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Shchebetun I.M.
Master
Kharkiv Educational and Scientific Institute
SHEI "The University of Banking"
Cherniavska I.S.
Senior lecturer
Kharkiv Educational and Scientific Institute
SHEI "The University of Banking"

THE NECESSITY OF ACCOUNTING REGULATION

Currently regulation is often considered as detached from the state and, sometimes, even from well-known self-regulation mechanisms. The general trend of the decentralization of regulation is already gaining ground. Decentralized (from one center, often the state) tendency of regulation has several directions and the analysis of its changes and problems can be very instructive for both regulators and the academic community leading to the search for various configurations of the state, market, society, associations, various formal and informal networks and a regulated community participation to achieve public policy goals. Regulations are defined as deliberate restrictions on a subject's choice of activity by a party.

There are three main arguments that support the need for regulation:

1) lack of incentives for participants to provide legitimate users with relevant information;

2) unevenness (asymmetry) of information ownership between different groups of market participants;

3) the tendency of different groups in the unregulated environment to purposefully block the provision of unfavorable information to them [1]. From this you can see the commonality of approaches to regulation, which is always regarded as interfering with the activities of individuals or legal entities. Regulated activity is valuable in itself, important to society and therefore needs protection and control, but it should be clearly noted that it is socially necessary and prohibited. The only solution is regulation.

Most authors consider three theories of regulation that seek to explain the state intervention causes: 1) the theory of public interest; 2) the capture theory (or the theory of private interests); 3) the economic theory of regulation. The ideological theory of regulation is often added as the fourth one.

The theory of public interest describes regulation as a socially-effective response of public authorities to market failures, which describes four justifications for regulation: 1) natural monopolies; 2) external externalities; 3) information asymmetry; 4) excessive competition. The argument of regulating external externalities implies that the equilibrium price of a product does not reflect its true value. This is because public resources are used in private production or because the product is non-exclusive (the cost of its removal will outweigh the benefits). In the first case, as a rule, there is an overproduction of the product, in the second - insufficient production, and this, in turn, leads to inverse costs for society. Regulation in this case is expected to balance production at the most efficient level of welfare.

It is difficult to agree that the production of accounting standards and financial reporting leads to significant expenditures on government resources and, therefore, overproduction through external externalities can hardly justify accounting regulation. At the same time, accounting standards can be considered an exceptional boon.

We believe it can be argued that, if left unregulated, accounting standards may not be developed, resulting in unrealized losses. The example, in particular, of the United States of America prior to the advent of state accounting regulation is consistent with the hypothesis of under-production of accounting standards in an unregulated environment.

The asymmetry of information, as a reason for regulating accounting, can best be understood from the theory of Akerloff's selection. According to the latter, information asymmetry between buyers and sellers regarding the quality of a product encourages buyers to demand discounts from buyers. Sellers of high quality products are leaving the market because the size of the discounts is such that the production is unprofitable. However, in the absence of high quality products on the market, buyers require even greater discounts, thus forcing more sellers to leave the market. This process will continue until there is no seller and buyer on the market. Regulation helps prevent this market failure by providing reliable sellers with quality information.

Some authors argue that adjusting arguments to the effect of information asymmetry can be used to justify the regulation of disclosure, but the rationale for regulating accounting standards for this argument is less valid. The asymmetry information argument for regulation only applies when potential consumers are unaware of product quality. At the same time, if we consider managers, accountants and auditors to be the main consumers of accounting standards, the use of information asymmetry argument means that these groups are not sufficiently qualified to choose between alternative private accounting standards and financial statements. And this statement, in turn, is self-destructive. Again, the US experience in this matter until the 1930s, when accountants generated their own standards based on general practice, is inconsistent with the assertion of information asymmetry.

Thus, among the arguments for regulation justified by public interest theory, only insufficient production through externalities can explain the regulation of accounting standards and financial reporting.

Literature

1. Pasko OV International Accounting Standards Board as a key entity in global accounting management: a problem legitimacy // Accounting and Finance APC. - 2011. - № 4. - P. 22-39