NORTHERN ILLINOIS UNIVERSITY

A Comparison of the Financial Reporting Standards Of the United States and Germany

A Thesis Submitted to the

University Honors Program

In Partial Fulfillment of the

Requirements of the Baccalaureate Degree

With Upper Division Honors

Department of Accountancy

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DeKalb, Illinois

May 11th, 2002

University Honors Program

Capstone Approval Page

Capstone Title: A Comparison of the Financial Reporting Standards of the United States and Germany

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Date of Approval: May 6, 2002

HONORS THESIS ABSTRACT

THESIS SUMBMISSION FORM

AUTHOR: Sarah Glymph

THESIS TITLE: A Comparison of the Financial Reporting Standards of the United States and Germany

ADVISOR: Curt Norton ADVISOR'S DEPT: ACCY

DISCIPLINE: Financial Reporting YEAR: SENIOR

PAGE LENGTH: 34 BIBLIOGRAPHY: Yes ILLUSTRATED: No

PUBLISHED: NO LIST PUBLICATION: NONE

COPIES AVAILABLE: HARD COPY

ABSTRACT: German companies are having difficulties translating financial statements from German accounting standards to United States Generally Accepted Accounting Standards in order to trade stock on United States stock exchanges. The German accounting standards are compared with US GAAP in ten main areas of financial statement accounting. Microsoft financial statements in both US and German accounting standards are studied as an example of the differences between the two sets of accounting standards. Two areas of accounting are found to be of significant difference. Pension and depreciation expense would have to be adjusted to follow US GAAP before German companies could translate financial statements to US GAAP.

TABLE OF CONTENTS

Introduction

Technology has joined together the world in a way that was never possible before. The world has become smaller as the space dividing countries has been eliminated through the use of the internet to communicate. The financial markets of individual countries have evolved into a worldwide financial market. The economies of countries are now more interdependent. As the economy globalizes, more companies want to participate in trading their stocks all across the world. One of the most customary ways is the United States Stock Exchanges.

German companies are among the companies that are looking to expand globally. This expansion includes trading their companies' stocks on the stock exchanges including the New York Stock Exchange. Within the United States, companies that are interested in trading on the New York Stock Exchange must file financial statements that conform to United States Generally Accepted Accounting Principles (GAAP). This poses a great problem for German, and any other European companies, that follow their own countries' accounting rules.

Germany has a very complex set of accounting rules for filing financial statements. Companies have to follow accounting rules that have been set by various organizations throughout Germany's history. German companies are also trying to comply with international accounting standards to appeal to international investors. Many German companies are currently faced with difficulties when translating statements to US GAAP. German companies will have two different sets of accounting standards to sort through in order to translate their statements into US GAAP.

Recently many companies have been in the news because they have struggled with this very problem. Deutsche Bank, which is Germany's largest bank, had problems in 2001 as it tried to switch its accounting standards from German accounting standards to US GAAP. The bank's net income for 2001 was only $167 million euros compared with $13.5 billion euros the previous year. This decline of over $13 billion euros in net income was due to the switch in accounting standards. (Walker, 1)

The purpose of this paper is to examine the similarities and differences in US, German and international accounting standards. I will sort through the many difficulties that German companies have in adopting other accounting standards. I will first give a brief history of how each set of financial standards can be in existence and how current standard-setting organizations came to power in each country. Ten areas of accounting will be compared. I will then compare the financial standards of the United States and the corresponding standards in Germany. These areas I will detail include: cash, accounts receivable, inventory, property plant and equipment, depreciation, intangible assets, current and long-term liabilities, stockholders' equity, taxes and pension benefits. This comparison will help to show how the accounting standards of the US and Germany differ. German statements can then be translated into US GAAP after these adjustments in standards have been made.

I will then present an example of an international company, Microsoft Corporation, has faced this exact problem. On its website, the company presents its statements in both the German accounting standards as well as the US standards for stockholder analysis. I translated the German income statement so that a comparison could be made between the two formats and the areas included in each type of financial statement.

I will conclude by showing which standards are of the most importance to German companies. These standards must be recognized and accounting for these areas must be adjusted if these companies wish to trade stock in the United States.

History of US Accounting Standards

In 1934 the Security and Exchange Commission was developed to oversee the stock exchanges and protect stockholders in general. In 1939, the first organization to establish accounting standards was formed. It was known as the committee on Accounting Procedure. This organization was in place until 1959. It used a problem-by-problem approach to issue standards for financial accounting.

The Committee on Accounting Procedure failed to meet many of the accounting world's needs and in response to this; the Accounting Principles Board was created in 1959. The Accounting Principles Board attempted to provide the accounting world with a more complete framework of financial accounting. The Board issued APB Opinions which were accounting standards. This group also failed to meet many of the needs of the accounting world and in 1973; another organization was created to assist the accounting world.

In 1973 the Financial Accounting Standards Board (FASB) was established as the private sector organization to establish financial accounting standards. According to FASB its mission is to "establish and improve standards of financial accounting and reporting for the guidance and education of the public, including issuers, auditors and users of financial information." (FASB, 1)

FASB issues four types of pronouncements including standards and interpretations, financial accounting concepts, technical bulletins and emerging issues task force statements. Since its creation in 1973, FASB has issued 144 standards and 44 interpretations of those standards. These standards are the basis of US Generally Accepted Accounting Principles (GAAP) consists of.

History of German Accounting Standards

German accounting standards started becoming laws about the same time as in the United States. In 1937, accounting standards were put into law for the first time as the Stock Corporation Law. Until 1985, the Stock Corporation Law was the only source of accounting standards in Germany. It dictated all accounting standards and the format of financial statements that were issued by corporations.

In 1985 the Accounting Directives Law was passed. This law consisted of 39 separate accounting laws. Most of these German Generally Accepted Accounting Principles (GAAP) have been incorporated into the German Commercial Code with the passing of this law. Under this law, corporations must have three components as part of the financial statements: the balance sheet, the income statement and notes to these statements.

In 1998 the control for establishing and interpreting accounting standards was turned over to the German Accounting

Standards Committee. Since that time, the Committee has passed thirteen standards and issued position papers. In the same year, German corporations were given the option of presenting the financial statements in German GAAP or in conformance with International Accepted Accounting Standards.

Comparison of US to German Accounting Standards

CASH

For US GAAP, anything that is available to pay current debts and is unrestricted is considered cash. Cash equivalents are considered as any short-term investment that can be turned into cash very quickly. These equivalents must also be listed in the Current Assets section of the Balance Sheet.

Many companies are required to keep a certain amount of cash in the bank as part of their loan agreement. This is referred to as a compensating balance. This money would be considered restricted cash. It must be listed after cash and cash equivalents in Current Assets.

For German companies, the reporting for cash is quite similar to the US. Cash is listed and separately listed are any short-term marketable securities. These securities must be listed at the lower of their cost or market value.

ACCOUNTS RECEIVABLE

A receivable is anything that a company can hold as a claim against customers. (Keiso, 341) The receivable amount that would be recognized is the exchange price between the seller and the debtor. Subtracted from that amount is any allowable trade or sales discount to yield net accounts receivable.

US GAAP also requires that companies establish an uncollectible allowance for their receivables. This amount would be the company's estimate of sales that it will eventually never collect. There are two methods that could be used to record uncollectible receivables: the direct method and the allowance method. The allowance method is the only one allowed by US GAAP.

The uncollectible allowance must be subtracted from total accounts receivable to present the net accounts receivable amount on the Balance Sheet. Some companies also establish an allowance for sales returns. This amount must also be subtracted from accounts receivable to yield the total net account receivable amount.

There is one other type of receivable a company may have and that is the note receivable. This occurs when a company loans money to another company or individual and receives a promissory note to repay the debt in return. Short-term notes are recognized on the balance sheet at their face value. Long-term notes are recognized at the present value of the cash that will be collected in the future.

The definition of trade or accounts receivables is quite similar under German accounting standards. The one area where US GAAP and German standards differ is the uncollectible allowance. German companies may also set up an uncollectible allowance that must be subtracted from receivables to present net receivables. On top of that amount, Germany companies can recognize a lump sum allowance for the general risk of not collecting a receivable. (Miller, 409) This general risk allowance is not allowed under US GAAP.

INVENTORY

Inventory is generally valued at the lower of the cost of the inventory or the market price to replace it. Most companies do not have the time to identify every piece of inventory and determine the appropriate value. Therefore, most companies use a method to determine the cost of its' inventory.

There are three different methods under US GAAP most companies use to establish the value of their inventory. The first method allowed is called the FIFO (First In, First Out) method. In this method the first goods purchased are assumed to be the first goods sold. These goods are expensed at the cost of the first goods purchased. The remaining inventory at the end of the period then represents the most recent purchases the company has made.

The second method US GAAP allows is the LIFO (Last In, First Out) method. In this method the last price paid for inventory is applied to the first units sold during the month. The ending inventory would then be determined by the remaining purchase prices not used to expense sold inventory.

This leads to a much higher cost of goods sold than under the FIFO method. Because the cost of goods sold expense is much higher; net income is lower under this method. This leads to many tax benefits from the lower income amount. Because of these tax benefits, US GAAP requires that any company that uses the LIFO valuation method for tax purposes must also use it for financial reporting purposes.

The third method used for the valuation of inventory is the average cost method. This method designates the price of inventory based on the average cost of all inventory during that period. This method places the cost of goods sold between the high cost of LIFO and the lower amount of FIFO.

Comparison of Inventory methods

Ending Values by Inventory Method*

	FIFO	Average Cost	LIFO
Ending Inventory	Higher	Middle	Lower
Cost of Goods Sold	Lower	Middle	Higher
Net Income	Higher	Middle	Lower
Tax Effect	Higher	Middle	Lower

* Assuming that prices are rising and the number of units of inventory is stable or increasing.

PROPERTY, PLANT AND EQUIPMENT

According to the authors of Intermediate Accounting, there are three major characteristics of property, plant and equipment. They are acquired for use in operations and not for resale. They are long-term in nature and usually subject to depreciation. They also possess physical substance. (Keiso, 500)

According to US GAAP, most assets should be valued at the historical cost of the assets. This cost is the cash paid on the day of acquisition for "obtaining the asset and bringing it to the location and condition necessary for its intended use". (Keiso, 501) This means that other costs, including items such as shipping and sales tax, can be included in the valuation besides the direct cost of the asset.

There are many different accounting issues involved in the valuation of assets. These issues include deferred payment contracts, lump sum purchases and exchange between two companies of non-monetary assets. For each of these situations US GAAP details how to treat these transactions.

For German corporations, only items that will be used for a very long time should be included in the Property, Plant and Equipment section of the balance sheet. Different types of PPE should be disclosed separately. For example, land, building, manufacturing equipment and office equipment should be separated out on the balance sheet. (Miller, 392) As a general rule, PPE should be valued at the acquisition cost less any depreciation. Similar to US GAAP, acquisition cost can include costs to transport the item or ready it for use by the company.

DEPRECIATION

Depreciation is a process of allocating the cost of the asset to expense. There are four different methods allowable under US GAAP including the activity method, the straight-line method, decreasing charge methods and some special depreciation methods. (Keiso, 552) The most common methods of depreciation used are the straight-line method and the decreasing charge methods.

The straight-line method of depreciation is the most simplified approach to depreciation. In this method the salvage value of an asset is subtracted from the acquisition cost of the asset. That amount is then divided by an estimate service life of the asset. This equal amount is then expensed every year over the estimated life of the asset.

There are two types of decreasing charge methods used: sum-of-the-years-digits and declining balance. Sum-of-the-years-digits is rarely used because of its complexity. The declining balance method is used more often. For this method, a multiple of the straight-line method is used. That percentage is multiplied by the book value and then expensed every year until there is no longer a book value remaining. One popular version of this method is the double-declining balance method. For this method, twice the straight-line depreciation percentage is multiplied by the book value to determine the depreciation expense for the year.

Depreciation Example:

Asset- $200,000 $10,000, salvage value, 10-year life

	Year 1 Depreciation Expense	Year 1 Ending book value	Year 2 Depreciation Expense	Year 2 Ending book value
Straight line	$19,000	$181,000	$19,000	$162,000
Double declining Balance	$40,000	$160,000	$40,000	$120,000

For German companies, the law prescribes no particular depreciation method. According to the Miller European Accounting Guide, the most common methods of depreciation are straight-line and double declining balance. Most companies determine the useful lives of assets from tax tables. This helps to ensure that the useful lives are conservative. (Miller, 392) Depreciation that is considered extraordinary in nature is allowed if the asset is permanently impaired.

INTANGIBLE ASSETS

An intangible asset is a company asset that lacks physical qualities, is not a financial instrument and is long-term in nature. There are many different types of intangible assets including goodwill, research and development costs and patents. Companies must determine which assets it can capitalize and which assets it must expense.

development of intangible assets such as patents. All expenses related to research and development must be expensed immediately under US GAAP. The only exception is assets purchased for research and development that have another use after the research is finished. Those assets may be capitalized.

The rule for intangible assets in Germany is quite similar to the US. If intangible fixed assets are purchased they may be capitalized. If they are created internally, they may not be capitalized. For intangible current assets, the law differs from that of the US. Intangible current assets can be recognized if created internally or purchased from another company.

In Germany as in the US, goodwill is one of the more common intangible assets. Different from the US, goodwill does not have to be disclosed as an intangible asset. If the corporation does decide to capitalize goodwill, it can amortize the cost over a period of up to fifteen years.

CURRENT AND LONG-TERM LIABILITIES

A current liability can be considered an obligation that must be paid with current assets or, generally must be paid within a year. There are many types of current liabilities.

These include accounts payable, notes payable, dividends payable, taxes payable and wages payable.

One of the most frequently occurring types of current liabilities is the accounts payable account. This account includes amounts owed to other companies for purchases of goods and supplies. The amount calculated for the accounts payable account would be based on all goods and services used or received during that accounting period. Most companies record the liability for accounts payable when goods are received or when the invoice for those goods is received.

Long-term debt consists of bonds payable and long-term notes payable which will not be paid within the year or current operating cycle, whichever would be longer. (Keiso, 712) For bonds payable, the liability must accounted for at face value. Any discount or premium on those bonds must also be recorded and amortized over the life of the bonds.

Interest paid to bondholders must be expensed every time it is paid. It is also accrued at the end of the year for any amount owed to bondholders for the fiscal period. Costs for issuing bonds can also be capitalized and amortized over the life of the bonds.

A long-term note payable is valued at the present value of its future interest and principal cash flows. Any discount or premium on the note can be capitalized and amortized over the life of the note. (Keiso, 725)

For long-term notes payable, German accounting standards and US GAAP differ greatly. Under German standards, the general rule is to disclose the debt at face value. For US GAAP, the rule is to disclose the note payable at present value of future cash flows. The difference between these two methods can lead to a very large disparity in value between the two methods.

STOCKHOLDERS' EQUITY

There are three categories that are normally a part of stockholder's equity for a corporation. The first is the capital stock section. Capital stock would consist of all common stock issued, outstanding and its total value at par value. It would also include any preferred stock outstanding valued at its par value.

The second area of stockholders' equity is additional paid-in capital. According to Intermediate Accounting, additional paid-in capital can be defined as any excess over par value paid in by stockholders in return for the shares issued to them. (Keiso, 776) This amount is recorded when any new stock is issued and purchased for more than par value. After that the stockholders have no claim to this money.

The retained earnings category is the third category of stockholders' equity. Any net income the company may have is closed into this account at the end of the period. Any dividends paid also come out of this account. Also, if any prior period adjustments need to be made, they must be taken out of this account.

In Germany, Stockholders' equity, referred to as equity, consists of five areas: subscribed capital, capital reserves, revenue reserves, retained profits/accumulated losses brought forward and the result for the year. According to Miller's European Accounting Guide, subscribed capital is the maximum liability of the shareholders for liabilities of the company. (Miller, 387) This amount is divided into single share amounts.

Capital reserves and revenue reserves have many more components than subscribed capital. Capital reserves consist of premiums paid to stockholders, amounts received for convertible bonds and options, amounts received for preferred stock and any other shareholder contributions. Revenue reserves consist of amounts legally required to be reserved, statutory reserves and reserves for the corporation's own shares. (Miller, 388)

The fourth and fifth areas of German corporations' equity are very similar to the Unites States retained earnings account. First, any retained profits are closed to this area. If there are any accumulated losses from previous periods, they are contained in this account. Finally, any profit for the year is closed into the equity account.

TAX REPORTING

In the United States, the accounting used for calculating income taxes is different than the accounting used in US GAAP. This leads to many adjustments for corporations when trying to calculate income taxes every year. The amount a company calculates as pretax financial income is not the same as taxable income.

In the United States, companies are subject to two types of income taxes. The first type is the federal income tax. The United States Internal Revenue Service establishes tax guidelines. Based on taxable income established by these guidelines, federal income tax is determined. The second type of tax is the state income tax. Companies pay state income tax to the state in which they are incorporated. Each state established guidelines similar to the federal guidelines. Corporations then pay tax to that state.

In Germany, there are two types of income taxes. There is the trade tax and the corporation tax. The trade tax on income is a municipal state tax. It is generally between 10% and 20%

of taxable income. The rate for this tax is set locally. Both corporations and non-corporations are subject to this tax. (Miller, 400)

The second type of tax is the corporation income tax. This tax is the federal income for German corporations. The rate for taxes depends on what the corporation does with its profits for that year. If the profits are fully distributed, then the tax rate is 30%. If profits are retained and put back into the company, the tax rate is 45%. This rate is much higher because the German government is trying to encourage corporations to distribute some of its' profits to shareholders.

As in US corporations, German corporations have differences between tax accounting and commercial accounting. These differences lead to deferred tax assets or liabilities. The German Commercial Code follows International Accounting standard 12 on deferred tax accounting. Most German companies do not capitalize deferred tax assets when they arise because according to German law most deferred tax assts do not need to be capitalized.

PENSION BENEFITS

According to Intermediate Accounting, an employer's pension obligation is the "deferred compensation obligation it has to its employees for their service under the terms of the pension plans." (Keiso, 1124) There are two types of pension plans in the United States. The defined contribution plan is a pension trust where the employer contributes a specific amount every month. There is no defined payout to employees when they retire.

The second type is the defined benefit plan. In this plan, there is a defined benefit amount paid to employees. This begins at the end of their time of employment and continues for the rest of their retirement years. Employers must contribute the proper amount to meet this obligation when the employee retires.

To accrue for pension benefit obligations, FASB adopted a partial capitalization approach. Companies must record pension expense for the year. The pension expense amount includes present value amounts of future benefits to employees. They also must record the projected benefit obligation to employees in an off-balance-sheet memo record.

According to Miller's European Accounting Guide, most pension plans in Germany are of the defined benefit type. This means that employees will receive a specific amount each year upon retirement. This amount is usually based on their ending salary and years of service with the company. (Engstrom, 186)

Companies must accrue for the liability of pensions it must pay out later.

Accrued pensions are a very complicated account in Germany. There are many exceptions which make the pension amount accrued for very difficult to analyze. In the German Commercial Code, two exceptions to establishing pension accrual accounts are listed. These include pension amounts based on direct promises before 1987 and pensions based on indirect promises. (Miller, 390)

Besides these two exceptions, there are also problems with the actuarial methods used by German companies. Companies are directed to use this method by the German income tax law. In this method, future payroll increases are disregarded. It also forbids accruals for employees under thirty years old. Because of these two exclusions, the amount German companies report for pension liability is significantly undervalued.

Comparison of Financial Statements

The financial statements of Microsoft are provided in Exhibit 1 in the Us GAAP version. Exhibits 2 and 3 display the German version, first in German and then translated to English. Overall, these two financial statements are very similar in format. First, revenues from operations are listed. Operating expenses are then listed and separated by use. These two accounts sum to total operating income. This helps the user to see how operations are faring and helping to support the corporation.

Both statements list losses from investments. The statements list the income before the effect of the accounting change. The statements both list the total of the accounting change and then list net income. This helps the user to see what net income would have been had the accounting change net occurred this year.

Even though the United States income statement and the German financial statement have many similarities they cannot be compared. The amounts for revenue and expenses are different from one another. The accounting standards that dictate what these revenues and expenses consist of are different. This makes the operating income amounts different from each other.

By translating the German income statement into English there are many things I learned about the financial statements under German accounting standards. Overall, the format is very similar to the US GAAP income statement. This surprised me because of the accounting standards I have researched. I assumed that the financial statement would look more dissimilar because of the different cultures and different accounting standards.

Even though these statements are similar, some terms are different in the German statement. For example operating revenue in the German statement is referred to as turnover. Yet even these small differences, the statements when translated to English, a US GAAP financial statement user will find it very easy to understand.

Income Statement Analysis

EXHIBIT 1
Microsoft Income Statement for years 1999-2001

INCOME STATEMENTS
(In millions, except earnings per share)

Year Ended June 30	1999	2000	2001
Revenue	$19,747	$22,956	**$25,296**
Operating expenses:			
Cost of revenue	2,814	3,002	**3,455**
Research and development	2,970	3,772	**4,379**
Sales and marketing	3,238	4,126	**4,885**
General and administrative	715	1,050	**857**
Total operating expenses	9,737	11,950	**13,576**
Operating income	10,010	11,006	**11,720**
Losses on equity investees and other	(70)	(57)	**(159)**
Investment income/(loss)	1,951	3,326	**(36)**
Income before income taxes	11,891	14,275	**11,525**
Provision for income taxes	4,106	4,854	**3,804**
Income before accounting change	7,785	9,421	**7,721**
Cumulative effect of accounting change (net of income taxes of $185)	—	—	**(375)**
Net income	$ 7,785	$ 9,421	**$ 7,346**
Basic earnings per share:			
Before accounting change	$ 1.54	$ 1.81	**$ 1.45**
Cumulative effect of accounting change	—	—	**(0.07)**
	$ 1.54	$ 1.81	**$ 1.38**
Diluted earnings per share:			
Before accounting change	$ 1.42	$ 1.70	**$ 1.38**
Cumulative effect of accounting change	—	—	**(0.06)**
	$ 1.42	$ 1.70	**$ 1.32**
Weighted average shares outstanding:			
Basic	5,028	5,189	**5,341**
Diluted	5,482	5,536	**5,574**

Source: Microsoft 2001 Online Annual report

EXHIBIT 2

Microsoft Income Statement 2001 in German format
In Accordance with German GAAP in German language

Microsoft Corporation
Konzerngewinn- und -verlustrechnung für
das Geschäftsjahr vom 1. Juli 2000 bis 30. Juni 2001
(ungeprüft)
(in Mio DM)

Umsatzerlöse	55.398
Betriebliche Aufwendungen:	
Umsatzkosten	7.566
Forschung und Entwicklung	9.590
Vertrieb und Marketing	10.698
Allgemeine Verwaltung	1.877
Summe betriebliche Aufwendungen	29.731
Betriebsergebnis	25.667
Verluste aus Beteiligungen und sonstige	- 348
Verlust aus Finanzanlagen	- 79
Ergebnis vor Ertragssteuern	25.240
Steuern vom Einkommen	8.331
Ergebnis vor Rechnungslegungsmethodenänderung	16.909
Aufgelaufene Auswirkung der Rechnungslegungsmethodenänderung (nach Abzug von Ertragssteuern in Höhe von TDM 405)	- 821
Jahresüberschuss	16.088

Source: Microsoft Corporation website- www.microsoft.com

EXHIBIT 3

Microsoft Income Statement 2001 in German format
In Accordance with German GAAP
Translated from German to English

Microsoft Corporation

Group Profits and Losses from Sales
From July 1, 2000 to June 30, 2001

Turnover	55.398
Operating Costs	7.566
Cost of goods Sold	9.59
Distribution and Marketing	10.698
General and Administrative	1.877
Total Operating Costs	$29.73
Operating Income	25.667
Losses from Investments and Others	-348
Losses from long-term Investments	-79
Profits before Taxes	25.24
Results before cumulative effect of accounting change	16.909
Cumulative effect of accounting change (net of taxes of 405 TDM)	-821
Profit for the Financial Year	**$16.09**

Source: Microsoft corporation website- www.microsoft.com

Translated by Sarah Glymph

Conclusion

Overall, the United States and German accounting standards have many similar approaches to certain areas. This helps many companies when translating statements to US GAAP. Even though there are many standards that treat certain areas the same, there are many areas that are significantly different.

When comparing the face of the US Microsoft income statement with the German income statement I translated, many users many think that these statements are the same, just written in different languages. This assumption is simply not true. Many expenses included in the income statement are calculated very differently than its US counterpart.

Pension expense is calculated very differently in German. Much of the future liability for pension obligation is not recognized because obligations for young employees are not included. Pension obligation is also not discounted to the present value of future payments. This pension obligation is what is used to calculate pension expense. Because of these differences, pension expense is significantly undervalued. This increases the operating and net income amount on the German statement.

To translate this amount to adhere to US GAAP standards, there would have to be many adjustments. German companies would have to recalculate pension obligation to include younger employees. The future payments of this obligation must be discounted to the present value. This would require the assistance of an actuary and could be quite costly.

One other area that companies would need to adjust to adhere to US GAAP is depreciation expense. In German accounting standards, no depreciation method is prescribed. German companies would have to recalculate depreciation expense according a method allowed by US GAAP. These methods would include any activity method, straight-line method, decreasing charge methods and some special depreciation methods.

Many companies have recently been in the news for troubles with this translation. The change has caused these companies to report billions of dollars less income than reported under German accounting standards. By researching the differences between US and German standards, companies could take steps to make accounting rules they follow similar to US standards.

In conclusion, the accounting standards of the US and Germany are quite similar. German companies wishing to sell stock on the United States must translate their financial statements into US GAAP. After my research I can see that this would not be as daunting of a task as I first imagined it to be.

It would still involve some complicated adjustments for the companies wishing to comply with US standards.

If companies need to start to recognize that this translation will be quite a task for them. If they can start to recognize the areas of the income statement and balance sheet that have the greatest differences between US and German standards, these companies can start following standards accordingly. This will help these companies to not face these large decreases in income that other companies have encountered.

This effort will help these German companies in their efforts to become a stronger presence in the worldwide economy. By making these observations on accounting standards, German companies can help themselves become more appealing to international stockholders and investors.

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