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Accounting for Citizenship: The role of Accountant

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Abstract

The accounting for citizenship debate creates an environment with increased level of confidence to the citizen about the role of the accountant on the business activity. Indeed, the accountant develop the accounting information system has the language of business with relevance, faithfully information and usefulness that enhanced its comparability, verifiability, timely and understandability, which allow stakeholders to take decisions. In order to reduce the complexity of the research question, the results show that dialogue and judgment, culture and identity and autonomy of the accountant promote the accounting for citizenship agreeing that the citizen could understand the explanations presented on the annual report, especially because the organization has mandatory disclosure.

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1. Introduction

The World Business Council for Sustainable Development has approved the appointment of Peter Bakker as its new President. Bakker (2013: 1), at the United Nations Conference on Sustainable Development, said:

“Accountants would save the world. (...) To get all businesses involved in solving the world’s toughest problems, we must change the accounting rules.”

This change on the accounting rules as been distinguish in the literature (Healy, 1985; Fields et al., 2001; Dechow et al., 2010) as accounting choice that could be influenced by tax, regulatory and other third-party effects, stock price incentives, contractual related influences and managers earnings management. Thus, accounting choice identifies strategies and policies with implications mainly reproduced on the annual report disclosure with the desire of managerial discretion. This research contributes to discuss the role of accountant and benefits to the corporate

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citizenship (Maignan & Ferrell, 2001) and capture the reciprocity of the treatment received from the organization and citizens (Organ, 1997). For example, the accountant must not failure to find strong signs which summarize consequences and assess the capital structure strategies, such as: level of debt and financing decisions.

Money, accounts and reports are essential to provide information about each operation inside an organization for promoting accounting for citizenship (Podsakoff et al., 2009; Spiro, 2011). But, due to social, economic and financial crisis, the accountant is criticize for endorse inaccuracies, fraud and errors which increase the degree of asymmetric information that are sometimes reported by the media (Berkowitz & Connor, 1966). This emphasis show an incomplete, biased and limited trust of the accounting information (Perks, 2004). Indeed, the accountant contributes to the organization through the conjoin effects of the social responsibility strategies with the economic strategy (Gray & Milne, 2002). This means that investors should expected social responsibility and sustainability as rewards.

As noted above, there is the recognition of the accountancy profession with a main interest on the topic of citizenship (Bone, 1918; Johaneck & Puckett, 2004). Without a doubt, the effective stakeholder engagement is dependent on reliable information (ICAEW, 2004) and like other information systems, due to the notably identification, measurement and management of the stakeholder, the reputation of the accountant may be vital to the survival of the organization. Nothing can be more frustrating than as a result of the accountant engagement regarding with the corporate practices through a increasingly acceptance of the importance of their stakeholders that failed to planning, organizing and coordinating the implementation of accounting on the organization that have, or must have, certified accounting made according to applied official accounting plans or accounting standard system, which is appropriate to each organization, in respect of the law, accounting principles and the guidelines of the agencies with competence to made accounting standard.

While the responsibility of the annual report is based on the manager, the solidarity responsibility is supported by the accountant of the organization. In this sense, the accountant tendency is "to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses in financial statements." (Basu, 1997). This means that the information asymmetry exists between shareholders and stakeholders and the practical importance enlarges with ethics the level of the board of directors of the organization. Then, they take decisions that increase the level of credibility, objectivity and transparency of the annual report due to the responsibility.

This research rise the accounting for citizenship and the importance of accounting as critical to achieve ethics, transparency and social equality on the society, rather than being concerned with profits and financial accountability (Adams, 2004). Indeed, accounting creates an environment that reduces the likelihood of misbehaviors and inadequate interpretation, then the citizenship arguments arise from the increase awareness of the impacts on the organization (Glover & Aono, 1995). For all these reasons, the research question is: why accounting for citizenship promotes the role of the accountant?

The answer to this question is complex, due to the fact that the recent case studies show severe implications in the business environment especially due to fraud, fiscal evasion, corruption and disrespect with assets, as some of the ethical problems that are placed in the society as a consequence of the profound political, social and economics transformations (Angus, 1995; Ford & Richardson, 1994). However, at the same time and paradoxically, the authors confirmed the increase of an ethic sense, that is to say that the society and the organizations, as well as, the citizens recognize each one more the importance and the value of ethical and socially responsible behaviors, as well as, risks and costs that the deviations as regards to ethics per times involve (Fahr et al, 1990; EU, 2006).

The process of ethical decision making requires that behaviors be assessed against standards or norms of acceptability. The results of Velasquez et al. (1983) and David & Abreu (2008) indicate the need for a schematic on ethical decision making that focuses on whether an action or decision meets three ethical criteria: utility, rights and justice. Utility judged behavior in terms of its effects on the welfare of everyone. Rights express the requirements of ethics form the standpoint of the individuals, in other words ethical decisions must project the individual's legal and moral entitlements (Gatewood & Carroll, 1991). Justice is essentially a condition characterized by an equitable distribution of the benefits and burdens of working together requiring that all citizens be guided by fairness, equity, and impartiality. However, a gap persists between accounting discourse, accounting

knowledge, and accounting practices bellowing to CSR due to two factors: a shortage of formative approaches that would simultaneously and reciprocally connect the codified knowledge to concrete experimentation; and a shortage of peer exchange forums in which accountants could confidently and actively test new understandings in a social context marked by professional insecurity. It suggests an approach based on the deepening of partnerships in which all actors have an active role to play. Thus, the true CSR is to stay in tune with the local environment and with the context of the global economy.

The methodology of the research is based on two different frameworks. The first is a literature review on the accounting area in its nature and applied to the process of innovation of the profession itself. Due to this framework, the second deals with citizenship (Marshall, 1950) but applied to the role of the accountant in the society, which contains simultaneously specific case study (Yin, 2012) and content analysis of the annual report (Krippendorff, 2004). However, there is a gap that persists to exist between accounting disclosure and accounting practices that affect the annual report. The structure of the paper is organized as follows. Section 2 gives an overview of the literature in the citizenship context. Section 3 focuses the role of the accountant in a specific case study (OTOC, 2015). Finally, the section 4 presents conclusions and promotes future research.

2. From Citizenship to Accounting

A point to be considered in the role of the accountant is the citizenship's impact to judge the profession of accountancy. Indeed, several authors (Kanugo and Misra, 1992; Podsakoff et al., 2000; Somers; 2001; Tilt, 2009), over the time, demonstrate the need of skills, knowledge and level of performance relevant to develop the activity. The preliminary findings of this research become clear the definition of citizenship presented by several authors:

- x Matheson (1897: 22) argues that are “the duties and rights that each member of a political society has towards the state of which he forms a part.”
- x Smith et al. (1983: 655) introduced the notion of organizational citizenship behavior and defined it “as discretionary behavior that goes beyond one's official role and is intended to help other people in the organization or to show conscientiousness and support toward the organization.”
- x Tilly (1997: 599) explains that is the “relation between 1) governmental agents acting uniquely as such and 2) whole categories of persons identified uniquely by their connection with the government in question.”

As a consequence of the above, the accountant develop accounting information system has the language of business allowing that each citizen understand the explanations presented at the annual report, especially because the organization has mandatory disclosure. This general rule plays an important role even when the organization is small, because the organization could have lack of marketability of their products and services, but this requirement disseminates significant information. Indeed, the accounting evolves to include voluntary and mandatory information and the responsibility of this disclosure goes beyond the purely financial information. These lead to the idea that it is believed that investors with a socially responsible investing philosophy can somehow affect the practices of the organizations in which they invest and thus it improves “the efficiency of the economic system (in the broad sense of satisfaction of individual values) (Lavoie, 1987)”.

This perspective could be focus on, by one hand on “market citizenship”, which Fudge (2005) argues that puts the client at the center of the strategy and operations of the organization, then the accountant could be focus on services to specific clients, such as: accounting for sports companies or for health companies. By other hand, the economic citizenship promoted by Lister (1998) defends a citizenship that enacted by neoliberal states which stresses individualism and competition, and limits government's social welfare responsibility to one of helping citizens help themselves. Since the accountability of performed task, this is concern with duties; obligations, privileges, and rights, discussions of citizenship necessarily proceed in a normative shadow (Tilly, 1997).

Also, the author agrees with Rampy (1952: 467), when he defends that “to conserve our resources and to obtain the greatest possible productive return we must have efficiency”. The quality of the accounting information system is a function of the disclosure regulation, legal quality and organizational-control variables (Core et al., 2015). But, this question is more complex and there has been a substantial literature examining the process of accounting change, focusing on significant historical events (Toms & Fleischman, 2015). Furthermore, Debrett (1898) details that the citizenship is based upon on principles and one of the significant author of the literature that focus these

principles, was Demosthenes that appeals to: the first principle as the freedom of person and speech; second principle as the equality before the law and in civic opportunity and service; and third principle is the law as the expression and the safeguard of the ordered life of free citizens. These principles are conventional in the explicit of the foundations of accounting and they are influence both by the quality of the education and the previous experience of the accountant.

Despite the author efforts to provide a meaningful conceptualization of citizenship, the revision of literature has shown several limitations due to the extension of papers, chapters and books. Overall, the author assumes that as the Smith et al. (1983: 653) definition, it is willing to suggest a holistic understanding, such as: every “office or bureau depends daily on a myriad of acts of cooperation, helpfulness, suggestions, gestures of goodwill, altruism and other instances of what we might call citizenship behavior.” Future research could address the impact of each of these components within a given magnitude of accounting for citizenship.

3. From the Accounting for Citizenship to the role of the Accountant

The globalization of trade has forced accountants to deal with recording international transactions and foreign currency values into their accounts which extend the density to their different reports over time and space (Dreher, 2006). With such aggressively environment, accountants are increasingly vulnerable to the loss of their jobs, due to specific risks, such as: outsourcing, globalization, reorganizations and restructures that raise the job insecurity (Sweeney & Quirin, 2009). The accounting information system provides a common language companies in assessing and investors when deciding. While the citizen recognizing the possible limitations of access to financial data, the accountant provides useful information to investors for decision-making and with this information they must adapt to changes in the business world. Other researchers, i.e., Holthausen and Watts (2001) evaluated the usefulness of accounting information showing its relevant value. Based on it, the investor reduce uncertainty in their decisions, justifying their choices in expectations associated with profitability and investment risk, recognizing these as information signals, which may change the market price. For example, Beaver (1989) has argued that the formation of the price of the shares on the stock market is connected to the analysis of accounting information and corporate value. Undeniably, it is important to control this tendency through the supervision made by Governments, when they collaborate in the further enhancing of a professional identity by granting an occupational group the exclusive right to a certain title (Abbott, 1988: 62). For all these reasons, table 1 presents the regulated profession on the “accounting area” in the European Union which includes occupation and trade.

Table 1. Accounting as regulated profession in European Union (EU, 2015)

Regulated profession	Country	Regulated profession	Country
Payroll Accountant		Technician Accountant	
Certified Management Accountant		Certified public accountant	
Steuerberater		Chartered Accountant	
Erkend boekhouder		Incorporated Public Accountant	Ireland
Erkend boekhouder-fiscalist	Austria	Certified Accountant	
Conseil fiscal / belastingconsulent	Belgium	Tax Advisor	
Expert-comptable/accountant		Dottore commercialista	Italy
Tax Advisor	Croatia	Esperto contabile	
Tax Adviser	Czech Republic	Wirtschaftsprüfer	Liechtenstein
Professionnel de l'expertise comptable	France	Conseil économique Expert-comptable	Luxembourg
Steuerberater	Germany	Accountant/Tax advisor - Registeraccountant	Netherlands
Tax consulting office specialist		External accountant	Norway
Accountant/Tax advisor - Logistís	Greece	Tax Adviser	Poland
Tax Adviser	Hungary	Tecnico oficial de contas	Portugal
Chartered accountant	Iceland	Diplomado en ciencias empresariales y profesor mercantil	Spain
Consultant fiscal	Romania	Chartered management accountant	United Kingdom
Expert contabil		Chartered Tax Adviser	
Assistant Tax Adviser	Slovakia		
Tax Adviser			

Table 1 show the diversity of the role of the accountant as regulated profession and the each country right to use a professional title or designatory letters (in Portuguese is TOC). For the purpose to analyses it, but it is not an

easy task, it is necessary to establish same requirements. It is supposed that the assessment should consider a high degree of objectivity, reliability and neutrality when there is the same accounting framework, i.e., International Accounting Standards. This is feasible for certain organizations, for example, with shares on the capital market. However, when there is no market, then objectivity, reliability and neutrality of the accounting information system could be reduced due to several inefficiencies, because the accounting standards change. So, it can become an instrument of manipulation of the financial situation of the organization and introduces a high degree of managerial discretion.

The role of accountant, as a professional that, aims to be established in an EU country, where the profession is regulated, has to apply to the each responsible authorities in a specific country where the qualifications will be recognized in a case-by-case basis. A distinction must be made between recognition for academic purposes (i.e. title needs to be recognized in order to continue studies) and recognition for professional purposes (i.e. a title needs to be recognized in order to work in a certain profession). Regarding this question table 2 presents several legal instruments on the framework of the professional recognition in the European Union, since 1988 till 2013.

Table 2. European Union Framework of professional qualifications recognition (EU, 2015)

Date	Document
08.05.2014	European Commission publishes European map of regulated professions (IP/14/357)
28.12.2013	Directive 2013/55/EU of the European Parliament and of the Council amending Directive 2005/36/EC on the recognition of professional qualifications and Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation')
07.04.2009	Commission Regulation (EC) n° 279/2009 amending Annex II to Directive 2005/36/EC of the European Parliament and of the Council on the recognition of professional qualifications (OJ L 93, 07.04.2009)
01.08.2008	Commission Regulation (EC) n° 755/2008 amending Annex II to Directive 2005/36/EC of the European Parliament and of the Council on the recognition of professional qualifications (OJ L 205, 1.8.2008)
05.12.2007	Commission Regulation (EC) n° 1430/2007 amending Annexes II and III to Directive 2005/36/EC of the European Parliament and of the Council on the recognition of professional qualifications
07.09.2005	Directive 2005/36/EC of the European Parliament and of the Council on the recognition of professional qualifications.
07.06.1999	Directive 1999/42/EC of the European Parliament and of the Council establishing a mechanism for the recognition of qualifications in respect of the professional activities covered by the Directives on liberalisation and transitional measures and supplementing the general systems for the recognition of qualifications
18.06.1992	Council Directive 92/51/EEC on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC
21.12.1988	Council Directive 89/48/EEC on a general system for the recognition of higher-education diplomas awarded on completion of professional education and training of at least three years' duration

In view of their importance, Kultgen (1988) argues that the responsibility to act in the public interest provides the legitimating criteria for exclusive rights and jurisdictions awarded to a profession by society. Indeed, this is the case of the accountant that develops a fundamental activity to make an accounting information system, that it enables to take investment decisions and financing options because they are, by their nature and characteristics, noncurrent and demands more effectively strategies. Equally importantly, Rampy (1952: 467) defends that "without accounting the business cannot exist. The accountant plays an ever increasing role in the interpretation and application of statistical and accounting data as a major assist to management." Good practices in accounting demand for more assessment methods, both financial and economic based, which create greater scale of businesses and markets. So, corporate managers promote the risk of the existence of a contract that will change the behavior of one or more parts of one contract. These actions mitigate losses and exploit new opportunities due to the moral hazard of the agency theory (Freeman et al., 2010). Once the concept is understood and as Unerman et al. (2007: 3) argues: "Accounting is a powerful tool (...) which has conventionally been used in optimizing the economic performance of organizations".

Another example, at Portuguese level and with regard to Council Regulation (EU) n° 407/2010, of 11 May (CEU, 2010), it has been established in the European Financial Stabilization Mechanism a detailed Memorandum of Understanding on Specific Economic Policy Conditionality with a chapter dedicated to the Regulated Professions, where is "5.34. Further improve the functioning of the regulated professions sector (such as

accountants, lawyers, notaries) by carrying out a comprehensive review of requirements affecting the exercise of activity and eliminate those not justified or proportional. [Q4-2011]”.

The Decree-Law n° 310/2009 of 26 of October (MFAP, 2009) revise the Statute of the *Técnicos Oficiais de Contas*, approved by Decree-Law n° 452/99, of 5 November (MF, 1999). Indeed, the first change was the name of the professional agencies to *Chamber of Accountant Official Technique*. In the Portuguese legal framework, the accountant is a professional that promotes several functions, such as: “a) Planning, organizing and coordinating the implementation of accounting on entities that have, or must have, certified accounting made according to applied official accounting plans or accounting standard system, which is appropriate to each entity, in respect of the law, accounting principles and the guidelines of the agencies with competence to made accounting standards; b) Being responsible for technical regularity, in the accounting and the tax areas, of the entities referred in the previous paragraph; c) Signing, together with the legal representative of the entities referred in paragraph a), the financial statements and tax returns, making proof of their quality in terms and conditions defined by the Order, without prejudice to the competence and responsibilities assigned by the commercial and tax law of their agencies; d) Based on the evidence provided by taxpayers whose accounting is responsible and being responsible for the supervision of declarative acts for social security and with tax effects related to payroll.” (OTOC, 2015).

The wave of scandals and their consequence on the role of the accountant demands to eliminate any conflicts of interest of the accountant, supported on her or his experience in order to improve the quality of the accounting. This improves the accountant’s objectivity and aids to establish more credibility on the market. For these reasons, the accountant official technician could promote consulting functions in accounting, taxation and social security areas. Also, intermediate, on the behalf of taxpayers for whose accounts are responsible, in the administrative proceedings of taxes in the context of issues related to their expertise and perform other functions defined by law, appropriate to carry out its functions, in particular, as an expert appointed by the Court or Other Public or Private Entities (OTOC, 2015). Despite the uncertainty inherent to business environment, as soon as, the accountant objectivity is extended then the quality of his or her work is more reliable.

Several authors agree that the effective communication between the organization and the citizens is an important part of the integrated accounting process (Brief, 1975; Archer, 1996; Fortin et al., 2004). In accordance with this, the technical regularity on the implementation of the accounts under the provisions of the applicable standards must generate their support to the accounting reports and the information provided by the accountant. Also, the decisions of the accountant in the accounting framework, in order to obtain a true and fair view of the economic reality of the organization, as well as, the official sending information to the competent public authorities, legally defined by means of accounting and tax information defined in the law into force (OTOC, 2015).

The accounting independence enlarges the credibility to the accountant. Then, it leads to a solid reputation for the organization in which he or she is employed (Suddaby et al., 2009). So, the specific functions beyond the range set by the Court in judicial expertise, the assessment in accordance with accounting implementation with standards and applicable legal guidelines, as well as, at the level of representation, by the accounting information, supported on the economic reality that underlies it (OECD, 2004; CEC, 2006; OTOC, 2015). Although, the accountant independence and reputation could be reduced on legal actions taken by national and international agencies against the organization which decrease the level of confidence on the accounting (Sanches, 2000; Brackney, 2005).

4. Conclusions and Recommendations

Accounting for citizenship has become a major debate for promoting the role of the accountant. The ability to adjust her or his potential to the organization decision that must be engaged with ethical accounting reports and compliance with restrict activities, but always motivated by higher expectations of stakeholders. Also, the monitoring process made by the board of directors and the national and international professional agencies promotes a system of standards given more credibility to the accounting profession. Thus, the answer to the research question is based on the requirements presented by van Gunsteren (1988) research, such as: *Dialogue and Judgment* – the accountant is the center of new insights and commercial opportunities that rise from crises and the organization must face. Then, he or she must promote with intuition the assessment of the business activities that will exploit, over the time, expansion of the economic activity. This means that the accountant must study the

needs of the business as major source of future growth; Culture and Identity – the accountant faces an unprecedented challenge that requires rethinking radically, but supported on these specific requirements. He or she would typically framework the reflection to the existing stakeholders and the sense of character, vision and language may be significantly different; Autonomy – the accountant must frame the level of risk and the availability of capital from the market to inside of the organization, balancing the income and expenses in order to fulfill the objectives of the organization and, at the same time, to protect workers, to promote clients and consumers and to allow that each citizen being care based on welfare. At this level, the accountant deals with the society as a whole.

All these requirements are implicit to role of the accountant in the citizenship's perspective. Otherwise, when the accountant does not fulfill with these requirements, these can lead to the discovery unexpected "financial scandals, human rights violations, environmental side effects" (Palazzo & Scherer, 2006). Although, these new insights to the accountant are allocated to the decision making process, then this could be justified, on numerous occasions for his or her inexperience or performance irrationally in a random behavior. Indeed, significant improvements could be made with the accounting information system and its analysis based on the past operations and they may be able to assessment future trends. Also, if the market were perfectly competitive, knowledge of future trend and developments immediately imply a price adjustment and this means that the accountant must give a relevant explanation. In this line of research, the accounting information system elaborated by the accountant expands and increase the power of explanation to help investors to take the most robust decision. On the one hand, this tendency will accommodate the implementation of better market values and, secondly, will facilitate the useful information to establish the value of the company as its ability to generate future cash flows for the owners. The main result show the quality and integrity of the accountant increase the reliability of the disclosure of the annual report and it must been used extensively to promote the accounting for citizenship. However, it faces illiteracy among the citizen. Indeed, the goal of this research is to struggle it. The raising awareness of accounting for citizenship and, at the same time, the several harmful effects diminish the confidence on the financial statements and on the role of the accountant on the society.