

---

## Cultural challenges for countries implementing International Financial Reporting Standards without contributing to their creation

---

Khalid Rasheed Al-Adeem

King Saud University,  
P.O. Box 71678, AlDereyahd 11597,  
Riyadh, Saudi Arabia  
Email: kaladeem@ksu.edu.sa  
Email: kra3@case.edu  
Email: khalidaladeem@gmail.com

**Abstract:** One aim of globalisation is eliminating a country's uniqueness so that different parts of the world can become alike. To this effect, countries are aligning their national financial reporting standards to the International Financial Reporting Standards (IFRS) to narrow their related differences, thereby creating a demand for the IFRS. Financial reporting based on a single set of financial reporting standards was expected to enhance comparability; however, this is not the case in practice. Accountants' judgements, which are allowed under the International Accounting Standard Board's principles-based standards, can be a limitation for the comparability advantage. Further, critics of the IFRS are concerned that countries adopting IFRS may lose control of their financial reporting and disclosures to foreign regulators. Finally, countries that do not contribute to IFRS creation may become recipients of other countries' inputs, such as languages, cultural values, and regulatory systems.

**Keywords:** International Financial Reporting Standards; IFRS; harmonisation; globalisation; ideology; culture; societal accounting; global accounting.

**Reference** to this paper should be made as follows: Al-Adeem, K.R. (2020) 'Cultural challenges for countries implementing International Financial Reporting Standards without contributing to their creation', *African J. Accounting, Auditing and Finance*, Vol. 7, No. 1, pp.66–86.

**Biographical notes:** Khalid Rasheed Al-Adeem earned his Doctorate from the Case Western Reserve University. He is an Associate Professor of Accounting, teaching undergraduate, Master's and Doctoral courses in Arabic and English. He has supervised over 50 research papers in variety of accounting topics in the master programs, some of which were published in peer-reviewed journals. He directed the PhD Program in Business Administration at King Saud University. He assisted the GCCAAO in developing a training program in IFRS and the SOCPA in its project to converge with the IFRS. He is currently working on research assignments with SOCAP for the Auditing Quality Program.

This paper is a revised and expanded version of a paper entitled 'A possible cultural challenge to nations implementing the International Financial Reporting Standards (IFRS) without contributing to their creation' presented at the American Accounting Association Annual Meeting, Washington DC, USA, 4–8 August 2018.

## 1 Introduction

Several theories have been proposed in social sciences to explain the concept of globalisation (see, e.g., Lasboo, 2012; Mander and Goldsmith, 1996; Robinson, 2001, 2004, 2007; Robinson and Harris, 2000). Globalisation is defined as ‘a worldwide pressure for change’ [Granell, (2000), p.89, as cited in Irvine, (2008), p.126], and one of its main aims is to eliminate as much uniqueness of a country as possible, so that different parts of the world become more alike to facilitate the mobility of resources, including capital. Globalisation has been linked to a smoothening movement without consideration of local characteristics. Put differently, “[w]ith globalization, capital movement... [has gone] beyond national borders, continuously searching for... new investment opportunities in the international arena” [Yilmaz and Gelmedi, (2012), p.624]. According to this view, the world has become ‘a global village’ [Irvine, (2008), p.134] for capital.

Implementation of the International Financial Reporting Standards (IFRS) by many countries can be viewed as a response to globalisation. Arnold (2009, p.58), however, argues that the phenomenon underpinning the internationalisation of accounting is not the “globalization of national economics and national financial markets, but rather the financialization of the international economic system.” Irrespective of the driving force, accounting as contemporarily practiced is undoubtedly experiencing a pressure for international harmonisation, which “(often equated with the adoption of IAS [IFRS]) implies that accounting is a transaction-specific activity and, therefore, the relationships among transactions, events, and systems are *universal* in their application *without regard to geographic, temporal, or systematic differences*” [Larson and Kenny, (1996), pp.5–6, as cited in Karim, (2001), p.171; emphasis added]. According to Irvine (2008), the IFRS can be viewed as a manifestation of institutionalisation pressure, where organisations tend to adopt similar practices and, thus, appear identical. Harmonisation implies that accounting standards can be the same worldwide [Briston and Wallace, 1990, as cited in Karim, (2001), p.171; Wyatt, 1991, as cited in Karim, (2001), p.171].

IFRS adoption yields the intended outcomes only when combined with a country’s strong willingness to improve its reporting system (Florou and Pope, 2012). The Chinese Government’s compulsory policy of harmonising the Chinese-Generally Accepted Accounting Principles (GAAP) with the IFRS (Chen and Cheng, 2007) contributed to the latter’s implementation in the country. However, IFRS adoption alone does not guarantee effective implementation of the new standards (Nurunnabi, 2017).

History of the IFRS reveals that a desire for global financial accounting standards has existed for over 40 years. In 1973, the International Accounting Standards Committee (IASC) was established (for more on its history, see Zeff, 2012). The first of the International Accounting Standards (IAS) was issued in 1977 with a focus on inflation accounting<sup>1</sup> (Rodgers, 2007). Irvine (2008, p.130) documents that “before the 1990s, the IASB had no ‘meaningful relationship’ with national accounting standard setters... but now the IASB represents major trading nations.” Why have the IFRS become mandatory in many countries only in recent years, despite the fact that IAS has been available for decades? Has the adoption of the IFRS followed a trend towards cultural homogeneity worldwide? Alternatively, has the universal movement towards IFRS adoption or accounting convergence been imposed on countries that are still culturally different? If so, do countries that implement the IFRS face cultural challenges?

Investigating why IFRS adoption has grown in recent years, I argue that the conduct of businesses has changed, and that making financial statements prepared based on domestic financial accounting standards has become obsolete in terms of business entity needs. Guided by the accounting literature, this study postulates that accounting reflects the dominant socioeconomic system within a country. The assertion is that the global implementation of a common set of accounting standards while cultures remain very different may have an effect on countries that do not contribute to the creation of the IFRS but choose to adopt them.

Culture affects accounting (Belkaoui, 1995), and accounting affects culture. Accounting can be perceived as a technology affecting people's passions and emotions along with their intellectual and reasoning skills (Boedker and Chua, 2013). Cultural differences between countries may mean that a country that adopts a new accounting system could see changes in its values, particularly if the accounting system is designed for a different cultural context. This current study contributes to this debate through a critical analysis of the current wave of IFRS adoption. A critical investigation of the sociological setting of the global convergence process will add to the accounting literature in this area (Tsunogaya, 2016).

The remainder of this paper is organised as follows. Section 2 presents alternatives to the alignment of domestic financial reporting standards with the IFRS to achieve harmonisation. Section 3 discusses concerns regarding the current wave of IFRS adoption as an approach to harmonisation. Section 4 illustrates how the move from societal accounting to global accounting does not conflict with the purpose of accounting. Section 5 demonstrates that the creation of multinational corporations establishes the need for a unified accounting reporting system. Sections 6 and 7 shed light on possible cultural effects the adoption of the IFRS could have on certain countries (e.g., challenges to their sovereignty and values considered important by these societies' members). Section 8 concludes that countries that are eager to take the lead in the global arena ought to ensure that they are present when the IFRS are created and that they contribute to their content.

## **2 Alternatives to the alignment of domestic financial reporting standards with the use of the IFRS to achieve harmonisation**

By 2013, more than 125 jurisdictions had implemented and mandated the use of the IFRS [IASBPlus, 2013, as cited in Morris et al., (2014), p.143]. As of August 2018, 144 jurisdictions had stipulated that the IFRS must form the basis of financial reporting for all or most publicly listed companies; in addition, another 12 jurisdictions had permitted their use.<sup>2</sup> In an attempt to reduce country-based differences in financial reporting and achieve a common medium of communication, countries have been or are considering the aligning of their domestic financial accounting standards with the IFRS.

Most (1994) [as cited in Karim, (2001), p.171] defines three terms related to this alignment – uniformity, standardisation, and harmonisation. Uniformity refers to the elimination of the available alternatives to account for economic transactions, other events, and circumstances. Standardisation is associated with the reduction of alternatives while retaining a high degree of flexibility in the accounting treatments permitted. Harmonisation mandates the reconciliation of different accounting and financial reporting systems by fitting them into common wide-ranging taxonomies such that a procedure

becomes more standard, yet the content ‘retains significant differences’ [Most, (1994), p.4, as cited in Karim, (2001), p.171]. International accounting harmonisation can be defined as “the process of bringing international accounting standards into some sort of agreement so that the financial statements from different countries are prepared according to a common set of principles of measurement and disclosure” [Haskins et al., (1996), p.29, as cited in Karim, (2001), p.171].

Approaches to align national accounting systems with the IFRS vary by country; moreover, such alignment takes numerous forms. Certain countries such as South Korea and Australia have fully adopted the IFRS. This type of alignment with the IFRS is labelled ‘unilateral convergence’ or ‘adoption’, which is “a complete changeover from previous accounting standards to IFRS” [O’Malley, (2012), p.15]. Alali and Cao (2010) distinguish between ‘bilateral convergence’ and ‘unilateral convergence’. The former “means that both sides change particular standards towards each other”, while the latter implies that “countries change their national accounting standards towards IFRS” (p.83). Converging their national standards with the IFRS, countries such as Saudi Arabia have declared that they will provisionally implement the standards. That is, they would implement IFRS that do not conflict with existing laws and regulations or religious requirements. The Saudi Organization for Certified Public Accountants (SOCPA) (2012) has approved this convergence approach and undertaken a transition project to identify any conflicts. SOCPA comprises experts on domestic accounting standards, domestic culture, and related matters who carefully examine the IFRS for possible conflicts with the country’s legal, cultural, and religious systems. However, as strictly mandated by the IASB, no standard or any part of it can be deleted from the IAS or IFRS. Deletion of any IAS or IFRS results in the modification of the standard, which, according to the IASB, violates the terms of adoption. At most, SOCPA can request for more disclosures or restrict options on accounting treatments allowed by the standards. Therefore, IFRS implementation in Saudi Arabia should be labelled ‘unilateral convergence’.

Other countries have been innovative in their attempts to align their domestic standards to IFRS. The ultimate goal is to create “a single set of high quality financial statements” [O’Malley, (2012), p.15]. ‘Condorsement’, a recently invented English term, reflects the US-specific approach to the endorsement of the IFRS. O’Malley (2012, p.15) lists condorsement as a way to align with the IFRS and describes it as “a continuous project to ensure that companies with the IFRS have financial statements suitable for use in the US capital market.” An example would be the ‘revaluation’ of property, plant, and equipment, which is permitted under the IFRS but not under the US GAAP (Haverty, 2006), unless one of the two approaches prevails over the other. Another example is the cost flow assumption to evaluate ending inventory known as last-in-first-out, which is prohibited under the IFRS but permitted by the US GAAP. ‘Fair value’ as a selected base for measurement in the IFRS is yet another example of the differences between the US GAAP and IFRS. The US GAAP has conventionally favoured historical cost measurement despite empirical findings indicating that fair value measurements are value relevant (Herrmann et al., 2006), of use to users of corporate reports (Al-Adeem, 2017a), and restrict management of smoothening earnings (Brearey and Al-Adeem, 2019). While the historical cost measurement base is more easily verifiable when compared with its fair value counterpart, the latter measurement approach is empirically superior in terms of predictive value, feedback value, timeliness, neutrality, representational faithfulness, comparability, and consistency (Herrmann et al., 2006).

The US approach to IFRS implementation can best be described as ‘bilateral convergence’. Whether the US mandatorily adopts the IFRS remains uncertain (Holder et al., 2013; Tysiac, 2012b), although the IFRS Foundation has addressed the concerns of the Securities and Exchange Commission (SEC) (Tysiac, 2012a). According to Jones and Finley (2011), such empirical evidence should motivate the USA and Japan as well as other Asian countries to adopt the IFRS and, thus, benefit from the reduced variability.

Countries that are yet to adopt the IFRS are working on adopting or converging with the standards. The 2011 tsunami impeded Japan’s efforts to transform its domestic financial reporting standards to the IFRS, although it did not dampen Japan’s ambition of being one of the countries that have aligned their standards with those adopted by most other countries (Furusawa, 2011), albeit with caution (Tsunogaya, 2016).

### **3 Concerns about the wave of IFRS implementation to achieve harmonisation**

A serious consideration related to IFRS implementation is the plausibility of the comparability advantage to be gained through financial corporate reporting under a common set of standards. Comparability is attained by ensuring that “like things look alike, and unlike things look different” [Trueblood, (1966), p.189, as cited in Zeff, (2007), p.290]. The IASB lacks political and legal power (Ampofo and Sellani, 2005). Without the “enforceability authority of the IASB and the openness of the IFRS to multiple interpretations”, the international standards could lose their reliability and credibility [Alali and Cao, (2010), p.85]. In addition to any discrepancy regarding how the IFRS are enforced across countries, which could lead to varying IFRS practices (Nobes, 2013), diverse cultural interpretations cause the enforcement of international standards to vary by country, thus also threatening the comparability advantage. China’s historical, cultural, and economic conditions are likely to influence certain aspects of accounting practices (Graham and Li, 1997) that are based on the IFRS. Therefore, countries with “different cultures, financial and legislative/legal systems... tend to apply and interpret IFRS based on their national interests and biases” [Alali and Cao, (2010), p.85].

The process of translating the IFRS is yet another factor affecting comparability and contributing to the divergence of nationwide IFRS implementation. The IFRS must be translated from English for countries that do not speak the language (Zeff, 2007). The revised Chinese Accounting Standards “will not reflect a literal translation of IFRS, but their scope will include all IFRS principles”, which could create lasting differences [Rieger, (2006), p.18]. The German translation of the IFRS is often condemned for being vague and subject to several interpretations [Hellmann et al., (2010), p.115]. The magnitude of variation in financial statements among countries implementing the IFRS depends on the influence of any IFRS (Felski, 2017). Evidently, countries adopting the IFRS have added their own experiences to the rules, defeating the purpose of a global standard (Kotlyar, 2008).

Comparability may be further compromised owing to professional judgement employed during IFRS implementation. Those from diverse cultures may call to mind dissimilar knowledge structures or representations as soon as they encounter an accounting or auditing phenomenon [Belkaoui, (1990), p.122]. Yip and Young’s (2012) empirical study concludes that mandatory IFRS adoption is insufficient to enhance

comparability. Variations in financial reporting are, thus, likely to persist under the IFRS (Haller and Wehrfritz, 2013). As a result, users of financial statements prepared in line with the IFRS ought to understand how modifications made to the standards by different countries during the implementation affects the comparability of any financial statements produced (Felski, 2017).

Another concern for countries adopting the IFRS is their loss of control of corporate financial reporting and disclosures. That is, a country may have to give up such control to external regulators (Kotlyar, 2008). Posner (2010, p.647) reports that “switching to IFRS... raised sovereignty concerns for political authorities.” In the USA, the Congress and the SEC have been reluctant to give up control of information seen as important for capital markets [O’Malley, (2012), p.40]. After Canada adopted the IFRS in 2011 (Krishnan and Zhang, 2018), Canadians expressed similar concerns as their auditors handed over control to a foreign standards-setting body (Rosen, 2008). Linsmeier (2012), a member of the Financial Accounting Standards Board (FASB), expressed discomfort about the FASB giving up its sovereignty over financial reporting by companies listed in the USA to an organisation that may not last. Apparently, it is necessary for the IAS setter to establish a legitimate infrastructure (Bhimani, 2008), and it is not enough to base the preparation of financial reporting on a developed financial accounting reporting system. In addition, financial reporting is ‘sensitive to capital-market infrastructure’ [Prather-Kinsey, (2006), p.159].

International implementation of the IFRS should raise an alarm among those broadcasting concerns about the universal accounting system being based on professional judgment empirical evidence reveals that Saudi Arabian accountants who adopted the IFRS on 1 January 2017 lacked the readiness to adopt certain aspects of IAS 2 (Al-Mousa and Al-Adeem, 2017). Consequently, the demand for detailed application guidance for the IFRS is likely to grow (Joshi et al., 2008). For example, IFRS 10 (consolidated financial statements), which was issued in January 2014, contains specific ownership percentages to guide those implementing the standards. Such percentages may cause the standards to be based on rules as opposed to professional judgment. Indeed, professional judgment, along with specialised knowledge, makes accounting a profession and qualifies accountants to become professionals, thus enabling them to claim a ‘social status’ in their societies (West, 2003). However, the tendency of the IFRS to incorporate rules weakens such a claim.

#### **4 From societal accounting to global accounting: understanding the wave towards the IFRS in the context of accounting**

Given that most of the world is adopting the IFRS, creating what can be called a “unified system of global accounting” is aligned with the purpose of accounting. Accounting aims to be “an intellectual and pragmatic tool in social domination” [Tinker, (1985), p.100]. Accounting does respond to political influences, and politics uses accounting to achieve its intended outcomes and serve the interests of certain parties (Abdullah and Aljajaaye, 2002). Globalisation has become a *new world order*, so to speak. Woolf (2006) argues that convergence is a natural order, while diversity is an anomaly in the universe. Adopting Woolf’s view as *an ordained order* leaves the IFRS as the only option to be pursued (Tyrrall et al., 2007). Domestic culture, values, law, regulations, and other

characteristics that identify a country and distinguish one society from another should not be seen as barriers for corporations that restrict the movement of capital across countries (see Barnet and Cavanagh, 1996; Clarke, 1996). Factors such as globalisation and pressure from the business world have made adopting the IFRS a ‘necessity’ for countries (Irvine, 2008; Yilmaz and Gelmedi, 2012). For example, the World Bank requires countries to adopt the IAS to secure loans (Irvine, 2008). Preparing financial reports using one language has become an apparent requirement for countries (see Erickson et al., 2009). Comparability is important for the participants of various capital markets to understand and compare the financial reports of different corporations without being concerned about differences attributable to underlying accounting principles and rules. For investors, differences in the accounting systems of individual countries are narrowed down to reduce the costs of making financial data from various countries understandable [Yilmaz and Gelmedi, (2012), p.621].

Another global change worth considering is how to account for transactions of multinational corporations. A new form of conducting business could lead to innovative economic exchanges that did not exist previously. Any form of business mandates a type of accounting that pays heed to new transactions (Al-Adeem, 2017a). When prevailing ideologies or social regimes change, accounting transforms itself to meet the dictates of the new social order [Tinker, (1985), p.106]. Ideas and values promoted by the new ideology prevail over other ideological and dogmatic systems, and the new social regimes find their way into accounting practices. Cultural and institutional elements are significant factors shaping accounting practices in society (Gray, 1988). Thus, accounting can be viewed as “an intellectual and pragmatic tool in social domination” [Tinker, (1985), p.100]. A good example is how legislative, institutional, regulatory, and legal changes influenced and transformed German accounting [Hopwood, (2000), p.746]. “Accounting is reflective of the ideology prevailing in historical period” [Tinker, (1985), p.100].

## **5 Multinational corporations and the need for a globally unified accounting system**

In an ideal world, each society must have its own accounting system (Gambling, 1974) because societies differ and so do the needs of their economic systems and businesses. A country should be able to arrange the preparation of its financial reports based on its needs [Yilmaz and Gelmedi, (2012), p.623]. That is, culture determines accounting [Belkaoui, (1995), p.120] such that “the culture of a given country determines the choice of its accounting techniques and the perception of its various accounting phenomena” (p.39). For example, cultural factors affect financial reporting in Iraq (AlAbdullah et al., 2008).

Prior to the era of globalisation, diverse forms of accounting were practiced within the national boundaries of most countries [Hopwood, (2000), p.764]. This is because each country had its own legal and tax systems; in normative terms, this *should* render the worldwide comparability of financial statements impossible given the divergent legal frameworks, tax regimes, and regulatory ideologies (Rosen, 2008; Yilmaz and Gelmedi, 2012). The existence of multiple accounting systems leads to “[difficulties] in comparing financial reports in different countries” [Buchanan, (2003), p.61]. If a business entity is required to publish financial statements in two different countries, then the two sets of

financial statements may differ by the magnitude of the variations in institutional characteristics between the two countries. Further, greater variations would mean more work and higher costs to prepare the two sets of financial statements.

Multinational corporations were faced with a similar challenge when they started selling their products across international borders. These corporations and their global retailers incurred costs of “billions of dollars for advertising and promotion each year to create [a] steadily expanding global market based on mass consumption” [Clarke, (1996), p.304]. Further, they created a strategy “to sell the same things in the same way everywhere with little or no regard for local customers, tastes, or cultural or religious differences” [Clarke, (1996), p.304].

Similar to the advantage of using one advertising strategy in multiple countries, IFRS adoption saves multinational corporations the expense of preparing more than one set of accounts for different national jurisdictions (Irvine, 2008) and reduces compliance costs by eliminating the need for reconciliation and lowering the cost of capital (Kotlyar, 2008). Analyses have documented the cost saved by multinational corporations (Hail et al., 2010) which only have to produce financial statements using one set of statements. Financial analysts in Europe have experienced reduced information processing costs (Beuselinck et al., 2017). However, during the process of convergence, the influence of multinational corporations may lead to a transfer of wealth in their favour, while neglecting the public (Chand and White, 2007).

Higher capital accumulation makes the adoption of new standards easier, as they possess risk-based understanding [Yilmaz and Gelmedi, (2012), p.621]. To this effect, the IFRS fulfil ‘a global risk mitigating role’ (Bhimani, 2008). Harmonising the Chinese national accounting standards with the IFRS helps enterprises reduce the costs of raising capital internationally (Kotlyar, 2008).

Multinational corporations trade their shares across multiple financial markets in countries with different cultures. Arguably, “the differences in cultures create different demands for mandated information by global stock exchanges” [Belkaoui, (1995), pp.124–126]. In other words, accounting systems that are based on different principles and rules in each country pose difficulties in the decision-making process of rational investments [Yilmaz and Gelmedi, (2012), p.624]. An empirical study documents that IFRS adoption facilitates capital markets’ integration (Li, 2013). Thus, it can be concluded that the increased number of stockholders in global financial markets stimulated the creation of the IFRS (Kotlyar, 2008). However, evidence from Australia suggests that changes introduced during the IFRS’ adoption have had only a limited impact on the capital market (Morris et al., 2014).

## **6 Harmonising accounting treatments worldwide: a challenge to a country’s sovereignty**

Carsberg (1995, p.4) [as quoted in Karim, (2001), p.171] documents an argument made by international standard setters:

“I have never been convinced that cultural or economic differences from country to country justify different accounting for similar business activities in large organizations. Reasonable people, accepting the desirability of harmonization, should be able to agree eventually on common solutions.”

Such a position, however, can be challenged both conceptually and practically. Early accounting researchers on internationally unified accounting standards have doubted the effectiveness of such a system (Othman, 1989). Ding et al. (2007, p.2) point out that “accounting standards exist in a mosaic of complex institutional frameworks, rather than in isolation.” Evaluating China’s reform experiences, Graham and Li (1997, p.271) conclude that “[t]he simple imposition of business and accounting principles from one environment to another is difficult, [and] often incorrect.” Discussing the differences between the national GAAP and IFRS does not address complex problems related to the “national sovereignty, politics, culture, language, economic and business environments” [Ampofo and Sellani, (2005), p.229]. Thus, differences in financial reporting are likely to persist in an era when IFRS are increasingly being adopted because of globalisation (Haller and Wehrfritz, 2013).

Variations in culture result in different accounting systems. In such a situation, a lack of consensus among countries on appropriate accounting methods is expected and understandable given that accounting is cultural rather than technical [Belkaoui, (1995), p.120]. The core objective of accounting is to offer different options for “local communities to choose their own directions where subaltern voices are given opportunities to express their being in the world” [Neu, 2000a, 2000b, as cited in Lehman, (2005), p.989; emphasis added]. The natural order requires the international harmonisation of culture to occur prior to the standardisation of financial accounting reporting, which is aimed at serving culturally divergent societies. Because culture subscribes to “a system of societal or collectively held values” [Gray, (1988), p.4], reconciling all cultures requires the unification of values held by individuals worldwide. As per analyses on worldwide jurisdiction profiles, the IFRS is not yet a global standard for financial reporting (Dvořák and Vašek, 2015).

In reality, the world is moving towards a single set of financial accounting standards, although the countries continue to differ culturally. As Black (2012, pp.1–2) summarises, “...although we are getting closer to having one worldwide [set of] accounting standards, we do not have a single harmonized accounting culture.” Unifying the accounting practice globally is impossible because, “...even when a unifying force exists, systematized practice remains a challenge” [García, (2018), p.180].

“[T]he creation of a uniform set of accounting standards for financial reporting purposes [occurs] on a worldwide basis... [while] cultural, economic, and legal differences [exist] among countries” [Baker and Barbu, (2007), pp.272–273]. The IFRS, as a single accounting system to produce internationally comparable financial information, must be imposed on countries to achieve uniformity in financial accounting reports. According to Yilmaz and Gelmedi (2012, p.623), convergence with the IFRS must involve the imposition of global conditions on a country’s current practices. Hines (2007) observed a strong push initiated 35 years ago towards adopting a uniform set of financial accounting standards to swap the number of country-specific standards that were currently in use. The Chinese government achieved harmonisation by making IFRS adoption mandatory (Chen and Cheng, 2007). China’s move towards IFRS adoption is seen as an ironic case of globalisation since it is supported by a government that was once considered to be the least interested in the international movement of goods and capital (Ding and Su, 2008). SOCPA’s attempt to converge with the IFRS is arguably not different from China’s approach; that is, while SOCPA identified with certain aspects of the IAS and IFRS, the modification suggested by SOCPA to paragraph 9 of IAS 24 (related party disclosures) was not recognised by the IASB as an amendment.<sup>3</sup> On

13 November 2015, the IASB published on its website that “SOCPA may decide to amend any IFRS requirement that contradicts Shariah or local law, taking in consideration the level of technical and professional preparedness in the Kingdom. However, for the IFRS... [that have had] review[s]... completed, SOCPA has decided not to make any amendments.”<sup>4</sup> In 27 November 2017 update, the IASB declared, “[i]n 2016, SOCPA completed a review of all IFRS Standards (including Interpretations) based on the IFRS 2017 Red Book. As a result of the review, SOCPA adopted all of the IFRS Standards without amending any requirements in those Standards. SOCPA did add disclosure requirements to several standards, mainly to reflect Sharia or local law.”<sup>5</sup> The same comment can be extended to other international organisations such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). The leaders of AAOIFI, especially Karim (2001, p.189), the first secretary general, realised the challenges represented by the internationalisation of accounting standards through the use of IAS. However, AAOIFI’s alignment with the IFRS displaces its own values and propagates the beliefs of others; such principles are only rhetorically and symbolically retained (Kamla and Haque, 2017). Eventually, the IFRS prevails over other domestic and local accounting systems. Given the contemporary approach of unifying accounting practices, the only means to achieve uniformity in global accounting is imposition. Imposition is not always a solution; it may give rise to other problems without solving the issue it was initially adopted to address. For example, the imposition of positive accounting research in accounting academe has not elevated accounting to where it was hoped (Al-Adeem, 2017b; Al-Adeem and Fogarty, 2011).

Serving various cultures with a single *imposed* set of financial accounting standards involves difficulties and poses challenges to emerging and developing countries (Irvine, 2008). The IFRS were developed in sophisticated economies, but their application to developing countries may fail to consider differences that are present in emerging economies (Tyrrall et al., 2007). Global capitalism, which is a newly prevailing global financial and economic creed, threatens the cultural individuality and distinctiveness of non-Westernised countries<sup>6</sup> through its Western-dominated ideologies and technologies (Irvine and Lucas, 2006). According to Gambling and Karim (1991, p.103) [as cited in Karim, (2001), p.173],

“[T]he conceptual framework of accounting currently applied in the West finds its justification in a dichotomy between business morality and private morality. As such, it cannot be (unquestioningly) implemented in other societies which have revealed doctrines and morals that govern all social, economic and political aspects of life.”

Because developed countries benefit from the imposition of the IFRS, they have promoted these standards within developing countries (Graham and Neu, 2003, as cited in Ampofo and Sellani, 2005). Developing countries are negatively affected by a uniform accounting system, because capital holders in developed countries are likely to be indifferent with respect to the characteristics of these capital holders [Yilmaz and Gelmedi, (2012), p.623]. Irvine (2008, p.128) also warns that “[d]eveloped nations, the leaders in global capital markets, are in a position to enforce their culture and regulatory systems either directly and indirectly.” Accepting “standards as a common language, it is obvious that developed countries will inject more... [concepts] into this language” [Yilmaz and Geledi, (2012), p.623]. Ramanna (2013, p.32) makes a similar remark, arguing that the “IASB standards that predominantly reflect European conditions are

unlikely to be satisfactory to... [other] countries.” The concern, thus, becomes whether other countries (emerging and developing) have an equal opportunity for their values to be reflected in the global financial accounting systems. Discussing the composition of the IASB, some researchers have expressed concerns about the equality of representation among standard setters (Kotlyar, 2008). Countries that are eager to take the lead in the global arena not only ensure their presence but also contribute to the creation of the IFRS. The USA joined the international movement, met with the IASB in ‘a historical meeting in September 2002’ (O’Malley, 2012), and considered developing a joint conceptual framework with the IASB, because it recognised the increasing influence of the European Union over financial accounting reporting, which positioned the European Union in an internationally leading position (Posner, 2009, 2010). Alali and Cao (2010, p.83) predict that “due to the prominent power of the US SEC, it is inevitable that potential newly issued IFRS are gradually moving toward US GAAP under the influence from the US SEC.”

Because there is a two-way relationship between culture and ‘a country’s accounting environment’ [Belkaoui, (1995), p.9], and since accounting can be perceived as an ideological system, the globally unified accounting system may aid in transforming countries whose contributions to the creation of the IFRS are small or non-existent. This will make such countries the recipients of other countries’ rules (mainly their values, concepts, legal aspects, and language). One standpoint on IFRS adoption suggests that adopting or converging with the IFRS, particularly in the unilateral type of convergence, may not be the only goal that drives countries to adopt them. Rather, adoption of the IFRS may result in transforming the cultural and socioeconomic systems of countries and societies that are changing their standards. Accounting can be an effective ideological tool for imposing beliefs and values (Abdullah, 2007). The convergence of accounting standards in China has been a force for the convergence of accounting practices (Peng et al., 2008). While the “Western concepts of entity, and independent markets, market price, and multitude of separate businesses” in the IAS and IFRS are difficult to define in China’s ‘socialist-market’ economy [Graham and Li, (1997), p.271], they contribute to the present-day transformation of the country.

The role of culture is an illustrative factor underlying variances between the national GAAP and IAS (Ding et al., 2005). As a result of IFRS adoption, countries may need to adopt or adapt to cultural changes to overcome conflicts between the IFRS and their own culture. Al Rashid (2010) warns that a country that adopts the IFRS may jeopardise its sovereignty if the IFRS conflicts with its domestic laws and regulations. He further questions the sovereignty of the government running the affairs of such a country if the government changes domestic legislation to resolve such a conflict. A good example of this is the case of South Korea, which revised its tax law because it contradicted with the IFRS (Suh, 2011), thus rendering the sovereignty of its government questionable. On the contrary, a country that wants to retain its values and culture must thoroughly review the IFRS prior to implementation. Such willingness may depend on the cost-benefit criterion, an accounting measure to decide the worthiness of providing information. Survey respondents in Europe concur that if the approach to IFRS convergence is comprehensive, then the cost and benefits of the conversion are high (Jermakowicz and Gornik-Tomaszewski, 2006). If the cost is higher, then surrendering to external forces may be economically optimal. Sustaining independence and autonomy in a global setting is likely to be costly and unaffordable.

## 7 Harmonising financial reporting accounting standards: a challenge to values held by society members

Hoarau (1995, p.220) [as quoted in Karim, (2001), p.171] asserts,

“[T]he movement towards international harmonization, whose principles should eventually lead to a certain uniformity in accounting standards, comes into conflict with a number of objectives of financial statements and, more fundamentally, with *the economic, social and cultural contexts of different accounting systems*, and even with some manifestations of national sovereignty.” (Italics added for emphasis)

Values vary by country, and, thus, it is important to develop an internationally symmetric unified code of values as well as gain universal acceptance before establishing a globally unified accounting system. However, current widespread efforts towards unifying the financial accounting system are not characterised as such. Evidently, an international system for financial accounting reporting has been setup before achieving cultural amalgamation.

Besides, if the comparability advantage at the international level is threatened by numerous cultural interpretations of the IFRS, countries that have implemented the IFRS are left with a unified accounting system that provides accountants with definitions, concepts, and descriptions of the financial statements' elements. The USA is participating in setting the IFRS to ensure such standards do not contradict with its national GAAP (Kotlyar, 2008). Japan is following a thoughtful approach towards converging with the IFRS; nevertheless, the debate on a suitable approach is on-going in Japan. While the USA has been trying to agree upon definitions of concepts that account for FASB and IASB's current concepts to enable a common ground for both bodies, other countries that have fully adopted the IFRS are possibly required to accommodate the new concepts and their definitions in their cultural and value systems. This is because different definitions ultimately yield varying sets of financial statements.

Countries may need to incorporate such definitions and even concepts into their socioeconomic systems. As a result, they may start to value things in new but different ways. In other words, a country that fully adopts the IFRS, but holds a set of values that diverge from those on which the IFRS is based, may need to embrace the new set of values or approach them differently. China's newly adopted accounting system came with compromises (Tang, 2000). A more robust example is the forceful implementation of the IAS 23 in the Muslim world. According to Sharia Law in Islam, interest on loans is prohibited. To elaborate, a Muslim is not supposed to ask for and take interest when lending money to others. Likewise, a Muslim is not supposed to agree to pay interest when borrowing money. Such an action is deemed a major sin that requires serious repentance in Islam. While the Bible calls this 'usury' (Baskin and Miranti, 1997), the Qur'an calls such interest *rebaa*. Nevertheless, nowadays, interest on loans in the West and many other regions in the world is unquestioned for secular countries. Such countries do not question its legitimacy or religiosity. Capitalism has won the battle against Christianity (Tinker, 2004) and may have become the dominant ideology, the prevailing dogma, and the principal doctrine held, believed, and practiced by many individuals, societies, and businesses. As a result, business is conducted based on the prevailing values rather than the defeated ideals. The latter can be held dear by members of society for fulfilling their spiritual needs.

Karim (2001, p.188) affirms that “the use of IASs as a vehicle for achieving international harmonization of financial reporting will not be effective... and may have the opposite effect because of the ‘slack’ resulting from the inadequate ‘fit’ of IASs to Islamic transactions.” For Muslim countries, the implementation of IAS 23 should represent a serious challenge to their set of beliefs. The issuing of this standard is a perfect example of injecting one country’s values into the IFRS that may challenge another country’s values. IAS 23 requires the capitalisation of borrowing costs. The core principle of IAS 23 is that “borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset” (IAS 23, para. 1, p.A670). The IASB’s conceptual framework defines assets as “future economic benefits that will contribute directly or indirectly to the flow of cash or cash equivalents to the entity” [Conceptual Framework for Financial Reporting, (2018), para. 4.14, 4.16]. Such capitalisation of borrowing costs deems them as stored benefits that are not different from other recourses classified under the assets column of a balance sheet. This classification contradicts the Qur’an’s teachings about interest, thus posing as a paradox for sincere and faithful Muslim countries.

Muslim countries may have to choose between the implementation of IAS 23 and the Qur’an’s teachings about levying interests. Alternatively, a Muslim country can choose to not implement IAS 23, which, in turn, jeopardises its attempt to adopt the IFRS. According to the IASB, for a country to claim that it has fully adopted the IFRS or converged its national financial accounting standard with the IFRS, it must not delete any stipulation under the IFRS. Thus, countries that want to implement the IFRS face a ‘take it or leave it’ attitude.

As a new set of accounting standards, the IFRS possesses the power to transform global finance by reinvigorating and realigning the relationships between business and society (Kotlyar, 2008). Accounting is ‘a fiction’ and augments our understanding of the genealogy of the modern conceptions of a human agent and the local communities to which that agent belongs [Lehman, (2005), p.990]. Therefore, accounting, in this regard, means a social institution including the following:

“[C]ompanies’ accounting systems; concepts such as assets, liabilities, profit, cash flow, balance sheet, profit and loss statement, segment reporting, the principle of the lower of cost of market; and additionally, the statutory or professional standards in which these concepts are articulated and the regulatory agencies along with their supporting organizations.” [Ordelheide, (2004), p.274]

When carefully examined, accounting can be seen as an ideological system. Accounting is among those social sciences that are deemed as ideologies [Okaboli and Tinker, (1990), p.89]. This social ideology takes the form of a system of beliefs informing the conduct of everyday life [Tinker, (2004), p.442].

## 8 Conclusions

If practiced accounting is deduced from the same ideologies that govern a society that practices such an accounting system, then such practiced accounting should *account for* permissible transactions. If, on the other hand, practiced accounting were brought or deduced from a different socioeconomic system, the accounting system may not be aligned with business needs. Put differently, when an accounting system is created in a

culture and an environment that differs from those of other countries, it may not fit or meet the latter's social needs. However, if accounting and the way of living in a given society are from the same source, then accounting should be capable of including transactions that occur in such a society. If their sources differ, then dysfunctions between the two are inevitable.

Convergence with the IFRS must occur using a strategic approach given the politics involved (Ramanna, 2013).<sup>7</sup> The IFRS can be considered 'a high-quality standard' only if the 'marketplace believes so' [Alali and Cao, (2010), p.85]. Implementation of the IFRS "has been successful in emerging economies such as China, Zimbabwe, and Mauritius, but it has failed in other countries such as Pakistan and Kuwait" [Albu and Albu, 2012; Faraj and El-Firjani, (2014), p.57]. To learn about Bangladesh's experience, see Mir and Rahaman (2005); for China, see Peng and van der Laan Smith (2010); for Kuwait, see Al-Anzi (2000); for Mauritius, see Boolaky (2010); for Saudi Arabia, see Alsuhaibani (2012) and Nurunnabi (2017); for the UAE, see Irvine (2008) and Irvine and Lucas (2006); and for Zimbabwe, see Chamisa (2000). Non-compliance with the IFRS in Kuwait can be largely attributed to lack of attempts to modify the IAS or IFRS to fit Kuwait's legal and socioeconomic environment or to align Kuwait's laws and regulations with those under the IAS or IFRS (Al-Anzi, 2000). Zeghal et al. (2012) study 15 European countries and show some improvement in accounting quality, measured by lower earnings management, higher timeliness, conditional conservatism, and value relevance of accounting numbers between the pre- and post-IFRS adoption periods. In Australia, accounting quality has improved following the mandatory adoption of the IFRS (Chua et al., 2012).<sup>8</sup> The information content of corporations traded in the Jordanian market increased after implementation of the IAS (Juhmani, 1998).

The accounting literature, however, discusses the challenges confronting the determination of countries that are willing to converge with the IFRS [e.g., Odia and Ogiedu, (2013), p.394; Al-Mousa and Al-Adeem, 2017]. Since culture is 'accounting's medium' (Belkaoui, 1995) and because a comprehensive conception of accounting considers the culture (Lehman, 2005), its effects need to be understood when the IFRS are being adopted globally (Black, 2012). Opposition to the IAS "is not exclusively driven by contractual motives, a claimed technical superiority, or legal origins, but also by diversity in culture factors" [Ding et al., (2005), p.325]. Accounting is deeply rooted in contextual factors such as a country's social, political, and economic environment, which supposedly should not be ignored in the process of IFRS convergence (Hellmann et al., 2010). Nevertheless, the impact of accounting on communities and cultures tends to be ignored in the global wave of standardising accounting practices, as Lehman (2005) observes.

Accounting is regarded as "an intrinsic and constitutive component of the government of economic life" [Miller and Rose, 1990, as cited in Miller, (1994), p.29]. Accounting itself is an ideological system that reflects changes to the economic environment and ways of conducting business. In society, the ideology that dominates other dogmatic systems will be reflected in accounting practices and the way in which financial reports are prepared. Countries that are eager to take the lead in the global arena ought to assure their presence in and contribute to the creation of the IFRS. Importantly, countries that do not wish for new IFRS to contradict their code of values must be on board when IFRS are being developed further.

## References

- Abdullah, R. (2007) *المحاسبة سلاح إيديولوجي نفاذ: عولمة المحاسبة: تجريدية لفرض توليفة معتقدات الدولة* [Accounting is an Effective Ideological Weapon: Globalizing Accounting: An Abstract to the Hypothesis of Imposing a Combination of One-State Beliefs on the World], Arab Administrative Development Organization, Specialized Organization Affiliated with the League of Arab States, Cairo, Egypt.
- Abdullah, R. and Aljajaaye, T. (2002) 'A منظور فلسفي للعلاقة بين السياسة والمحاسبة وانعكاساتها على' [A philosophical perspective on the relationship between politics and accounting and its reflection on accounting standards: the case of Iraq], *Arab Accounting Journal*, Vol. 5, No. 1, pp.79–118.
- Al Rashid, A. (2010) *Panel held at the Twelfth Forum for Developing Accounting in the Kingdom of Saudi Arabia*, The Accounting Department, King Saud University, Riyadh, Saudi Arabia.
- AlAbdullah, R., AlJouhar K. and AlAni, M. (2008) *حالة العراق: أثر الإطار الثقافي في نظام الإبلاغ المالي* [Effect of Cultural Framework on Financial Corporate Reporting 'The Case of Iraq], Study No. 455. Arab Administrative Development Organization, Specialized Organization Affiliated with the League of Arab States, Cairo, Egypt.
- Al-Adeem, K.R. (2017a) 'A need for theorizing corporation: an accounting perspective', *International Journal of Accounting Research*, Vol. 5, No. 2, p.166.
- Al-Adeem, K.R. (2017b) 'Role of doctoral education in shaping minds and thinking: reflection on my doctoral education at Case Western Reserve University', *International Journal of Critical Accounting*, Vol. 9, Nos. 5–6, pp.494–513.
- Al-Adeem, K.R. and Fogarty, T.J. (2011) 'Accounting theory: lost or displaced', proceeding presented at the *2011 American Accounting Association Annual Meeting*, Denver, CO, 6–10 August.
- Alali, F. and Cao, L. (2010) 'International Financial Reporting Standards – credible and reliable? An overview', *Advances in Accounting, Incorporating Advances in International Accounting*, Vol. 26, No. 1, pp.79–96.
- Al-Anzi, K. (2000) *Corporate Financial Reporting and Foreign Investment in Kuwait*, Unpublished Doctoral dissertation, University of Wollongong, Wollongong, Australia.
- Albu, N. and Albu, C.N. (2012) 'International Financial Reporting Standards in an emerging economy: lessons from Romania', *Australian Accounting Review*, Vol. 22, No. 63, pp.341–352.
- Al-Mousa, A.A.M. and Al-Adeem, K.H. (2017) 'Empirically investigating Saudi Arabian accountants' readiness to implement IAS 2', *Financial Markets, Institutions and Risks*, Vol. 1, No. 3, pp.5–21.
- Alsuhaibani, A. (2012) 'The expected impact of IFRS adoption on Saudi Arabia based on lessons from other countries: a focus on the telecommunication business', *Procedia-Social and Behavioral Sciences*, Vol. 62, pp.1190–1198.
- Ampofo, A.A. and Sellani, R.J. (2005) 'Examining the differences between United States Generally Accepted Accounting Principles (US GAAP) and International Accounting Standards (IAS): implications for the harmonization of accounting standards', *Accounting Forum*, Vol. 29, No. 2, pp.219–231.
- Arnold, P.J. (2009) 'Institutional perspective on the internationalization of accounting', in Chapman, C.S. et al. (Eds.): *Accounting, Organizations, and Institutions: Essays in Honour of Anthony Hopwood*, pp.48–64, Oxford University Press, Oxford, UK.
- Baker, C.R. and Barbu, E.M. (2007) 'Trends in research on international accounting harmonization', *The International Journal of Accounting*, Vol. 42, No. 3, pp.272–304.
- Barnet, R. and Cavanagh, J. (1996) 'Homogenization of global culture', in Mander, J. and Goldsmith, E. (Eds.): *The Case Against the Global Economy and for a Turn Toward the Local*, pp.71–77, Sierra Club Books, San Francisco, CA.

- Baskin, J.B. and Maranti Jr., P.J. (1997) *A History of Corporate Finance*, Cambridge University Press, Cambridge, UK.
- Belkaoui, A. (1990) *Judgment in International Accounting: A Theory of Cognition, Cultures, Language, and Contracts*, Quorum Books, Westport, CA.
- Belkaoui, A. (1995) *The Cultural Shaping of Accounting*, Quorum Books, Westport, CA.
- Beuselincx, C., Joos, P.P., Khurana, I.K. and Van der Meulen, S. (2017) 'Which analysts benefited most from mandatory IFRS adoption in Europe?', *Journal of International Accounting Research*, Vol. 16, No. 3, pp.171–190.
- Bhimani, A. (2008) 'The role of a crisis in reshaping the role of accounting', *Journal of Accounting Public Policy*, Vol. 27, No. 6, pp.444–454.
- Black, E.L. (2012) 'IFRS convergence and adoption: challenges and opportunities', *Journal of International Accounting Research*, Vol. 11, No. 1, pp.1–3.
- Boedker, C. and Chua, W.F. (2013) 'Accounting as an affective technology: a study of circulation, agency and entrenchment', *Accounting, Organizations and Society*, Vol. 38, No. 4, pp.245–267.
- Boolakay, P.K. (2010) 'IFRS in small island economies: problems and challenges to the private and public-sector enterprises: using data from Mauritius' [online] <http://dx.doi.org/10.2139/ssrn.1578075>.
- Brearey, C.H. and Al-Adeem, K.R. (2019) 'Thinking beyond the black box: sterling as an economist shows accountants the way toward relevance', *Journal of Finance and Accountancy*, Vol. 25, pp.1–25 [online] [https://www.researchgate.net/publication/332719696\\_Thinking\\_Beyond\\_the\\_Black\\_Box\\_Sterling\\_Shows\\_Accountants\\_the\\_Way\\_toward\\_Relevance](https://www.researchgate.net/publication/332719696_Thinking_Beyond_the_Black_Box_Sterling_Shows_Accountants_the_Way_toward_Relevance).
- Buchanan, F.R. (2003) 'International accounting harmonization: developing a single world standard', *Business Horizons*, Vol. 46, No. 3, pp.61–70.
- Chamisa, E.E. (2000) 'The relevance and observance of the IASC standards in developing countries and the particular case of Zimbabwe', *The International Journal of Accounting*, Vol. 35, No. 2, pp.267–286.
- Chand, P. and White, M. (2007) 'A critique of the influence of globalization and convergence of accounting standards in Fiji', *Critical Perspectives on Accounting*, Vol. 18, No. 5, pp.605–622.
- Chen, J.J. and Cheng, P. (2007) 'The impact of regulatory enforcement on harmonization of accounting practices: evidence from China', *Journal of Contemporary Accounting & Economics*, Vol. 3, No. 1, pp.58–71.
- Chua, Y.L., Cheong, C.S. and Gould, G. (2012) 'The impact of mandatory IFRS adoption on accounting quality: evidence from Australia', *Journal of International Accounting Research*, Vol. 11, No. 1, pp.119–146.
- Clarke, C. (1996) 'Mechanisms of corporate rule', in Mander, J. and Goldsmith, E. (Eds.): *The Case Against the Global Economy and for a Turn Toward the Local*, pp.297–308, Sierra Club Books, San Francisco, CA.
- Conceptual Framework for Financial Reporting (2018) *IFRS Foundation* [online] <https://cdn.ifrs.org/-/media/feature/meetings/2018/july/iasb/ap10-cf.pdf> (accessed 12 January 2019, permission is required).
- Ding, Y. and Su, X. (2008) 'Implementation of IFRS in a regulated market', *Journal of Accounting and Public Policy*, November/December, Vol. 27, pp.474–479.
- Ding, Y., Hope, O.K., Jeanjean, K. and Stolowy, H. (2007) 'Differences between domestic accounting standards and IAS: measurement, determinants and implications', *Journal of Accounting and Public Policy*, Vol. 26, pp.1–38.
- Ding, Y., Jeanjean, T. and Stolowy, H. (2005) 'Why do national GAAP differ from IAS? The role of culture', *The International Journal of Accounting*, Vol. 40, No. 4, pp.325–350.

- Dvořák, M. and Vašek, L. (2015) 'Are IFRS really global standards of financial reporting? Analysis of worldwide jurisdiction profiles', *Procedia Economics and Finance*, Vol. 25, pp.156–165.
- Elias, N. (2012) 'Discussion of the impact of mandatory IFRS adoption on accounting quality: evidence from Australia', *Journal of International Accounting Research*, Vol. 11, No. 1, pp.147–154.
- Erickson, D., Esplin, A. and Maines, L.A. (2009) 'One world-one accounting', *Business Horizons*, Vol. 52, No. 6, pp.531–537.
- Faraj, S. and El-Firjani, E. (2014) 'Challenges facing IASs/IFRS implementation by Libyan listed companies', *Universal Journal of Accounting and Finance*, Vol. 2, No. 3, pp.57–63.
- Felski, E. (2017) 'How does local adoption of IFRS for those countries that modified IFRS by design, impair comparability with countries that have not adapted IFRS?', *Journal of International Accounting Research*, Vol. 16, No. 3, pp.59–90.
- Florou, A. and Pope, P.F. (2012) 'Mandatory IFRs adoption and institutional investment decisions', *The Accounting Review*, Vol. 87, No. 6, pp.1993–2025.
- Furusawa, T. (2011) 'IFRS adoption: experiences and expectations in Korea and Japan', Panel held at the 2011 American Accounting Association Annual Meeting, Denver, CO, 6–10 August.
- Gambling, T. (1974) *Societal Accounting*, Allen and Unwin, Crows Nest, Australia.
- García, N. (2018) *Understanding Mattessich and Ijiri: A Study of Accounting Thought*, Emerald Publishing Limited, Bingley, UK.
- Graham, L.E. and Li, C. (1997) 'Cultural and economic influences on current accounting standards in the People's Republic of China', *The International Journal of Accounting*, Vol. 32, No. 3, pp.247–278.
- Gray, S.J. (1988) 'Towards a theory of cultural influence on the development of accounting systems internationally', *ABACUS*, Vol. 24, No. 1, pp.1–15.
- Haas, J. (2013) 'Towards a comprehensive appraisal of global accounting harmonization: about the 'desirability' of IFRS – a comment on Ramanna's 'The International Politics of IFRS Harmonization'', *Accounting Economics and Law: A Convivium*, Vol. 3, No. 2, pp.53–68.
- Hail, L., Leuz, C. and Wysocki, P. (2010) 'Global accounting convergence and the potential adoption of IFRS by the US (Part I): conceptual underpinnings and economic analysis', *Accounting Horizons*, Vol. 24, No. 3, pp.355–394.
- Haller, A. and Wehrfritz, M. (2013) 'The impact of national GAAP and accounting traditions on IFRS policy selection: evidence from Germany and the UK', *Journal of International Accounting, Auditing and Taxation*, Vol. 22, No. 1, pp.39–56.
- Haverty, J.L. (2006) 'Are IFRS and U.S. GAAP converging? Some evidence from People's Republic of China companies listed on the New York Stock Exchange', *Journal of International Accounting, Auditing and Taxation*, Vol. 15, No. 1, pp.48–71.
- Hellmann, A., Perera, H. and Patel, C. (2010) 'Contextual issues of the convergence of International Financial Reporting Standards: the case of Germany', *Advances in Accounting*, Vol. 26, No. 1, pp.108–116.
- Herrmann, D., Saudagaran, S.M. and Thomas, W.B. (2006) 'The quality of fair value measures for property, plant, and equipment', *Accounting Forum*, Vol. 30, No. 1, pp.43–59.
- Hines, T.M. (2007) 'International Financial Reporting Standards: a guide to sources for International Accounting Standards', *Journal of Business & Finance Librarianship*, Vol. 12, No. 3, pp.3–26.
- Holder, A.D., Karim, K.E., Lin, K.J. and Woods, M. (2013) 'A content analysis of the comment letters to the FASB and IASB: accounting for contingencies', *Advances in Accounting, Incorporating Advances in International Accounting*, Vol. 29, No. 1, pp.134–153.
- Hopwood, A.G. (2000) 'Understanding financial accounting practice', *Accounting, Organizations and Society*, Vol. 25, No. 8, pp.763–766.

- International Accounting Standards Board (IASB) (2008) *International Accounting Standard 23 'Borrowing Costs'* [online] <http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS23.pdf> (accessed 12 January 2019, permission is required).
- International Accounting Standards Board (IASB) (2013) *International Accounting Standard IAS 1 (Presentation of Financial Statements)* [online] <http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS1.pdf> (accessed 12 January 2019, permission is required).
- International Accounting Standards Board (IASB) (2014) *International Financial Reporting Standards IFRS 10 (Consolidated Financial Statements)* [online] <http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS10.pdf> (accessed 12 January 2019, permission is required).
- Irvine, H. (2008) 'The global institutionalization of financial reporting: the case of the United Arab Emirates', *Accounting Forum*, Vol. 32, No. 2, pp.125–142.
- Irvine, H. and Lucas, N. (2006) *The Globalization of Accounting Standards: The Case of the United Arab Emirates*, Faculty of Commerce, University of Wollongong, Wollongong, Australia.
- Jermakowicz, E.K. and Gornik-Tomaszewski, S. (2006) 'Implementing IFRS from the perspective of EU publicly traded companies', *Journal of International Accounting, Auditing and Taxation*, Vol. 15, No. 2, pp.170–196.
- Jones, S. and Finley, A. (2011) 'Have IFRS made a difference to intra-country financial reporting diversity?', *The British Accounting Review*, Vol. 43, No. 1, pp.22–38.
- Joshi, P.L., Bermser, W.G. and Al-Ajmi, J. (2008) 'Perceptions of accounting professionals in the adoption and implementation of a single set of global accounting standards: evidence from Bahrain', *Advances in Accounting, Incorporating Advances in International Accounting*, Vol. 24, No. 1, pp.41–48.
- Juhmani, O.I. (1998) 'The stock market response to the introduction of International Accounting Standards in Jordan', *The Arab Journal of Accounting*, Vol. 2, No. 1, pp.95–127.
- Kamla, R. and Haque, F. (2017) 'Islamic accounting, neo-imperialism and identity staging: the Accounting and Auditing Organization for Islamic Financial Institutions', *Critical Perspectives on Accounting*, Vol. 63 [online] <https://doi.org/10.1016/j.cpa.2017.06.001>.
- Karim, R.A.A (2001) 'International accounting harmonization, banking regulation, and Islamic banks', *The International Journal of Accounting*, Vol. 36, No. 2, pp.169–193.
- Kotlyar, J. (2008) 'The advent of the International Financial Reporting Standards: a catalyst for changing global finance', *Journal of International Affairs*, Vol. 62, No. 1, pp.321–238.
- Krishnan, G. and Zhang, J. (2018) 'Does mandatory adoption of IFRS enhance earnings quality? Evidence from closer to home' [online] <http://dx.doi.org/10.2139/ssrn.3219059>.
- Lasboo, H.A. (2012) 'A critical analysis of William Robinson's article: 'social theory and globalization: the rise of a transnational state'' [online] <http://dx.doi.org/10.2139/ssrn.2258193>.
- Lehman, G. (2005) 'A critical perspective on the harmonisation of accounting in a global world', *Critical Perspectives on Accounting*, Vol. 16, No. 7, pp.975–992.
- Li, Y. (2013) 'Does mandatory IFRS adoption facilitate financial market integration?', in *CAAA Annual Conference 2013* [online] <http://dx.doi.org/10.2139/ssrn.2197775>.
- Linsmeier, T. (2012) 'Current topics in standard setting', Panel held at the *2012 Midyear Meeting of Financial Accounting and Reporting Section*, The American Accounting Association, Chicago, IL, 6–7 January.
- Madsen, P. (2013) 'Evaluating accounting standards: a comment on Ramanna's 'The International Politics of IFRS Harmonization'', *Accounting Economics and Law: A Convivium*, Vol. 3, No. 2, pp.77–92.
- Mander, J. and Goldsmith, E. (1996) *The Case Against the Global Economy and for a Turn Toward the Local*, Sierra Club Books, San Francisco, CA.

- Miller, P. (1994) 'Accounting as social and institutional practice: an introduction', in Hopwood, A.P. and Miller, P. (Eds.): *Accounting as Social and Institutional Practice*, pp.1–39, Cambridge University Press, Melbourne, Australia.
- Mir, M.Z. and Rahaman, A.S. (2005) 'The adoption of International Accounting Standards in Bangladesh. An exploration of rationale and process', *Accounting, Auditing and Accountability Journal*, Vol. 18, No. 6, pp.816–841.
- Morris, R.D., Gray, S.J., Pickering, J. and Aisbitt, S. (2014) 'Preparers' perceptions of the cost and benefits of IFRS: evidence from Australia's implementation experience', *Accounting Horizons*, Vol. 28, No. 1, pp.143–173.
- Nobes, C. (2013) 'The continued survival of international differences under IFRS', *Accounting and Business Research*, Vol. 43, No. 2, pp.83–111.
- Nölke, A. (2013) 'A political economy explanation for country variation in IFRS adoption – a comment on 'The International Politics of IFRS Harmonization'' in Ramanna, K. (Ed.): *Accounting Economics and Law: A Convivium*, Vol. 3, No. 2, pp.69–76.
- Nurunnabi, M. (2017) 'IFRS and Saudi accounting standards: a critical investigation', *International Journal of Disclosure and Governance*, Vol. 14, No. 3, pp.191–206.
- O'Malley, S. (2012) *A State of Flux: The Future of the Financial Accounting Standards Board (FASB) in the Face of International Financial Reporting Standards (IFRS)*, Senior thesis, Business Administration, Ohio University Honors Tutorial College, Athens, OH [online] [https://etd.ohiolink.edu/!etd.send\\_file?accession=ouhonors1338838501&disposition=inline](https://etd.ohiolink.edu/!etd.send_file?accession=ouhonors1338838501&disposition=inline) (accessed 12 January 2019).
- Odia, J.O. and Ogiedu, K.O. (2013) 'IFRS adoption: issues, challenges and lessons for Nigeria and other adopters', *Mediterranean Journal of Social Sciences*, Vol. 4, No. 3, pp.389–399.
- Okabof, F. and Tinker, T. (1990) 'The market for positive theory: demonstrating the theory of excuses', *Advances in Public Interest Accounting*, Vol. 3, pp.71–95 [online] <https://books.google.com.sa/books?id=PMaCCUY98FAC&pg=PR2&lpg=PR2&dq=advances+in+public+interest+accounting+volume+1+pdf&source=bl&ots=2HJTaSEb82&sig=ACfU3U1NaKzb3YEslVJ3xfgJ4n97y9Jzng&hl=en&sa=X&ved=2ahUKewjEtKvPif3nAhWBifWkHXQhAXoQ6AEwDHoECAoQAQ#v=onepage&q&f=false>.
- Ordelheide, D. (2004) 'The politics of accounting: a framework', in Leuz, C. et al. (Eds.): *The Economics and Politics of Accounting: International Perspectives on Research Trend, Policy, and Practice*, pp.269–284, Oxford University Press, Oxford, UK.
- Othman, A.I. (1989) 'الإدارة دراسة نظرية تحليلية لفعالية المعايير المحاسبية على المستوى الدولي [A theoretical and analytical study on the effectiveness on unifying accounting standards at the international level]', *Public Administration*, November, Vol. 64, pp.75–108.
- Peng, S. and van der Laan Smith, J. (2010) 'Chinese GAAP and IFRS: an analysis of the convergence process', *Journal of International Accounting, Auditing and Taxation*, Vol. 19, No. 1, pp.16–34.
- Peng, S., Tondkar, R.H., van der Lan Smith, J. and Harless, D.W. (2008) 'Does convergence of accounting standards lead to the convergence of accounting practice?', *The International Journal of Accounting*, Vol. 43, No. 4, pp.448–468.
- Posner, E. (2009) 'Making rules for global finance: transatlantic regulatory cooperation at the turn of the millennium', *International Organization*, Vol. 63, No. 4, pp.665–699.
- Posner, E. (2010) 'Sequence as explanation: the international politics of accounting standards', *Review of International Political Economy*, Vol. 17, No. 4, pp.649–664.
- Prather-Kinsey, J. (2006) 'Developing countries converging with developed-country accounting standards: evidence from South Africa and Mexico', *The International Journal of Accounting*, Vol. 41, No. 2, pp.141–162.
- Ramanna, K. (2013) 'The international politics of IFRS harmonization', *Accounting, Economics and Law: A Convivium*, Vol. 3, No. 2, pp.1–46.
- Rieger, J.R. (2006) 'China accounting convergence', *AFA Exchange*, Vol. 24, No. 4, pp.18–19.

- Robinson, W.I. (2001) 'Social theory and globalization: the rise of a transnational state', *Theory and Society*, Vol. 30, No. 2, pp.157–200.
- Robinson, W.I. (2004) *A Theory of Global Capitalism: Production, Class, and State in a Transnational World*, Johns Hopkins University Press, Baltimore, MA.
- Robinson, W.I. (2007) 'Theories of globalization', in Ritzer, G. (Ed.): *The Blackwell Companion to Globalization*, pp.125–143, Blackwell Publishing, Carlton, Victoria, Australia.
- Robinson, W.I. and Harris, J. (2000) 'Towards a global ruling class? globalization and the transnational capitalist class', *Science and Society*, Vol. 64, No. 1, pp.11–54.
- Rodgers, P. (2007) *International Accounting Standards: From UK Standards to IAS – An Accelerated Route to Understanding the Key Principle*, CIMA Publishing, Burlington, MA.
- Rosen, A. (2008) 'Kaboom', *Canadian Business Magazine*, 24 October.
- Saito, S. (2013) 'The international politics of IFRS harmonization: a comment', *Accounting, Economics and Law*, Vol. 3, No. 2, pp.47–52.
- Saudi Organization for Certified Public Accountants (SOCPA) (2012) *SOCPA Project for Transition to International Accounting and Auditing Standards* [online] <https://socpa.org.sa/Socpa/About-Socpa/SOCPA-Projects.aspx?lang=en-us> (accessed 12 January 2019).
- Suh, C. (2011) 'IFRS adoption: experiences and expectations in Korea and Japan', Panel held at the *2011 American Accounting Association Annual Meeting*, Denver, CO, 6–10 August.
- Tang, Y. (2000) 'Bumpy road leading to internationalization: a review of accounting development in China', *Accounting Horizons*, Vol. 14, No. 1, pp.93–102.
- Tinker, T. (1985) *Paper Prophets: A Social Critique of Accounting*, Praeger Pub Text, Santa Barbara, CA.
- Tinker, T. (2004) 'The enlightenment and its discontents: antinomies of Christianity, Islam and the calculative sciences', *Accounting, Auditing and Accountability Journal*, Vol. 17, No. 3, pp.442–475.
- Tsunogaya, N. (2016) 'Issues affecting decisions on mandatory adoption of International Financial Reporting Standards (IFRS) in Japan', *Accounting, Auditing and Accountability Journal*, Vol. 29, No. 5, pp.828–860.
- Tyrrall, D., Woodward, D. and Rakhimobekova, A. (2007) 'The relevance of International Financial Reporting Standards to a developing country: evidence from Kazakhstan', *The International Journal of Accounting*, Vol. 42, No. 1, pp.82–110.
- Tysiac, K. (2012a) 'IFRS foundation report says SEC's concerns can be overcome', *Journal of Accountancy* [online] <https://www.journalofaccountancy.com/news/2012/oct/20126718.html> (accessed 28 November 2019).
- Tysiac, K. (2012b) 'Still in flux: future of IFRS in U.S. remains unclear after SEC report', *Journal of Accountancy* [online] <https://www.journalofaccountancy.com/issues/2012/sep/20126059.html> (accessed 28 November 2019).
- West, B.P. (2003) *Professionalism and Accounting Rules*, Routledge, New York, NY.
- Woolf, E. (2006) *Converging Standards: Will Realism Win Through?*, AccountingDaily.com, 26 August [online] <https://www.accountancydaily.co/emile-woolf-converging-standards-will-realism-win-through> (accessed 12 January 2019).
- Yilmaz, E. and Gelmedi, O. (2012) 'Assessing international accounting harmonization using izomorfism', Paper presented at the *2nd International Symposium on Sustainable Development*, Sarajevo, Bosnia and Herzegovina, 8–9 June.
- Yip, R.W.Y. and Young, D. (2012) 'Does mandatory IFRS adoption improve information comparability', *The Accounting Review*, Vol. 87, No. 5, pp.1767–1789.
- Zeff, S.A. (2007) 'Some obstacles to global financial reporting comparability and convergence at a high level of quality', *The British Accounting Review*, Vol. 39, No. 4, pp.290–302.
- Zeff, S.A. (2012) 'The evolution of the IASC into the IASB, and the challenges it faces', *The Accounting Review*, Vol. 87, No. 3, pp.807–837.

Zeghal, D., Chtourou, S.M. and Fourati, Y.M. (2012) 'The effect of mandatory adoption of IFRS on earnings quality: evidence from the European Union', *Journal of International Accounting Research*, Vol. 11, No. 2, pp.1–25.

## Notes

- 1 In 2001, the International Accounting Standard Board (IASB) was established to replace the IASC, and, since then, it has been issuing the IFRS. For a brief history of the IAS, see Rodgers (2007).
- 2 For more details, visit the IFRS website: <https://www.ifrs.org/use-around-the-world/why-global-accounting-standards/>.
- 3 Visit the IFRS website for more details: <http://archive.ifrs.org/Alerts/Publication/Pages/Saudi-Arabia-to-require-use-of-IFRS-Standards-in-2017-and-IFRS-for-SMEs-in-2018.aspx> (accessed 12 January 2019).
- 4 Visit the IFRS website for more details: <http://archive.ifrs.org/Alerts/Publication/Pages/Saudi-Arabia-to-require-use-of-IFRS-Standards-in-2017-and-IFRS-for-SMEs-in-2018.aspx> (accessed 12 January 2019).
- 5 Visit the IFRS website for more details: <https://cdn.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/saudi-arabia-ifrs-profile.pdf> (accessed 12 January 2019).
- 6 In this study, the term 'Westernised countries' refers to countries that have adapted to the Western culture but are not geographically located in the West.
- 7 Some accounting researchers have commented on this article (see Haas, 2013; Madsen, 2013; Nölke, 2013; Saito, 2013).
- 8 This paper has been discussed by Elias (2012).