

Attitudes of CPAs and Financial Executives Toward Harmonization of International Accounting Standards: An Analytical and Empirical Examination

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This study examines whether CPAs and financial executives (CFOs) can have high preferences for harmonization of accounting standards even with higher processing costs. A simplified analytical model for supply and demand of accounting standards is developed. We hypothesize an increasing demand for accounting standards by our subjects and a possible shift in the supply of accounting standards due to a higher cost of compliance with harmonization. Costs and benefits cannot be measured directly due to the absence of empirical data bases. Consequently, survey techniques are used to investigate whether respondents' choices of standards most appropriate in today's international capital markets are based more on "benefit to user" or "cost of compliance". The overall attitude of all respondents toward harmonization is positive, but international CPAs are significantly more positive than U.S. CPAs and CFOs. U.S. CPAs are somewhat more positive than CFOs. All respondent groups lean toward "benefit to user" in choosing appropriate accounting standards. The results indicate that two attitude variables significantly explain the overall attitude of respondents toward harmonization. The hypothesis of an increasing demand for harmonization of accounting standards by international-oriented entities is supported, but the hypothesis of a possible upward shift in the supply of accounting standards is not. Several implications for standards setters and regulators are discussed in the conclusions.

Key Words: harmonization; accounting standards; cost and benefit of harmonization; attitudes.

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INTRODUCTION

Academic and professional studies have debated whether harmonization of accounting standards is recommendable and beneficial. Prior research on harmonization has focused on five major directions. First, many studies have debated the need for harmonization. Second, methodological and empirical studies suggested and examined methods for measuring harmonization. Third, a few studies provided theories and concepts of harmonization. Fourth, several studies examined the international accounting standards. Finally, numerous studies focused on harmonization in a particular region or continent. Recently, Nobes (1996) summarized the second, fourth and fifth directions.

Our research differs from previous studies by developing an analytical model of demand for and supply of harmonized and domestic accounting standards and then examining the attitudes of CPAs and financial executives (hereafter, CFOs) toward harmonization of accounting standards. Since empirical data bases are not available to measure costs and benefits directly, survey techniques are used to test the model. The demand for standards by CPAs with international experience is compared with that of CFOs of multinational firms. In addition, the research question whether harmonization is perceived as being costly and as providing excess costs over benefits is examined.

The remainder of this paper is structured as follows. The next section summarizes prior research and briefly provides the incremental contribution of this study. The third section provides an analytical model for the demand for and the supply of accounting standards. The fourth section describes the research design, including the sample, the response rate, and the survey instrument. The fifth section summarizes and discusses the results based on univariate and multivariate analyses, and provides comparisons among respondent groups. A summary and conclusions are provided in the last section.

PRIOR RESEARCH

Both CPAs and financial and accounting executives are calling for harmonization of accounting standards to compete in international capital and product markets. Many articles on this issue discussed the need for harmonization of accounting standards (e.g., Fleming 1991; Wyatt 1989; Wyatt and Yospe 1993; Anderson 1993). Other articles focused on strategies for wider acceptance of harmonization of accounting standards (e.g., Chandler 1992; Grove and Bazley 1993). Other practitioners called attention to harmonization of accounting standards (Lochner 1991; Barrett 1992), whereas some studies mentioned problems and barriers in international harmonization (Fantl 1971; Blake 1990; Grinyer and Russel 1992). Goeltz (1991) argued that international accounting harmonization is

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