

International Accounting Harmonization and the Major Developed Stock Market Countries: An Empirical Study

Emmanuel N. Emenyonu and Sidney J. Gray

Sacred Heart University and the University of Warwick

Key Words: Harmonization; international; measurement

Abstract: *The purpose of this study is to assess the extent to which the accounting measurement and associated disclosure practices of large listed companies have become more harmonized internationally. An empirical study of companies based in the five major developed stock market countries, namely, France, Germany, Japan, the United Kingdom and the United States, examines the results of the efforts made so far to reduce or eliminate diversity in accounting practices internationally. An evaluation of changes over the 20 year period from 1971/72 to 1991/92 shows that while progress has been made in some respects, international accounting harmonization has remained an elusive goal.*

Technological innovations coupled with the deregulation of national capital markets have created a positive climate for the increasing integration of the world's capital markets. This phenomenon which has been variously described as "globalization" or "internationalization" has meant that companies are no longer limited in their fund raising and investment activities to their home countries. Similarly, investors incessantly search around the world for the best portfolios. This situation brings to the fore the issue of the accounting practices which underlie the numbers on which these cross-border financing and investing decisions are predicated. Furthermore, the increasing trend of multinationality of companies raises serious questions as to the adequacy and suitability of ethnocentric accounting guidelines, as conflicting standards of national reporting pose additional problems and costs both for multinational corporations and information users.

In recognition of the problems posed by international accounting diversity, leading professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, Netherlands, the United Kingdom and the United States of America established the International Accounting Standards Committee (IASC) in 1973 in a bid to promote the harmonization of international accounting practices.

Direct all correspondence to: Sidney J. Gray, University of Warwick, Warwick Business School, Coventry CV4 7AL, U.K.

Shortly after its establishment in 1973, the IASC predicted that "Provided that the initial enthusiasm and thrust with which the IASC was started is continued, its impact in the years to come will be important. It will take perhaps five to ten years before its full effects are recognized, but after that they will increase each year" (IASC, 1975). In retrospect, optimism about international harmonization or reductions in international accounting diversity may seem to have been misplaced, because in practice IASC standards have often been necessarily flexible in order to achieve consensus. They have also been difficult to enforce in countries such as Germany and Japan, where professional accounting organizations do not have a significant role in the standard setting process.

However, any progress in international accounting harmonization, or lack of it, is not just the responsibility of the IASC. Many other agencies have been involved such as the United Nations and OECD together with the European Union (EU) at the regional level. Nevertheless, the IASC is perhaps the only organization to claim prime responsibility for promoting international accounting harmonization or standardization on a world-wide basis.

It is against this background that the purpose of this study is to assess the extent to which the accounting measurement and associated disclosure practices of major companies based in five countries, namely, France, Germany, Japan, the U.K. and the U.S.A. have become more harmonized or less diverse in the context of efforts made since the 1970s to reduce or eliminate differences in accounting policies and practices internationally. Given that 1993 marked the 20th anniversary of the IASC's establishment, it would now seem an opportune time to assess how much progress has been made over this 20-year period in terms of a reduction in international accounting diversity. Furthermore, it would seem useful to identify areas of continuing concern which warrant the attention of international accounting harmonization agencies in the years ahead.

THE MEANING OF INTERNATIONAL ACCOUNTING HARMONIZATION

The terms "harmonization" and "standardization" tend to be used rather loosely and sometimes interchangeably. To clarify these concepts, it is probably helpful to think of a spectrum of practice ranging from total flexibility and diversity to total uniformity. In this context, harmonization is a process involving movement away from total diversity towards a state of harmony which may include total uniformity (Tay and Parker, 1990). Standardization is also a process involving movement away from total diversity towards total uniformity. Thus both harmonization and standardization involve a reduction in accounting diversity. The difference between them seems to lie in their relative flexibility or strictness in terms of their application to accounting regulation and practice. Harmonization seems to imply consensus and coordination in the context of a more flexible approach, (compared to standardization), with acceptance of a state of harmony which may be short of total uniformity. Standardization, on the other hand, implies a more strict approach resulting ultimately in a state of uniformity. These concepts are applicable at both the national and international level.

For the purposes of this study, the focus is on a reduction of international accounting diversity as an indicator of an increase in harmony. This is consistent with both the harmonization and standardization approaches but at the same time it does imply that uniformity

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