

The Quest for International Accounting Harmonization: A Review of the Standard Setting Agendas of the IASC, US, UK, Canada, and Australia, 1973-1997

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Abstract: For 1973 through 1997, the research examines the evolution of accounting standards to ascertain the extent of similarities and differences in financial reporting practices among the IASC and national standard setters in the US, UK, Canada, and Australia. Collective and individual efforts aimed at minimizing differences to achieve harmonization/compatibility are discussed. The impact of the IASC's modified philosophy for the 1990s, specifically its cooperative endeavors with the G4 standard setters on agenda coordination and harmonization/compatibility of accounting standards, is also investigated.

During the 1970s and 1980s, the IASC, US, UK, Canada, and Australia achieved accounting standard compatibility in very few areas. Successes included the funds flow statement and leases. This failure to make significant progress toward harmonization/compatibility can be linked to limited agenda coordination and cooperation between the IASC and national standard setters. The research also reveals that significant periods of time, of as much as two decades or more, passed before the IASC and Anglo-American standard setters attained some form of consensus on agenda items initiated during the IASC's first two decades.

The IASC and Anglo-American standard setters entered the 1990s better equipped than in prior decades to engage in cooperative endeavors. By focusing on common themes in their conceptual frameworks and adopting a philosophy of harmonization via cooperation, the IASC and G4 have made considerable progress. Areas where the five standard setters have achieved consensus, or are close to achieving concurrence, include several projects initiated during the 1970s and 1980s. These projects include investments in associates, interim reporting, business combinations, joint ventures, deferred taxes, and pensions. In addition, projects launched by the G4+1 members during the 1990s have often produced compatible standards (or proposals) on a relatively timely basis. Examples include financial instruments, EPS, segment reporting, and comprehensive income. The research also reveals a few areas where consensus has not been achieved, such as accounting for the correction of errors, R&D, and interest capitalization.

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Several objectives underlying the goal of accounting standard harmonization have been achieved in the 24 years since the International Accounting Standards Committee (IASC) was founded. Yet, true harmonization has been hindered by many factors. Accounting systems are developed and fostered within a nation's unique environment, which includes different socioeconomic factors, educational and legal systems and cultural mores. Plus, accounting systems do not evolve uniformly or simultaneously (Radebaugh & Gray, 1997). Accordingly, significant differences exist between International Accounting Standards (IASs) and the national standards of the IASC membership.

Researchers often refer to the Anglo-American accounting model that is practiced in the United Kingdom (UK), United States (US), and other countries where the UK has had a major colonial influence. The impact of the Anglo-American model on the IASC's work is evident. As reflected in the conceptual frameworks of the IASC, the US, UK, Canada and Australia, these standard setters share "the objective of providing quality financial standards for the primary purpose of providing information useful to capital market participants" (Paul, 1997, p. III). However, despite a common conceptual goal, notable contrasts exist between IASs and the standards of those countries using the Anglo-American model.

Initially the IASC worked independently of national standard setters. However, in 1990 the IASC elected to work towards greater compatibility between national accounting requirements and the removal of differences between national requirements and IASs. A 1980 IASC resolution, which provided the basis for participation with groups of national standard setters, was reaffirmed in 1993. The resolution stated:

Because members have agreed that IASC is the appropriate forum for the development and publication of international accounting standards, ... IASC requests member bodies to use their best endeavors to ensure that the IASC board is kept fully informed of all initiatives within their country towards the development of accounting standards and that, when any discussions on accounting standards are proposed between two or more countries ... IASC is invited to participate ... (IASC, 1993, p. 1)

Based on the IASC's revised philosophy for the 1990s, a cooperative effort of the IASC and those organized national standard setters whose standards were universally recognized was initiated to facilitate harmonization (Carsberg, 1996). Among the most likely candidates to work with the IASC were standard setters from the US, UK, Australia, and Canada, especially in view of each entity's commitment towards harmonizing standards and their strikingly similar conceptual frameworks.

The current research examines the evolution of accounting standards, since the formation of the IASC in 1973, to ascertain the extent of similarities and differences in financial reporting practices among the IASC and standard setters in the US, UK, Canada, and Australia. Efforts to minimize differences to achieve harmonization are discussed. The impact of the IASC's modified philosophy for the 1990s, specifically with respect to cooperative endeavors with the Anglo-American standard setters on agenda coordination and harmonization/compatibility of accounting standards, are also investigated.¹

In 1993, the Australian Accounting Standards Board (AASB), Canadian Accounting Standards Board (AcSB), Financial Accounting Standards Board (FASB), and UK

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