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АСПІРАНТІВ І СТУДЕНТІВ**

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## 29. Development of modern accounting

**Anna Horbachenko, Olena Klymova**  
*National University of Food Technologies*

**Introduction:** The accountant evaluates records drawn up by the bookkeeper and shows the results of this investigation as losses and gains, leakages, economies, or changes in value, so as to reveal the progress or failures of the business and also its future limitations and possibilities. Accountants must also be able to draw up a set of financial records and prescribe the system of accounts that will most easily give the desired information; they must be capable of arriving at a comprehensive view of the economic and the legal aspects of a business, envisaging the effect of every sort of transaction on the profit-and-loss statement; and they must recognize and classify all other factors that enter into the determination of the true condition of the business (e.g., statistics or memoranda relating to production; properties and financial records representing investments, expenditures, receipts, fiscal changes, and present standing). Cost accounting shows the actual cost, over a certain period of time, of particular services rendered or of articles produced; by this system unprofitable ventures, services, departments, and methods may be discovered.

**Resources and methods:** Although there were stewards, auditors, and bookkeepers in ancient times, the professional accountant is a 19th-century development. Unlike those precursors, modern accountants usually do not service a single client or employer; instead they offer their expertise, for a fee, to several individuals and businesses. The profession was first recognized in Great Britain in 1854, when the Society of Accountants in Edinburgh was given a royal charter. Similar societies were later established in Glasgow,

Aberdeen, and London. In the United States the first such professional society was the American Association of Public Accountants, chartered by the state of New York in 1887.

**Results:** All the states and Puerto Rico and the District of Columbia now have laws under which an accountant who fulfills certain educational and experience requirements and passes an examination may be granted the title Certified Public Accountant (CPA). CPAs have organized into state and national societies. The bodies representing the accounting profession in the United States are the American Institute of Certified Public Accountants, which is the contemporary successor organization of the American Association of Public Accountants, and the American Accounting Association, organized in 1916. In the United States, the Financial Accounting Standards Board, an independent nongovernmental organization sponsored by financial-reporting industry groups, is the main institution responsible for establishing accounting standards and rules. The International Accounting Standards Board develops standards and rules that are accepted by many nations.

With the growth of corporate activity in the 20th cent., the field of accounting has increased greatly in importance and has seen many improvements in theory and techniques. The chief causes of changes in accounting methods have been more complex tax laws and regulations and the need to keep uniform accounts for possible governmental or public scrutiny. Contemporary accounting firms also have taken on managerial functions and are no longer concerned simply with ascertaining and reporting financial condition but also with advising a client how to act on this information; they also consult on information-technology systems and other services. This has greatly increased the potential for conflicts of interest, because the services provided to clients by accounting firms must be evaluated in their audits and because the fees paid by a client for such services may be more important to the accounting firm than that paid for an audit, potentially undermining the independence of the audit. As a result, in 2000 the Securities and Exchange Commission specified the types of services accounting firms could provide without compromising their independence as auditors.

**Conclusions:** A series of revelations concerning accounting firms' failure to detect or publicly challenge irregularities or fraud when auditing the finances of a number of corporations led Congress to establish (2002) the Public Company Accounting Oversight Board. The board is appointed by the Securities and Exchange Commission and has the power to register and regulate accountants and firms that act as auditors. It sets standards for audits and is responsible for reviewing audits and disciplining accountants and accounting firms.

### References

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