

GLOBAL FINANCIAL CRISIS – AN ACCOUNTING LITERATURE REVIEW AND OVERVIEW

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Reflecting the magnitude of “financial crisis” in 2008, some academics started examining causal relationships between accounting and the crisis. The purpose of this article is to review the current state of academic research articles related to the global financial crisis that are published in ScienceDirect, Springerlink, Emerald and SSRN databases, in order to identify the trends and researchers’ contributions and to analyze the interplay between the global financial crisis and the accounting. Although there are lots of articles about the current financial crisis, the number of academic articles that examine the relationship between accounting and the crisis are still few, but the research questions are increasing, more and more researchers becoming interested in this topic.

Keywords: Accounting, Accounting regulations, global financial crisis, literature review, databases

JEL Classification: M41 – Accounting

1. INTRODUCTION

The magnitude of this financial and economic crisis calls for a fundamental reassessment of all areas of business and economic scholarship, including accounting research (Arnold P., 2009). The current economic and financial crisis has significant implications for accounting, both for practice and for the research community. In the academic and research community it certainly has illuminated issues that are in need of serious research attention. More than that, however, the crisis also points to the rather limited focus of much current accounting research. (Hopwood A., 2009).

Consequently, the fundamental objective of this paper is to analyze the relationship between accounting and the current financial crisis by analyzing and discussing changes encountered in research literature’s way of dealing with this topic.

2. AIM OF THE STUDY AND RESEARCH METHODOLOGY

The objective of our paper is to provide a comprehensive literature review and overview of the relationship between the global financial crisis and accounting. It was proven that the literature review plays an important role in delimiting the existing research problem in the field of social sciences.

Also, the literature review is considered to be the primordial method in distinguishing what has been done from what needs to be done, identifying relationships between ideas and practices, establishing the context of the topic or problem, understanding the structure of the subject, relating ideas and theory to applications, identifying the main methodologies and research techniques that have been used, and placing the research in a historical context to show familiarity with state-of-the-art developments. (Ray B., 2002)

The discussion focuses on four scientific Journal databases: ScienceDirect, Springerlink, Emerald and SSRN, identifying the trends and researchers actively contributions to the development of our topic of research. For performing the analysis of literature we selected all the international journals on accounting and economics area, form the aforementioned databases, followed by the selection of papers dealing with the interplay between accounting and crisis. Also, we defined three sets of variables representing various features of journals, papers published and their authors. Finally, basing on empirical results revealing these features influences over international

literature, we concluded our study by discussing the changes in general trend of research caused by the financial crisis.

3. LITERATURE REVIEW

The crisis, thus, challenges us to re-evaluate our research agendas – and perhaps also the institutional incentives and unexamined assumptions that drive them – so that accounting research can contribute to a broader social and political analysis of the financial crisis (Arnold P., 2009). Although the implications for research in accounting may not be so great as that within the finance research community where the serious lack of critical research is much more visible, a more detailed consideration of the implications of the crisis for accounting research nevertheless points to the need for a more rigorous investment in diverse research perspectives rather than an unquestioned following of a singular mainstream view. (Hopwood A., 2009).

“A classical period of thought and practice, as delineated by the events surrounding the great depression of the late 1920s and early 1930s, marks a maturity point in American accounting thought and practice” (Previts & Merino, 1979: 215). Also, corporate governance became a subject of various debates and controversies since the '29 -'33 financial crises period (Berle and Means, 1932), being often considered as “the scapegoat” of the present financial crisis that spread all over the world in the latest years, too. Thus, the wide range of governance failures and corporate scandals encountered over time brought this concept to the attention of media and academic environment, transforming it into an increasingly challenging topic of worldwide research. (Stefanescu C., 2011: 749)

“Developments in accounting came about in the first place in response to economic social and political pressures, but, thereafter, acted as an enabling device to assist further developments” (Tomkins, 1978:9). Transformations in accounting knowledge and practice have been influenced by many factors, such as economic, social and political pressures, (Tomkins, 1798) ad hoc influences like wars, periods of economic decline and labour disputes (Miller et al., 1991).

Also, Hans Hoogervorst, the Chairman of the International Accounting Standard Board, claims that “it is a sad truth that most initiatives to strengthen the international financial architecture to reap the fruits from the on-going liberalization of capital movements have been taken under the pressure of some kind of crisis” (Hoogervorst, 2002: 16). International accounting regulations (International Accounting Standards and International Financial Reporting Standards) can be regarded as part of this international financial architecture, defined as a “set of measures that can help prevent crises and manage them better in the more integrated international financial environment” (World Bank webpage).

Accounting rules have come under a lot of criticism during the credit crisis. Some people, especially bankers, even consider them to be an independent cause, or at least a strongly reinforcing factor in the credit crunch. Critics of fair value regularly point to the ridiculously low market prices, in their opinion, of financial products. These prices would allegedly not be in line with the fundamental value that still appears to be clear from the cash flows of these products.

The truth is that ‘Fair market value’ can indeed be very unfair. But indignation does not help you one bit in selling our assets at what you think is a fair price...fair value and International Financial Reporting Standards had very little to do with the causes of the crisis. The real cause of the crisis was the massive overleveraging of the economy as a whole and the undercapitalization of the banking sector in particular. And if there were problems with transparency, these were to be found principally in the capital requirements imposed by banking regulators (Laux C. and Leuz C., 2009)

4. RESEARCH QUESTIONS AND DESIGN

The review was conducted using a search command for the words “accounting” and “crisis” on a number of four databases available online: ScienceDirect, SpringerLink, Emerald and SSRN.

Also we limited our research, by including in this paper only the articles that were published after 2008 (the year when the global financial crisis has arisen). The search engine performed a quick overlook in the title, abstract or the whole paper, including references of all journals included in these databases.

After collecting the articles, the first step was to establish the information associated with the articles that were extracted from the databases: Title; Journal Name; Year of publication; Author(s) Name; Number of Authors; Author(s) provenience (EU, USA, Canada, Asia, Australia); Author(s) type; Research type (qualitative/quantitative); Research topic.

This information was stored in SPSS in order to facilitate a further detailed analysis. Also, we stored in Word a brief description of the most important points of the paper, in order to facilitate the comparisons between different articles. This type of information included: the subject, the procedure, the motivation, the target group, the results and our subjective point of view regarding the paper.

The third step was to analyze the articles keeping in mind some questions that we considered to be important for our research: What research topics emerge and what conclusions can be drawn? What are the major similarities and differences between the various writers? Are there any significant questions which emerge and which could form a basis for further investigation? The answer to all this questions and the link between the articles were included in the discussion and results section.

5. DISCUSSION AND RESULTS

During the past 5 years of crisis, there have been 63 articles, related to this subject, published in ScienceDirect, Springerlink, Emerald and SSRN databases. We would like to point out that we included in our research only the published articles, form the aforementioned journals, and we excluded all other types of research papers, such as working papers. As we can see in Figure 1 and Table 1 the majority of articles that analyzed the relationship between accounting and the current financial crisis, were published in 2011 (25 articles). Also the database with the highest number of articles related to this subject is SSRN (31 articles).

Figure 1. Publications with “accounting” and “crisis” included in the title, abstract or in the body of the paper by year

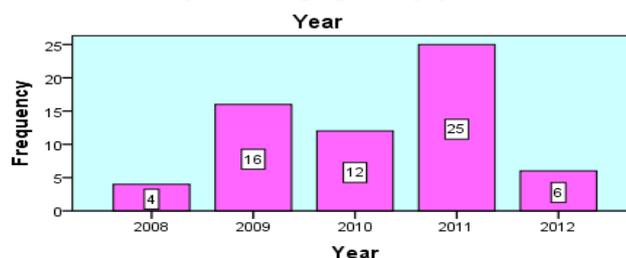
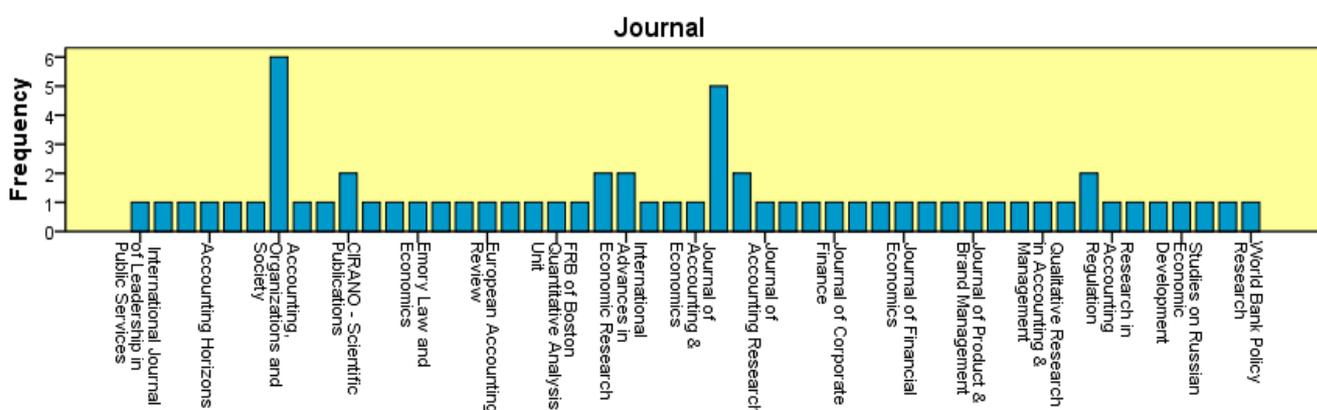


Table 1. Publications with “accounting” and “crisis” included in the title, abstract or in the body of the paper by database

Database	No. of articles
Emerald	9
ScienceDirect	18
Springerlink	5
SSRN	31
Total	63

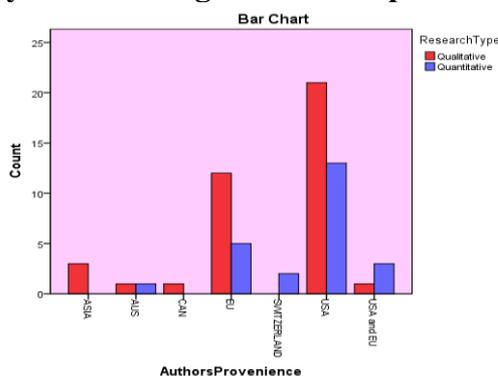
As shown in Figure 2, we found 49 Journals that published articles related to the interplay between accounting and the global financial crisis. From these ones, 2 seemed to play a key role in the accounting academic research publications: Accounting, Organizations and Society (6 articles) and Journal of Accounting and Economics (5 articles). The diversity of academic journals that published articles related to our field of expertise suggest that academic community is engaged in the development of the accounting regulations during periods of financial crisis.

Figure 2. “Accounting” and “crisis” related articles appearing in academics journals



As emphasized in Figure 3 the majority of authors that published articles, regarding to the interplay between accounting and the financial crisis, are the Americans (34 articles), followed by the Europeans (17 articles). Also Figure 3 shows that qualitative research (39 articles) has prevailed over the quantitative one (24 articles).

Figure 3. Paper analysis according to author’s provenience and research type



As it can be seen in Table 2 the research topic that was most debated since the financial crisis has arisen, on the accounting academic community, is Mark-to-market or Fair Value Accounting (FVA), followed by the Accounting regulations.

Table 2. Paper analysis according to the research topic

Research topic	No. of articles
Accounting convergence	1
Accounting information	3
Accounting models	4
Accounting practices	3
Accounting regulations	17
Accounting research	1
Conservative Accounting	1
Creative Accounting	2
Financial reporting	5
Managerial Accounting	1
Mark-to-market Accounting	25
Total	63

6. CONCLUSIONS

As this crisis has shown, accounting standards can have huge implications for the outside world, so the outside world should have the opportunity to have a say. This is especially the case now that public authorities have become so important in the worldwide acceptance of standards. We can conclude that the accounting community has spread in two: the ones that blame FVA and consider it for been a factor that causes the financial crisis and the ones that praise FVA.

This literature review was conducted by searching in four online databases, during 2008- 2012. The summary and information regarding the relationship between accounting and crisis, related articles were kept in both SPSS and Word, in order to facilitate detailed analysis. The aim was identifying the trends and researchers actively contributions to the development of accounting and accounting regulations during the global financial crisis.

This review of the literature will be further developed, intending to include at least other four online databases: Wiley Interscience, JSTOR, Highwire and EBSCO and to perform a broader analyze on “accounting” and “crisis” related articles, including the authors’ origin, research methodology and so on.

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