**[This is the “Author’s accepted manuscript” of an article which has been published in *Accounting and Business Research*, Vol. 43, No. 2, 2013, pages 83-111.]**

**The continued survival of international differences under IFRS**

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**Acknowledgements**: The author is grateful to the former editor, Pauline Weetman, for commissioning and suggesting content for this paper. He is also grateful, for comments on an earlier draft, to Jane Davison, Axel Haller, Erlend Kvaal, Paul Pacter, R.H. Parker, Christian Stadler, Stephen Zeff and two anonymous reviewers. He is further grateful to the Association of Chartered Certified Accountants for financial support.

**Abstract**

The claimed starting point for much recent literature is that International Financial Reporting Standards (IFRS) have been very widely adopted. That is somewhere between an error and a misleading simplification. This paper begins by providing an antidote by analysing the degree to which IFRS have *not* been adopted in the jurisdictions containing the world’s largest 16 stock markets. This might help researchers with their institutional settings. The paper then examines several issues which can lead to international differences in IFRS practice, starting with language and enforcement, but focusing mainly on policy options. Previously published lists of these are up-dated, the extensive recent literature on IFRS policy choice and policy change is synthesised, and new data are provided. Finally, researchers are offered some lessons from the past and some directions for the future.

**The continued survival of international differences under IFRS**

1. **Introduction**

It is a commonplace that International Financial Reporting Standards (IFRS) have spread to over 100 countries (e.g. SEC, 2007; IASB, 2012, p.11). Examples of reports about this process are as follows:

 IFRS is the official reporting standard which was recently adopted by over 100 countries (Benzacar, 2008, p.26).

 To date, more than 12,000 companies in over 100 countries have adopted IFRS (Interfacing, 2012).

 The global rollout of International Financial Reporting Standards is gaining momentum, with more than 100 countries now using IFRS and all of the world’s major countries anticipated to be on board within the next few years (BDO, 2012).

 The number of countries requiring International Financial Reporting Standards (IFRS) for public companies has grown from a relative handful to over 100 (Pacter, 2012).

Approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies, although approximately 90 countries have fully conformed with IFRS as promulgated by the IASB and include a statement acknowledging such conformity in audit reports (AICPA, 2013).

 This paper is a reminder that such reports should not be taken to imply the imminent death of international accounting differences. The paper results from a commission from the editor of this journal for an up-dating and expansion of Nobes (2006) which the editor had noticed was widely cited by researchers.[[1]](#footnote-1) Many have used the logic of that paper as background for hypotheses on the existence or effects of international differences; and several authors have referenced the paper as the specific starting point for empirical research on such issues as comparability (e.g. Cairns *et al.*, 2011, p. 3; Taplin, 2011, p.384). Other researchers have used the paper’s lists of IFRS options as dependent variables.[[2]](#footnote-2) The paper suggested eight ways in which national aspects of reporting might survive the arrival of IFRS. These are re-examined and up-dated here.

 The first contribution of this paper is to present data on the variety in national implementations of IFRS, stressing where implementation is partial or non-mandatory, in order to act as an antidote to the lack of caution in some of the quotations above. Therefore, my inaugural proposition will be: ask not what a company in a country *can* do; ask what the company is *required* to do. More specifically, ask not which country allows some version of IFRS for some purpose; ask which country requires ‘IFRS as issued by the IASB’ (IASB-IFRS) for all purposes.

 Related to this, there are two other regulatory issues which differ by jurisdiction: translations of IFRS and enforcement of IFRS. This paper’s second contribution is to summarise and up-date the discussion of these.

 There is a further, quite different, way in which international accounting differences have survived the arrival of IFRS. That is, even among companies which are fully compliant with IASB-IFRS, there is scope for, and evidence of, variety of accounting practice, which is associated with such factors as country, industry and size. Nobes (2006) divided the scope for different IFRS practice into five aspects of the content of IFRS, such as overt options and covert options. The next contributions of this paper are to up-date and go beyond the earlier discussion of these, in two ways: (i) by taking account of the many changes to the content of IFRS from 2005 to 2012, and (ii) by summarising and adding to the empirical findings based on IFRS annual reports of 2005 onwards. One example of new data relates to the first set of Canadian IFRS reports, which confirm previous findings about the persistence of pre-IFRS national practices.

 In its next four sections, this paper examines the above four sets of issues (different national implementations of IFRS; language and enforcement; the scope for variations in IFRS practice; and the empirical search for those variations). Relevant literature is included section by section. The author apologises to readers for the amount of self-citation, but that is inherent in the nature of this commission. Section 6 concludes, and also asks whether any other set of standards (particularly US GAAP) would have faced the same challenges if adopted widely.

When examining national implementations (in Sections 2 and 3 below), reference is made to the requirements for financial statements relating to accounting periods ending on 31 December 2012, unless otherwise stated. For variations allowed within IFRS (in Section 4), it is possible[[3]](#footnote-3) to go one year further: to the requirements in force for 31 December 2013 year ends.

**2. National implementations of IFRS**

As noted above, the literature (academic, professional and journalistic) contains many references to widespread or almost universal adoption of IFRS. However, four caveats should be entered. First, in several major capital markets, IFRS are either not *required* for any purpose (e.g. in Japan or Switzerland) or not even *allowed* for domestic reporters (e.g. for SEC registrants in the USA). Secondly, even in jurisdictions where IFRS are required or allowed, this is often restricted in some way (e.g. to listed companies or to consolidated statements). I am not suggesting that these restrictions on IFRS are inappropriate, merely that they cause an unadorned statement about ‘adoption’ to be misleading. In the quotations at the start of this paper, Pacter (2012) carefully refers to “public companies” (which is a very small percentage of companies, although economically important) whereas the other authors do not. Thirdly, for many of the ‘more than 100 countries’, it is not IASB-IFRS that are required or allowed (for some purposes) but national (e.g. Australian) or regional (e.g. EU) versions of IFRS. Fourthly, in many countries where IFRS adoption is alleged to have taken place (e.g. several EU countries), no companies or auditors refer to compliance with IASB-IFRS. Whether companies *are* complying with IASB-IFRS is a different issue from whether IASB-IFRS is required or whether it is referred to. I deal with those issues separately below, but it should be noted immediately that some versions of IFRS do not necessarily imply (and some do not even allow) compliance with IASB-IFRS.

 Zeff and Nobes (2010) investigate a number of national implementations of IFRS. They ask, for example: ‘Has Australia adopted IFRS?’, concluding that there is no simple answer. Strictly speaking, Australia has not adopted IASB-IFRS because, in Australian IFRS (AIFRS): (i) early adoption[[4]](#footnote-4) as allowed by most new or amended IASB standards is not allowed, (ii) some disclosure requirements have been added, (iii) many paragraphs have been amended to extend application to not-for-profit entities, and (iv) references are added. The lack of permission to early adopt is a major issue: for example, for accounting periods ending on 30 June 2012 or 30 June 2013, a large amount of IFRS was allowed in South Africa or Switzerland but not allowed[[5]](#footnote-5) in Australia. This included, *inter alia*, IFRSs 9 to 13 and important amendments to IAS 19. This material occupied over 500 pages of IFRS, including vital issues such as the definition of a subsidiary.

 On the other hand, those for-profit entities which comply with AIFRS should automatically thereby be complying with IASB-IFRS. Thus, in terms of comparability, the result is the same as if IASB-IFRS had been required in Australia. More recently, there has been another relevant development in Australia, in that companies without public accountability[[6]](#footnote-6) are allowed to follow a special version of AIFRS which contains reduced disclosure requirements, so is clearly not IASB-IFRS.

 EU-adopted IFRS is also not IASB-IFRS in that (i) it has a more permissive version of IAS 39 (Whittington, 2005), and (ii) early adoption is not allowed until EU endorsement.[[7]](#footnote-7) Despite this, at least up to the time of writing, EU companies can easily arrange[[8]](#footnote-8) to comply with IASB-IFRS, and most are probably[[9]](#footnote-9) doing so even though few *acknowledge* that they are (Nobes and Zeff, 2008). By contrast, Chinese or Venezuelan versions of IFRS would probably not normally allow compliance with IASB-IFRS. Zeff and Nobes (2010) conclude that very few countries with significant stock markets require direct compliance with IASB-IFRS. They mention Israel and South Africa, but even in those countries, compliance is only required for listed companies.

 The impression of widespread IFRS adoption can be created or dispelled by careful choice of the questions being asked. Table 1 asks questions, at the head of its columns, designed as an antidote to the conventional wisdom outlined in Section 1.

INSERT TABLE 1 HEREABOUTS

The table reports on IFRS implementations in the 16 jurisdictions which have the world’s largest stock markets.[[10]](#footnote-10) The table deals with the regulated reporting of domestic companies. It deals only with requirements not with options (except in column 8). So, various *permissions* to use IFRS are not mentioned, e.g. (i) permission in the US for foreign SEC registrants, or (ii) permission in Japan for Japanese companies. A table which tried to deal with permissions would be very complex, and would not be relevant for the purpose here.

 Column 2 of Table 1 records that IASB-IFRS is not required in any of the 16 countries for the reporting of all types of entities which are regulated. There would be a more efficient way of conveying this information, but that display suits the purpose outlined in the previous paragraph. Column 3 reports on countries where IASB-IFRS is required for at least some types of reporting (e.g. the consolidated statements of all listed companies). Only Russia and South Africa are recorded as ‘Yes’. I treat the Russian translation of IFRS as IASB-IFRS because it has been approved by the IASB. Whether Russian companies are fully complying with this recent requirement to use IFRS is a different (empirical) matter. Canada is not included in Column 3 because it does not require IFRS for Canadian companies which are rate-regulated or are also listed in the USA; for example, of the 60 members of the main stock market index (TMX S&P), only 49 companies used IFRS for 2011.[[11]](#footnote-11)

 Columns 4 and 5 concern versions of IFRS which are intended by regulators to lead to compliance with IASB-IFRS. No extra countries appear with a ‘Yes’ in Column 4. Those three countries appearing for the first time in Column 5 require, for some reporting, a version of IFRS that is not ‘as issued by the IASB’ because, for example, it does not allow early adoptions of new or amended standards. Columns 6 and 7 concern versions of IFRS which currently *allow* companies to achieve compliance with IASB-IFRS. No extra countries appear in Column 6, but Column 7 contains the EU countries.

 Column 8 concerns unconsolidated statements. No version of IFRS is required for this purpose for all regulated companies in any of the jurisdictions. It is not generally the topic of this paper to investigate the many jurisdictions where versions of IFRS are *allowed*. However, relaxing the strict approach, Column 8 also records any cases where a version of IFRS is allowed for unconsolidated reporting. The UK is the only EU country of Table 1 which is recorded as ‘(A)’ because the others require national GAAP to be used for the unconsolidated statements from which tax and distribution are calculated.

 In summary, because of the way of asking the questions, there is little ‘Yes’ in Table 1. Only 9 of the 16 countries have any ‘Yes’ at all. It would be easy to reduce the ‘Yes’ further by deleting the three countries with the smallest of the 16 stock markets (South Korea, South Africa and Spain).

As we move to the right across Table 1, a date is inserted for the first appearance of ‘Yes’ for any country. The date refers to the earliest accounting period ending on 31 December for which the ‘Yes’ applies. As may be seen, there are no such implementations before 2005, and three out of nine implementations are recent, relating to 2010 or later.

Researchers might find it valuable to consider Table 1 when assessing the reliability of reports about IFRS adoption. For example, Francis *et al*. (2008) present a table showing that most *unlisted* companies in a majority of 56 countries (including many EU countries) had ‘adopted’[[12]](#footnote-12) IFRS by 1999/2000. This cannot have been the case (see columns 6 or 8 of Table 1) if ‘adopted’ means compliance, as it generally does in the empirical and other literature (e.g. Ashbaugh, 2001; Ashbaugh and Pincus, 2001; Leuz, 2003; Jermakowicz, 2004; Barth *et al*., 2008; Cuijpers and Buijink, 2005; Gassen and Sellhorn, 2006; Hoogendoorn, 2006 and Christensen *et al*., 2007). Country of domicile is by no means a complete predictor of which GAAP will be adopted by a company, but it does make some answers unlikely or (without dual reporting) legally impossible.

Research work on national implementations has taken many different directions. For example, Leuz (2010) seeks to explain clusters of countries with similar IFRS implementations; Goncharov *et al.* (2011) examine the economic functions of the dual (IFRS/national) accounting system in Germany.

Nothing in this paper should be read as implying that the IASC and IASB have not succeeded in reducing international differences in financial reporting, and therefore in increasing comparability. The consolidated statements of thousands of listed companies are complying with IASB-IFRS, even if many (e.g. nearly all EU companies) do not acknowledge this. It is clear, for example, that German and UK listed companies now publish consolidated statements which are much more similar than before IFRS was adopted, and that both German[[13]](#footnote-13) and UK[[14]](#footnote-14) national rules have been changed towards IFRS.

**3. Language and enforcement**

*3.1 Introduction*

As discussed in Section 2, the jurisdiction in which an entity operates will determine the version of IFRS with which the entity is required or allowed to comply. However, there are other aspects of nationality that will also affect IFRS practices. Ball (2006) and Nobes (2006) explain how, even if all entities are apparently complying with IFRS, the incentives of preparers and enforcers remain “primarily local” (Ball, 2006, p.15). Wysocki (2011) shows how the determinants and outcomes of IFRS and non-accounting institutions are intertwined. Section 4 of this paper focuses on issues of judgement and choice with respect to policies on recognition, measurement and presentation. Before that, this section looks at two other national issues: language and enforcement. From here on, a large number of accounting standards are referred to. In order to avoid clutter, they are referred to by their numbers only, but the full title of each of these standards is shown in an Appendix to this paper.

 The issues of language and enforcement can be introduced with the aid of a typical[[15]](#footnote-15) audit report on IFRS financial statements in the EU. This one relates to a German company’s[[16]](#footnote-16) consolidated statements, as follows:

We conducted our audit in accordance with §317 HGB and German generally accepted standards for the audit …. promulgated by the Institut der Wirtschaftsprüfer ….

According to §322 Abs. 3 Satz 1 HGB, we state that our audit …. has not led to any reservations.

In our opinion, …. the consolidated statements comply …. with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to §315a Abs. 1 HGB and give a true and fair view …. in accordance with these requirements.

 The auditors reveal (or imply) at least eight ‘national’ (or EU) aspects of the reporting: (i) the audit is required by German law and its quality would be assessed under German law, (ii) the auditors use German professional audit standards (although these are now closely based on international standards), (iii) the auditors comply with particular German legal requirements for what must be stated, (iv) the accounting standards are “IFRS, as adopted by the E.U.”, which (as explained above) is not the same thing as IASB-IFRS even though the company might be complying with IASB-IFRS, (v) because the reporting is under German law, it is the German language version of EU-adopted IFRS that applies legally, (vi) German law contains extra accounting requirements, (vii) the auditors apparently[[17]](#footnote-17) report on ‘true and fair’ rather than on the ‘fair’ required by IAS 1 (see Section 3.2), and (viii) German law contains particular references to ‘true and fair’ which weaken the ‘override’ (see below). The audit points contained here could affect the quality of reporting because they might affect compliance (see Section 3.3).

*3.2 Language*

 Evans (2004) examines language difficulties in detail in the context of accounting. She points out the inevitability that some meaning will be lost in translation. Zeff (2007) includes problems of translation and terminology in his survey of obstacles to global comparability of financial reporting. The translations of ‘true and fair view’ and ‘fair presentation’ were investigated in detail for several languages by Nobes (2009, pp.417-9). The various official translations have rendered ‘true and fair’ and ‘fair’ identically, although the German translations use different words for ‘view’ and ‘presentation’.[[18]](#footnote-18) When translating German documents the other way, into English, the translators have to remember to use ‘true and fair view’ in a legal context (e.g. for the audit report quoted in Section 3.1) but ‘fair presentation’ in the context of IAS 1.

 German law does not include the ‘true and fair override’ despite its being required by the EU’s Fourth Directive on company law (Nobes, 1993). However, the German version of EU-adopted IFRS does include the ‘fair presentation override’ of IAS 1. Nobes (2009) investigates the use of the override in the context of IFRS, including the famous case of *Société Générale* in which, on its 2007 financial statements, the company received a clean audit report from two Big-4 firms after explaining that it had departed from IASs 1, 10 and 37. To the extent that this would have been less likely to happen in Germany or the UK, cultural rather than linguistic explanations might be needed (Standish, 2003; Burlaud and Colasse, 2011; Danjou and Walton, 2012).

 More simply, there are some clear errors of translation. To give a German example, the discount rate required by IAS 19 (para. 83) for pension obligations is that on ‘corporate bonds’. However, the official EU German text renders this as ‘*Industrieanleihen*’. Such industrial bonds are a sub-set of corporate bonds, perhaps with different, or differently volatile, average interest rates. The IASB’s approved German translation (but not the EU’s) was corrected to ‘*Unternehmensanleihen*’ in 2010.

 Baskerville and Evans (2011) examine the complex issues to be considered when translating IFRS. Dahlgren and Nilsson (2012) give many detailed examples of translating IFRS into Swedish, noting several straight-forward errors. However, they make the more general point that, because conceptual structures in different languages do not match perfectly, some accounting concepts are “simply not translatable” (p.57).

*3.3 Monitoring and enforcement*

 The quality of audit and of other monitoring of compliance is a national issue, although there is some co-ordination and exchange of information on enforcement at the EU level through the European Securities and Markets Authority (ESMA). Efforts have been made to avoid national or European ‘interpretations’ of IFRS, but that topic takes us into the following section of this paper, which is concerned with IFRS policies. Ball *et al*. (2000) suggest that the strength of enforcement is related to a country’s position in the common/code law classification. Brown and Tarca (2005) examine the varying strength of the enforcement agencies of some countries.

 If auditors and companies are weakly monitored or subjected to little enforcement in a particular country, non-compliance with IFRS is likely to occur. Non-compliance is one cause of different practices even within jurisdictions which apparently require IFRS. At one stage, for example, it was suggested that non-compliance with IFRS disclosure requirements by German companies was substantial (Street and Bryant, 2000; Street and Gray, 2001; Glaum and Street, 2003). German compliance might now have greatly improved (Berger, 2010; Meyer, 2011; Hitz *et al.*, 2012), but doubts remain about how fully companies in other countries, such as Russia (Krylova, 2003), will comply with IFRS. A pan-European survey is provided by Glaum *et al.* (2013), who reveal differential compliance with IFRS disclosures related to factors of both country and company (e.g. listing status and auditor).

**4. IFRS policies of recognition, measurement and presentation**

*4.1 Comparability*

In this section, it is assumed that all the companies being considered are properly complying with IASB-IFRS. That is, we set aside any differences in practice caused by different national versions of IFRS, by translations of IFRS or by non-compliance with IFRS.

 IFRS (even the original English version of IASB-IFRS) contains various types of scope for varied practice. One context in which to think about varied practice, and why it matters, is comparability. This quality is central to the objectives of IFRS financial reporting (IASC, 1989, paras. 39-42; IASB, 2010, paras. QC 20-25). In Nobes (2006) and several subsequent papers, it was assumed that comparability is undermined by any differences in IFRS practices which are associated with the nationality[[19]](#footnote-19) of a company. However, Jaafar and McLeay (2007) and Nobes and Stadler (2012) point out that apparently country-driven differences might be connected to internationally different mixes of industries, and that some accounting policies might be industry-specific. For example, the use of weighted average inventory measurement (as opposed to first-in first-out, FIFO) might be common among a sample of German companies because it is appropriate for a particular industry whose members are numerous in the sample. If that industry is less important in other countries, then the resulting international difference in inventory measurement does not necessarily suggest a lack of comparability.

 Apart from the issues discussed in Sections 2 and 3 above, the various types of scope for varied IFRS practice identified by Nobes (2006) were: (i) overt options, (ii) covert options or vague criteria, (iii) gaps in the requirements, (iv) estimations, and (v) first-time adoption issues. Later in this section, the examples of types (i) and (ii) will be up-dated and expanded, focussing on what might be useful for researchers. Before that, let us deal briefly with the other three types.

*4.2 Gaps in IFRS, measurement estimations and first-time adoption*

 Gaps in any GAAP are, of course, inevitable. IAS 8 deals with the selection of accounting policies when IFRS does not deal with an issue. This leaves much room for judgement and therefore for different solutions. For example, at the time of writing, IFRSs 4 and 6 do not provide requirements on several major issues of accounting for insurance contracts and for oil and gas exploration, respectively. Indeed, those standards allow *more* flexibility than IAS 8 normally does (see Table 2).

INSERT TABLE 2 HEREABOUTS

The gaps in IFRS were mentioned by the SEC (2011) as one reason for wariness about implementing IFRS in the United States. US GAAP does have requirements in the above areas.

 Nobes (2006, Table 4) recorded a number of areas in IFRS which require measurement estimations, such as assessing an asset’s useful life, its pattern of wearing out and its residual value (in order to calculate depreciation). The examples in that table all remain in IFRS in 2012. An important recent addition is several estimations needed for the disclosures on financial instruments required by IFRS 7, such as exposures to risks (paras. 33 and 36). These remarks are not a particular criticism of IFRS, because any GAAP would require many of these measurement estimations. However, they are part of the scope for international variations in practice.

 First-time adoption issues relate to the many choices in IFRS 1. For example, in its pre-IFRS accounting, a company might have treated goodwill in one of several ways, such as: (i) held at zero, with a corresponding deduction from reserves, (ii) held on a cost basis, amortised over 5, 20 or 40 years, or (iii) held on a cost basis but checked for impairment every year. Although IFRS 3 requires method (iii), a company is allowed, on first-time adoption of IFRS, to retain the goodwill amount resulting from any other method in its first opening IFRS balance sheet. The large differences between goodwill numbers prepared under the various bases can last for many years[[20]](#footnote-20) after first IFRS adoption.

*4.3 Overt options*

 An IFRS option is called ‘overt’ here if it is plainly specified as a choice[[21]](#footnote-21) within a standard. By contrast, ‘covert’ options (discussed in the next sub-section) exist where no choice is explicitly offered but where the degree of judgement involved might allow scope for the preferences of the preparers of financial statements.

 Table 2 expands and updates the list of overt options found in Nobes (2006). Researchers might wish to divide these into ‘presentation’ and ‘recognition/measurement’ topics. However, this is sometimes ambiguous. For example, it is clear that the IAS 1 options in Table 2 relate to ‘presentation’ and that the IAS 16 or IAS 40 options are ‘measurement’. However, the IAS 20 option which is expressed in the standard as an issue of presentation affects the measurement of assets. The IAS 7 options, again expressed as presentation, change totals such as ‘operating cash flows’.

 IFRS has historically contained more options than most national GAAPs, because of the negotiations involved in setting standards internationally (e.g. Camfferman and Zeff, 2006, p.269). For example, US GAAP contains considerably fewer options,[[22]](#footnote-22) although still allowing LIFO, which has been removed from IFRS. Over time, the IASB has removed options, in order to improve comparability. Researchers would need to check which options were available for which period. Table 3 shows the options which have been removed for various periods after 2004. However, the IASB has not been able to avoid[[23]](#footnote-23) *adding* options, such as that related to IFRS 3 in Table 2.

INSERT TABLE 3 HEREABOUTS

 Although all the overt options are clearly visible in the standards, this does not mean that they are all well-suited to research. This is because: (i) some topics occur infrequently (e.g. in Table 2, the first IAS 2 choice, the IAS 8 choice, the IAS 38 choice and the first IAS 40 choice); and (ii) some relate to specific industries which the researcher might not be studying (e.g. the second IAS 39 choice, and the IFRS 4 and IFRS 6 issues).

 Removing the rare issues leads us to a set of easily researched choices, as set out in Table 4. These have formed the basis of recent empirical research which is discussed in Section 5. Table 4 includes four items (shown with daggers) which are no longer options in 2013 but it excludes some items which have proved difficult to assess in practice.[[24]](#footnote-24)

INSERT TABLE 4 HEREABOUTS

*4.4 Covert options*

 Turning to ‘covert’ options, Table 5 presents a list which is an expanded and up-dated version of that provided in Nobes (2006, Table 2).

INSERT TABLE 5 HEREABOUTS

 An example of an important covert option is the degree to which development costs are capitalised, which depends on the interpretation of several somewhat vague criteria. As with overt options, IFRS contains more of them than some other GAAPs. For example, the one in the previous sentence does not apply generally[[25]](#footnote-25) in US GAAP, and neither do several others.[[26]](#footnote-26)

 Not only are covert options hidden from view in the standards; the exercise of such options is also generally hidden from view in financial statements. For example, it is usually impossible for outside users of the statements to assess whether or how a company exercised its preferences when capitalising (or not) development costs. One exception to this is the depreciation method, which is often disclosed. IASs 16, 38 and 41 make it clear[[27]](#footnote-27) that selecting the depreciation method is not a policy choice, because it should rely on estimating the pattern of consumption of the asset’s benefits.

 Just as the list of overt options has changed over time, so has the list of covert options. For example, until the 2003 version of IAS 1, entities were required to present any ‘extraordinary items’ in their income statements, and the determination of whether an item was extraordinary involved judgement. Given that it is much more difficult to research covert options, the treatment of them here is not as detailed as for overt options.

*4.5 Scope for country differences*

 The scope for variation in IFRS practices, as examined in this section, could undermine comparability. This would be the case even if the scope were exercised randomly by companies, but it was suggested (e.g. Ball, 2006; Nobes, 2006) that there will be systematic country-based differences in practice. These might be influenced by the same forces which drove national GAAPs to be different in the first place, such as different tax systems and different prime purposes of accounting, linked to different owners and financiers of companies. The influence can be indirect. For example, tax considerations could influence a company’s accounting policies (e.g. choosing weighted average inventory costing) or estimations (e.g. maximising the size of impairments or provisions) in unconsolidated statements under a national GAAP; and these might flow through to IFRS consolidated statements. Even if such forces are no longer relevant, companies might prefer to continue with previous practices for administrative ease or to provide continuity for users.

**5. Empirical studies of variations in IFRS practice**

*5.1 Introduction*

 There have been several studies which collect data on IFRS practices, mostly relating to 2005 financial statements or later. Some of these studies record the overt IFRS options chosen by companies on some topics (e.g. KPMG and von Keitz, 2006; ICAEW, 2007; European Commission, 2008). Those studies mix large and small companies, and have small samples per country. They generally do not report data by country. However, several empirical studies have systematically collected data for a formal sample of companies on a country-by-country basis, using lists of overt options for which company choice is easily observable, similar to that in Table 4. These studies are now discussed in the next five sub-sections, followed by a sub-section containing new analogous data on Canada.

*5.2 IFRS policy choices in 2005/6: national patterns*

 Kvaal and Nobes (2010, hereafter K&N) examine the 2005/6 practices of 232 large listed companies from the five IFRS-using countries with the largest stock markets: Australia, France, Germany, Spain and the UK. As in all the papers discussed in this section, foreign companies[[28]](#footnote-28) are excluded. For 16 overt IFRS options,[[29]](#footnote-29) K&N’s general hypothesis (based on the reasoning outlined in Sub-section 4.5) is not exactly that country will determine policy but that any particular company will continue to follow its own individual pre-IFRS national practice on each particular optional topic. This motivated K&N to collect data on the pre-IFRS policies of their companies for the topics without pre-IFRS national requirements.

 K&N then hand-picked the data on the IFRS policy choices made by their companies. K&N find very strong statistical evidence that these choices follow pre-IFRS practices and therefore that there are national patterns of IFRS practice, which undermine comparability. K&N note that some of their 16 topics are of little importance in this context but that they all bolster the findings on the importance of nationality in explaining policy choice. This increases the probability that there are national differences in other important areas which cannot be easily observed, such as the covert options related to impairment or to the capitalisation of development costs (see Table 5).

 K&N do not examine the potential importance of a company’s sector in explaining IFRS policy choice, although they exclude financial companies on topics for which a sector-specific choice is likely. Table 4 shows these topics with asterisks. K&N disclose the sectoral mix of their sample, which is approximately[[30]](#footnote-30) as in Table 6 of this paper. They note that (apart from financial companies) there is a broad sectoral spread for all their five countries. Sector is discussed further below.

INSERT TABLE 6 HEREABOUTS

 Studies of particular IFRS policy areas also uncover a national effect. Morais (2008) and Fasshauer *et al*. (2008) look at the treatment of actuarial gains and losses (AGL) in the 2005 IFRS reports of European companies. Both studies find an influence of nationality; for example, that UK and Irish companies use different methods from continental companies. Cairns *et al.* (2011) focus on the use of fair value (including options to use it) in Australia and the UK around the time of transition to IFRS. They did not find great difference between the two countries, and this is not surprising given the similarities of background. Verriest *et al*. (2012) examine first-time adoption of IFRS, and discover national variations, possibly due to varying quality of corporate governance.

*5.3 IFRS policy changes from 2005/6 to 2008/9*

 For most of the 232 companies in K&N’s sample, the financial statements examined were the first prepared under IFRS. This raises the question whether the influence of pre-IFRS practices (and the resulting patterns of national IFRS practice) was mostly a feature of transition to IFRS and might therefore dissipate over time. In order to investigate that, Kvaal and Nobes (2012) examine the IFRS policy choices of the same companies as in K&N but three years later. They expect the influence of pre-IFRS policies (and therefore nationality) to continue, not least because IAS 8 discourages[[31]](#footnote-31) policy change.

 Kvaal and Nobes (2012) examine the 126 policy changes over their three-year period. They discover little change among Australian and UK companies but significantly greater change by French and Spanish companies. Remarkably, the French and Spanish companies changed their policies more after transition (despite the constraints of IAS 8) than they had done at transition (when IFRS 1 imposes no constraints). For Australian and UK companies, the reverse was the case.

 Kvaal and Nobes (2012) ask what might explain this. They suggest that French and Spanish companies had been the furthest away from the culture, ethos and requirements of the IASB, so were least aware of the possibilities for change at transition. Kvaal and Nobes test this by recording, for each post-transition policy change, whether the change was towards or away from the pre-IFRS requirement under national GAAP. They find that most of the few Australian and UK changes were towards the pre-IFRS national requirement, suggesting that the companies were not learning from foreign companies, but were perhaps interested in comparability among their national peers. However, the many French and Spanish post-transition changes were mostly away from the pre-IFRS national norms, suggesting some learning, perhaps from the practices of companies listed on the London stock exchange as the largest in the world to be based on reporting under IFRS.

 As part of this exercise, Kvaal and Nobes checked whether any amendments or proposed amendments to standards could explain the policy changes. There were no relevant amendments to IFRS requirements in the period and, on average, companies took no policy action in response to amendments *proposed* by the IASB. For example, there was no net movement away from the proportional consolidation of joint ventures after the IASB announced plans to abolish the method; and there was no increase in the move towards taking actuarial gains and losses to other comprehensive income (OCI) after the IASB announced plans to require this.

 Haller and Wehrfritz (2012) also use Nobes (2006) as a starting point. They examine the IFRS policy changes of German and UK companies from 2005 to 2009. Like Kvaal and Nobes (2012), they find few policy changes among companies of those countries.

 Australia presents a special case because the initial Australian implementation of IFRS had deleted certain non-Australian options, such as the indirect method of calculating operating cash flows (topic 6 in Table 4). However, for 2007 onwards, the options were reinserted. Bond *et al*. (2012) find that less than 1% of all Australian listed companies had changed from the direct to the indirect method by 2009. This confirms the strong influence of pre-IFRS practices.

*5.4 Country, sector, firm and topic influences on IFRS policies*

 As mentioned in Section 4, Jaafar and McLeay (2007) investigated whether sector-specific policy choices lay behind some of the international differences. They found only a small effect of sector compared to that of nationality. However, they studied pre-IFRS practices, which means that some (perhaps most) of the effect of nationality was caused by international differences in requirements rather than in policy choice. Cole *et al.* (2011) and Nobes and Stadler (2012) study the influence of various factors in the context of IFRS.

 Cole *et al.* (2011) look at 34 IFRS options (expanded from the list in Nobes, 2006) relating to 79 companies in four EU countries. They find that country is the most important determinant of policy choice, but that auditor helps to explain formats and disclosures.

 Nobes and Stadler (2012) note that, despite the strong association of policy choice and country, the IFRS practices within a country are not uniform. They, therefore, investigate the degree to which IFRS policy choices are driven by sector, firm or policy-specific factors, as well as by country. They use the 2008/9 data relating to non-financial companies as collected by Kvaal and Nobes (2012). Their firm-specific factors include size and leverage. The policy-specific factors relate to the effects on accounting numbers of the policy choice; for example, if a company already has high gearing, it might be disinclined to choose proportional consolidation of joint ventures, which would increase gearing.

Nobes and Stadler find that the very strong association of policy choice and country (found by K&N) largely survives the inclusion of variables for sector, firm and policy. However, these other factors have some association with certain choices. In particular, the ‘basic’ industry (mostly extractive companies) has idiosyncratic policies, so it should be treated separately for some purposes, as the financial sector already was. They also find that a firm’s willingness to depart from the national norm of IFRS practices is related to size and, for non-UK companies with a UK listing, with the practices of companies listed on the London Stock Exchange.

*5.5 Do smaller firms choose different policies?*

 K&N had suggested that the study of the very largest listed companies meant that their findings were robust. That is, K&N expected that smaller firms would be less interested in international comparability and would therefore exhibit even clearer country-related patterns of policy choice. Indeed, some of the IFRS choices made by the large companies seemed out-of-line with pre-IFRS national traditions. For example, the large German companies mostly chose by-function income statements, presumably to be in line with the majority practice on the New York and London exchanges, whereas the by-nature format had been traditional German practice and, until 1987, the legal requirement.[[32]](#footnote-32)

 Nobes and Perramon (2013) investigate this issue. They take the 2008/9 data of Kvaal and Nobes (2012) as it relates to non-financial companies. Then they hand-pick data on the IFRS policy choices made in 2008/9 by a sample of the smallest listed companies of the same five countries. They find, for 12 of their 15 topics,[[33]](#footnote-33) that the policy choices are significantly different between the small and large companies for at least some countries. This includes the German choices related to the income statement, noted above, in that the small German companies mostly chose the traditional by-nature format.

*5.6 Classification of countries based on IFRS practices*

 Another major theme in the international accounting literature is closely related to the above discussions: classification of accounting systems. Attempts at classification go back more than a century, to Hatfield (1911). This and the other early classifications (i.e. Seidler, 1967; AAA, 1977; da Costa *et al*., 1978; Frank, 1979; Nair and Frank, 1980) had three or four groups, and all put the UK and the US in different groups. However, all the writers and all the data[[34]](#footnote-34) were based in North America. They were more likely to be informed about UK/US than the details of the accounting of any other countries.

 By contrast, Mueller (1967), whose origins were German, put the US and the UK together in one class, with the other three classes each typified by different continental European countries. Nobes (1983) followed Mueller’s lead, but added more countries (14 rather than Mueller’s examples of five countries) and created a hierarchical classification (see Figure 1), which was then tested with somewhat informal data[[35]](#footnote-35) based on proposed key topics in accounting practice. Doupnik and Salter (1993) confirmed it with more extensive data.

INSERT FIGURE 1 HEREABOUTS

 This idea is also overwhelmingly backed up by common sense concerning the US and the UK (in contrast to France or Germany, for example): shared language and legal system; old and powerful accountancy professions; private-sector standard setters; strong equity markets; and major disconnections between tax and financial reporting. Despite this, many writers have continued to deny the existence of Anglo-American or Anglo-Saxon accounting (Shoenthal, 1989; Cairns, 1997; Alexander and Archer, 2000; d’Arcy, 2001). The first and the third of those papers consider the US and the UK only, note that they have differences, and conclude that they cannot be classified together. This is an extreme version of the start-with-the-US-and-UK method discussed above. Nobes (1992, 1998, 2003 and 2004) disagrees with all these denials.

 If the thesis of this present paper is accepted (namely that international differences continue to survive even inside IFRS practice) then classification of countries by their IFRS policy choices might reveal groupings, perhaps even groupings similar to those proposed 30 years earlier in Figure 1 for pre-IFRS practices. In order to examine this, Nobes (2011) uses the 2008/9 data of Kvaal and Nobes (2012) on five countries and then adds data for the same period on the same IFRS policy choices of the largest listed companies of Italy, the Netherlands and Sweden. This set of eight countries comprises all the major[[36]](#footnote-36) countries which had been included in Figure 1 and which required IFRS for the consolidated statements of listed companies in 2008/9.

Table 6 shows the sample used for the eight countries (plus Canada, which is discussed later). Table 7 shows the data on the 14 IFRS policy topics of Table 4.

INSERT TABLE 7 HEREABOUTS

For classification purposes, attention must be paid to which policy topics are included and how they are weighted, because the data on the various topics are added together. This is not a problem for the main purpose of such papers as K&N which seek to use as much evidence of policy differences as is observable. However, for classification, Nobes (2011) excludes certain less important presentation differences,[[37]](#footnote-37) although giving all the remaining 13 topics equal weight, as do all previous classification exercises.

 Three different statistical techniques of classification all show that Australia and the UK form one group, and the six continental European countries another. Incidentally, Nobes (2011) points out something rather surprising: the paper’s classification of countries using data on IFRS policy choices is the first and only classification based on the observed *practices* of companies, as opposed to being based on rules, opinions about practices or mixtures of the two, as found in the 11 previous accounting classifications referenced in the paper.

*5.7 New data on Canadian IFRS practices*

 The above classification of countries based on IFRS choices excludes three countries with major capital markets which had been in Figure 1: Canada, Japan and the US. In 2008/9, none used IFRS. For research carried out on data available in 2012, this remains a reason for excluding Japan and the US, and for excluding other countries of Table 1 such as China, India and Russia. However, data have become available for Canada, as now explained.

 IFRS was required in Canada for the majority of listed companies for accounting periods beginning on or after 1 January 2011. Following the techniques of the papers discussed above, the IFRS policies of the companies in Canada’s TSX 60 index are now examined for year ends of 31 December 2011 or nearest after. As Table 6 shows, after eliminating exempted companies and a few others which had non-December year-ends [[38]](#footnote-38) from the TMX index, there is a sample of 45 companies. As may be seen from Table 6 (sectors 0 and 1), 53% of the sample are basic or oil/gas companies (all but two of them being extractives).[[39]](#footnote-39)

 Table 7 shows the policy choices of the Canadian companies. Given the findings of Nobes and Stadler (2012) concerning the idiosyncratic policies of extractive companies, the data is segmented into three sets: extractive, financial and other. Two IFRS policy issues (shown with asterisks) no longer involve choices for 2011, so are blank for Canada.

 Inspection of the Canadian data reveals several interesting points which add to the evidence from other countries on the persistence of pre-IFRS policies. Following the line of Mueller (1967) and Nobes (1983 and 2011), one might expect Canadian companies to make similar choices to those of Australian and UK companies. Therefore, it is instructive to examine the topics of Table 7 for which this expectation is clearly refuted: #1 on the structure of the balance sheet, and #14 on the treatment of joint venture entities. Following the logic of K&N, there is a simple explanation for the fact that the Canadian policies on these topics are so out-of-line with those of the Australian and UK companies: the Canadian companies are following pre-IFRS national practices.[[40]](#footnote-40)

 For topic 14, the Canadian choices are especially interesting because, before the end of 2011, the IASB had already[[41]](#footnote-41) issued a standard outlawing the predominant Canadian choice, for 2013 onwards. This is spectacular evidence of the influence of previous policies: the companies adopted the pre-IFRS policy on transition to IFRS even though it would very soon have to be abandoned.

 For Topic 2, Australian and Canadian national balance sheet formats began with cash, whereas the British Companies Act format has cash as the last asset; and the IFRS policies follow those pre-IFRS practices closely. For Topic 6, UK and Canadian national rules allowed the indirect method, whereas the Australian did not.

 Preliminary evidence about the special accounting policies of the extractive industries[[42]](#footnote-42) is shown in Table 8, which gives data on the topics which had the largest inter-sectoral variation.

INSERT TABLE 8 HEREABOUTS

Clearly, the averages shown in Table 7 hide important differences on some topics between extractives, financials and others. As noted earlier, extractive companies comprise most of the Canadian sample. This suggests that the Canadian averages should not be used for cross-country comparison, especially with the continental European countries which have few extractive companies (see Table 6). For statistical research, a control variable for the extractive sector should be included.

*5.8 Other findings*

Work has also begun in other areas which stem from the lists of options and estimations in Nobes (2006). Wehrfritz *et al.* (2012) investigate, using questionnaires, whether German and UK accountants make different choices when faced with IFRS estimations on provisions and contingent assets. However, they discover more variation within the countries than between them.

André *et al.* (2012) investigate, for 187 European companies, whether comparability of financial reports changed from 2003 (pre-IFRS) to 2005 (first IFRS) to 2010 (mature IFRS). They report increased comparability of practices on transition to IFRS but little change after that. They study 25 policy topics (referred to as choices, policies or options). These include 13 of the 16 topics used by Kvaal and Nobes (2010). However, many of the others are not policy choices in IFRS: some are covert options (which only allow choice at the margin),[[43]](#footnote-43) and some result from different transactions (which might not allow any policy choice).[[44]](#footnote-44) It is not clear how this affects their findings or the interpretation of them.

 Kvaal and Nobes (2013) study an issue which does not easily fit into the categories of overt options, covert options, etc. They examine, for five countries in 2008/9, the quality of IFRS disclosures related to taxation. IAS 12 is not detailed about how the disclosures should be achieved. The research finds significantly different practices across countries, which cannot be explained by sectoral differences.

**6. Summary, conclusions and further research**

*6.1 Jurisdictions*

 Many academic and other writings refer to widespread adoption of IFRS. This paper points out a number of caveats: (i) several major capital markets do not require or do not allow any version of IFRS for any regulated reporting, (ii) the requirement or permission to use IFRS is restricted in most jurisdictions to certain types of reporters (e.g. listed companies) or types of reporting (e.g. consolidated statements) or both, (iii) most adoptions do not require the direct application of IFRS as issued by the IASB, and (iv) in several countries, companies and auditors do not refer to compliance with IASB-IFRS even when it is being achieved. After examining the regulatory environment in the jurisdictions which harbour the world’s largest 16 stock markets, this paper concludes that none of them requires IASB-IFRS for all types of regulated reporting and that most of them do not even *allow* (let alone require) even some local version of IFRS for unconsolidated reporting. This is not necessarily a criticism of the IASB or of the jurisdictions, although the EU’s approach seems cumbersome and the general lack of reference to IASB-IFRS by EU listed companies and their auditors misses a major point of international harmonisation. The common restriction of IFRS to the consolidated statements of listed companies is also not necessarily a matter for criticism; it is those statements for which IFRS was primarily intended. However, the caveats do imply a criticism of some claims about IFRS adoption.

 The author’s own assessment of the spread of IFRS follows. Key words are in italics.

 (i) The *consolidated* statements of the *majority* of *listed* companies in about *ninety* countries are *either* *required to* *comply* with *IASB-IFRS,* or *choose* to do so*.*

 (ii) In many of the above countries (e.g. the 27 countries of the EU), IASB-IFRS is *not* *required* for the above purpose; although most companies probably choose to comply with IASB-IFRS, the clearest *exception* being a number of EU banks. Most EU companies (and their auditors) *do not state compliance* *with IASB-IFRS*.

 (iii) In some of the countries in (i) above (e.g. Australia), it is not IASB-IFRS that is *required* but a version of it that is *intended to ensure compliance* with it.

 (iv) In some of the countries in (i) above (e.g. Canada), there is a requirement to follow the content of IASB-IFRS (or a translation of it) except that *several important companies are exempted*.

 (v) In some further countries, IASB-IFRS is *allowed* for the *consolidated* statements of *listed* companies. In some of these countries (e.g. Switzerland), *many companies comply with IASB-IFRS* but in others (e.g. Japan) *few companies comply*.

 (vi) In some further countries (e.g. China and Venezuela), considerable convergence with IASB-IFRS has been achieved but companies do not state compliance and are *probably not achieving it*.

 (vii) In a majority of the countries in (i) above, IASB-IFRS (or something intended to ensure compliance with that) is *not required* for any reporting by unlisted companies.

 Readers are encouraged to note the distinction between *de jure* matters (requirements or permissions) and *de facto* matters (company practice). This paper has noted that some researchers have not been clear about their regulatory setting, and others have made claims about IFRS adoption which are implausible once the regulatory setting is considered.

*6.2 Country-related differences in IFRS practices*

 When examining a typical IFRS audit report for an EU company, eight ‘national’ aspects of regulation were identified, which include language and enforcement issues. Similar issues apply more widely across the world, and they can lead to international differences in IFRS practice. In addition, five aspects of the content of IFRS can lead to international differences in the application of IFRS. Of these, this paper up-dates and expands the earlier discussion of covert options; and then it focuses in detail on overt options. The gradual change in the list of overt options since 2001 is charted, as a guide for researchers. Then the empirical literature, relating to IFRS practices from 2005, is synthesised.

 There is overwhelming evidence that the most powerful single explanatory variable for a company’s IFRS policy choices is its pre-IFRS policies. Since the latter were mostly determined by the accounting requirements or other institutional features of its country, then country can be used as a proxy variable for pre-IFRS practices. The findings also mean that there are clear national profiles of IFRS practices and that countries can be classified into the same groups as suggested decades earlier for pre-IFRS national practices. Recent data on Canadian IFRS practices, reported in this paper, confirm the persistence of pre-IFRS national practices, even when the IASB has already issued standards which will soon outlaw them. Country is also a major explanation for the amount of IFRS policy *change* over time.

 However, sector is also relevant in explaining IFRS policy choice. It has been clear to all researchers that financial companies are likely to have sector-specific policies on certain topics. In IFRS, there are no sector-specific differences in the rules for financial companies (or for any others), but the pre-IFRS sector-specific national rules clearly influence IFRS practice. This paper has summarised and (relating to Canada) added to, the evidence that extractive companies also have idiosyncratic policies. One conclusion is that researchers should separately record data on them.

 Most of the empirical papers on the IFRS policy choices relate to very large listed companies. Within that context, size as a variable has been included but has not revealed much explanatory power. However, when the largest listed companies are compared to the smallest, highly significant differences are found within any country. This finding related to size does not reduce the importance of country. By contrast, the IFRS practices of the smaller listed companies are even closer to pre-IFRS national practices, are more homogeneous within a country, and therefore show even clearer national profiles. A conclusion is that researchers who study the largest companies need to insert caveats about the generalisability of their findings, though not about the importance of country.

 One reason for being interested in policy differences is the effect that they might have on the comparability of financial statements. There is some evidence that large and multi-listed companies gradually move towards more uniform practices internationally and within their sector. Many of the policy differences associated with country or with size seem to be unrelated to differences in underlying transactions. For example, the researchers have been unable to identify such reasons for differences in policies with respect to the treatment of actuarial losses or of joint ventures. Even where sector could perhaps affect the underlying transactions (e.g. in inventory flows), the policy differences on most topics are still better explained by a country variable (e.g. caused by the effect of tax on the unconsolidated components of the consolidated statements). A conclusion is that the standard-setters should continue the process of removing options in standards. This is not a call for a type of uniformity which masks economic differences. If there are different types of transactions, a standard can set out different practices for the different economic circumstances.

*Being fair to IFRS*

 As explained earlier, the discussion about the diverse methods of adoption of IFRS by jurisdictions should not generally be taken as criticism of those jurisdictions or of the IASB. Turning to other aspects of the scope for country-based differences in IFRS practices, should these remarks be taken as critical of the IASB? On enforcement, of course, the IASB has no powers. If any other GAAP (e.g. US GAAP) had been adopted globally, similar enforcement problems would follow, unless the content of IFRS is inherently more difficult to enforce (see below). Similarly, if the EU had adopted US GAAP, there would have been a need to produce an official translation in (for example) Bulgarian which, given the much greater volume of US GAAP, would have been even more troublesome.

 Would an adoption of US GAAP (instead of IFRS) have lessened the scope for choice and judgement? Sections 4.2 to 4.4 suggest that, despite a few counter examples (e.g. permission to use LIFO), US GAAP generally involves fewer options and less judgement. Whether this would have implied greater comparability (or better accounting) is a different question. However, the research surveyed above suggests that the choice of IFRS options is largely driven by country, and little affected by sector or by differing economic circumstances.

6.4 *Further research*

 The final section of Nobes (2006) presented a research agenda in the form of hypotheses related to the eight types of scope for international differences in IFRS practice, generally using Germany and the UK as example countries. This is shown here as Table 9.

INSERT TABLE 9 HEREABOUTS

Of these hypotheses, H1 could be checked for banks to see if the EU ‘carve out’ is an important issue in practice. H2 could be checked to see, for example, if the error in the German translation of IAS 19 (referred to above) affects discount rates. H3could be examined by comparing IFRS-using insurance companies around the world. H4 is the main topic of the papers discussed in Section 5 above. Especially for less weighty research (e.g. for dissertations on masters’ degrees), there are almost endless opportunities for replication of the study of the overt options, for different countries and in later years.

On H5, there has been little research on the international differences in the use of covert options. These differences might have much greater effects (than those of overt options) on assets, earnings etc. Researchers have begun to investigate this important issue through case studies, e.g. involving interviews in major IFRS-using companies of the same industry from several countries. For H6, a study of estimations would be difficult to pursue using published financial statements, but the same approach as used for H5 might succeed.

H7 is difficult to examine: the *direction* of international differences on transitional issues can be worked out, but quantification would rely on knowing what financial statements would have looked like if IFRS had been fully applied retrospectively. This is likely to be impossible for researchers to discover; the difficulties in doing it, even inside the company, led to the inclusion of the exemptions from retrospection in IFRS 1. On H8, several studies on compliance with disclosures have been noted above. There is scope for these on a wider group of countries. A study of compliance relating to aspects other than disclosures would be potentially more interesting but previous studies (e.g. ICAEW, 2007) have discovered little non-compliance; studies of the audited financial statements of listed companies are unlikely to discover substantial amounts of non-compliance by looking at stated accounting policies.

There are several more specific opportunities for research. First, the policy choices of financial companies are under-researched. This is despite their importance: of the companies in Table 6, they comprise 40% of the Australian companies, 48% of the Italian and 25% of the UK. Yet, most of the papers examined above exclude financials entirely, and the remaining papers exclude them for most policy topics. Secondly, it is now clear that extractive industries also make sector-specific policy choices. This could be investigated further; to assess, for example, whether international comparability is the driver. Using quite different approaches, there is plenty of scope for looking into the economic effects of the different policy choices; and some such research has begun.

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Appendix IASB Statements referred to in the paper (titles as at 31 December 2012)

|  |  |  |
| --- | --- | --- |
| IAS | 1 | Presentation of ﬁnancial statements |
| IAS | 2 | Inventories |
| IAS | 7 | Statement of cash ﬂows |
| IAS | 8 | Accounting policies, changes in accounting estimates and errors |
| IAS | 10 | Events after the reporting period |
| IAS | 11 | Construction contracts |
| IAS | 12 | Income taxes |
| IAS | 16 | Property, plant and equipment |
| IAS | 17 | Leases |
| IAS | 18 | Revenue |
| IAS | 19 | Employee beneﬁts |
| IAS | 20 | Accounting for government grants and disclosure of government assistance |
| IAS | 21 | The effects of changes in foreign exchange rates |
| IAS | 23 | Borrowing costs |
| IAS | 27 | Separate ﬁnancial statementsa  |
| IAS | 28 | Investments in associates and joint venturesb |
| [IAS  | 31 | Interests in joint ventures]c |
| IAS | 32 | Financial instruments: presentation |
| IAS | 36 | Impairment of assets |
| IAS | 37 | Provisions, contingent liabilities and contingent assets |
| IAS | 38 | Intangible assets |
| IAS | 39 | Financial instruments: recognition and measurement |
| IAS | 40 | Investment property |
| IAS | 41 | Agriculture |
| IFRS | 1 | First-time adoption of International Financial Reporting Standards |
| IFRS | 2 | Share-based payment |
| IFRS | 3 | Business combinations |
| IFRS | 4 | Insurance contracts |
| IFRS | 5 | Non-current assets held for sale and discontinued operations |
| IFRS | 6 | Exploration for and evaluation of mineral resources |
| IFRS | 7 | Financial instruments: disclosures |
| IFRS | 8 | Operating segments |
| IFRS | 9 | Financial instruments |
| IFRS  | 10 | Consolidated financial statements. |
| IFRS | 11 | Joint arrangements |
| IFRS | 12 | Disclosures of interests in other entities |
| IFRS | 13 | Fair value measurement |

a Formerly, ‘Consolidated and separate financial statements’.

b Formerly, ‘Investments in associates’.

c Standard not applicable from 2013.

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| **Table 1. IFRS implementations for regulated reporting by domestic companies, 31 December 2012 year ends** |  |
| *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* |
| *Jurisdiction* | *Is IASB-IFRS required for all regulated reporting?*  | *Is IASB-IFRS required for consolidated statements of all listed companies?* | *Is a version of IFRS which is intended to ensure compliance with IASB-IFRS required for all regulated reporting?* | *Is a version of IFRS which is intended to ensure compliance with IASB-IFRS required for consolidated statements of all listed companies?* | *Is a version of IFRS which allows compliance with IASB-IFRS required for all regulated reporting?* | *Is a version of IFRS which allows compliance with IASB-IFRS required for consolidated statements of all listed companies?* | *Is a version of IFRS which allows compliance with IASB-IFRS required (or allowed; A) for all regulated unconsolidated reporting?* |
| Australia | N | N | N | Y1 (2005) | N | ⭠Y | N (A) |
| Brazil | N | N | N | Y2 (2010) | N | ⭠Y | N |
| Canada | N | N3 | N | N | N | N | N4 (A) |
| China | N | N | N | N | N | N | N |
| France | N  | N | N | N | N | Y (2005) | N |
| Germany | N | N | N | N | N | Y (2007)5 | N6 |
| Hong Kong7 | N | N | N | N | N | N | N |
| India | N | N | N | N8 | N | N | N |
| Japan | N | N9 | N | N | N | N | N |
| Russia | N | Y(2012)10 | N | ⭠Y | N | ⭠Y | N |
| South Africa | N | Y (2005) | N | ⭠Y | N | ←Y | N (A) |
| South Korea | N | N | N | Y11 (2011) | N | ⭠Y | N (A) |
| Spain | N | N | N | N | N | Y (2005) | N |
| Switzerland | N | N12 | N | N | N | N | N |
| UK | N | N | N | N | N | Y (2005) | N (A) |
| US | N | N | N | N | N | N | N13 |

Sources: <http://www.iasplus.com/country/useias.htm>; and <http://www.pwc.com/us/en/issues/ifrs-reporting/country-adoption/index.jhtml> (both accessed on 29.3.2012).

Key: Y = Yes.

 ⭠Y = Yes, as follows from a column to the left.

 N = No.

 A= Allowed.

 1= Many additions to IASB-IFRS. See text for explanation.

 2 = Some IFRS options have been deleted, and some disclosures added.

 3 = Rate-regulated companies are exempted. Companies which are also listed in the US are allowed to use US GAAP.

 4= Private entities are allowed to use the Accounting Standard for Private Enterprises.

 5= US GAAP was allowed for certain companies until 2007.

 6 = No, unless statements prepared according to the Commercial Code are also prepared.

 7 = Hong Kong Financial Reporting Standards have been converged with IFRS but differences remain, primarily in transitional provisions.

 8 = The Deloitte and PwC websites concur that the status of IFRS in India is sufficiently unclear that ‘N’ is the answer.

 9 = Japan *allows* IASB-IFRS for the consolidated statements of listed companies.

 10 =The Deloitte and PwC websites concur that IFRS (with an IASB-approved translation into Russian) is required for listed companies.

 11 = IASB-IFRS in Korean translation, and without early adoptions permitted.

 12= IFRS or US GAAP are allowed.

 13 = Unconsolidated reporting is not generally required in the US. To the extent that it is required, US GAAP is mandated.

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| **Table 2. Examples of overt options in IFRS in 2013\*** |
| IAS 1 | No format requirements for balance sheets or income statements (paras. 54, 82). |
| IAS 1 | Choice of by-nature or by-function income statement (para. 99). |
| IAS 1 | Permission to show comprehensive income in two statements (para. 81). |
| IAS 2 | Permission to measure certain types of inventories at net realisable value, with gains and losses to profit and loss (para. 3). |
| IAS 2 | FIFO or weighted average for the determination of the cost of inventories (para. 25). |
| IAS 7 | Choice of direct or indirect calculation of operating cash flows (para. 18). |
| IAS 7 | Net basis allowed for some cash flows (para. 21). |
| IAS 7 | Choice of classification for interest and dividend flows (para. 31). |
| IAS 8 | When developing an accounting policy, an entity ‘may also consider’ the rules of certain other standard-setters (para. 12). |
| IAS 16IAS 19 | Cost or fair value measurement for classes of property, plant and equipment (para. 29).Inclusion of defined benefit interest cost as finance expense or as operating expense (BC para.202) |
| IAS 20 | Asset grants can be presented as a deduction from the asset or as deferred income (para. 24). |
| IAS 21 | Choice of presentation currency (para. 38). |
| IAS 27 | In ‘separate’ statements, investments in subsidiaries, joint ventures and associates may be shown at cost or as available-for-sale financial assets (para. 10). |
| IAS 28 | In consolidated statements, certain investments in joint ventures and associates may be measured at fair value through profit and loss (para. 18). |
| IAS 38 | Cost or fair value measurement for some types of intangible asset (para. 72). |
| IAS 39 | Choice of cost basis or marking to market for some ‘designated’ financial assets and liabilities (para. 9). (Other choices are also available within para. 9).  |
| IAS 39 | Trade date or settlement date accounting for ‘regular way’ transactions in financial assets (para. 38). |
| IAS 39 | Permission to re-classify financial assets out of trading in ‘rare circumstances’ (para. 50 (c)). |
| IAS 39 | Hedge accounting based on the designation of a hedging relationship (para. 71). |
| IAS 40 | Permission to classify a property held under an operating lease as an investment property (para. 6). |
| IAS 40 | Entity-wide choice of cost or fair value for measurement of investment property (para. 30). |
| IFRS 3 | For measurement of a non-controlling interest, a choice of fair value or the share of the acquiree’s net assets (para. 19). |
| IFRS 4 | Permission for insurers not to separate certain embedded derivatives (para. 8). |
| IFRS 4 | Permission to unbundle components of an insurance contract (para. 10). |
| IFRS 4 | Permission to depart from IAS 8 when developing certain accounting policies for insurance contracts (para. 14). |
| IFRS 6 | Permission to depart from aspects of IAS 8 when developing accounting policies for exploration assets (para. 6). |
| IFRS 6 | Cost or fair value measurement for exploration assets (para. 12). |
| IFRS 9 | Trade date or settlement date accounting for ‘regular way’ transactions in financial assets (para. 3.1.2). |
| IFRS 9 | Option to designate certain financial assets and liabilities at fair value through profit or loss (paras. 4.1.5 and 4.2.2). |
| IFRS 9 | Option to present fair value changes on non-trading financial assets in OCI (para. 5.7.5). |
| \* For accounting periods beginning on or after 1 January 2013. Paragraph numbers as at 30 April 2012. |

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| **Table 3. Former overt options in IFRS\*** |
| *Until (and including) 2004* |
| IAS 2 | LIFO basis allowed (para. 23). |
| IAS 8 | Policy changes and error corrections could be taken through the income statement (para. 38). |
| IAS 21 | Certain exchange differences from ‘severe devaluation’ could be capitalised (para. 21). |
| IAS 27 | Option to present minority interests outside of equity (para. 26). |
| *Until (and including) 2008* |
| IAS 1 | Choice of two types of presentation of OCI (para. 10). |
| IAS 23 | Choice of capitalising or expensing interest costs on construction contracts (paras. 7 and 10). |
| *Until (and including) 2012* |
| IAS 19 | Actuarial gains and losses could be taken (a) immediately in full to OCI, (b) immediately in full profit or loss, (c) in full to profit or loss over the remaining useful lives of employees in the plan, (d) in part to profit or loss over that period (corridor method), (e) in full or in part to profit or loss over a shorter period (paras. 92 – 93A). |
| IAS 31 | In consolidated statements, there was a choice of proportional consolidation or equity accounting for joint venture entities (para. 30). |
| \* Paragraph numbers relate to the last versions of the IASs before the removal of the relevant option. |

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| **Table 4. IFRS policy choices that are or were† easily observed** |
| 1\* | (a) balance sheet shows assets = credits(b) shows net assets |
| 2\* | (a) liquidity decreasing (cash at top)(b) liquidity increasing |
| 3\* | (a) income statement by function(b) by nature(c) neither |
| 4\* | (a) equity accounting results included in “operating” profit(b) immediately after operating profit(c) after finance |
| 5† | (a) Statement of Changes in Equity, including dividends and share issues(b) SORIE/OCI, not including them |
| 6\* | (a) direct calculation of operating cash flow (b) indirect |
| 7\* | (a) interest paid shown as operating cash outflow(b) as financing |
| 8 | (a) only cost for PPE(b) some fair value |
| 9 | (a) investment property at cost(b) at fair value |
| 10\* | (a) some designation of financial assets at fair value(b) none |
| 11† | (a) capitalisation of interest on construction(b) expensing |
| 12\* | (a) FIFO for inventory cost(b) weighted average |
| 13† | (a) actuarial gains and losses to OCI(b) to income in full(c) corridor method |
| 14† | (a) proportional consolidation of joint ventures(b) equity method |
| \*Non-financial companies only.†Options removed for 2013 statements or before; see Table 3. |

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| **Table 5. Examples of covert options or vague criteria in IFRS in 2013\*** |
| IAS 1 | Departure from the requirements of IFRS when necessary to comply with the objective of financial statements (para. 19). |
| IAS 1 | Determination of whether a liability is current on the basis of expected date of settlement or purpose of holding (para. 60). |
| IAS 8 | Determination of materiality for various purposes (para. 5). |
| IAS 11 | Use of stage of completion method for construction if contract outcome can be estimated reliably (para. 22). |
| IAS 12 | Recognition of deferred tax asset for a loss carryforward only if future taxable profit is probable (para. 34). |
| IAS 12IAS 16 | Recognition of deferred tax liability on unremitted profits from subsidiaries only if dividends are probable in the foreseeable future (para. 39).Depreciation method (paras. 60 to 62). |
| IAS 17 | Lease classification based on ‘substantially all the risks and rewards’ with no numerical criteria (para. 8). |
| IAS 18 | Use of stage of completion method for services if contract outcome can be estimated reliably (para. 38). |
| IAS 21 | Determination of functional currency based on a mixture of criteria (paras. 9 – 12). |
| IAS 28 | The identification of an associate on the basis of ‘significant influence’ (para. 2). |
| IAS 32 | Offsetting of financial asset and liability when there is intent to settle on a net basis (para. 42). |
| IAS 36 | Identification of an indication of impairment based on a mixture of criteria (paras. 12 – 14). |
| IAS 37 | Recognition of a provision based on probability of outflow of resources (para. 14). |
| IAS 38 | Capitalisation of development costs when all of various criteria are met (para. 57). |
| IAS 38 | Amortisation of intangible assets only if useful life is assessed as finite (para. 88). |
| IAS 39 | Classification of financial assets based on intention to trade, hold-to-maturity or neither (para. 9). |
| IAS 39 | Use of cost basis where equity instruments cannot be measured reliably (para. 46). |
| IAS 39 | Estimation of hedge effectiveness as a condition for use of hedge accounting (para. 88). |
| IAS 40 | Use of cost basis, despite entity-wide choice of fair value, for an investment property whose fair value cannot be measured reliably (para. 53). |
| IAS 41 | Use of cost basis for a biological asset whose fair value cannot be measured reliably (para. 30). |
| IFRS 3 | Identifying the acquirer in a business combination presented as a merger of equals (para. 20). |
| IFRS 5 | Treatment of assets as held-for-sale if expected to be sold within one year (para. 8). |
| IFRS 8 | Identification of operating segments based on whether results are reviewed internally (para. 5). |
| IFRS 9 | Classification of financial assets based on the entity’s business model (para. 4.1.1). |
| IFRS 10 | Identification of a subsidiary based on assessing power over an investee (para. 17). |
| IFRS 11 | Identification of a joint venture based on assessing relevant activities (para. 7). |
| \* For accounting periods beginning on or after 1 January 2013. Paragraph numbers as at 30 April 2012. |

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| **Table 6. Country and sector\* distribution of companies, 2008/9 data (Canada, 2011)** |
|  | Australia | Canada | UK | Germany | France | Spain | NL | Italy | Sweden |
| 0 Oil and gas | 3 | 2 | 4 | 0 | 1 | 1 | 1 | 2 | 0 |
| 1 Basic materials | 5 | 21 | 10 | 3 | 1 | 2 | 0 | 0 | 3 |
| 2 Industrials | 5 | 2 | 3 | 5 | 7 | 7 | 5 | 5 | 6 |
| 3 Consumer goods | 1 | 2 | 9 | 6 | 7 | 0 | 4 | 0 | 5 |
| 4 Health care | 2 | 0 | 5 | 1 | 2 | 0 | 0 | 0 | 1 |
| 5 Consumer services | 6 | 4 | 22 | 4 | 6 | 4 | 2 | 1 | 1 |
| 6 Telecommunications | 1 | 3 | 3 | 1 | 1 | 1 | 1 | 1 | 2 |
| 7 Utilities | 1 | 1 | 7 | 2 | 3 | 5 | 0 | 5 | 0 |
| 8 Financials | 16 | 10 | 21 | 7 | 4 | 7 | 3 | 13 | 7 |
| 9 Technology | 0 | 0 | 1 | 1 | 2 | 1 | 1 | 0 | 1 |
| Total companies | 40 | 45 | 85 | 30 | 34 | 28 | 17 | 27 | 26 |

\* Sectors according to Industry Classification Benchmark.

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| **Table 7.** **Policy choices (percentages of companies by country)** |
|  |  | **Aus** |  **Can** | **UK** | **Ger** | **Fra** | **Spa** | **NL** | **Ita** | **Swe** |
| 1 (b)\* | Balance sheet shows net assets | 100.0 | 0.0 |  85.2 | 0.0 | 0.0 | 0.0 | 14.3 | 0.0 | 0.0 |
| 2 (a)\* | Cash at top of balance sheet | 100.0 | 100.0 | 0.0 | 30.4 | 0.0 | 4.8 | 14.3 | 21.4 | 0.0 |
| 3 (a)\* | Income statement by function | 58.3 | 87.5 | 82.1 | 82.6 | 62.1 | 4.8 | 50.0 | 7.1 | 95.0 |
| 4 (a)\* | Equity profit in ‘operating’ | 68.8 | 30.8 | 40.4 | 23.3 | 10.7 | 0.0 | 0.0 | 0.0 | 93.3 |
| 5 (b)† | Only SORIE/OCI presented | 67.5 | - | 90.6 | 33.3 | 14.7 | 32.1 | 41.1 | 18.8 | 23.1 |
| 6 (b)\* | Indirect operating cash flows | 8.3 | 100.0 | 100.0 | 100.0 | 100.0 | 95.2 | 100.0 | 100.0 | 100.0 |
| 7 (a)\* | Interest paid as operating flow | 81.5 | 74.3 | 65.1 | 60.9 | 80.0 | 42.9 | 78.5 | 85.7 | 90.0 |
| 8 (b) | Some PPE at fair value | 15.4 | 7.9 | 13.4 | 0.0 | 0.0 | 0.0 | 11.8 | 0.0 | 3.8 |
| 9 (b) | Investment property at fair value | 73.3 | 40.0 | 72.7 | 10.0 | 12.5 | 6.3 | 75.0 | 0.0 | 100.0 |
| 10 (a)\* | Some fair value designation | 29.2 | 35.3 | 12.7 | 17.4 | 33.3 | 19.0 | 75.0 | 12.5 | 52.6 |
| 11 (a)† | Interest capitalisation | 87.1 | - | 57.4 | 41.7 | 44.4 | 100.0 | 66.6 | 33.3 | 33.3 |
| 12 (b)\* | Weighted average only | 52.9 | 63.0 | 30.0 | 76.2 | 50.0 | 83.3 | 41.7 | 78.6 | 10.0 |
| 13 (a) | Actuarial gains/losses to OCI | 86.7 | 79.6 | 85.4 | 63.3 | 50.0 | 57.8 | 31.3 | 24.0 | 20.0 |
| 14 (a) | Proportional consolidation of JV | 11.5 | 63.0 | 22.6 | 15.8 | 75.8 | 88.0 | 46.0 | 40.0 | 33.3 |
| The table shows the companies choosing a particular policy as a percentage of the companies exhibiting a policy for the topic. For several topics, the N is the total from Table 6. In a few cases (e.g. topic 9), the N is much smaller.\* Non-financial companies only.† Options removed for 2011 statements or before; see Table 3. |

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| **Table 8. Canadian policy choices by sector (percentages\*)** |
|  |  | **Extractive** | **Other** | **Financial** |
|  4 (a) | Equity accounting profit in ‘operating’ | 33.3 | 28.6 | - |
|  (b) | Immediately after | 44.4 | 14.3 | - |
|  (c) | Below finance items | 22.2 | 57.1 | - |
|  9 (b) | Investment property at fair value | - | 0.0 | 66.7 |
|  13 (c) | Corridor method | 15.4 | 0.0 | 88.9 |
| 14 (a) | Proportional consolidation of JVs | 77.7 | 44.4 | 37.5 |

\*The percentages are calculated as in the note to Table 7. “-“ means no data.

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| Table 9 Summary of main hypotheses |
| H1: | International differences in practice exist among IFRS companies due to differences in the version of IFRS being used. |
| H2: | For some topics, different translations of IFRS lead to different practices. |
| H3: | For topics on which there are no specific rules in IFRS, German practice is different from UK practice. |
| H4: | The choice of IFRS options by UK and German groups is different. |
| H5: | Covert options in IFRS are exercised differently by UK groups than by German groups. |
| H6: | Estimations under IFRS are biased differently in German than in UK groups. |
| H7: | Pre-IFRS differences between national practices have a significant effect on IFRS financial statements.  |
| H8: | Compliance with IFRS by German groups is lower than that by UK groups. |

**Figure 1. A suggested classification of accounting ‘systems’ in some developed western countries in 1980**



*Notes:* 1 This is an abbreviated term for corporate financial reporting.

 2 These terms, borrowed from biology, should be interpreted merely as loose labels.

 3 The terms at these and other branching points are merely labels to be used as shorthand to try to capture some of the attributes of the members of the accounting systems below them. This classification has been prepared by a UK researcher and may contain usage of terms that will mislead those from other cultures.

*Source:* Nobes (1983).

1. For example, Google scholar records 123 citations (on 1 January 2013); and all the papers discussed in Section 5 use that paper as the starting point. [↑](#footnote-ref-1)
2. See the papers referred to in Sections 5.2 to 5.6. [↑](#footnote-ref-2)
3. These are easy to track and are generally announced by the IASB well in advance, whereas changes in national regulations are less easy to track. Sometimes announcements of IFRS adoption do not eventuate. [↑](#footnote-ref-3)
4. That is, adoption after the publication of a standard but before its date of compulsory application. [↑](#footnote-ref-4)
5. Except to the extent that it is compatible with Australian IFRS, which IFRSs 12 and 13 might be. [↑](#footnote-ref-5)
6. Basically, those that are unlisted and do not hold assets in a fiduciary capacity (e.g. a bank). [↑](#footnote-ref-6)
7. A list of unendorsed standards like that for Australia in the previous paragraphs applied, for example, for 31 December 2011 or 30 June 2012 year ends. [↑](#footnote-ref-7)
8. To take the two points at the start of the paragraph, compliance could have been achieved for 31 December 2011 year ends by (i) not taking advantage of EU-IFRS’s permission for more hedge accounting, and (ii) not early-adopting IFRSs 9 to 13, which had not been endorsed but also had not yet reached their “effective dates”. [↑](#footnote-ref-8)
9. That is, few companies are taking the permission to do an extra type of hedge accounting that the EU version of IAS 39 allows (ICAEW, 2007), and companies are not early adopting unendorsed standards. [↑](#footnote-ref-9)
10. By market capitalisation on 31.1.2012, as found in the monthly statistics of the World Federation of Stock Exchanges. [↑](#footnote-ref-10)
11. That is, for 31 December 2011 year ends or nearest after. [↑](#footnote-ref-11)
12. Francis *et al.* (2008) sometimes refer to ‘use’ of IFRS (e.g. p.334 and in the description of the variable on p.342) but otherwise they almost exclusively refer to ‘adoption’ (e.g. in the title, the abstract and the conclusions). [↑](#footnote-ref-12)
13. The Bilanzrechtsmodernisierungsgesetz of 2009 made various adjustments compatible with IFRS (Gee *et al.*, 2010). [↑](#footnote-ref-13)
14. FRSs 12, 20 to 26 and 29 are copies of IASB standards. [↑](#footnote-ref-14)
15. Very similar points are made, *mutatis mutandis*, in other EU countries. For example, UK auditors refer to “International Standards on Auditing (UK and Ireland)”, to EU-IFRS and to the requirements of the British Companies Act. [↑](#footnote-ref-15)
16. These words are taken from the English language version of the audit report by PricewaterhouseCoopers AG (a German company) on the annual report for 2011 of Bayer AG (a German company), pages 268-9. [↑](#footnote-ref-16)
17. In the original German, the audit report uses the same words as the German translation of IAS 1. See further discussion below. [↑](#footnote-ref-17)
18. The Fourth Directive and the law have ‘ein den tatsächlichen Verhältnissen entsprechendes Bild’. IAS 1 has ‘eine den tatsächlichen Verhältnissen entsprechende Darstellung’. [↑](#footnote-ref-18)
19. This term means here the location of a company’s registration, head office and lead auditor. [↑](#footnote-ref-19)
20. For example, much goodwill of UK companies is held a zero under IFRS because it was generally held at zero under UK GAAP if purchased before FRS 10 came into force in 1998. With analogous facts, a French company would generally show goodwill under IFRS at the amount of amortised cost on 1 January 2004. This difference will last for ever unless the French company’s goodwill becomes impaired. [↑](#footnote-ref-20)
21. The first item of Table 2 is not expressed as a choice between two possibilities, but companies have to choose a format for the specified lists of items which are required, by IAS 1, to be presented. A similar point relates to the IAS 19 topic. [↑](#footnote-ref-21)
22. For example, in terms of Table 2, US GAAP does not have the first IAS 1 option, the last of IAS 7, or those of IAS 16, IAS 38, IAS 40 or IFRS 3. [↑](#footnote-ref-22)
23. For example, because of disagreements with the Financial Accounting Standards Board of the USA on joint standards. [↑](#footnote-ref-23)
24. For example, Kvaal and Nobes (2010) included two such items: (i) whether a line item for ‘operating profit’ is included in the income statement, and (ii) how dividends paid are treated in a cash flow statement. Issue (i) overlaps somewhat with items 3 and 4 of Table 4, and it requires assessing whether descriptions other than ‘operating profit’ count. Also, this is not a specifically stated policy choice in IAS 1. For issue (ii), dividends received are generally not visible in cash flow statements, so assumptions have to be made. [↑](#footnote-ref-24)
25. Except for software costs. [↑](#footnote-ref-25)
26. The first IAS 1 point in Table 5, and those relating to IASs 17, 38, 40, 41 and IFRS 10 where US GAAP does not allow fair value or has clearer ‘rules’. [↑](#footnote-ref-26)
27. For example, IAS 16 (paras. 60 and 62) and IAS 8 (para. 32 (d)). It could be argued that this topic should be seen as an estimation rather than as a covert option. However, since the estimation determines a method, not just a number, I include it as a covert option. [↑](#footnote-ref-27)
28. Those registered abroad or with the prime head office abroad. [↑](#footnote-ref-28)
29. The 14 topics of Table 4, plus the two referred to in footnote 24. [↑](#footnote-ref-29)
30. Table 6 relates to 2008/9 data, as used in Nobes (2011) discussed below. A few companies had ceased to report since 2005/6, e.g. because of mergers. [↑](#footnote-ref-30)
31. IAS 8 (paras. 14, 19, 29) allows policy change but only under certain conditions and if accompanied by disclosures. [↑](#footnote-ref-31)
32. The amended *Handelsgesetzbuch* which came into force in 1987 as a result of the *Bilanzrichtliniengesetz* of 1985 introduced the option of the by-function format, as part of EU harmonisation. [↑](#footnote-ref-32)
33. Nobes and Perramon (2013) include the 14 topics of Table 4, plus the topic of whether a company displays a line for operating profit or EBIT. [↑](#footnote-ref-33)
34. The first four classifiers used informal data. The last three used surveys by Price Waterhouse (1973 and 1976). These had begun as a list of detailed differences between US and UK accounting. So, they were good at picking up Anglo-American differences but not others. [↑](#footnote-ref-34)
35. The measures in Nobes (1983) were not based directly on a formal sample of company practices but on rules and on general observations of practices in the countries concerned. [↑](#footnote-ref-35)
36. Belgium, Ireland and New Zealand have much smaller stock markets than the eight other countries, and are excluded. [↑](#footnote-ref-36)
37. These are the two topics of footnote 17, and topic 2 of Tables 4 and 7. [↑](#footnote-ref-37)
38. There were 3 rate-regulated companies, 4 non-bank companies with non-December year-ends, and 8 companies using US GAAP. [↑](#footnote-ref-38)
39. One of the ‘basic’ companies was in agriculture. [↑](#footnote-ref-39)
40. For the two issues, these can be found, respectively, in the CICA Handbook: HB 1521and 3055. [↑](#footnote-ref-40)
41. IFRS 11 was issued in May 2011. [↑](#footnote-ref-41)
42. For this purpose, sectors 0 and 1 have been combined. Sector 1 contains certain chemical companies which researchers might prefer to add to ‘Industrials’. However, for Canada, this was only one company. [↑](#footnote-ref-42)
43. Depreciation methods, criteria for capitalisation of development costs, currency translation method, and identification of whether the company has reportable segments. [↑](#footnote-ref-43)
44. Classification of leases and, to some extent, the use of hedge accounting (which rests, *inter alia*, on whether the company has purchased a hedging instrument). [↑](#footnote-ref-44)