
Editorial

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Biographical notes: Mohammad Bazaz is a Professor of Accounting at Oakland University. He received his PhD from the University of Oklahoma. He has taught various accounting courses at the undergraduate and graduate levels both in the USA and overseas universities. He has published many articles in accounting regulations, foreign currency, segmental reporting, and bankruptcy prediction. His research in the area of assessment of currency exchange rate risk was awarded an educational grant from the National Association of Chartered Accountants in the United States. Dr. Bazaz had two internships with DaimlerChrysler Corporation in 1994 and 1997 working on activity-based costing, business process costing and corporate investments in other countries.

Dr. Senteney received his PhD in Accountancy from the University of Illinois at Urbana-Champaign, is a Certified Public Accountant. He is a Faculty with the School of Accountancy at Ohio University. His teaching has focused primarily on the Financial Accounting series of university accounting programs with emphasis on current activity at the International Accounting Standards Board, Financial Accounting Standards Board and the Securities and Exchange Commission and innovation in accounting standard setting and regulation. A prolific scholarly author, Professor Senteney has published numerous articles in renowned nationally refereed academic research journals as well as presented a significant number of research results at international, national, and regional conferences.

Discussions regarding the harmonisation of accounting standards used to prepare financial statements of firms around the world have been steadily growing for the past thirty years. In the past few years, however, these discussions have significantly accelerated towards a global momentum in the convergence of accounting standards. This global movement, to adopt International Financial Reporting Standards (hereafter IFRS) (<http://www.iasb.org.uk>), may truly be characterised as a 'financial reporting revolution' and is certainly historically unparalleled.

Financial reporting harmonisation has been fuelled primarily by the European Union 2005 initiative under which EU companies are expected to adopt IFRS by 2005 (<http://www.iasplus.com/restruct/resteuro.htm>). A number of research studies including GAAP 2000, GAAP 2001, and GAAP Convergence 2002 (<http://www.pwc.com/Extweb/pwcpublications.nsf/docid/710F46F3AAC8419580256CCB00410231>, <http://www.iasplus.com/resource/gaap2002.pdf>) provide indications that virtually all countries with a commitment to a growing equity securities market have taken steps towards substantial provision for IFRS. Developments promoting convergence of accounting standards by the world's equity securities commissions, coordinated through organisations, such as the International Organisation of Securities Commissions (<http://www.iosco.org>), have been equally instrumental and unparalleled in moving us towards a global financial reporting model.

These changes are all about resource allocation – facilitating efficient and effective means of mobilising and deploying investment capital to geographic locations where it is needed in order to provide goods and services to individuals needing them. There are a number of organisations having a direct interest in the usefulness of equity security markets in accomplishing this objective and are working in concert to make convergence of global accounting standards an economic reality. Some of the organisations which have their efforts focused largely if not entirely on convergence of global accounting standards are:

- The World Bank (<http://www.worldbank.org>)
- The International Forum on Accountancy Development (<http://www.ifad.org>)
- The International Organisation of Securities Commissions (<http://www.iosco.org>)
- The International Federation of Accountants (<http://www.ifac.org>)
- The International Monetary Fund (<http://www.imf.org>)
- The Organisation for Economic Cooperation and Development (<http://www.oecd.org>)
- The International Association for Accounting Education and Research (<http://www.iaaer.org>).

In addition to international organisations, several international accounting firms are undertaking enormous educational and consultative initiatives towards developing quality accounting standards and perhaps more fundamentally, auditing standards in countries that perhaps have not historically participated in global capital flows or global accounting standard harmonisation. Some of the international accounting firms investing significant resources in these activities are:

- BDO Seidman (<http://www.bdo.com>)
- Deloitte Touche Tohmatsu (<http://www.deloitte.com>)
- Ernst and Young (<http://www.ey.com>)
- Grant Thornton (<http://www.gt.com>)
- KPMG (<http://www.kpmg.com>)
- PriceWaterhouseCoopers (<http://www.pwcglobal.com>).

Meetings and deliberations among these groups have identified specific issues and steps which need to be taken to facilitate the development of high-quality International Accounting Standards and to achieve convergence of global accounting standards within the near to medium-term future. Some of these issues which have been identified and are being addressed by the parties involved in this effort are:

- identification of accounting standards that should apply
- assessment of the extent to which the standards that should apply have been implemented
- the mechanisms needed and existing mechanisms to assure compliance with accounting standards.

Over the recent few years, considerable progress has been reported towards convergence of accounting standards to one set of high-quality accounting principles (i.e., IFRS), however, significant obstacles remain (<http://www.iasplus.com/resource/gaap2002.pdf>). The progress experienced in recent years led to larger considerations, more notably, a 'two-tiered' accounting system. A dual system may form as a result of the perceived need to retain country specific accounting practices for various reasons. Financial reporting for stock exchange purposes, for example, would be followed using IFRS in its entirety and without 'piecemeal' approaches by the larger firms. Modified approaches, however, may be entertained for smaller companies, which are more tied to country specific financial reporting practices. Indeed, the IASB is considering so-called 'Big GAAP–Little GAAP' approaches to adoption of IFRS that have historically been discussed.

One of the more important implementation issues, which has arisen and become prominent in the convergence process pertains to assurance and strength of existence of accounting professionals. The adoption of IFRS as a single basis for the preparation of financial statements worldwide obviously drives the need for consistent application of auditing principles to provide assurance regarding the application of IFRS. Many economies, however, lack an accounting profession and accounting professionals with strong and secure enough status to provide reliable assurance for the application of IFRS. Indeed, issues related to the development and implementation of International Auditing Standards may overshadow convergence issues related to implementation of IFRS at this particular point in history.

This special issue of the *International Journal of Accounting Auditing and Performance Evaluation* explores questions related to progress towards convergence to one set of International Accounting Standards – IFRS. Convergence towards IFRS, however, entails many attendant issues that are particularly important at this juncture. Beyond reports regarding the status of the extent of convergence are issues relating to growth of regional equity securities markets, extension of fundamental valuation relations, usefulness and reliance upon IFRS in different settings, as well as the development of accounting education and implementation of rigorous professional examinations. Although enormous progress has been made towards convergence to IFRS, continued progress is dependent largely on development and a commitment to educational efforts and professional certification programmes.

While the recent progress towards convergence to one set of International Accounting Standards is ground breaking, it would be foolhardy to think that countries which have made a commitment to convergence will not castaway that commitment if the use of IFRS does not serve their needs or becomes too difficult or expensive to utilise.

Accounting is a unique artifact that has developed to this current state because it serves an important purpose in a particular circumstance – the observation of the rich diversity and variety in accounting practice results from the adaptation of accounting practices to the needs of differing socio-economic circumstances. This special issue of the *IJAPE* highlights the enormity of the progress towards convergence to one set of International Accounting Standards, which has been achieved to date but underscores the importance of accounting education, and supplemental support and professional development for continued progress.

We wish to express out sincere gratitude to the authors who were kind enough to submit their research for this special issue of the *International Journal of Accounting, Auditing, and Performance Evaluation*. We believe that high-calibre research results highlight the issues involved in assessing our progress towards convergence of accounting standards as well as illuminate areas, which may need the attention of policy makers in continuing progress. Enthoven, McGee, Akathaporn et al., and Sarikas et al. provide interesting and important research regarding recent changes in professional education and certification Eastern Europe in direct response to convergence initiatives. Pacter, Bagnoli, and Simga et al. provide summaries of the degree of convergence with International Accounting Standards and the extent to which national accounting continue to persist. Finally, Kang, El Shamy et al., and Schadewitz et al. provide compelling evidence regarding the global differences in information environments and capital market assessment of firms and equity securities' pricing. The results of outstanding research such as provided by these authors help us assess the efforts that remain in achieving out final goal.

Probably the single important impediment to implementation of unified accounting and reporting practices is education and certification issues. The largest firms have most likely already adopted a set of high-quality accounting standards and can be listed on any equity securities exchange in the world. Raising equity capital via world security exchanges is a key motivation for other firms to look for high-quality accounting standards. The availability of accounting professionals is an important factor for these firms on the margin to move forward with implementation of high-quality accounting and reporting practices. Providing accounting education and professional certification, therefore, is an effective mechanism to channel investment funds to where they are needed.

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