Country study on Germany

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# **Introduction**

 Julius Caesar became the ruler of the Roman province of Gaul in 55 BC. The place-name Rhine was given the central position for this province. In 9 Ad, there was a fierce battle which ensured that Germany was never conquered by the Romans beyond the Rhine area. In 911, Germany was headed by the Duke of Franconia. In 936, Otto became the king and he defeated the Magyars to finish the threat forever. As far as the cultural heritage is concerned, Germany has a rich and versatile heritage related to its culture. There are a large number of monuments that are spread all across the country. These monuments represent a variety of periods through which the country has gone. The details that accompany these monuments allow people to know more about the cultural history of the country. A list is prepared by UNESCO contains the objects held by the various countries to objects held to show cultural heritage and Germany falls at number five on that list (Woestenburg).

 The major natural resources of Germany include timber, natural gas, coal, lignite, uranium, and iron ore.

Germany has a system that is a democratic, federal, and parliamentary republic that emphasizes that individual liberties are not hurt at any cost. The country has a mayor as the head of state and Angilna Merkel is the current holder of this position.

 The economy of Germany has developed itself to become the fourth largest in the world when GDP is used to measure its size. This astonishing development in the economy has been attributed to the manufacturing sector that makes extraordinary products. The country was not highly affected by the financial crisis to a very large extent. The major industries include machinery, automotive and aviation industry. The automotive industry employed more than 6419 employees in 2015. Many people still prefer Cars made by the German companies especially due to their superior engineering. The chemical industry of Germany also leads the tables in Europe in terms of sales revenue. A well-developed research and development infrastructure also helps the chemical industry a great deal.

 The top exports in Germany are cars. Vehicle parts, planes, helicopters, and human or animal blood. The major imports of the country are cars, vehicle parts, crude petroleum, and packaged medicaments.

 German American relations have returned to be one of the most important in the whole world. The relationship between Donald Trump and Angela Merkel have been difficult to describe, to say the least. US-German relationships have been an important part of the trans-Atlantic relationships throughout the cold war era. The current stability of the relationships has been attributed to the availability of nuclear weapons to all the countries. Another factor is that any step taken by one country will affect its system due to the bilateral nature of power politics.

# **Analysis**

 ‘Handelsgesetzbuch’ (HGB) is a law that acts as the primary commercial code for companies in Germany. This law also guides the preparation of financial statements in Germany. This is similar to the GAAP used in the USA.

 Full disclosure is a general requirement related to the financial statements of the companies. This will mean that the firms have to provide all related information to their financial statements in the form of notes to the financial statements (D.Choi & Meek, 2011). There will be enough information for almost all the stakeholders by adopting full disclosure practice. The disclosure of financial information by the German firms has improved with time. This especially relates to investor-related information that is released by the companies. To assess the factors affecting this improvement, (Marston & Polei, 2004) identified firm size, profitability, ownership structure, systematic risk and foreign listing status as variables affecting this change. Among all these variables, firm size was the only variable that had a significant impact on the changes that took place within the German firms. In the US, there have been variations in disclosure of various firms because these firms are managed by groups of people having different managerial philosophies. This disclosure greatly affects any decisions taken by investors to invest in a company. An index of factors has been developed to analyze the changes in disclosure by various companies. This index included 34 factors and these were given different weight based on relative importance. The study concluded that firms with poor disclosure had certain characteristics in common. Smaller firms had poor disclosure record where size was measured by the number of total assets and number of stockholders. The companies with poor disclosure were not listed on the stock exchanges, the audit was undertaken by small CPA firms. The profitability of these firms was low as measured by the rate of return as well as earnings margin (Singhvi & B.Desai, 1971).

 Being part of Europe, Germany has made many changes to the disclosure made by the companies in terms of environmental, social and governmental fronts. Most of the German firms have adopted the EU’s modernization directive. This adaptation to modernization directive will now mean that there will be more disclosures by the German companies regarding environmental, social and governmental aspects. The non-financial reporting has included the European pollutant release and transfer register and other similar disclosures. One of the changes that have taken place in the country is that various stakeholders have now been involved in the evolutionary process of the ESG disclosures. As an outcome, there will be a mix of mandatory and voluntary measures taken by the companies about the ESG disclosures (Camilleri, 2016).

# **Conclusion**

 There is no proper word for a profession in the German language. This also enlightens the difference in perception of the profession in Germany and other European countries. Another differentiating factor is whether the profession is self-regulated or it is regulated by the government. In Germany, unlike some other European countries, there is a clear distinction between accounting and auditing professions. The auditors in other European countries are very much dependent upon the accountants to perform their duties in a pertinent manner. There is no such thing as an accountant that exists in Germany. The difference of emphasis on the auditing profession as compared to the accounting profession means that the German government wants to save the interests of more stakeholders as compared to those countries where the emphasis is on the accounting profession. There are a large number of banks in Germany and consequently, the first audit firm was formed by the Deutsche bank in 1890. This was soon followed by other banks but the main interest of the credit institution was in valuations and they needed to form firms that can perform this function properly. The legal aspects of the profession are considered to be an attempt to take a certain level of control over the operations of the companies. This helps to check the extent to which accounting books represent the true picture of the company as well as to reduce the uncertainty about these records in the eyes of other stakeholders.

 German system mixes the state and self-regulation systems. The ‘Wirtschaftspruferkammer’ (chamber of auditors) is an independent body that was founded in 1961. It is mandatory for all the auditors to be a member of WPK and follow its directives. The main responsibilities of this body are to implement the work ethics, looking after the actions of the various auditors and representing the profession to other stakeholders (R.Vieten, 2006).

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