



INTERNATIONAL ACCOUNTING

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CULTURAL DIMENSIONS- HOFSTEDE RESEARCH

1. Power Distance: extent to which people accept inequality in the amount of power people possess.

- A. High Power Distance= accepts discrepancies in sharing power
- B. Low Power Distance= strives for equality and shares power

2. Individualism: are people more self or community oriented.

- A. High Individualism= looking out for self and immediate family
- B. Low Individualism= group and community oriented

CULTURAL DIMENSIONS- HOFSTEDE RESEARCH

3. Masculinity: ways people compete in society, and ways of working with people.

- A. High Masculinity= competitive, assertive, and want material awards.
- B. Low Masculinity= cooperation, modesty, care for work life balance.

4. Uncertainty avoidance: how much uncertainty and risk a society is willing to undertake.

- A. High Uncertainty avoidance= tries to stay away from ambiguous and risky behavior
- B. Low Uncertainty avoidance= okay with taking risks, and dealing with the unknown.

ACCOUNTING VALUES- GRAY'S RESEARCH

1. Professionalism vs. Statutory Control: refers to how much regulation and guidance accounting professionals want.
2. Uniformity vs. Flexibility: determines whether there are universal accounting principles, or if changed per situation.
3. Conservatism vs. Optimism: refers to how accountants measure financial statements. Either very conservative or with a bit more risk.
4. Secrecy vs. Transparency: determines how many people and how much information is disclosed to the public.

HOFSTEDE & GRAY'S RESEARCH WORKING TOGETHER

1. Low Power Distance + Low Uncertainty Avoidance + High Individualism = The accounting value of Professionalism
2. High Uncertainty Avoidance + High Power Distance + Low Individualism = The accounting value of Uniformity
3. High Uncertainty Avoidance + Low Individualism + Low Masculinity = The accounting value of Conservatism
4. High Uncertainty Avoidance + High Power Distance + Low Individualism + Low Masculinity = The accounting value of Secrecy

HOW TO APPLY TO IFRS AND GAAP

- ❖ Difference in standards connected to accounting values?
- ❖ IFRS and GAAP differ on many issues:
 1. Principle vs Rule based
 2. Asset Valuation
 3. Revenue Recognition
 4. Contingencies

PRINCIPLE VS RULE BASED

- ❖ Biggest difference between two standards
- ❖ IFRS is principle based is professionalism accounting value
- ❖ GAAP is rules based is statutory control accounting value

ASSET VALUATION

- ❖ IFRS allows assets to be written up or down, GAAP only allows to be written down.
- ❖ If GAAP changes to IFRS it will result in book value and balance sheet numbers to increase
- ❖ GAAP is conservatism accounting value
- ❖ IFRS is optimism accounting value

REVENUE RECOGNITION

- ❖ IFRS recognizes revenue earlier than GAAP
- ❖ GAAP has specific rules and regulations for different industries
- ❖ A change from GAAP to IFRS will result in an increase in reported revenue and less guidance in industry specific criteria
- ❖ IFRS is Flexibility accounting value
- ❖ GAAP is Uniformity accounting value

CONTINGENCIES




- ❖ GAAP must disclose loss contingencies. Not allowed to have gain contingencies
- ❖ IFRS can limit loss contingency disclosures if they reflect badly on the company. Can have gain contingencies
- ❖ Change from GAAP to IFRS would result in fewer disclosures and showing gains that haven't happened yet
- ❖ GAAP is Transparency
- ❖ IFRS is Secrecy



HOW TO BRIDGE CULTURE GAP

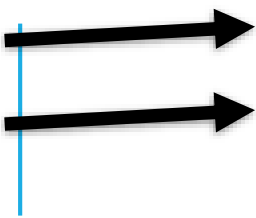

- ❖ How can we bridge culture gaps and be more informed about international accounting standards?
 1. Studying Abroad
 2. Implementing IFRS into classes more

STUDY ABROAD

- ❖ Help understand host culture more
- ❖ Motivation to get jobs overseas
- ❖ Independent and mature
- ❖ Tolerate ambiguity
- ❖ Influence interactions with people from different cultures
- ❖ Different world view

SURVEY ITEM	FULL YEAR	FALL SEMESTER	SPRING SEMESTER	SUMMER TERM	TOTAL
Still in contact with host country nationals	29%	15%	14%	7%	18%
Since visited country studied in	61%	41%	48%	52%	50%
 Helped me better understand own cultural values and biases	99%	97%	97%	95%	98%
Influenced me to seek out a greater diversity of friends	94%	88%	89%	86%	90%
 Continues influencing my interactions with people from different cultures	97%	93%	92%	92%	94%
 Opened up an interest/passion for learning about another culture or language	66%	58%	58%	62%	60%
Contributed to developing a more sophisticated way of looking at the world	85%	79%	82%	77%	82%

SURVEY ITEM	FULL YEAR	FALL SEMESTER	SPRING SEMESTER	SUMMER TERM	TOTAL
Engaged in international work/volunteerism since studying abroad	57%	42%	48%	38%	48%
Acquired skill sets that influenced career path	82%	73%	74%	71%	76%
Established relationships abroad that became professional contacts	7%	3%	5%	1%	5%
Ignited an interest in a career direction	70%	57%	59%	59%	62%
Enhanced abilities to speak a foreign language which they utilize in the workplace	72%	60%	61%	67%	65%
 Influenced them to get a job overseas	21%	12%	17%	10%	17%
 Influenced decision to work for a multi-national organization in the U.S	16%	12%	16%	9%	14%
Caused changes in career plans	18%	10%	10%	6%	12%

	SURVEY ITEM	FULL YEAR	FALL SEMESTER	SPRING SEMESTER	SUMMER TERM	TOTAL
	Increased self-confidence	98%	95%	96%	97%	96%
	Enabled me to tolerate ambiguity	92%	87%	88%	88%	89%
	Served as a catalyst for increased maturity	98%	97%	97%	95%	97%
	Caused me to change/refine political and social views	89%	84%	80%	76%	84%
	Continues to influence political and social awareness	91%	86%	85%	86%	88%
	Continues to influence participation in community organizations	71%	65%	62%	67%	66%
	Continues to influence the choices made in family life	78%	72%	69%	70%	73%
	Has had a lasting impact on world view	97%	95%	94%	92%	95%
	Still in contact with U.S. friends met while studying abroad	63%	47%	50%	26%	52%

STUDY ABROAD

- ❖ Do it for as long as possible, benefits increase with time
- ❖ Stages of being in new culture: honeymoon, culture shock, gradual adjustment, and feeling at home.

IMPLEMENT IFRS INTO US CLASSROOMS

- ❖ Have it be mandatory to have International Accounting courses, not just as electives
- ❖ Have class talk about IFRS and culture differences

CONCLUSIONS

- ❖ Culture plays a part in accounting
- ❖ Studying abroad and taking international accounting classes will help bridge culture gaps

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