

# Harmonization and Standardization of Accounting as a Means of Ensuring Sustainable Development in the Conditions of Globalization

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**Abstract:** In the realm of international integration, as evidenced by Ukraine's experience, the vital element for the successful evolution of the accounting system is harmonization and standardization. These processes are essential prerequisites for broader economic reform, especially within the accounting domain. The development of Ukraine's accounting system has progressed along various dimensions. Harmonization and standardization necessitate continuous monitoring and reporting by government financial institutions on the effective implementation of IFRS in Ukraine. In a study focusing on the harmonization and standardization of accounting within the context of sustainable development, the authors delved into the theoretical foundations, analyzing contemporary sources. The article establishes the definition of standardization, identifies approaches to the definition of harmonization and standardization, and presents both general and independent perspectives on these concepts. Historical and institutional approaches were employed to study the issues of harmonization and standardization in accounting. Through empirical research, utilizing scientific methods like induction, grouping, and comparison, the authors constructed a matrix of challenging issues related to harmonization and standardization in accounting, drawing insights from the experiences of other countries. The study outlines the prospects for accounting development in Ukraine, introducing a system of harmonization and standardization aligned with sustainable development. This open system considers external and internal influences, including the human factor and economic environment. The study outlines the essential components of harmonization and standardization: organizational support, theoretical foundations, and practical tools. The proposed system incorporates sustainable development into Ukraine's accounting reporting framework, underscoring the critical role of human resources in accounting success.

**Keywords:** Accounting System, Globalization, Harmonization, International Integration, Standardization, Sustainable Development.

**JEL classification:** A 10, E 10, G 10.

## 1. INTRODUCTION

The transformation of the world begins with strategies and plans for its sustainable development (development that meets the needs of the present, without compromising the ability of future generations to meet their own needs). The

UN Summit in New York in September 2015 marked the beginning of sustainable development in Ukraine. Ensuring vital issues such as overcoming poverty, famine, ensuring the quality of education, gender equality, promoting sustainable economic growth and other sustainable development goals, has started the inevitable process of sustainable development and adaptation to the Ukrainian environment. Under these conditions, all systems of the state began their transformation in accordance with international rules and regulations. The accounting system, which had its own specifics

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and outdated model, began its reform by choosing the path of harmonization and standardization. It is necessary to improve and harmonize the national accounting system in accordance with international accounting standards (hereinafter - IAS) in order to implement the experience of international practice to achieve the goals of sustainable development. According to IAS, the national accounting system must take into account many factors and principles such as: transparency of information, quality of data, and comparison of indicators. The main thing is that compliance with these principles and factors must work effectively with users of information for effective economic decision-making. In today's conditions of sustainable development, it is important to accept change and the ability to adopt international experience. The implementation of harmonization and standardization of accounting in the context of sustainable development has caused new problems in the national economic environment, which needs to be addressed immediately. The goal of the study is to highlight the problems of harmonization and standardization of accounting that are relevant today in Ukraine and to propose ways to solve these problems taking into account the sustainable development.

## 2. MATERIALS AND METHODOLOGY

The information base of the research are the works of leading modern and foreign scientists on the development of accounting, and legislative documents on harmonization and standardization.

The theoretical basis of the research was built with the help of the works of Jean Roger and Schmidhuber L., Hilgers D., Hofmann S., which are devoted to a systematic review of the literature on international harmonization and standardization of accounting and International Accounting Standards, the works present a program of future research, which made it possible to form the current study.

Polzer T., Grossi G., Reichard C. devoted research to the implementation of international accounting standards in the public sector in Europe.

To achieve the goal of the study, the authors studied the works that investigate the assessment of the effects of economic security and political factors influencing the harmonization and standardization of accounting, namely the works of Zybareva O., Shevchenko I., Tulchynska S., Popov O., Yangulov E. (Zybareva O. and ets., 2022) and Bischof J., Daske H., Sextroh C. J. (Bischof J., Daske H., Sextroh C. J., 2020)

The regulatory powers of the accounting field are considered by such scientists as Baudot L., Cooper D. J. (Baudot L., Cooper D. J., 2022). To date, the accounting problem has a sufficient number of achievements, however, in the conditions of economic globalization, many unresolved aspects related to the harmonization, standardization and synchronization of accounting appear.

## 3. RESULTS

A characteristic feature of this study is the consideration of socio-economic processes that were carried out through the analysis of scientific activities and its results, as well as the identification of relevant interests and current problems and

needs of society. The epistemological structure of this empirical study is a kind of subjective-objective relationship, the source of information of which is the result of the work of economists. The methodological basis of the study is philosophical and general scientific. To achieve this goal in the study, the authors developed a program that contains theoretical and methodological validity, interrelated elements and their logical sequence and relationship. The program of scientific and economic research allowed the authors to fully reveal the essential understanding of the research topic, to identify problems and propose its scientific solution based on scientific methods. During the study, the authors used special scientific methods and special scientific technologies. Using the methods of scientific knowledge – induction, grouping and comparison, the authors identified the problems of harmonization and standardization of accounting in terms of sustainable development on the basis of research theory and experience of other countries. Historical and institutional approaches were used in the study of the problems of harmonization and standardization of accounting, which formed a matrix of problematic issues.

According to the authors, the identification of prospects for the development of accounting has enriched the study and testifies to the reliability of its results and conclusions, and confirms the scientific feasibility of this study.

The use of causal methods of accounting allowed the authors to establish the characteristics of its prospects in terms of sustainable development. The study of the regulatory framework and understanding of risks allowed the authors to show in detail the adaptation of the national accounting system to international experience. The comparative legal method is used to determine the consequences of the proposed prospects in terms of sustainable development.

The results obtained remain relevant but they need to be supplemented because society is currently facing a number of unforeseen circumstances; first of all, the consequences of the COVID-19 pandemic, secondly, the military invasion of Ukraine.

The globalization processes of the economic system have caused serious changes in the lives of economic entities. The need to unify accounting rules around the world as a tool in business communication capable of transmitting economic information has practically taken a key position. When considering processes aimed at reducing differences in the field of accounting and financial reporting of different countries, use such concepts as: “harmonization” and “standardization”.

An understanding of the changes taking place in the field of accounting can be obtained only by considering the integration orientation of these processes when analysing them as one of the most important components of international integration. In general, integration in the field of accounting is a process of minimizing differences between the rules of preparation and submission of financial information and the components of the national accounting and reporting system. This process aims to remove barriers to the dissemination and understanding of financial information in the global economy. Regulation of accounting in Ukraine mainly tends towards the continental model where a significant role in

determining the basic principles of accounting rests with the state, which develops and approves mandatory regulations – legal acts.

The main problem of the Ukrainian accounting system is the general orientation of the country to the EU, where accounting is an effective tool for influencing the economy. During the reform, accounting began to use the English-American approach, thereby narrowing its application to individual businesses. Instead, the author is convinced that the State should use accounting as an element of regulation. Accounting has all the prerequisites for the State to use it as an organizational and economic system of regulation (rather than management) of the economy.

Thus, the object of economic integration in the field of accounting should be considered as national accounting and reporting systems rather than accounting models.

The driving force of the development of accounting is the information needs of economic entities, the need to obtain the most detailed and accurate information, which leads to continuous improvement of accounting methods, ways of presenting information, and a more representative description of certain areas of economic activity. This is due to the fact that the national accounting systems are increasingly demanding not only for external users but also for internal ones.

Thus, developing, accounting loses its closedness closure, goes beyond national borders, there is an “internationalization of accounting”. In other words, the separate existence of national accounting systems becomes impossible because it is one of the main obstacles to the unification of economies.

In recent years, the terms “harmonization” and “standardization” are often used as synonyms or as complementary concepts. However, to analyse the relevant processes in accounting, there is a clear distinction between these key concepts. The harmonization of accounting and financial reporting of economic entities is closely linked to the globalization of economic processes and the economy as a whole worldwide. Moreover, the necessity of harmonization is the result of globalization of the economy, the driving forces of which are: international trade; creation of joint ventures, transnational corporations; merging stock and other markets; interstate “interpenetration” into the economy on the basis of investment; solving common economic and other problems (economic and / or financial crises, etc.), financing and lending of economic projects of the International Monetary Fund, etc. Under these conditions, the main issue is both legal and information support (the latter is largely based on accounting information) of the relevant globalization processes. Harmonization is an integral part of the process of reforming accounting and financial reporting in Ukraine. The order of the Cabinet of Ministers of Ukraine (CMU) dated 24.10.2007 by № 911-r approved the Strategy for the application of IFRS in Ukraine, in order to improve the accounting system in Ukraine, taking into account the requirements of international standards and European Union legislation/An important step in the implementation of this document and in the implementation of the chosen strategic direction of accounting in Ukraine is the signing by the President of Ukraine of the

Law “On Amendments to the Law of Ukraine” On Accounting and Financial Reporting in Ukraine (Law of Ukraine, 2022) “32 3332-VI”, which was enacted in Art. 12 “Application of international standards”.

And in 2011 the Ministry of Finance of Ukraine and the National Bank of Ukraine signed a Memorandum of Interaction, Cooperation and Coordination of IFRS Implementation in Ukraine, which was later supported and signed by the USAID Financial Sector Development Project, the Federation of Professional Accountants and Auditors of Ukraine. The Academy of Financial Management, the Union of Tax Consultants of Ukraine, the Ukrainian Association of Certified Accountants and Auditors and a number of other companies and educational institutions. No reform or improvement is possible without studying and considering the theoretical and methodological basis, which is why the authors of the study propose to reveal the existing views of modern economists on the definition of “harmonization” and comment on these definitions. Analysis of the definitions are shown in Table 1.

Today we have many reasons to say that the need for harmonization of accounting at the international level has become clear. For Ukraine, harmonization issues (and not only accounting) are particularly relevant given Ukraine’s accession to the WTO3 and the existence of an Association Agreement with the EU. The political part of the agreement was signed on March 21, 2014, and the economic part on June 27, 2014. It envisages deep economic integration of Ukraine with the EU, as well as the creation of a deep and comprehensive free trade zone. The program of reforming the accounting system with the application of international standards, approved by the Cabinet of Ministers of Ukraine dated October 28, 1998 № 1706, provides for the introduction of international standards by adapting them to the economic and legal environment and market relations in Ukraine. To date, 34 national accounting regulations have been developed on the basis of international standards and approved by orders of the Ministry of Finance. Standardization of accounting processes is aimed at achieving compliance with the conceptual framework of international and national accounting standards in order to achieve uniformity in the preparation of accounting (financial) statements. Adherence to this principle will ensure the effectiveness of the accounting system. Several international organizations deal with accounting standardization. Among them, first of all, should be mentioned the International Accounting Standards Committee (IASC), established in 1973 in London by organizations of professional accountants in Australia, Canada, France, Japan, Germany, Mexico, the Netherlands, Great Britain, Ireland and the USA. It is a completely independent organ that develops international accounting standards. Since 1983, IASB has brought together all professional accounting organizations that are members of the International Federation of Accountants. Reference shows, since 2000, a new standard has been adopted, according to which individual membership was abolished, and the Committee was renamed the International Accounting Standards Board (IASB). Based on the objectives of the study, the authors propose to reveal the theoretical basis of modern definitions of “standardization” (Table 2).

**Table 1. Analysis of Modern Definitions of "Harmonization".**

Source	Definition	Comments of the authors of the study
Paolone F., Cabanellas Becerra J. G. (Paolone F. and ets., 2022)	The process of regulation strategy of a set of European public sector accounting standards. The process of harmonizing accounting after the financial crisis, initiated a project to develop a set of European public sector accounting standards	The authors emphasize that the definition of harmony is based on a more liberal view of the conformity of accounting methods and can be achieved as a result of natural reasons, which take into account enterprises, accounting organizations and regulators, for practical application.
Caruana J. (Caruana J., 2016)	Harmonization is a process of achieving compatibility while respecting the particularities of the entities or jurisdictions.	According to the authors, the definition does not take into account the purpose of harmonization
Svitlychna V. Yu., Malik S.M. (Svitlychna V. Yu., Malik S.M., 2020)	This is the adaptation of the regulatory framework of accounting in Ukraine to EU legislation and the requirements of IFRS.	According to the authors, the approach of "adaptation" does not fully reveal the tasks.
Cambridge dictionary (Cambridge dictionary)	The act of making different people, plans, situations, etc. fit together by combining the rules and standards for a given country.	The definition is not complete, because according to the authors, does not emphasize the peculiarity of the harmonization process.
Oxford Advanced Learner's Dictionary (Oxford Advanced Learner's Dictionary)	The process of making systems or rules similar across countries or organizations	The definition is quite complete, but somewhat narrows the harmonization process.
Alcala R. (Alcala R., 2021)	The establishment, recognition and application of common sanitary and phytosanitary measures by different Members.	Narrowed concept, which is based only on the unification of methods.
Roger J. (Roger J., 2022)	Harmonisation is therefore a process. Harmonisation consists of the adoption of a standard leaving margins of appreciation to the addressees of the standard.	Most adequately characterizes the purpose of this process, but does not take into account the task.

**Table 2. Analysis of Modern Definitions of "Standardization".**

Source	Definition	Comments of the authors of the study
Techartarget (Techartarget, 2023)	Standardization is the process of developing, promoting and possibly mandating standards-based and compatible technologies and processes within an industry. Technology standards focus on ensuring quality, consistency, compatibility, interoperability and safety.	The concept is basic.
Polzer T., Grossi G., Reichard C. (Polzer T., Grossi G., Reichard C., 2022)	Standards are ubiquitous in modern life. Standardization involves moving towards the eradication of any deviations. Standardization implies regularity, rationalization and reduction of diversity	Does not take into account international integration
Pīlēna A., Mežinska I., Lapiņa I. (Pīlēna A., Mežinska I., Lapiņa I., 2021)	Standardization, based on scientific and technological development, provides solutions for optimal level of order in a wide range of industrial, societal and environmental fields.	The definition is quite capacious, but the specifics, according to the authors are not enough.
Koide K., Akahide M., Takahashi H. (Koide K., Akahide M., Takahashi H., 2022)	Standardization serves as the basis of means, regulations, and standards for market formation and differentiation, defining criteria for evaluating products and technologies or sorting the compliant from non-compliant.  In recent years, a growing significance is attached to the aspect of its being a crucial means to create and expand a market, known as the "nonmarket strategy," in which a company creates a business environment that is advantageous to them by engaging other companies with a clear intention to convince them that the company's technology has potential for common good.	According to the authors, this is the most complete and clear definition of the concept.
Paradis E., De Freitas C., Heisey R., Burrell K., Fernandes L., McLeod J., Whitehead C. R. (Paradis E. and ets., 2021)	Standardization as a process of harmonizing things or practices across time and space through the generation and implementation of agreed-upon rules. Standardization has been one of the core forces behind modernity.	The concept somewhat narrows the standardization process

Giba B. (Giba B., 2021)	Standardization is a process from statistics where you take a dataset (or a distribution) and transform it such that it is centered around zero and has a standard deviation of one.	Does not take into account the purpose of standardization.
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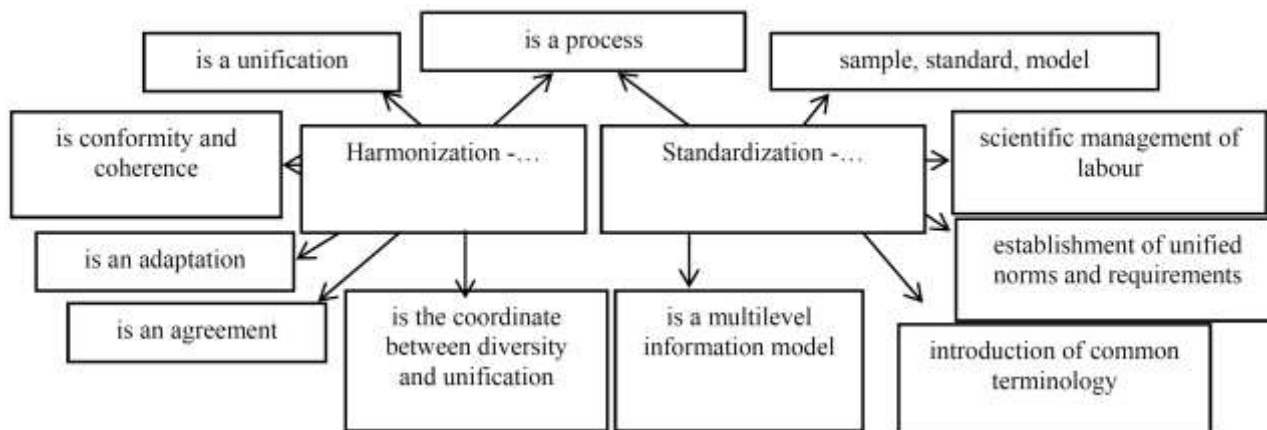


Fig. (1). Generalization of approaches to the definitions of “harmonization” and “standardization”.

Source: emphasis added by the authors based on the analysis of Table 1 and Table 2.

As can be seen from Table 2, there are many different opinions on the definition of “standardization”, but there is no single view. Therefore, there is theoretical confusion. The analysis of the definitions given in Tables 1 and 2 allow the authors to make sure that on the path of international integration and sustainable development, one of the really key problems is the imperfection of the categorical-conceptual apparatus (a set of concepts, categories and terms that allow to depict in a generalized form the phenomena of a certain field of knowledge, as well as the connections between them by fixing essential features and regularities). Thus, the authors conclude that the trend of harmonization and standardization of accounting should be the process of a unified set of standards for any accounting situation in any country.

Therefore, the authors of the study propose to consider separate approaches to the definitions of “harmonization” and “standardization”. (Fig. 1).

Thus, as can be seen from Fig. (1) harmonization and standardization have many approaches to definition, but they have one common characteristic– a process. The authors of the study agree that harmonization is a process but consider it inappropriate to equate it with standardization. After carefully analysing the approaches, the authors conclude that harmonization and standardization can only complement each other, and they are different processes of sustainable accounting. The process of harmonization and standardization of accounting in Ukraine is also associated with certain problems. The authors consider it appropriate to consider the problematic issues of harmonization and standardization of accounting in the context of sustainable development (Table 3).

Although harmonization and standardization of accounting in the context of sustainable development not only accelerates the process of international integration and stimulates economic growth, it also causes a number of problematic issues that need to be addressed immediately as can be seen

from Table 3. Delays in resolving problematic issues will lead to a slowdown in sustainable development not only in the field of accounting, but also in the economic space of the country. An analysis of the matrix of problem issues indicates that the authors conclude that the bulk of the problem concerns International Financial Reporting Standards, their adaptation, implementation and other aspects. Standards cannot ‘work’ on their own – the success of IFRS application depends primarily on the economic environment and the availability of national infrastructure for their existence. And although IFRS is a high-quality intellectual product, they fully work only in certain economic realities. Therefore, it is not necessary to seek excessive “imposition” of IFRS on “unlisted” companies, but it is necessary to work progressively to improve the economic conditions in Ukraine. Further, consider the human factor. IFRS establish general principles for the formation of reporting indicators. All situations cannot be set out in the standards, which is why there is use of professional accounting judgment in the preparation of financial statements. To date, accounting transparency, which means ensuring that all interested users have access to information and reporting of business entities, has not been fully achieved. Accounting provides information needs primarily to government agencies and investors. The importance of accounting is difficult to overestimate in making informed management decisions on various aspects of activities within the enterprise. Today, most companies need such accounting technologies that focus on domestic goals. This direction of accounting should ensure the adoption of operational decisions on the rational use of funds and resources, motivation, product quality, marketing activities, development of cooperation and integration, the introduction of commercial calculation, and responsibility centres. Thus, the organization arrangement of accounting is in the competence of the enterprises. And they are mainly concerned with current issues related to survival in the market environment and adaptation to new economic conditions. Relevant recom-

**Table 3. Matrix of Problematic Issues of Harmonization and Standardization of Accounting in Terms of Sustainable Development and Social Scientists' Proposed Solutions.**

Problematic questions	Modern authors/ scientists-economists' commentaries & proposed solutions								
	Baudot L., Cooper D. J. (Baudot L., Cooper D. J, 2022)	Cohen S., Manes Rossi F., Brusca I. (Cohen S., Manes Rossi F., Brusca I., 2022)	Paolone F., Cabanellas Becerra J. G. (Paolone F., Cabanellas Becerra J. G., 2022)	Schmidhuber L., Hilgers D., Hofmann S. (Schmidhuber L., Hilgers D., Hofmann S, 2020)	Polzer T., Grossi G., Reichard C. (Polzer T., Grossi G., Reichard C., 2022)	Oulasvirta L. (Oulasvirta L., 2021)	De Wolf A., Christiaens J., Aversano N. (De Wolf A., Christiaens J., Aversano N., 2020)	Dabbicco G., Steccolini I. (Dabbicco G., Steccolini I., 2020)	Brusca I., Gomes P., Fernandes M. J., Montesinos V. (Brusca I., Gomes P., Fernandes M. J., Montesinos V, 2021)
Formation of institutional institutions	+			+	+	+			
Ensuring coordinated operation of mechanisms		+	+	+				+	
Lack of understanding of the scope of IFRS (International Financial Reporting Standards)									+
Issues of legal implementation of IFRS	+		+			+	+		
Absence of IASC acquaintance with specific problems of Ukraine		+			+			+	
Adaptation of PSBO (Accounting regulations (standards)) to IAS (International Accounting Standard)	+	+		+	+		+		+
Lack of a basic and alternative approach to the reflection of transactions in the national accounting system			+						+
Problems of IFRS implementation	+		+			+	+		
Problems of application of IFRS (understanding of the scope, technical issues, the need for institutional mechanisms)				+	+			+	
Limiting the possibility of legalization of international standards created by an international non-governmental body				+			+		+
The total number of solutions proposed by authors	4	3	4	5	4	3	4	3	5

mentations and a separate accounting standard have not been developed. Only banks have the opportunity to set the boundaries and content of management reporting. The organization arrangement of accounting is in its infancy. It is necessary to create such an accounting system that would meet the needs of diverse users. Consideration of the problems of harmonization and standardization of accounting allowed the authors to consider the prospects of accounting in terms of sustainable development. (Fig. 2).

The main priority in the whole process of international integration, the result of which is sustainable development, are the prospects for the accounting system. First of all, accord-

ing to the authors, the prospects should be to cooperate with the world and ensure security conditions. The development of the principles of the rule of law will allow expansion of the horizons in the constitutional order. Maximum convergence and adaptation to the international economic system will provide speed in the development of finance and the appropriateness of the use of funds. One of the areas of perspective of the authors of the study, taking into account data protection, is especially relevant for the development of international standards. Intellectual capital or human resources are exactly those aspects that need to be considered in an effective accounting system.



Fig. (2). Prospects of accounting in terms of sustainable development.

Source: developed by the authors.

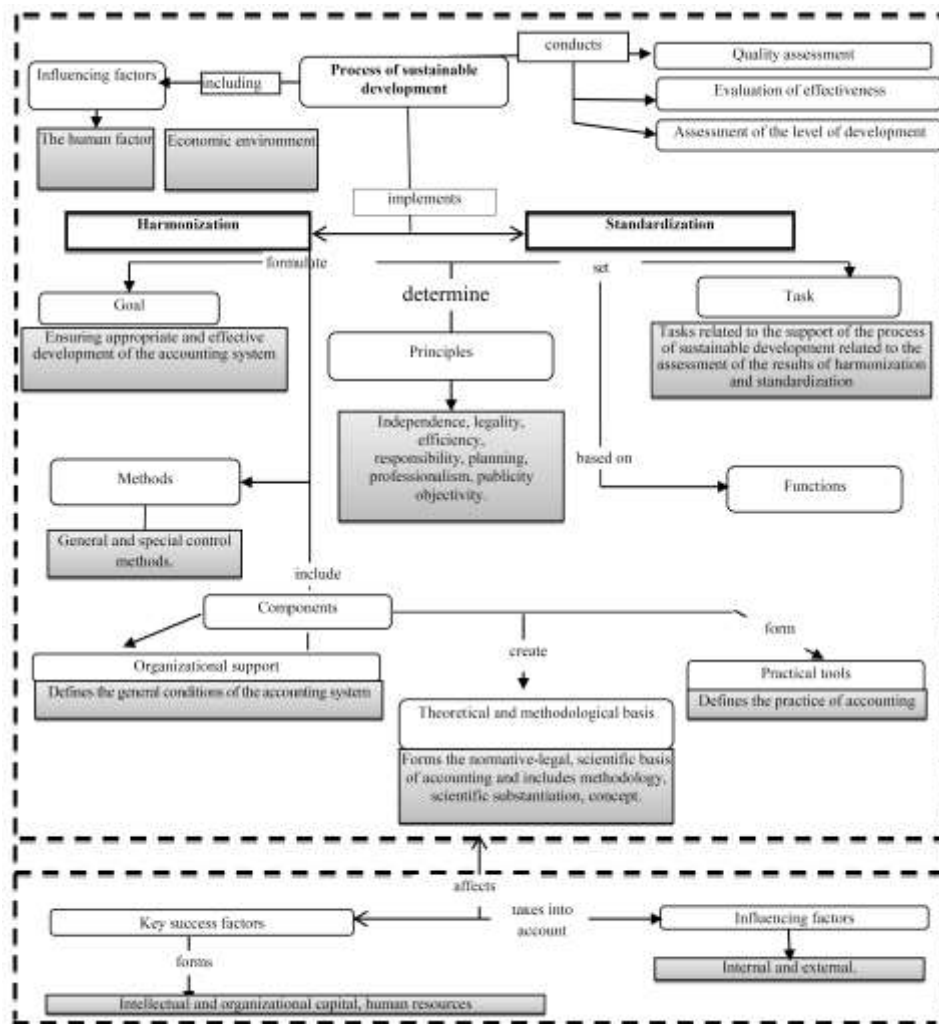


Fig. (3). The system of harmonization and standardization of accounting in terms of sustainable development

Source: developed by the authors.

The very definition of the problem and perspective, the disclosure of the theoretical basis allowed the authors to build a system of harmonization and standardization of accounting in terms of sustainable development. (Fig. 3).

In outlining the system of harmonization and standardization of accounting in terms of sustainable development, shown in Fig. (3), it should be noted that it is complex, abstract, dynamic and open. This is confirmed by the presence of:

1) theoretical and methodological basis, which forms the scientific basis for a comprehensive study of the object of study and includes methodology, scientific substantiation, concept, etc.;

2) organizational support – determines the general conditions of accounting;

3) practical tools that determine the practice of accounting.

It should be noted that the relationship between the elements of the system is enhanced by factors of influence (external and internal), the priority action of which determines the goals of harmonization and standardization of accounting.

This diagram outlines the elements of the accounting system in their relationship. It should be noted that the process of sustainable development of the accounting system depends on the assessment of its efficiency and quality.

The system takes into account the key success factors by forming a reflection in the accounting of intellectual and organizational capital and human resources.

#### 4. DISCUSSION

The reform of the country's economic system and the expansion of social relations with the world led to the processes of international integration. In today's difficult and crisis conditions, Ukraine needs driving changes by adapting international standards and harmonizing with international experience. The role of trust relative to the quality and transparency of accounting indicators, which form the basis of financial statements of economic entities, is difficult to overestimate, as this information is of interest not only to domestic but also foreign users. Crisis phenomena have acquired a systemic character; they cover all spheres of life of the State. The crisis is facilitated by unfavourable conditions: the rupture of economic ties between industries and enterprises, cities and people, speculative price increases by the State, a sharp decline in living standards, declining production, macroeconomic imbalances. All this hinders the exit from the crisis and makes it more protracted and deep, creates an unstable environment, exacerbates contradictions in all spheres of public life.

Unfortunately, the crisis slows down the development and affects all components of the economic system, one of which is accounting.

#### 5. CONCLUSIONS

Today in Ukraine there are both international and national standards on the basis of relevant legislation. Work has been going on for several years to harmonize and standardize accounting in terms of sustainable development.

Harmonization and standardization of accounting has already reached its time. Its implementation depends on the initiative of scientists-developers who must carefully master the already developed international and domestic level of development of this issue, study and creatively apply international best practices, adapting it to business conditions and infrastructure in Ukraine, and persistently seeking to improve and expand accounting reform through the accounting community.

In a globalized world, international standards are the key to the effective operation of the accounting system. Accounting according to international standards requires a reset of modern management including managers at all levels, the involvement of highly qualified and highly paid accountants, significant re-education and retraining of personnel, software changes, and improving the decision-making system.

According to scientists, accounting should provide separate information about land resources, environmental costs, intangible assets of companies: ideas, special skills, organizational structures and capabilities, brands, mailing lists and databases; networks of social, professional and business relations, social costs. Recently, there is an understanding that intellectual and organizational capital, human resources should be considered key factors for survival and success, and therefore they should also be reflected in accounting. In the mechanism of development of the accounting system, this encourages the direction of further research.

#### CONFLICT OF INTEREST STATEMENT

The authors declare that they have no conflict of interest

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