HARMONIZATION OF FINANCIAL REPORTS – THE ROLE OF ACCOUNTANCY IN CONDITIONS OF THE INTERNATIONALIZATION OF BUSINESS

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Summary
Accounting reports are the basis for making good and timely decisions, both within a particular economic entity and by other users of accounting information. The establishment of fair competition in the financial markets and securing the necessary security of creditors and potential investors will depend precisely on the quality of financial reports, significantly. The main purpose of financial statements is to provide a reliable basis for assessing the financial position, profitability, level of own capital and the acquisition and use of cash to its customers.
The aim of my research is to prove that the coherence of the accounting information system with many stakeholders classified in internal and external customers, and analysis of financial statements in addition to provide a systematic and chronological records, they enable financial reporting to provide relevant and reliable information on the financial position, performance, particularly cash flows generated by the company. It will be useful to managers and other key stakeholders in the harmonization of economic decisions, which in turn contributes to the accounting information system on the principle of feedback; it establishes a two-way relationship with users of financial statements.
The basic hypotheses from which I went into the research and who have helped me in reviewing and providing the evidence in this paper are as follows:
- For enterprises in contemporary economic conditions, the accounting information system is becoming increasingly important and is becoming one of the main factors of efficient business,
- Application of international accounting standards has a positive effect on the quality of financial reporting and improving business communication in conditions of globalization of economic processes.
Keywords: Accounting, enterprises, management, employment, etc.

Introduction

Today, in almost every area the need for information at first hand is very large. Company as an organizational set of people, is a basic economic entity that achieves certain goals and tasks in the system of social reproduction. The company is extremely complex and, above all, dynamic and open business system which seeks to achieve efficiency, effectiveness, fairness, integrity, and internal and external interest in the permanent existence and development. In order to be able to manage company, and to develop it, the information is badly needed.
Managing data and information represents a crucial problem faced by The Organization, in an increasingly global present processes at all levels. The main tasks of accounting, as a service function necessary for managing the company, are collecting and processing data and presenting the financial nature of the resulting information to interested users. The financial statements provide information about the financial position, performance and changes in financial position of companies.
Accounting reports are the basis for making good and timely decisions, both within a particular economic entity and by other users of accounting information. Exactly from the quality of financial reports will depend to a considerable extent, the establishment of fair competition in the financial markets and securing the necessary security creditors and potential investors. In this sense, the primary objective of accounting is to provide a full understanding of the nature of accounting reports , to provide a connecting decision makers with economic activities.
Starting from the premise that the goods are limited and limitless desires it is necessary to study the economic and accounting as its instrument to contribute to the limited resources are used in the best way to produce useful goods and to redistribute the best way to different people.
Contemporary accounting is tightly related to the economy to which it continually adapts to and from which it actually had grown. To successfully use data from the company accountancy, in addition to economic theory, the knowledge of the principles and methods of accounting is needed. From that joint interdependence, economic and accounting theory and practice have been developed.
In order to avoid wrong business decisions, management must be based on realistic, i.e. true information contained in financial reports. The very process of preparation of financial statements is extraordinarily complex, and for checking their conformity with the reality that accounting standards and regulations required the engagement of specific professionals - independent auditors. In order to ensure the reliability and credibility of financial information it is necessary to conduct the audit of financial statements.

1. Place of accounting in the company

1.1. Contemporary understanding of the essence of the company

The company is defined as a legal entity that carries out economic activities for the acquisition of income or profit. "In the economic and legal sense, we can define it as an economic and a legal entity that has the resources to carry out business activities in order to achieve sufficient profit to stay in business in the long run."[1]
"The company is a complex, dynamic and open business system in which it seeks to achieve efficiency and success of, fairness, integrity, and internal and external interest in continuous existence and development."[2] Characteristics of enterprises as a system are particularly important in contemporary market economic conditions.
Dynamism implies that the company is constantly changing and evolving, since the development is the necessary condition of survival. In business operations of the

[1] Mikerević, D., *Financial management*, Faculty of Economy, Banja Luka 2005,str.15
[2] Mikerević, D., Ibid,str.18

company, there is a lot of uncertainty, which in turn makes it difficult for management over the company. The company operates in an environment that is constantly changing, these changes afect the company, but also the company's operations are being affected by the changes in the environment.

The company is as a basic economic unit of society, have always had certain goals as their essential character. The objectives of the company represent the meaning of its incorporation and functioning. "Some authors emphasize the condition or result which should be achieved, and the others on the activities (actions) that lead to the desired, target state and / or results."[3]

Within different divisions, some authors emphasize the special importance of the division into economic and social objectives of the company. Within the economic objectives of enterprises the authors point out that, as a business objective in terms of business philosophy, the main - strategic importance can be considered as an effective growth and development of enterprises. These goals represent both the long term, it is ultimately a social goal. In achieving these goals three factors make an impact, and those are: opportunities, goals and instruments. The relationship between these factors must be considered from the standpoint of the real position of companies in the market and the environment.

Of course, "the presence of pluralism of goals and interests, the necessity of priorities, clear definition, flexibility of measurable goals, consistency with economic conditions and the role of motivational goals, goals are the main characteristics of modern corporate companies."[4]

By defining a contemporary enterprise as a synthesis between management, labor and capital, and given that the target function is stated as a maximization of a certain function, ie, variable (income, size, values, social welfare) or minimization of certain functions or variable (risk, cost), there is a matter of choice of functions that have a priority. Different interest groups set different requirements to the enterprise. Therefore, it is infrequently spoken of the system goals rather than of individual goals. However, regardless of their views, all the attention the company (management, employees, shareholders, government, etc.) is focused on the financial result (profit) and the accumulation of profit, which clearly reflects the attitude of companies towards the future.

Starting from the fact that in the conditions of market environment an enterprise must meet the expectations of different interest groups, a problem that arises is how managers adjust their legitimate interests of other stakeholder or stakeholder group to bring them into harmony and avoid serious conflicts of interest of companies and stakeholders.

This is why the target function must be clear, measurable, consistent, and must keep making clear decisions. It must be consistent to maintenance, health and maximizing companies value. Therefore, the target function must not create additional costs that the company used to abolish the negative impact on society.

Therefore, in order to ensure that the company will secure its survival and a safe future, operating and development of the enterprise needs to be managed well. In this process, the company is engaged in the following activities:

- Financial,
- Investment and
- Operational.

All these activities reflect business events that affect the financial position of of the enterprise. By performing these activities the company is trying to fit into an environment in which it operates. Of course, for effective management (management) of the company, in addition to personal abilities and intuition of managers, the appropriate informational support is necessary.

Management itself is a continuous process in which different activities take place. The essence of job of managers, is to make decisions and take such actions which createeconomic performance (financial results, produce the relevant products or render services),which handles a specific business, other executives and employees.

1.2. Information management as a prerequisite

Management process, in the practical sense of meaning is achieved by continuous decision making and control over the implementation of decisions. In addition to intentions and objectives to be achieved, the business decision itself is conditioned by the available information and assessment of current status and future operations. In modern economic conditions, the process of governance is impossible without information. Making decisions based on knowledge, information and exact data ensures successful implementation of management activities. Naturally, it is important to emphasize that intuition and experience also have an important place in management process.

When it comes to information that is needed in the management process, we are free to point out that the accounting information is one of the most specific information and that most of the information necessary for management arises in accounting. Such a conclusion stems from the initial assumption, that the basic financial constraints in balanced growth and development of enterprises can be be recognized through the financial statements. In fact, the financial statements make it possible to realize two basic criteria of good governance, security and efficiency of management measured by profitability. Therefore the accounting information system (subsystem) with its quantitative basis (database) makes a major part of the total (business, integrated) of information system of the enterprise.

1.3. The division of the accountancy from the aspect of business

As a process, the accounting is primarily directed to the financial accounting whose final product are financial statements. However, when viewed from the aspect of user, accounting has internal and external tasks. The first tasks of internal accountancy are control and documenting.

[3] Malinić,S.,*Upravljačko računovodstvo i obračun troškova i učinaka*, Ekonomski fakultet Kragujevac, Kragujevac,2005. str.21
[4] Malinić,S., Ibid,. Page 22

Accounting achieves this role by evaluating, processing and transfer of information and control over economic processes in the company. The second internal task is the provision of information basis for planning the state of assets and profitability. External accountancy tasks are related to taking into account other users of accounting information. These tasks are constituted on the basis of legislation, and partly on a voluntary basis.

Thus, if all assets and includes the processes of the enterprise or only one part, or some parts of the Company in terms of operations, we distinguish between:

- Financial accounting,
- Cost Accounting and,
- Management accounting.

Information of financial accounting provide a general overview of financial condition and operations of an enterprise. They directly provide information about the profitability and liquidity of the company. This information represents an overview of past achievements and current financial condition. Financial reports are used by investors, government agencies, owners and other users.

Managerial Accounting is focused on internal reporting. "Managerial Accounting values ,estimates and forms financial and non-financial information that helps managers to make decisions that will meet the goals of the organization."[5]

Cost accounting includes some part of menagerial accounting and of financial accounting and in that context cost accounting is described as an accounting system that provides quantitative information to managers for planning and control (management accounting) and determines the cost of the product (part of financial accounting).

2. Accounting and corporative management

2.1. Corporation as the most widespread form of business organization

Understanding the whole problem of accounting reporting in various legal forms of enterprises means knowing of their shape and characteristics, criteria and selection of the division of the company legal form, as well as preconditioning of the capital structure.

Legislation of countries in the region recognize primarily three types of enterprises, and those are: the individual associations, the association of people and association with capital. These types of companies differ mainly according to the method of obtaining capital and guarantees for the debts.

When it comes to the legal form of company capital, in countries of the region it appears in two forms, and those are: Limited Liability Company and Corporation. For the needs of both forms of organization, capital is being supplied by partners, and shareholders. with this difference that, as compared to the association of faces, debts are not guaranteed by equity investors, but society itself. Therefore, association based on capital is such a business form that is legally separate from the owner. Ownership responsibility is limited by the height of his or their roles. Due to the separation of ownership of the institution's organization, there is no personal accountability partner. Capital could be raised in the name of the company without exposing owners unlimited liability.

Unlike limited liability companies, the stake for corporations is provided by many investors. Ownership is evidenced by shares; with each share a shareholder owns part of the company, to the extent it is contained in the total number of shares in circulation. The prerequisite for the functioning of the legal form of corporation is the mobility of actions.

Under the Corporation, I mean "a person or body that has authority to come forward as a separate entity and which, by rights and obligations differs from persons which have formed it."[6] Its purpose is merging, grouping of business interests and it is the most common form of business association.

A very important aspect is the existence of the corporation, separate from its owners. Shareholders whose ownership is reflected in the possession of actions do not directly control the operations of the corporation. Life of the corporation is limited to the life of the owner.

Also, the easier transformation of ownership, i.e. transfer of shares is cited as an advantage, especially for enterprises whose shares are traded on stock exchanges, and the possibility of collecting large amounts of capital, especially when it comes to large and medium-sized enterprises.

Because of its advantages, the corporate way of organizing has become the most widespread one in the modern world. One of the important characteristics are the strict rules of reporting, particularly for companies whose shares are traded on stock exchanges, which means transparency of operations and development plans. In contemporary conditions economic activity, big business can be organized only as a corporation. In this sense, corporative management is the system for the management and control of companies. According to the results of empirical research, companies that comply with corporate governance generally achieve better results than companies that do not.

2.2. The role of accounting in corporate governance

Accounting information system (subsystem) with its quantitative basis (database) constitutes a major portion of the total (business, integrated) enterprises information system. The results of the accounting information system is the accounting data, indicators and information contained in business records and accounting reports.

In contemporary economic conditions , managing data and information is an extremely complex problem faced by enterprises, because the conditions of modern market are characterized by frequent changes and the large volume of business transactions. "Today's accounting is focused on the ultimate need for decision makers who use accounting information, regardless of whether those responsible for decision-making are doing a specific job in a company or outside of it."[7]

[5] Horngren Charles, Foster George, Datar Srikant M., *Osnove troškovnog Računovodstva-upravljački aspekt*, Udrženje računovođa i revizora Federacije BIH, Sarajevo, 2002, str.3

[6] A Dictionary of Acconting (1999) Oxforod: Oxforod University Press

[7] G1ray J.S., Needles,Jr.E., *Finansijsko računovodstvo-opšti pristup*, Savez računovođa i revizora Republike Srpske, Banja Luka, str.3

Users are provided with the information through the accounting reporting. Accounting and Reporting by itself was created in direct response to customers' needs for information. Given that the circle of beneficiaries and their need for information is continually expanding, constantly adjusting and improving the accounting reporting is necessary.

Therefore, the accounting profession plays an important role in meeting the objectives of the Principles of Corporate Governance OECD (Organization for Economic Cooperation and Development) that are accepted by all relevant political, economic, monetary and accounting organizations. At the local, national level principles should be embraced and developed in joint stock companies to increase their efficiency and the development of society as a whole.

In the countries of OECD corporative management is an essential instrument for increasing the efficiency of the company. In the early nineties, it is referred to as the rules for relations between shareholders and management, a first definition adopted by the OECD in 1992. and to it corporative management is a system management and control of joint stock companies, which defines that the rights and responsibilities are allocated among the various members of the joint-stock companies such as shareholders, management, other creditors (financial institutions, government, employees, suppliers); then, the rules and procedures for making decisions about the events in society are being compiled and, ultimately, the structure through which to achieve the objectives of the Joint Stock Company is being determined, the resources that meet the objectives and implement controls are being defined.

Being aware of the importance of responsible and ethically founded behavior of business entities within the economic system, global corporations have partially adopted on its own initiative, and recommended by the Organization for Economic Cooperation and Development (OECD) code of ethics in business by which they are bound to respect the principles of ethics in all its business relationships and have accepted the obligation of acting in accordance with the principles of responsibility, efficiency, transparency, quality, acting in good faith and respect for good business practices with our business partners, business and social environment and its own employees.

Code of Corporate Governance (Corporate Governance Codex) defines the following basic principles:

- Transparency,
- Clearly developed procedures for the operation of the supervisory board, management and other organs and structures that are making important decisions,
- Avoidance of conflicts of interest,
- Effective internal controls,
- An effective system of accountability.

Based on the previous one might conclude that corporative management has the following objectives: the protection of investors, especially shareholders, stabilization and development of financial and capital markets, stable development of economy and society as a whole. It is precisely the accounting profession that plays an important role in meeting all these objectives because it is so important to determine the position of the accounting profession in principles of corporate governance in OECD countries.

The importance of the accounting profession is reflected in the following facts: Accountants are part of management that defines and implements accounting policies, recognizes measures and discloses company's financial statements, performs external audit in order to protect the interests of shareholders, implements a system of internal controls and internal audit of the company and, ultimately, participates in defining the objectives of the company's business plan.

Trust in the measurement economic and financial reporting on the financial position and success of enterprises is the basis formation of modern economic activity and capital market development. In doing so, developed accounting profession has a crucial importance. "Decisions of a large number of individuals, but also a significant number of institutions on investment in the company, whose stock shares are quoted on the Stock Exchange, imply a broad confidence in the financial information about these companies, which provided with the accountants."[8]

2.3. Corporative management and financial reporting

Upon completion of the financial year enterprises are required to conclude the business records, to determine the final state, which is used for the preparation of financial statements. Financial reports provide information on the financial position of success and changes in financial position of companies.

Assuming that financial reporting the result of the needs of various stakeholders, either internal or external, issues related to reliability, understandability and comparability of financial statements has been gaining more importance. The quality of financial statements will depend to a considerable extent and the establishment of fair competition in the financial markets, as well as securing the necessary security creditors and potential investors.

The starting assumption is that the modern corporation means the separation of functions of owners and management, and that management is left to managers, because owners have neither the knowledge nor the capacity to make informed decisions and business decisions because management are left to people who is trained for it, has resulted in the occurrence of informational symmetry.

Interests of owners are limited to the value of their capital and payment of dividend, while other key stakeholders have different interests. Specifically, the policy priorities of the business enterprises, which by nature is a basis for the choice of strategy for acting on the target market, affect individual goals and requirements of major stakeholders, which can be classified into four groups. In the first instance to is the shareholders, then managers, then the employee and ultimately the economy.

[8] Novićević, B. *Finansijsko izveštavanje u funkciji unapređenja poslovnog ambijenta u Crnoj Gori*, Bečići, Zbornik radova sa VI Kongresa računovođa i revizora Crne Gore, 2011. god, str.259

Subject of interest of the first group stakeholders, ie shareholders, is the market rate of return on their investment, then, the market value of their investments, as well as the stability of dividends. Managers put sales growth, asset growth and stability obtained in the first place. Employees emphasize percentage increase in wages, employment stability, the distance that an increase in wages following increased profits of the enterprise. The priority of the last groups of stakeholders, ie industry, is zarađivačka ability, or cost-effectiveness in comparison with the capital engaged. Therefore korporativnog management, model is very complex and involves many stakeholders. "Good corporate governance is not the responsibility of one person or a body, but includes the division of responsibilities among several interested parties, and fulfilling the duties of each of them leads to effective and efficient corporate governance."[9]

The most important flow of the information among the participants in the process of corporative management is being realized through publication of financial reports of an enterprise. Information on financial position and success of bussines entities which are being presented in financial reports of an enterprise have always had the importance for users, having in mind the information is the foundation for making decisions on alocation of resources. It is claimed with sincerity that such importance has never been greater than now. All bussines activities of the corporation are integrally covered by financial statements.

Public interes is the main guidline for the accountancy, but also for financial reporting about the situation in the corporation. Investors, creditors, government and its agencies, state fiscal authorities, bussines partners, employees and managers of bussines systems are direct representatives of public interes, while the public as a whole is its indirect representative. Of course, financial reports do not neccesarily represent the perfect picture of the situation, but in anycase represent the best try of presenting the situation in corporation.

3. Global harmonization of reporting and the need for the audit of financial reports

In contemporary conditions of bussines, information on financial position and the success of business entities, which are being presented in their reports, are the basis for making decisions on the allocation of resources. Very often, the investors, poverioci or some other users which are in one country, have the need to meet the state of a specific business entity which is placed in some another country. Hovewer, they are faced with basic and formal differences in financial-accounting reporting of different national economies.

The issue which is related to reliability, understanding and comparability of financial statements, nowadays has a crucial importance. This is why today in the world the harmonization of financial statements is going on. Having this in mind, if the intention is create fair competition on the market, but also to ensure the safety of poverilaca the need for rising the quality of financial statements and their harmonization is must.

This is why in contemporary business conditions, activities of national and international accounting institutions in the field of creating and building accounting standards and principle, have become a priority.

Following the need for the harmonization of accounting standards, in 1973. The International Accounting Standards Committee has been founded. The main moto of this organization is that „comparable financial reports are the precondtion for free and normal flow of capital towards most efficient users, under lowest expenses."[10]

The importance of balance of the information published in them is the fact that the activities of the accounting standards and financial reporting standards, in addition to IASC and other institutions involved, by International professional accounting organizations, above all, the International Federation of Accountants (IFAC), then, the EU Lawyer , OECD and World Bank.This organizations and institutions have developed International Accounting Standards and International Standards of Financial Reporting as basic instruments of harmonization.

The contribution of Council of Europe can be noticed in adopted nad reccomended Directives, which represent the minimum of common requests for al the states of EU, which are being implemented in european legislation. For the area of financial reporting, the ones that are important are: „IV Dicrective of EU, which aim is the ujednačavanje of financial reporting on the level of a single annual reports, VII Directive of EU, which is being implemented in the area of consolidation of financial reports on the level of groups of enterprises."[11]

3.1. Financial audits aimed at improving information capabilities of the financial statements

The connection of the accounting information system with management and executive structures of the company and with external users of financial statements, clearly indicates the role and importance of accounting information system in the formation and realization of company goals, choosing appropriate strategies, the establishment of an adequate organizational structure and accounting functions and, in particular, in determining the financial position and performance of companies and profitability.

The general economic globalization and rapid technological development emphasize the necessity of eliminating the gap between the expectations of financial accounting and reporting what they really provide users

Task, the Supreme management is taking care of the state; success and changes in financial position of the company, making individual financial business decisions, system-management control of the financial business processes within the company. His role is reduced to create external financial accounting information, with the balance sheet, income statement and statement of the gotovnskom most important "product" of accounting. How the financial

[9] Andrić, M, *Finansijsko izveštavanje u funkciji unapređenja poslovnog ambijenta u Crnoj Gori*, Bečići, Zbornik radova sa VI Kongresa računovođa i revizora Crne Gore, str.35

[10] www.scripbd.com/doci3759490i Finanansijsko izveštavanje

[11] Andrić, M. *Finansijsko izveštavanje u funkciji unapređenja poslovnog ambijenta u Crnoj Gori*, Bečići, Zbornik radova sa VI Kongresa računovođa i revizora Crne Gore, 2011.god

statements are directed towards external users, the question of responsibility for truthful and honest information about the company. Because of the potential for conflict of interests of individual managers, who must prepare financial statements and external users such as investors or creditors who invest in an enterprise, or lend them money, to increase the reliability and credibility of the report, its audit carried out by independent auditors.

Theory and practice of auditing in the world is engaged in a number of individuals and associations that are of national and international importance. Committee to review the basic concepts of the American Institute of Chartered Public Accountants audit is defined as ".. Systematic process of impartial collecting and impartial evaluation of evidence about some claims related to economic activities and events. The audit aims to determine the degree of correspondence between the given statement and pre-defined criteria, and reporting the results of these comparisons to interested customers."[12] Therefore, the audit involves the systematic collection and evaluation of evidence as a basis for determining whether the financial statements meet the established criteria contained in the task of accounting standards, financial statement audit is to examine the reality of the balance, and checks whether these "true and fair". If they are, then these reports are presented in economic size can be trusted. When we talk about who the users of audit reports to be published along with reports of financial company, then we should start from its role. The role of the audit consists mainly of the following:

- Protect the interests of shareholders;
- Create a realistic and objective basis for information management and,
- Assistance in obtaining additional capital by reducing investment risk.

Therefore, users of financial information can be viewed as an internal (management accountants, internal auditors) and external (owners, investors, business partners, analysts). Independent auditor's report also provides internal and external users of baseline data for making sound and logical decisions. With this in mind, we can and why we need a revision grouped into two groups. These are internal and external. The group of internal reasons pointed out that the auditor should be alert to what is wrong in the client's business and its accounting system and thus provide better conditions for business in the future. In this sense it is a certain way and client advisor. The audit helps to minimize bias, through monitoring of financial information provided by management. Whereas the task of auditing is to give his interpretation of financial statements, but to increase the certainty that what has been given in the financial statements present fairly the reality of a given enterprise.

The group of external reasons that impose the need for revision are the following:

a) conflict of interest;
b) the consequences;
c) distance, and
d) complexity.

a) Among the company's management and customer reports a potential conflict of interest. Business owners on the basis of the financial statements not only made a decision on the allocation of capital, but also the destiny of management. It is therefore important for management to present financial statements in the best light. Management has the ability to influence the formation of statements in accordance with their interests. For example, the management is often present optimism regarding the collection of receivables, which can significantly affect the reality and objectivity of financial statements. Therefore, a revision of "creating trust" and allows users to believe what is written in the reports.

b) The users of financial statements (business owners, invest, creditors, business partners and others) make decisions on the continuation of its financial relationship with a company based on information from financial statements. These decisions have a significant economic impact on their decision

c) Regarding the issue of distance, it is assumed that users of financial reports are often outside the company and to have an insight into the client's business and its accounting records. Even when users of accounting information have the ability to make independent conclusions about the quality of the information obtained it can be prevented from doing so because of the limitations that exist in the form of distance. The reasons for the distance can be physical, legal, or time-cost nature. In each case the user information is unable to perform the direct evaluation of the quality of the information obtained. What remains is the belief in the quality of information presented by the auditor

d) In the contemporary economic conditions we face the complexity (complexity) of business. Users of the information is difficult, sometimes impossible, to assess their own quality of information obtained. Evaluating the credibility of information requires a higher level of expertise than one who has the typical user of financial information. That is why we need an auditor.

Independent or external auditors, in addition to this, review the entire enterprise setting, its organization; examine the accounting policies, internal control systems and the validity of all records that document the economic events. In short, under the scrutiny of auditors put the entire architecture of business processes, regulations and company behavior. The fruits, which provides an audit examination of the findings on the validity of producing financial information and therefore should be given credibility to the claims stated in the accounting statements.

Taking all of this into consideration, revision is an important function because:

a) Provides an independent and external review of accounting information,
b) It stimulates managers to devote more attention to efficiency and quality of the accounting system accounting information because they are aware of the fact that it will be made external checks.

Given the fact that the accounting, i.e. financial information become obsolete fairly quickly, the audit of

[12] M.Andrić, B. Krsmanović, D.Jakšić, Revizija, Subotica, 2004. god, str.16

financial statements is necessary to type every year. This need is expressed even more, knowing that the revision of the assumption of well-functioning financial markets and stock exchanges to require audited statements of all companies whose securities are traded valuable asset in the market. In this way, comes to the fore the role of the audit to assist in obtaining additional capital. Revision increases the credibility of accounting information and auditing after the users gain more confidence in the information you intend to use. Without it functioning securities market in a satisfactory manner is virtually impossible.

The financial statements are becoming financial statements in the true sense of the word only when it signed and certified auditor's report confirmed. Revision creates trust, which together with freedom of information disposal makes the assumption of market economy. Revision of protecting the interest of shareholders, helping to raise additional capital and provides a realistic and objective information management. Therefore, stresses its role as an important assumption of entrepreneurship.

Conclusion

Under contemporary conditions of bussines, the operations of an enterprise are exposed to numerous changes. In order to ensure the survival of an enterprise at the market, as well as its development, it must continuously be adapted to various changes, where the process of adaptation to the changes at the market should be controled and guided.

In condition of globalized economy, the business is being performef in conditions of limited resources; natural resources, such as mineral resources, energy resources, the land (arable land) and labour are limited.

Bussines management is not possible without adequate information basis. Financial statements, as a final product of accounting process, contain significant part of the information that represents the basis of management. The largest part of the information necessary for the management process occurs in accountansy. The accounting information system (subsystem), by its quantitative basis (database) makes a major part of the overall (bussines, integral) information system of an enterprise.

Financial statements are the primary mean for transfering important accounting data to their users. Financial report is made of set of prescribed forms, in which the taxpayer gives the outline of its financial position and business changes in the reporting year. Basic types of financial statements are: the balance sheet, income statement, cash flows statements, statement of changes in equity and notes financial statements. Users of the information contained in the financial statements are current and potential owners, creditors, suppliers, customers, employees, government agencies and the general public.

In order to ensure that financial statements are understable to their users and to provide guidlines for financial accounting and the preparation of the report, a set of generally accepted accounting principles has been drafted (GAAP – Generally Accepted Accounting Principles) which contain the criteria, rules and procedures, referred to as accounting standards. Application of International Accounting Standards will allow comparability of financial statements of businesses to other businesses at home and abroad, and also the efficient functioning of financial markets.

The very process of preparing financial statements is extraordinarily complex, so for the verification of their adjustment, i.e._consent with accounting standards and legislation, specific involvement of proffesionals – independent auditors, is necessary. In order to ensure the reliability and credibility of financial information it is necessary to perform the audit of the financial statements.

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