INTERNATIONAL ECONOMIC HARMONISATION

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ABSTRACT
There are a number of benefits as well which will come with the harmonization of international accounting standards. It will bring uniformity in the preparation of accounts and will make the accounts of companies more transparent and comparable, which in turn will help the investors to make the right investment decision.
The existence of differences between accounting standards and resulting reported financial information is less important than the extent to which the reported financial information meets the demands of its consumers, that is, the financial statement users, in the market in which the information is provided. That should be the basis for assessing the acceptability of IASC standards for use in the cross-border securities listings in the US. The US is also heavily involved in developing international accounting standards with IASB. Most of the countries which trade with the US prepare their accounts according to US GAAP this in turn makes US GAAP accepted not only in the US but in other countries as well. The most desirable and most feasible option must be ferreted out of the harmonization attempts by numerous organizations and at various levels. The need is apparent for a mechanism that requires companies to follow a set of agreed-upon standards, regardless of the choice of capital market.
International accounting harmonization remains a desirable but other elusive goal.

KEYWORDS: *Accounting, harmonization, IASC, IOSCO*

JEL CLASSIFICATION: *O50, P40, M41*

1. INTRODUCTION

The International Accounting Standards Committee (IASC) was established in 1973 to harmonise international accounting standards. The international accounting standards (IASs) are now accepted in some form by numerous stock exchanges, including those in London, Germany, Hong Kong, Singapore and Switzerland. The US Securities and Exchange Commission (SEC) accept the use of three IASs and has indicated that it may accept all IASs in late 1998. Although accepted by a growing number of stock exchanges, this may not represent an individual country's accounting standards. This article investigates the recent progress of international accounting harmonisation by examining whether countries' official standards were in compliance with the IASs in the 1990s. Overall, harmonisation via IASs appeared to increase from 1991 to 1993. However, when the results of the "Comparability of Financial Statements" program became effective in 1995, at least initially, the level of harmonization decreased. This drop was not unexpected given that the 1995 changes eliminated previously approved and practised accounting methods.

Is harmonisation of international accounting standards occurring? The actions of various international stock exchanges are a positive indication. IASs are now accepted from foreign registrants on a large number of stock exchanges, including those in Australia, London, Germany,

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Hong Kong, Kuala Lumpur, Paris, Singapore and Zurich. Several stock exchanges do not even require any additional disclosures reconciling IASs to their country's own domestic generally accepted accounting principles (GAAP).

The IASC receives widespread support for its efforts to harmonise international accounting and is regarded as the leading force in the international accounting harmonization effort, with the support of the International Organization of Securities Commissions (IOSCO), the largest international public accounting firms, various businesses and trade organisations, many international development organisations, and most national public accountancy bodies.

Despite widespread public support for accounting harmonisation and the work of the IASC, little empirical research has been conducted to assess the extent to which harmonisation via IASs is actually occurring. (Tay & Parker, 1990) The study explores recent harmonisation via IASs in regard to various countries' actual accounting standards in three parts. The first part briefly reviews compliance with IASs in the early 1990s before dramatic changes in IASs became effective in January 1995. The second part examines changes in the early 1990s of countries' accounting standards to determine whether those changes resulted in greater compliance with IASs. The third part examines compliance with IASs after January 1995, when the results of the "Comparability of Financial Statements" program became effective. Those changes to IASs eliminated many previously allowable accounting methods for many types of transactions, even though many of those accounting techniques continue to be the GAAP in various countries. Potentially, a country's GAAP could have been in compliance with IASs on December 31, 1994, but not in compliance the next day.

2. THE MEANING OF INTERNATIONAL ACCOUNTING HARMONIZATION

The terms “harmonization” and “standardization” tend to be used loosely and sometimes interchangeably. To clarify these concepts, it is 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 & Parker, 1990) Standardization is also a process involving the 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 implies 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 implies that uniformity is desirable, which may not necessarily be the case; that is, some flexibility may be appropriate to reflect different circumstances. It is also important to note the distinction between harmonization at the level of regulation as compared to the level of practice. Given that the ultimate concern is to enhance the comparability of financial statements to users, then any measure of success in the context of international harmonization or standardization would seem best focused on de facto accounting practices as is the case in this research.

In her paper, Clare Wang stated in 2011 that while direct examination of the comparability effect is nascent, the comparability itself if often advocated. (Wang, 2011)An output-based measure of comparability counting on earnings and stock returns relation was developed in 2010 capturing the similarity with which the accounting systems of two companies show the company`s economic shock. (De Franco, Kothari, & Verdi, 2010).

3. UK/US/IAS ACCOUNTING DIFFERENCES

Accounting differences may be classified as *de jure* (i.e. concerning law) by examining the regulations or *de facto* (i.e. concerning fact) by examining the practice.

De jure differences

Measurement practices of UK accounting which are not compatible with those of US GAAP are listed in Table 1. Panel (a) of Table 1 indicates the UK measurement practices which differ from both US GAAP and IASs. Panel (b) of Table 1 indicates the UK measurement practices which differ from US GAAP but are compatible with those of the IASs. We provide later an evaluation of the UK/US differences in reported profit arising in total and for each item of Table 1 separately. If in future the SEC accepts financial statements prepared under IASs then, in principle, reconciliations will no longer be required of any company reporting under IASs. If, however, UK accounting standards remain different from IASs, there may well be a continuing requirement for reconciliations to be reported by UK companies in respect of those items in panel (a) of Table 1 (with the possible exception of accounting for goodwill under the new UK standard on intangibles). However, the items in panel (b) of Table 1 would probably no longer be required. An important change during the period which brought UK accounting closer to US GAAP was in respect of reporting extraordinary items, common in 1988 but virtually non-existent in 1994 as a result of the implementation of FRS 3 *Reporting financial performance* (ASB 1992a). Other evidence of movement towards US GAAP may be seen in aspects of UITF 6 *Accounting for post-retirement benefits other than pensions* (ASB 1992b) and in FRS 4 *Capital instruments* (ASB 1993), FRS 5 *Reporting the substances of transactions* (ASB 1994a) and FRS 6 *Acquisitions and mergers* (ASB 1994b). However, the US regulations on all these matters are more detailed. Situations remain where the UK practice under the new standards may not satisfy the US requirements entirely. While these UK changes were bringing UK practices closer to US GAAP, new and amended US standards were widening the gap. In particular, the accounting treatment of deferred taxation was finally agreed in the form of SFAS 109; further SFASs appeared in relation to specific aspects of financial instruments; EITF guidance was issued on restructuring costs; and SFAS 115 provided a stricter approach to investments in marketable equity securities and debt securities. Overall, from the detailed comparisons contained in Appendix A, it would appear that there was no significant *de jure* harmonization of accounting measurement practices between UK accounting principles and US GAAP over the period 1988 to 1994 in the main areas of difference in policy and practice. Analysis of differences in legislation gives no indication of how frequently such differences will be encountered in practice or how significant the differences may be in their impact on profit. The next section of the paper turns to the empirical evidence based on UK companies which report under US GAAP as well as under UK accounting principles. (Weetman, Jones, C, & Gray, 1998)

De facto differences

De facto differences in UK and US accounting practices over the period 1986-1988 inclusive were analysed by Weetman and Gray (1991) using the reports of UK companies to the SEC on form 20-F. The availability of such data is confined to those UK companies which have a fuU listing on a US stock exchange. The advantage of the data lies in the detail of the reconciliation and the quality, being audited information prepared by the company. From a research perspective, each company provides a 'matched' set of data showing how the company's reported profit compares under each set of GAAP. This paper extends that matching by taking companies whose accounting information was available in both 1988 and 1994. (Bae, Tan, & Welker, 2008).

4. TURF WARS EMERGE BETWEEN THE IASC AND THE G4

From the working groups' genesis, G4 members believed including the IASC as an observer was essential to soothe concerns (particularly within Continental Europe) regarding the G4's intentions.

The major English-speaking national standard setters wanted to clearly signal that they were not keeping secrets from the rest of the world. However, although G4+1 membership required active participation, the IASC's observer status was limited. For example, all 12 of the G4+1's discussion papers were authored by the G4 standard setters and their staff Thus, certain G4 members eventually came to question the IASC's viability as a global accounting standard setter.

G4 members' frustrations stemming from the IASC's limited contributions to the working groups' debates and projects were further compounded by the emergence of 'turf wars.' *Inside G4+1* provides several illustrations including the distribution by the IASC of a G4+1 comment paper on reporting financial performance.

The paper distributed was labelled by the IASC as an IASC staff paper with no reference to author Todd Johnson (FASB staff member then on secondment to the UK ASB) or the G4. Another example is provided by the G4+1's first discussion paper on leasing. While G4 members announced a G4+1 publication prepared by the AARF, the IASC press release again made no mention of the G4's contribution or the Australian authorship. G4 members made it clear to the IASC that the working group represented a cooperative effort and that in the future the IASC should exercise great caution.

Further agitating the situation, then IASC Chair Sharpe was quoted in the press as describing the existence of different national accounting standards as untenable and the work of national standard setting bodies as crazy. Sharpe additionally suggested that the "IASC is the body to deliver the high-quality accounting standards to meet the needs of international capital markets" (Street, 2008). In reference to these remarks, former IASC Secretary General Cairns stated:

One leading standard-setter has described Sharpe's comments as a 'declaration of a turf war'. Others are concerned that the comments may undermine the efforts in recent years to establish a close working relationship between the IASC and national standard-setting bodies. Street (2008) reminded the IASC that the cooperation of national accounting standard setters was vital to its success. With the IASC threatening their sovereignty, some G4 members questioned whether the IASC was trying to put them out of business. If so, perhaps the IASC should leave the G4+1 working group. Furthermore, G4 members believed that as then structured, the IASC did not have the capacity to act independently and produce the high-quality set of global standards that was needed.

As the turf wars continued, both the IASC and some within the G4 entertained global visions. Certain G4 members began to consider possible alternatives to the IASC such as the G4, an expanded version of the G4, or even an expanded version of the FASB. Fortunately, then IASC Chair Sharpe and then Secretary General Carlsberg soon realized now things were going and persuaded the IASC to appoint the Strategy Working Party. The Strategy Working Party was charged with considering the various options for the way forward and developing a blueprint for a quality international accounting standard setter. The outcome of the Strategy Working Party's effort was today's IASB.

4.1. G4+1's role in the restructuring of the IASC

Structural problems at IASC

Inside G4+1 include a comprehensive discussion of the G4's role in motivating the IASC to undergo a major metamorphosis to emerge as a quality international accounting standard setter. Spurred inter alia by the turf wars noted above, discussions among G4 members more and more regularly focused on problems with the structure and processes of the IASC, the lack of resources at the IASC, the need to restructure the IASC, and the clear need for a body to take the next step and produce high-quality accounting standards that had the support of a much broader international community.

Examples of structural problems at IASC were endless. G4 participants believed that too many people resided at the IASC table. Furthermore, some jurisdictions appointed representatives to their

IASC delegation as a reward for good service to the accounting profession (as opposed to accounting standard setting) at the local level. Therefore, some delegations included individuals with no interest in, or talent at, standard setting. Additionally, approval of an International Accounting Standard (IAS) required 75% of the votes; hence, international standards became riddled throughout with the compromises required to achieve passage.

The European, Japanese, North American, and UK delegations to the IASC also had different viewpoints that were challenging to reconcile. This was particularly troublesome as many IASC delegations were not committed to the Framework and were more than willing to ignore it when the resulting answer was not consistent with their thinking. Alternatively, G4 members were resolute that jurisdictional and other special interest should be set aside at the IASC and that the Framework should be the basis for international standards. In summary, G4 members believed that a viable international accounting standard setter needed resources and had to achieve a great deal more than the assimilation of national standards from around the world. Clearly the IASC was not up to the task of developing the type of accounting standards that the capital markets demand. Hence, as G4 members continued to debate the way n forward, the IASC's future, or lack thereof, became a more common topic of conversation. (Street, 2006)

4.2 G4's response to proposals of the strategy working party

As noted above, then IASC Chair Sharpe and Secretary General Carlsberg read the writing on the wall. In 1997, the two accordingly convinced the IASC to appoint the Strategy Working Party to consider and recommend to the Board what the IASC's strategy should be following completion of its core standards work program. The working party was charged with proposing an infrastructure that would enable the IASC to lead the way to convergence between national accounting standards and practices and achieve high-quality global accounting standards (IASC, 1998).

Reporting on the G4+1's first public meeting, the World Accounting Report (1997) noted that the G4 had unanimously agreed that the IASC had to modify its structure in a manner that brought national accounting standard setters into the fold. The G4 further supported a preliminary proposal from the Strategy Working Party that would replace the IASC with a small board of up to nine national standard setters. The new board was to be supported by a general assembly in order to provide broader geographic representation. The G4 was adamant that only those national standard setters that could demonstrate the necessary expertise in standard setting and that possessed adequate resources to contribute to the process should qualify for a board seat. At a September 1997 meeting, the G4+1 discussed draft recommendations of the Strategy Working Party. *Accountancy* (1997) reported that, although G4 members agreed with the general direction of the proposal, the working group wanted more detail.

The draft under consideration was based on a bicameral structure and called for a technical committee of 8–11 that would set the standards and a larger supervisory board that would approve the standards. The technical committee would include representatives of several national accounting standard setters. *Accountancy* highlighted that the G4 made it clear they may not be interested in serving on the technical committee if the supervisory board retained the power to veto their work.

1. Levels of Accounting Harmonisation

There are four levels to harmonize accounting reporting requirements in capital markets:

1. National level
2. Bilateral level
3. Regional level
4. International level.

This section discusses the international level.

Harmonization of accounting standards at the international level is rapidly gaining momentum due to the growth in capital markets spurred by technological advances in communications and gradual

deregulation of national capital markets. The major players promoting harmonized standards are two international bodies: the IASC and the IOSCO.
In 1973, professional bodies of accountancy from various countries formed the IASC, an independent sector body. Composed of representatives of 116 professional accounting bodies from 86 countries, the IASC's objectives are:

1. To formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance; and
2. To work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements.

As the recognized body for the development of IASs, the IASC has issued 32 standards, of which two have been superseded. Furthermore, ten standards have been significantly revised through the IASC's Comparability/Improvements project which resulted in promoting the comparability of financial statements prepared in accordance with IASs. The adoption of IASs by the member countries is on a voluntary basis.
Thus, the IASC lacks the enforcement power to require member countries to adopt its standards. IOSCO was created in 1974 in an effort to stimulate cooperation between North and South American securities regulators. It became an international organization in 1984. IOSCO is a private-sector organization established with the goal of influencing the development and regulation of the capital markets worldwide. The influence of IOSCO emanates from its membership of over 90 organizations that include securities regulators from over 50 countries. IOSCO supports the common prospectus approach, also known as the multinational prospectus approach, which seeks to develop a single disclosure document that would be acceptable for listing and filing in all participating capital markets. IOSCO does not develop its own accounting standards to be used in the preparation of financial statements for inclusion in a multinational prospectus. However, IOSCO has indicated its acceptance of IASs, under certain conditions, to be used in the preparation of a multinational prospectus. (Emenyonu & Gray, 1996)
A multinational prospectus which includes financial statements prepared in accordance with one set of GAAP would significantly reduce the barriers to multinational securities offerings. (IOSCO, 1989) The International Federation of Stock Exchanges (FIBV), an international organization of stock exchanges with members from over 35 countries, has endorsed IOSCO's efforts to develop a multinational prospectus.

5. COMBINED EFFORTS OF IASC AND IOSCO AND RECENT DEVELOPMENTS

IOSCO has recognized IASC as the appropriate organization to formulate accounting standards. Since securities commissions have the power to enforce accounting requirements, IASC has sought the cooperation of securities regulators worldwide to support the adoption of national accounting requirements that conform to IASs.
Many regulators already support the approach. IOSCO has indicated that if the IASs issued by the IASC are of sufficient quality, it will urge its member countries to permit the inclusion of financial statements consistent with IASs in cross-border offerings and listings as an alternative to the use of national accounting standards. The endorsement and continued support of IASC by IOSCO has been a major boost to the efforts of IASC to improve existing IASs and develop new IASs. IOSCO is playing a major role in making IASs effective by encouraging its member stock exchanges to recognize IASs and by advising the IASC on the probable acceptability of standards. (Thorell & Whittington, 1994).
Originally, some of the IASs allowed users the option of alternative accounting principles to accede to countries that followed different national standards. In order to enhance the comparability of statements, IASC launched the Comparability/ Improvements Project which significantly reduced the number of acceptable alternatives allowed under existing IASs. IASC hopes that the significant

improvement in the quality of IASs will set the stage for adoption of IASs by capital market regulators for multinational company registrations. This hope is clearly shared by many multinational corporations. In a survey of 278 major multinationals conducted by Touche Ross International (now Deloitte & Touche) in 1990, most respondents agreed that the greatest potential benefit from the harmonization of accounting and auditing standards would be that stock exchanges around the world would accept one set of financial statements prepared in accordance with a set of internationally accepted accounting standards. (Lev & Zarowin, 1999).

Efforts of the IASC and IOSCO have focused recently on allowing companies to list their securities on any foreign stock exchange with one set of financial statements that conform to international accounting standards and are acceptable to IOSCO. An agreement between IOSCO and IASC would offer numerous benefits to companies and investors. Currently, multinational companies can choose to raise capital in any of several countries but incur large costs to comply with different national standards. Those costs could be reduced significantly if companies did not have to collect information for reconciliations or provide two sets of financial statements. Investors will benefit by receiving high quality financial statements containing relevant and reliable information for comparison of investment opportunities worldwide.

In 1993, IOSCO agreed to a list of core standards for use in financial statements of companies involved in cross-border listings. IOSCO recently has endorsed the use of the international accounting standard on cash flow statements (IAS 7), a key component of the core standards. Companies using this interactional standard will meet the requirements of foreign regulators for cash flow.

6. UNRESOLVED ISSUES AND CHALLENGES

Assuming that IOSCO endorses the IASs which emerge from the accelerated work program, there still remain several unresolved issues. The first issue involves identifying the appropriate auditor for the attestation function, auditing a multinational prospectus and accompanying financial statements intended for cross-border listing will require attesting that IA% have been followed and appropriate disclosures made.

Auditors are educated, trained, and certified according to the requirements of the accounting profession in their home country. Knowledge of international accounting standards has not been a customary curriculum requirement. However, if the IASs are completed by March 1998, as indicated in the accelerated work program, and approved by IOSCO shortly thereafter, this issue should be receiving priority attention. It is probable that internationally reputable auditing firms will perform the attestation task for multinational corporations seeking cross-border listing. The second unresolved issue is determining if a corporation seeking to list on a foreign stock exchange is, in fact, eligible to list according to the stock exchange's requirements. For example, in the US, the SEC provides the review for listing on the NYSE.

Which regulatory power will determine if all of IOSCO's requirements have been met and all specified items included? Without a worldwide regulator representing IOSCO, it is logical to delegate that function to the regulatory agency representing the member stock exchange of IOSCO. These agencies currently review qualifications of each corporation to determine if they are in compliance with the requirements of the particular stock exchange. The same agency could determine compliance with IOSCO's requirements for cross border listings.

- A mutual recognition process among stock exchanges would uphold IOSCO's endorsements. The third unresolved issue is that once IASs are accepted, who would be responsible for interpreting the IASs in case of conflict if interpretation of IASs is left to national standard setters and/or regulators, the potential exists that different interpretations of IASs may emerge in different countries. This would detract from harmonization. Consequently, the IASC has decided to establish a system of interpretation for its own standards.

6.1. Factors affecting the adoption of IASs

The following factors can affect the adoption of IASs:

- Economic growth: This variable is measured by the average annual growth rate of the GDP per person during the five years that preceded the date of adoption (World Bank, 2003). Education level: The measure used for this variable is the country's general literacy rate, as was done by Larson (1993). Because of the unavailability of specific data on the accounting profession in developing countries, this measure represents, in our opinion, a good indicator of the ability to deal with contemporary accounting systems. Literacy is a basic ingredient in the supply and demand for complex accounting and financial data and therefore it could be used as an indicator for business and accounting education. It may thus be interpreted as a proxy for the strength of the accounting profession and the users of financial statements. (World Development Indicators, 2003)
- The degree of external economic openness: This variable is measured by the average rate of gross foreign direct investment, divided by the GDP, for the five years that preceded the date of adoption. Investors and capital providers are, in most cases, a major source of pressure to support high-quality accounting standards and information (World Bank, 2003).
- Cultural membership in a group of countries: This acts as a dummy variable. It takes a value of one if the country belongs to a group of countries with an Anglo-American culture and zero otherwise (source: specific country-based information).
- The existence of a capital market: This also acts as a dummy variable. It takes a value of one if the country has a capital market in the year of adoption and zero otherwise (source: specific country-based information).

6.2. Obstacles to harmonization of accounting standards

According to Nobes and Parker (2002), the most fundamental of obstacles to harmonization are the size of the present differences between the accounting practices of different countries, lack of strong professional accountancy bodies in some countries, and the differences in political and economic systems. (Saudagaran, 2001) Nationalism also poses a threat to harmonization as countries are wary of ceding control of their accounting regulation to outsiders, especially if it is perceived as replacing their own accounting regulations with those of other countries (Mednick cited in: www.wetherhead.cwru.edu).

If accounting measurement rules were the only difference among countries, then straightforward translations would be sufficient to enable reports to be universally understood and interpreted. However, countries also exhibit substantial economic and cultural differences that preclude simple interpretations, even when the figures are generated using the same accounting principles. Accounting standards in any society are an outgrowth of that society's needs and perspectives. For example, British and U.S. accounting rules reflect the concepts of fairness and substance over form as opposed to the Napoleonic Code, which is much more compliance-oriented. The degree to which the government is involved in standard-setting also varies from country to country. (Collet, Godfrey, & Hrasky, 2001)

Whereas professional organizations set the standards in Britain, for example, the government assumes this responsibility in France. The US is in between: standards are basically set by professional organizations, but with the government acting as the ultimate enforcer. In any event, close government scrutiny of accounting standards adds an additional political dimension to any effort to change those standards. (Salin, 2001)Another barrier that the governments of different

countries will have to face is the coordination of their accounting policies with policies prevailing in other countries in order to minimize negative externalities and to maximize positive externalities.
There are other barriers to harmonization as well. For example, users might have different needs in different nations (e.g., debtor vs. creditor nations; countries that have very active stock markets and those where banks primarily accumulate and invest capital; investor vs. investee countries) Wyatt cited in Saudagaran 2001). Further, states that the divergence between the needs of large multinationals and smaller business entities in developing countries might thwart the harmonization of accounting standards. In addition, there may be different levels of sophistication and influence among different national accounting professions. Finally, there is the high cost of requiring issuers to change accounting principles, or to keep a "separate set of books" for multinational offerings.
The existence of these barriers reinforces the belief of some that active public policy initiatives to set international accounting principles may not be desirable; and that harmonization of accounting principles and financial disclosure has an overstated benefit. It has been asserted that, for instance, if a particular financial market requires too much accounting information or has too many regulatory burdens; firms will migrate to another region. On the other hand, if a financial market provides too little accounting information or regulatory guidance, private firms will find it in their interests to supply more.

6.3. Criticisms of harmonization of accounting standards

According to Blake and Hossain (1996), the first criticism is that underdeveloped countries and developing countries see harmonization of international accounting standards as an imposition of standards by economically superior countries. Another criticism is that the fact that accounting is flexible in nature and can adopt to different number of situations but if accounting standards are harmonized it is believed that they won't be flexible enough and the standards set internationally cannot possibly cater for the wide range of national circumstances, legal systems, stages of economic development, and cultural differences. Furthermore the committee of standard-setters (IASB) may find it difficult to reach unanimous agreement on some of the accounting standards and they might have to make compromises so that these accounting practices are accepted globally. This implies that these standards will be permissive and inadequate. (Frederick, Choi, & Meek, 1999) Moreover, others have expressed the view that international harmonization may create "standard overload".
This implies that corporation that have to deal with the national, social, political and economic pressure will be more hard pressed to comply with additional complex and costly international requirements. Harmonization of international accounting principles is unlikely to come about because too many different national groups have vested interests in maintaining their own standards and practices which have developed from widely different perspectives.
According to Parker (cited in Financial Times Year), harmonization of accounting standard could prove dangerous to the companies as the standards could cut profits and inject volatility into the balance sheets of the companies. Therefore the companies must educate their investors about the effects harmonization will have on their reported profits and liabilities. In support of this (Vaessen cited in Financial Times Year) stated that harmonization of accounting standards will change the complexion and quality of financial information in ways not seen before, therefore it is vital that companies understand the extent of the impact and ensure stakeholder understand it too.

7. CONCLUSIONS

According to Berton (2000), harmonization of accounting standards has been worked on for 31years by IASC now know as the IASB, it has representatives from 140 countries and the research shows that a large number of companies are complying with International Accounting Standards (IAS) issued by the IASB. (Roberts, Gordon, & Weetman, 2002)The European Union Commission has also declared that all the EU listed companies will use IAS for consolidating their accounts from 2005, but it still has a long way to go. There are a number of barriers and hurdles discussed earlier in the essay that the IASB needs to overcome in order to bring about the harmonization of international accounting standards (Dunn, 2010). In order to ensure the uniform application of accounting standards across cultural and political boundaries IASB needs to ensure that there are strong audit practices in order to bring about the integrity of the standards. (Ball, Kothari, & Robin, 2000)

The US is also heavily involved in developing international accounting standards with IASB. Most of the countries which trade with the US prepare their accounts according to US GAAP this in turn makes US GAAP accepted not only in the US but in other countries as well. As the US is the biggest and the strongest economy in the world and its ability to control a large part of the capital market poses a great challenge for the IASB because the companies in the US using IAS issued by the IASB need reconciliation with the US GAAP. This implies that IAS cannot be adopted without the approval of FASB. Furthermore IASB will have difficulties in refusing the proposals made by the US because of its heavy involvement. This will hinder the harmonization of account standards. One can argue that countries which are economically superior to other countries will have their way out in setting the international accounting standards.

However there are a number of benefits as well which will come with the harmonization of international accounting standards. It will bring uniformity in the preparation of accounts and will make the accounts of companies more transparent and comparable which in turn will help the investors to make the right investment decision. There are other benefits as well which the harmonization of international accounting standards will bring which have been discussed earlier in the essay. Sir Bryan Carlsberg, secretary general of the IASB (cited in Berton 2000) is not just optimistic about world harmonization, he is sure that all countries will move to IASB or the international accounting standards. Despite what Sir Bryan Carlsberg believes, in the current situation it is very difficult to judge the future of international accounting standards but one can say that slowly but steadily countries are moving to the harmonization of international accounting standards.

The existence of differences between accounting standards and resulting reported financial information is less important than the extent to which the reported financial information meets the demands of its consumers, that is, the financial statement users, in the market in which the information is provided. That should be the basis for assessing the acceptability of IASC standards for use in cross-border securities listings in the US. Nonetheless, the observations about differences between IASC standards and US GAAP in this and the chapters that follow provide a starting point for making that assessment by comparing IASC standards to those that have been developed with the objective of meeting US capital market needs.

The growing importance of IASs and increased international cooperation among standard-setters and capital market regulators were motivated by the need for efficiencies in international capital markets. The reduction of trade barriers, internationalization of companies, deregulation of capital markets, and growth of cooperative ventures have led to an increased aweless of the inefficiencies arising from the diversity in accounting practices across countries. Continuously increasing growth in international capital markets demands relevant and reliable financial information to facilitate the comparison of investment opportunities worldwide.

The most desirable and most feasible option must be ferreted out of the harmonization attempts by numerous organizations and at various levels. The need is apparent for a mechanism that requires companies to follow a set of agreed-upon standards regardless of the choice of capital market. Although no international mechanism exists for enforcing an international body of accounting standards, international efforts require some exertion of power for conformance (Wyatt 1992b) (Wyatt, 1992b). IOSCO is the most likely organization to enforce conformance: "While IOSCO does not have international jurisdiction, its representatives have significant influence in their respective countries over the orderliness of capital markets. Implementation of joint initiatives adopted by IOSCO [and IASC] can have significant effect" (Wyatt, 1992a).
The areas of change in international accounting harmonization, it has been beyond the scope of this research to explain such changes. Rather the purpose here has been to assess whether change has taken place and, if so, whether or not international accounting diversity has been reduced or increased. This is likely to be of concern to international harmonization agencies and also of interest to the international investment community. It may be that the IASC's recent Comparability Project and subsequent changes to International Accounting Standards (effective for accounting periods ending on or after 31 December 1995) will reduce the level of international accounting diversity. Given the recent support of the International Organization of Securities Commissions (IOSCO), this may indeed be feasible in the longer term. In the meantime, international accounting harmonization remains a desirable but often elusive goal.

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