed for several times to Great Life and paid several times by them as well:

Table 6.5: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-356	01/06/1996	Materials	\$ 90,000.00	\$ 90,000.00	\$ -	GL-96/1136
TP/96-730	09/08/1996	Materials	\$ 90,000.00	\$ 90,000.00	\$ -	GL-96/1136
		OVERPAYMENT		\$ 90,000.00		

Source: (Interviews of Great Life transnational organisation's employees)

Table 6.6: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-378	21/06/1996	Materials	\$ 110,500.00	\$ 110,500.00	\$ -	GL-96/1162
TP/96-722	29/07/1996	Materials	\$ 110,500.00	\$ 110,500.00	\$ -	GL-96/1162
		OVERPAYMENT		\$ 110,500.00		

Source: (Interviews of Great Life transnational organisation's employees)

Table 6.7: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-396	24/06/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
TP/96-724	01/08/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
TP/96-874	04/09/1996	Materials	\$ 33,500.00	\$ 33,500.00	\$ -	GL-96/1179
		OVERPAYMENT		\$ 67,000.00		

Source: (Interviews of Great Life transnational organisation's employees)

Table 6.8: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-420	29/06/1996	Materials	\$ 87,000.00	\$ 87,000.00	\$ -	GL-96/1276
TP/96-843	27/08/1996	Materials	\$ 87,000.00	\$ 87,000.00	\$ -	GL-96/1276
		OVERPAYMENT		\$ 87,000.00		

Source: (Interviews of Great Life transnational organisation's employees)

Table 6.9: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-479	04/07/1996	Materials	\$ 75,000.00	\$ 75,000.00	\$ -	GL-96/1394
TP/96-789	16/08/1996	Materials	\$ 75,000.00	\$ 75,000.00	\$ -	GL-96/1394
		OVERPAYMENT		\$ 75,000.00		

Source: (Interviews of Great Life transnational organisation's employees)

Table 6.10: Extract from payment history

Invoice No	Invoice date	Description	Total amount billed	Total amount paid	Debt	Purchase of order
TP/96-590	15/07/1996	Materials	\$ 65,000.00	\$ 65,000.00	\$ -	GL-96/1461
TP/96-770	14/08/1996	Materials	\$ 65,000.00	\$ 65,000.00	\$ -	GL-96/1461
		OVERPAYMENT		\$ 65,000.00		

Source: (Interviews of Great Life transnational organisation's employees)

As we may see in above tables there are 6 Purchase of Order documents that were sued for several times while issuing invoices which directly means the overpayment made by Great Life to its contractor.

Respectively, all involved parties were asked for the explanation of occurred situation as per below:

1. The production department had all necessary documents and proved that they were not aware about the extra invoices issued and paid mistakenly. As per the procedure the production department did not have any duty of matching the purchase orders with the information about the invoice payment as that point of time. In result, it was clear that the mistaken payments do not fall under the responsibility of the production department.
2. The contractor company providing the material was asked for the explanation and after a certain investigation they provide that the amount of 494,500.00 USD was overpaid by the Great Life and the purchase order files that were used multiple times was a technical mistake of the accounting department. The contractor company also apologised for such mistake and advised that the funds would be kept in credit for the future purchased materials and would cover those invoices beforehand.
3. The accountant responsible for accounts payable stated that she made mistakes and simply proceeded on the files that were sent to her by the contractor company. She also said that she was not checking the numbers of purchase orders mentioned and attached to the invoices, bringing an excuse that she was very busy with big load of payments and duties that she was constantly experiencing.

4. The accounting manager admitted that she was not checking the invoices that were brought to her for payment approval as she very busy with helping to establish new offices in other EU countries and simply on the truthfulness of the information provided to her by the accountant responsible for the accounts payable. She admitted that it was her responsibility to check all invoices approved for the payment and that she unfortunately failed it.

As per above investigation it was clarified that the company would be able to recall its funds as per statement in unit 2 of above investigation results. However, the company management was not satisfied with such results and was suspicious about the truthfulness of the employee corporate attitude and continued the investigation. (Interviews of Great Life transnational organisation's employees)

In order to have a clearer view of the situation happening in the company, the management made a deeper investigation and found out below issues:

1. The company had also maid overpayment for another 3 contractors which were the top biggest contractors is the Great Life's entity in corresponding country.
2. The accountant responsible for the accounts payables stated the same excuses as it was in 1st case.
3. The accounting manager stated the same excuses as it was in 1st case.
4. The departments that were ordering the purchases had all necessary documents with matching accurate information and were not responsible for such issue.
5. All 3 contractor companies apologised for inconvenience and stated that they open a credit equal to the overpaid amount as it happened in 1st case.

As result it was detected that all 4 cases of payment issues had below common points:

1. All companies with whom Great Life experienced the problem, were gaining big revenue from Great Life and each invoice was equal to at least 30,000.00 USD.
2. The problem in all 4 cases occurred due to the same issue as same purchase order documents were billed for multiple times.
3. In all 4 cases, it was a pure accounting department's mistake as the ordering side had not made any mistake and was following the procedure in proper way.
4. In all 4 cases, the contractor companies agreed that it was their mistake and just same purchases were invoiced for multiple times by technical mistake.

The management found out that among all 4 cases there was a clear systematic action plan that made them decide to organise a legal investigation involving all parties, including the purchasing departments as well for the convenience of the investigation.

The Great Life asked for the assistance of 3rd party company specialised in such investigations and within next month below results of investigation were provided to the Great Life:

1. As it was suspected by the company management that case of fraud and bribery was detected within the employees of the company with further details as per proven statements.
2. The departments that were ordering the purchases had a clear working structure and loyal attitude toward the company and their duties. They were not recognised as responsible for the fraud detected within the company.
3. The accounting manager has shown irresponsibility and poor accounting principle attitude while implementing her direct duties which lead up to abuse of the contract conditions. However, her actions did not have any purposeful character and her actions were recognised as negligence both toward to the company and her own reputation as an accounting manager. It was also stated that the big load of work and duties may not be accepted as excuse for such attitude. She practiced the abuse of accounting principles by not checking the content of invoices and simply relying to the accountant's opinion, however, she was not recognised as involved in the act of fraud and bribery.
4. The accountant responsible for the accounts payable and the contractor companies were recognised as responsible and guilty for the act of fraud and bribery.

The details of such act were as per below:

- a. The accountant and the contractor companies had secret arrangements which conditions stated that the contractor company would be issuing extra face invoices to Great Life and the accountant would be realising their payment. Afterwards, the accountant would get a 40% interest from all overpaid sum for such arrangement. It means that only from the 1st detected case she gained 197,800.00 USD. The legal investigation had all proofs or communications and bank transfers stating such actions. Besides that, it

was detected that the accountant was the initiative side and she offered such scenario to the contactors.

- b. The accountant was choosing the big contractors, in order to gain much money from single transaction made each time.
 - c. The accountant was aware about the busy period that the company was living through, that would let her make such actions without any strict control.
 - d. The accountant was sure that the accounting manager was relying on the truthfulness of her actions and used it for her own interests.
 - e. As per arrangement the accountant and the contractor companies agreed that in case such fraud gets detected by the company, the contractor companies would simply say that it was a technical mistake and the overpayment would be used as credit paid in advance for further services. Such scenario would save the contractor companies from losing the big revenue gaining company and the accountant from losing the job and actions being disclosed for both sides.
 - f. Besides that, it was detected that the accountant had also offered such fraud and bribery actions to several other companies as well that declined such offers due to the loyalty and high level of corporate governance procedures.
5. Legal assistance company advised Great Life to take below actions as solution for the occurred situation: (Interviews of Great Life transnational organisation's employees)
- a. To discharge the senior accountant for poor accounting principles realisation and implantation without any further compensation request.
 - b. To discharge the accountant responsible for the accounts payable proceedings with claim of compensation against her and further legal investigation by bringing the case to the court with public announcement as an act in scope of duty of care that the company has.
 - c. To terminate the contract with each of the companies with claim of compensation against each of them and further legal investigation by bringing the case to the court with public announcement as an act in scope of duty of care that the company has.

- d. To bring official apologies to the other contractors that experiences the inexcusable offers from their accountant, explaining the actions that the company took against them and involved company. Also, the Great Life should express their appreciation of such loyal attitude that was shown to them by those companies and how important their cooperation is for them.
- e. To bring official apologies to the stockholder and public by making the corrections in all the reports and statement, including the dividend payments corrections. Besides that, the Great Life should explain all situation in details, stating information about the legal actions taken against parties guilty in fraud and bribery actions. Also, the appreciation of trust and cooperation should also respectively be expressed to both public and stockholders.
- f. To review and reconstruct all the related policies of corporate governance set of policies as per the requirements of IAS 1, including the strengthening of internal transparency and disclosure. Beside that the company should change all payment procedures in order to secure the Great life from any kind of fraud of bribery. The legal assistance company gave certain detailed advises how such actions should be implemented.

As result of the investigation the Great Life decided to implement the corresponding below actions: (Interviews of Great Life transnational organisation's employees)

1. The accountant responsible for the accounts payable was discharged from the holding position and the company in general with case opened against her in the court. As result she was found guilty and corresponding compensation payment due. The case was publicly announced.
2. The contract with each of the companies that was involved in the act of fraud and bribery was terminated and the companies were sued by the Great Life for their actions. As result they were found guilty and corresponding compensation payment due. The case was publicly announced.
3. The senior accountant was not discharged as it was advised by legal assistance company, however, she was warned and obliged to attend corresponding trainings in order to increase the level of her proficiency. Besides that, she was

informed that in case any other accounting principle gets abused by her, her contract with the company would be terminated immediately with the corresponding reason and explanation.

4. The Great Life company brought official apologies to the other contractors that experiences the inexcusable offers from their accountant, explaining the actions that the company took against them and involved company, plus it expressed their appreciation of such loyal attitude that was shown to them by those companies and how important their cooperation is for them.
5. The Great Life company brought official apologies to the stockholder and public by making the corrections in all the reports and statement, including the dividend payments corrections, plus it explained all situation in details, stating information about the legal actions taken against parties guilty in fraud and bribery actions. Beside that the company appreciated the trust and cooperation of corresponding parties.

In result the Great Life made below conclusions that happened as result of a very serious and sensitive issue:

1. As the company was open to the public and stockholders the fraud and bribery accident was detected
2. Such inappropriate attitude was detected even though the transparency and disclosure realisation was not happening in proper way that emphasises the importance of organisation's being open to sharing the information with the public and stockholders.
3. More public and stockholders are attentive to the provided information, better the organisation would be practicing the international accounting transparency and disclosure requirements.
4. More standards are applied, better the organisation would be practicing the international accounting transparency and disclosure requirements.

Due to the openness of the company to the public and the stockholders the company was asked for bot

Due to the issues that Great Life experienced within the company as per above mentioned it made a decision to change the corporate governance policies as per below: (Interviews of Great Life transnational organisation's employees)

1. The company strengthened the procedure for checking the payables and sending the invoices for payment. While before there were only 2 employees involved into this procedure (accountant responsible for accounts payables and the accounting manager), after the change there was a need to sign the corresponding approval document by 4 people, that included accountant responsible for accounts payables, the accounting manager, senior accountant and the financial controller.

The 4-level check of accounts payables would secure the company from the issues it had experienced in above mentioned case. All 4 employees were responsible for the truthfulness of the invoices sent for the payment.

2. All departments that were responsible for ordering the purchases were obliged to register the Purchase Order information as per below:
 - a. While issuing the purchase order for certain goods and services, the purchasing department had to make a chart of all purchase orders and mention the invoices that were correspondingly issued by the contractor company to Great Life.
 - b. Once Great Life covered the mentioned services/goods mentioned in the purchase order, the ordering department had to be mentioned the payment order number, date and amount.

These actions would keep the company records in several resources at the same time that would it difficult for anyone to mistreat and change. It also insured the self-control of the company that would automatically work in such case.

This correction in the policies did not mean that in case some fraud or bribery happens in the accounting team, some other department would be responsible for it, however the purchasing departments had duty and responsibility to enlarge the recording information for the security reasons.

3. The company was obligated to have mandatory internal audit controls as per below conditions:
 - a. Two semi-annual internal audit had to be organised annually
 - b. One annual external audit had to be organised each year

- c. The internal audits had to be done by the employees of Great Life but from the different entities.

As per previous requirements, the organisation had to hold only one audit control, either internal or external, according to the decision of the management.

The update of audit procedures had purpose to detect all gaps and problems without any mistreatment, as the fraud that was described above was not detected during the last audit control, which is not acceptable and make the whole understanding of audit control useless.

4. The training procedures mentioned in the corporate governance had correspond changes as well:
 - a. The employees were obliged to have trainings relating to the company policies in scope of corporate governance.
 - b. The trainings had to also cover all the risks that any actions may bring to the organisation, its business and general image.
 - c. The employees had to know all consequences that may happen in case any of the policies get abused. This kind of information was considered as very sensitive one and it should be presented in an ethic way to the employees.
 - d. Its purpose was not to keep the employees under constant pressure and fear, however, it had to keep them aware and obliged to avoid any kind of inapplicable attitude toward the organisation and its clients respectively.
 - e. In addition, the employees were also trained about the business ethics under this training for the further upgrade.
 - f. Besides the policies mentioned in the corporate governance the training also informed them that in case any employee faces any suspicious case inside and/or outside of their department, it has to mandatorily report it to the supervisor. The information would be kept anonymous as per the information provider's request.

Besides above mentioned the Great Life decided to develop an internal system of international accounting transparency and disclosure control. Instead of just making everyone responsible for the transparency and disclosure implementation, the organisation decided to hire a new employee that would specialise on the

corresponding sphere. (Interviews of Great Life transnational organisation's employees)

That employee would be responsible for below duties:

- a. Ensuring the compliance of all the requirements in scope of IAS 1 and other local legislation requirements of all entities. It means that the employee had obligation to learn the requirements of all countries where the Great Life operates and make sure that the corporate governance meets the needed requirements.
- b. Ensuring the awareness of all employees about the transparency and disclosure policies and all relative upgrades.
- c. Obligation to realise all needed actions in order to control and audit the processes that happen within the various department of the organisation
- d. Divide the transparency of the company on different groups (one of which is the international accounting transparency and disclosure) that would be more reasonable from the control perspective.
- e. Organisation of various trainings covering the transparency and disclosure issues and requirement
- f. Realisation of the best fitting solutions when the company faces the issues clashing with the transparency and disclosure requirements.

As per the duties, the employee was obliged to realise various audit programs in different entities of the organisation on periodic basis.

Such kind of actions would ensure that the company would have a more transparent business attitude and would be able to avoid the fraud and bribery issues. At the same time, it does not mean that each employee gets free of obligation to ensure the transparency and disclosure issues.

When the specialist responsible for transparency and disclosure found it necessary to make certain changes in the corporate governance in order to realise a better transparency and disclosure realisation, he/she had to report it to the top management where it would be evaluated and then the decision would be made.

The new mechanism of international transparency and disclosure control looked as below (single entity sample):

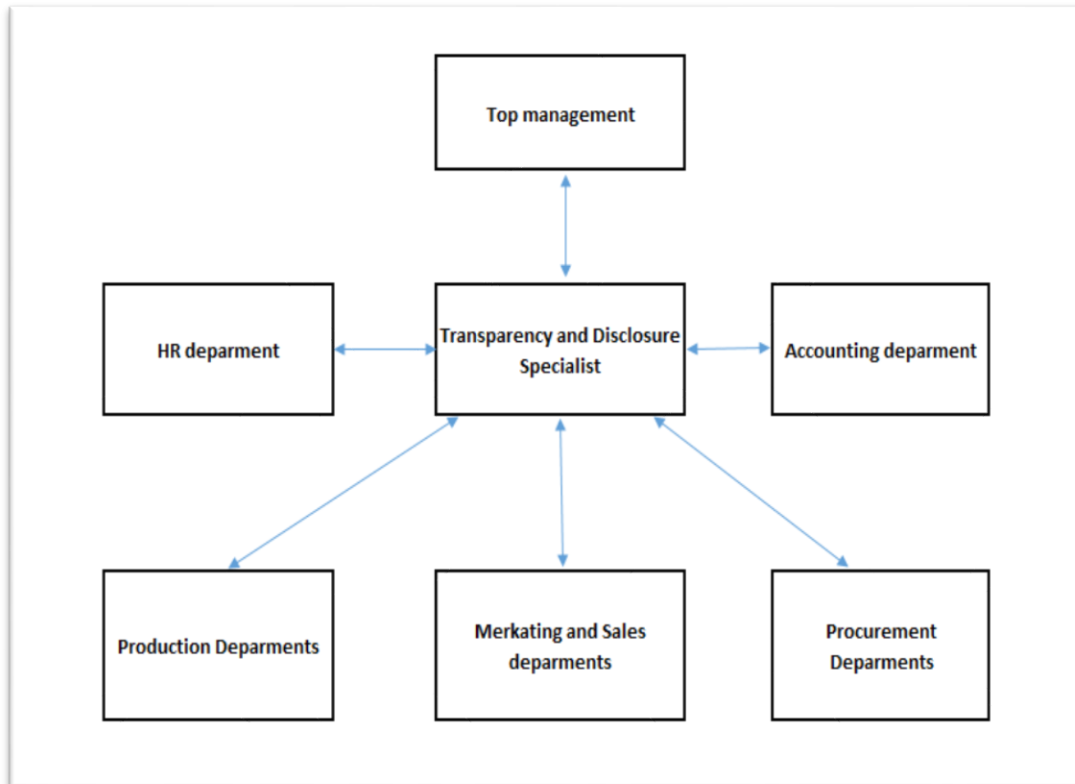


Figure 6.9: International transparency mechanism (single entity)

Source: (Interviews of Great Life transnational organisation’s employees)

As per the chart shown in table the connection between the departments, the specialist responsible for the transparency and disclosure issues and the top management looked as per below:

1. The specialist was supposed to check the standard and requirement compliance of the companies and make all needed changed, advises and warnings.
2. The specialist was supposed to report to top management any issues, changes, corrections and suggestions regarding the situation with the transparency and disclosure realisation (respectively including international transparency and disclosure issues as well) management and development.
3. Any changes that the top management of the companies decides to do which will anyhow influence the transparency and disclosure issues have to implemented in the transparency and disclosure realisation plan by the specialist. At the same time, the specialist is responsible to pass and train all changes to the employees of whole organisation.

In other words, the specialist responsible for the transparency and disclosure stands between all departments and the top management when the subject is the transparency and disclosure realisation.

Besides that, the specialist would deal with training of the employees from all entities of the organisation, that would mean a single solution for all the entities of the organization. In advance the specialist responsible for the international transparency and disclosure would realise the partial duties of the internal audit processes as it would be totally responsible to the audit of the transparency and disclosure realisation compliance standards. Such kind of solution would ensure the better results of audit checking and that is the reason it is considered as an assisting action to the audit proceedings.

Below we may see the chart how the mechanism of looks for Great Life and its entities combined all together (in the sample only 3 entities mentioned):

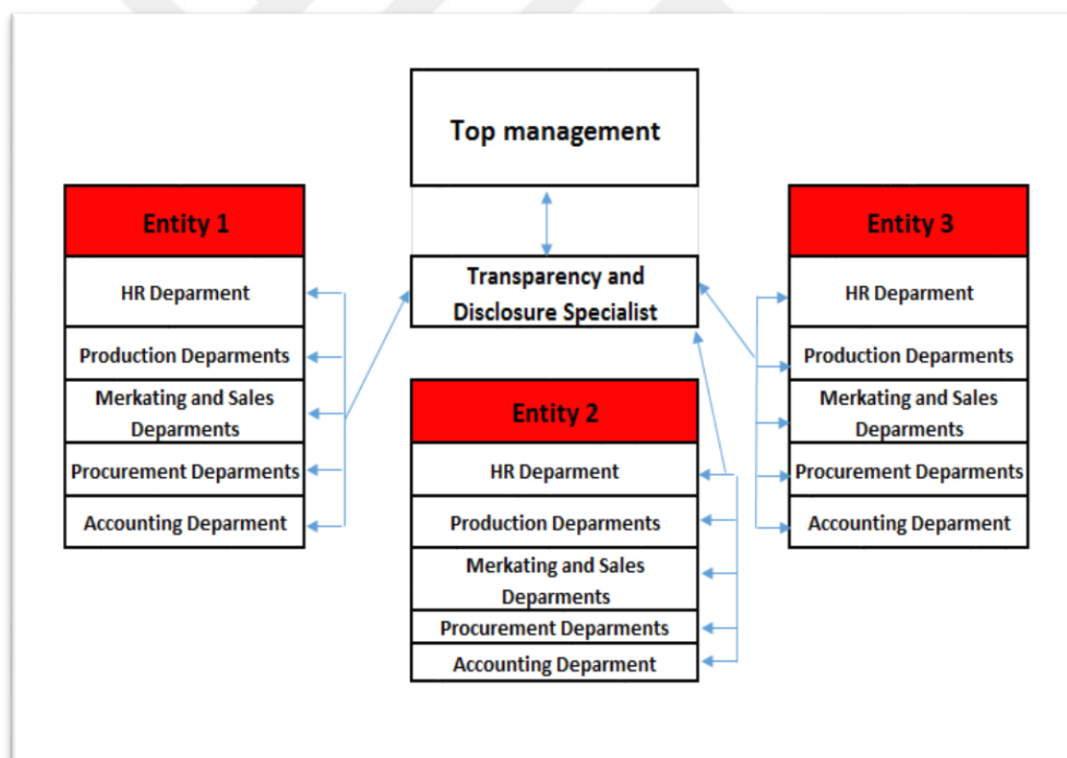


Figure 6.10: Organisation departments scheme and integration (application)

Source: (Interviews of Great Life transnational organisation’s employees)

The realisation of international accounting transparency and disclosure is considered to be one of the hardest tasks in the matter of any kind of transparency for the

organization, especially if the organisation is the transnational one. Due to this the organisations spend a lot of efforts to make this realisation of international accounting transparency and disclosure duty as best as it is possible and suitable for it.

It is always up to the organization to choose what kind of mechanism it prefers for the proper implementation of transparency and disclosure compliance as per IAS 1 and other standards and/or legislation requirements.

Below we may see what kind of international transparency and disclosure realisation mechanisms may be used:

1. Hiring an international transparency and disclosure specialist for the realisation of corresponding tasks and duties with single controlling party inside the organisation (as the solution that Great Life chose)
2. Opening a new department responsible for the international transparency and disclosure compliance procedures. Such kind of mechanism may be used when the organisation has such a big business that it needs a whole department dealing with the transparency and disclosure issues, instead of one person as it was in previous unit. This mechanism differs from the previous one with the scope of work that the organisation is performing within its all entities.
3. Hiring an assistance company that deals with the international transparency and disclosure compliance procedures. This kind of mechanism is widely used in the world, however, it is not recommended as there are always certain issues that the company would like to keep private and does not wish to disclose it with third party companies.
4. Each department being responsible for the transparency issues in its own department. This kind of mechanism is also widely used among smaller organisations, where the international transparency and disclosure realisation does not cover a big scope of business. It is not recommended to the big organisations, as in such cases the transparency and disclosure would get a vivid form and would not comply to the requirements of IAS 1 and other standards.

As it was mentioned above, it is up to the management of the organisation what kind of international transparency and disclosure realisation mechanism they prefer to choose for their organisation, however, each of the mechanism are obliged to have the

main core characteristics besides being specialised in the various types of standards of international transparency and disclosure realisation.

We may see the common characteristics of such mechanisms as per below: (Lanen, W., Anderson, S. and Maher, M. (2009). p. 62-79)

1. Has to cover all sphere of organisation's business, i.e. should be controlling all department within the company from the international transparency and disclosure realisation perspective.
2. Has to be flexible for the changes of IAS 1, local legislation and other applicable standards, i.e. any changes in the standards that are related to the organisation should be overviewed, studied, trained and implemented in soonest time.
3. Has to implement the educational events, i.e. it should provide proper trainings to the employees of corresponding organisation and must be sure that the employees are aware what they do, why, how and under which circumstances.
4. Has to have advisory options, i.e. in case any employee is not sure if he/she does anything in wrong or correct way from the international transparency and disclosure realisation perspective, he/she should be able to refer to the corresponding party within the company in order to find the best and most optimal solution for the occurred problem.
5. Has to have a proper reporting structure, i.e. any issues that the company has with international transparency and disclosure realisation should be reported to the top management even if the issue may seem as a risk-free issue.

International transparency and disclosure realisation mechanisms are the core driving power of the company in the subject of international transparency and disclosure realisation, which is considered as one of the main and most sensitive priorities of the top management.

Regardless of what standard any organisation is complying to it has to determine the proper functioning mechanism of international transparency and disclosure realisation.

As per above mentioned and experience of Great Life, we may see how the absence of proper international transparency and disclosure realisation mechanism lead up to the critical issues which harmed both company accountancy and the image. The

reconstruction of the image was a much harder process than the reimbursement of lost funds, which was critically experienced by the organisation.

In order to avoid the issues that Great Life transnational organisation experienced it is very essential for the management of the company to develop a well-structured detailed international transparency and disclosure realisation mechanism that would make the company avoid such kind of issues.



7. CONCLUSIONS AND RECOMMENDATIONS

7.1 Practical Application of This Study

As per above units we were able to overview the main aspects of the transnational organisations, the transparency realisation within IAS 1 and how differently these two conditions interact with each other.

However, in reality the organisations rarely feel obligated to pass all the study of transparency and disclosure evolution in order to be able to build a unique system that would protect the company and the related parties from the abuse of corporate governance and ethics. In real life companies most of the time use the experience of other organisations that have relatively similar characteristics with them, such as size of the company, type of service/goods provided, region of activity and others. While the companies try to follow the way of other companies they also have a risk to repeat their mistakes as well which is not applicable to the corporate management principles and ethics.

When transnational organisation decides to make a proper study over the subject of international accounting transparency and disclosure realisation within the scope of IAS 1 and its application on the transnational organisations it gains number of advantages. (Lundan, S., 2015, pg.35-86)

Below we may see some main of such advantages:

1. The organisation becomes aware of possible logical outcomes from different situations and conditions that any organization may face.
2. The organisation would decrease the number of risks that it may see on its way to the realisation of international accounting transparency and disclosure realisation within the scope of IAS 1 requirements.

3. The organisation would get prepared for various scenarios that it may live through as per study that covers such issues and have possible solutions of the occurred corresponding problems.
4. The organisation would know what are the weak and strong points of international accounting transparency and disclosure realisation within the scope of IAS 1 requirements is considering the various types of employee acceptance level.
5. The organisation would be aware of various stages that its staff would pass while the international accounting transparency and disclosure realisation within the scope of IAS 1 gets realised and how it should be managed.

In other words, by making a proper study the organisation would be educated, i.e. would be prepared to various problems that it may face while trying to reach the main target of international accounting transparency and disclosure realisation within the scope of IAS 1. This would prevent the organisation from making any chaotic urgent actions and steps that may harm the business and leave an irreplaceable gap in the core of business building structure.

The study that is overviewed in this paper targets the importance of international accounting transparency and disclosure realisation as per IAS 1 requirements on the transnational organisation and how efficiently it is realised.

Depending on the company profile, structure and targets, there are number of reasons why any organisation may decide to implement the realisation of international accounting transparency and disclosure, including the accountancy reasons and other, while the most important one is the requirement of IAS 1, that states all conditions of what kind of information should be presented to public and stockholders. (Lundan, S., 2015, pg.35)

In despite of the reasons that make the organisation comply to IAS 1 standards and requirement it should realise certain decisional steps in order to apply the needed changes. These steps are considered to be universal ones for any kind of the issue or doubt the organisations may experience while implementing the realisation of international transparency and disclosure procedures.

Below we may see the main steps that are needed to be made by the transnational organisation in order to apply the corresponding transparency and disclosure policies to its business in proper way as per the study:

1. What the targets of the company in its business implementation are
2. What the barriers that do not let the company evolve and develop are
3. How the organisation wants to deal with the issue?
4. What should be done
5. Who is in charge of the target achievement

Once the management of the organisation has a clear view of the situation and know what their main target is, it would see its problem, which is one big issue for company management. After the problems are clarified the organisation would be looking for their solution. Each organisation may have various problems, depending on the type of activity it realises. However, all of transnational organisation do have the issue of transparency and disclosure realisation. The international accounting transparency and disclosure issue lies in the base of the organisation's prosperity, i.e. its realisation is unavoidable, hence should be managed in proper way in order to avoid any negative consequences.

Below we may see the stages how the company faces the issue of international accounting transparency and disclosure realisation:

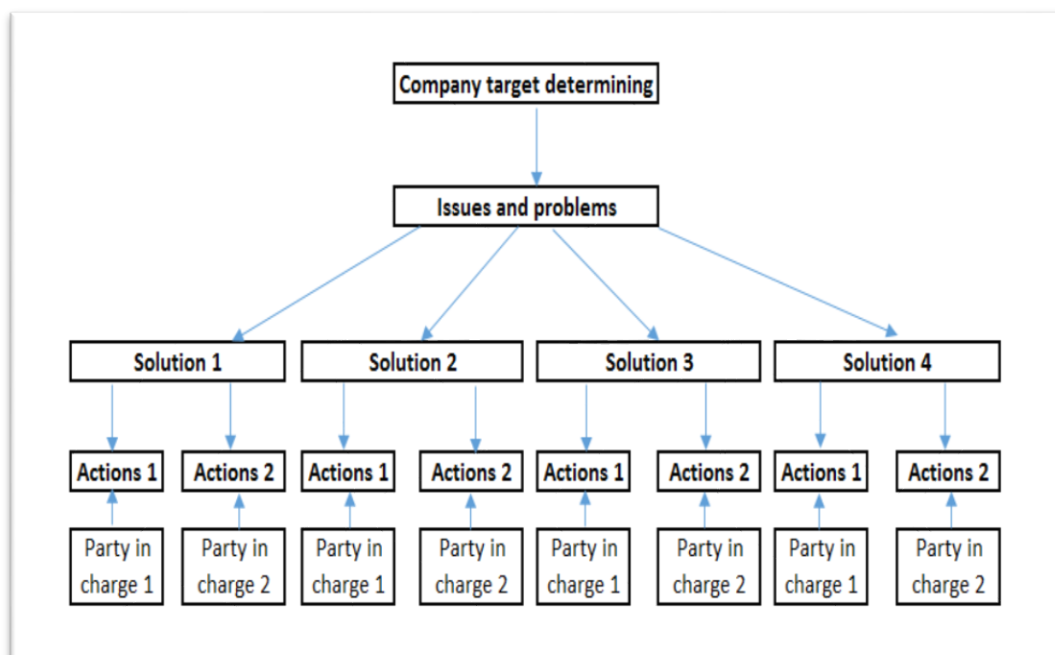


Figure 7.1: International transparency mechanism (several entities)

In the process mentioned in above table the most difficult process is to determine all issues that the company has on its way to the realisation of international accounting transparency and disclosure issues within the scope of IAS 1. Besides determining the issues, the organisation need to group them as per the similarities and the priority, so that the company knows how to divide the employees as per the settled tasks.

When the organisation determines the real issues that stand on its way to the realisation of international accounting transparency and disclosure issues within the scope of IAS 1 it may apply the actions that would help it liquidate the occurred issues.

As per the study that we could overview above what the transnational organisation that decides to realise the transparency and disclosure realisation in order to become a reliable and trustworthy should be aware of and how to deal with the problems that normally arise in such corresponding situations.

While an organisation tries to implement the IAS 1 requirements, it should be trained about the purposes of this standards before overiewing the requirements. Besides that, IAS 1 does not describe detailed explanation of each requested report and statement which makes it quite difficult to understand and company without proper study and research. (Lundan, S., 2015, pg.36-65)

The better understanding of the transparency and disclosure requirements is the key to the proper realisation of the tasks. Each organisation should clearly understand that the realisation of international accounting transparency and disclosure issues within the scope of IAS 1 first of all, positively influences on its business which means that it the organisation's interest to ensure its compliance, as it was shown in details above with the experience that Great Life transnational organisation lived through.

It is natural that the employees and the organisation in general would not be daring to share information with the public and stockholders as it is considered as a definite extra work for them with sensitive type of information, however, if the organisation makes the proper studies and trains it employees, it would make clearance and understand how important the international accounting transparency and disclosure is, especially if it is realised within the scope of IAS 1.

Even though IAS 1 is considered as the standard that covers the main subject related to the international accounting transparency and disclosure issues, it may not be considered ideal and this is another reason why it constantly get upgraded by raising the level of the standard to the higher level.

Meanwhile, when the organisation in applying the standards of various countries that exceed the compliance requirements of the IAS 1, it mandatorily gets controlled by various legislations and/or standards that increase the level of the international accounting transparency and disclosure that raises the corporate standards of the organisation in a whole.

The application of the international accounting transparency and disclosure compliance to the transnational organisation is a very difficult and multistage process that is related to all departments of the company even though if from the first view it may seem that they do not have any connection to the accounting and its principles. However, once the system of realisation of transparency and disclosure procedures is settled up and constantly being maintained it would benefit the company in many possible ways, such as company accountancy, finance, image, perceptivity and others as it was described in previous chapters.

While the organisations compete with each other regarding various aspects, the transparency and disclosure matter is considered to be one of the main ones.

As the study covers various aspects and situations that the transnational organisations are more likely to experience while implementing and compliance to the transparency and disclosure procedures in the scope IAS 1, there is always a chance that the organisation would face some unique factor which has not been observed before. The organisations may face various situations and in each of them they should be sure that their actions consider ethic and proper attitude toward the public, stockholder, employees and the company itself.

In an incontrollable way the realisation of the transparency and disclosure issues in scope of IAS 1 happen in a much stricter way when the organisation is a transnational one, i.e. operates in various countries. It is reasonably explained with the additional requirements that the legislations and standards of different countries mandatorily require from the organisations operating on their territory. When some of such standards clash in the root of the procedure, the adjustments are made for the

outstanding entity, which is considered to be a quite rare process. In reality, when the transnational organisations try to combine several different standards they face the situation when one of such standards has a higher degree of requirement, which is automatically gets chosen against the softer standard. Such organisation as transnational ones prefer to have one single standard in order to have a clear and transparent controlling and managing mechanism of the whole organisation. Such organizations regret to make adjustments for single entities only, however, it is also practiced once it is unavoidable as it was with US GAAP, shown in above units.

An example of standard/legislations requirement combination:

IAS 1 states below in its unit 36:

Frequency of reporting

- 36 An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements:
 - (a) the reason for using a longer or shorter period, and
 - (b) the fact that amounts presented in the financial statements are not entirely comparable.

As per IAS 1, unit 36, we may see that the financial statement should be disclosed at least annually, which means that mandatorily, it has to be once a year and just may be more, but not less.

Some other country legislation or any other standard may state that the financial statement should be disclosed at least semi finally, which means that mandatorily, it has to be twice a year and just may be more, but not less.

When the organisation is trying to fit and comply both of the standards in order to organise a single corporate standard for all entities of the organisation, it will choose the option that would be accepted by both of standards, so that the interests of the standards do not clash between each other, which is semi-final reporting as per the sample.

Another sample of the differences between the standards may be seen below:

Table 7.1: A sample of differences between IFRS and U.S. GAAP

Topic	IFRS	U.S.GAAP
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Intangible, including equipment and buildings	Periodic revaluation is necessarily needed as per the settled periodic deadlines	Historical cost approach is applied. Revaluation is unacceptable
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Source: (Lundan, S., 2015, pg.34)

The transparency and disclosure procedures are not dealing with the physical counting of the cost, but it definitely reflects the information and the results.

As per above table we may see how the true value of assets is required to be counted as per IAS and US GAAP. As we see, IAS requires the revaluation method, while as per US GAAP it is prohibited. In such case the interests of two standards are clashing and this is critical for the transnational organisation that is operating in the countries where one of them complies to IAS and the other to US GAAP. As was mentioned before, in such cases the organisation would have to make an adjustment in the corporate governance in respect to the entity that is in minority. (Radebaugh L.H. and Gray S.J., 2015, pg.35-75)

The organisations may face various situations and it is their obligation to find the balance between the entities and to build up a well-structured internal system that would ensure the realisation of international accounting transparency and disclosure realisation.

In addition, the organisations should remember that more the transparency and disclosure compliance as per IAS 1 and additional standards/legislations is applied, better the company is prepared for any kind of audit and changes within the legislation and IAS 1 respectively.

7.2 Recommendations for Realisation of International Transparency and Disclosure Procedures

In order to realise the transparency and disclosure procedures within the scope of IAS 1 and/or any other corresponding standards the organisation should change the psychology and the attitude of whole business. The organisations should realise that

first of all the company should change its behaviour and transfer its attitude of “hiding” into the attitude of “sharing”.

It is reasonably accepted that the organisations would not be eager to share any kind of information that they have, however it is important for the company to gain the reputation of “open” and “sharing” company. Once this reputation is gained the public and stockholders would be acting in more reliable way to them, which is reasonably explained.

However, if the company ever gets a reputation of “hiding” company, it is times much more difficult to gain improve the reputation and gain the trust of public and stockholders. The public and stockholders would constantly treat the company in a suspicious way and would not show big interest in investing into such companies.

The proper reputation is an advantage that should be gained from the very beginning, otherwise the organisation would be constantly trying to get rid of mistakes and experience the loss of time and efforts.

Unfortunately, most of the organisations do not prioritise the transparency and disclosure issues when they found any entity and start the business considering those issues a second plan tasks due to the certain corporate reasons. Such mistreatment of the transparency and disclosure realisation issues directly influence the reputation of the organisation which is vital.

Below we may see the main corporate reasons why the organisation does not consider the transparency and disclosure realisation as one of top priority from the very beginning of business foundation:

1. Uncertain future of the new built organisation
2. Other “more prioritised” tasks and targets
3. Unexperienced management of the organisation

Once the organisation misses the unique chance of the building a core for the reputation in reference to the transparency and disclosure issues, the recovery of the reputation takes much effort and spending and the first expression to the public and stockholders would have been already missed. The first expression to the public and stockholders has a unique specification of being extremely inflexible to any changes and influence address to it. (Libby, R., 2015, pg.75-89)

Respectively, the organisation should do all efforts to gain the proper reputation from the public and stockholders perspective, so that the future of the company would have a better chance for development and prosperity.

In order to be able to build a well-structured core for the proper reputation the organisation should realise below steps: (Nurunnabi, M., 2015, pg.46-88)

1. Claim that the organisation follows or starts to follow all required transparency and disclosure requirements from the very first day of company foundation and announcement to the public. When the organisation starts its business, reasonably it does not have to report any statements to the public and stockholders from the very first day, it would require at least 6-12 months for them to proceed on it, however, it is very important and sensitive to claim that all the requirements in the sphere of accounting transparency and disclosure within the certain scope of standards (depending on the country and the company route) would be realised. Such kind of promise would be remembered by the public and potential stockholders, which would make them follow the development of that organisation's business in the corresponding market. Respectively, afterwards the organisation has to follow the promises and realise all duties. However, if the claim is not proposed from the beginning, even the best results of reporting and statement presentation would not give such effective results as if it claimed from the first day of company foundation.
2. Start the business processes with implementation of international standards, even if the organisation is operating in one country only and does not sell any shares in the exchange market. As it is known, IAS 1 is the most widely used standard of transparency and disclosure implementation, which makes it an automatic choice for the implementation of transparency and disclosure realisation (unless the organisation is located and operating in United States of America, where US GAAP is accepted). When the organisation is just formed and starting the business, it rarely settles such top priority issues as IAS 1 implementation and sets it for further tasks. However, it is under the organisation's interest to settle the realisation of such widely used, known and reliable standard as IAS 1, even if it is operating in one country only and is not the member of exchange market. There is always a chance that the organisation

would get international at least, while most of transnational organisation were not sure about such progress from the first day of their business building. Respectively, when the organisations set a task to comply all requirement of IAS 1 in scope of International Accounting Standards, it plans all actions as per the requirements of the standard and gets an irreplaceable input in its reputation. The compliance to the transparency and disclosure policies within IAS 1 gives some overview about the organisation to the public and potential stockholders that do not have any information about the company and its business yet. Due to these reasons the companies are urged to be very attentive to the IAS 1 and its implementation considering it the act of improving the organisation's reputation.

3. Be very attentive to the employee selection from the first steps of organisation formation and business management. The employee selection is considered to be quite a difficult and critically important issue for the organisation from the skills, techniques, knowledge, experience and requirements perspective. However, most of the time, the hiring parties forget about the importance of compliance to the accounting principles by those employees. Unfortunately, not all employees practice the fair and proper job implementation and at certain times the employees act in wrong way and may practice fraud and bribery actions that directly abuse the international accounting transparency and disclosure procedures. In order to avoid such issues, the organisations should be very attentive at the stage of employee hiring from the beginning of business foundation.

It is considered to be a difficult process to determine the truthfulness of the employees' working principles before the employee is actually hired and only after the certain working period the job attitude of the employee may be determined.

Due to the solution of this situation and the security of the corporate values the organisations are urged to apply below techniques:

- a. Requesting recommendation letters from the candidate employees regarding their previous working places

- b. Requesting a permission to contact the previous supervisors of candidate employees from previous working places in order to make research about the specific corresponding employee
- c. Requesting the permission to research the true reason of previous employments' leaving (by asking the supervisors from corresponding previous working places) from the candidate employees.

The appliance of these techniques would help the company to escape the risks with hiring the inapplicable employee in the most possible way.

Besides that, this practise is widely used among the transnational organisations as an act of company security which is reasonably explained by the organisation's targets and settled tasks.

- 4. Organise proper trainings to the employees with a staged plan of actions and target realisation. As it was described in previous units the trainings are considered to be a very important step of educational events that the organisations organise for its employees which covers of the spheres of organisation's' activities, including the international accounting transparency and disclosure realisation.

While most of such trainings happen within the working process it is very essential for the organisation to organise the trainings that would cover the international accounting transparency and disclosure realisation as an introduction level of the subject. In other words, the organisation is recommended to organise the international accounting transparency and disclosure procedure trainings to all employees that join the company in the very beginning of job implementation. Unlike other kinds of trainings, this training may be provided to single person depending in the hiring processes.

Normally, the employees are trained about the corporate governance that covers the transparency and disclosure issues as well, however a separate training on subject of the international accounting transparency and disclosure realisation gives a much more effective outcome than a general training about the corporate governance does.

Below we may see the reasons why such trainings are important for the organisation and the management: (Nurunnabi, M., 2015, pg.56-68)

- a. The employee would not be able to avoid the responsibility over the international accounting transparency and disclosure realisation by giving an excuse of not being properly informed, trained and educated.
- b. The employees that have any intention to act in an inappropriate way by abusing the corporate governance and/or practicing fraud and bribery would be aware about the risks that she/she may face in such situation and would not even try to make any abusive action toward the company, public and the stockholders.
- c. The employee would be educated about how the international accounting transparency and disclosure realisation should be dealt. It is reasonably explained that not all employees have knowledge regarding such sensitive issues and international accounting transparency and disclosure and they may simply make mistakes without any intension by simply being not enough educated about the subject. Such trainings would help them with their decision making processes during the working processes and answer their questions on the related issues.

The introduction trainings are widely practiced among the various kind of organisations, however the issue of international accounting transparency and disclosure realisation is not so widely used in the world. However, the companies are urged to be more attentive regarding the mentioned subject and provide the introduction trainings regarding the international accounting transparency and disclosure realisation along with the other trainings of this subject during the working processes.

5. Share the achievements with the public and organise some speeches and conferences where the experience of the organisation regarding the international accounting transparency and disclosure is shared.

When the organisation is gaining certain prosperity and development of its business it is highly recommended to share such information with the public and the stockholders as per below main reasons:

- a. Advertisement
- b. Assurance of company healthy state
- c. Increase in the share price, i.e. increase of investments

d. Reliability and trust improvement (Libby, R., 2015, pg.15-34)

In other words, when the company is ready to share the information about the experience that it gained and show how the company is doing the development actions, it shows an organisation as a very perspective self-assured entity with big future plans and stable business strategy.

Respectively sharing of organisation's experience covers such sensitive matter as the international accounting transparency and disclosure realisation in scope of different standards as well.

There are various ways how the organisation may share such kind of information with the public and potential stockholders including the ones shown below:

- a. Public presentations/workshop
- b. Participating in conferences
- c. Open meetings with mass media

Public presentations/workshop are considered to be the most effective ones, when the organisation is organising an event and shares with the public all difficult issues with the realisation of the international accounting transparency and disclosure within the scope of IAS 1. In those presentations/workshops the organisation would be sharing the methods it used to overlapping the issues, give recommendation, answer the questions and listen to the feedback of public.

Such kind of event would automatically show the organisation as a professional entity being able to comply and follow such important for public and stockholder standards as the international accounting transparency and disclosure realisation within the scope of IAS 1.

Besides that, such kind of experience sharing would automatically bring a positive input the reputation of the organisation which is targeted by it.

Unfortunately, in the present world mostly only settled organisations provide such kind of presentations/workshops. However, the newly settled organisations are strongly urged to organise such events starting from the end of the first year of activity and share their experience with the public. This was

they would be heard and known both by public and potential stockholders as an organisation that already started and dares to reach the full compliance of international accounting transparency and disclosure realisation in scope of IAS 1 realisation.

As per above mentioned steps of reputation management we may see how important it is for the organisation to build up a strong and reliable reputation from the first days of business building. (Libby, R., 2015, pg.45-67)

Respectively, besides reputation building, the organisation has to organise a stable system of the tasks that the organisation should implement in with purpose of international accounting transparency and disclosure realisation in scope of IAS 1.

Below we may see main tasks of organization's international accounting transparency and disclosure realisation:

1. Daily realisation of international accounting transparency and disclosure compliance actions within the scope of IAS 1.
2. Timely reporting of the statements and reports as per the requirements of IAS 1.
3. Auditing of internal processes regarding the compliance to the transparency and disclosure realisation requirements.

As it was mentioned in above units, it is up to the organisation to choose the type of international accounting transparency and disclosure realisation management, as it may be done with help of a certain specialist/officer within the organisations, whole department or an outsourcing services. However, in security reasons, the organisations, especially the transnational ones that are located in many countries, are strongly recommended to have a certain specialist/officer within the company dealing with international accounting transparency and disclosure realisation if the organisation is not too widely spread around the world and whole department responsible for the same task if the organisation is has a bigger size and scope of activity. Meanwhile, the organisations are not recommended to outsource such kind of services as these actions may harm the security of transnational organisation. The outsourcing of such services may consider certain risk to the company and due to this it is not recommended for appliance.

The realisation of international accounting transparency and disclosure in scope of IAS 1 is a very complex and structural activities with may not be undervalued by the management, otherwise the organisation would face the consequences that would be hard to recover and put the organisation back in correct route.

In order to have a proper processing structure of international accounting transparency and disclosure is recommended to settle certain tasks before the whole organisation in scope of international accounting transparency and disclosure realisation.

Below we may see the main tasks that are recommended for implementation:

1. Settling the targets of international accounting transparency and disclosure realisation
2. Consider all possible and legal ways of solution
3. Choosing the best fitting and IAS 1 (and/or similar standards) complying solution out of possible ones
4. Determining the employees responsible for the target implementation
5. Organising the detailed plan of actions for realisation of settled targets as per chosen route (unit 3)
6. Overviewing the progression and interim results of applied actions
7. Proceeding on the corrections and making changes in the plan of action in the process of work implementation
8. Overview of final result
9. Educational activities based on both gained experience and experience of other corporations and researches.

While implementing all necessary actions in order to ensure that the organisation and its entities are complying the requirements of IAS 1 or similar standards the organisations are strongly recommended to use a single standard format for all purposes within the business processes of the organisation that would respectively comply to international accounting transparency and disclosure requirements.

The implementation of single standard while committing international accounting transparency and disclosure realisation gives certain advantages both to the employees and the company which should be properly recognised and appreciated.

Below we may see some of the main advantages that implementation of a single standard brings to the organisations:

1. Simplification of proceedings
2. Simplification of evaluations
3. Faster proceedings due to the systemised usage of such standard
4. Avoidance of double work

The implementation of a single standard is widely used among the most of transnational organisations and is recognised as an efficiency development action for both company, users (employees) and the customers work and goods/services satisfaction which is considered as one of the core targets of company management and business realisation.

Unfortunately, there is still a certain percentage of companies that are not complying with the single standard usage while realisation of international accounting transparency and disclosure requirements which result in non-consistency of their services.

Once the organisation succeeded in building a proper reputation, has a clear plan of action with well-trained employees and single standard in scope of international accounting transparency and disclosure realisation within IAS 1 requirements it may be considered as an organisation with a stable and reliable international accounting transparency and disclosure realisation attitude and culture.

Since the above mentioned processes are settled up the organisation passes to the second phase of international accounting transparency and disclosure realisation. The second phase considers the constant update of the international accounting transparency and disclosure standards as per IAS 1, and/or other standards along with the various researches around the world.

The second phase considers the following actions:

1. Realisation of IAS 1 and/or similar standards upgradation and update
2. Realisation of research how and with which methods international accounting transparency and disclosure realised in other organisations, their weak and strong points, benefits that may be applicable to the considering organisation, how it should be dealt and committed in the best applicable way in scope of legal actions.

3. Testing on the transnational organisation's state of international accounting transparency and disclosure compliance along with testing of employees regarding their healthy and truthful attitude both toward the organisation and their own profession.
4. Organisation of follow-up and progress trainings with purpose to make updates in the knowledge of the employees in the sphere of international accounting transparency and disclosure realisation within the scope of IAS 1 and/or other similar standards.

Unfortunately, most of the companies skip and/or mistreat the second phase of international accounting transparency and disclosure realisation along with realisation of any kind of transparency and disclosure within the company management.

Unfortunately most of the companies get satisfied with the achieved level of international accounting transparency and disclosure realisation and once the stable procedure is accepted and realised the organisation stop the development processes in this sphere. Even though if the organisation is a transnational one and has a specified employee or department dealing with international accounting transparency and disclosure realisation it may not properly work as long the management of the organisation is not interested in such actions, i.e. is not insisting on international accounting transparency and disclosure realisation. (Quliyev, V., Kerimov, A. and Fatullayev, R., 2014, pg.25-67)

The realisation of international accounting transparency and disclosure realisation development actions totally depends on the strategy and corporate management of the organisation. Normally, the organisations should reasonably understand how important the development of international accounting transparency and disclosure realisation is for the proper business management and liquidation of unacceptable barriers.

Timely and consistent realisation of existing international accounting transparency and disclosure policies as per the corporate governance may not be considered as sufficient activities of one organisation in this direction.

Below we may see main reasons why non-development of international accounting transparency and disclosure is risky for the organisations:

1. Daily development of world practice in the sphere of international accounting transparency and disclosure realisation.

As the time goes by the world practice of the international accounting transparency and disclosure realisation experiences innovations that may benefit the specific organisation and misuse of such advantage would be some kind of a loss for the company. This kind of loss may not be sized from the beginning, however, in future it may end up with negative effect on the business processes. Due to this the organisations as strongly recommended to keep itself and whole team updated in any innovations that are getting implemented.

2. Flexible adjustment of policy abusing parties to the existing international accounting transparency and disclosure policies.

Unfortunately, along with innovations the employees who may not wish to implement healthy work attitude, might want to avoid the settled regulations in order to practice fraud and bribery activities. Especially when such kind of employee is acknowledged about the internal corporate accounting transparency and disclosure realisation system she/he may better know how to avoid such policies. However, when the international accounting transparency and disclosure realisation system is constantly changing and getting updated the realisation of fraud and bribery action would be much more difficult and would prevent the inappropriate employees from implementing wrong action. At the same time, if the company already has an employee who has already been practicing such wrong actions, the constantly changing and upgrading system of international accounting transparency and disclosure realisation would warn him/her and that specific employee would feel big presser and risk which would definitely end up with clarification of situation and legal actions against the corresponding employee. In addition, such kind of constantly developing system would be considered as a working sign for inappropriate customers and contractors as well which would mandatorily make them work in ethical way.

3. Comparative disadvantages from the international accounting transparency and disclosure perspective.

As it was mentioned before once the reputation is gained the organisation should constantly work on keep it up and in case it has a gap in development of international accounting transparency and disclosure realisation policies, while the other ones would have success in this sphere, the organisation would harm its reputation and the image of highly transparent and disclosed organisation would fall, which may not be accepted by the organisation. Due to such kind of risk the organisations should proactively work on the development of international accounting transparency and disclosure realisation policies.

As per above mentioned reasons we may see how important it is for an organisation to ensure that it is constantly working on development of accounting transparency and disclosure skills, methods and proceedings.

Once all mentioned units are being constantly managed and controlled in proper way, the organisation would be relied and respected both by public, stockholders and competitors as a professional organisation. This is correspondingly explained by all the efforts that the organisation realises in order to have the truthful work attitude. Especially, if the organisation is a transnational one, it is reasonably considered that such actions are difficult for realisation and once it is committed, the results are strongly appreciated and recognised by the parties. (Quliyev, V., Kerimov, A. and Fatullayev, R., 2014, pg.35-98)

However, there is one specification that makes transnational organisations more advantageous than any other type of organisations.

Transnational organisations consider the business that is realised by different entities in different countries which are well adopted to the local market and at the same time have tight connection with each other. Besides that, as it was mentioned before the prosperous organisations respectively apply single standard implementation in scope of international accounting transparency and disclosure realisation. Respectively, such kind of approach means that the organisations make all necessary procedure adjustments as per the requirements of local legislative requirements from the international accounting transparency and disclosure realisation perspective.

In other words, the transnational organisation while trying to settle up a single standard within international accounting transparency and disclosure realisation requirements faces the situation, when it has many entities, who have to comply to local legislative requirements and IAS 1 as well in order to be a healthy and competitive member of exchange market. Respectively, such transnational organisation will have to make certain steps in scope of international accounting transparency and disclosure realisation.

Below we may see 2 models of actions that the organisation should realise for implementation of above mentioned target.

Model 1

1. Apply IAS 1 to the corporate governance as a core structure of it
2. Add all necessary adjustment as per the local legislative requirement that would be applied to all entities as once
3. Detect the clashing legislative requirements and make outstanding adjustments for the entities that are located in such countries with clashing element in its legislation. (Radebaugh L.H. and Gray S.J., 2016, pg.67-98)

Unfortunately, what happens in real life with organisations is that the companies skip the 2nd and 3rd steps as mentioned above and instead of it apply below model of actions:

Model 2

1. Apply IAS 1 to the corporate governance as a core structure of it
2. Make adjustments to the corporate governance of each entity in respect to the legislative requirements within accounting transparency and disclosure scope

Out of these 2 models, Model 1 is highly recommended for the implementation by transnational organisations due the effectivity that the organisations experience with it.

Most of the time, the organisations make adjustments to each entity's corporate governance as per the requirements of local legislation in the scope of accounting transparency and disclosure realisations, which end up with totally different corporate governance for each country of activity which does not fall under the requirements of single standard building. Respectively such kind of attitude ends up with a vivid

understanding how to manage the international accounting transparency and disclosure realisation of the whole organisation.

However, if the organisation implements international accounting transparency and disclosure realisation as per Model 1, then the organisation would have a clear image of the situation within whole organisation and its realisation would be properly realised.

Besides that, there is one main benefit that Model 1 has in respect to Model 2.

As it was mentioned in previous units, when the organisation is complying both to IAS 1 and makes certain adjustments in respect to some local legislative other standards' requirements it actually develops and upgrades its international accounting transparency and disclosure realisation processes, which is very important and vital for the transnational organisations and that was previously described.

When the transnational organisation is practicing, the actions shown in Model 1, it automatically implements certain important and effective steps for the development of international accounting transparency and disclosure realisation processes.

Above mentioned two aspects are considered as the main reason why Model 1 is recommended for implementation.

As we may see throughout the research and experience of certain organisations, the realisation of international accounting transparency and disclosure is considered to be a much more difficult process for the transnational organisations comparing to other types of organisations. However, meanwhile as it was described above the transnational organisations experience a highly effective international accounting transparency and disclosure realisation due to being so widely operating in various countries if all the processes are properly realised. In addition, such kind of implementation of international accounting transparency and disclosure realisation, improves the competitiveness of the corresponding organisation.

The implementation of the international accounting transparency and disclosure realisation as per IAS 1 requirements and additional adjustment as per the local legislative requirements of various entities, results in a highly effective effect on the business management of the transnational organisation.



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