

## The role and importance of accounting information for providing economic stability and intensive economic growth

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**Abstract:** With the growth of the number of users of accounting information about financial and operational activity of the company, that concentrates on making profit and increasing competitiveness, the interest of economical process participants to objective and valid information about their financial state and business activity substantially increases. Most countries combine state regulation and market economy principles in their economic systems. Economic system management includes plenty of functions. One of important functions is accounting, which provides the economic system with necessary information. Thus, this article is aimed to study the role and importance of accounting information to provide economic stability and intensive growth of the economy and to make informed management decisions.

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### 1. Introduction

Now the main priority of the state social and economic policy is ensuring high and steady rates of economic growth. In this regard in the conditions of market economy, first of all, full and reliable accounting information is necessary for ensuring economic stability and intensive growth of economy. Therefore, qualitatively new information on activity of the organizations on the basis of which it would be possible not only to make decisions on management of these organizations, but also to use it through information databanks for the current situation analysis in economic system as a whole, is necessary.

### 2. Material and Methods

In domestic and foreign economic literature questions of improvement of the accounting due to usage of its informational content in a management system, are to some extent mentioned in a number of works of K.N. Naribayev, K.K. Keulemzhaev, M.S. Erzhano, F.S. Seidakhmetova, V.K. Radostovets, E. Nurseitov, K.T. Taigashinova, G.K. Tolesheva, S.T. Mirzhakypova, M.I. Bakanov, P.S. Bezrukikh, N.T. Belukha, S.I. Volkov, V.G. Gorelkin, Z.V. Kiryanova, B.I. Maidanchik, V.F. Paliya, Y.V. Sokolov, V.I. Strazhev and the others.

However, it should be noted that a number of single theoretical-methodological and organizational-methodical questions have not been studied much and remain out of sight of scientific research.

The main objective of the present study is a theoretical study of the problems and the development of scientific and practical

recommendations to improve the technology used in the organization of accounting.

Now, when the management system of the Kazakhstan economy is in a stage of improvement and adaptation to market conditions, its many functions have been destabilized as a result of the long-term centralized approach to management.

Accounting as one of the most important functions of management, has practically stopped to fulfill its primary information role directly for management purposes. Information that was traditionally included in the accounting records, in a market economy cannot fully meet the needs of different user groups.

Qualitatively new financial information on the activity of enterprises on the basis of which it would be possible not only to make decisions on management of these enterprises, but also to use it through information databanks for the current situation analysis in branch complexes, regions, economic system as a whole is necessary.

The accounting concept in the market economy of Kazakhstan gives the purpose of accounting for organizations as the formation of information for external and internal users.

The specification of the purposes in information relation for external users and for internal users created preconditions for the creation of the financial and management (production) accounting as independent types of the account.

The special role belongs to the financial account on the basis of which the financial statements are formed. Information of the financial account which is in demand by external users; real and

potential investors, workers, shareholders, suppliers and contractors, buyers and customers, bodies of authority and management, and also the public as a whole, will promote creation of new elements of the market infrastructure providing a favorable climate for investments and management of them. Questions of interrelation of the financial account and management play a special role at the real stage of development of accounting science.

In domestic and foreign economic literature the questions of improvement of the account in connection with use of its informational content in a control system are to some extent raised in a number of works by K.N. Naribayev, K.K. Keulimzhaev, M.S. Erzhanov, F.S. Seidakhmetova, V.K. Radostovets, E. Nurseitov, K.T. Taigashinova, S.T. Mirzhakypova, M.I. Bakanov, P.S. Bezrukikh, N.T. Belukha, S.I. Volkov, V.G. Gorelkin, Z.V. Kiryanova, B.I. Maidanchik, V.F. Paliya, Y.V. Sokolov, V.I. Strazhev and others.

Studying of references shows that the Kazakhstan accounting science has surely developed in recent years on the way of integration with the world economy, and the international accounting systems.

The general tendency of world economy in the long-term period is economic growth. The market economy is constantly in a condition of deviation from macroeconomic balance which is overcome within cycles of various durations: 3-5 years (cycles of J. Kitchen) through to 40-60 years (Kondratyev's long waves). Cyclical development of the economy is accompanied by the lifting of a level of economic activity to the maximum mark, and then activity recession to a very low level [1].

Cyclical fluctuations, according to E. Hansen are a manifestation of the essence of development of the economy, its natural property, a way of its progressive movement [2]. Recurrence is the testimony of viability of an economic system, its right to existence. However cyclic fluctuations make continuous economic growth impossible, significantly reducing its rates.

Crises of the world economic system have become frequent, some researchers consider. The first global crisis happened in 1929, the following comparable crisis on scales happened in 1971-1972. And again in 1987 and in 1997-1998 [3]. Since 2008 the world community has also experienced crisis. Frequency of increase in fluctuations, according to D. Hicks, testifies that the economic mechanism faces serious restrictions for the development, working in the conditions of almost full use of resources [4]. This threshold situation of uncertainty as noted by

the author indicates the need of transition to a higher level of integration and economic growth.

There are objectively two ways of overcoming such conditions in the world economy. Providing higher efficiency of the appendix of resources, the new way of the development, the new economic mechanism has to be found in the long-term prospect. M. Golansky, for example, holds such an opinion [5]. In short-term prospects due to the modern and almost sputtered out trajectory of growth, in our opinion, it is possible to recover at the expense of the certain innovations based on the accounting of the theory of recurrence.

The problem of crisis management and economy development in R. Houtri's research [6], R. Solou [7], etc. were considered quite limited and foreshortening. The ways of overcoming of recession and crisis consisted, generally in regulation of the economic mechanism, instead of its improvement.

There are objectively two ways to overcome the state of the global economy. Providing the higher efficiency of application resources, the new way of development, the new economic mechanism must be found in the long – term prospect. For example, M. Golan holds that opinion [5]. In our opinion, the current and practically exhausting itself growth trajectory can be revived through the certain innovations based on taking into account the cyclical theory.

The problem of crisis management and economic development has been considered in the research works of Howtry and others in rather limited perspective [6], J. Hicks [4], R. Solow [7]. The Ways of overcoming the recession and the crisis has mainly been in the regulating of the economic mechanism, but not in its perfecting.

For example, according to R. Howtry, economic growth should be promoted and economic recession should be prevented through the researching and the correction cash flow. According to Schumpeter, the regulation of economic growth should be done by promoting the production or its restraining, by regulating industry ratios, production and consumption ratios [8]. The same opinion is shared by many contemporary economists, for example, B. Sokolin [9].

However, in our opinion, the main risk to economic growth is not in the crisis but in its scope and implications. Therefore, the problem must be put otherwise, i.e. it's necessary to make changes in the existing economic mechanism that allows for the leveling of the dangerous fluctuations in economic activity, as shown in Figure 1, the cyclical motion can be more gradual.

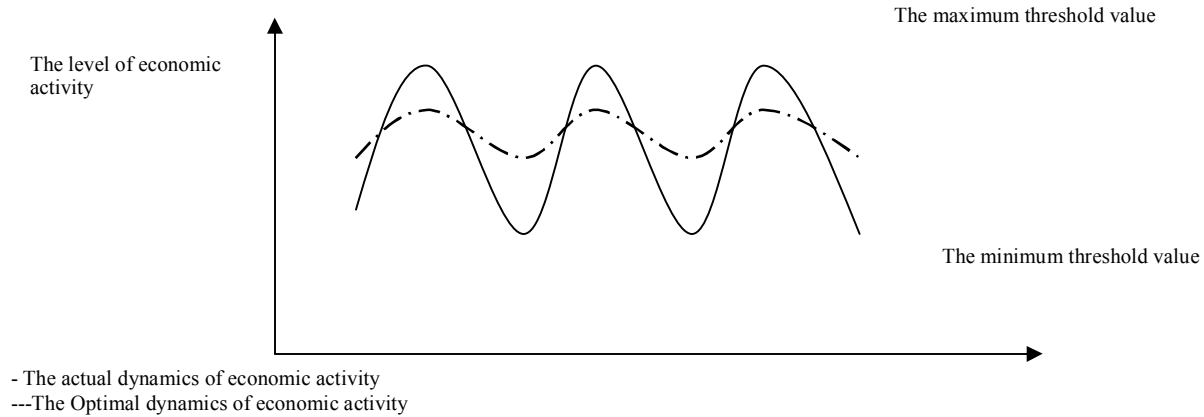


Figure 1 – Fluctuations in economic activity

It is necessary to find mechanisms to control the level of economic activity and its amplitude to solve this problem.

Suppose that from the point of view of economic growth the ideal cyclical fluctuations have some «normal» peak values which are minimally separated from the values that are in the vector of economic growth. This leads to making economically baseless decisions, or decisions based only on the available information and expectations, or decisions made under the influence of mass optimism or pessimism. This explanation partly coincides with the psychological theory of cycles proposed by Pigout [10], but goes forward, because it allows

justification the content of optimism and pessimism from a financial and economic, not a psychological point of view. Passage of the «normal» peak accompanying the upward trend does not because economic shocks, significant deviations indicate the emergence of imbalances. For example, GDP growth is above a «normal» value indicates the crisis of overproduction, GNP falling below acceptable limits has a negative impact on employment and inflation. Thus, in the long-term dynamics of economic activity and the vector of economic growth should be unidirectional (Fig. 2).

The dynamics of economic activity

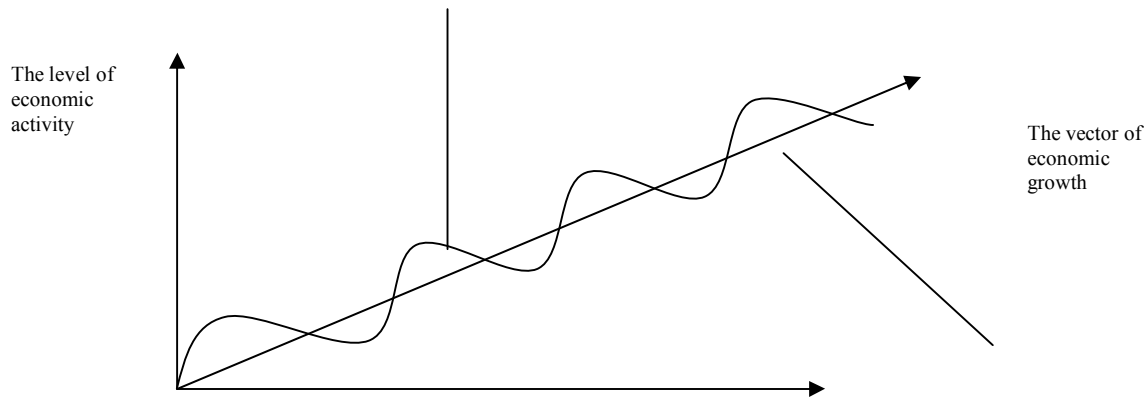


Figure 2 – The vector of economic growth

The assigned task implies ensuring control over the magnitude of economic oscillations beyond the allowable values.

We should formulate the hypothesis that the increase and decline of economic activity beyond the allowable «normal» values is due to the lack or absence of accurate accounting information about the market situation. In the absence of reliable accounting information, market participants tend to invest even when the peak passed and started to

decline. They rely that the growth will be the same in the future and in the absence of accounting information they can't determine extremum points of function of market behavior. Thus, according to J. Keynes, the most important and essential feature of the boom is that the investments which bring 2% in conditions of full employment, are calculated based on 6% [11]. Under the influence of such ideas which are not confirmed by accounting dates, healthy economic growth gradually ceases to be valid and

leads to the overheating of the market. When reliable accounting information is not available and further, when the first obvious signals of recession, for example, reducing the exchange rate, errors of an opposite character - a mass withdrawal of investments, the panic that only aggravates the crisis and makes it more devastating consequences. Thus, according to the analysts of «Expert», the collapse of the national currencies of Asia was caused by the panic of investors who were selling assets, seeking to minimize their impairment [12].

If reliable accounting information is not available, at the first obvious signs of recession, for example, reducing the exchange rate, errors of an opposite character - a mass withdrawal of investments, the panic that only aggravates the crisis and makes its consequences more devastating. Thus, according to the analysts of «Expert», the collapse of the national currencies of Asia was caused by the panic of investors who were selling assets, seeking to protect them from devaluation [12].

For today's global economy dependence of market behavior from the accounting information is particularly relevant. Because, according to Safonov, the lack of global centers of capital attraction allows the use of significant financial flows for a virtual financial transactions and, in this way allows the having of a decisive impact on market behavior [12]. Mathematical models that analyze the current financial flows show that the first 5-10 market operators' starting investing is enough for the emergence of a trend. Other operators follow suit even in the absence of positive market signals [13]. Under the market signals we understand any information from which market participants make investment decisions. Therefore, today the transparency of accounting information, i.e. its accessibility and clarity for market participants is particularly relevant.

It should be noted that the idea of transparent information as a necessary condition for an organized and efficient market and as an instrument of ensuring financial stability was, for example, offered by van Greuning Hennie and Marius Cohen [14]. However, according to these researchers, transparent financial information is required, as the markets by themselves cannot provide a sufficient level of disclosure of information because they balance the marginal benefits and marginal costs of disclosure, which does not meet market participants' needs. In our opinion, this point of view shows a lack of understanding of the market mechanism theory and the need for harmonization of accounting and reporting systems. Firstly, perfect competition and market equilibrium provide the free flow of information and equal conditions of activities

for all participants. For this reason, the financial information quality in equilibrium of benefits and costs should be close to ideal. On the contrary, reducing the costs for an information retrieval brings the increase of profitability from market participation both with its instability, and, in the abstract, if all information about market participants is absolutely available, the market will be absolutely predictable and profitability will drop shortly. Secondly, the issue of information transparency is not caused by a lack of market organization, but by the incompatibility of different and often confusing or conflicting requirements for the provision of information in different countries, the coordination of which is the basic idea of harmonization.

### 3. Results

The main results of the research are the following: 1) the role and importance of accounting information to ensure economic stability and intensive growth are substantiated; 2) the proposals on the improvement mechanism for regulating growth and analysis of the effectiveness of the accounting information security management process are given; 3) the role and meaning of accounting information in managing firms' activity are defined and recommendations on their adaptation to international standards are proved; 4) issues of anti-recession are revealed and ways of its overcoming are recommended; 5) the dependence of market behavior on accounting information is proved.

### 4. Discussions

H. Greuning and M. Cohen in their research also pointed out that the transparency of accounting information is aimed at stimulating the growth of economic performance by improving the quality of decision-making and risk management, but does not change the risk itself and the market parameters [14]. In our opinion, this point of view is unfounded. Firstly, transparent information does not only assist the risk management in terms of selection and evaluation of investments, but also reduces market risk, i.e. probability of sudden and unpredictable changes in market conditions. Secondly, the market parameters change due to the fact that the transparency of accounting information provides a more restrained response to changes in market conditions and the changes themselves will be determined by a combination of factors, among them is missing clarity and accessibility of information. Finally, the economic indicators' growth, in our estimation, is not so much connected with the quality of risk management, as with a reduction in risk level on the market. If the risk level reduces, according to research by the audit firm «Price water house

Coopers», falling the capital price, a source of economic growth, will fall and its accessibility will increase [15, 16, 17]. It should be particularly noted that an increase in the capital availability is not only in a single region, but in the whole world economy, one of the main goals of integration, the alignment of the development level and economic growth, will be reached.

These conclusions can be concretized. A significant source of information about all market participants financial position and results of activities is accounting and financial reporting. This information about many market participants is a market signal, i.e. it describes the situation in the market and acts as a basis for investment decisions. If the financial statements of each market participant, on the one hand, are complete and accurate, that is they contain all data, based on which other market participants make decisions, and, on the other hand, are comparable to the financial statements of other market participants, the financial reporting decisions based on these are cost-justified. This conclusion is based on the fact that these conditions cannot create a situation of making investments under the influence of forecast without reliable information, and it excludes sudden changes in the market situation, through the information manipulation, providing more or less data or data with other properties.

Hence, the more the accounting system is developed, the more detailed the information on the basis of its requirements is, which can then be to be given to and received by market participants, the less the probability of sharp ups and downs in economic activity, and their amplitude.

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