
Development of Accounting in Kosovo: A Historical Perspective and Future Implications

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Qualitative and reliable financial information is a key element in the decision making process, and the availability of such information is particularly important for the business management and public interest in general.

The road towards ensuring qualitative and reliable financial information is challenging and requires the use of multiple mechanisms to put in function the implementation of high quality standards and best practices, including these of financial reporting, accounting (also the international public sector accounting standards), professional education and ethical standards, in order to provide quality preparation and presentation of the information.

Accounting has the key role in the whole process, which enables the fulfillment of the need for accurate monitoring of the performance of the entity through credible and rigorous registration of all economic events that are part of its business.

Accounting promotes and supports business growth and development by facilitating strategic management, operational and financial management, as well as enables the protection of the interests of owners as investors particularly and also for other users of business information generally.

This paper presents an overview of the current situation of accounting in our country, reflecting the historical context and analysis according to the chronological flow that have influenced the development of this field in our

country and the level of its use to provide relevant and accurate information, and meet the need for stronger public accountability and increased public participation in decision making.

The nature of accounting legal regulation and its implementation, the level of implementation of international accounting and financial reporting standards and the structure of education of accounting professionals are part of the analysis in this paper in order to see the development and evolution of the role of accounting in Kosovo.

Keywords: accounting, accounting information, accounting regulations, accounting and financial reporting standards, financial reporting

Introduction

Overall economic development of the country, among other things, requires a sufficient, reliable and important economic decisions by investors, managers, state administrators etc. Together with other management and economic development, the development of an accounting system capable of providing the necessary information and reliable decision-making is an important factor too. Moreover, foreign investors to take investment decision are interested in obtaining reliable information and consistent with international accounting standards (hereinafter IAS / IFRS), enabling them to make correct decisions and inclusion of this information in their reports consolidated financial statements. The role of accounting information is important for all economic entities, whatever size they may be, whether they are part of private or public sector, because it provides important information for decision-making stages such as planning, control and evaluation.

Kosovo is characterized by the prevalence of small and medium businesses, thus it is required an appropriate adjustment for these businesses. Accounting regulation in accordance and consistent with IAS / IFRS and the directives of the European Community is one of the tasks that must be completed to the European integration of Kosovo.

Exactly, in this study we will try to make an analysis of the existing accounting system in Kosovo in the historical perspective and its

implications in the future, to argue the need of regulatory accounting by international standards, and to give the needed recommendations needed on how to make these accounting adjustments based on the concrete conditions of Kosovo.

So to accomplish the above goal, the following study objectives have been set:

- Recognize the past and current development of accounting in Kosovo and identify the factors that have contributed to these developments;
- Recognize and accept of the implementation of accounting standards as well as recognize the accounting standardization experiences of countries with similar levels of development;
- Recognize and accept the importance of accounting information in decision making, thus argue the need for developments and regulations in accounting;
- Get familiar with international accounting developments, thus argue for accounting standardization in Kosovo;
- Recognize the importance of accounting as part of the organization of internal controls;
- Determine the opportunities and ways to further accounting developments in Kosovo and consequently, the reform of financial reporting as a source of information on economic decision making.

Historical overview of development of accounting and accounting standards

The rise of accounting started since the early stages of society development, when they began to register their economic activities, which will result in the fulfillment of the need for financial information. As official year for the development of accounting is known 1494, when Luca Pacioli discovered the principle of registration of economic transactions in double base. After that, the process of developing accounting became with rapid steps, accounting records are continuously developed and improved until nowadays when accounting is taking real values and scientific arguments. Therefore, we say that the definition of accounting has historical character, which has changed and has been developed in the long way, by arguing constantly from the researchers in the scientific perspective.

The definition of accounting as the language of business, claims its primary role and very important, taking place in the decision-making process. Accounting information provide the basis for economic decisions. Therefore, accounting and accounting information are closely connected with each other, and are quite important in all stages of development and run of the entity.

System and economic traditions vary from country to country, so it brings the fact that the accounting patterns and methods differ in various countries. Several factors contribute to these differences, such as the nature of economic activities, development of the economic environment, the overall economic development, etc. Whatever the economic system is, in all countries, the need for standardized regulations will result in law gathering and improvement, establishment of legal frameworks for regulation in the accounting field, environment improvement for quality financial reporting. If accounting information is built on the same basis and principles (standardized), regardless of where it comes from, will result in correct and successful decision making.

For this purpose, the IAS were developed (Accountants, n.d.), which represent the rules approved by the international professional accounting and other professional bodies authorized to deal with the accounting treatment of transactions in the most meticulous way. The existence of these standards enables users of accounting information, wherever they are, to be able to understand it and decide for the right decisions. But the existence of differences in the economic development between countries, social and cultural differences contributed that recognition and acceptance of these standards to be not an easy process. Surely that implementation of standards must find a suitable economic environment and a professional preparation of those who are responsible with accounting issues and the preparation of financial reports.

But over the time, the rapid economic development, with the increase of the economic globalization and the growth of the culture towards the recognition and implementation of accounting standards, things are going towards standardized accounting, raising of the consciousness that a quality reporting and reliable financial leads to fair economic decision followed by further economic developments.

Overview of historical development of accounting in Kosovo

The history of accounting development in Kosovo, testifies the changes that the accounting has suffered as a result of the impact of different factors, which had as a result of recording changing forms of accounting change accounting tasks, etc. In general, before the '98's, Kosovo was characterized with the introduction of uniform accounting, in order to avoid changes and differences within maintaining accounting records. Therefore, at the time accounting uniformity it became mandatory, while carrying out the unique framework from which further compiled specific plans accounting (main account and sub-account) for each entity. Main accounts known as synthetic accounts, sub-accounts already recognized as analytical account.

By this means, at that time, the data in the financial statements, have been too centralized. The financial statements have been unique format, denying freedom and the right of parties to choose their own form of their reporting, unlike now when subjects are free for filing their financial reports, but with a unique base (standard) reporting.

Economic developments since then and further, the need for openness to foreign investors, globalization the economy, the functioning of successful market economy, as well as a variety of other factors contributed to the development and further changes in the accounting and financial reporting (the word is for the period after '98). This means the change of accounting law at that time and replaced by Regulation (2001), "On the establishment of the board of Kosovo's financial reporting and financial reporting regime of business organizations." (MF, 2001). This change argued the time needed to raise awareness and responsibility of accountants Kosovo to gain overall confidence and try to internationalize financial reporting. At this time, as was the period of the war in Kosovo, they were also presented new phenomena from the impact of new developments. Post-war Kosovo was in a very specific situation, there was a genuine legacy accounting adjustments, there was no accounting regulatory bodies and had other conditions of a state increase. Therefore, these phenomena presented as a requirement of the time and the coherent development of accounting, so that he provide accurate information and appropriate. The new legal framework and then encourage the generation of accounting information qualitative, high value not only to investors, suppliers, employees, but also

to policy makers facing the allocation of financial and human resources to help economic development.

Further, the requirement of time, with the emergence and development of various economic factors, accounting and financial reporting were developed aiming at raising the quality of financial statements. This resulted in the appearance of the need for new Forensic framework that will respond amendment limits and economic environment, continuing professional development of accountants and accounting regulators. This resulted in a new law on accounting, financial reporting and auditing (Kosovo, 2011), which regulates the accounting and financial reporting of companies, powers and responsibilities of the Board of Kosovo financial reporting (KFRC) requirements for auditing, qualifications for professional accountants, licensing of auditors and foreign audit firms.

Generally, historical terms mentioned above, it can be noted that all of this can be considered as very positive reality to face major challenges resulting from changes in accounting as a result of changes in the economic field and in the economic environment. Admission framework and implementation of standards of accounting in Kosovo contributes to the overall economic development, attracting investors, capital market development and EU integration.

Accounting current developments in Kosovo and its future directions

To study accounting developments in Kosovo and view its prospects, it is necessary to examine the current situation of the development of accounting, recognition and implementation of IAS.

In order to achieve a picture of the current situation, to meet this goal, the following objective have been outlined: recognition of accounting law, recognition of accounting standards, recognition of the level of implementation of these standards, the level of implementation of rules which provides the legal framework and the level of reliability of financial statements.

Current Law (No.04 / L-014, 2011) regulates the accounting and financial reporting and regulatory professional body, obliging entities to prepare financial statements in accordance with international standards (Kosovo, Law no.04/L -014 on Accounting, Financial Reporting

and Audit, Article 5, 2011), to apply interpretations, recommendations and necessary guidance issued by the board for international accounting standards (IASB) and approved by KCFR. The law also obliges the functioning of regulatory accounting (KFRC)(Kosovo, Law no.04/L -014 on Accounting, Financial Reporting and Audit, Chapter III, Article 13, 2011), whose functions are: drafting and approval of accounting standards in Kosovo in accordance with IAS / IFRS and the relevant directives of the EU, to supervise and implement international standards auditing (ISA) and the relevant EU directives, the licensing of professional associations of accounting and auditing, overseeing the continuing education and professional development, etc.

Regarding the implementation of the relevant international standards of the EU "Asquis Communautaire" and quality assurance, KCFR can assign the relevant committees composed of credible individuals with high professional knowledge.

Acceptance of international standards in accounting in Kosovo shows growth accounting desire, without ever leaving aside possible deficiencies or gaps that must be resolved. It is very necessary that along this process, the institutional and professional capacities to be continuously strengthen, especially human capital to cover such an important area. Establishment of such a parallel line will ensure a reliable financial reporting.

When talking about the current situation of accounting and accounting information in Kosovo, we will highlight the fact that it has established a basic framework for financial reporting. Since the international financial reporting is done in the rigorous context and complex financial reporting requirements for qualitative entities in Kosovo have increased. This report should use the international standards, while continually draw attention to the experiences and international best practices in this field.

Although current accounting situation in Kosovo is estimated to be good, further work should be done in the future in terms of progress, welfare and facilitating accounting system for all subjects. Accounting requirements, have already been addressed to the business community and beyond, for keeping proper accounting in conformity with internationally accepted standards. With this accounting gains a new role, becoming the information that flows from it, crucial for management bodies. At the same time, this

indicator is positive and shows good premise for further development of accounting in Kosovo.

Conclusions

The historic character of accounting, social and economic development, have contributed to the evolution of accounting, which appears in the role of accounting in decision making and accounting tools and techniques.

Economy globalization, the development of capital markets, financial reporting rules with similar and comparable requirements. Standardization of accounting has not been and is not an easy process. Developments in the 90s and beyond, have shown high reform standards development and their admission to a large extent.

In Kosovo, before '98s, accounting regulation was uniform, centralized, and did not provide a role of accounting in decision making. In '99s and beyond, the passage of Kosovo to a market economy and the post-war period brought the need for accounting and financial reporting to be covered by the new rules, appropriate environment and time development. The need for economic development in Kosovo, among others, requires that economic entities provide quality and reliable financial information. Furthermore, it will affect fair and quality economic decision-making by the users of this information.

Analysis of the current situation in Kosovo highlights the fact that international accounting standardization was welcomed and accepted, as a requirement of the time. Thus, almost all professional accountants and other parties involved in this field agree that IAS enhance the transparency and reliability of financial statements.

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