

ONE WORLDWIDE SET OF GLOBAL ACCOUNTING STANDARDS? – hmmm

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(Abstract)

Currently, an effort is afoot that involves a monumental shift in the way accounting and financial information around the world is reported. In progress is an effort to move all provinces around the world onto one single set of global accounting standards. The body leading this effort is the International Accounting Standards Board (IASB). The IASB is a London based independent agency tasked with this effort. The accounting regime being proposed is referred to as International Financial Reporting Standards (IFRS). The driving force behind this effort is the recognition that we are one interconnected global economy and the financial language used to communicate should reflect this dynamic.

This paper will examine this contemplated worldwide adoption of “one single set of high quality global accounting standards.” The paper will explore whether a one size fits all accounting regime is viable where economies around the globe, though interconnected, have different cultural norms, different economic dynamics, different investor and capital bases, and therefore, perhaps different uses for financial information.

Do these different cultural norms, economic dynamics, investor and capital bases therefore necessitate different uses for financial information? And if so, how does that affect the stated goal of “ONE single set of high quality global accounting standards?” It is possible that these different cultural norms, investor bases, etc. are inconsequential to this worldwide adoption effort. Or, upon closer examination, there may be differences so significant that ONE single set of high quality global accounting standards is not viable when each province seeks to apply these global standards locally.

First, the paper will explain in general terms the differences between IFRS and the accounting regime from which many provinces will be converting which are Generally Accepted Accounting Principles (GAAP). Next the paper will examine selected economies around the globe, some of whom have already adopted IFRS (such as the European Union), and those that are still contemplating the move (such as China). For those provinces that have already adopted IFRS, the paper will explore how well the implementation has gone, what problems, if any did that province face and how were those issues resolved.

For those provinces that are still contemplating making the transition to IFRS, what are the issues related to the decision to switch? And of primary interest, are these local provinces adopting IFRS as written or are they making “customizations” i.e. revising the IFRS provisions as promulgated by the IASB and customizing those provisions to suit their localized use and need of accounting and financial information? Finally, if this is in fact the case, does this undermine the stated purpose of “one single set of high quality global accounting standards?” It is evident from this abstract that there are a lot of issues circling in this effort. I look forward to fleshing out these questions as the paper develops.