Accounting: Issues And Development

The accounting industry is rapidly developing and faces issues. First of all, the increase in information statistics and calculations leads to more challenges. With the evolution of the global network, organizations are developing rapidly in all aspects. Online business has given more room for development, making it's business activities more diversified. This has great requirements for the professional knowledge and ability of financial accountants. This is the key to solve the problems of business development and market adaptability.

As the current economy is growing rapidly and the market environment continuously changing, traditional way of financial accounting has also changed. Therefore, it makes management wish for more accurate financial information due to the highly competitive environment. This problem is reflected in mainly two aspects: no effective management of financial accounting and lack of intangible assets management. These problems caused the failure of the financial accounting work, and at the same time brings more challenges to the financial accounting work.

Due to the rapid development of technology, the global economic forces have accelerated significantly, thus the main objective of management accounting and its external environment has changed.

Due to the outdated concept of management accounting, it cannot adapt to the modern management requirement. For example, traditional management creates the need to have excess inventory in hand and use old school ordering method for their benefit. Therefore, they often purchase large quantities of stock to obtain discounts, thus resulting in holding too much inventory and cash flow problems. According to the just in time (JIT) theory, inventory is an idle resource, which will reduce the efficiency of capital use.

The traditional management accounting theory is established according to the specific economic environment, many of the established quantitative models and assumptions cannot be established in the changing real economic life, and it is difficult to use these theories to solve practical problems. For instance, capital preservation analysis assumes that the unit price is a constant; Unit price and sales volume are independent and the total cost line is straight. However, it is limited by many external factors as business activities are usually complex in real life. The development of traditional management accounting methods is slow, which makes it difficult to implement.

The current development of management accounting has failed to respond to changes in the manufacturing and competitive environment In the 1980s advanced manufacturing technologies (AMTs) and just-in-time manufacturing techniques dramatically changed the production processes in many organizations. Companies found that to compete successfully, they had to produce innovative products of high quality at a relatively low cost and also provide first-class customer service. Many companies responded to these competitive demands by investing in AMTs, implementing JIT manufacturing philosophies and emphasizing in their corporate objectives quality, delivery, innovation and flexibility to meet customers' needs. There is growing recognition that traditional cost control and performance measurement systems do not provide the appropriate information to control the activities of companies operating in an advanced

manufacturing environment. Investment in AMTs has dramatically changed cost behaviour patterns. Most of the firms' costs have become fixed in the short term, and direct labour costs represent only a small proportion of total manufacturing costs. Overhead costs are a much higher fraction of total manufacturing cost, and consequently, need to be understood and controlled much more effectively than in the past. We have seen that JIT manufacturing aims to produce the right parts, at the right time and only when they are needed. This process can result in idle time in certain locations within the cell, but the JIT philosophy considers it more beneficial to absorb short-run idle time rather than adding to inventory during these periods. Traditional management accounting controls and performance measures, however, tend to place great emphasis on maximizing output. Workers are encouraged to maximize output even if this increases inventories and finance charges. The maximizing output does not necessarily maximize long term profitability.

As an important branch of the accounting system, financial accounting is established and developed based on bookkeeping, traditional accounting and financial historical achievements. 'The development of accounting is reactive', the emergence of financial accounting has its historical inevitability. In the 20th century, financial accounting made remarkable achievements in recognition and measurement technology, information system construction and financial report system enrichment. However, with the advent of the information technology era and the financial era, the accounting environment has changed dramatically, which brings unprecedented challenges to financial accounting. Facing the difficulties of financial accounting in the new economic era, all the authoritative accounting organizations and accounting researchers in the world have made great efforts. But for complex reasons, these problems have not been solved satisfactorily. The deficiency of current financial accounting in recognition and measurement breeds the future development trend. Therefore, the world accounting researchers put forward many creative Suggestions and ideas on the reform of financial accounting. Therefore, throughout the current deficiencies of financial accounting, it is expected that its future development will be mainly reflected in the following aspects:

- Fair value accounting has become a 21st century oriented accounting model
- The classical concept of fuzziness measurement
- International harmonization of accounting standards
- Financial accounting in the era of the network economy

Based on the elaborations, the importance of both financial and management accounting has been laid out, either operating on its own or to complement each other. For instance, financial accounting which is quite historical focuses on a general scope is generally affected by accounting regulations and puts emphasis on objectivity as it provides quantitative data. Meanwhile, the management accounting, mainly used by managers, tends to be more detailed, is based on past and projected future data. Regardless of its differences and issues, the systems of accounting do make up for their weaknesses and accomplish their main goal which is the better understanding and development of the business.