Measurement of international accounting harmonisation within and between uk and u...

The paper “ Global Accounting Harmonization, Goodwill, Inventories and Depreciation in the UK and the USA" is an excellent example of a research paper on finance & accounting. Financial Accounting is a field that utilizes money as the primary means of measuring the economic performance of a firm. Financial Accountants collect and summarize data to enable the preparation of financial reports such as income statements and balance sheets. These reports are used by a variety of constituents such as the Board of Directors, senior management, shareholders, lenders, and investors to determine the financial health of the company (IASC, 1993).

One of the strengths of the financial accounting system is the standardized manner in which financial information is reported. This allows analysts to compare the economic performance of different firms across a number of industries. The standardized accounting principles ensure reliable and valid interpretation of the data because the same rules apply to everyone.

The system works well within individual countries or regions. For example, firms in the United States are required to follow the same financial accounting regulations as stipulated in the Generally Accepted Accounting Principles (GAAP). Unfortunately, the system breaks down when one attempts to compare financial information reported by a U. S. firm with a firm of similar size and mission located in the United Kingdom. The reason there is a problem is that each country uses different methods for financial reporting and this has proven to be very problematic especially given the global nature of the economy.

This study examines four main factors related to the similarities and disparities in financial accounting practices in the United States and the

United Kingdom. These factors are:

(1) the differences in financial accounting practices

(2) the implications of these differences

(3) the extent to which current practices are similar

(4) how the size, quality, age and country where the firm's operations are located related to the level of coordination required in the preparation and reporting of financial information.

Harmonization and Standardization

Harmonizing is a way of making accounting practices more comparable by reducing the variety of accounting choices that are available. Nobes (1981) believes that the process of harmonization of accounting alternatives improves the uniformity of accounting practices. Tay and Parker (1990) note that coordination is a method which requires the " progress of the complete variety of exercise and regularity progression, which includes " the movement toward uniformity." This quote makes no sense. Check the source.

Harmonizing and coordination, therefore, would go a long way toward standardizing the financial accounting practices in the retail trade sector between the United States and Britain. The primary objective would be to enter into an international agreement between the two countries that would specify uniform standards for financial disclosure.

Objectives

This study has the following four objectives:

- to determine the major differences in financial accounting practices between U. S. and U. K. retail companies.

- to explore the effects of the imposition of mandatory accounting standards.

- to assess the level of consistency in the preparation of financial accounting reports.
- to examine the effect of size, quality, age and country of operation on the level of harmonization.

The following null hypotheses will be tested:

Ho1 There is no difference in accounting standards for retail firms between the U. S. and the U. K.

Ho2 There is no difference in the methods of stock assessment, inventory costing, depreciation, R & D costs, tangible fixed assets, investments, borrowing costs, treatment, care and taxation of foreign currency between retail companies in the U. S. and U. K.

Ho3 There is no correlation between size, quality, age and country of operations and the level of harmonizatiExtensive studies were conducted in the area of harmonization at the global level particularly between the UK and the USA. (ANSI 2000). Areas of study are not limited to the specific issue of coherence but cover a wide range of aspects of the agreement, which includes a number of scientific research, regulatory harmonization, harmonization of practices, and harmonization of measurement methods. Ball (1999 Business success is an integral and influential component in determining a nation’s economic well being. An important part of business success is the ability to export products which will sell in competitive markets in other countries. Countries who are net importers of goods and services do so because the products that are manufactured abroad are of similar quality but cost less than those produced domestically (Beresford, 1991). rest of this section on literature review makes absolutely no sense. I gave up trying to figure out what you are trying to say here and why it has any relevance to the topic. You need to read and include some of the more recent sources that pertain to your topic. Transaction expenditures explain the expenses that both groups must decide in this retail business occurring between them. Berners-Lee (1999). Transaction expenditures may have different shapes, like the expenses of guaranteeing that a specific dealer would manufacture accurately that the consumer wishes for. These expenditures may be significant in the condition that the element is extremely composite and consumer needs are significant. (ANSI 2000). The best outstanding pattern of this practice at work should have an individual computer. When we switch on the computer and observe the public basis of the different products, this is ordinary to see their presence in more than ten to fifteen countries of the world, and it may be more than this in some conditions. Ball (1999). Globalization is particularly rapid progress in the field of the electronics industry, as there is a lot of variety in the subject field. Berners-Lee (1999). Which opens the ways to outsource the manufacturing of standard products of suitable price in retail corporations, which specialize in certain areas of the uprising chain? The purchaser is looking for standard components: it anyway, and they really do not know who manufactures it. Beresford (1991). Standards and Innovation: Intuitively, one might believe that standardization is the antithesis to innovation (ANSI 2000). However, Berners-Lee notes that standardization can actually lead to an increased maximization of wealth (1999). Tree pruning serves as a useful analogy. In the short term, pruning often seems to harm the tree. But in the long term, pruning brings significant tree growth and contributes the maximum amount of useful fruit which can be harvested. Similarly, standardization may inhibit innovation in the short term, but in order to promote the healthy development of the market, it may result in the most useful range of products in the long term. (ANSI 2000). Without these standards of measurement, the innovator might not have the ability to maintain a higher price in the market because product quality has been compromised. If the innovator can not receive a higher price in the market, economic incentives for modernism will vanish. Ball (1999). Open standards allow participants to use innovative network effects. Without these standards, such pioneering entrance into the market is difficult. However, in the presence of standards, such entrance is not only relatively simple but profitable as well. Beresford (1991). Competition in open markets Most economists believe that competition in markets, as a rule, is good for the effective functioning of the economy. According to Adam Smith, competition is desirable because it promotes market efficiency and ultimately leads to the lowest possible cost to the customer. (Ball 2006). Joseph Schumpeter (1954) went even further and argued that low prices are just one of the benefits of competition. Actual benefits can be seen in the field of innovation, where competition breeds: a fresh basis of delivery, new business samples, new products, new services and so on. (Ball 1999). Large retail companies can be resistant to open standards because they believe that they lead to increased competition. (Berners-Lee 1999). The history of the development of the computer serves as a useful illustration of how the use of open standards allows many firms to enter the retail computer market. The reality is that if IBM had not developed an open standard in outsourcing the manufacturing of many of its computer components, many small electronics and software companies might not have been able to help the company enjoy unprecedented success in the PC industry. This example clearly demonstrates how open standards make for easy entry, intense competition and complete reformation of the business. Langlois (1992). The study shows that: (1), the quality of disclosure is much better if the public sector than in private retail companies, (2) T-test shows that there are significant differences in disclosure practices between the two sectors, as well as disclosure media companies, the public retail sector is significantly higher than in the private retail sector, (3) there was no improvement in the practice of disclosure of the private retail sector giants in 1992-93 over 1988-89. Ball (1999). Similarly, Joshi and Abdulla (1995) examined the process of developing standards and issues, and practices of corporate financial reporting in connection with the opinion of the U. S. annual reports of 95 large companies. Beresford (1991) Standards and Diversity: a simulation model There are a few models of product differentiation that provide accurate information on product variety in retail markets. Swann (2007) confirms that standardization in the retail market promotes innovation, product variety and long term increases in product quality. Standardization leads to a good balance of different horizontal and vertical products. Having a minimum of 3 or 4 standards is important (Ball (2006). In this case, reducing the overall range and quality of products vertical - although it is a less bulky product is very tightly packed. Interestingly, most of the empirical standards of the race to turn the competition between 2 or 3 competing standards, this is motivating to assume that the result is, in essence, an effective solution for the double requirements of different markets and size. (Beresford, D. 1991) The optimal number of varieties: A fascinating and comprehensive study by Bongers (1982) establishes the standard for calculating the optimal number of items for consumption in a specific retail market. Its work focuses on 2 issues. (Ball 2006). If we want to be limited varieties (N) in the range of products, which is the best set of stamps? And this is the accurate number of diversities (N)?

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Bongers analysis of these issues with position to the case of specific posts. It is possible that accountants do not find this obvious comparison, it's free! However, we hope that they would not be offended and would be read, as there are important lessons to be learned from this study. Beresford (1991) Bongers shows that adjustment expenses can increase significantly if there are too few standards. These costs, in turn, are passed on to consumers because there is little in the way of product diversity (Berners-Lee 1999). So in the end, to achieve an optimum retail market, more than one standard is needed because multiple standards ensure product diversity and the lowest possible cost to the consumer (Beresford 1991).

Standards and innovation: empirical evidence

There is an optimal number of standards for any manufacturing firm. In addition, there is an optimum standard of the brand: not too old or too young. Of course, technological standards have become obsolete very quickly - much faster pace, as we suspect than the accounting standards. So part of history will not endure. But the story about the average number might be applicable. Ball (2006).

The evidence shows that there is no single number of standards that can be applied in every case. Researches agree that one standard is insufficient but there is no agreement on the optimum number of standards. This is dependent upon factors within each retail industry as well as on consumer demand for certain products.

A single set of global accounting standards?

This section analyzes the characteristics of communications said that the choice between a solitary position of global standards or progressing variety. To bring a case on global accounting standards: the standardization of financial reporting, as a rule, due to the amalgamation of retail markets serviced by the accounts. For example, the transition to a unified national reporting in the U. S. in the early 20th century, after the amalgamation of national economies. Beresford (1991).

Similarly, the real force for international accounting standards ought to accelerate the process of integration into the global economy. Figure 1 gives an example of such integration, charting the growth of selection investment overseas in the UK shares in the past twenty years. Berners-L (1999).

The problems that the various accounting standards, to ensure participation in these international retail markets, accounting example Nobes (1997). He published, net income data collected in accordance with UK and USA standards. The comparison provides spoken (albeit extreme) sentence information, which may be misplaced in translation between the accounting regime.

Another well-known example is of the transition of the rules of IAS Vodafone

UK for six months to 30 September 2004: loss of UK £ 3195 meters into a profit according to IFRS £ 3615 m. Beresford (1991) The study aims to identify current practices, diversity in such practices and the degree of obedience with the mandatory accounting standards. The study concludes that the percentage of retail companies that have been disclosing the principle of stock assessment properly, it was much smaller.

This shows that public retail sector enterprises have not made substantial progress, and there is a lack of awareness in the adoption of accounting standards, despite the urgent need in the changing global scenario. Berners-L (1999).

Research Methodology

Data for this study will be obtained from financial statements, annual reports and other documents published by the 60 largest publicly traded retail companies. Thirty companies will be from the U. S. and 30 will be from the U. K. The companies are selected from lists of all publicly traded retail companies for the years 1996-97, 2003-04 and 2005-06. These three years are used because they correspond to the timeframe when the majority of accounting practices became mandatory in the U. K. Companies whose primary business activity was banking, insurance, mining, real estate, and investment services were excluded from the sample.

Data collection:

Integrating selected to evaluate the consistency included stock assessment method, the method of inventory cost, depreciation method, treatment, research and progress, evaluation of tangible permanent resources, the treatment of borrowing costs, treatment of foreign exchange transaction, the treatment Tax and methods for evaluating investments. Variables selected for testing were chosen because they can solo concert, or substantially affect the assets and profits, depending on the choice of treatment adopted in the company. Measurements are taken or to be used for the treatment of the above variables in the financial statements were stood on the actual practice of the corporation and, as was shown in the yearly information of their respective corporations. In order to examine these hypotheses, data from the annual report were based on four independent variables, which consist of retail companies, age, performance, size and countries of operation.