

INTERNATIONAL ACCOUNTING

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and
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PREFACE

This book, which is a compilation of original essays by well-known accounting scholars, is intended as a text for a one-semester graduate or advanced undergraduate course in international accounting. The idea for the book was conceived with American students in mind, but this text may be used with equal effectiveness in any country where English is the primary or secondary language of instruction. The text should also be useful as a primer for professionals in international accounting preparing for international assignments.

The growth of interest in the international aspects of accounting is a logical consequence of the ever-growing internationalization of business, as manifested by the proliferation of multinational companies and the increasing internationalization of capital markets. In response to this development, more universities are offering courses in international accounting at both the undergraduate and graduate levels.

This increasing attention to the international dimensions of accounting by both scholars and practitioners is also manifested in the burgeoning number of scholarly and professional articles on international accounting. At least two periodicals specialize in this area, and many articles on international accounting appear in a variety of English-language accounting and business periodicals, both here and abroad. In addition, many articles of interest are published in foreign-language journals; unfortunately, these articles are accessible to only a minority of students who possess the requisite foreign-language skills.

This book presents a systematic approach to what seems to be evolving as the basic core for studying the international dimension of accounting. In Part One, Vernon K. Zimmerman, one of the leading scholars in international accounting, introduces the reader to the international dimension of accounting. This is followed by a historical review of the evolution of accounting practices over several centuries in different countries, which provides the perspectives necessary to understand and evaluate the contemporary scene. The chapter on European accounting history provides a broad view of accounting's multinational origins.

Part Two discusses the accounting and reporting problems of the multinational corporation, which arise in conjunction with the translation of the accounts of foreign-based subsidiaries. The chapters in this part address differences in standards of financial accounting and reporting, the variety of international tax problems the multinational corporation faces, and a number of problems related to management accounting, the most important ones being transfer pricing and performance evaluation.

International accounting should also be studied on a country-by-country basis, as accounting practices and principles are strongly influenced by political, cultural, economic, and other environmental factors. It is therefore not surprising that accounting developed differently in different countries. For the student of international accounting, it is important to be familiar with the accounting standards and practices of at least some of the important industrialized countries. Therefore, the chapters in Part Three are concerned with accounting practices in the economically advanced countries of the world, the United States, the United Kingdom and commonwealth countries, France, West Germany, the Netherlands, and Japan. These countries have well-developed accounting systems and practices that differ in some important respects.

One reason for including chapters on these countries is that their accounting practices and theories exert a significant influence beyond their borders. American accounting thought and practices are presently very influential in many parts of the world, especially in developing countries. The accounting and reporting practices of the United Kingdom, the first country to develop modern accounting and auditing standards, have influenced many other countries, especially former colonies. The impact of British accounting can be seen clearly in the discussions of the third chapter in this part, which covers the industrialized commonwealth countries and South Africa. France's national standardization of accounting differs significantly from the Anglo-Saxon approach and has clearly influenced the accounting systems in the countries that emerged from its former colonial empire. French thinking on accounting also contributes importantly to the new accounting rules of the European Economic Community. West Germany is included because its accounting profession and practices have some unique aspects and because many of its accounting philosophies are reflected in the European Economic Community directives. The Netherlands is well known for its pioneering efforts in current cost accounting, and its contributions to modern accounting thought are certainly worthy of consideration. Modern Japanese accounting primarily reflects the postwar United States influences and some remnants of European influences that prevailed before World War II. Accounting-related directives of the European Economic Community represent the first regional effort at a consolidation of varied accounting philosophies, and are therefore covered in the concluding chapter in this section.

Part Four introduces the student to the accounting function of centrally planned (socialist) economies and the problems of accounting in Third World countries. The book concludes with a discussion of international accounting organizations. The most important of these are the International Accounting Standards Committee and the International Federation of Accountants, which try to develop worldwide standards for accounting and auditing.

The authors of these chapters are well-known scholars from several countries who have already made significant contributions to the area of international accounting. Each author's chapter deals with topics closely related to his or her area of specialization. The contributors are affiliated with universities in Australia, West Germany, the United Kingdom, Japan, and the United States; one contributor is a partner of an international accounting firm and another is affiliated with a large multinational company. The varied backgrounds of the contributors assure a comprehensive and up-to-date coverage of the topics.

Some chapters include case and problem material that enhance the pedagogical objectives of the book.

I am particularly grateful to Professor Vernon K. Zimmerman for writing the introduction and to Elizabeth Bauer for her help in reviewing and editing the manuscript.

H. PETER HOLZER

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