

Chapter 6.18

Virtual Enterprises'

Accounting Difficulties

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INTRODUCTION

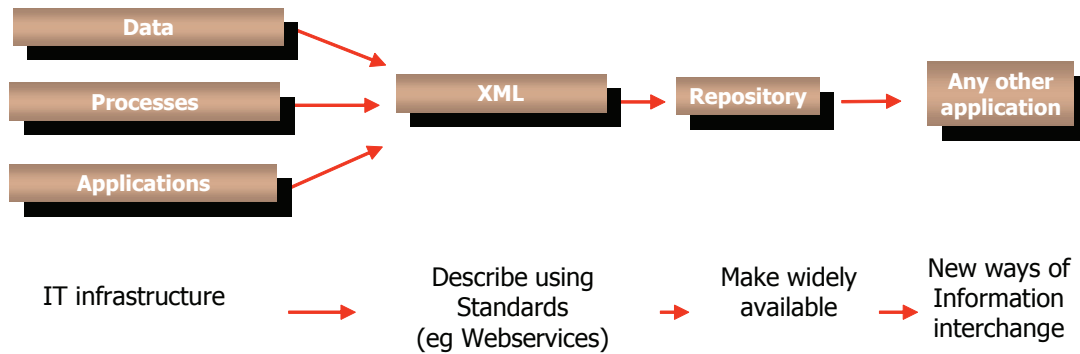
The growth and expansion of enterprises into foreign markets presuppose the aggregation of financial information that includes non homogeneous elements. The purpose of this article is to present several accounting difficulties deriving from the establishment of virtual enterprises and consequently, to set some relevant management and cultural aspects. Emphasis is, also, given to the analysis of the accounting recognition and measurement difficulties deriving from recording accounting information in a virtual enterprise. In conclusion, although there are accounting, as well as, auditing problems of defined, measured

and disclosed in a such a type of business, its importance will increase as the capital market grows.

BACKGROUND

The development of technologies that can efficiently handle information, combined with the expansion of Internet for business process integration, will have a considerable impact on the worldwide market place. This information technology evolution will lead to the creation of a new economic paradigm, the virtual enterprise, where sets of economic actors are combined to

Figure 1. Integration process



provide a service by a single enterprise. Virtual enterprises have very limited resources of their own, but can achieve substantial outcomes using accessible resources of independent partners that become interdependent in achieving the virtual enterprise goals in their common interest. (Beckett, 2003).

One of the main research and development themes is the problem of the virtual enterprise integration, which means the task of improving the performance of the whole organization by managing the interactions among the participants. Its main objective is to improve teamwork and coordination across organizational boundaries (Zarli & Poyet, 1999) by increasing the effectiveness of the virtual enterprise as a whole (Figure 1).

Integration of an enterprise consists of putting components together to form a synergistic whole that transcends traditional external and internal corporate boundaries. Enterprise internetworking uses electronic network to form close ties with suppliers, distributors and customers (Ho, 1997). Problem solving and decision making are conducted by flexible teams cutting across the individual enterprises and distributed over time and space. It is a combination of horizontal integration for a better control of material and

information flow and a vertical integration for efficient control of the decision flow.

An integrated virtual enterprise should, also, be able to overcome the changes in the internal or external environment and enable all the components to contribute to the overall objective in a coordinated way. The enterprise must react to the changes and accordingly adapt its operations.

In selecting the partners for a business opportunity in a virtual enterprise, there are many factors to be taken into consideration. These factors include cost, quality, trust, credit, delivery time, and reliability. (Wu & Su, 2005). The design and management of an efficient and flexible virtual enterprise is a very complex task. It involves different approaches regarding technology, management and cultural elements. High quality business process in an integrated business chain requires properly designed operations. Moreover, it is necessary to use methodologies, reference models, information infrastructures and computer enterprise engineering tools that help in the coordination of different objectives during the virtual enterprise design and management.

An important issue to consider is accounting services of the virtual enterprise specifically when the enterprise spans the boundaries of a country

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