

Accounting and regulation; will there ever be full comparability

[Finance](#)



The paper "Accounting and Regulation; Will There Ever Be Full Comparability" is an outstanding example of a literature review on finance and accounting. This paper reviews three different scholarly writings in regards to whether there will ever be full comparability in accounting and regulations across different sectors and countries. It is important to note that comparability has been applied in this context to infer to the extent, state, or quality of different accounting procedures and regulations being comparable. Therefore, this section will discuss aspects of accounting and regulations that will enable full comparability and even those aspects that will discourage full comparability. Aspects of accounting and regulations that promote full comparability

With reference to the writings by Benston et al. (2006), they stated that certain forms of accounting regulations provide a basis for full comparability of accounting records from different sectors and countries. For example, Penman (2007) stated that accounting records could be fully comparable on the basis that the accounting records should be able to ascertain and report on the performance of the business in terms of either loss or profit. The second aspect about accounting and regulations, which encourage comparability, is the fact that accounting records provide information for planning and control of resources of business entity. Thirdly, since accounting records are used for decision-making and forecasting purposes, it means that different forecasts, as well as decisions, can be compared based on the supporting financial records that were used. Fourthly, Penman (2007) stated that specific accounting records such as balance sheets, cash flows, and profit and loss account, all serve different specific purposes, which

means that users from different sectors and countries can compare these different records based on their distinctive purposes. For instance, to obtain the net worth of a particular business that operates in a different sector and country, one needs to look at the business's balance sheet records.

Aspects of accounting and regulations that discourage full comparability

According to Zeff (2007), different companies apply different accounting strategies and they might apply different regulations depending on the industry best practices. For example, Penman (2007) stated that the accounting records of two competing companies such as The Coca-Cola Company and the Pepsi Company bear differences that make it hard to do comparisons. These differences arise from simple facts such as the difference in terms of the markets that the two competing companies cover or difference in a product range that the two companies produce. This means it will be hard to compare the market performance for these two different companies since they could classify the markets differ from each other and comparison of product performance could also be hard since there are certain products that Pepsi offers while Coca-Cola company does not offer and vice versa.

Benston et al. (2006) wrote that even from a local or national level, it is usually hard to compare accounting and regulations because each company adopts its own unique accounting period (year ending and start dates) and regulations that make certain accounting items to be interpreted in a unique manner, which is different from other companies. For example, a company may decide to record its assets in terms of their market value while others

may opt to use their depreciated values, therefore, comparing these two financial records will create inconsistent results that are not accurate.

By looking at this issue from a broader perspective, Zeff (2007) stated that the Generally Accepted Accounting Principles (GAAP) aims at establishing uniform accounting procedures and regulations framework that is applicable within a certain specified jurisdiction. Zeff (2007) further added that GAAP stipulates the rules, standards, and conventions that accountants should follow whilst recording or drawing up financial statements. The existence of GAAP further makes it hard to ever fully compare accounting and regulations because GAAPs are designed for application only in specified jurisdictions or countries, and therefore, the accounting and regulation of a certain jurisdiction bear certain differences with those in other jurisdictions.

Because of the fact that GAAP stipulates the rules, standards, and conventions that accountants should follow whilst record or drawing up financial statements, this also means that it influences the syllabus for accounting courses. Since accountants learn about different accounting procedures and regulations, it means that financial statements will not be recorded in a uniform manner all across the world. For example, the United Kingdom has a distinct accounting syllabus that has certain differences with the accounting syllabus of other countries such as the United States of America. Therefore, it will be hard to achieve full comparability between accounting and regulation in the UK and in the US.

Summary,

The review has noted that there is likely to be no full comparability between accounting procedures and regulation frameworks across different sectors and even countries because of differences that mainly span from the accounting policies between two different companies and differences in the Generally Accepted Accounting Principles applied by different countries.