

# COMPARATIVE INTERNATIONAL ACCOUNTING

Christopher Nobes and Robert Parker



Cor	Contributors	
Pre	Preface	
Pa	ort I SETTING THE SCENE	
1 2 3 4	Introduction Causes and examples of international differences International classification of financial reporting International harmonisation	27 59 90
Pa	ort II FINANCIAL REPORTING BY LISTED GROUPS USING IFRS OR US GAAP	
5 6 7 8 9 10 11	The background to financial reporting by listed groups IFRS in context: concepts, presentation and revenue IFRS in context: assets and liabilities IFRS in context: group accounting Different versions of IFRS practice Financial reporting in the United States Political lobbying on accounting standards: US, UK and international experience	123 155 175 209 229 248
Pa	rt III CHINA AND JAPAN	
12	Financial reporting in China and Japan	315

Pa	rt IV FINANCIAL REPORTING BY INDIVIDUAL COMPANIES	
13 14 15 16	The context of financial reporting by individual companies Harmonisation and transition in Europe Making accounting rules for unlisted business enterprises in Europe Accounting rules and practices of individual companies in Europe	351 364 388 413
Pa	rt V SPECIAL ISSUES IN REPORTING BY MNEs	
17 18	Foreign currency translation Segment reporting	443 479
Pa	rt VI MONITORING AND ENFORCEMENT	
19 20	International auditing Enforcement of financial reporting standards	509 540
APF	PENDICES	
В. С	Synoptic table of accounting differences in eight GAAPs, 2020 Glossary of abbreviations Guggested outline answers to some of the end-of-chapter questions	<ul><li>559</li><li>562</li><li>568</li></ul>
	hor index	585
Sub	ject index	590

Contributors	XV
Preface	xvi

## Part I SETTING THE SCENE

1	Introduction		
	Contents Objectives		
	<ul> <li>1.1 Differences in financial reporting</li> <li>1.2 The global environment of accounting</li> <li>1.3 The nature and growth of MNEs</li> <li>1.4 Comparative and international aspects of accounting</li> <li>1.5 Structure of this book</li> </ul>	4 6 15 18 21	
	Summary References Useful websites Questions	23 24 25 26	
2	Causes and examples of international differences	27	
	Contents Objectives	27 27	
	<ul> <li>2.1 Introduction</li> <li>2.2 Culture</li> <li>2.3 Legal systems</li> <li>2.4 Providers of finance</li> <li>2.5 Taxation</li> <li>2.6 Other external influences</li> <li>2.7 The profession</li> </ul>	28 29 31 33 38 41	
	<ul><li>2.7 The profession</li><li>2.8 Conclusion on the causes of international differences</li><li>2.9 Two examples of international differences</li></ul>	43 43 45	

3	International classification of financial reporting	59
	Contents Objectives	59 60
	<ul> <li>3.1 Introduction</li> <li>3.2 The nature of classification</li> <li>3.3 Classifications by social scientists</li> <li>3.4 Classifications in accounting</li> <li>3.5 Extrinsic classifications</li> <li>3.6 Intrinsic classifications: 1970s and 1980s</li> <li>3.7 Developments related to the Nobes classification</li> <li>3.8 Further intrinsic classification</li> <li>3.9 Is there an Anglo-Saxon group?</li> <li>3.10 Classification in an IFRS world</li> <li>3.11 A synthesis of accounting classifications</li> <li>Summary</li> <li>References</li> <li>Questions</li> </ul>	60 61 63 64 68 72 78 80 80 82 83 84 85
4	International harmonisation	90
	Contents Objectives	90 90
	<ul> <li>4.1 Introduction</li> <li>4.2 Reasons for, obstacles to and measurement of harmonisation</li> <li>4.3 The International Accounting Standards Committee</li> <li>4.4 Other international bodies</li> <li>4.5 The International Accounting Standards Board</li> <li>4.6 International harmonisation of public sector reporting</li> </ul>	91 92 95 104 108 113
	Summary References Useful websites Questions	114 115 118 118
Pa	rt II FINANCIAL REPORTING BY LISTED GROUPS USING IFRS OR US GAAP	
5	The background to financial reporting by listed groups	123
	Contents Objectives	123 123
	5.1 Introduction	124

		Contents
	5.2 The legal and political context of international standards	125
	5.3 Adoption of, and convergence with, IFRS	125
	5.4 IFRS in the EU	130
	5.5 IFRS/US differences	133
	5.6 Convergence of IFRS and US GAAP	137
	5.7 International financial analysis	139
	Summary	148
	References	149
	Useful websites	154
	Questions	154
6	IFRS in context: concepts, presentation	
	and revenue	155
	Contents	155
	Objectives	155
	6.1 Introduction	156
	6.2 The conceptual framework	159
	6.3 IFRS requirements on presentation and accounting policies	164
	6.4 Revenue and foreign currency transactions	168
	6.5 Disclosures, and management commentary	171
	Summary	172
	References	172
	Further reading	173
	Useful websites	173
	Questions	173
7	IFRS in context: assets and liabilities	175
	Contents	175
	Objectives	176
	7.1 Introduction	176
	7.2 Overview of accounting for tangible non-current assets	177
	7.3 Lease accounting	178
	7.4 Recognition of intangible assets	180
	7.5 Measurement of non-current assets	181
	7.6 Inventories	184
	7.7 Financial instruments	185
	<ul><li>7.8 Provisions</li><li>7.9 Employee benefits</li></ul>	190 195
	7.10 Deferred tax	193
	7.11 Synthesis on measurement of liabilities	205
	Summary	206

	References Questions		
8	IFRS in context: group accounting	209	
	Contents Objectives	209 209	
	<ul> <li>8.1 Introduction</li> <li>8.2 Rate of adoption of consolidation</li> <li>8.3 International harmonisation from the 1970s onwards</li> <li>8.4 Definitions of entities in which the group invests</li> <li>8.5 Techniques of consolidation</li> <li>8.6 Publication requirements and practices</li> </ul>	210 211 213 214 219 225	
	Summary References Questions	226 227 228	
9	Different versions of IFRS practice	229	
	Contents Objectives		
	<ul> <li>9.1 Introduction</li> <li>9.2 Three aspects of the varied regulatory context of IFRS practice</li> <li>9.3 Six types of scope for varied application of IFRS</li> <li>9.4 Motivations for varied IFRS practice</li> <li>9.5 Examples of varied IFRS practice</li> <li>9.6 Changes in IFRS practice over time</li> <li>9.7 Implications of the different versions of IFRS practice</li> </ul>	230 ctice 230 233 238 240 243 244	
	Summary References Questions	245 245 247	
10	Financial reporting in the United States	248	
	Contents Objectives	248 249	
	<ul> <li>10.1 Introduction</li> <li>10.2 Regulatory framework</li> <li>10.3 Accounting standard-setters</li> <li>10.4 The conceptual framework</li> <li>10.5 Contents of annual reports</li> <li>10.6 Accounting principles</li> <li>10.7 Consolidation</li> </ul>	249 250 255 258 261 265	

	10.8	Synthesis of differences from IFRS	274
	Sumn	nary	276
	Refere		276
		er reading	278
	Quest	l websites	278 278
	Quest	NOL12	276
11	Polit	ical lobbying on accounting standards:	
		JK and international experience	279
	Conte	ents	279
	Objec	tives	279
	11.1	Introduction	280
	11.2	Motivations for political lobbying	282
	11.3	7 3 1	283
	11.4	1 9 9	293
	11.5 11.6	Political lobbying of the IASC/IASB  Preparer attempts to control the accounting standard-setter	298 302
	11.7		305
	11.8	Some concluding remarks	307
	Sumn	nary	308
	Refere		308
		l websites	311
	Quest	ions	312
Pa	rt III(	CHINA AND JAPAN	
12	Eina	ncial reporting in China and Japan	315
12			315
	Conte	· · · · · · · · · · · · · · · · · · ·	316
	12.1	Introduction	316
	12.1	Japan: regulatory issues	317
	12.3	Japan: accounting practices	326
	12.4	Japan: differences from IFRS	331
	12.5	China: regulatory issues	333
	12.6	China and IFRS	338
	Sumn	,	341
	Refere		342
		l websites	345 345
	Quest Appe	ndix 12.1 ASBE Standards	345 346
	1 1 2 2		5.0

Contents

### Part IV FINANCIAL REPORTING BY INDIVIDUAL COMPANIES

13	The context of financial reporting by individual companies			
	Contents Objectives			
		Introduction Outline of differences between national rules and IFRS The survival of national rules Financial reporting, tax and dividend distribution Special rules for private companies Special rules for small companies	351 352 354 355 356 360	
	Summ Refere Useful Questi	nces websites	361 362 363 363	
14	Harn	nonisation and transition in Europe	364	
	Contents Objectives			
	14.2	Introduction Harmonisation within the European Union Transition in Central and Eastern Europe	365 365 374	
	Summ Refere Useful Questi	nces websites	383 383 386 387	
<b>15</b>	Making accounting rules for unlisted business enterprises in Europe 3			
	Conte	nts	388 388	
	15.1 15.2 15.3	Introduction Who makes the accounting rules? Which business enterprises are subject to accounting rules?	388 389 400	
		•	404 405 407 408	

	Questi	ions ndix 15.1	Contents of the <i>Plan Comptable Général</i>	408
		ndix 15.1	(relating to financial accounting and reporting)	410
			in the <i>Plan Comptable Général</i> (ANC's translation of 1999 chart, adjusted for changes in 2014)	411
16	Acco	unting ı	rules and practices of individual	
	comp	oanies i	n Europe	413
	Conte	nts		413
	Object	tives		413
	16.1	Introduc	tion	413
	16.2	France		414
		Germany		420
	16.4	United K	ingdom	425
	Summ	nary		427
	Refere	nces		428
		r reading		429
		websites		429
	Questi		Formats for French financial statements	429
	Apper	ndix 16.1	(2016 Plan Comptable)	430
	Apper	ndix 16.2		433
		ndix 16.3		436
Pai	rt V S	DECIAL	ISSUES IN REPORTING BY MNEs	
ıaı	IL V J	LOIAL	1330E3 IN REPORTING BY MINES	
17	Forei	gn curr	ency translation	443
	Conte	nts		443
	Object	tives		444
	17.1	Introduc	tion	444
	17.2		on of transactions	447
	17.3		tion to the translation of financial statements	451
	17.4		nitiative in the 1970s	454
	17.5		poral method versus the current rate method	457
	17.6 17.7	Current		461 464
	17.7		on of income and expenses	464 466
	17.8		ing for translation gains and losses	468
			•	471
	<ul><li>17.10 Research findings</li><li>17.11 An alternative to exchange rates?</li></ul>			

Contents

Summ	nary	476
Refere	477	
Furthe	478	
Quest	ions	478
18 Segn	nent reporting	479
Conte	nts	479
Objec	tives	479
18.1	What is segment reporting?	479
18.2	Segment reporting regulations	482
18.3	Constraints on the benefits of segment reporting	490
18.4	Assessing the benefits of segment reporting	493
Summ		501
Refere Quest		501 505
Quest	IOIIS	303
Part VI N	MONITORING AND ENFORCEMENT	
19 Inter	national auditing	509
Conte	nts	509
Objec	tives	509
19.1	Introduction	510
19.2	3	512
19.3	9 9	516
19.4	The international audit process	523
Summ		537
Refere		537
	er reading	538
Quest	websites	538 539
Quest	IOIIS	339
20 Enfo	rcement of financial reporting standards	540
Conte		540
Objec	tives	540
20.1	Introduction	540
20.2	Modes of enforcement	542
20.3	United States	545
20.4 20.5	Europe West Pacific rim	546 552
20.5	VVCJC I GCIIIC IIIII	JJZ

	Contonto
Summary	554
References	555
Useful websites	557
Questions	558
APPENDICES	
A. Synoptic table of accounting differences in eight GAAPs, 2020	559
B. Glossary of abbreviations	562
C. Suggested outline answers to some of the end-of-chapter questions	568
Author index	585
Subject index	590

#### **Supporting resources**

Visit **go.pearson.com/uk/he/resources** to find valuable online resources

#### For instructors

- Complete Instructor's Manual
- PowerPoint slides that can be downloaded and used for presentations

For more information please contact your local Pearson Education sales representative or visit **go.pearson.com/uk/he/resources** 

Contents