**Introduction**

The goal of business management is to provide a set of tools that can be used to meet the requirements of each application. Since accounting applications do not have uniform security and reliability requirements, it is not possible to devise a single accounting protocol and set of security services that will meet all needs. Business management requires that resource consumption be measured, rated, assigned, and communicated between appropriate parties.

International harmonization of accounting standards is an important topic in this globalising economy, because with increasing globalization of the marketplace, international investors need access to financial information based on harmonized accounting standards and procedures. Investors constantly face economic choices that require a comparison of financial information. Without harmonization in the underlying methodology of financial reports, real economic differences cannot be separated from alternative accounting standards and procedures. Harmonization is used as a reconciliation of different points of view, which is more practical than uniformity, which may impose one country’s accounting point of view on all others. Organizations, private or public, need information to coordinate its various investments in different sectors of the economy. With the growth of international business transactions by private and public entities, organizations the need to coordinate different investment decisions has increased. A suitable accounting information system can help multinational businesses accomplish their managerial functions on a global basis. Standard setters, company managers and researchers alike are interested in the evolution of global standards.

Historically, standardization of the international accounting principles has tended to follow the integration of the markets served by the accounts. For example, the move to unified national accounting in the US in the early 20th century followed the integration of the national economy. Similarly the present impetus for global accounting standards follows the accelerating integration of the world economy. Without the common accounting standards the cross-border portfolio and direct investment may be distorted, the cross-border monitoring of management by shareholders obstructed, and the cross-border contracting inhibited and the cost of these activities may be needlessly inflated by complex translation.

To sum up, according to studies regarding the adoption of international financial accounting standards (IFRS), the companies that adopted IFRS needed to spend less time with earnings management and recognized loss more timely. These companies also experienced an improvement in their accounting quality. The adoption of IFRS also raised market liquidity and the value of the company. But we also have to add that these positive effects can be experienced mostly in those countries where the institutional background is appropriate. Accounting regulation in the European Union introduced from 2005 obligated economic entities listed and traded on stock markets to apply IFRS on consolidated financial statements exerted a decisive influence on the accounting globalization.

According to the business practice it is obvious that the usage of international accounting principles leads to a reduction of the information asymmetry between the owners and the managers. By this information asymmetry are growing the costs of equities and are less accurate the economical and financial forecasts. This requires the development and review of the national accounting rules, the separate validation of the tax and accounting regulation, the repeal of the subordinate role of accounting, issuing international standards with the help of practical and theoretical accounting experts.
Previous related literature

International accounting literature provides evidence that accounting quality has economic consequences, such as costs of capital (Leuz and Verrecchia, 2000), efficiency of capital allocation (Bushman and Piotroski, 2006) and international capital mobility (Guenther and Young, 2008). The accounting system is a complementary component of the country’s overall institutional system (Ball et al., 2006) and is also determined by businesses’ incentives for financial reporting. Li and Meeks (2006) provide the first investigation of the legal system’s effect on a country’s financial system.

The financial reporting quality include the tax system (Shleifer and Vishny., 2003) ownership structure (Easton, 2006; Ball and Lakshmann, 2005), the political system (Leuz et al., 2006), capital structure (Daske, 2006) and capital market development (Botsari and Meeks, 2008). Therefore, controlling for these institutional and firm-level factors becomes an important task in the empirical research design too.

One study (Meeks and Swamm, 2009) characterises of accounting amounts for businesses that adopted IFRS to a matched sample of companies that did not, and found that the former evidenced less earnings management, more timely loss recognition, and more value relevance of accounting amount than did the latter. They found, that IFRS adopters had a higher frequency of large negative net income and generally exhibited higher accounting quality in the post-adoption period than they did in the pre-adoption period. The results suggested an improvement in accounting quality associated with using IFRS.

Another study (Jermakowicz et al., 2007) found that first time mandatory adopters experience statistically significant increases in market liquidity and value after IFRS reporting becomes mandatory. The effects were found to range in magnitude from 3 % to 6 % for market liquidity and from 2 % to 4 % for businesses by market capitalization to the value of its assets by their replacement value.

Research design

The purpose of this study was the measuring the differences between the national rules and the international methods by countries, then the valuing and analyzing their affects on the business environments. The author used Nelson’s Directories of Investment Research for providing information on nearly 800 research businesses (mostly multinational companies) around the world during the period of 2005 - 2008. The researcher adopted two approaches in this study. First approach involved identifying a list of 16 important accounting standards based on a review of the past literature and relying on a recent, comprehensive survey of General Accepted Accounting Principles (GAAP) differences. Secondly, the author has assigned 20 EU and 27 non EU member states - representing every continent excepting Africa - from where he could obtain accounting information. Because the tests examine the effects of GAAP differences between the business’ local accounting rules and the international standards, it was excluded firm-years from the primary sample when businesses do not use local rules based on Worldscope yearly database. Worldscope data on the accounting standards used by the company are available for approximately one-half of the sample. In the primary test the author retain businesses that do not have data on the accounting rules used by the firms, reflecting the assumption that smaller businesses without standards data are very likely to be local rules users.

Descriptive statistics

The greatest deviation from the international standards could be identified in the case of Luxembourg (over 80%). The countries in the Latin cluster (Belgium, France, Italy, Portugal and Spain) also showed a minimum of 50%, but sometimes 80% (Spain) match to the international standards. The EU member states in the Scandinavian cluster (The Netherlands, Denmark, Sweden, Finland) were pointed several conformity with the Anglo-Saxon (Anglo-American: UK, USA) countries but it could found some important Germanic effects as well, for example the importance of the tax legislation.

Among the Scandinavian countries The Netherlands differs the least (only 15%) from the international standards. In Holland the impact of the micro-economical approach to the accountancy is reasonable. Nevertheless the country had been several similarities with the Anglo-Saxon characteristics. Norway’s accounting principles reflecting Scandinavian effects and the deviation is similar to the Swedish.

The national regulations of the Latin cluster countries (Belgium, France, Italy, Portugal and Spain) shows several similarities with the Germanic cluster. Such as the pivotal role of the company and taxation law and also differs radically from the Anglo-Saxon characteristics. The similarity between the national regulations of the countries in the Latin cluster also shows a minimum of 50%, but sometimes 80% (Spain) match to the international standards.

The Germanic states (Austria, Germany, Hungary, Czech Republic) accounting system was in many ways differs from Anglo-Saxon and Scandinavian countries. For example the company and tax law in Germany plays a pivotal role on accounting. Switzerland follows the Germanic accounting principles and its difference from the international standards is nearly the same (62%).

The Hungarian accounting shows many similarities with the other continental, mainly Germanic, cluster members according to the place and classification.

The Asian countries accounting rules follows the colonial specialities, so the impact of the colonizers is high. Thus in case Indonesia the Dutch, in case of India, Pakistan, Hong Kong and Malaysia the Anglo-Saxon and in the Philippines the Spanish and American impact is shown. In case of the Chinese accounting system it was both affected by western and the socialist Russian influence. A more micro-oriented decision-making approach is thus being encouraged that retains a measure of macroeconomic control - a difficult balance to strike given China’s tradition of uniformity and detailed regulation. In case of Japan we can notice both Germanic and American impact.
The accounting in Argentina and Brazil follows the Latin rules and the difference is also similar (65%). As in France and Italy, the accounting tradition in Brazil gives preference to the information needs of creditors and the tax authorities. As in other Latin countries, the influences of government, company law, and the taxation regulations on accounting are fundamental importance.

The United States is famous for its accounting standards, which follows the Anglo-Saxon traditions and similarly to the British and Irish system it differs only in a small margin (15%) from the international standards. Mexico and Canada as former British possessions and members of the North American Free Trade Agreement (NAFTA) follows the Anglo-American accounting principles. Australia and New-Zealand also as former British possessions follows the Anglo-Saxon accounting principles so the differences from the international accounting standards are rather small (15-25%).

**Empirical results**

The author expanded on the adaptation decision models and tests using regression functions if the demand from internal management performance evaluations is a factor in businesses’ decisions to adopt international accounting standards. The marginal effect suggest that a one standard deviation increase in the percentage of closely held shares decreases the adaptation likelihood by 1,25 percent, or 5 percent of unconditional adaptation probability of 20 percent (180/900). This supports that the greater demand for more informative and conservative accounting earnings due to management performance evaluations at more widely held businesses increases these companies’ incentives to adaptation international accounting standards. This suggests that businesses with lower labour productivity compared to their industry peers have greater incentives to adopt international accounting standards. The study showed that both businesses earnings and stock returns affect the management turnover. Controlling for the effects of macro-economic conditions and employee layoffs by including the market return in each country it was pointed that the coefficients on market returns had been insignificant in the various regressions. Analyzing the changes in labour productivity at the adopting businesses the tests did not show a significant decreasing in the productivity over the last 5 years. It could be that businesses' labour productivity is persistently low, not necessarily deteriorating continuously, in the several years leading up to the adaptation. Meanwhile, there is a significant increase in labour productivity over event years.

The author measured earnings and stock performances with indicator variables of negative ROA and stock returns respectively. He replaced the indicators with continuous measures of ROA and stock returns. The inferences on employee layoffs are unaffected. However, the results on turnover are sensitive to this change in variable specification. This suggests that the increase in the sensitivity of turnover to accounting performance post-adoption is primarily driven by heightened turnover sensitivity to accounting losses.

**Conclusion**

The present impetus for global accounting standards follows the accelerating integration of the world economy. The application of international financial reporting standards will allow greater comparison of international financial results. More sources and reports will be available to a greater audience of analysts to follow trends in countries where previously due to different regulations and thus different reports these were less meaningful. The unified financial reporting system will probably lead to new types of analysis and data, furthermore with the possible integration of new indicators from the practice of certain countries.

The accounting system differences matter even to financial analysts who specialize in collecting, measuring and disseminating business information about the covered companies suggests that there are potential economic costs, associated with variation in national rules across countries. Besides it is very important task for managers and researchers the valuation and analyzing the effects of international accounting standards on the business environment, especially their contribution to harmonization and globalization. While a large body of this study is devoted to understanding the causes and consequences of the adaptation of international accounting standards, researcher’ attention has thus far focused almost exclusively on the informational benefits for the business environments, like evolution of businesses earnings, division of labour and the management performance.

**References**


