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International Accounting Topics

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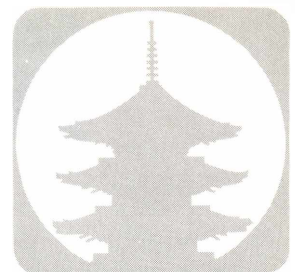
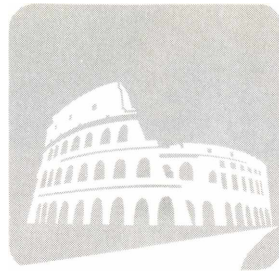
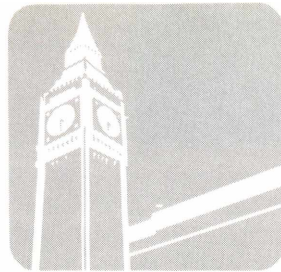
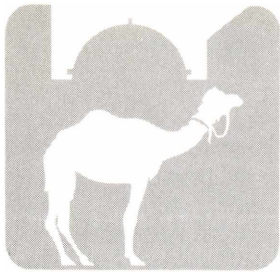
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International Accounting Topics

By Dahli Gray, Paul V. Konka, and Paul P.S. Shen

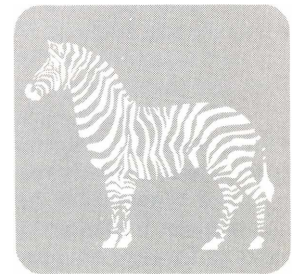
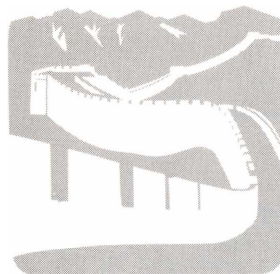
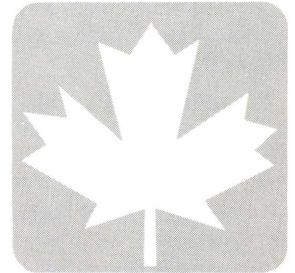
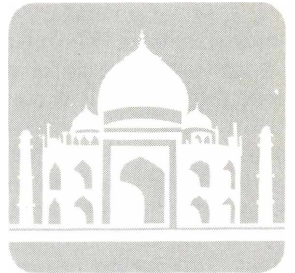
Editor: Dahli Gray
The American University, Washington, D.C.

Are you tired of FASB, GAAP, SEC, GASB, and other accounting acronyms? Are you looking to broaden your horizons? If so, then international accounting may be the field for you. Oh sure, it has acronyms too, but at least they're different ones!

This article provides an overview of international accounting topics that need to be addressed. Your analysis and insights on any of the following topics or other related ones may be appropriate for publication in this section of *The Woman CPA* journal. If you have written or would like to write an article on an international accounting topic, contact Dr. Dahli Gray at The American University. She can assist you with your article and/or help find someone to collaborate with you on your article. Any international accounting topic will be considered, including the following:

1. **Education.** Most of us practicing or teaching accounting in the United States have a bachelor's or a graduate degree in business, usually with a major in accounting. How do educational requirements for professional accountants in the United States compare or contrast with other countries? How do accountants prepare for their profession in other countries? (For example, in England the option of majoring in accounting is limited.) What lessons can be learned by the differing educational backgrounds of accountants worldwide?

(continued)





2. Career paths/ Organizational structure.

Whether one works for a small or large firm, usually a standard career progression exists — junior accountant, senior accountant, manager, and partner — with an organizational structure to accommodate the various levels. Given the merger of national firms into international firms, what is the impact of these mergers on career opportunities? With a different structure and hierarchy like that of other countries, can a firm be operated more effectively and efficiently?

3. Inflation. President Nixon imposed wage and price controls in the early 1970s when he viewed an inflation rate of about 4% as intolerable. FASB instituted SFAS No. 33 in 1979 on a trial basis to determine if financial reports would be more useful by measuring and reporting the impact of inflation. What kinds of financial reports are meaningful when annual inflation rates of many countries are 100%, 200%, or greater? Concerning financial data, what are the appropriate roles of price-level accounting and replacement-level accounting, the appropriate procedures in foreign currency translation, and the appropriate treatment of gains and losses of foreign exchange fluctuations?

4. Globalization/Harmonization. The CEO of a large financial institution views the globalization of capital as one of the seminal trends of this century.¹ This process not only affects the large national and multinational firms but also the so-called middle market companies that employ about one-half of the private work force. Even small companies and sole proprietorships may be affected by the internationalization of business.

How will the lowering of trade barriers within the European Economic Community (the Common Market) by 1992 affect the globalization process? Will the harmonization process in the EEC be a model for the internationalization of accounting practices the world over? What are the accounting practices and problems in the developing countries? Will these countries of necessity follow the U.S./European models or will new methods be created?

5. Managerial accounting. The decentralization of multinational corporations requires a fundamental modification of management information systems. Should there be two such systems — one for domestic operations and one for international purposes? Additional research problems involve the issues of planning, costing, control, and evaluation. Specific problem areas may be foreign investment analysis and transfer pricing, foreign exchange risk management, internal auditing, or managerial accounting in socialist and communist countries.

6. Tax. The “read my lips” no-new-tax pledge of President Bush is widely acknowledged as a delaying action for the inevitable additional taxes. While most of the tax discussion in the last few years in the United States has centered on the appropriate income tax rates, perhaps additional attention should be given to the experiences of the many countries that use other tax methods, such as the value-added tax. How many different tax systems are there

¹Donald B. Marron, chairman and CEO of PaineWebber Group, Inc., quoted in *World*, July-Sept. 1987, p. 8, Peat Marwick Main & Co.

worldwide? Is there any connection between economic growth or stability of a country's currency and the tax system used? Is there an ideal tax system in the international community?

There seem to be so many issues in the field of international accounting that need to be addressed. As our world gets increasingly smaller, we will certainly be required to find the answers to many of the questions that have been raised here. Finding the right answers, however, is often a long process. We hope this international accounting section of our journal will be a part of that process, and we invite you to send manuscripts for possible publication in this section of *The Woman CPA* journal. ■

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