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Country Differences in Accounting Standards

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Accounting plays a critical role in communicating and reflecting the company's financial position to investors and business enterprises. Therefore, accounting offers specific rules which will be responsible for suggesting the format and content to be included when writing financial statements. Similarly, countries have used different accounting standards when presenting their financial statements; for instance, there are international accounting standards that are used globally, and there are other countries that have formulated their bookkeeping values. However, implementing universal bookkeeping standards has several reimbursements to stakeholders. Investors can compare their positions with other firms hence reducing risks and enhancing international investment (Kaya & Koch, 2015). Besides, investors can invest in other countries as they share the same standards.

Global accounting standards are also helpful to commercial enterprises because they take more time to prepare a consolidated financial statement for multinational firms (Altinay, 2020). International standards will require only one financial statement hence reducing the cost to business enterprises. Similarly, there will be enhanced reliability and credibility to financial reports generated as they will be following the same standards of reporting, hence aiding business enterprises to create new strategies as they will have correct statements.

Contrarily, several risks exist when implementing global bookkeeping standards, various companies may undergo extreme economic difficulties, especially if the accounting standard which was previously used, concentrated much on the value of the company than on the international standards. For example, the Generally Accepted Accounting Principles (GAAP) which is used in the United States, works on several assumptions which the international accounting standards might not work with (Kaya & Koch, 2015). Again, every company is

distinct from one another and thus should be considered as one entity. Moreover, the period when accounting statements are performed may also be different. In contrast, other accounting standards such as the GAAP makes assumptions that all financial statement is accurate and made on the same period, for example, it may cover from June to May.

Firms should not be permitted to have two sets of bookkeeping accounts because it will always lead to evasion of tax. The use of two sets of records will lead to tax evasion as companies will be able to make another record that will not have the correct financial statement (Feng et al., 2015). Similarly, other records may misrepresent the information by recording unprecise, unclear and incomplete information. Moreover, companies need to make one record and keep it which is clear, clean and complete with the correct financial statements to allow them make the right decisions through knowing if they have made a profit or not.

When companies use their countries accounting standards then they will focus on standards that are based on their country to the letter. For example, the United States does not use the IASB standards but they use the Financial Accounting Standards Board which provides standards referred to as the GAAP (Altinay, 2020). The country's accounting standards are important if the company does not need to interact or invest in other countries. However, countries which are involved in multinational investment should be involved in keeping international records, to help them avoid the challenges of showing different views due to different records. Moreover, the availability of international standards is to ensure that investors do not undergo difficulties in developing financial reports for every country in which they operate. Finally, investors should rely on international standards to allow them to invest in other countries and also develop one financial statement hence reducing the cost required for developing several reports.

References

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