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 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 envi-
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Concerning accounting, the valuation of expenses and revenues for reporting purposes depends upon the reporting objectives and concepts applied. In this case, if the objective is to measure and report the individual assets of the firm for each period, the only alternative is to measure the value of the firm as a whole and subtract from this value the valuation of other specific net assets (Tahinakis, Protogerous, & Ginoglou, 2004). However, if the objective is to measure and report specific assets, in order to provide the users of the financial statements with an indication of the resources available to the firm, an independent measurement of the intangibles might be desirable.

Peer-to-peer topologies and star topologies seem to be the most prevalent for virtual organizations, while supply chain topologies might not require special relationships between companies. The main virtual enterprises categories are:

Static Virtual Enterprises

In static virtual enterprises (SVE), a set of business partners are linked together in a static and fixed way, for example, the shared business processes are tightly integrated (Caraminha-Matos & Afsarmanesh, 1999). The business relationships and the process interfaces are predefined, tightly coupled, fixed, well integrated and customized among partners. The network is fixed and predetermined and thus the structure of the virtual enterprise is static and predetermined as well. Based on the distribution and management style of the network, two types of static virtual enterprises can be identified, namely centralized and decentralized.

The accounting difficulty is connected with the expenses that become a particularly important part for the enterprise. In this case, accounting for the costs requires careful analysis of the department activities. Usually, enterprises undertake costs in the hope of future gains, rather than only present benefits. The knowledge gained is either an asset of the firm or an increase in the value of the existing assets. The return on capital employed will only give a true measure of the company’s profitability, if the deferred development expenditure is included in the capital employed (Garrison & Noreen, 2002).

Centralized Static Virtual Enterprises

In centralized static virtual enterprises (CSVE), a dominant business domain (also called business integrator) coordinates the business relationships among network members (Caraminha-Matos & Afsarmanesh, 1999). It
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