A Comparative Study on the Worldwide Accounting Diversity

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ABSTRACT

Four countries, Germany, the United Kingdom, Japan, and China, are selected for the purpose of discussing the accounting diversity among these nations. Accounting diversity for each nation has been a result of different accounting environments which include legal system, taxation, providers of financing, inflation, and political and economic ties.

These four countries are analyzed and compared with respect to environmental influences on the diversity of accounting systems, accounting regulations, and accounting principles and practices.

The diversity in accounting systems and practices across countries causes many problems that can be quite serious for some parties, particularly multinational corporations. One of the problems relates to the preparation of consolidated financial statements by companies with foreign operations. A second problem caused by accounting diversity relates to companies gaining access to foreign capital markets.

Consequently, the worldwide introduction and adoption of the IFRS issued by the IASB will be unavoidable to resolve the many problems resulted from the accounting diversity among nations.

Key Words : Accounting diversity, Accounting environment, Accounting regulation

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Ⅰ. Introduction

This study is concerned with different accounting systems in different countries due to the different accounting environments. Germany, the United Kingdom, Japan, and China are selected, not only because Germany, the United Kingdom are leading nations among European Union and Japan and China are also leading countries in Asia, but also because they are economically important and they represent a cross section of the different accounting systems used around the world.

Considerable differences exist across countries in the accounting treatment of business transactions. Differences in accounting can result in significantly different amounts being reported on the financial statements.

Why does each country have its own set of accounting measurements and financial reporting practices? A survey of the relevant literature has identified the following five items as being commonly accepted as factors influencing a country's financial reporting practices. They are legal system, taxation, providers of financing, inflation, and political and economic ties.[1)]

In the following, environmental elements influencing accounting systems are discussed for each of the four countries, respectively.

Ⅱ. Environmental Influences on the Diversity of Accounting Systems

1. Germany

Business accounting emphasized national and sectional charts of account. the commercial code stipulated various principles of bookkeeping and independent auditing barely survived the war.

In a major turn of events, the 1965 corporation Law moved the German financial

1) National cultural differences can also have influences on accounting systems among countries.

reporting system toward U.K-USA ideas for large corporations. More disclosure, limited consolidation, and a corporate management report was required. Thus, the management report and additional audit requirements became legal requirements through the 1969 Corporate Publicity Law.

In the early 1970s the European Union began issuing its harmonization directives which member countries were required to incorporate into their national laws. The fourth, Seventh, and Eighth Directives all entered German law through the Comprehensive Accounting Act of 1985. This legislation is remarkably because first, it integrates all existing German accounting, financial reporting, disclosure, and auditing requirements into a single law; secondly, this single law is specified as the third book of the German Commercial Code, thus becoming applicable to all business organizations, from limited partnerships to private and publicly held corporations; and thirdly, the legislation is based predominantly on European concepts and practices.

Two new laws were passed in 1998. The first added a new paragraph in the third book of the German Commercial Code allowing companies that issue equity or debt on organized capital markets to use internationally accepted accounting principles in their consolidated financial statements. The second allowed the establishment of a private-sector organization to set accounting standards for consolidated financial statements.

Traditionally the primary source of finance for German companies is bank loans, instead of equity raised through the capital market. In Germany, banks not only provide loans to companies but also control major proportions of their equity capital, either directly or as trustees for their customers.

Tax laws also largely influences accounting. The determination principle states that taxable income is determined by whatever is booked in a firm's financial records. Available tax provisions can be used only if they are fully booked. This means that any special or highly accelerated depreciation used for tax purposes must also be booked for financial reporting purposes. The dominance of tax accounting means that no distinction is made between financial statements prepared for tax purposes and those published in financial reports.

The third fundamental characteristic of German accounting is its reliance on statutes

and court decisions. Nothing else has any binding or authoritative status. To understand German accounting, one must look to both German Commercial Code and a considerable body of case law.

2. United Kingdom

Accounting in the United Kingdom developed as an independent discipline, pragmatically responding to the needs and practices of business. Over time, successive companies laws added structure and other requirements, but still allowed accountants considerable flexibility in the application of professional judgment. Since the 1970s, the most important source of development in company law has been the European Union Directives, most notably the fourth and Seventh Directories. At the same time, accounting standards and standard-setting process have become more authoritative.

The limited liability company is the main form of business organization in the UK. and the capital market provides the main source of funding for business. Consequently, facilitating the efficient operating of the capital market is the primary purpose of accounting. The UK has the greatest number of companies listed on a security market in the European Union.

The legacy of UK accounting to the rest of the world is substantial. The UK was the first country in the world to develop an accountancy profession as we know it today. the concept of a fair presentation of financial results and position is also UK origin. Professional accounting thinking and practice were exported to many countries including Australia, Canada, the United States, and other former UK colonies such as Hong Kong, India, New Zealand, Nigeria, singapore, and South Africa.

3. Japan

Japanese accounting and financial reporting reflect a mixture of domestic and international influences. Two separate government agencies have responsibility for accounting regulations, and there is the further influence of Japanese corporate income tax law. In the first half of the 20th century, accounting thinking reflected German

influences, while in the second half, the United States ideas were pervasive. More recently, the effects of the International Accounting Standards Board have been great, and in 2001 a profound change occurred with the establishment of a private sector accounting standard setting organization.

To understand Japanese accounting, one must understand Japanese culture, business practices, and history. Japan is a traditional society with strong cultural and religious roots. The group consciousness and interdependence in personal and corporate relationships in Japan contrast with the independent, arm's length relationships among individuals and groups in Western countries. Japanese companies hold equity interests in each other, and often jointly own other firms. These interlocking investments yield giant industrial conglomerates-notably the keiretsu. Banks are often a part of these industrial groups.

The main sources of finance for Japanese business are through bank credit and cross-corporate ownership. As "insiders," banks have access to their clients' financial information, so there is less pressure for public disclosure. The heavy reliance on bank credit and the long-term nature of cross-corporate equity ownership also lead to a weaker emphasis on short-term earnings in Japanese companies compared to other countries.

Central government also exert tight control on many activities in Japan, which means a strong bureaucratic control over business affairs, including accounting. Knowledge of corporate activities is primarily limited to the corporation and other insiders, such as the banks and the government.

This keiretsu business model is being transformed as the Japanese undertake structural reforms to counteract the economic stagnation that began in the 1990s. The financial crisis that followed the bursting of Japan's "bubble economy" also prompted a review of Japanese financial reporting standards. It became clear that many accounting practices hid how badly Japanese companies were doing business.

An accounting "Big Bang" was announced in the late 1990s to make the economic health of Japanese companies more transparent and to bring Japan more in line with international standards

4. China

In the late 1970s, chinese leaders began to move the economy from central planning to a system that is more market-oriented but still under communist party control. To achieve this, they switched to a system of household responsibility in agriculture instead of the old collectivization, increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprises in services and light manufacturing, and opened the economy to increased foreign trade and investment. In 1993 China's leadership approved additional long-term reforms aimed at giving more flexibility for market-oriented institutions. Significant features include the share system of ownership, privatizations, the development of organized stock exchanges, and the listing of shares in Chinese companies on Western stock exchanges. Nevertheless, state-owned enterprises still dominate many key industries in what is called a "socialist market economy," that is, a planned economy with market adaptations.

Accounting in China has a long history. Its functioning in a stewardship role can be detected as far back as 2200 B.C. during the Hsiu dynasty, and documents show that it was used to measure wealth and compare achievements among dukes and prices in the 2000 to 1500 B.C. in the Xia dynasty. The Confucius of 552 to 479 B.C. was a manager of warehouses, and his writings mention that the job included proper accounting-keeping the records of receipts and disbursements up to date.

The principal features of accounting in China today date from the founding of the People's Republic of China in 1949. China installed a highly centralized planned economy, reflecting Marxist principles and patterned after the system in the Soviet Union. The state controlled the ownership, the right to use, and the distribution of all means of production, and enacted rigid planning and control over the economy. Production was the top priority of state-owned enterprises. Their sales and pricing were dictated by the state's planning authorities, and their financing and product costing were administered by the state's finance departments. Under this system, the purpose of accounting was to serve the needs of the state for economic planning and control. A uniform set of standardized accounts was developed to integrate information into the national economic plan. The uniform accounting system contained all-inclusive

accounting rules that were mandatory for state-owned enterprises across the country.

China's economy today is best described as a hybrid economy in which the state controls strategic commodities and industries, wile other industries, as well as the commercial and private sectors, are governed by a market-oriented system. The recent economic reforms involve privatization, including the conversion of state-owned enterprises into share-issuing corporations. New accounting rules have had to be developed for newly privatized companies and other independent limited liability companies, as well as for foreign business entities, such as joint ventures. The role of the government has been changing from managing both the macro- and microeconomy to one managing at the macro level only.

To carry out its reform, China needed capital and advanced technology. This led to an open-door policy of attracting foreign direct investment, which emphasized the importance of developing a capital market.

Chinese companies were encouraged to raise funds on international capital market as well as on the domestic one by issuing shares and bonds. Companies in China issue four categories of shares. "A" shares can be owned only by Chinese citizens. "B" shares can be owned by foreigners. "C" shares are non-tradable and held mainly by the government. "H" shares can be owned only by foreigners and are traded in Hong Kong.

Ⅲ. Accounting Regulations

1. Germany

Auditing dominates the financial reporting related professional activities in Germany. The title for certified auditors, 'economic or enterprise examiner', was created by the Companies Act of 1931. The Institute of Auditors is a private association of public auditors and public audit firms. it provides for the education and continuing professional development.[2)]

The auditing profession is headed by Chamber of Auditors, an independent

organization responsible for the supervision of its members and for the representation of the profession to other parties. It is a state-supervised organization. all public accountants are mandatory members of the Chamber of Auditors. A second important organization is the Institute of Auditors, whose main task is to publish statements on accounting and auditing, which usually serve as generally accepted accounting auditing standards.

There is also a second-tier body of certified accountants, "VB". The requirements to become a VB are less onerous than to become a enterprise examiner. VBs are allowed to perform only voluntary audits and audits of medium-sized limited liability companies. a third type of professional accountant in Germany are tax advisers, who focus on offering tax services to their clients.

Financial reporting in Germany is subject to commercial law, tax law, and pronouncements issued by the profession. The German commercial Code contains most of the country's financial reporting principles, which include the general accounting and auditing rules applicable to all companies. It also specifies sanctions for noncompliance, such as punitive measures, penalties, and fines to be imposed by the courts. The German stock exchange listing requirements have much less influence on financial reporting compared to those in the United States.

A publicly traded stock corporation is required to prepare statutory non-consolidated annual financial statements. These financial statements should be prepared in accordance with the German principles of proper accounting applicable to all commercial business and provide a true and fair view of the net assets, financial position, and results of operations of the corporation. In addition, parent companies are required to prepare statutory consolidated annual financial statements and a group management report. a parent company may be exempted from this requirement if it is itself a subsidiary of another parent company.

In germany, the predominance of the principle of conservatism is clearly established in the law. Accordingly, profits must be recognized only when they have been realized, but losses should be recorded as soon as they appear possible.

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2) The German auditing profession is much smaller than its counterpart in the United States. The number of enterprise examiners(certified auditors) is about 5% of the American auditors.

In the mid-1960s, there were signs of a change in financial reporting in germany from a creditor orientation towards a shareholder orientation. The companies Act of 1965 can be regarded as the initiator of this change, and for the first time it required greater financial disclosures from companies, including preparation of consolidated statements and disclosure of the valuation bases used. The companies Act provided the primary source of accounting regulation for listed companies, supplemented by provisions in the commercial code and income tax law.

More recently, German accounting regulation has been heavily influenced by the EU directives. The accounting Act of 1985 implemented the EU's Fourth, Seventh, and Eighth Directives, and transformed them into German Commercial Law. The act specifies different financial reporting requirements according to company size. Since then the Financial Statement Directives Law, which amended the Commercial code, has been the legal basis for financial reporting in Germany.

Until 1998 the Federal Ministry of Justice coordinated the accounting rule development process, and the accounting profession played only a relatively minor role in that process. In May 1998, German law was amended to allow a private-sector body to develop accounting standards. Accordingly, the German Accounting standards Committee was created in May 1998. It was charged with the responsibility of developing accounting standards for consolidated financial reporting, representing German interests in international forum, and advising the Ministry of Justice on the development of accounting legislation.

2. United Kingdom

Accounting in the United Kingdom grew as an independent discipline, responding to business needs, and has a significant influence on the development of accounting profession in many countries including the United states and members of the British Commonwealth such as Canada, Australia, and new Zealand.

There are six professional bodies in the United Kingdom. In order of membership size, these are the Institute of Chartered Accountants in England and Wales(ICAEW), the Association of Chartered Certified Accountants(ACCA), the Chartered Institute of

Management Accountants(CIMA), the Institute of Chartered Accountants in Scotland (ICAS), the Chartered Institute of Public Finance and Accountancy(CIPFA), and the Institute of Chartered Accountants in Ireland(ICAI).

In 2004, there was a major consolidation initiative within the UK accountancy profession to merge three chartered bodies, CIMA, CIPFA, and ICAEW and form a new combined institute.

Regulation of accounting and financial reporting in the United Kingdom(UK) primarily is through legislation of Companies Act, professional pronouncements, and stock exchange listing requirements.

In 2003, the Secretary of state for Trade and Industry gave the Financial Reporting Council the authorities to set accounting and auditing standards, enforce and monitor these standards, and oversee the self-regulated professional bodies.

Auditing standards in the UK are issued by the Auditing Practices Board. They include Statements of Auditing Standards, Auditing Guidelines, and Statements of Investment Circular Reporting Standards.

The London Stock Exchange requires publication of a semi-annual interim report and disclosure of information about corporate governance and directors' remuneration.

3. Japan

The Certified Public Accountants Law of 1948 established the Japanese Institute of Certified Public Accountants(JICPA). Compared to the AICPA in the United States, the influence of the JICPA on financial reporting in Japan has been minor. Its traditional role has been basically to implement the decisions made by the Ministry of Finance. It has issued recommendations on minor accounting issues, guidelines, and interpretations of accounting and auditing standards.

Members of the accountancy profession in Japan practice with the title of CPA under the CPA Law. The CPA Law deals with issues such as examinations, qualifications, registration, duties, and responsibilities of CPAs; audit corporations; the CPA board; JICPA; and disciplinary procedures.

The relatively small number of CPAs in Japan is caused partially by the requirements

one must meet to become an accountant.[3] The preliminary requirement includes a series of general and intermediate examinations. The pass rates for these tests are relatively low, but a candidate who pass is considered as a junior CPA. A three-year apprenticeship and final technical examination then are required. The JICPA recently reformed the certification process. Under this reform, three levels of tests have been reduced to one, the three-year internship has been reduced to two years, and the notion of junior CPA has been eliminated.

Accounting and financial reporting in Japan are regulated primarily through the following three laws. They are the Commercial Code, the Securities and Exchange Law, and the Corporate Income Tax Law.[4]

Stock exchanges in Japan are government regulated rather than self-regulated. The Securities and Exchanges Law for listed companies is administered by the Ministry of Finance.

Financial Reporting in Japan is strongly influenced by tax law. The corporate income tax law provides methods for calculating taxable income and requires revenues and expenses to be recorded in the books of accounts.

In addition to the three laws, all listed companies are required to comply with Business Accounting Principles issued by the Ministry of Finance. The Business Accounting Principles are developed by the Business Accounting Deliberation Council(BADC), an advisory body of the Ministry of Finance.

The outcome of the Big Bang was the creation of the Financial Accounting Standards Foundation(FASF) and a new private-sector standard-setting body , the Accounting Standards Board of Japan(ASBJ). The FASF and ASBJ have now standard-setting authority, while the BADC still has the right to override any ASBJ pronouncement that is inconsistent with the true and fair principle.

4. China

The economic reform and the open-door policy introduced in the 1980s brought

3) Japan has about 15,000 CPAs, compared to about 250,000 in the United states.
4) The tax law is considered to be more certain than the Commercial Code and the Securities and Exchange Law.

about a large number of Sino-foreign joint ventures in China. This resulted in the reemergence of a private auditing profession, supported by the Accounting Law issued in 1985 and the CPA Regulations in 1986.[5)]

The CPA Regulations, promulgated by the State Council, prescribed the scope of practice for CPAs. These developments led to the formation of the Chinese Institute of Certified Public Accountants(CICPA) in 1988.

For many years, auditing firms mainly audited domestic companies, while accounting firms focused on companies foreign investments. Accounting firms were sponsored by the Ministry of finance, and auditing firms were under the State Administration of Audit(SAA), a department within the State Council responsible for Government audits. The Chinese Association of Certified Practicing Auditors(CACPA) was formed under the sponsorship of the SAA.

The competition between accountants and auditors with their own rules issued by different government departments was confusing. Consequently, the Ministry of Finance was given the authority to regulate both the accounting and the auditing forms. the merger between the CICPA and the CACPA was completed in 1998.

Many aspects of the reform program rely on accounting and auditing services to assist the capital market to work. The laws on Sino-foreign joint ventures require the involvement of independent auditors. They require the audit of annual statements and income tax returns and the verification of capital contributions by registered Chinese CPAs. These additional demands for accounting services created new opportunities for international accounting firms to enter the Chinese accounting service market.[6)] They have been involved in training Chinese auditors and setting auditing standards.

The Ministry of Finance establishes accounting standards and regulations, whereas, the Chinese Security Regulatory Commission(CSRC) issues disclosure requirements for listed companies. The CSRC requires companies listed on the stock exchanges to post their

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5) In China, laws have a higher legal status than regulations, as laws are stipulated by the National Peoples' Congress, whereas regulations are stipulated by the State Council.

6) Foreign accounting firms that have obtained CPA licenses are permitted to affiliate with Chinese accounting firms and enter into contractual agreements to provide accounting, auditing, and bookkeeping services.

annual reports on the exchanges's Web sites.

The CSRC and the Ministry of Finance issued a joint document requiring companies to rotate their auditors every five years and to take a two-year break before auditing the same client again.

Ⅳ. Accounting Principles and Practices

Accounting principles and practices are discussed in the following in terms of accounting measurements and financial reporting, respectively.

1. Accounting Measurements

(1) Germany

Historical cost is the basis for valuing tangible assets. Inventory is stated at the lower of cost or market; Fifo, Lifo, and average are acceptable methods of determining cost. Depreciable fixed assets are subject to tax depreciation rates.

Research and development costs are expensed when incurred. Finance leases typically are not capitalized, but pension obligations are accrued based on their actuarially determined present value consistent with tax laws. deferred taxes do not normally arise in individual company accounts, because these are tax determined. However, they may arise in consolidated statements if accounting methods used for consolidations are different from those used for the individual accounts. In this case, deferred taxes must be set up using liability method.

Provisions as estimates of future expenses or losses are used. Provisions must be set up for deferred maintenance expenses, product guarantees, potential losses from pending transactions, and other uncertain liabilities. Optional provisions, such as those for future major repairs, are also allowed. Most companies make provisions as much as possible because legally booked expenses directly affect the determination of taxable income. Provisions give German companies many opportunities to manage income.

Portions of retained earnings often are allocated to specific reserves, including a mandated legal reserve.

Under the commercial code, the purchase method is the primary consolidation method in acquisition, but pooling of interests is acceptable in limited circumstances. Two forms of the purchase method are permitted; the book-value method and the revaluation method. Assets and liabilities of acquired enterprises are brought up to current value, and any amount left over is goodwill, which can either be offset against reserves in equity or amortized systematically over its economic life. the law mentions four years as the regular amortization period, but ranges up to 15 years are common. The equity method is used for associates that are owned 20% or more, but only in consolidated financial statements.

Listed German companies must prepare their consolidated financial statements in accordance with IFRS. Other companies have a choice of using either IFRS or German rules for consolidation purposes.

(2) United Kingdom

The UK allows both the acquisition and merger methods of accounting for business combinations. Goodwill is calculated and amortized over 20 years or less. However, a longer period is possible if goodwill is subject to an annual impairment review.

Assets may be valued at historical cost, current cost, or using a mixture of the two. Depreciation and amortization must correspond to the measuremt basis used for the underlying asset.

Research expenditures are written off in the year of the expenditure, and development costs may be deferred under specific circumstances.. Inventory is valued at the lower of cost or net realizable value on a FIFO or average cost basis and LIFO is not acceptable.

Leases that transfer the risks and rewards of ownership to the lessee are capitalized and the lease obligation is shown as liability. The costs of providing pensions and other retirement benefits must be recognized systematically and rationally over the period during which the employees' services are performed.

(3) Japan

The pooling-of-interest method for business combinations is used in limited situations where no party obtains control over the other. Otherwise, business combinations are accounted for as a purchase. Goodwill is measured on the basis of the fair value of the net assets acquired and amortized over 20 years or less and is subject to an impairments test.

Inventory must be valued at cost or the lower of cost or net realizable value. FIFO, LIFO, and average are all acceptable cost-flow methods, with average the most popular. Fixed assets are valed at cost and depreciated in accordance with the tax laws.

Research and development costs are expensed when incurred. Leases that transfer ownership to the lessee are capitalized. Deferred taxes are provided for all timing differences using the liability method. Pension and other employee retirement benefits are fully accrued as employees earn them, and unfunded obligations are shown as a liability.

(4) China

The purchase method must be used to account for business combinations. Goodwill is the difference between the cost of the acquisition and the fair values of the assets and liabilities acquired.

Historical cost is the basis for valuing tangible assets, revaluations are not allowed. FIFO and average are acceptable costing methods, and inventory is written down for price declines and obsolescence. Acquired intangibles are recorded at cost. Those with a finite life are amortized over the periods benefited. Intangibles with an indefinite life are not amortized but impairment test must be taken at least annually.

Research costs are expensed, but development costs are capitalized if technological feasibility and cost recovery are established. Finance leases are capitalized. Deferred taxes are provided in full for all temporary differences. Employee benefits are expensed as they are earned rather than when paid.

2. Financial Reporting

(1) Germany

German law specifies different accounting, auditing, and financial reporting requirements depending on company size rather than the form of business organization. There are three size classes-small, medium, and large-defined in terms of balance sheet totals, annual sales totals, and numbers of employees. Companies with publicly traded securities are classified as large. The law specifies the content and format of financial statements, which include balance sheet, income statement, notes, management report, and auditor's report.

Small and medium-sized companies are exempt from the audit requirement and may prepare a summarized balance sheet and income statements. Small and medium-sized companies also have fewer disclosure requirements for their notes. A cash flow statement and a statement of changes in owners' equity are required for consolidated financial statements but not individual company statements.

The notes section of the financial statements is usually extensive, especially for large companies. disclosures include the accounting principles used, the extent to which results are affected by claiming tax benefits, unaccrued pension obligations, sales by product line and geographic markets, unaccrued contingent liabilities, and average number of employees. The management report describes the financial position and business developments during the year, important post-balance sheet events, anticipated future developments, and research and development activities.

A feature of the German financial reporting system is a private report by the auditors to the company's managing board of directors and supervisory board. This report comments on the company's future prospects and, especially, factors that may threaten its survival. The auditor must describe and analyze items on the balance sheet that have a material impact on the company's financial position. the auditor also has to evaluate the consequences of and past judgement on all significant accounting choices.

For purposes of consolidation, all companies in the group must use identical accounting and valuation principles. However, they need not be the same as those used in individual company statements. Therefore, tax-driven accounting methods in

individual accounts can be eliminated in the group accounts because consolidated accounts are not the basis for either taxation or profit distributions.

All companies, not just listed ones, may use IFRS in preparing their consolidated financial statements. However, individual company financial statements must follow German commercial Code requirements. Companies have the option of also publishing individual company financial statements according to IFRS for information purposes.

(2) United Kingdom

Financial statements include directors' report, profit and loss account and balance sheet, cash flow statement, statement of total recognized gains and losses, statement of total recognized gains and losses, statement of accounting policies, notes accompanying the financial statements, and auditor's report.

The directors' report includes principal business activities, review of operations and likely developments, important post-balance sheet events, and political and charitable contributions.

Listed companies musr include a statement on corporate governance with disclosures on directors' remuneration, audit committees and internal controls, and a declaration that the company is going concern. financial statements must present a true and fair view of a company's state of affairs and profits.

Consolidated financial statements are required in addition to a parent-only balance sheet. Small and medium-sized companies are exempt from many financial reporting obligations. They are permitted to prepare summarized accounts with certain minimum prescribed information and they are also exempt from preparing consolidated statements.

(3) Japan

Financial statements include balance sheet, income statement, statement of changes in shareholders' equity, business report, supporting schedules, and notes accompanying the financial statements.

The business report contains an outline of the business and its internal control

systems, and information on its operations. A number of supporting schedules including changes in bonds other short-and long-term debt, collateralized assets, and debt guarantees are also required.

Listed companies must prepare additional cash flow statement. Beginning in 2008, listed companies must issue quarterly financial reports and managements must submit an annual assessment of the company's internal controls and a letter of certifying the accuracy of the annual report.

The amount of corporate forecast reporting is extensive in Japan. A cash flow forecast for the next six months is included as supplemental information in filings with the Financial Services Agency. Forecasts of new capital investments and production levels must also be reported.

(4) China

Financial statements include balance sheet, income statement, cash flow statement, statement of changes in equity, additional statements on asset impairments, changes in capital structure, appropriations of profits, and business and geographical segments, and notes.

Financial statements must be consolidated, comparative and expressed in the Chinese currency. The annual financial statements must be audited by a Chinese CPA.

Listed companies must assess their internal controls and engage an external auditor to evaluate the controls and comment on the self-assessment report.[7] A quarterly financial statements are also required for listed companies.

Ⅴ. Conclusions

The diversity in accounting practice across countries causes problems that can be quite serious for some parties. one problem relates to the preparation of consolidated

7) This requirement is similar to the Sarbanes-Oxley Act.

financial statements by companies with foreign operations.

A second problem caused by accounting diversity relates to companies gaining access to foreign capital markets. If a company desires to obtain capital by selling stock or borrowing money in a foreign country, it might be required to present a set of financial statements prepared in accordance with the accounting standards in the country in which the capital is being obtained.

A third problem relates to the lack of comparability of financial statements between companies from different countries. this can significantly affect the analysis of foreign financial statements for making investment and lending decisions.

A fourth problem associated with accounting diversity is the lack of high-quality accounting standards in some parts of the world. there is general agreement that the failure of many banks in the 1997 East Asian financial crisis was due to three factors: a highly leveraged corporate sector, the private sector's reliance on foreign currency debt, and a lack of accounting transparency. The inadequate disclosure did not create the East Asian crisis, but it did contribute to the depth and breadth of the crisis.

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회계의 국제적 다양성에 관한 비교연구

이 찬 민*

▍요 약

본 연구에서는 유럽연합 국가 가운데 중요한 위치를 차지하고 있는 독일과 영국, 그리고 아시아에서 일본과 중국을 선정하여 이들 4개국을 중심으로 회계의 다양성에 관하여 논의하였다.

각 나라의 현행 회계시스템은 정치경제제도, 법률제도, 자금조달 방식 등 회계환경의 부산물로서 각기 다른 회계환경의 결과 다양한 형태의 오늘날의 회계시스템으로 발전시켰다.

각국(독일, 영국, 일본, 그리고 중국) 회계시스템의 다양성이 회계환경, 회계규제, 그리고 회계원칙 및 실무의 관점에서 비교 분석이 이루어졌다.

그런데 이러한 각국의 다양한 회계시스템은 여러 가지 문제를 야기하기에 이르렀다. 첫째, 해외에 자회사를 둔 다국적기업의 연결재무재표의 작성의 어려움이 있으며; 둘째, 해외로부터 자금을 조달할 때 자금을 공급하는 국가의 회계기준을 적용하여 재무제표를 작성해야하며; 그리고, 세계 각국의 재무제표간의 낮은 비교가능성 등을 들 수 있다.

이러한 각국의 회계다양성으로 인한 어려움을 해결하기 위해서는 국제회계기준심의회(IASB)에서 제정하여 공표한 국제재무회계기준(IFRS)의 도입 및 적용이 필수적이며, 오늘날 많은 나라에서 도입하여 채택하고 있는 것이 세계적인 추세이기도 한다.

핵심주제어 : 회계다양성, 회계환경, 회계규제

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