Accounting harmonization and regulation

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Accounting harmonization

- Accounting systems can be described by:
  - accounting principles,
  - valuation bases,
  - accounting methods,
  - final accounting statements;

There are many accounting systems in the world – that causes in incomparability accounting data…
Accounting harmonization

Accounting systems distinguish by:

- the way and level of regulation,
- definition of users of accounting information,
- relationship to taxes,
- valuation bases,
- basic accounting principles;
Way and level of regulation

- External regulation:
  - bookkeeping is regulated from the state level or level of professional organization,
  - the level of regulation differs...

- Self-regulation:
  - the streamline of bookkeeping is done by the business
  - the business follows certain bookkeeping principles and methods;
Users of accounting information

- The structure of financial statement is given by information needs of users of accounting information:
  - investors – current or potential
    - information about profitability, ...
  - creditors – banks, leasing companies, ...
    - information of liquidity, indebtedness, ...
Tax x accounting

- Conflict of interests:
  - true and fair view,
  - fiscal policy, ...

- Accounting systems independent on tax systems....

- Accounting systems connected with income tax, ...

- Tax evidence as an accounting system, ...
Valuation bases

- The main difference is caused by the level of historical cost usage.

- The way how to take into account inflation:
  - not at all
  - convert the amounts on the end of accounting period to purchase power
  - accounting based on current prices
Accounting principles and bases

- Basic principle: true and fair view
- Substance over form
- Prudence principle
Historical classification of accounting systems

- anglo-saxon group
- continental group (german, french)
- south-american group
- joint-group

- Czech Republic – continental group, german part
Accounting harmonization

= world-wide harmonization of accounting and financial reporting in different countries with the main aim of information comparability;
Accounting harmonization

- Benefits of harmonization:
  - comparability of accounting information;

- Barriers of harmonization:
  - nationalism,
  - connection of accounting with taxes,
  - language barriers;
Accounting Standardization

= world-wide accepted accounting concept,

= tool of accounting harmonization:

- FASB (USA) – Financial Accounting Standard Board

- IASC (Europe) – International Accounting Standard Committe
Tools of harmonization

- IAS/IFRS
- IFRS for SME
  - International Financial Reporting Standards
- US GAAP
  - Generally Accepted Accounting Principles
- EU Directives
IFRS for SMEs

- IFRS for SMEs present the possible way for harmonization on the level of small and medium-sized enterprises...

- New aspect of harmonization – comparison not only in time, but on the level of separate subjects....
US GAAP

- detailed,
- more concrete,...
- very low level of alternative approaches
- light version for small enterprises (IFRS for SMEs)
IAS / IFRS

- Based on conceptual framework
- More alternative approaches
- The main distinguish towards US GAAP are in recognition of revenues and financial instruments
- Primarily based on true and fair view
- Tax independent
EU directives

- The lack of conceptual framework
- Mainly requirements of creditors
- Very general formulation
- Define the form of financial statements
Accounting harmonization

- IAS/IFRS versus US GAAP
  - convergation process

- IAS/IFRS versus EU Directives
Thank you for your attention