

International Corporate Reporting

Global and Diverse

5th Edition

Pauline Weetman, Ioannis Tsalavoutas
and Paul Gordon

Contents

List of exhibits and case studies	xvii
Author biographies	xix
Preface	xx
Acknowledgements	xxiii

Part I INSTITUTIONS, CULTURE AND RESEARCH METHODS **1**

1 Global corporate reporting **3**

Learning outcomes	3
1.1 Current trends in global corporate reporting	3
1.2 Overview of corporate reporting	7
1.3 Our approach in this book	10
1.4 The language we use	11
1.5 Establishing global authority in corporate reporting	12
1.6 Challenging globalisation	14
1.7 Summary and key points	16
Questions	17
References	18

2 Institutional and external influences **19**

Learning outcomes	19
2.1 Introduction	20
2.2 Factors influencing the development of corporate reporting	21
2.3 The political and economic system	22
2.4 The legal system	24
2.5 The taxation system	26
2.6 The corporate financing system	27

2.7	The accounting and auditing profession	30
2.8	Religious institutions	31
2.9	Other influences	33
2.10	Summary and key points	34
	Questions	35
	References	37

3 Cultural influences 40

	Learning outcomes	40
3.1	Introduction	41
3.2	Defining culture	41
3.3	Culture and business	47
3.4	Culture and accounting	48
3.5	Is culture an important influence on accounting?	50
3.6	Indicative research examples	52
3.7	Summary and key points	55
	Questions	56
	References	57

4 Classification of accounting systems 61

	Learning outcomes	61
4.1	Introduction	62
4.2	Reasons for classifying accounting systems	62
4.3	Deductive and inductive classification	63
4.4	Approaches to classification	64
4.5	Development of classification studies	68
4.6	Is classification successful?	74
4.7	Summary and key points	75
	Questions	76
	References	77

5 Measuring harmonisation and diversity 80

	Learning outcomes	80
5.1	Introduction	80
5.2	Similarities and differences in the accounting methods used	81

5.3	Good news, bad news and earnings 'conservatism'	86
5.4	Similarities and differences in narrative disclosures	91
5.5	Summary and key points	95
	Questions	95
	References	96

Part II **GLOBAL REACH OF INTERNATIONAL STANDARDS** **99**

6 **Developing international financial reporting standards** **101**

	Learning outcomes	102
6.1	Introduction	102
6.2	Structure for setting IFRS Standards	102
6.3	Operation of the IASB	107
6.4	Challenges to the IASB	111
6.5	The International Federation of Accountants	114
6.6	Indicative research examples	115
6.7	Summary and key points	118
	Questions	119
	References	120

7 **European accounting and reporting** **124**

	Learning outcomes	124
7.1	Introduction	125
7.2	European Union (EU)	125
7.3	Accounting in EU member states	127
7.4	National standard setters in Europe	132
7.5	European Securities Markets Authority (ESMA)	134
7.6	Indicative research examples	135
7.7	Summary and key points	139
	Questions	140
	References	145

8	Global organisations and interest groups	149
	Learning outcomes	149
	8.1 Introduction	150
	8.2 Political influence	150
	8.3. Initiatives from the business community	152
	8.4 Cooperation in the accountancy profession	159
	8.5 Regional groups in the accountancy profession	161
	8.6 Indicative research examples	165
	8.7 Summary and key points	167
	Questions	168
	References	169
9	Broadening the influence of IFRS Standards	171
	Learning outcomes	171
	9.1 Introduction	172
	9.2 Differential reporting	172
	9.3 Balancing national control with IFRS convergence	175
	9.4 Public sector accounting standards	179
	9.5 Summary and key points	184
	Questions	185
	References	186
Part III	ASSURANCE	189
10	Auditing	191
	Learning outcomes	191
	10.1 Introduction	192
	10.2 International Auditing and Assurance Standards Board	192
	10.3 National monitoring and review of audit firms	194
	10.4 Developing the audit report	197

10.5	Competition and audit reform	202
10.6	Indicative research examples	205
10.7	Summary and key points	207
	Questions	208
	References	210

11 Corporate governance 212

	Learning outcomes	212
11.1	Introduction	213
11.2	Organisation for Economic Co-operation and Development (OECD)	214
11.3	Corporate governance models	216
11.4	Corporate governance codes	216
11.5	Enforcement and ratings	222
11.6	Indicative research examples	224
11.7	Summary and key points	228
	Questions	229
	References	230

Part IV NARRATIVE CORPORATE REPORTING 233

12 Management commentary and strategic reporting 235

	Learning outcomes	235
12.1	Introduction	236
12.2	Management discussion and analysis in the US	236
12.3	Management reports through the EU Accounting Directive	242
12.4	IASB Management commentary	244
12.5	Remuneration reports	245
12.6	Dual listing and investor communication	246
12.7	The meaning of 'transparency'	247
12.8	Indicative research examples	249
12.9	Summary and key points	251
	Questions	252
	References	253

13	Corporate social responsibility and sustainability	255
	Learning outcomes	256
	13.1 Introduction	256
	13.2 Initiatives supported by the United Nations	256
	13.3 Governmental-backed strategies	262
	13.4 Global networks and interest groups	263
	13.5 Market ratings	267
	13.6 Is CSR reporting effective for sustainability?	269
	13.7 Indicative research examples	270
	13.8 Summary and key points	275
	Questions	276
	References	278

Part V ACCOUNTING AND TAXATION 281

14	Group reporting	283
	Learning outcomes	283
	14.1 Introduction	284
	14.2 Group accounting	284
	14.3 Goodwill and impairment	291
	14.4 Associates and joint ventures	293
	14.5 Foreign currency and hyperinflation	300
	14.6 Summary and key points	302
	Questions	303
	References	304

15	Current issues in accounting	306
	Learning outcomes	306
	15.1 Introduction	307
	15.2 Fair value accounting	307
	15.3 Investment properties	310
	15.4 Revenue recognition	311
	15.5 Research and development expenditure	313

15.6	Leases	316
15.7	Alternative performance measures (non-GAAP reporting)	318
15.8	Indicative research examples	320
15.9	Summary and key points	323
	Questions	324
	References	325

16 Corporate tax reporting 328

	Learning outcomes	328
16.1	Introduction	329
16.2	Tax systems	329
16.3	IAS 12 <i>Accounting for income taxes</i>	334
16.4	Tax planning and transfer pricing	336
16.5	Country-by-country reporting	339
16.6	Indicative research examples	345
16.7	Summary and key points	347
	Questions	348
	References	349

Part VI NATIONAL INTERESTS IN AN ENVIRONMENT OF GLOBAL REPORTING 351

17 United States 353

	Learning outcomes	353
17.1	Introduction	354
17.2	Institutional and external influences	354
17.3	Development of accounting regulation	356
17.4	The corporate reporting system	359
17.5	Auditing and corporate governance	363
17.6	Indicative research examples	364
17.7	Summary and key points	367
	Questions	368
	References	369

18	China	372
	Learning outcomes	372
	18.1 Introduction	373
	18.2 Institutions	373
	18.3 Development of accounting regulation	377
	18.4 Corporate reporting framework	380
	18.5 Auditing and corporate governance	382
	18.6 Hong Kong	384
	18.7 Indicative research examples	386
	18.8 Summary and key points	389
	Questions	390
	References	391
19	Japan	394
	Learning outcomes	394
	19.1 Introduction	395
	19.2 Institutions	395
	19.3 External influences on accounting	398
	19.4 Development of accounting regulation	399
	19.5 The corporate reporting system	401
	19.6 Auditing and corporate governance	404
	19.7 Indicative research examples	407
	19.8 Summary and key points	409
	Questions	409
	References	410
	Index	412