Ekonomski signali, 2026, 21 (1): 129-142
UDK: 657.05
005.51
DOI: 10.5937/ekonsig2601129K

DEVELOPMENT AND CONTEMPORARY CHALLENGES OF FINANCIAL REPORTING IN THE CONTEXT OF GLOBALIZATION

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Received: 13.2.2026; Prihvaćeno: 15.5.2026.
Review Article
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Abstracts: Financial reporting represents one of the key instruments of modern business and corporate governance, as it enables transparent and reliable communication of financial position and performance to investors, creditors, regulatory institutions, and other stakeholders. The aim of this paper is to analyze the development of financial reporting and identify the most significant challenges it faces in the context of globalization. Particular attention is devoted to the process of international harmonization of accounting standards, the role of International Financial Reporting Standards (IFRS) in improving the quality of financial information, and the impact of the institutional environment on the effectiveness of their implementation. The analysis of relevant scientific literature indicates that the harmonization of financial reporting contributes to greater comparability, transparency, and reliability of financial statements; however, its effects depend on the quality of regulatory oversight, the development of capital markets, and the professional competencies of participants in the reporting process. The paper also examines contemporary challenges arising from digital transformation, the automation of accounting processes, the growing importance of non-financial and ESG reporting, and increasing demands for corporate transparency. The findings suggest that the future development of financial reporting requires the integration of financial and non-financial information, the continuous improvement of regulatory frameworks, and adaptation to technological changes shaping the global business environment.

Keywords: financial reporting, globalization, IFRS, accounting harmonization, business transparency

Introduction

Financial reporting represents a central area of accounting and has been the subject of continuous interest among both academic researchers and professional practitioners. The globalization of business activities, the harmonization of accounting standards, increasing demands from investors and regulatory bodies, as well as the growing importance of transparency and information quality (Dašić et al., 2023), have contributed to the intensive development of scientific literature in this field (Dašić, Dašić, & Trklja, 2021).

Financial reporting is one of the key elements of modern business and corporate governance, as it enables various stakeholder groups to access relevant information regarding the financial position, performance, and prospects of business entities (Kostadinović & Ilievska Kostadinović, 2026). In the context of intensive globalization, the development of international financial markets, and the increasing mobility of capital, the need for transparent, comparable, and reliable financial information has become more important than ever before. Investors, creditors, regulatory authorities, and other users of financial statements require a high level of reporting quality to make rational economic decisions within a complex international business environment (Milojević & Milanović, 2025).

The process of globalization has significantly influenced the development of the accounting profession and financial reporting practices. The expansion of multinational corporations, the growth of international investments, and the integration of financial markets have created a need for the harmonization of accounting standards on a global scale. Traditional national accounting systems often differed in their approaches to the recognition, measurement, and disclosure of financial information, thereby limiting the comparability of financial statements across countries. For this reason, the International Financial Reporting Standards (IFRS) were developed with the objective of establishing a common language of financial reporting that would fa-cilitate more effective communication among participants in global capital markets (Ball, 2006).

The importance of international harmonization in financial reporting lies in the fact that high-quality and comparable financial information helps reduce information asymmetries between companies and investors. Empirical studies indicate that the adoption of international accounting standards can improve the quality of financial reporting through increased relevance of accounting information, reduced opportunities for earnings manipulation, and enhanced business transparency (Kostadinović & Ilievska Kostadinović, 2025; Dašić, 2025). Barth, Landsman, and Lang (2008) argue that companies applying international accounting standards often exhibit a higher level of accounting quality compared to firms operating solely under national standards, further emphasizing the significance of international standardization.

However, despite its numerous advantages, the process of harmonizing financial reporting is not without challenges. The implementation of IFRS in different institutional, economic, and legal environments has demonstrated that the formal adoption of standards does not automatically guarantee their consistent application in practice. Numerous factors, including the regulatory framework, audit quality, capital market development, and the professional competencies of accountants, influence the ultimate outcomes of international standardization. Brüggemann, Hitz, and Sellhorn (2013) emphasize that mandatory IFRS adoption may generate both intended and unintended consequences, with the effects of standardization depending substantially on the specific institutional context of each country.

Contemporary challenges in financial reporting have been further intensified by digitalization, technological innovation, and the increasing demand for non-financial information. Users of financial reports today expect not only information on financial performance but also data related to business sustainability, corporate social responsibility, risk management, and corporate governance. At the same time, digital technologies are transforming the collection, processing, and presentation of financial data, requiring continuous adaptation of regulatory and professional frameworks. Moreover, the transition to international standards often represents a complex organizational process that demands substantial resources, employee training, and modifications to information systems. Weaver and Woods (2015) point out that organizations frequently encounter numerous operational, technical, and human resource challenges during the transition to IFRS, highlighting the complexity of contemporary financial reporting.

Based on the foregoing considerations, the aim of this paper is to analyze the development of financial reporting and identify the key challenges faced by organizations in the era of globalization. Particular attention is devoted to the process of international harmonization of accounting standards, the role of IFRS in enhancing the quality of financial reporting, and the contemporary challenges arising from digital transformation, regulatory changes, and increasing demands for business transparency (Vukša, Milojević, & Mihajlović, 2024; Pušonja, 2025).

Development and International Harmonization of Financial Reporting

The development of financial reporting represents a long-term process shaped by changes in the economic environment, the evolution of market institutions, and the growing needs of users of financial information. From its origins as a system primarily intended for internal business control, financial reporting has evolved into a complex communication mechanism between business entities and various stakeholder groups. Contemporary financial statements are no longer merely a collection of accounting data; rather, they serve as a key instrument for assessing the financial position, performance, and future prospects of companies.

During the early twentieth century, accounting systems developed predominantly at the national level, with the economic, legal, and cultural characteristics of individual countries shaping different approaches to financial reporting. This situation did not present a significant problem until business operations began to transcend national borders. The intensification of international trade, the growth of foreign direct investment, and the development of global financial markets created a need for greater comparability of financial information across countries. Differences among national accounting standards often made it difficult for investors to assess the financial performance of companies operating in different jurisdictions, thereby increasing information asymmetry and transaction costs.

In response to these challenges, the process of international harmonization of financial reporting was initiated. Its primary objective was to establish common accounting principles that would enhance the transparency, comparability, and reliability of financial statements. A particularly important role in this process was played by the establishment of the International Accounting Standards Committee (IASC) and, subsequently, the International Accounting Standards Board (IASB), which assumed a leading role in the development of the International Financial Reporting Standards (IFRS). The introduction of IFRS represented one of the most significant reforms in the history of accounting, as it created, for the first time, a framework that enabled relatively uniform financial reporting on a global scale.

The importance of financial reporting harmonization is especially evident in the context of capital globalization. Investors today have opportunities to invest in companies worldwide, making the quality and comparability of financial information crucial for investment decision-making. Daske, Hail, Leuz, and Verdi (2008) argue that mandatory IFRS adoption can contribute to increased market liquidity and lower costs of capital, thereby improving the efficiency of capital markets. Their findings suggest that the benefits of international harmonization extend beyond the accounting profession, generating broader economic effects that influence the functioning of financial markets and overall economic development.

However, the harmonization of financial reporting does not automatically guarantee the same level of financial reporting quality across countries. The quality of financial reporting depends on numerous institutional factors, including the legal system, the level of investor protection, the effectiveness of regulatory institutions, and the development of capital markets. Soderstrom and Sun (2007) emphasize that IFRS adoption alone cannot eliminate differences among national systems because the quality of financial statements is influenced by the broader institutional environment in which companies operate. In other words, international standards represent a necessary, but not sufficient, condition for achieving high-quality financial reporting.

Additional evidence supporting the importance of international harmonization is provided by studies examining the behavior of international investors following IFRS adoption. DeFond, Hu, Hung, and Li (2011) found that the increased comparability of financial statements resulting from mandatory IFRS implementation contributed to higher levels of foreign investment and greater interest from international investment funds in companies operating in countries with credible enforcement of accounting standards. These findings confirm that financial reporting harmonization has a direct impact on attracting international capital and promoting the integration of global financial markets.

Nevertheless, the experiences of different countries indicate that the effects of international standardization are not uniform across organizations. Daske, Hail, Leuz, and Verdi (2013) highlight significant differences in the ways companies implement IFRS. While some organizations adopt the standards as part of a broader strategy aimed at improving transparency and corporate governance, others implement them primarily to comply formally with regulatory requirements. Consequently, the outcomes of harmonization vary depending on the degree of genuine commitment to high-quality financial reporting.

It can be concluded that the development of financial reporting is a continuous process of adaptation to changes in the global economic environment. International harmonization, primarily embodied through IFRS, has significantly contributed to enhancing the transparency, comparability, and usefulness of financial information. Nevertheless, the success of harmonization depends not only on the quality of the standards themselves but also on the institutional environment, regulatory mechanisms, and the willingness of organizations to consistently apply the principles of transparency in business practice.

Contemporary Challenges of Financial Reporting in the Context of Globalization

The globalization of economic activities, the internationalization of business operations, and the development of modern information technologies (Vladisavljević et al., 2023; Trklja, Dašić, B., & Trklja, 2024) have significantly transformed the environment in which financial reporting operates. Contemporary companies conduct business across multiple markets simultaneously, attract capital from various countries, and face increasing demands from investors, regulatory authorities, and other stakeholder groups. Under such circumstances, financial reporting is no longer merely a legal obligation but has become a strategic instrument of corporate transparency and market communication.

One of the most important challenges of contemporary financial reporting relates to the consistent implementation of international accounting standards. Although the adoption of IFRS has significantly improved the comparability of financial statements, research indicates that the effects of their implementation are not uniform across countries. Christensen, Hail, and Leuz (2013) emphasize that the benefits of IFRS adoption largely depend on the quality of regulatory oversight and the effectiveness of enforcement mechanisms. Their analysis demonstrates that positive effects on market liquidity and transparency occur primarily in countries that have simultaneously strengthened their financial reporting supervision and enforcement systems alongside IFRS adoption.

In addition to regulatory challenges, significant difficulties arise from the diverse institutional environments in which companies operate. National legal systems, corporate governance traditions, tax regulations, and the level of capital market development influence the interpretation and application of accounting standards. Pope and McLeay (2011) argue that the outcomes of IFRS implementation across Europe have not been uniform but have instead depended on local institutional characteristics, the quality of oversight, and the professional competencies of participants in the financial reporting process. Such differences represent one of the key challenges of global accounting harmonization, as the formal application of the same standards does not necessarily guarantee identical accounting outcomes.

Contemporary financial reporting also faces the challenge of ensuring a high quality of accounting information. The quality of financial statements depends not only on accounting standards but also on the incentives faced by managers, owners, and other stakeholder groups. Christensen, Lee, Walker, and Zeng (2015) indicate that institutional incentives, corporate governance systems, and the regulatory environment often exert a greater influence on the quality of financial information than accounting standards themselves. Their findings confirm that improving the quality of financial reporting requires the simultaneous development of professional standards, regulatory mechanisms, and a corporate culture of transparency.

Another important challenge stems from the need to align international standards with the growing market demand for timely and comprehensive information. Investors today expect not only traditional financial indicators but also information regarding business sustainability, risk management, digital transformation, and long-term strategic development. Consequently, financial reporting is increasingly integrated with non-financial and ESG reporting, thereby expanding the scope of information that companies are expected to disclose.

Issues related to the supervision and enforcement of accounting standards have gained particular importance in contemporary business environments. Barth and Israeli (2013) emphasize that the benefits of international standards cannot be viewed independently of the institutional settings in which they are applied. Their analysis demonstrates that the most significant positive effects emerge when IFRS adoption is accompanied by effective regulatory oversight and consistent enforcement of accounting rules. In such circumstances, financial reporting becomes a reliable mechanism for reducing information asymmetries and strengthening investor confidence.

The analysis of contemporary literature indicates that financial reporting is currently influenced by global economic, regulatory, and technological changes that extend far beyond the traditional boundaries of accounting practice. The quality of financial information depends not only on the application of international accounting standards but also on the effectiveness of institutional frameworks, the quality of regulatory oversight, the professional competencies of reporting participants, and the ability of organizations to respond to increasingly complex market demands. In the era of globalization, successful financial reporting requires continuous adaptation to changes in the economic, technological, and regulatory environment while preserving the fundamental principles of reliability, comparability, objectivity, and relevance of financial information.

A particularly significant challenge is the accelerated digital transformation of business operations, which is reshaping traditional processes of collecting, processing, and presenting financial data. The development of information systems, artificial intelligence, the automation of accounting procedures, and the application of advanced analytical tools contribute to greater efficiency in financial reporting. At the same time, however, they raise new concerns regarding data security, information protection, and the reliability of digital records. Organizations are therefore confronted with the need to balance technological innovation with the preservation of the integrity of financial information that serves as the basis for business and investment decision-making.

Furthermore, contemporary trends point to the increasing importance of integrated and non-financial reporting. Investors, regulators, and the broader public increasingly demand information that goes beyond traditional financial indicators. Issues such as business sustainability, risk management, corporate social responsibility, and corporate governance have become integral components of reporting processes and the assessment of a company's long-term value (Dašić, Kostadinović, & Kostadinović, 2022; Mladenović, 2024). Consequently, the future development of financial reporting cannot be viewed solely through the lens of accounting standards but rather as a multidisciplinary process aimed at providing comprehensive, transparent, and timely information that meets the needs of the modern global marketplace.

Conclusion

Financial reporting represents one of the most important mechanisms of modern business, as it enables the transparent presentation of the financial position, performance, and development prospects of business entities to various stakeholder groups. The development of the global economy, the intensification of international investment flows, and the increasing integration of financial markets have transformed traditional accounting into a complex system of international financial communication. Under such circumstances, the quality, reliability, and comparability of financial information have become essential prerequisites for the efficient functioning of global capital markets and for informed economic decision-making.

The analysis of the development of financial reporting demonstrates that the process of international harmonization of accounting standards has been one of the most significant steps in the modernization of the accounting profession. The introduction of International Financial Reporting Standards (IFRS) has enabled the creation of a common framework for the preparation and presentation of financial statements, thereby enhancing their international comparability and transparency. Numerous studies confirm that the application of international standards contributes to reducing information asymmetries between companies and investors, increasing market participants' confidence, and improving the efficiency of capital allocation. At the same time, the harmonization of financial reporting serves as an important mechanism supporting international investment and the further integration of global financial markets.

However, the findings indicate that the formal adoption of international accounting standards alone is not sufficient to ensure high-quality financial reporting. The effectiveness of harmonization depends significantly on the institutional environment, the quality of regulatory oversight, the efficiency of corporate governance systems, and the professional competencies of accountants and auditors. Consequently, the quality of financial information cannot be assessed solely through the lens of accounting standards but should instead be viewed as the outcome of interactions among numerous economic, legal, and organizational factors. This reality represents one of the most significant challenges facing contemporary financial reporting in a globalized business environment.

Particularly important in the modern era are the processes of digital transformation, which are reshaping traditional methods of collecting, processing, and presenting financial data. The development of information technologies, the automation of accounting procedures, the application of artificial intelligence, and the use of advanced analytical tools contribute to greater efficiency and accessibility of financial information. At the same time, digitalization raises new concerns regarding data security, cybersecurity risks, the protection of confidential information, and the reliability of digital records. Organizations are therefore required to continuously improve their information systems and internal control mechanisms in order to preserve the integrity and credibility of financial reporting.

An additional challenge arises from changing expectations among investors, regulatory authorities, and society as a whole. Contemporary users of financial reports increasingly demand information that extends beyond traditional financial indicators and encompasses issues such as business sustainability, risk management, corporate governance, social responsibility, and environmental protection. As a result, financial reporting is gradually evolving into a broader concept of corporate reporting, in which financial and non-financial information collectively contribute to a more comprehensive assessment of long-term corporate value and sustainability. These developments require the adaptation of existing regulatory frameworks and the development of new reporting models capable of meeting the needs of modern markets.

Based on the conducted analysis, it can be concluded that the future development of financial reporting will largely depend on the ability of organizations, regulatory institutions, and the professional community to address the challenges posed by globalization, digitalization, and growing demands for business transparency. International Financial Reporting Standards will continue to serve as the foundation of global accounting harmonization; however, their effectiveness will depend on the quality of the institutional environment and the efficiency of their practical implementation. In this context, financial reporting will continue to play a crucial role in strengthening investor confidence, enhancing corporate accountability, and supporting the sustainable development of modern organizations in an environment characterized by increasingly dynamic global economic change.

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RAZVOJ I SAVREMENI IZAZOVI FINANSIJSKOG IZVEŠTAVANJA U USLOVIMA GLOBALIZACIJE

Sažetak: Finansijsko izveštavanje predstavlja jedan od ključnih instrumenata savremenog poslovanja i korporativnog upravljanja, budući da omogućava transparentno i pouzdano informisanje investitora, kreditora, regulatornih institucija i drugih zainteresovanih strana o finansijskom položaju i uspešnosti poslovnih subjekata. Cilj rada je analiza razvoja finansijskog izveštavanja i identifikovanje najznačajnijih izazova sa kojima se ono suočava u uslovima globalizacije. Posebna pažnja posvećena je procesu međunarodne harmonizacije računovodstvenih standarda, ulozi Međunarodnih standarda finansijskog izveštavanja (IFRS) u unapređenju kvaliteta finansijskih informacija, kao i uticaju institucionalnog okruženja na efikasnost njihove primene. Analiza relevantne naučne literature ukazuje da harmonizacija finansijskog izveštavanja doprinosi većoj uporedivosti, transparentnosti i pouzdanosti finansijskih izveštaja, ali da njeni efekti zavise od kvaliteta regulatornog nadzora, razvijenosti tržišta kapitala i profesionalnih kompetencija učesnika u procesu izveštavanja. U radu su takođe razmotreni savremeni izazovi koji proizlaze iz digitalne transformacije, automatizacije računovodstvenih procesa, rastućeg značaja nefinansijskog i ESG izveštavanja, kao i povećanih zahteva za korporativnom transparentnošću. Rezultati analize ukazuju da budući razvoj finansijskog izveštavanja podrazumeva integraciju finansijskih i nefinansijskih informacija, kontinuirano unapređenje regulatornih okvira i prilagođavanje tehnološkim promenama koje oblikuju globalno poslovno okruženje.

Ključne reči: finansijsko izveštavanje, globalizacija, IFRS, harmonizacija računovodstva, transparentnost poslovanja