

**In the name of God****4.1. In the context of financial accounting what is harmonization and/or standardization?**

*Standardization of accounting is explained as a term which appears to imply the imposition of a more rigid and narrow set of rules (than harmonization). Therefore harmonization appears to allow more flexibility than standardization. Harmonization is a process of increasing the compatibility of accounting practices.*

**4.2. Identify some factors that might be expected to explain why different countries use different systems of accounting?**

*Underlying laws and political systems*

*Tax systems*

*Level of education*

*Level of economic development*

*Nature of business ownership and financing system*

**4.3. After considering Hofsted-Gray model, briefly explain the hypothesized link between society values, accounting values and accounting practice.**

*Gray (1998) further hypothesized that relationships can be established between accounting values and the authority and enforcement of accounting systems (the extent to which they are determined and enforced by statutory control or professional means), and the measurement and disclosure characteristics of the accounting systems. According to Gray (1988, p12):*

*Accounting value systems most relevant to the professional or statutory authority for accounting systems and their enforcement would seem to be the professionalism and uniformity dimensions, in that they are concerned with regulation and the extent of enforcement and conformity ... .*

*Accounting values most relevant to the measurement.*

*Practices used and the extent of information disclosed are self-evidently the conservatism and the secrecy dimensions.*

Gray's linkage between societal values, accounting values and accounting practice can be summarized.

*Society values → Accounting values → accounting practice*

**4.4. Any efforts towards standardizing accounting practices on an international basis implies a belief that a "one-size-fits-all" approach is appropriate. Is this naive?**

*No. Because, there are lots of differences between various countries such as religion, culture, legal system and etc. For instance conducting a business in Islamic and western countries are completely different.*

**4.5. While it is often argued that within particular countries there should be some association between various value systems and accounting systems, it is also argued (for example, by Baydoun and Willett, 1995) that over time many events would typically have occurred that confound this expected relationship. What type of events might confound expected relationship?**

*Most accounting systems used in developing countries have been directly imported from the west through a variety of channels:*

*by colonialism in the past and through western multinational companies, the influence of local professional associations and aid and loan agencies from the industrialized countries are these kinds of events.*

**4.6. Baydoun and Willett (1995, p.72) identify a number of problems in testing the Hofstede-Gray theory. They emphasize that many accounting systems are imported from other countries with possibly different cultures. As they state. “Due to the interference in what would otherwise have been the natural evolution of financial information requirements, there are no uncontaminated examples of modern accounting practices in developing countries. Consequently great care has to be taken in using data from developing countries to draw inferences about relevance on the basis of the Hofstede-Gray framework.” Explain the point of view being provided by Baydoun and Willett. Do you believe that they are correct?**

*The four societal value dimensions identified by Hofstede can be summarized as follows (quoted from Hofstede, 1984):*

*Individualism versus Collectivism*

*Large versus Small Power Distance*

*Strong versus Weak Uncertainty Avoidance*

*Masculinity versus Femininity*

*Gray developed four accounting values that were deemed to relate to the accounting subculture with the intention that the accounting values would then be directly linked to Hofstede's four societal values (which we discussed above). Gray's four accounting values were defined as follows (1988, p. 8):*

*Professionalism versus Statutory Control*

*Uniformity versus Flexibility*

*Conservatism versus Optimism*

*Secrecy versus Transparency*

*Gray (1988) then developed a number of hypotheses relating Hofstede's four societal cultural dimensions to each one of his own four accounting values.*

*Gray further hypothesized that relationships can be established between accounting values and the authority and enforcement of*

accounting systems, and the measurement and disclosure characteristics of the accounting systems.

**4.7. As noted in this chapter, Hamid, Craig and Clarke (1993) provide an argument that religion can have a major impact on the accounting systems chosen by particular countries and that before ‘Western’ methods of accounting are exported to particular countries, it must be determined whether particular religious beliefs will make the ‘Western’ accounting policies irrelevant. Provide an explanation of their argument.**

*In my opinion religion can irrelevant western accounting system if we concern on just religious beliefs because Studies to date have confirmed the interaction of accounting and the environment. Religion as one of the most influential environmental factors influencing accounting is an integral part religion can potentially impact on how people do business and how make decision. for example in western people make decision to use fund in a way that lead to maximize the wealth but in Islam the object is god pleasing and Living a better life and social justice because in*

western fund is by investor and creditor and all statement is prepare for this group but in Islam fund is trusted by god and people doesn't any ownership on, In other words Islamic community stewardship task in front of God, not in front of the holders of shares or corporate bonds. In the other hand in western decision making is based on economic point Based on the individual sovereignty and private property and in this view time value of money is important thus use of interest rate inevitably should be use this despite the fact that economic is not first and reasonable object. Like other religions Islam has its own worldview and religious beliefs that cannot be confined only to individual spheres. In Islam emphasis is on issue such as help to fellow and the primacy of the individual over the collective needs. Professional code of ethics in Islamic countries is rooted in religious beliefs and teachings that are provided by religious leaders while the professional code of ethics by communities in non-Islamic countries, professional associations established

institutions. . This demission of religion is differ from what is common in the West. However, all this depends on adherence to religious rules and the primacy of individual issues. In a wrap-up since all accounting frameworks based on the target set, and all of the targets on the ground of religion is questioned thus English accounting techniques - US-based Western economy is based cannot be used easily in religious-based environments.

**4.8. Nobes (1998) suggests that for countries that have organization that rely relatively heavily upon equity markets as opposed to other sources of finance there will be greater propensity for such organizations to make public disclosures of information. Evaluate this argument.**

Thus, given the significance of outsider finance, financial accounting will have developed historically with a primary aim of providing this fair, balanced and unbiased information to external shareholders\_ a process which requires rather extensive use of professional judgment (Nobes, 1998), for example to handle regular developments or innovations in business practices

which cannot easily have been foreseen when writing accounting codes or legislation.

**4.9. In the early 1990s, US Financial Accounting Standard Board's chairman Dennis Beresford claimed that the US accounting and reporting system was regarded by many as 'the most comprehensive and sophisticated system in the world'. Evaluate this statement. How do you think its validity might have changed in the aftermath of accounting failure at Enron, WorldCom and Andersen in 2001/02? Do you think that the US system would be regarded as sophisticated in all cultural contexts?**

*Because of the impact of the different financing systems on the shape of accounting practice we should emphasize that with the increasing scale of global businesses multinational corporation based in any country are increasingly relying on financing form more than one nation .the funding needs of many of these companies in countries which have traditionally relied upon insider forms of finance have grown beyond the funding capacity of these insider sources of finance 'with several companies now increasingly also relying upon outsider finance –form*

shareholders in both their home country and in other nations. No I think that the US system is the incomplete system to all the countries and nations.

**4.10. Do you think it is realistic to expect that one day there will be internationally uniform accounting standards, what factors would work for or against achieving this aim?**

*One of the IASB objectives is to work on the improvement and standardization of accounting standards. There are lots of factors that are against achieving this aim; culture, religion. I think if IOSCO support IASB and IASC, it will be realistic to expect internationally uniform accounting standards.*

**4.11. Evaluate how reasonable it is to assume that inflow of foreign investment into EU member states would have been restricted if the EU had not made compliance with IAS/IFRS compulsory for all EU listed companies from 2005.**

*All the companies around the world should obey one set of standards to prepare financial reports because it is costly for*

*other companies or users to comply financial reports with IFRS, therefore in my opinion following IFRS should be compulsory for all companies EU listed.*

**4.12. Explain possible barriers to harmonization or standardization of financial accounting, do you think that the E.U has been naive in embracing the harmonization process?**

*Obstacles in the way of harmonization are as follows:*

- 1. Institutional and cultural differences*
- 2. The absence of experts in developing countries*

*According to the principle of unionization Europe was that capital and transport goods must be transferred freely between countries, to Member States would not allow was that every country has its own development and application of the accounting provisions, so the Member States on the basis of European system, your accounting system established, but in addition to financing and money need non-European markets*

also had their systems founded on the basis of International Financial Reporting Standards.

**4.13. The IASC (1998, p.50) stated: many developing and newly industrialized countries are using International Accounting Standards as their national requirements, or as the basis for their national requirements. These countries have a growing need for relevant and reliable financial information to meet the requirements both of domestic's users and of international providers of the capital that they need. Do you think that IASs/IFRSs will provide relevant and reliable information that meets the needs of all financial statement users in all countries?**

*Of course it is not logical to expect that all the information that IASs/IFRS provide are relevant and reliable and fulfill all the need of users, but their aim is to provide uniform accounting standards and they believe that differences and obstacles such as culture, tax system and... can decrease the quality of information.*