

ENVIRONMENTAL FACTORS THAT DETERMINE THE DOMAIN OF THE ACCOUNTING PROFESSION IN BOSNIA AND HERZEGOVINA

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Abstract: *Today, in addition to the executive function, accounting also has an advisory role in business organizations. Changes in the business environment of the company require raising the level of competence and responsibility on the part of accountants. Professional accountants cover a wide range of operations from commodity and financial accounting, tax and financial advisory. The accounting profession strives to ensure the shortest possible path of transformation of business practices and processes, without giving up the basic accounting principles. The aim of this paper is to present the influence of environmental factors, from the economic, legal, political, cultural and professional aspects, i.e. whether they are a „tailwind“ or a „pain point“ of the accounting profession in Bosnia and Herzegovina.. Regardless of the upcoming changes and challenges, this paper advocates the hypothesis that the accounting profession still has the greatest integrity in providing relevant information, which is crucial in making quality business decisions in the private and public sector.*

Key words: *accountants, accounting profession, Bosnia and Herzegovina, environment factors*

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1. INTRODUCTION

The lack of a clear and systematic response to the growing problems opens up again the issue of unfinished transition and reform processes. There is one doubt in Bosnia and Herzegovina: Are we still in the transition phase or are we already on the wrong track? However, starting from the fact that we are still in the process of transition, the accounting profession faces a number of challenges. The domain of its efficiency and effectiveness at the micro and macro level determines its role and importance. A competent accounting profession is one of the essential conditions leading to a modern system of financial reporting, which should result in a greater degree of understanding of the economic statements of economic entities. There is a key dilemma, is the

environment a limiting factor in the accounting profession? The answer to this question can only be obtained if all the key factors of that environment are analyzed that affect the domain of the accounting profession.

2. PROFESSIONAL ACCOUNTANTS AS THE MAIN BEARERS OF THE ACCOUNTING PROFESSION

„The organization of accountants as a profession was preceded by the establishment of accounting firms. An independent accounting firm was founded by William Deloitte in 1845, while Samuel Price and Edwin Waterhouse jointly formed an accounting firm in 1867. Symbolic organization as a profession was established with the establishment of the Institute of Accountants of England and Wales in 1880 and the receipt of a Royal Charter. At the same time, with this act, the first designation of the accounting title "authorized accountant" was made. In 1882, the first professional organization in America was founded, which still exists today, called the American Institute of Certified Public Accountants. Four years later, the first license for the title "Certified Public Accountant" was granted in New York State. In this way, the accounting profession is formally recognized, because the Law states that the title of certified public accountant (CPA) will be awarded to persons who pass the state exam, now the exam for obtaining professional titles, and have three years of experience in this area, which has not changed until today. The demand for CPAs in America increased significantly twenty years later, when the US government imposed a war tax. The demand trend was intensified during the greatest world crisis of 1929-1933. and it continued with moderate intensity until today.“ (Novicevic, Milojevic, 2019, p. 9-10) Compared to others, the accounting profession belongs to the younger professions, created when the double-entry bookkeeping system was established. The

accounting profession experienced its greatest crisis during the „great“ economic crisis of 2008. This results in a great loss of credibility, and the profession is subordinated to the interests of the world oligarchy and big capital. The accounting profession organized in this way did not have the strength to satisfactorily serve the realization of business goals. Regardless of all the difficulties it faces, the accounting profession today represents the most important profession in the modern economy and society. It is precisely this function that it performs that is the guarantor of its future even today, in the era of the digital economy.

The challenges faced by the accounting profession in Bosnia and Herzegovina are:

- 1) application of legal regulations,
- 2) more and more unqualified accountants,
- 3) insufficient application of new, digital technologies.

It can be said that accountants are the main bearers of the accounting profession. Their work is important for both the public and private sectors. In the public sector, they generate fiscal policy. In the private sector professional accountant (Novicević, Milojević, 2019, p. 14):

- 1) „participates in the management of the company by using knowledge and skills from economics, management and accounting, on the basis of the formed own understanding of business systems and the environment, poses challenging business questions to the management of the company, takes a pragmatic and objective attitude when solving current business problems and formulating, implementing and improvement of business strategy,
- 2) provides business advice to lower costs, increase revenue and reduce business risks,
- 3) directly manages the company through: drawing up business and financial budgets, determining management fees, supervising all issues related to the financial health of the company and providing security to the management so that all processes in the company function,
- 4) provides an insight into the extent to which achieved results are based on strategic, tactical and operational decisions,
- 5) maintains high ethical standards and helps the company to become ethical.“

A professional accountant should observe the following basic principles:

- 1) „Integrity - to be straightforward and honest in all his professional and business dealings.
- 2) Objectivity - not to allow bias, conflict of interest or excessive influence of others to override professional or business judgment.
- 3) Professional competence and due diligence - to maintain professional knowledge and competence at the required level with the aim of providing the client or employer with competent professional services based on current achievements in practice, legislation and techniques and to act diligently and in accordance with applicable technical and professional standards.
- 4) Confidentiality - to respect the confidentiality of information obtained as a result of professional or business relationships.
- 5) Professional conduct - to comply with relevant laws and regulations and to avoid any activities that would bring discredit to the profession.“ (Međunarodna federacija računovođa, 2018)

The AICPA prescribes the following ethical principles of professional conduct:

- 1) „Principle of responsibility - In carrying out their responsibilities as professionals, members should apply sensitive professional and moral judgment in all their activities.
- 2) Principle of public interest - Members should accept the obligation to act in a manner that will serve the public interest, respect public trust and demonstrate commitment to professionalism.
- 3) Principle of Integrity - In order to maintain and extend public trust, members should perform all professional responsibilities with the highest sense of integrity.
- 4) Principle of objectivity and independence - A member should maintain objectivity and be free from conflicts of interest in the performance of professional responsibilities.
- 5) The principle of due care - The member should respect the technical and ethical standards of the profession, to constantly strive to improve the competence and quality of services and to maximally enable members to assume professional responsibility.
- 6) Principle of scope and nature of services - A member in public practice should respect the principles of the Code of

Professional Conduct when determining the scope and nature of services to be provided.“ (AICPA, 2014)

According to the Law on Accounting and Auditing of Bosnia and Herzegovina:

- 1) „The accounting standards that are applied throughout the territory of Bosnia and Herzegovina are:
 - a) international accounting standards (IAS), ie International Financial Reporting Standards (IFRS);
 - b) accompanying instructions, explanations and guidelines issued by the International Accounting Standards Board (IASB).
- 2) Audit standards and principles of professional ethics of professional accountants and auditors that apply throughout the territory of Bosnia and Herzegovina are:
 - a) international auditing standards (ISA);
 - b) code of ethics for professional accountants;
 - c) accompanying instructions, explanations and guidelines issued by the International Federation of Accountants (IFAC).
- 3) The standards from this article also include standards, instructions, explanations, guidelines and principles that IFAC and IASB adopt after the entry into force of this law.
- 4) The standards from this article apply to all private and public companies and other legal entities with headquarters in Bosnia and Herzegovina.
- 5) Exceptionally from the provisions of paragraph 4 of this article, and until the publication of international accounting standards for governments and other legal entities from the public sector, budgets, budget users and extrabudgetary funds will apply the valid regulations of the institutions, entities and Districts on accounting and financial reporting.“(Ministry of Finance and Treasury of Bosnia and Herzegovina, 2015)

Also, according to the Law on Accounting and Auditing of Bosnia and Herzegovina, the following professional titles in the accounting profession are prescribed:

- 1) certified accounting technician,
- 2) certified accountant,
- 3) authorized auditor.

The accounting profession aims to create a true picture of the financial reporting of business organizations. In the future, the accounting

profession will be forced to increasingly adopt sophisticated technologies. This will mean that accountants must improve their skills. This doesn't mean that accountants will be replaced by technology in the era of artificial intelligence, but their role will change over time. The accounting profession is rapidly transforming due to the productivity optimization available through new technologies.

Accountants need to embrace new technology so that their role in the economy remains relevant. This means monitoring technological trends, optimizing and adapting accounting software to meet the needs of the company, openness to learning and accepting new technologies. It is important to emphasize the following:

- 1) new technologies will not replace accountants, they will support them,
- 2) accuracy and security of accounting operations will improve,
- 3) accountants will be able to provide better insight into financial statements,
- 4) the most effective accountants will be those who are open to change.

„As chief financial officers, professional accountants have oversight of all matters relating to a company's financial condition. This includes creating and leading the strategic direction of the business towards the analysis, creation and transmission of financial information. A description of the multiple roles of professional accountants in business is not complete without considering the duties that the profession has towards the general public. As a profession that has gained a privileged position in society, the accounting profession as a whole deals with a wide range of issues that have an angle of public interest. In the case of professional accountants in business, they not only have to maintain high standards, but also play a key role in helping organizations behave ethically. Professional accountants have always had to have a deep knowledge of existing professional and ethical standards and regulatory frameworks, as well as to regularly update and develop their capabilities to meet dynamic market changes and transformations around the world.“ (Jui, L. Wong. J., 2013) In accordance with the set goal of this work, a survey of accounting and finance employees was conducted in 20 companies in the area of the city of Bijeljina, and the results indicate the following:

- 1) the average accountant in the city of Bijeljina is a female person, with a university degree, older than 45 years
- 2) attach great importance to continuous education and attending seminars,

- 3) they strive to improve the role of the accounting profession as a protector of the public interest,
- 4) their role as strategy creators and business analysts is insufficiently valued,
- 5) the environment is highlighted as key in the formation of the credibility of the accounting profession.

Competent professional accountants in business are an invaluable asset to a company. Their knowledge enables a pragmatic and objective approach to solving problems. It is of great importance for management, especially in small and medium-sized companies. They help in the company's corporate strategy, give advice on how to reduce costs, improve your strengths and mitigate risks. As in other professions, accountants must demonstrate their relevance in the capital market and their ability to face and develop in accordance with new challenges. Public expectations from this profession and its holders are high. The value of professional accountants will also be measured by the responsibility they have not only to their organizations, but also to the public.

3. ENVIRONMENT AS A LIMITING FACTOR OF THE ACCOUNTING PROFESSION

Companies have an imperative to retain existing and conquer new markets. This imperative must be fulfilled in order to survive in an extremely turbulent environment. We are witnessing rapid technological changes. Globalization has neither reduced nor called into question the importance of the accounting function in modern business. The accounting profession, based on moral and professional values, is an important link in the organization and management of a company. However, the business environment is becoming more and more dynamic and, as such, focuses on events that require a higher level of knowledge and skills from accountants. „Technological advances have seen accounting roles shift from transaction-focused tasks to using data generated by technology to inform stakeholder strategies, resulting in a shift in skill requirements. The accounting profession has experienced significant changes in its adoption and use of new technology, which has become a catalyst for innovation.“ (Freeman, Wells, 2015, p. 67)

Environmental factors that determine the domain of the accounting profession are:

- 1) economic,
- 2) legal,
- 3) political,
- 4) factors of culture,

- 5) professional.

The economic factors of the environment that affect the accounting profession in Bosnia and Herzegovina are manifested through the representation of small, medium and large companies, as well as through the sophistication of users of accounting information. „Forced reorganization of business activity multiplied the number of small and medium-sized enterprises, but the tradition of greater regulation of accounting reporting remained. What has changed is the effort for greater harmonization with the international regulation of this area. Hence, international financial reporting standards (IFRS) and international accounting standards (IAS) were hastily introduced, as a replacement for part of state regulations. It was expected that this would provide the basis for a rapid inflow of foreign capital and the connection of our economy through small companies, as a force, to large foreign multinational companies. That didn't happen though. The economy was left with a mass of small businesses and the destroyed remnants of large enterprises. There was a huge gap between imports and small, almost frivolous in terms of structure and quality, exports. Accounting regulation for this situation becomes formally internationally acceptable, but real standards regulate areas of business that almost do not even exist here. This causes numerous problems in the understanding and application of adopted standards.“ (Puskarevic, 2019, p. 6-7)

Users of accounting information can be internal or external. Internal users of information are capital owners, management and leadership bodies, professional services and employees. External users are the state and its bodies, banks, statistical institutes, suppliers, potential investors. Based on the requirements of different business-interest groups, accounting information takes on a different form and dimension. They are created as a product of accounting information systems, which are the main sources of data and information needed for the decision-making and management process of the company. The degree of complexity of the accounting information depends on how educated the users are to interpret it correctly. In Bosnia and Herzegovina, banks use information from financial reports to the greatest extent. For banks, this information is crucial for obtaining company loans.

„The influence of the legal factor is manifested through the degree of detail of the accounting legislation. The tax legislation and its impact on the company's accounting reports are certainly the most important here. As we stated earlier, by taking over and putting into force the operation of

IFRS and IAS, the state formally renounced a good part of the regulation of the profession. However, state regulations still determine the obligation, form and structure of accounting reports, and the tax legislation, in parallel, the obligations regarding the preparation of reports for the purposes of assessing the fulfillment of tax obligations. Accounting laws regulate obligations regarding the organization of accounting in legal entities, obligations regarding reporting and ensuring the legal foundation of these processes. The legal system, therefore, is not an important constraint on the development of accounting standards by the accounting profession, and this is positive for international accounting bodies, which strive towards the growing harmonization of national accounting frameworks. However, when it comes to the correctness of the report, i.e. adherence to the principle of objectively informing users, here, as in other aspects of life, it cannot be said that legal norms are respected. The content of the report is quite far from the reality of the financial and business potential of the legal entity, which is presented through the reports. The level of crime and corruption is significantly encouraged and maintained through the formal correctness of the report. The legal system is unable to deal with corruption, which is stated daily in the reports of numerous institutions.“ (Puskarevic, 2019, p. 9-10) The Tax Administration supervises the activities of legal entities, all with the aim of checking whether the accounting operations are in accordance with the provisions of the relevant laws and regulations. However, there are certain contradictions in the work of this „institution“. Often in the public we can hear „a company without an employee made a profit of millions“. Also, we have the case that in the Republika Srpska, the biggest tax debtors are the state institutions, and the control of their financial reports is carried out by the state audit service. This shows not only the way these legal entities work, but also the way these „relevant institutions“ work, where financial statements give a „cosmetic“ picture of the legal entity's financial condition. All this affects the credibility of the accounting profession.

Bosnia and Herzegovina is in a continuous political crisis, a crisis of institutions and authorities. Constant political conflicts and delaying decision-making affect investments, growth and development. Overall, the political crisis and the business environment are deterring all those who think about where to invest their money. This impoverishes the economy and citizens even more. „In the previous period in Bosnia and Herzegovina, the political will of the dominant ethno-national elites to build and strengthen institutions and implement systemic

reforms was generally absent. Ethnopolitical elites prioritized narrow particular interests, to the detriment of the general interest.“ (Blagovcanin, 2024)

The influence of cultural factors on the accounting profession is reflected in its independence, as well as the position of accountants in the social structure. The independence of the accounting profession is viewed in relation to state institutions and business owners. In relation to state institutions, it is not questionable, but on the other hand, many accountants are exposed to pressure to create financial reports according to the „wishes“ of the company owner. It can be said that the social status of accountants in Bosnia and Herzegovina is satisfactory, which should indicate the importance of the accounting profession in reform processes.

The Law on Accounting and Auditing of Bosnia and Herzegovina regulates the acquisition of professional titles in the accounting profession in the following way:

- 1) „For the accounting profession in Bosnia and Herzegovina, a unique program for obtaining qualifications and training is applied at the level of Bosnia and Herzegovina, in the same way and under the same conditions for the entire territory of Bosnia and Herzegovina.
- 2) The program is determined by the Commission, in accordance with IFAC standards and guidelines. Uniqueness of testing and certification is a key component of the program. Differences between entities and Districts in terms of testing are not allowed under any circumstances.
- 3) The Commission shall publish the program no later than three (3) months after the day of its formation.
- 4) The Commission also adopts and publishes program changes, if and when IFAC changes or supplements its standards and guidelines.
- 5) Persons, who join the accounting profession in Bosnia and Herzegovina after the entry into force of this law, may obtain the titles referred to in Article 5, paragraph 1 of this law only if they meet the requirements of the corresponding part or parts of the program.
- 6) In addition to the requirements regarding testing and certification, the program also contains the necessary conditions that candidates should meet in terms of: a) vocational education and work experience for the appropriate level of certification;

- b) appropriate knowledge of legal regulations and the tax system of Bosnia and Herzegovina, which is proven through a written exam.
- 7) Training services for candidates for the accounting profession, in accordance with the program, are provided by companies from the private sector, professional bodies of educational institutions in Bosnia and Herzegovina, which meet the conditions established by the Commission. Upon completion of the training, the training organizer issues a certificate to the training participants about the number of hours and the program of the training provided. Attendance of training courses is not mandatory for candidates, but taking the test, as a component of the program, is mandatory for candidate certification.
- 8) Exams are conducted according to the program determined by the Commission, under the same conditions for all persons in Bosnia and Herzegovina. The preparation of the tests is carried out by the Commission, while the activities related to the administration of the tests can be transferred by the Commission to one or more professional bodies, whereby they will closely monitor the implementation of such activities.
- 9) Continuing professional education is included in the program in accordance with the instructions issued by the Commission, and is carried out by professional bodies.“ (Ministry of Finance and Treasury of Bosnia and Herzegovina, 2015)

CONCLUSION

Without accounting records, it is not possible to record business events, so without accounting you cannot do business. Accountants' work is not only about records, their support is vital for management as well. Precisely, what kind of strategic and tactical decisions will be made depends on that support, because they are based on financial reports. It is impossible to imagine the functioning of the economy without a competent accounting profession, as well as the state itself. That is why it is extremely important to identify and solve the problems that exist in this profession.

When it comes to environmental factors, which are described in this paper, it can be said that they are not completely limiting for the accounting profession in Bosnia and Herzegovina, but they represent a barrier to its domain and development.

According to the survey mentioned in this paper, the respondents point out the environment and its factors as crucial for the prosperity of the accounting profession. That's why we have to work on arranging these factors, so that they don't stumble the accounting profession, but instead act as the „wind at its back“.

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