

Corporate Accounting Rating and Its Practice in Publicly -Held Companies

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Extensive Summary

The object of this review is to enable Corporate Accounting Rating and to provide guiding suggestions to those companies who wish to achieve high grades in Corporate Accounting Rating regarding the accounting systems.

It has been marked that in the interaction of the science of accounting during the recent years, the most significant subject matter is corporate governance. When the corporate governance applications are reviewed particularly from the standpoint of the principles of transparency and public enlightenment, it becomes evident that the accounting systems of the firms should also be institutionalized. When they face this obligation, the firms come across with the following problems:

- Does the accounting system play a role in achieving a high grade from Corporate Accounting Rating as a factor of prestige and competitiveness?
- What are the criteria that institutionalize the accounting system? What is the degree of effectiveness of these criteria in institutionalization?
- What should the publicly held companies who wish to institutionalize their accounting systems do in order to achieve this end?

The above mentioned questions constitute the basic problems.

Since the concept of corporate governance is an issue that mostly involves publicly held companies, in practice, three publicly held companies operating in Denizli was selected. In practice, content analyses were applied on the said firms from the standpoint of the criteria that institutionalize the accounting system. Generally, the accounting systems of the concerned companies were not reviewed from the standpoint of a particular function and were examined as a whole.

The Corporate Accounting Rating grades and meanings, were signified at ranges of <4, 7-4 and 7-10 in the concerned three firms, depending on the results that were achieved. It was assumed that these Companies will attain different grades from the Corporate Accounting Rating. In one of the companies, the criterion of having a Corporate Accounting Rating was envisaged. The reason for this application was to apply a comparison in determining the consistency of the grades that we have given in Corporate Accounting Rating.

In our survey, we attempted to launch 2 types of researches. The first research was to perform a library research from the standpoint of the Corporate Accounting Rating literature, and the object of second research was to launch a corporate review on the three publicly held companies.

The Corporate Governance principles, accountability, public enlightenment, and transparency, equality and responsibility principles, are relevant to the basic concepts and principles of accounting.

The corporate accounting could be defined as a system that provides a corporate rather than an individual perspective on the accounting organization of the firm, that offers an accounting philosophy to the users of the accounting information in an institutionalized language, in light of transparency; just in time, and that produces accurate, comprehensible and accessible information, that can give account through a controllable reporting system, and while doing so, that is focused on public interests.

The criteria that ensures the institutionalization of the accounting system are as follows:

1- Organization of the Accounting System

- The Objective Organization of the Accounting System,
- The Organization of the Accounting System from the Standpoint of Personnel,
- The Separation of the Accounting System into Areas of Responsibility

2- The Preparation of an Accounting Guidebook

3- Ethical Codes

4- Knowledge Disclosure Policy,

- The Setting Up of a Physical Structure
- Operation
- Activities Report
- The Concept of Trade Secrets and Insider Trading
- Significant Events and Developments That Should be Disclosed to the Public

5-The Level of Use of the Information Technologies,

- Hardware and Software
- Qualified Personnel Raised in Information Technologies and the Number of Such Personnel,
- Internet Site

6- Auditing

- Internal Auditing Unit
- Audit Committee
- Independent Auditing

The subject matter that we define as Corporate Accounting Rating, is actually a series of roads and methods regarding how Corporate Accounting Rating is applied. The Model encompasses the criteria to be taken as basis in Corporate Accounting Rating, the determination of the level of significance of these criteria, the formation of the process of Corporate Accounting Rating; the grading of the Corporate Accounting Rating based on the data achieved within this process and the grounds set up for such data, the interpretation of the grades given, and the set of suggestions regarding the development of the Corporate Accounting Rating grade

The companies that wish to achieve a high grade in Corporate Accounting Rating which is an important factor in prestige and competitive power, are obliged to institutionalize their accounting systems. In practice, it was marked that of the firms to whom we have applied this practice and who have achieved high grades, have also obtained high grades from the Corporate Accounting Rating. This situation also supports the relation between the institutionalization of the accounting systems of the companies, and the achievement of high grades by the concerned companies from Corporate Accounting Rating.

The companies who wish to institutionalize their accounting systems are required to give priority to Corporate Accounting Rating, which encompasses Organization of the Accounting System, Accounting Guidebook, Knowledge Disclosure Policy, the Level of Use of the Information Technologies and physical structuring in the Audit criteria. Furthermore among the Corporate Accounting Rating, Ethical Codes and the Internet Site, which is an indicator of the criteria of Use Level, will have to be activated, along with the physical structuring.

Of the above mentioned criteria, the ones that play a major role in the institutionalization of the accounting system are as follows: Organization of the Accounting System, Ethical Codes, Accounting Guidebook, the Level of the Usage of Information Technologies.

Our recommendations to the firms who wish to achieve a high grade from Corporate Accounting Rating through the institutionalization of their accounting system, will be as follows:

- Their accounting systems should be organized in an effective manner.
- An accounting guidebook should be prepared and published.
- The ethical codes should be developed and should be applied on the decision making processes of the firm.
- The information disclosure policies should be prepared in a manner that would ensure access to the accurate and reliable information.
- The information technologies should be designed in an updated manner that will facilitate access to internet sites and to the available knowledge.

Committees should be established not only for compulsory auditing, but also for internal audit processes