CURRENT ACCOUNTING DEVELOPMENTS IN KOSOVO

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Abstract
For the study of the developments in accounting in Kosovo and its prospects, it is necessary to review the current situation of the developments in accounting, the recognition and acceptance of accounting standards. It is clear that the actual and perspective development level in an affected by many factors, such as social, cultural, etc. Therefore, the main aim of the research work in this study is to give an overview of the current developments of accounting in Kosovo. To obtain the required information, 400 respondents have been chosen through a questionnaire designed for this purpose[1]. The respondents operate in different branches, they work in small, medium and large enterprises, insurance companies, banks, and while some of them are independent accountants and employees in the tax authorities. The data obtained are processed and analyzed from two aspects: the aspect of descriptive statistics reflected through histograms, and econometric aspect of reflecting through econometric models.

Key words: *accounting requirements, international accounting standards, econometric models, logit model and probit model.*

Introduction

In actually Kosovo has begun to fulfill the financial reporting requirements in accordance with accounting standards, because accounting standards has multiple importance for us, firstly because represents a model of high quality in regards to the manner of accounting regulations and secondly accounting informations are important for decision making.

Proper accounting helps Kosovo to fulfill its vital interests and for its active participation in the European Union. Currently Kosovo is implementing international accounting standards (IAS), particularly in entities with public interest financial statements is seen as of quite large importance, because they serve as the main source of information that serves as the basis for decision making of a wide range of users. Furthermore, containing elements of business financial statements are the basis for the production of accounting information, which further serves the financial needs.

2. Characteristics of businesses and implementation of IAS: Empirical analysis throught econometric models with discrete variables

In this study, a regressive analysis is done a through ordered logit model and ordered probit model on the probability of implementation of IAS by the business community in Kosovo. Regression or regression analysis in this study indicate the dependence of a variable or characteristic that is called a dependent variable or some other variables (explanatory). In order to predict or assess an average value of the first variable based on values known or fixed (by choosing repeatedly) last.

[1] The data collected reflect to the situation, belong to a three year time period 2008, 2009 and 2010.

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3. Methodology

According to the questionnaire drawn up, looked at the empirical aspects, a functional depending probability is found between the questions in the questionnaire, which in our case we have treated as the dependent variables, and characteristics of businesses which we treated as variable independent variables. Taking into consideration the responses of respondents and characteristics of businesses, which had not quantitative value but qualitative value, in order to find the functional dependence multiple regression is used with additional variables (dummy variables).

Furthermore, given the responses of the respondents in five levels, with quality characteristics of which we have coded with discrete values listed (ordered). The ordered logit model and ordered probit model are used with the help of which we counted regression the parameters through the Stata program and depending on the significances of the relevant parameters, we have given comments from the results achieved. After the ordered logit model and ordered probit model we have given approximately the same results and they differ only in the distribution at the edge. We conclude that both models are working regardless of which of them is taken and we have the same results.

4. Data

As dependent variables the questions are taken from the questionnaire designed for this purpose, which are marked with Yi as dependent variables, where i=1,2,… n, whereas Xi are independent variables, where i=1,2,3,…..,7.[2]

5. Results

A functional depending probability is found between the level of implementation of accounting standards in Kosovo and characteristics of businesses from the aspect of size and sectors they belong to. Also, a functional dependence between Yi, (where i=1,2,…5[3]), and Xi, (where i=1,2,3,….7), is realized through ordered logit and probit models, and counted in the Stata program. The results are presented in four cases, as follow:

Case I

Functional dependence between dependent variables Yi (where i=1,2,…5), and the independent variables Xi (where i=1,2,3), which means that we take only enterprises based on size, where X1= small enterprise, X2=medium enterprise, X3= large enterprise taken as a basis.

In this case, according the ordered logit model and ordered probit model, we have results as follow:

Table1.1[4]

Y / X	Small	Medium	…..
Y_1 Logit	-0.85217 (0.2884959)***	-0.2688543 (0.3095237)	Numb.of obs=283 LR chi2(2)=10.18

[2] With X we have marked independent variables that are ranked according to size of enterprices and the sectors they belong to.

[3] With Y we marked dependent variables which are the following questions, Y1=is known as the law on accounting, Y2=known as IAS/IFRS, Y3=are accounting rules applied for accounting keeping and financial statements, Y4=how do you think that the implementation of IAS/IFRS is effective and is likely to be implemented in Kosovo, Y5=how much do you think that the implementation of IAS/IFRS gives the opportunity of reading our financial statements by external users of accounting informations.

[4] With ***, **,*, we marked significance of 1%, 5%, 10% respectively, while the standard deviations of parameter are shown in parentheses.

			Prob>chi2=0.0062 Pseudo R =0.0167
Y_1 Probit	-0.5005933 (0.1691068) ***	-0.1614733 (0.1835569)	Numb.of obs=283 LR chi2(2)=10.25 Prob>chi2=0.0059 Pseudo R2=0.0169

The first question that was posed to the accountants and managers of enterprises in this case relates to their knowledge that, they have initially about the law on accounting (Y1) and the current regulation in force[5] for financial reporting of business entities. From the significance of the relevant counting parameter through the Stata program applied in the ordered probit model and ordered logit model we came with the result (table 1.1) that the probability that accountants of small enterprises that recognize this law is smaller in comparison with accountants of large enterprises.

Table 1.2

Y_2 Logit	**-0.7171404 (0.276951)*** **	**-0.0467202 (0.2994556)**	**Numb.of obs=283 LR chi 2(2)=9.63 Prob>chi2=0.0081 Pseudo R2=0.0139**
Y_2 Probit	**-0.4194094 (0.1618822)*** **	**-0.4339363 (0.1754734)**	**Numb.of obs=283 LR chi 2(2)=9.39 Prob>chi2=0.0091 Pseudo R2=0.0136**

Such a situation is also in the passed question to those regarding the recognition of international accounting standards (Y2), where the probability is also that small enterprises accountants who recognize standards is small compared with large enterprises (see table 1.2).

This is a clear problem, perhaps to small and medium enterprises the cost, firstly for the recognition and then the implementation of standards, will probably currently has its benefits and this is why small and medium enterprises are further from acknowledging the law and accounting standards. Therefore, the appropriate recommendations are given for finding the most suitable route and the path for genuine financial reporting for these enterprises.

Table 1.3

Y_3 Logit	0.8522741 (0.3393852) ***	1.434234 (0.3605902)***	Numb.of obs=271 LR chi2(2)=16.99 Prob>chi2=0.0007 Pseudo R2=0.0288
Y_3 Probit	0.400481 (0.1851023) ***	0.7569815 (0.2017334) ***	Numb.of obs=271 LR chi2(2)=14.45 Prob>chi2=0.0002 Pseudo R2=0.0338

The question addressed to the respondents whether rules are applied for maintaining the accounting and financial statements (Y3), results in table 1.3, according to the significance counting parameters purposes, it is obvious that the probability that these rules apply to small enterprises is

[5] Regulation 2001/130 (29 October 2001)on establishment of the Board for Financial Reporting in Kosovo as well as financial reporting regime of business organizations, represents business organizations (whether annual circulation of over 100,000 or total assets over 50.000E) expect small enterprices and public-owned enterprises and social enterprises, preparation of financial statements in coherence with SKK and IAS.

large in comparison with large enterprises. This shows that small and medium enterprises currently maintain the simplified rules and without a high cost, balance sheet, statement of income and expenditure, purchase book, sales, inventory, etc. Taking into consideration the following facts, then their responses above are expected to show job progress and thus fulfill the existing gaps.

There is also the possibility of enforcement of accounting standards (Y4) to enterprises classified according to size, where again in regards to small and medium enterprises the probability that standards find enforcement is lower than in large enterprises. These results are proven us in the table below (table 1.4) pertaining to the question of how effective standard are and implementation opportunities.

Table 1.4

Y_4 Logit	**-0.6011726 (0.2790317) *****	**-0.6877438 (0.3136443) *****	**Numb.of obs=247 LR chi2(2)=6.18 Prob>chi2=0.0456 Pseudo R2=0.0095**
Y_4 Probit	**-0.3582893 (0.1687239) *****	**-0.3964415 (0.184027) *****	**Numb.of obs=247 LR chi2(2)=5.85 Prob>chi2=0.0536 Pseudo R2=0.0090**

It does not always mean that independent variables affect the concerned dependent variable. This is indicated, for example in the question addressed to the accountants on how they think that with the application of accounting standards, the opportunity is given to read financial statements not only by internal users but also from those outside (Y5).

Table 1.5

Y_5 Logit	-0.4459745 (0.3003326)	-0.3878014 (0.3224904)	Numb.of obs=266 LR chi2(2)=2.38 Prob>chi2=0.3036 Pseudo R2=0.0044
Y_5 Probit	-0.2610202 (0.1791692)	-0.2171985 (0.1918715)	Numb.of obs=266 LR chi2(2)=2.23 Prob>chi2=0.3281 Pseudo R2=0.0041

As seen from above table (table 1.5), the enterprises divided by size have no impact as is explained above. A response that explains the awareness of accountants and other respondents in regards to fact that the implementation of IAS/ IFRS financial reports can be read by external users, which in this case creates the same communication language on the same European line, which results in transparency, comparison of PF, and finding business balance.

Case II

The functional dependence between dependent variables Yi, where i= 1,2 [6]and independent variables Xi, where i=4,5,6 and 7 which means that we have taken only the enterprises based on sectors they belong, where X4=commercial enterprises, X5=service enterprises, X6=manufacturing enterprise, X7=financial enterprises, are taken as a base.

In this case, according the ordered logit and ordered probit model, we have these results:

Table 2.1

X / Y	**Commercial**	**Service**	**Production**	
Y_1 Logit	-0.4486755 (0.3874121)	0.250153 (0.6412136)	0.10223 (0.6525899)	**Nr. of obs=283** **LRchi2(3)=3.54** **Prob>chi2=0.3160** **Pseu R2=0.0058**
Y_1 Probit	**-0.2307094** **(0.2249647)**	**0.2418676** **(0.3932849)**	**0.0874398** **(0.3795382)**	**Nr.of obs=283** **LRchi2(3)=3.57** **Prob>chi2=0.3122** **Pseu R2=0.0059**

Table 2.2.

Y_2 Logit	**-0.3985266** **(0.3520866)**	**-0.9183662** **(0.6362862)**	**-0.5230442** **(0.6297275)**	**Nr.of obs=283** **LRchi2(3)=2.40** **Prob>chi2=0.4936** **Pseu R2=0.0035**
Y_2 Probit	**-0.2563193** **(0.2161494**	**-0.566349** **(0.381603)**	**0.3344314** **(0.3539983)**	**Nr.of obs=283** **LRchi2(3)=2.55** **Prob>chi2=0.4654** **Pseu R2=0.0037**

Therefore, the results achieved through ordered probit model and ordered logit model, tell us that the sector of the enterprise does not impact on the question regarding the knowledge of the accounting law (Y1) which is seen by non significance of the relevant parameters (table 2.1), and knowledge of international standards accounting (y2) (table 2.2). Thus, the viability of IAS does not depend on the sector concerned which a company belongs to, which is the application of the law on accounting or which is applied to financial reporting.

Case III

The functional dependence between dependent variables Yi and independent variables Xi (where

i =1, 2, 3,….7), where we take the enterprises according to the size and the sectors that they belong to, where X1=small enterprise, medium enterprise X2, X3=large enterprise (taken as a basis); X4=commercial enterprise, X5=service enterprise, X6=manufacturing enterprise and X7=financial

[6] In this case we analyze only questions Y1 and Y2, respective knowledge of the law on accounting and recognition of IAS/ IFRS by the employees in companies based on the sectors they belong.

enterprise (that were taken as a basis). Thus, we have the same results as in case I and II, where we have been taking enterprises and separately by size and sectors.

Case IV

A functional dependence is found between the dependent variables between Yi, where i=1, 2, and the independent variables, taking X1=independent accountants interviewed and X2=TAK employees[7]. Results presented throught ordered logit model and ordered probit model through the Stata program are as follows (table 4.1.)

Table 4.1.

Y X	**Independent accountants**	**……**
Y_1 Logit	-0.9057387 (0.4251882) ***	Numb. of obs = 83 Lr chi2 (1) = 4.65 Prob>chi2 = 0.0310 Pseudo R2 = 0.0259
Y_1 Probit	**-0.5097235** **(0.2499189) ***	**Numb. of obs = 83** **Lr chi2 (1) = 4.19** **Prob>chi2 = 0.0406** **Pseudo R2 = 0.0233**

Table 4.2.

Y_2 Logit	**1.776325** **(0.5130097) ***	**Numb. of obs = 85** **Lr chi2 (1) = 13.72** **Prob>chi2 = 0.0002** **Pseudo R2 = 0.0788**
Y_2 Probit	**0.8942152** **(0.2644612) ***	**Numb. of obs = 85** **Lr chi2 (1) = 11.90** **Prob>chi2 = 0.0006** **Pseudo R2 = 0.0684**

In regards to the knowledge of the law on accounting (Y1), the probability that independent accountants are knowledgeable of this law is small enterprices in comparison to employees of the tax administration that is seen by significance of the relevant parameter found through ordered logit and ordered probit model of the counting purposes of the Stata program (table 4.1). Such a thing has a logical link in the manner of training and gaining professional independent accountants, who are more closely involved in the knowledge of accounting standards, and less of the law.

This is explained by the results of the answers in the question about the knowledge of international standards (Y2) where the likelihood that the knowledge of accountants and independent auditors is larger compared to that of the tax employees, which is seen through positive relevant significance parameter in table 4.2. Independent accountants have worked and are still working in their acquisition of knowledge regarding the complete knowledge of the International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) through training seminars and various lectures. This represents very positive indicator in terms of continuous development of the

[7] In this case we analyze only questions Y1 and Y2, respective knowledge of the law on accounting recognition of IAS/IFRS by the independent accountants and employees in the tax administration.

profession, as a requirement under asquis communautaire[8]. This result in the fact that accountants retain the knowledge received and add continually adds knowledge with time requests.

Conclusions

The situation highlights the fact that international accounting standards are accepted in Kosovo, as well. The largest percentage of accountants (87%) accept IAS to increase the quality of financial reporting. While, based on the analysis made by the ordered probit model and ordered logit model, we can say that there is a depending functional probability as well as between level of implementation of accounting standards and size of enterprises. Depending from the sectors they belong to independent accountants and auditors have more knowledge compared with tax administration employees. A certain level of dependency in cases where it exists is reflected through significance arising in certain cases. Therefore, based on the great role that IAS has on financial reporting, it is recommended that further steps should be taken in Kosovo towards promoting, recognition and enforcement of international accounting standardizations. Tis is necessary, because this has effect on the ability and competence of businesses to prepare reliable financial statements, that are transparent and readable for all users.

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[8] Asquis Communautaire, so called all EU laws together.