



An analysis of the factors affecting the adoption of international accounting standards by developing countries

Daniel Zeghal *, Karim Mhedhbi

*CGA — Accounting Research Centre, School of Management, University of Ottawa,
136 Jean-Jacques Lussier Street, Ottawa, Ontario, Canada K1N 6N5*

Abstract

The purpose of this study is to identify the factors that could explain the adoption of international accounting standards by developing countries. The following factors have been selected: economic growth, education level, the degree of external economic openness, cultural membership in a group of countries, and the existence of a capital market.

Our results indicate that developing countries with the highest literacy rates, that have capital markets, and that have an Anglo-American culture are the most likely to adopt international accounting standards.

Crown Copyright © 2006 Published by University of Illinois. All rights reserved.

Keywords: Developing countries; Explanatory environmental factors; International accounting standards

1. Introduction

With the growing internationalization of economic trade and the globalization of businesses and financial markets, financial information prepared according to a national accounting system may no longer satisfy the needs of users whose decisions are more and more international in scope. In some ways, purely domestic information may even be a handicap for businesses as well as investors.

* Corresponding author. Tel.: +1 613 562 5800x4769; fax: +1 613 562 5164.

E-mail address: zeghal@management.uottawa.ca (D. Zeghal).

Conscious of this reality as well as the need to adapt accountancy to the new global environment and to the new requirements of decision makers, accounting regulating authorities have sought out solutions that allow for the improvement and advancement of financial accounting and its principal outputs. Although several initiatives have been put forward, harmonization of accounting standards and practices on an international scale has been the fundamental change in recent years. This initiative's goal is to have a coherent set of accounting standards and practices that provide national and international decision makers with a relatively homogenous information product that is comparable and reliable.

To arrive at this objective, the International Accounting Standards Board (IASB) has prepared and published international accounting standards (IAS), which have become the reference for the entire world (Dumontier & Raffournier, 1998).

Over the last 15 years, most of the debate has focused on the development of international accounting standards and, more recently, on the adoption of these standards by large industrialized countries, such as the United States, Canada, and members of the European Union.

Much less discussion has focused on developing countries' opportunities to adopt these standards. According to Richter Quinn (2004), accounting and financial information originating from developing countries is still difficult to trust, despite the urgent need for these countries to attract foreign investment and foreign capital, and despite the pressing demands from individual and institutional investors, lending institutions, and multinational agencies.

There is still no effective date when all developing countries will comply with IAS; however, some countries have taken the initiative to adopt IAS or adapt them to their particular reality. This process is expected to improve the quality and credibility of accounting information and improve the flow of capital and investment, resulting in economic development.

The primary force behind the adoption of IAS in developing countries is a country or a group of countries. Several studies have dealt with the issue of IAS adoption by a specific country. Yet none, to our knowledge, has attempted to define the reasons that motivate the adoption or non-adoption of IASB standards by a group of countries.

Our purpose in this study is to identify the factors that could explain the adoption of IAS by developing countries.

Understanding these factors is potentially useful for a number of organizations and decision makers, including governments, accounting standards setters, financial markets regulators, international institutions and investors, preparers and users of accounting information, and, finally, it may help the IASB in its efforts to promote the worldwide adoption of international standards.

In what follows, we first present a review of previous studies in Section 2; we then describe our research hypotheses in Section 3; we provide the methodology and results in Section 4; and our conclusion is in Section 5.

2. Review of previous research

Empirical research on favorable or unfavorable conditions for the adoption of IAS is almost non-existent. Most of the few existing studies are of a general nature and normative or descriptive of a particular country's circumstances.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات