

## The Structure of Financial Reporting and Accounting, Albanian Case

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### Abstract

The preparation of financial statements in the public sector units are intended to help users of financial statements to better understand the entity's performance in the past to identify resources allocated to support the core activities of the entity in order for it to fulfill her duties efficiently.

The main differences in accounting, for the public sector entities and the private sectors are as result of the fact that public sector entities are oriented more to the management of funds and better value for money than generating profit.

While basic accounting principles are the same as for private sector entities and public sector, the appearance of some of the statements and accounting treatments differ.

In many aspects of financial reporting, the accountants must use proceedings in choosing between alternatives of the same. In order to accurately assess the financial statements should be understood influences accounting methods used by entities, in relation to alternative methods that are not selected.

**Keywords:** accounting principles, financial statements, public sector, private sector entities, profit and accountants.

### Introduction

Accounting is a very wide field which handles gathering, description, evaluation, classification and the communication of financial results of the entity, condition of its assets and liabilities at a certain moment and allows the economic activity to evaluate the efficiency of deliver its positive result. The accountant expressed that to accomplish his job adequately he needs the coordinates of the past and the present in order to provide for future results. Accounting, by the law, is a technical function or any entity by which the records the events occurring while exercising economic activities, that bring changes in the property or its financial situation. Accounting is important because it is created to help accountants to fulfill the goals. The audited reports allow the company to borrow capital from anyone else and minimize the risk. Records and internal audit ensure the company's assets. Accounting is the languages of communication for business as it relates to the figures, which can be summarized and communicate by the financial reports or financial statements: balance sheet, income statement, Cash Flow's statement and statement of equity. Accounting information, it is accessible as well as theoretical and practical and is crucial only if it is usable. In this manner,

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managers can take a decision in terms of maximizing profit.

By law 10091 dated March, 05, 2009 "On legal auditing organization of the profession of registered auditor and chartered accountant", practicing the profession of accounting expert accomplished: - being registered in tax authorities; - being part of an audit company, as partner engagement and - as employed in another audit firm.

## 1. Literature review

The financial system is basically the same in almost all countries, however, are significant changes to the system that uses in each country. This paper is based not just on general financial system. In Albania, the first publication for accounting results is provided by Jani Vreto in 1889 in his book "RADHUESHKRONJË", Printed by "Knowledge" in Bucharest, that describes about the need to maintain the accounts of the data obtained (HAXHI, 2011). In the release of Prof. Leandro Haxhi, is also mentioned that during the period 1928-1929 with the law "On Property Management and Accountability General State" dated July 31, 1928 and approved by decree of King Zog I on May 28, 1929, are sanctioned by a modern way all issues related to accounting, treasury management and system in our country. In more details, the law sanctioning the many financial problems in this period, writes the inspector of the general royal court Haxhi Shkoza in his work "Finance of Albania" (1839- 1934). Prof. Haxhi mentioned that the specialists for accounting were well prepared by commercial high school of Vlora and in 1959 the Faculty of Economy graduated the first 30 students as "Accounting Specialist".

In 1947 have been drafted, first laws and regulations and unique accounting plans as well as the accounting plans by sector.

In Albania to evaluate the economic situation of the entities, are applied the national accounting standards as well as the international accounting standards. National accounting standards are usually used for the private sector. The International accounting standards are applied for the public sector. International Accounting Standards for the Public Sector (IPSAS) are prepared and published by the Board of International Accounting Standards for the Public Sector. This board is an independent body setting standards which act in observation of the International Federation of Accountants (H.Shehu).

Previously these standards were published by the Public Sector Committee of the Federation, until 2004, period when it was decided to change the name and officially establishing the board as an independent federation.

Financial Analysis is an affiliate and final control over economic activity, property and financial enterprise.

For purposes of supplementing the requirements for information to entities interested in the issues of the activity of company, management of Business can be analyzed in the following main aspects:

1. The financial aspect: liquidity viewpoint, analyzes the links between capital needs and

methods to cover them, the links between monetary and financial flows in the entry and exit. So examines the company's ability to meet its obligations through its available resources. This aspect studies the financial equilibrium. This aspect studies the financial equilibrium.

2. The economical aspect: the perspective of profitability, analyzes the links between costs and revenues to research and analyze the profitability of the company activity. Study the ability of the enterprise to generate revenues and to reward all producers. This aspect studies the economic equilibrium.

3. The rich aspect: the perspective of sustainability, analyzes the relationship between net assets and debt capital. In other words, studying the ability of the enterprise to utilize capital efficiently owned. This aspect studies the material equilibrium.

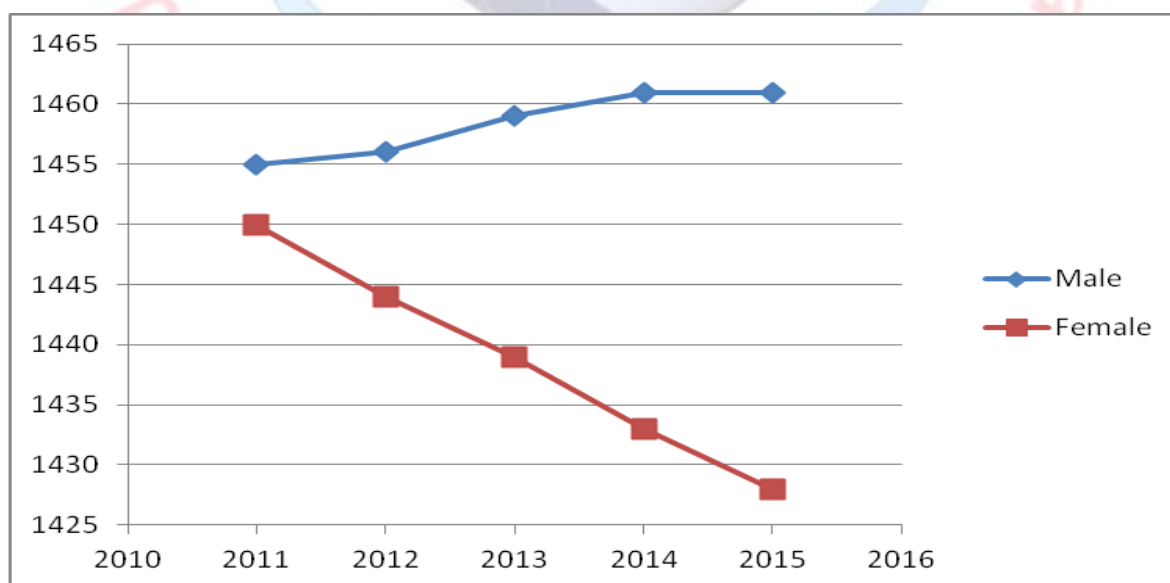
## 2. Data analysis

**Table 1:** The average of population by gender

Year	Male	Female	Total
2011	1455	1450	2905
2012	1456	1444	2900
2013	1459	1439	2898
2014	1461	1433	2894
2015	1461	1428	2889

Source: www.instat.gov.al

**Figure 1:** The average of population by gender

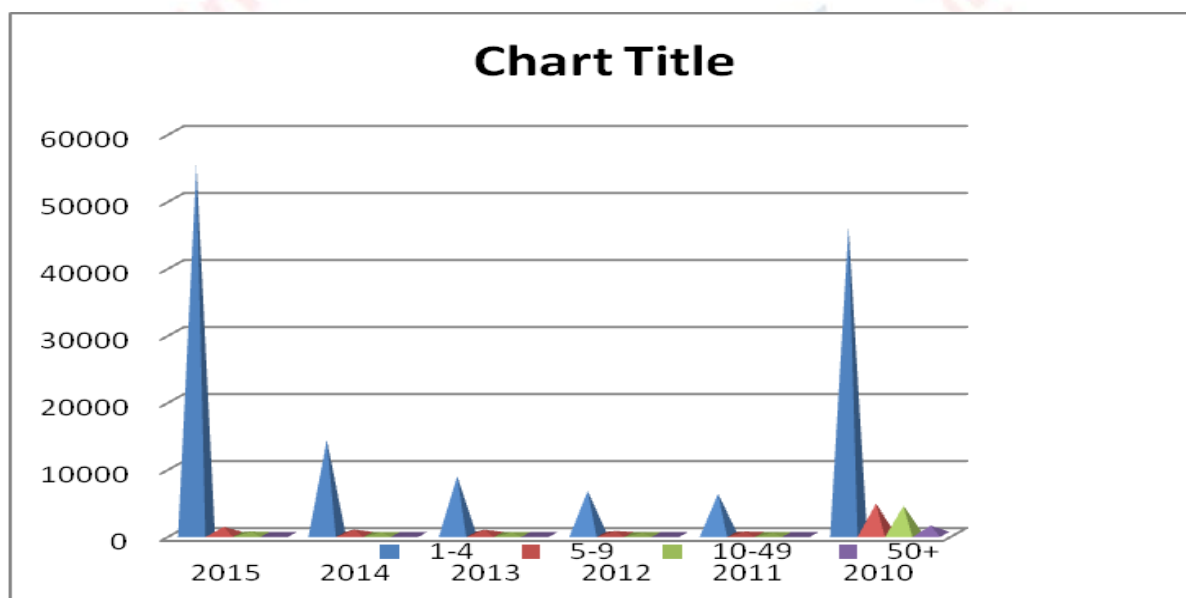


Source: www.instat.gov.al

**Table 2:** Active enterprises by number of employees

Number of employee	2015	2014	2013	2012	2011	2010	Total
1-4	55110	14108	8696	6500	6093	45963	136470
5-9	1152	734	715	522	448	4601	8172
10-49	451	365	355	282	276	4265	5994
50+	74	73	63	46	38	1358	1652
<b>Total Employee</b>	<b>56787</b>	<b>15280</b>	<b>9829</b>	<b>7350</b>	<b>6855</b>	<b>56187</b>	<b>152288</b>

Source: www.instat.gov.al

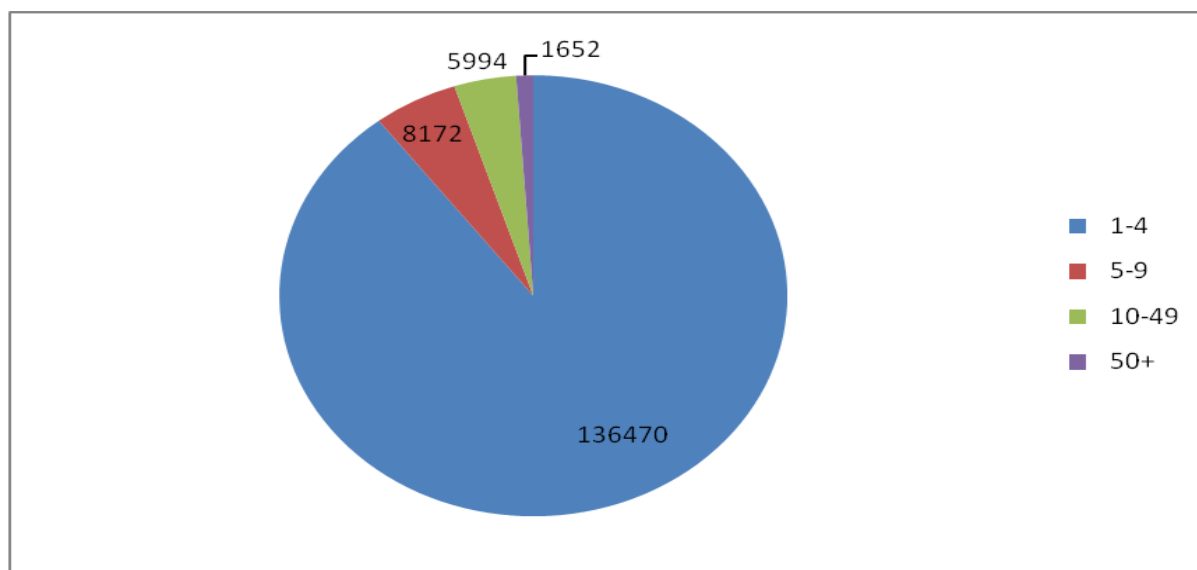
**Figure 2:** Active enterprises by number of employees

Source: www.instat.gov.al

**Table 3:** Businesses selected by the number of employees

Nr. employee	Total
1-4	136470
5-9	8172
10-49	5994
50+	1652
<b>Total Employee</b>	<b>152288</b>

Source: www.instat.gov.al

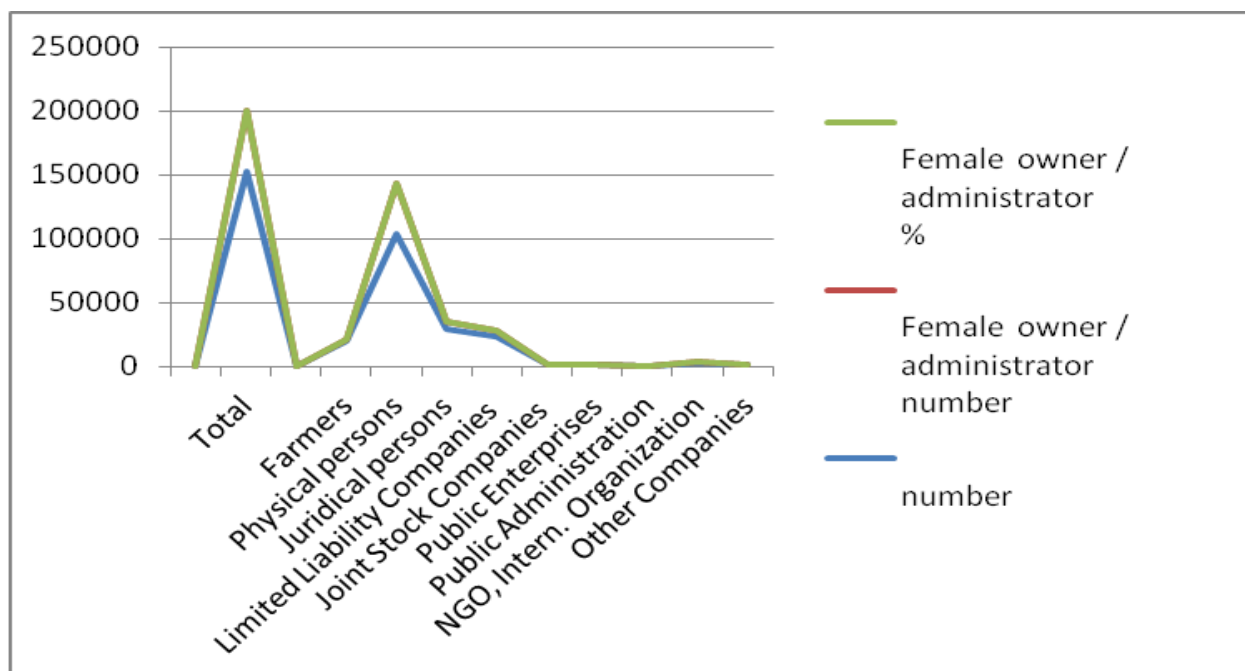
**Figure 3:** Businesses selected by the number of employees

Source: Table 3

**Table 4:** Active enterprises by legal form (End of the year)

Legal Forms	number	Female owner / administrator	
		number	%
<b>Total</b>	<b>152,288</b>	<b>47,706</b>	<b>31.3</b>
Farmers	19,543	1,564	8.0
Physical persons	103,414	40,208	38.9
Juridical persons	29,331	5,934	20.2
Limited Liability Companies	23,643	4,356	18.4
Joint Stock Companies	911	145	15.9
Public Enterprises	935	296	31.6
Public Administration	498	87	17.5
NGO, Intern. Organization	2,410	861	35.7
Other Companies	934	190	20.3

Source: www.instat.gov.al

**Figure 4:** Active enterprises by legal form

Source: [www.instat.gov.al](http://www.instat.gov.al)

By all the statistical data provided in figures showed below we can say that the companies use the same accounting system. National accounting standards, have made the basis, the concept of materiality that makes possible the construction and design of tyre.p.sh. To National Accounting Standard 1, the principle of materiality is recorded in paragraphs 40 and 90, while in National Accounting Standard 2 marked to paragraphs 40 and 69. The financial statements represent the application of accounting policies established by National Accounting Standard. For example National Accounting Standard 1 is in accordance with International Accounting System number 1 "Presentation of Financial Statements", 8- number "Accounting Policies, Changes in Accounting Estimates and Errors" and number 10 "Events after the balance sheet date". While from the other side, the National Accounting Standard 2 is in accordance with International Accounting System 1- "Presentation of Financial Statements", 7 "Statement of cash flows" and 24- "Explanations on related parties". The main objective of the National Accounting Standard 1 is to provide rules, topics, basic concepts defined in the law No. 9228 "On Accounting and Financial Statements" main. The main objective of the National Accounting Standard 2 is to establish rules for accounting policies, to correct errors and submit economic events. All these actions should be made after the closing date that balances economic activities. These targets, for both units, are approved by the National Accounting Council and are published by the Ministry of Finances.

## Conclusion

National accounting standards describe general requirements, relating to the presentation of primary financial statements, and the nature of information which must be provided in the notes to them. The objective of the Standard National Accounting Approved by National

Accounting Council and promulgated by the Ministry of Finance, is to provide concepts and basic rules laid down in law for "Accounting and Financial Statements", and establish rules for the application of accounting policies, assessments, the correction of mistakes and the presentation of economic events after the closing date of the financial statements prepared under national accounting standards.

According to laws and regulations applicable, the qualitative characteristics of financial statements are: Comprehensibility, Significance & materiality, Reliability, Sustainability and comparability. According to the law No. 9228, the financial statements are presented in Lek (Albanian currency). Currently is working to create a legal framework to have a standard presentation of the financial statements for all countries.

Financial statements must be submitted annually, but with different case of unexpected changes, or when reports are presented for a period shorter or longer than a year, and the information must be included:

- a) The reason for using Tucked period shorter or longer.
- b) The fact that comparative amounts different statements are not entirely comparable with other periods.

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IASB www.ifrs.org

IFAC [www.ifac.org](http://www.ifac.org)

IEKA [www.ieka.al](http://www.ieka.al)

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