

j

Eleventh Edition

## **COMPARATIVE** INTERNATIONAL ACCOUNTING

Christopher Nobes and Robert Parker

Financial Times Prentice Hall is an imprint of



ちょ しいる

Harlow, England • London • New York • Boston • San Francisco • Toronto Sydney • Tokyo • Singapore • Hong Kong • Seoul • Taipei • New Delhi Cape Town • Madrid • Mexico City • Amsterdam • Munich • Paris • Milan

## Contents

-----

Contributors	xvi
Preface	xvii

- 1 - 1

Pai	Part I SETTING THE SCENE		
1	Introduction	3	
	Contents	3	
	Objectives	3	
	1.1 Differences in financial reporting	4	
	1.2 The global environment of accounting	5	
	1.3 The nature and growth of MNEs	15	
	1.4 Comparative and international aspects of accounting	18	
	1.5 Structure of this book	22	
	Summary	24	
	References	24	
	Useful websites	26	
	Questions	26	
2	Causes and examples of international differences	28	
	Contents	28	
	Objectives	28	
	2.1 Introduction	29	
	2.2 Culture	29	
	2.3 Legal systems	32	
	2.4 Providers of finance	33	
	2.5 Taxation	37	
	2.6 Other external influences	39	
	2.7 The profession	40	
	2.8 Conclusion on the causes of international differences	41	
	2.9 Some examples of differences	42	
	Summary	50	
	References	51	
	Questions	54	

3	International classification of financial reporting	55
	Contents	55
	Objectives	56
	3.1 Introduction	56
	3.2 The nature of classification	57
	3.3 Classifications by social scientists	57
	3.4 Classifications in accounting	59
	3.5 Extrinsic classifications	60
	3.6 Intrinsic classifications: 1970s and 1980s	64
	3.7 Developments related to the Nobes classification	70
	3.8 Further intrinsic classification	. 71
	3.9 Is there an Anglo-Saxon group?	73
	3.10 Classification in an IFRS world	73
	3.11 A taxonomy of accounting classifications	74
	Śummary	75
	References	75
	Questions	77
4	International harmonization	79
	Contents	79
	Objectives	79
•	4.1 Introduction	80
	4.2 Reasons for, obstacles to measurement of harmonization	81
	4.3 The International Accounting Standards Committee	84
	4.4 Other international bodies	93
	4.5 The International Accounting Standards Board	96
	Summary	100
	References	101
	Useful websites	103
	Questions	104

Part II	FINANCIAL REPORTING BY LISTED GROUPS	
5 The	context of financial reporting by listed groups	107
Con	tents	107
Obje	ectives	107
5.1	Introduction	108
5.2	Adoption of, and convergence with, IFRS	108
5.3	IFRS in the EU	110
5.4	IFRS/US differences	113

.

## Contents

	<ul><li>5.5 US convergence with and adoption of IFRS</li><li>5.6 Reconciliations from national rules to US GAAP</li><li>5.7 Introduction to international financial analysis</li></ul>	or IFRS 117 120
	Summary References Useful websites Questions	122 123 125 125
6	The requirements of International Finance	
	Reporting Standards	126
	Contents	126 127
	Objectives	
	<ul> <li>6.1 Introduction</li> <li>6.2 The conceptual framework and some basic star</li> <li>6.3 Assets</li> <li>6.4 Liabilities</li> <li>6.5 Group accounting</li> <li>6.6 Disclosures</li> </ul>	127 ndards 129 135 139 140 142
	Summary	. 143
	References	143
	Further reading	144
	Useful websites	144
	Questions	144
	Appendix 6.1 An outline of the content of Internati Financial Reporting Standards	ional 145
7	Different versions of IFRS practice	155
	Contents	155
	Objectives	155
	7.1 Introduction	155
	7.2 Motivations for different IFRS practice	156
	7.3 Scope for different IFRS practice	158
	7.4 Examples of different IFRS practice	164
	7.5 Implications	165
	Summary	166
	References	166
	Questions	167
8	3 Financial reporting in the United States	168
	Contents	168
	Objectives	169

	8.1 Introduction	169
	8.2 Regulatory framework	170
	8.3 Accounting standard-setters	174
	8.4 The conceptual framework	178
	8.5 Contents of annual reports	181
	8.6 Accounting principles	186
	8.7 Consolidation	192
	8.8 Audit	195
	8.9 Differences from IFRS	196
	Summary	198
	References	198
	Further reading	200
	Useful websites	200
	Questions	200
9	Key financial reporting topics	201
	Contents	201
	Objectives	201
	9.1 Introduction	202
	9.2 Recognition of intangible assets	202
	9.3 Asset measurement	204
	9.4 Financial instruments	206
	9.5 Provisions	210
	9.6 Employee benefits	214
	9.7 Deferred tax	218
	9.8 Revenue recognition	223
	9.9 Comprehensive income	224
	Summary	226
	References	227
	Questions	228
10	Enforcement of financial reporting standards	229
	Contents	229
	Objectives 🧳	229
	10.1 Introduction	229
	10.2 Modes and models of enforcement	230
	10.3 United States	234
	10.4 European Union	235
	10.5 West Pacific rim	241
	Summary	243
	References	244
	Useful websites	245
	Questions	246

,

and international experience	
and international experience	247
Contents	247
Objectives	247
11.1 Introduction	248
11.2 Motivations for political lobbying	250
<ul><li>11.3 Political lobbying up to 1990</li><li>11.4 US political lobbying from 1990</li></ul>	252 262
11.5 Political lobbying of the IASC/IASB	262
11.6 Preparer attempts to control the accounting standard-setter	270
11.7 Political lobbying of the FASB's convergence with the IASB	272
11.8 Some concluding remarks	274
Summary	275
References	275
Useful websites	277
' Questions	277
Part III HARMONIZATION AND TRANSITION IN EUROPE AND EAST ASIA	
12 Harmonization and transition in Europe	281
Contents	281
Objectives	281
12.1 Introduction	
	282
12.2 Harmonization within the European Union	282
<ul><li>12.2 Harmonization within the European Union</li><li>12.3 Transition in Central and Eastern Europe</li></ul>	282 288
<ul><li>12.2 Harmonization within the European Union</li><li>12.3 Transition in Central and Eastern Europe</li><li>Summary</li></ul>	282 288 297
<ul><li>12.2 Harmonization within the European Union</li><li>12.3 Transition in Central and Eastern Europe</li><li>Summary</li><li>References</li></ul>	282 288 297 298
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> </ul>	282 288 297 298 300
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul>	282 288 297 298
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> </ul>	282 288 297 298 300
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> Contents	282 288 297 298 300 300 <b>300</b> <b>302</b>
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> 13 Harmonization and transition in East Asia	282 288 297 298 300 300 <b>302</b>
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> Contents Objectives 13.1 Introduction	282 288 297 298 300 300 <b>302</b> 302 302 303
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> <ul> <li>Contents</li> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> </ul>	282 288 297 298 300 300 <b>302</b> 302 302 303 303
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary <ul> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> </li> <li>13 Harmonization and transition in East Asia <ul> <li>Contents</li> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> <li>13.3 China</li> </ul> </li> </ul>	282 288 297 298 300 300 300 302 302 302 303 303 319
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> Contents <ul> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> <li>13.3 China</li> <li>Summary</li> </ul>	282 288 297 298 300 300 300 300 302 302 303 303 319 324
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> <ul> <li>Contents</li> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> <li>13.3 China</li> <li>Summary</li> <li>References</li> </ul>	282 288 297 298 300 300 300 302 302 302 303 303 303 319 324 325
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> <ul> <li>Contents</li> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> <li>13.3 China</li> <li>Summary</li> <li>References</li> <li>Further reading</li> </ul>	282 288 297 298 300 300 300 302 302 302 303 303 319 324 325 327
<ul> <li>12.2 Harmonization within the European Union</li> <li>12.3 Transition in Central and Eastern Europe</li> <li>Summary</li> <li>References</li> <li>Useful websites</li> <li>Questions</li> </ul> <b>13 Harmonization and transition in East Asia</b> <ul> <li>Contents</li> <li>Objectives</li> <li>13.1 Introduction</li> <li>13.2 Japan</li> <li>13.3 China</li> <li>Summary</li> <li>References</li> </ul>	282 288 297 298 300 300 300 302 302 302 303 303 303 319 324 325

## Part IV FINANCIAL REPORTING BY INDIVIDUAL COMPANIES

14	The context	t of financial reporting by	
	individual c	ompanies	333
	Contents		333
	Objectives		333
	14.1 Introdu	ction	333
	14.2 Outline	of differences between national rules and IFRS or	
	US GAA	P	334
		vival of national rules	335
		al reporting, tax and distribution	337
	14.5 Special	rules for small or unlisted companies	338
	Summary		341
	References		342
,	Useful website	S	342
	Questions		342
15	Making acc	ounting rules for unlisted business	
TO	enterprises	-	343
	Contents		343
	Objectives		343
	15.1 Introdu	ction	343
		akes accounting rules?	344
		ousiness enterprises are subject to accounting rules?	353
	Summary	, , 5	357
	References		358
	Further reading	q	359
	Useful website		360
	Questions		361
	Appendix 15.1		
		(relating to financial accounting and reporting)	362
	Appendix 15.2	•	
		Classes 1–7 in the Plan comptable général	363
40	Accession	a successfing and many second se	
то	Accounting	rules and practices of individual	74
	companies	in Europe	364
	Contents		364
	Objectives		364
	16.1 Introdu	ction	364
	16.2 France		365
	16.3 German	•	369
	16.4 United	Kingdom	374

. -

Summary		375
References		376
Further reading		377
Useful websites		377
Questions		377
Appendix 16.1	Formats for French financial statements	378
Appendix 16.2	Formats for German financial statements	383
Appendix 16.3	Formats for British financial statements	386

Pa	tV G	ROUP ACCOUNTING ISSUES IN REPORTING B	Y MNEs
17	Grou	p accounting	393
	Conte	nts	393
	Object	tives	393
	17.1	Introduction	394
	17.2	Rate of adoption of consolidation	394
	17.3	The concept of a 'group'	395
	17.4	Harmonization from the 1970s onwards	396
	17.5	Definitions of group companies	400
	17.6	Publication requirements and practices	403
	17.7	Techniques of consolidation	404
	Summ	ary	409
	Refere	nces	409
	Furthe	r reading	410
	Questi	ions	410
18	Forei	ign currency translation	411
	Conte	nts 🦾	411
	Object	tives	412
	18.1	Introduction	412
	18.2	Translation of transactions	416
	18.3	Introduction to the translation of financial statements	422
	18.4	The US initiative	425
	18.5	The temporal method versus the closing rate method	428
	18.6	FAS 52	433
	18.7	IAS 21	436
	18.8	Translation of comprehensive income	438
	18.9	Accounting for translation gains and losses	441
	18.10	5	447
	18.11	An alternative to exchange rates?	450
	Summ	ıary	451
	Refere		452
	Furthe	er reading	453

Questions

453

19	Seg	ment reporting	454
	Conte	ents	454
	Objec	tives	454
	19.1	What is segment reporting?	454
	19.2	Segment reporting regulations	458
	19.3	Evidence on the benefits of segment reporting	471
	Sumn	nary	480
	Refere	ences	481
	Quest	tions	484
1			

20 International financial analysis	489
"Contents	489
Objectives	489
20.1 Introduction	490
20.2 Understanding differences in accounting	491
20.3 Disclosure practices in international financial reporting	496
20.4 Interpreting financial statements	500
20.5 Financial analysis and the capital market	504
Summary	508
References	508
Useful websites	510
Questions	510
21 International auditing	512
Contents	512
Objectives	512
21.1 Introduction	513
21.2 Reasons for the internationalization of auditing	515
21.3 Promulgating international standards	520
21.4 The international audit process	526
Summary	539
References	540
Further reading	540
Useful websites	540
Questions	541
22 International aspects of corporate income taxes	542
Contents	542
Objectives	542
22.1 Introduction	543
22.2 Tax bases	545

.

Contents

	22.3	International tax planning	549
	22.4	Transfer pricing	550
	22.5	Tax systems	551
	22.6	Harmonization	557
	Summary		559
	References		560
		er reading	562
		websites	562
	Quest	ions	562
23	Man	agerial accounting	564
	Conte	nts	564
	Objec	tives	564
	23.1	Introduction	565
Ì	23.2	The balanced scorecard as an overview tool	566
	23.3	Currency and control	570
	23.4	Variances and foreign exchange	573
	23.5	Management accounting across nations	575
	23.6	Control and performance	582
	23.7	Looking forward	584
	Summary		585
	References		586
	Questions		588
	01		590
	Glossary of abbreviations Suggested answers to some of the end-of-chapter questions Author index		

.

ś

Subject index

-

621