

INTERNATIONAL ACCOUNTING AND REPORTING

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PREFACE

This accounting text focuses on the world of international accounting. It deals with accounting issues that are important to those directly and indirectly involved with accounting and financial control in firms with international operations. These issues are an important concern to accounting, treasury, and financial executives in multinational corporations; those who import or export materials, services, and capital; international auditors; and international investors, financial analysts, and security analysts.

In many ways, Americans have been less "internationally aware" than the citizens of other countries. The most likely explanation for this should hardly be viewed as a criticism of Americans. It's simply that America's large geographical size and rich natural resource endowment tend to capture the focus of its citizens, to the exclusion of other countries.

A simple example will illustrate this. Suppose that someone in Chicago, Illinois, is planning a four day automobile trip. Unless that person is heading north toward Canada, that trip could be taken within the boundaries of the United States, with little concern for foreign languages, border regulations, and other currencies. Even if that trip extended into Canada, the border rules and language would still represent no problems. And frankly, there would be no currency problem either, since the U.S. dollar is welcome in Canada.

But contrast that with the example of a Swiss citizen planning a four day

motor trip. That person would have to be concerned with other languages, border rules, and the need for other countries currencies, since the trip would necessarily take that Swiss citizen outside Switzerland. Thus, the American needs to be less concerned with the international dimensions of his trip as compared with the Swiss.

Additionally, in the past, the economies of most other countries in the world have been more export/import sensitive than the United States' economy. This too helps explain the lower international awareness in American citizens and American firms. Of course, this situation has changed rapidly with the development of global markets for resources and commodities and the energy crisis of the 1970s. So, for these and other similar reasons, people in Europe and elsewhere have tended to have a greater international orientation than Americans in the past.

You will find international accounting a fascinating subject area. It includes not only accounting but also international monetary affairs, comparative political systems, and foreign exchange risk management. It is unfortunate that most traditional accounting books do not integrate international subjects into their coverage. But all those subjects are here in this text. In spite of the lack of coverage of these topics in the more traditional books, within the past decade international accounting has emerged as a separate discipline of its own, and many accounting professors now consider their speciality to be "international accounting."

This text is designed for a one-semester or one-quarter course for seniors and graduate students with a foundation in financial and managerial accounting. It is also designed for an advanced elective in professional accounting programs and schools of accountancy. It is also appropriate for continuing education programs and professional education programs.

Although international accounting and international business sound "exotic" and "mysterious" and make you think that you need familiarity with foreign languages to appreciate them, this is not the case. Nor do you need previous study in international business to understand the material in this text. This text contains both basic concepts and more advanced international accounting topics. It presents the fundamental concepts of international business and monetary affairs as a background for understanding the more complicated international accounting topics, such as currency translation. Stress is placed on today's important international accounting issues, such as differences in national accounting standards, financial control in the multinational corporation, and the FASB's new currency translation rule, FASB 52.

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**T.G.E.
M.E.T.
O.H.**

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