

Accounting Presentation and Disclosure in the CAs: A Review

Maged M. Albaz

Department of Business Administration, Majmaah University, Saudi Arabia

Email: maged_albaz@commerce.suez.edu.eg

Ali A. Alhijris

Department of Business Administration, Majmaah University, Saudi Arabia

Ahmed Z. Metwaly

Department of Accounting and Auditing, Suez Canal University, Egypt

Email: ahmdzaaky@yahoo.com

Abstract:

The CAs tend to follow social accounting requirements that are based on “Logical and systematic analysis of the organization activities impact on the society and other stakeholders and to show this effect information in the financial statements”. Due to the social nature of the CA’s activities. In this sense the accounting recognition is the start point of the comprehensive accounting function. While the accounting measurement is one of the influencing elements of the accounting function, and its importance increased by moving towards the accounting compatibility for this sector organizations. Moreover, the accounting presentation and disclosure issue are the most controversially debate in the NPS. Furthermore, Academic studies tended to assert that the accounting in the contemporary concept must serve the organizations and society at the same time, regardless of Organization’s objective, and Based on the concept of accountability and especially the social accountability. Therefore, the organizations must be in an accountable position, Not only for the owners or shareholders (traditional concept), but to the society for its overall operations and activities.

Keywords: Accounting Presentation/ Disclosure/ CAs/ NPOs

1. Introduction:

The Accounting thought and academic research interest significantly with the accounting presentation and disclosure in the FPOs (Albaz et.al, 2022) but did have the same level of interest with the NPOs. Where there are arguments on the concept of the accounting disclosure and information that should be disclosed in financial reporting in organizations this sector.

First of all, there are many concepts associated with the accounting presentation and disclosure in the accounting literature such as. “The announcement of all accounting policies which the entity relied on in the preparation process of the financial statement and reports, and the announcement of all accounting and non-accounting information and data in a comprehensive manner, in order to provide additional information to stakeholders” (Albaz & Albaz, 2019) And another concept, the accounting disclosure and Presentation are the Presentation of financial information about the transaction which have been done by the CA in the financial reports with the manner that helps financial reports users in decision-making

correctly. Its imply that the disclosure aims to provide useful financial information for decision-making with the necessity of the financial reports to include all information required to give users correct image about the association.

From the above, the Researcher summarized the accounting presentation concept in the manner or method in which the association presents and organizes data and items contained in the financial reports and statements. Either the disclosure means the quantity and quality of the financial data and information in the financial reports. Where the disclosure concept in the accounting thought about NPOs is associated with the transparency concept in United Kingdom. And Transparency itself has been defined in many ways and in a variety of contexts. With respect to governance and accountability, it is often seen as enabling the public to gain information about an organization, including: its processes and performance; its structures; and information regarding who gains from, or pays for the organization's activities (Esposito & Antonucci, 2022). In this issue, the charities committee in the United Kingdom sets a concept of transparency as. "The provision of relevant reliable information to stakeholders, free from bias and with a degree of comparability and understanding and focused on their legitimate needs" (Stanculescu, 2021). In other words, Transparency can also be described as the accounting disclosure that goes beyond general accepted accounting principles, standards and legislative requirements in the financial report to provide financial information for stakeholders' decision-making. And to achieve the manner in which external user can get the same information that are available to management.

2. Presentation and disclosure of the accounting information in accordance with the accounting standards:

The Presentation and disclosure of the accounting information in the financial statements and reports based on the following fundamentals criteria according to the Egyptian Standard No. (1) and the international standard No. (1):

- A. Determine the accounting information users: the determination of the accounting information users could determine the characteristics that must be met in this information in terms of form and content. because users have different levels in the information's interpretation
- B. Determine the accounting information purposes: The determination of the accounting information purposes could achieve the relevant characteristic, so that the user takes advantage of the information and help him in decision-making.
- C. Determine the nature and quality of disclosing accounting information: The disclosed accounting information is the financial information which included in the fundamental financial statements. In Addition, the information included in the accompanying notes and appendices that are a part of the financial report.
- D. Determine the methods of the accounting information disclosure: the disclosure of important information that affects the decisions-making at the fundamental financial statements. While the disclosure of other information in the Notes attached to those financial statements or other complementary schedules attached to the financial report.
- E. Accounting disclosure time: Timeliness is considered one of the most important characteristics of the relevant characteristic. In addition to the requirement of this information to be sufficient, reliable, comparable and understandable, information



must be timely in its preparation and presentation. Where the benefits of information associated with its disclosure time.

- F. Accounting policies Disclosure: Accounting policies contain several alternative bases, and Accounting standards have allowed to choose between the accounting policies according to the circumstances and the organization nature and this choice Subject to three basic considerations: conservatism, substance over form and materiality.

The researcher observed that these accounting standards (Egyptian and international) don't have any reference to the disclosure requirements in the NPS. Where these standards have developed according to an economic perspective for the economic FPOs without paying attention to the social perspective (social disclosure). This considered as an obstacle to these standards in meeting the needs of NPO's stakeholders. Although the accounting disclosure has a vital role in the comprehensive accounting function in NPOs by its ability to achieve the following objectives:

- A. Providing information about activities' outcomes and analysis it to be useful in planning and controlling the association's performance.
- B. Provide information about the surplus or deficit resulting from activities, and the methods to invest this surplus or resources that can cover the deficit
- C. Providing information about capital and operating expenses.
- D. Providing information about the organization's financial position (Assets and liabilities) to assess its ability to continue and survive
- E. Providing information through the reports and notes on the performance and the extent of the commitment rules, regulations, policies and specific plans to meet its objectives.

3. The CAs' nature consequences on the dimensions and level of accounting presentation and disclosure in the financial statements:

According to stakeholder theory, the accounting disclosure is a strategy that the organization reacts by to determine their relationships with stakeholder (Deegan, 2011). And it is often used to explain the accounting policies –especially- used in social disclosure. The Academic studies have confirmed the weakness and sometimes NPOs refrain from the financial information disclosed in the annual financial reports (Behn, Devries, & LIN, 2010); (Burger & Owens, 2010). As they tend to reduce the degree of disclosure in order to evade stakeholders' censorship.

Recently, the CAs face an accusation of misconduct in the fund resources and lack of transparency at the accounting presentation and disclosure about its financial operations results. That due to the lack of efficient accounting information systems and their inability to follow and control the fund movements. This reason has prompted the researcher to determine the effect of the CAs' nature on the accounting presentation and disclosure requirements to meet stakeholders' requirements and needs in the following:

- A. The Accounting disclosure is divided into three types (Aldoseri, Albaz, & Ghali, 2022) as follows: Comprehensive disclosure, Preventive Disclosure and informative disclosure, the researcher believes that the reliance on an informative disclosure paradigm is the best method in the NPOs. Because of the service nature of its activities. Where the concept of informative disclosure emerged in the accounting thought as a result of the increase in the importance degree of relevance characteristic

in the financial reports as one of the accounting information quality characteristics. Moreover, Informative disclosure depends on the separation of the financial statements elements according to their materiality. This type of disclosure is considered the most appropriate method for the nature and characteristics of the CAs. In this sense, The Researcher will depend on the informative disclosure paradigm to develop the proposed financial statements for the Egyptian CAs.

- B. The Accounting disclosure derives its importance in the CAs from its major influence on the association's fund-structure. Through the accounting disclosure's ability to attract donors through approving the association's ability to meet the required performance criteria. This led in the end to achieve the public benefits.
- C. Service nature of the CA – as NPO- Requires the expansion in the descriptive disclosure about the main objective of the activities and services (Albaz & Albaz, 2019). Which are difficult to convert into quantitative form? Because of the inadequacy of the financial statements only to express the activity's results (Beattie, 2014)
- D. The term “Accounting to stakeholders” is relatively new and finds its expression in calls for new forms of disclosure, in the light of the target group (primary) of stakeholders in the sector, which we want to develop the accounting disclosure (Andon et.al, 2015), according to stakeholder theory.
- E. The expansion in the accounting disclosure would deliver more information to stakeholders and meet their different needs. This information will support and enhance their confidence in the social and financial performance of the CA and affect the fund-decisions. Therefore, the volume of available financial resources, which ultimately leads to increase the public benefit.
- F. The expansion in the accounting disclosure about fund-resources. It's imply, disclosure about the amount, nature and conditions associated with the different fund-resources. In addition to the accounting recognition and measurement policies followed for each category. Where the disclosure should be through a special account or record that provides more detailed information on the fund-resources (Kuruppu, Dissanayake, & de Villiers, 2022). This record; account includes the donor's name, the nature and size of each fund-resource, the terms and conditions and Activities or purposes which This fund allocated to (SORP). moreover, this distinction must be made between the contributions that lead to an increase in unrestricted net assets, or an increase in temporarily restricted net assets, or an increase in permanent restricted net assets
- G. The expansion in the accounting disclosure about expenditures to the extent enable stakeholders to assess the degree of efficiency and effectiveness. Where the accounting disclosure about the expenditures plays significant role in assessing the degree of managers' fulfillment with their responsibilities. And reduce the doubts associated with the agency theory.
- H. The absence of uniform accounts guide/manual to encode revenues and expenses, assets and liabilities is one of the main obstacles that facing the accounting disclosure in the financial statements of the CAs (Pazzi & Svetlova, 2021). Resulting in revenues



and expenses classification contrast, and make the financial statements of the CAs not comparable.

furthermore, the expansion in the accounting disclosure in order to ensure the report on the value-added of activities and social performance (Aldoseri, Albaz, & Ghali, 2022), which is the primary purpose of the CA, the expansion in the accounting disclosure to ensure the cost-benefit from the society's perspective (Thomas, 2020), not only from the managers' perspective, as the traditional financial reporting based on, the expansion in the accounting disclosure about intangible assets such as human resources. And the CA degree of rely on it in the achievement of its operational sustainability. The expansion in the accounting disclosure about asset categories and restrictions of ownership or usage with more details, in order to serve control and performance measurement purposes. The effectiveness of the accounting disclosure based on whether the risk of non-compliance is greater than the burden of compliance, where If the conditions and requirements of Disclosure are Significant great, and there are no penalties for noncompliance, is likely, the NPOs do not adhere to these requirements. (Breen, 2013) The expansion in the accounting disclosure about programs or activities that were carried out through volunteer services, Including the scope and nature of the services provided by volunteers and its value. According to stakeholder theory, (Deegan, 2011) Pointed out that when there is interest conflict or needs between stakeholders. The organization tends to provide information to the primary stakeholder groups that affect the organization's survival (donors). The accounting disclosure development importance is growing due to its ability to limit and control the financial report manipulation (Cazenave & Morales, 2021) in order to serve certain purposes, especially influencing the donors. (Jegers, 2013)

4. The Social Performance Disclosure in NPOs:

According to the stakeholder theory. The role of social reports is to provide the society (principle) with information (accountability) about the extent to which the organization commitment with (agent) its responsibility (according to the rules and laws). Where the social responsibility became a moral law that all organizations must comply with it. And allocate a portion of its budget to it, in order to share the benefits with the society. (Pianezzi, 2021) Considering the NPO. The main purpose of its establishment is providing social activities, thus the social responsibility maximizes in such organizations. So if we want to ascertain from the achievement of the Social mission of these organizations which have established for it. The Operational efficiency and effectiveness should be reflected in their financial reporting. Through the disclosure about fund-resources. And determining how the organization had spent these resources and their usage in details, bearing in mind the social responsibility in the financial reports (Andreini et.al, 2014). Where the researcher noticed that the financial statements and reports' Information Still dominated by the accounting thought of economic activities, in a professional manner. And a lot of the social aspects are still difficult to be measured and often the organization doesn't disclose about it. Thus, in the following the researcher presents the different models to disclose the social performance in the CAs:

4.1. Social information's Disclosure in a separate report in the annual financial report and this Separate report has three methods to disclose the social information:

- A. A descriptive report includes a description of the organization's social activities, without any analysis about the cost of these activities or the benefit values.
- B. A Report discloses the social costs only, and this disclosure is limited to the total cost of each activity without disclosure about the benefits achieved by the activities.
- C. A Report discloses all of the social cost and benefits, and this report includes the benefits and cost of each activity, which have been achieved for the beneficiaries.

4.2. Social information's Disclosure with the financial information in one/single report:

The disclosure of the financial and social information will be in one report and merge the social information within the traditional reports which produced by the accounting system (Felix, Gaynor, Pevzner, & Williams, 2018). So the social information becomes a part of the traditional financial information. This approach helps in the integration of financial and social information without the need to make a material adjustment to the accounting system.

5. Conclusion:

the accounting disclosure in the simplest sense is the process of Publishing and distributing data and information to help stakeholders to understand the financial statements and their content from figures and treatments. So The Researcher suggests to divide the accounting disclosure in CAs into three main groups: the first group includes the association's general framework. This consists of the association's establishment, strategic objectives, plan and administrative structure, (in the Board of Directors' report). The second group is the Traditional accounting disclosure which expresses the minimum mandatory accounting disclosure. And includes the basic financial information and financial statements. Where the third group will be associated with the performance measurement which will be in the form of a report which includes financial and non-financial indicators to ensure the association's achievements according to its main objectives and activities. Therefore, this classification will help to achieve the informative function of the financial reports and improving the accounting disclosure quality. And leads to increase stakeholders' confidence in the association's decision (Administrative, financial and operational). Thereby increasing the credibility of the economic and social performance of the CAs.

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