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Інформаційні системи і технології
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ANALYSIS ON AGENCY THEORY IN RELATION TO AGENT OF CONTROL IN ORGANIZATIONS

The importance of agents in organizational structures is of an unprecedented importance for the prevention of fraud of fraud, via establishing effective controls, ethical tone and culture in the organization. It is thus needed to make an analysis of the relevant theories that explain the relationship created between the agents in and other stakeholders in an organization.

One of the earliest theories – the Agency Theory, introduced by Jensen and Meckling [1] depicts the so called principal agent problem dividing two general groups with their respective interests. The two sides are represented by shareholders (the principal) and the management (the agent) that acts on the shareholders behalf. Since each individual aims at extracting maximum benefit for oneself, a conflict of interest arises named the "principal agent problem"- where the agent does not necessarily act his duty to make decisions that are in best interest of the principal. Common example is when the management is interested in getting the short term bonus rather than thinking about the long term future and competitiveness of the organization. Researchers have found out that management often commits fraud because it was in their short term interest to do so (Davis et al, 1997) [2]. Berle and Means [3] see the root cause of this problem in an organizational context to be the separation between shareholders and board of directors/management. Two underlying components of the theory concern the opportunism of the agent (chosen leader of the organization) and the information asymmetry present. The opportunism concerns the before mentioned selfish actions by the agent in self-favor which is made possible by the information asymmetry between the agent and the principal which represents the different amount and quality of information available to both parties. This inherent discrepancy possessed by the parties increases the risk of fraudulent behavior by allowing any conflict of interest to be allowed to exist without any consequences. Aggarwal and Samwick [4] take the view that this problem arises because managers

try to maximize their compensation at the expense of the owners where as others like Holmstrom [5] see the underlying problem as the desire of managers to retain and benefit from their positions in the long term.

The only solution the principal agency dilemma is to find out a way to align the interest of both parties in one direction to make sure the problem is not relevant any longer. However even in this case the management will fulfil their duty not because of sense of responsibility but because doing go maximizes their own utility [6]. Another aspect of the solving the agency problem is concerned with control- or how do investors/owners of the company make sure that the top management exercises their duties in a correct manner. In many cases this is done via selection of board of directors which task is to oversee and challenge the management's choices and actions. This however precludes that the chairman of the board is a different person than the CEO of the company since if one and the same person takes both positions the control is greatly diminished together with the oversight and monitoring.

Agency theory can be used to shed light on organizational phenomena as compensation [7]. The increase in pay for better results can be a strong motivator on increasing the effort as well as a motivator to resort to fraudulent means to reach to the desired compensation. For example Bergstresser and Philippon [8] state that individuals in high positions in an organization may take advantage of this asymmetry of information in order to take advantage of stock options. Burns and Kedia [9] support this finding by arguing that the motivation to resort to fraud in the financials is stronger with the presence of stock options relative to other forms of compensation because of two reasons: First the complexity in CEO wealth introduced by stock options limits the downside risk on the discovery of misreporting; And second stock options allow CEOs to pool with other executives that exercise for liquidity and diversification reasons, i.e., options facilitate easy exit strategies for CEOs.

It has to be mentioned that the agency theory has a reflection in the face of the "Stewardship theory". It is a more contemporary theory which lies on the opposite spectrum of the agency theory - suggesting that instead of self-interest the motivation aspect is more complex and varied. It has to mention that the theory doesn't reject the agency theory but rather expands on it to add to the opposite spectrum of behavior in an organization. The agent element is replaced by the so called "stewards". They would in many cases have an identification with the organization itself and would act in its favor no matter if there are any other personal incentives [10].The stewards like to have earned the respect of their peers, shareholders and other stakeholders. Although the theory gives more insight on particular behaviors of individuals it still fails to explain the exact willingness to resort to fraud in all situations [11]. In this case the alignment of all party's interests is present and the only possibility of fraud is by mistake or with specific reason. One explanation is to assume that the steward has failed the stakeholders, hoping that in future he could fix the situation. Watoseniyi [12] reached to similar idea by concluding that individuals are not only interested in

their own self-interest but in the working environment and conditions around them. The feeling towards work and relationships are influenced by the norms and values ingrained in the individual.

Conclusion. The agents of control are the parties clearly responsible for fraud prevention and detection in organizations. As such the research efforts need to focus on what is preventing them from achieving their intended role. One of the main difficulties comes from not aligning personal with organizational goals which is portrayed in the agency theory. However this is not the only reason for them not being able to do so. More research should be done in order to fully shed light on the reasons behind of what stops the agents of control from being efficient in their role.

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THEORETICAL ASPECTS OF ACCOUNTING STANDARDIZATION

The term "standardization" is usually used in the specialized literature to signify the process of development and application of accounting standards. Nevertheless, standardization in accounting has a much broader scope and aspects of manifestation. On the one hand, standardization is considered as a collection of rules on recognition, measurement and presentation of accounting items in the financial statements, and on the other hand, standardization activities involve the processes of development, approval, issuance and application of accounting standards.

Accounting standardization consists in the establishment of a set of strict and rigid rules that have to be applied in the accrual-based and interim financial reporting. A concept has been embraced that different countries should apply a set of uniform accounting principles, rules and standards without being necessary for them to be adopted and amended on the basis of regulations in each country. The major advantage of standardization is the use of comparable accounting systems, saving of time and costs on the transposition of rules. On the other hand, standardization appears to be a challenge for countries with poorly developed organization of accounting practices compared to other countries. [6].

Clare Roberts defines standardization as a process by which all participants agree to follow the same or very similar accounting practices. According to the author, standardization aims to achieve a state of uniformity [7].

John Samuels and Andrew Piper identify standardization as „a state of uniformity, in which everything is regular, homogenous, or at least unvarying." [8].

According to Frederick Choi, standardization means imposing a rigid and narrow set of rules, and may require the application of a single standard or rule in any situation [5].

Accounting standardization has been an object of discussions in the specialized accounting literature for a number of Bulgarian accounting scholars.

Ivan Dushanov identifies standardization as „one of the fundamental methods for bringing the organization of reporting entity's accounting in consistence with the internationalization of capital in the world, in the scale of contemporary European