

Accounting Measurement And Disclosure: Choices And Implications From Egypt And The UAE

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ABSTRACT

This study attempts to identify the degree of similarity in accounting practices –especially measurements and disclosure- between Egypt and the United Arab Emirates. The investigation extends to reasons that might be behind similarities and dissimilarities. A special investigation covers implications of source of finance, company size and involvement in foreign operations in the two countries on their accounting policies. Test of the research arguments is based on data published in the annual reports of companies in the two countries. The degree of similarity in accounting practices is measured by I index developed by Van der Tas (1988). This index computes the extent of concentration around a particular accounting practice.

KEY WORDS: Accounting Practices, Firm Size, Foreign Operations, Industry type, Egypt, UAE.

INTRODUCTION

Accounting as a social construct is expected to be affected by cultural, social, legal and economic features or attributes of a specific society. As Chand (2005) debates, accounting is highly nationalistic. For example, Choi and Mueller (1984) argue that economic factors determine accounting reporting and practices; countries with low level of economic development have simple economic activities and accordingly, their accounting practices are rudimentary (that is simple). As economies develop, the function of accounting becomes more important and the practices become more sophisticated. Hassab Elnaby & Mosebach (2005) consider national culture to be associated with a country's business practices in general and accounting choices in particular. Chand (2005) repeated Melleur (1967) point that accounting is highly nationalistic.

With regard to accounting reporting, Abeysekera & Guthrie (2003) deliberate that different practices relate to different factors. For example, firm size is an important factor in determining the extent of voluntary reporting in most areas. Bigger firms are more likely to disclose more information. Moreover, any improvements in corporate social disclosure and intellectual capital information are likely to come from bigger and foreign owned firms (Andrew et. al., 1989). Choi et. al., (2002) identified some aspects for comparing practices within international domain; including regulations, enforcement, measurements and reporting. Furthermore, they stated many reasons that might be behind differences in different countries, among which are: the source of finance, taxation, inflation, economic development, education, legal system and culture.

Several studies investigated similarity in accounting practices in different countries. For example Collier & Zaman (2005) studied convergence in European corporate governance. Bartov et. al., (2005) examined value relevance among German, US and International standards from the stock market perspective. Ballas & Hevas (2005) explored valuation of earnings, book value and international accounting harmonization. Street & Gray (2002) investigated factors that affect compliance with international accounting standards. Luo (2005) tested globalization, corporate governance and accountability.

There is an increased trend in the literature to report and discuss actual practices of different countries in accounting, with an investigation for culture, bases, and reasons behind. For instance, Chand (2005) explored the

accounting practices in South Pacific Island nations (in *Critical Perspectives in Accounting*). Ashbaugh (2005) compared non-US firms' accounting standards choices. Mueller & Thomas (2001) were interested in culture and entrepreneurial potential: focus of control & effectiveness in nine countries.

However, a very limited number of studies examined accounting applications in Arab countries among which Hassab Elnaby & Mosebach (2005), Hussain et.al. (2002) who totally focus on Arab countries and earlier study by Kantor et.al., (1995) which compare accounting reporting in some Arab countries to some western ones or western and others like Douppnik and Salter (1995). That was one of reasons behind doing this study as explained below.

REASONS BEHIND THE STUDY

The importance of this study stems from the following reasons:

- Limited research in international domain about accounting in Arab countries in spite of the increased contribution of these countries in the world economy and the increased open policies towards regarding international trade and markets. This increases the need for cross-borders market participants, creditors, investors,...etc to “understand” on a common ground the performance of businesses in Arab countries and to get relevant information that would help them make decisions about transactions with these countries.
- Existence of many areas which need more examinations. For instance, why specific patterns of accounting are applied, what are the reasons behind that, what are the consequences on accounting information provided and to what extent practices in Arab countries are similar or different and why and to what degree are they closer to international standards.
- The growing trend in Arab countries to involve in and host international events concerning the accounting profession such as World Accounting Summit in May 2005 in Dubai and World Accounting Standards summit May 2006 in Dubai.
- The rise in academic concern about exploring and investigating accounting practices in different parts of the world in addition to the classic focus on UA, Europe and Japan (both in terms of financial accounting side and others such as managerial accounting). Journal of Accounting & Organization change call for papers for a special issue on Management accounting in less developed countries in 2005.
- The ongoing flow of studies about countries choices and application of international accounting standards and accounting practices recently.

This paper is organized as follows; the next section delivers a critical review of the previous studies with the aim of identifying gaps and developing the research hypotheses. The section after will be allocated for testing the hypotheses, reporting the results and the last section contains implications and conclusions.

RESEARCH HYPOTHESES

The organization of this paper tends to move from the more general to the more specific. That is, firstly the study investigates the extent to which accounting practices in Egypt and the UAE are convergent, this represents a "macro" level of investigation. Then it examines some variables that may have led to the convergence/divergence, this could be seen as a "micro" level of analysis.

Four variables are introduced as independent factors which may influence similarity or dissimilarity in accounting practices in Egypt and the UAE. Those variables are; firm size, involvement in foreign operations, type of industry, and debt ratio. Therefore, this section derives the research hypotheses that articulate the research concerns.

Accounting Practices In Egypt And The UAE

The accounting literature introduces various variables that form the accounting system in a country. Choi et. al., (2002) lists eight variables that could form the accounting system in a country: source of finance, law, economic development, education, culture, economic and political ties, tax and inflation. Earlier Douppnik and Salter (1995) examined some of these variables on 50 countries (including Egypt, Saudi Arabia and the UAE). A limitation of this

study is the lack of details about Arab countries (being 3 of 50 countries examined). Another limitation is grouping the three Arab countries together at some points which assume complete harmonization and consistency among them.

In the contrary to this implicit assumption -although Egypt and the UAE declare applying the International Financial Reporting Standards (IFRS) - there are differences in their applications. In Egypt the standards are translated by the Institute of Egyptian Accountants and Auditors as stated by The World Bank Report on the Observance of Standards and Codes in Egypt in 2002 (<http://www.worldbank.org/ifa/egyrose> 17th Dec. 2005). In that report, the World Bank indicates that since 1991, Egypt started an economic reform supported by the World Bank and the International Monetary Fund and will gradually apply IFRS. Both organizations required that Egypt should apply IFRS. On the other hand, studies (Hussain et.al., 2002 and Musa 2005) report that companies in the UAE apply IFRS.

However, many differences may exist in accounting measurements and disclosures. The question raised here is: To what extent the two countries apply the same accounting methods? Are they similar or tend to be different? What are the factors that might form this divergence or convergence? The hypothesis derived here is:

H1: Accounting measurements and disclosure may differ between Egypt and the UAE.

Firm Size And Accounting Practices

Size of Egyptian and Emirate companies (measured by the total assets in US dollars) as provided by securities exchanges in Egypt (<http://www.egyptse.com/> and UAE <http://portal.adsm.ae/wps/portal> was investigated. The biggest is approximately 6.5 billion in Egypt for Delta International Bank to 4.5 billion for International Commercial Bank then in the industrial sector 1.3 billion for Ezz-National Steel company, then Orascom Telecom, Orascom for Construction and Industry. Similar to Egypt the biggest amount of total assets value belong to banks sector, The biggest in UAE is 15 billion for Abu Dhabi Commercial bank, Dubai Islamic Bank 9 billion, followed by Emaar for properties for 4.5 billion then the giant gas company Dana of 2.25 billion. It was also noticed that the category of companies with over 1 billion dollar total assets is much more in UAE than in Egypt.

The accounting literature report some mixed implications and predictions for firm size on accounting measures and disclosure. For example, Abeysekera & Guthrie (2005) exhibit a body of studies shows that firm size measured by total assets and total sales) is an important factor determining the extent of voluntary reporting in most areas. The proposition which this literature makes is that the bigger firms are more likely to disclose more information are likely to come from bigger and foreign owned companies, they have more resources at their disposal to sponsor new initiatives.

Zarzeski (1996) provides reasons for such proposition, larger companies are likely to have higher public demand for information and more often dependent on foreign resources. He found support for the argument that several countries are more likely to have higher levels of investor- oriented disclosure. Furthermore, Street & Gray (2002) test an argument that company size is positively associated with the degree of compliance with IFRS. However, their study did not support this hypothesis.

Because the author found a difference in firm size between companies in Egypt and the UAE, they raise a question: To what extent do big companies in Egypt and the UAE adopt similar accounting and reporting regimes? Does firm size work as a facilitator to harmonization of accounting application in the two countries? The hypothesis made here is:

H2: Bigger Companies in Egypt and the UAE could have similar accounting measures and disclosure than smaller companies.

Involvement In Foreign Operations And Accounting Practices

Annual reports for companies from Egypt and the UAE reveal different amounts of investments allocated to operations in other countries (in subsidiaries, branches or totally different type of business). This includes the amount,

type and geographical distribution of their trade with other countries. For example, monthly data for the first quarter of 2004, released by the Dept. of Ports and Customs of Dubai, placed total trade at \$ 28 billion. Exports reached \$ 1.3 billion; re-exports, \$ 7.5 billion; and imports, \$ 21 billion. Major exports include exports of semi-precious/precious stones & metals & jewellery and some machinery and electrical and electronic equipment. Imports include semi-precious/precious stones & metals & jewellery, machinery, vehicles, aircraft and transport equipment. The major importing countries of non-oil products to Dubai in 2004 include China, India then Japan, Germany, the US, France and the UK. In Egypt, exports include about \$1.8 billion oil and \$1.5 billion non-oil products. The latter includes cotton, raw materials, oil, semi-manufactured products, consumer appliances and some capital goods. The value of Egyptian imports was about \$4.9 billion. They include wood, leather, chemicals, machinery and electric equipment, vehicles, medical equipment and agriculture products. This shows that both Egypt and UAE involve in international transactions in various degrees. The question is: does this have/could have any effect on accounting practices in the two countries?

Involvement in international business or trade or international capital market might be behind companies' tendency to apply accounting systems that are accepted and understood by users of information internationally. Reasons for that were discussed by Choi et.al., (2002). Choi *et. al.*, (2002) argue that business managers, and those who obtain or supply financing across national borders, need to understand the international dimensions of accounting. The importance of understanding international accounting increases as businesses and financial markets become more global and it did become more global. Globalization increased the importance of accounting information even to handle issue inside the business such as transfer pricing, environment costs and foreign taxes. Also, lenders, investors, financial analysts, regulators of capital market and stock exchanges require information that are more harmonized. In addition to globalization, developments in communications allow information to be recorded, transmitted and reviewed in a high speed and accuracy. The author develop a question here: globalization, open economy and contribution in international trade which companies in Egypt and the UAE share (and they share more elements) could lead to a more harmonized accounting application?

Street & Gray (2002) examine a hypothesis that being a US-listed company could be positively correlated to compliance with IAS and argue that multinational companies may be more likely to compete for capital and hence would focus on providing useful information for capital market participants. Thus, they may be motivated to voluntarily provide complete and transparent financial information based on IAS.

The author argue that being listed in a US-securities' exchange is a surrogate to involvement in foreign operations either when seeking or getting capital from international market or distributing dividends to capital providers. Both operations are considered a sort of international trade.

Zarzeski (1996) claims that information disclosure denotes openness of a society, and relates to the degree of secretiveness of a culture and hence, firms in the international marketplace provide higher levels of disclosure practices than their domestic counterparts. He elaborates that companies with more foreign operations need more foreign labor, resources and capital and to obtain such resources at reasonable costs, it is important that companies share information about the quality of their operations. Previous research found a positive relationship between foreign operations and listing in foreign market. The hypothesis raised here is:

H3: More involvement in foreign operations by companies in Egypt and the UAE could lead to a more similar accounting measures and disclosure.

Type Of Industry And Accounting Practices

Structure of the economy, in terms of how many companies operate in each industry, differs between Egypt and the UAE. The companies registered in Abu Dhabi securities exchange, as in the annual report of 2004, were 45.5% services, 27.3% industry, 23.5% banks, .6% insurance and .1% hotels. In Egypt, over 40% of the companies belong to industrial sector including steel and iron, cement, construction, clothes and carpets, appliances, chemicals and food, 18% tourism and entertainment, 18% banks and financial institutions, 15% services including telecommunications, and the remaining belong to fragment industries.

Some implications of structure of industry type were identified by (Cook 1992) as an influential element that affects the accounting systems. For example, to which degree an industry is subject to cross-border transactions relative to domestic market. He gives an example by the manufacturing sector in Japan. It is the sector which is responsible for the international prospers of Japan internationally. In Egypt ceramic, electric cables and carpets are among the commodities which has cross-border markets whereas leather, paper equipment although produced locally but consumed locally as well which means there is no international route for these products. Another factor is over-regulation for some sectors and this applies to banks in Egypt as although a privatization policy is adopted within an economic reform program, the financial sector was the last and the least to be open to foreign trade (The World Bank Report on the Observance of Standards and Codes in Egypt in 2002 (<http://www.worldbank.org/ifa/egyrosc> 17th Dec. 2005). In UAE, the central bank requires all banks to apply the IFRS whereas no other regulatory body or organization requires the same for companies operate in any other sector. The question to be raised in this regard is: could industry specifications drive companies towards more similarity across-countries?

The accounting literature includes mixed results regarding the association between industry and level of disclosure and measures. Street and Gray (2002) report a significant association between compliance with IAS and being in commerce and transport than other industries. Godfrey and Yee (1996) emphasize that industries differ in their level of exposure to exchange rate movements, their capital structures and levels of asset specificity. In their study, they chose mining industry in Australia to examine foreign currency translation and capital structure. They justify their choice of mining industry as it is more likely to use foreign debt and more exposed to currency fluctuations and risk in international domain. Godfery and Yee (1996) call for further research to explore intra-industry analysis of accounting information. This leads to developing the following hypothesis:

H4: Companies in Egypt and the UAE from the same industry could have similar accounting measurement and disclosure practices.

RESEARCH DESIGN

The study arguments are tested based on information included in actual annual reports of 60 of the largest companies listed in Egypt and 60 in UAE for the year 2004. This information includes methods of accounting measurements and disclosure in addition to measurements for firm size, industry type and debt ratio. The number of companies was limited to the number of firms listed in Abu Dhabi and Dubai securities markets which was 64 companies.

Data were collected from various sources such as the web sites, direct visit to companies or some governmental organizations such as Dubai chamber of Commerce and Abu Dhabi chamber of Commerce. The number of annual reports is largely consistent with that used in similar studies. For example Herrmann et.al., (1995) examined 30 annual reports for large multinational firms in eight European countries to test harmonization in accounting practices in those countries, Canibano & Mora (2000) depended on the financial statements for 85 companies to evaluate the significance of harmonization of what they called "European Global Players". Musa (2005) used 42 questionnaires to explore the adoption of IRS by UAE companies.

Annual reports of the year 2004 were the most recent data available when this study started. The companies included belong to many industries such as banks, insurance, hotels, cement, food manufacturing, real estate and financial investments. This allowed exploration of the industry type impact on accounting measurement and disclosure.

In order to test similarity between the two countries, and to test differences due to industry type, size,.....etc, I index was used. Van der Tas (1988) introduced I Index to measure the concentration of applying an accounting method in different countries. When the value of the index is closer to 1, this represents a high similarity in applying the accounting method. When it is closer to 0 (that is less than .5) it refers to a low similarity and high difference in an accounting measurement or disclosure. However, this index could be applied similarly to differentiate practices in different industries. I index is measured as follows:

$$I = \left[\sum_{m=1}^M \left(\prod_{n=1}^N p_{m,n}^{1/n-1} \right) \right]$$

Where:

P_{m,n} = relative frequency of companies using accounting method m in industry n.

n = number of industries.

DATA ANALYSES AND OUTCOMES

Evidence On Similarity Of Difference Of Accounting In Egypt And The UAE

Many accounting measurements and disclosures were identified and coded from the annual reports as a preparation to calculating I index. The following table summaries the degree of similarity in a number of measurements:

First: Measurements

Various accounting measurements have been identified in the notes of the annual reports of the companies investigated. These measures relate to fixed assets, inventory, investment, realization of income and foreign currency translation. Table (1) below summarizes the findings.

Table (1)
Similarities and differences in accounting measurements between Egypt and UAE

The accounting items	Value of I
I: Similarities	
Fixed assets valuation at historical cost	.98
Depreciation of fixed assets on straight line basis	.83
Reporting impairment of assets value	.87
Valuing inventory:	
-Finished goods at lower of cost or market	.65
-Investment valued at fair value represented by cost	.87
-Accrual basis for reporting	.92
Preparing of financial risk management tools	.73
Translating operations in foreign currency at current rate	.76
Translating assets and liabilities at temporal method	.82
Recording translation gains or losses at income statement	.52
II: Differences	
Valuing inventory items of:	
-raw material at moving average	.13
-work in process at cost of completion	.15
Translating assets and liabilities at current method	.21
Recording translation gains or losses at equity section	.44
Not showing translation gains or losses	.32
Realization of income:	
Upon delivery of goods to customers	.23
Upon customers' receiving of goods	.34
Upon sales	.49

Similarities

Table (1) shows a high degree of similarity between companies in Egypt and the UAE concerning adopting accrual basis for accounting, valuing fixed assets on historical cost and depreciate them on straight line method (3 Egyptian companies use declined method). While revaluation of fixed assets are allowed in the two countries, only one company in the UAE states that each year assets are revalued not to exceed recoverable value. The Chi-square test shows no significant differences in fixed assets valuation ($p = .28$). The finished goods are agreeably valued at the lower of cost or market. Two Egyptian companies state that they use lower of cost or restorable value and only one mentioned the application of a perpetual system. The Chi-square test shows significant differences in valuing finished goods ($p = .003$).

Financial investments are valued at fair value, if items are for resale or trade fair value is measured by the cost of purchase and long term investment are shown at market price and this result is supported by chi-square where no significant difference was identified ($p = .012$). Companies in both countries calculate financial risk tools and similarly translation transactions in a foreign currency at the exchange rate of the day the transaction undertaken. The most applied method for translating assets and liabilities in the two countries is the temporal method where two rates of currency exchange are used for translating, the current rate for short term and financial items and historical rate for items like fixed assets and long term debts. In both countries, there is a tendency to record the outcome of the translation process whether gains or losses in the income statement.

Differences

The I index scores below .5 to point at differences in companies in the two countries in valuing raw material at moving average followed by weighted average, frequencies shows a higher number of Egyptian companies apply this valuation comparing to UAE. The Chi-square test supports this result ($p = .0032$). FIFO is the most mentioned method for handling use of material for production. The low degree of similarity also appears with valuing work in process, although only "cost of completion" is mentioned, the index indicates a difference between the two countries probably because of the limited number of companies from industrial sector in UAE sample.

There is also a difference between the two countries in using current method for translating assets and liabilities in foreign currency as I index shows. The frequencies score higher for UAE sample than Egypt as the current method is less popular (chi-square proves significant differences $p = .65$). One reason for this could be the higher stability between foreign currencies and the UAE currency "Dirham". The Dirham's rate of exchange to the US dollar is fixed at 1 Dollar = 3.68 Dirham by the Central Bank of UAE since 1982 while the dollar went up to over 7.5 Egyptian pound and then controlled by the government decisions to fall to 5.25 in two years (2003-2004). While there are some fluctuations of foreign currencies to Dirham and to the Egyptian pound, the fluctuations to the latter are generally higher. Therefore, may be it was the case that the Egyptian companies were not encouraged to use the current rates of exchange between the pound and other currencies to value its assets and liabilities as this could not reflect the economic value of these items. Relating to the foreign currency translation practices, there is a difference between the two countries in taking translation gains and losses to the equity section, it is more used in UAE and the number of companies which do not show translation gains or losses is higher in Egypt.

There is almost a tendency to recognize revenue at sales point, fewer companies in Egypt take delivery to customer or receiving as the points at which revenue is realized. Chi-square test score significant differences as $p = .013$. Three companies from the UAE indicate time proportion is their basis for recognizing revenue and one refers to the percentage of contract competition.

Second: Disclosure

Variety of disclosure practices were traced in the annual reports of the companies from the two countries. Table (2) below summarizes the similarities and differences.

Table (2)
Similarities and differences in accounting disclosure between Egypt and UAE

The accounting items	Value of I
I: Similarities	
Providing basic financial statements (e.g. balance sheet, income statement, auditor report) and notes on accounts.	.98
Providing cash flow statement and change in equity statement	.98
"comparative data with previous year	.96
" notes on contingent liabilities	.97
" directors' report	.87
" information about profit per share	.89
Preparing the financial statements in the local currency	.99
NOT providing a looking ahead statement	.98
II: Differences	
Segmentation	.34
Tax status	.21
Cost of borrowing	.12
Provision of termination of employees' contract	.14
Providing the financial statements in Arabic only or Arabic and English	.24
Reporting on social corporate performance	.94

Similarities

Table (2) shows a notable similarity between what companies in Egypt and in the UAE disclose and how they disclose. The two countries provide the basic financial statements including balance sheet, income statement, auditor's report, director's report, cash flow, change in equity, notes to accounts where the most important accounting policies are identified and clearly stated. This is always accompanied by comparative data related to the previous year. Companies in the two countries agreeably include profit per share measure in their accounts. Ch-square test does not provide any significant differences with regard to these issues.

The annual reports of companies in Egypt and the UAE usually include a statement indicate that all financial figures provided are expressed in the local currency (the pound in Egypt and the dirham in UAE). In few cases, the exchange rate to the US dollar is mentioned. There is only one exception to this, the National Bank of Abu Dhabi, it provides all items in the annual report measured one in dirham and another in US dollar. It is surprisingly similar that the companies in the two countries do not provide a "look ahead" in financial terms. That is a plan for what they expect to do in the future.

Differences

Data show that providing information about the segments of the company as branches, operations or geographic sites is more in the UAE than in Egypt (Chi-square supports this as $p = .002$). While all UAE companies prepare their annual reports in English and Arabic languages, the Egyptian counterparts provide them almost solely in Arabic. This reflects international business relationship and diversity in business environment in UAE. Reporting on corporate social responsibilities is noticeable in UAE more than in Egypt but the latter provides profit distribution scheme more than the first. While companies in the two countries provide a statement of pay to director, UAE usually provides a statement about provision of termination employees' contracts. This item is totally absent in Egyptian reporting. This reflects high employees' turn over of non-nationals employees who should be paid as stated in their contracts. As the non-nations human power is overwhelming in the UAE and vastly exceeds the number of national employments, the termination of their contracts includes specific financial burden on companies.

On the other hand, reporting on cost of borrowing and details of loans, the amounts that are paid and that are still to be paid, is a usual item in the annual reports of the Egyptian companies and rarely noticed in the UAE. Chi-square supports this as it refers to a significant difference $p = .03$. It is also noticed that providing profit distribution scheme is more in Egypt.

The overall conclusion from this point is that there is generally an agreement in accounting measurements is higher than the agreement in disclosure which can be read as a relative support for the first hypothesis.

Factors That May Have Made The Difference

In order to test hypotheses two through four, the whole range of data of the two countries was recorded to infer whether that variable led to what could be similar practice in accounting in Egypt and UAE. Regarding the dependent variables; accounting measurements and accounting disclosures a checklist of the details based on Street and Gray (2002) is used. All measurement items are identified and coded, if it exists in a company it is represented by 1 and if not it is represented by 0. The same applied to disclosure items. Thus, for each company, two indices were calculated, one for disclosure and one for measurement. The index sums up the total of a company’s measurement practices and the same for disclosure. Items that have been traced and coded are those included in table (1) for measurements and table (2) for disclosure. The independent variables included firm size, having foreign operations and type of industry. In order to represent industry type, a code was assigned to each industry but some industries was represented by a very small number of observations –especially in UAE sample- e.g. 1 aviation company, 1 hotel, 1 energy company,...etc, therefore the companies were grouped into four categories: banks and financial institutions, manufacturing and services. The coded "1" was given to banks and financial institutions, "2" for manufacturing and "3" for services. **Firm size was measured in total assets in US dollar.** Involvement in foreign operation or not was identified from the reports and just coded: 1 for having operations in other countries and 0 for not having or not disclosing as there was very limited details given for the size of foreign operations. Therefore, it was replaced by the categories: having foreign operations (coded 1) or not (coded 0). The following section provides the tests of these variables.

The statistics of each country shows that the UAE companies have the highest firm size and the highest amount of foreign operation whereas Egypt has more diverse industries. This may suggest that due to the bigger size of population in Egypt consumes much of the local production along with fewer resources in Egypt comparing to UAE. Companies in the former are less involved in exporting and investment in other countries whereas UAE has more operations overseas through re-exporting, opening branches, subsidiaries or other forms of investments. Table (3) below shows the statistics.

Table (3) Correlation coefficients

Statistics	Egypt measures indicator	Egypt disclosure indicator	UAE measures indicator	UAE disclosure indicator
Value of the measure	82%	71%	86%	83%
Correlation Coefficient With firm size	.38*	.54	.67	.78
Overall P= .213				
Foreign operations	.62	.42*	.87	.92
Overall P= .106				
Type of industry:				
Overall p= .045				
Banks	.65	.61	.74	.87
Insurance	.54	.47	.82	.77
Manufacturing	.41	.51	.29*	.32*
Service	.56	.48	.61	.54

* measure non sig. at $p = .05$

Descriptive analysis show that generally UAE score more disclosure (83% of the total checklist items) than Egypt (71%) but the gap in measurement practices is less. Score of UAE measurements is 86% and in Egypt 82% of the total checklist items. For the whole data, Pearson correlation shows a positive and moderate association (+ .56) between firm size and accounting measurement but strong (+ .74) with disclosure. This suggests that the bigger the company is, the more measurement and disclosure it provides. While the associations are positive in the two samples individually, for UAE, the correlation is stronger for both measurements and presentation comparing to Egypt. This could be interpreted by the bigger firm size in the UAE sample comparing to Egypt.

Involvement in foreign operations also has a consistent association positive and strong (stronger for UAE) to both accounting measurements and disclosures. This indicates that companies in Egypt and the UAE when have operations in foreign countries, this leads to more measurements and reporting in the annual reports. This result is different from the result by Street & Gray (2002) where they got mixed results for this point in the different countries.

While firm size and involvement in foreign operations do not work as differentiators for accounting practices, because they are similarly significant and associated to measurements and disclosure in Egypt and the UAE the industry type does. First, no significant association exists between type of industry and each of the dependent variables disclosure and measurements in the two countries. However, when data are clustered into industries and frequencies of measures are calculated, it appeared that banks in the two countries are closer in their measurements and disclosure, followed by service sector and the lowest degree of similarity relates to manufacturing sector. Nonetheless, the association was not significant between type of industry and accounting measurements and reporting. This result is close to that realized by Street & Gray (2002) where they got mixed results regarding type of industry effect (they found strong correlation between disclosure and belonging to commerce and transportation but not with manufacturing).

The correlation shows –for the whole data- a weak association between industry and similarity in measurements and disclosure in most industries except in the overall data for banks and manufacturing sector. For the whole data, banks sector is the most correlated to accounting policies (+.92) this indicates that when companies belong to banking it is more likely to use more measures and disclosure. Banking sector is one of the largest in the two countries, in UAE it represents 27% of the companies registered in Abu Dhabi chamber of commerce and in Egypt, it is one of the strongest sectors in the economy. The other type of industry which differentiates data is the manufacturing sector. The association is - .56, this result could be interpreted by two points. First; the thin manufacturing sector which represents UAE in the whole data this means the overall association resulted by the influence of the bigger number of industrial companies in Egypt. The latter specifically provide specific measures such as cost of production statement, valuation of finished goods, raw material and work in progress.

The least square model regression of Egypt sample indicates that all independent variables except for type of industry are significant ($p < .05$). The contribution of firm size was the biggest followed by involvement in foreign operations and the least was the industry type. Regression model for Egypt data provided less explanatory power for the independent variables for accounting measurement (R square .45). The regression model of UAE data was significant for firm size and foreign operations. These two factors provided higher explanatory power comparing to Egypt (.65). The explanatory power increased for disclosure (R square for Egypt data .67 and UAE .83).

CONCLUSION

In overall, results support the first hypothesis which predicts a difference in accounting systems between Egypt and the UAE. Results also prove the second hypothesis which expects a difference due to firm sizes and the third which allows involvement in foreign operations to influence accounting choices. However, data denies that industry could have a significant difference on choosing accounting policies. More research is required in this area, first examining the arguments on a wider scope of data and on other Arab countries. There is a need to introduce other variables in this debate such as the influence of the economic ties on accounting choices. For example UAE is a member of the Gulf Co-operation Council which is a regional economic integration organization involves seven Arab oil-exporters countries on the Arab Gulf area. Whether this organization imposes specific accounting policies –as the EU does- and whether this makes a difference in practices. Examining accounting practices among more Arab

countries is still needed. There is a need for investigating whether globalization has promoted harmonization among different countries around the world.

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