

Issues Arising for Accounting Harmonization in EU: Core Characteristics and Perspectives

Alexandros Garefalakis

Department of Accounting and Finance,
Technological Education Institute of Crete,
Estavromenos, Iraklio, 71004
agarefalakis@staff.teicrete.gr

Lemonakis Christos

Department of Accounting and Finance,
Technological Education Institute of Crete,
Estavromenos, Iraklio, 71004
lemonakis.christos@gmail.com

Georgios Galyfianakis

Department of Accounting and Finance,
Technological Education Institute of Crete,
Estavromenos, Iraklio, 71004
galifianakis@staff.teicrete.gr

Nikolaos Bournelis

Department of Accounting and Finance,
Technological Education Institute of Crete,
Estavromenos, Iraklio, 71004
nab.gr@hotmail.com

Nikolaos Zanidakis

Department of Accounting and Finance,
Technological Education Institute of Crete,
Estavromenos, Iraklio, 71004
zanidnik@gmail.com

Abstract

The present research places emphasis on the implementation of the international accounting standards within the context of the European Union. In this respect, the accounting harmonization process pursued herein, through the adoption of International Financial Reporting Systems (IFRS), actually has created a paradoxical situation of national differential regulations that did not exist previously. The globalization of multinational companies and the international capital flows show the increasing importance and need, of a unified accounting language in the EU, which could decrease several types of irregularities within the European context. This harmonization could ensure a few benefits for both the governments and companies. Though, the implementation process of these standards can cause different effects in each country. This paper utilizes a number of elements to describe the differences in the accounting systems among some European countries and tries to discuss the process of the EU harmonization and standards making. As a result of our research, we show that the current emergence of the implementation of unifying accounting systems could be ambiguous in results, depending on the country and the size of the business undertaken. Rather, inquiries

should focus on weaknesses in National Generally Accepted Accounting Principles GAAP.

Keywords: International Accounting, Harmonization, IASB, IFRS, Accounting, EU

JEL classifications: M41, M48

Introduction

International Accounting

Accounting plays a vital role in society. When someone hears the word accounting, the systematic and comprehensive recording of financial transactions pertaining to a business or, in the simplest way, the communication of information about a business, comes to mind. But in an international environment, it means more than that. This is why it is necessary to define International Accounting. Of course no single word is more relevant to accounting than information. Accounting in international accounting encompasses the functional areas of financial accounting, managerial accounting, auditing, taxation and accounting information system. The word "international" in "international accounting" can be defined at three different levels.

The first level is called supranational accounting. As the definition of supranational says it is an organization or a union whereby member states transcend national boundaries. In accounting this level denotes standards, guidelines and rules of accounting, auditing, and taxation issued by supranational organizations.

The second level is the company level. In this level, accounting can be viewed like the standards, guidelines and practices that a company follows in international environment.

The third and broadest one is the study of these standards, guidelines and rules of accounting and taxation. As we can see, international accounting encompasses an enormous amount of territory both globally and locally as well. This is one of the reasons that the word needs standards for accounting internationally. There have been a lot of intentions to help the organizations by creating different kinds of standards, which can be used by companies and governments as well. In the list below, the most important abbreviations can be read according to the standardizations are the following:

- ACCA: Association of Chartered Certified Accountants
- ASB: Accounting Standards Board
- FRRP: Financial Reporting Review Panel
- GAAP: generally accepted accounting principles
- IAS: International Accounting Standard
- IASB: International Accounting Standards Board
- IASC: International Accounting Standards Committee
- IFRIC: International Financial Reporting Interpretations Committee
- IFRS: International Financial Reporting Standards

- SEC: Securities and Exchange Commission
- SSAP: Statement of Standard Accounting Practice

International differences

Working in an international environment can cause some problems in both accounting and performance evaluation.

A company with export activity only, can feel these difficulties, which for them are stemmed from the currency conversation. However, the real "challenge", besides the currency conversation, is the consolidation for those companies which have subsidiary companies (or a subsidiary company) in another country with different accounting system.

As we know, the goal of the accounting statement is to get and ensure information from the company's financial and economic situation. The reason of the differences in the accounting systems among the European countries can be originated in the different development levels of the countries. The accounting system in every country not only depends on the law and tax system, but also on other economic characteristics and cultural heritage.

So it is clear that accounting is affected by its environment. As it is mentioned above, this can include the culture of the country because it contains the most basic values that an individual may hold. It affects the way that individuals would like their society to be structured and how they interact with its substructure.

Another important thing is the legal system. It can rely upon a limited amount of statute law, which is interpreted by courts, which build up large amounts of case law to supplement the statutes or can be based on the private law comprised by the Roman civil law (*ius civile* Quiritium) that applied only to Roman citizens.

The next difference is the providers of finance. In both Germany and Italy, the capital provided by banks is very significant as are the small family-owned businesses. But in the UK there are a lot of companies which rely on private shareholders for finance.

Standardization

The globalization, the spreading multinational companies and the international flow of capital, show that there is an increasing need for a unified accounting language, which could decrease the effects of the aforementioned problems. Since the beginning of the 1960's new intentions have started to harmonize the report making process. This harmonization could ensure a few benefits for both governments and companies:

- The multinational companies would be able to make their annual report in the same format for all of their subsidiaries. That could decrease the costs and make data comparing easier and more efficient.
- It would help the taxation process. The foreign companies' tax liability could be more quantifiable.
- The international regulators could gain access to information of better quality easier.

The most important organizations in this harmonization process are the International Accounting Standards Board (IASB), the Financial Accounting Standards Board (FASB) and the European Financial Reporting Advisory Group (EFRAG).

The International Accounting Standards Committee (IASC) was founded in 1973. Its goal was to help the harmonization process through creating and implementing International Accounting Standards (IAS). The organization's processes are deemed successful as in 2000 it had 143 members from the 104 joined countries.

Since 2001 the harmonization process has been continued by the International Accounting Standard Board. They have replaced the IAS with the new International Financial Reporting Standards (IFRS). The IASB is an independent organization which goal is to develop global accounting standards and make global unified accounting regulations. It means that the similar transactions and events should be paid off in the same way whilst the different ones in a different way. It does not support the right to choose between the accounting methods.

Nowadays the number of the countries which have implemented the international standards is 283, according to PricewaterhouseCoopers.

Literature Review

Nobes (2014), in the book "International Classification of Financial Reporting" discusses the issues of international accounting and their differences on an international level. This book helped defining the classifications of different kinds of systems like political, legal and economical. The "International Variations in IFRS Adoption and Practice" from Nobes (2011), was chosen, as it defines all sorts of classifications of accounting systems and procedures to achieve them (Fekar, 2008).

Bechstein (2010) in "Die Bilanzierung von Finanzinstrumenten nach IAS 39" treats the development of the IASC and informs about how to recognize the IAS 39, which helped us in understanding the way financial instruments have to be treated. Also Kurt V. Auer (1999), it discusses the aspects of acceptance in the view of shareholders which helped us to see that from a different point of thinking.

The research of Thomas Kottke (2007) called "Harmonisierung in der internationalen Rechnungslegung" shows a lot of examples, what kind of difficulties appeared during the way of harmonization. We could find information to understand the way how the SEC slowly more accepted the financial reports made after IFRS also in the US. The Whittington (2005) shows up a lot of issues which appeared after releasing the specific IAS's. With this literature, we could understand many of the difficulties that appeared and what reasons were there. In the report of the FAZ (2004) called "IAS 39 - Warum der Schwanz mit dem Hund wedelt" the author sorts out the problems of different treatments of financial instruments. With these examples we were able to understand what the problems for the banks were at the time of releasing them.

2.1 Critically examine the successes and failures of the EU harmonization and IASB standardization processes.

First of all it has to be clarified what shall be understood by "EU harmonization", so in the following part the word harmonization is explained.

Harmonization of accounting

Harmonization of accounting is the process by which rules or regulations for accounting get improved to make them comparable (Muresan et al., 2009)

It has to be considered that it is impossible to create a perfect harmonization, due to the fact that every single system is influenced by the different economic variables, financial, social, legal and cultural environment characterizing each country.

However the process since the foundation of the IASC in 1973 proceeded quite well, as in the year 2000 the "International Organization of Securities Regulators" (IOSCO) suggested its members to use the IASC standards for international "offerings and listings".(Whittington 2005) This was an important step for getting the standards fully accepted for overseas exchanges. As a side effect, many countries adopted the IFRS also for not listed companies or designed their national standards after these.

In the early years from its foundation until 1988 the main politic of IASC was to offer franchises, to match into national circumstances, for reaching higher acceptance in the respective countries. This was achieved by adding national regulations of each country to the IAS. At that time the impact of the council was of no significance in the EU harmonization process. Due to the fact that the IASC had not had any authority to enforce its standards, during these years the spreading of IAS was limited to developing countries and some of the eastern parts of Europe. (Bechstein, 2010; Auer, 1999)

From 1989 until 1993 the new goal was to develop the conceptual parameters and reduce the huge amount of franchises which were blocking the progress of harmonization. This happened on the basis of the "Comparability and Improvement-Projects". These projects aimed at improving the comparability of the annual financial statements and to get the IAS recognized by the IOSCO. This was the reason for the IAS getting an autonomous standard for the first time.

Meanwhile it became clear that for most of the companies there was no reason or motivation to make the financial statements in the way of IAS beside their national statements and still there was no institution which could sanction countries that wouldn't stick to these regulations. Therefore in 1993 the IOSCO published a list of 40 issues, called the "Core Set of Standards", which had to be fulfilled by the IAS to get recognition by the IOSCO and also to get suggested by it (KOTTKE, 2007)

Due to these reasons during the years 1994 until 2000 the IASC intended a collaboration with the "International Organization of Securities Regulators" (IOSCO). The goal was to reach an international enforcement

of IAS by using important national stock exchanges as for example the New York Stock Exchange, which would act in exclusion of quotation for the company in case of harming the regulations of IAS. In these years the IOSCO worked together with the IASC in the earlier mentioned "comparability project" to edit the IAS which included heaps of core standards that are approaching to the US-GAAP ones. In 2000 then, the IOSCO suggested to approve the IAS as national stock exchange standards. In the same year also the intern organization changed, so that to the first of January 2001, the institution was renamed to IASB - International Accounting Standards Board". The renaming also had influence on the names of the standards, so to say all new issued standards and the topic for all standards is now "International Finance Reporting Standards" (IFRS).

The "United States Securities and Exchange Commission" (SEC) also released a consultation paper of a possible acceptance of the IAS for quotation at the American capital market. Every single standard is going to be checked for quality to keep the level quality of accounting in the USA, as also to support the attempt for an international "High Quality Global Financial Reporting Framework". At the 21st December 2007 the SEC released a regulation paper which includes the acceptance of financial statements which are created in accordance with the International Financial Reporting Standards. This was a great step for the IASB so from now the in the USA listed companies from Europe could use the IFRS standards for their financial statement without a transition to the US-GAAP (KOTTKE, 2007; Bechstein, 2010)

Meanwhile already 13 IFRS have been released and two more are planned to be valid the next years. Also the around 40 International Accounting Standards are still valid.

Arising Problems

Especially two of the International Accounting Standards, got criticized a lot as they've been released. Those are:

IAS 32

"Presentation outlines the accounting requirements for the presentation of financial instruments, particularly as to the classification of such instruments into financial assets, financial liabilities and equity instruments. The standard also provide guidance on the classification of related interest, dividends and gains/losses, and when financial assets and financial liabilities can be offset." (Deloitte)

With the rollout of IAS 32 a big discussion started about that system. The reason is that with this most of the conventional systematic for distinction of equity and liability got abolished. The IAS 32 brings an appropriate solution only for capital marked oriented companies. Because of that for business partnerships the IAS 32 is leading to economic deceptive depiction of capital in the balance. That leads to big disadvantages in competition for these kinds of companies.

Therefore on the 9th of July 2009 the IASB released the IFRS for small and middle-sized companies (Whittington, 2005)

IAS 39

The second one is IAS 39 which includes: "Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments." (Anon)

The main discussion which arose after announcing the standard was about the different evaluation methods for different financial instruments. By listing hedge accountings on the balance sheet it leads to asymmetries, because the hedged item and the security are treated in different ways. IAS 39 also demands that all derivatives are marked to market with changes in the mark to market being taken to the profit and loss account. The problem here is that this can lead to a strong variation in the profit and loss account for many companies, which leads also to volatilities in important indices. Especially banks were affected by this issue. Critics feared that outside investors could misinterpret these indices which would lead to a disadvantage for single banks and the whole economic of banking.

IAS 39 requires that financial instruments are categorized into one of 4 categories. Category 1 is for assets held for trading which are made up in the balance as market value, changes in values is going to the profit & loss account. Category 2 is for financial instruments which are proposed to be held to the maturity, treated as amortized costs. Category 3 for credits is similar as Category 2 and Category 4 is for instruments available for sale which are balanced at fair value.

Banks operate hedging meanwhile in a large scale and normally recognize the financial instruments in the balance at historical costs. But as derivatives can either act as speculations or hedging, IAS 39 demands that all derivatives are categorized to Category 1, held for trading and valued at "fair value". That leads changes in value directly into the profit and loss account.

Problems accrued if derivatives are used for hedge accounting, what is the core competence of nowadays banks. The reason for this is that in Category 2&3 assets are not recognized as time value as derivatives are. Also the fair value changes aren't in the profit and loss account. Credits for example will get recognized as amortized costs, as the changed value of related derivate maybe is influencing the profit and loss account. These changes of values so can lead to big variations in the banks final financial statement even though the bank hedged the risks, and the material situation is still the same.

Therefore complaining about the IAS 39 by banks was very common. That's the reason why the IAS 39 got revised by the IASB several times, relating to macro hedge accounting, and changes in fair value options and many more changes. Meanwhile IFRS 9 has been released which covers most of the

regulations of IAS 39 and until 1. January 2018 companies can choose between both. From then IFRS 9 is the new standard which companies have to comply to. It was not easy for the board to set up the international accepted standards and on its way onto a lot of difficulties came in the way. However meanwhile it is an obligation for capital market oriented companies to make the financial statement in way of IFRS and also small and middle sized companies adopt the standards voluntary. (Whittington, 2005)

Discuss some of the causes of differences in accounting systems internationally

The issue of international accounting differences based on different systems. These are supposed to be as a part of the assessment to get sub-classification (Fekar, 2008):

On the basis of sub-classification then objectively determine the value of a given element, and then assess the revenue recognition criteria; to assign all of these matching costs, i.e. To fulfill the principle of the temporal and factual context of costs and revenues, and finally information identified in an appropriate, comprehensible scope publish. Classification of accounting systems:

definition of users of financial accounting statements; extent of regulation of accounting; addressing relationship between accounting and taxation; reporting of income taxes; the degree of prudence applied when reporting a profit for the current year; option pricing variables, especially the scope of application of the historical prices; consideration of the degree of inflation. (Fekar, 2008)

This implies that access accounting systems is either macroeconomic (prefers question budgeting, redistribution and taxes) or microeconomic (specializing in finance and markets).

Classifications by social scientists

In classification by social scientists we can classify countries or in our case accounting systems into many different groups. We do classifications of many different systems, which can be political, legal and economical. These mentioned systems have been divided into particularized elements in their own groups. (Nobes, 2014)

Political system

The political system has been divided in to demo-cracies, tutelary democracies, modernizing oligarchies, totalitarian oligarchies and traditional oligarchies. (Nobes, 2014)

Economic system

The economic system can be divided from two different perspectives. In the first perspective we can classify economical system of socialism, communism, capitalism and fascism. The second perspective is divided into traditional economies, market economies and planned economies. (Nobes, 2014)

Legal systems

Legal systems have been classified by two practical criteria for particular determining which two of systems can be in the same group. These two systems also cannot be based on contrary philosophical, economic or political principles. After this classification, is easy to handle with one law. This brings us to the second criterion, which is to ensure that systems in the same group have similar superficial characteristics and basic structures. Because of thesesimilarities is achieved, that the systems will respond to the new circumstances in similar way or the same way. (Nobes, 2014)

This kind of classification we can call as four-group classification. The mentioned groups of systems are Romano-Germanic, Common Law, Socialist and Philosophical-Religious. (Nobes, 2014)

The examples above are only divided by the basic method of classification systems into different groups, where these groups are not exactly defined and detailed. Certain parts are also used for sorting into groups, subjective expertise and technical literature. When using this subjective sorting, it is possible to talk about the lack of this classification, which can only be difficult to prevent. The reason is the complexity and called. "Grayness" in the social sciences. (Nobes, 2014)

The following figure (figure 1) shows the morphology for comparative accounting systems made by the American Accounting Association

Parameters	States of Nature				
	1	2	3	4	5
P ₁ Political system	Traditional oligarchy	Totalitarian oligarchy	Modernizing oligarchy	Tutelary democracy	Political democracy
P ₂ Economic system	Traditional	Market	Planned market	Plan	
P ₃ Stages of economic development	Traditional society	Pre-take-off	Take-off	Drive to maturity	Mass consumption
P ₄ Objectives of financial reporting	← Investment decisions	← Micro Management performance	← Social measurement	← Sector planning and control	← Macro National policy objectives →
P ₅ Source of, or authority for, standards	Executive decree	Legislative action	Government administration unit	Public-private consortium	Private
P ₆ Education, training and licensing	← Informal	← Public Formal	← Informal	← Private Formal	←
P ₇ Enforcement of ethics and standards	Executive	Government administrative	Judicial	Private	
P ₈ Client	Government	Public	← Public Enterprises	← Private	

Figure 1: AAA's morphology for comparative accounting systems; (Nobes, 2014)

Accounting system internationally

While comparing the accounting systems internationally, it is necessary to mention that each country can have more than one kind of accounting systems (Nobes 2011).

Another important influence on the financial systems of countries economic or political developments is the following. We can actually mention countries such as Russia, Greece and USA. These countries are faced with the instability of their economies. The Russian economy is hit by the economic sanctions that caused the biggest drop in the Ruble for the past 60 years. Greece teeters over a total collapse of its economy due to the inability to find a common solution with the rest of the EU for the repayment of the Greek sovereign debt. On the other hand, the US rocketed with the increasing pace of growth of its economy caused by quantitative easing funding the US central bank. (Nobes 2011)

In addition to the above-mentioned reasons, there is also the impact in consequence of the new laws. If we focus on detailed accounting differences on the level of corporate accounting across different countries, it is possible to come to the conclusion that accounting practice is entirely different. (Nobes 2011)

In the literature lots of reasons can be found as to why, and what are the differences in accounting at an international level. To facilitate the general outline of the differences in accounting exploited by factor "Financing of Companies". A question then arises as to how companies are funded. The source of funding can be divided into two different groups of investors. Those groups are "insiders" and "outsiders". (Nobes 2011)

Among investors 'insiders' rank:

- Family members Banks
- Government (Nobes 2011)

Among investors 'outsiders' rank:

- Small shareholders
- Major Shareholders (Nobes 2011)

Investors as aforementioned are divided into four different financial systems as follows:

Dominant investors	Strong credit	Strong equity
Insiders	I	III
Outsiders	II	IV

Figure 2: Financing systems;

(Nobes 2011)

- System I (credit/insiders)
- System II (credit/outsiders)
- System III (equity/insiders)
- System IV (equity/outsiders)

Systems can be set according to the needs and effectiveness. As an example, the system IV (Equity / outsiders) is useful mainly for large enterprises and system I (credit / insiders) is better suited for small

businesses. If a country is dominated by a system I (credit / insiders), there will be demand for investor-oriented reporting. In this case, accounting is used for its traditional purposes. Calculating these purposes are prudently distributable profit and calculating taxable income. Countries where system I is dominant, will mainly talk about individual subjects, hence the tendency to manage the accounting details by the state, focusing on unconsolidated statements. The opposite is the system IV, which is used in countries where accounting detail is controlled by closely linked to the equity and the financial markets. System Properties I and IV are further discussed in more detail in the table below. All the properties mentioned in Class A are used in Australia, the UK and the US. All properties of Class IV used in France, Germany and Italy (Nobes 2011).

For an easier understanding of the reasons behind the deviation of countries into different accounting classes the following Figure is presented:

Feature	Class A	Class B
Depreciation and pension expenses	Accounting practice differs from tax rules	Accounting practice follows tax rules
Long-term contracts	Percentage of completion method	Completed contract method
Unsettled currency gains	Taken to income	Deferred or not recognised
Legal reserves	Not found	Required
Income statement format	Expenses recorded by function (eg cost of sales)	Expenses recorded by nature (eg total wages)
Cash flow statements	Required	Not required, found only sporadically
Earnings per share disclosure	Required by listed companies	Not required, found only sporadically

Figure 3: Different accounting classes- Examples of features of the two accounting classes; (Nobes, 2011)

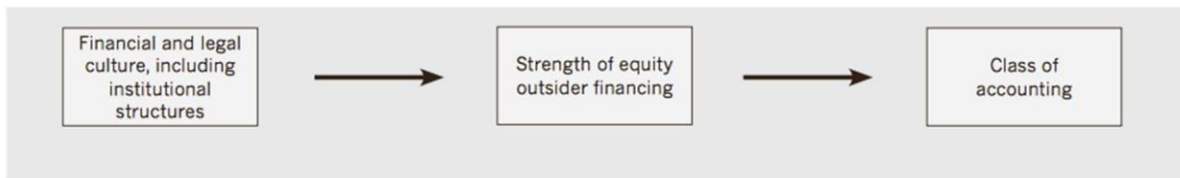


Figure 3: Simplified model of reasons for international accounting differences; (Nobes 2011)

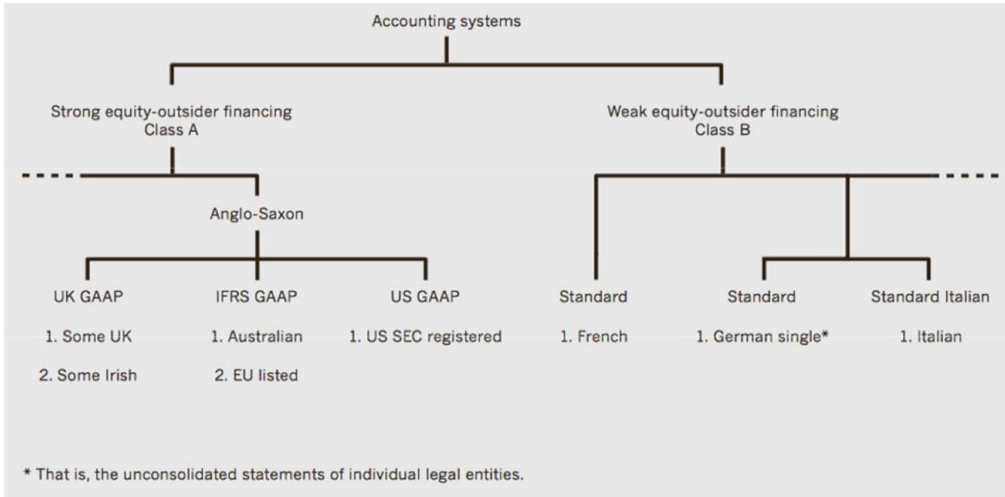


Figure 4: An outline classification; (Nobes 2011)

Recently longer suffice the above-described two classes of model systems. It's the different types of financial reporting at the level of a single state. The following figure shows the classification of accounting systems in detail. On the left side there is the so-called "Anglo-Saxon" class. This class includes countries with predominantly English law, British culture and English language (Nobes 2011).

On the right side are the countries with continental Europe. Also in this group are countries that use accounting systems with roots in Europe. Mostly it is the French, or German origin. These countries are for example Japan and South American countries. (Nobes 2011)

For interest we show how were selected countries of EU to the classes of accounting systems before the introduction of IFRS (International Financial Reporting Standards).

Class A (strong equity, commercially driven)	Class B (weak equity, government driven, tax-dominated)
Cyprus	Austria
Denmark	Belgium
Ireland	Finland
Malta	France
Netherlands	Germany
Norway	Greece
UK	Italy
	Luxembourg
	Portugal
	Spain
	Sweden
	Switzerland

Note: This table covers the EU (plus Norway and Switzerland) before the expansion of the EU to include former Communist countries that had no 'financial reporting'.

Figure 5: A two-group accounting classification of some European countries; (Nobes 2011)

Above, several kinds of classifications of accounting systems from different perspectives have been introduced, but none of them cannot be considered comprehensive. This fact was aware to the author of one of the most important scientific books of accounting, Christopher Nobes. During his research, he tried to build a universal classification of all constraints and influences. The main reasons were the shortcomings of previous classifications consist of:

- Inaccuracies definition of what is needed to classify.
- Lack of models used for comparison purposes, results.
- Missing hierarchy that would be able to point out the differences between the sizes of countries.
- Inaccurate discernment in choosing of discriminating important features. (Nobes 2011)

Nobes (2014) focused mainly on the classification of countries by the financial practices of its public reporting company. The countries, which were put in Research were predominantly western countries with a developed and well-functioning economy. These were mainly public companies whose accounts are freely available and practices are easily demonstrable and observable. On the basis of this amount of information, the differences can easily be seen in the financial reporting of these companies. Nobes said that "*It is the international differences in reporting Between droughts That companies are of interest to its total shareholders, creditors, auditing firms, taxation LEAs, managements and harmonizing agencies (such as the International Accounting Standards Board or the European Commission)*"

As the first group of determinants for research was selected following practices which include the measurement and evaluation of figures for profit, assets, liquidity, capital etc. The number of observed countries maintained was 14. All the observed countries fall into the category of developed economies for reasons mentioned above. The first step was the isolation of those features of financial reporting practices that could in the future go to the fundamental difference between the observed countries. At the end there was a choice of nine factors that are similar in all the surveyed countries, and can therefore be used for control, criticism, and news. The mentioned factors are:

- Type of users of the published accounts of listed companies.
- Degree to which law or standards prescribe in detail and exclude judgments
- Importance of tax rules in measurement.
- Conservatism/prudence (e.g. valuation of buildings, stocks, debtors).
- Strictness of application of historical cost (in the main accounts).
- Susceptibility to replacement cost adjustments in main or supplementary accounts. Consolidation practices.
- Ability to be generous with provisions (as opposed to reserves) and to smooth income.
- Uniformity between companies in application of rules. (Nobes 2014)

These factors were designed only to be relevant for developed countries with some of the same economic characteristics. It would be necessary to

expand the factors mentioned by other determinants such as the degree of economic development and the kind of economic system. After adding these factors, we could not be more confident of their ability to operate effectively, because at this level the economies of developing countries are almost no public enterprises. Thus these factors would be incomplete. (Nobes 2014)

These 14 countries were evaluated in the nine factors mallow and after subjected to a variety of alternative arithmetic tests and tests on computer. The tests results were used to produce clusters. Low (2005) ensures strong support at the micro and macroeconomic divisions, which brought support for the division into more detailed categories. (Nobes 2014)

The result of research can be illustrated in the following figure.

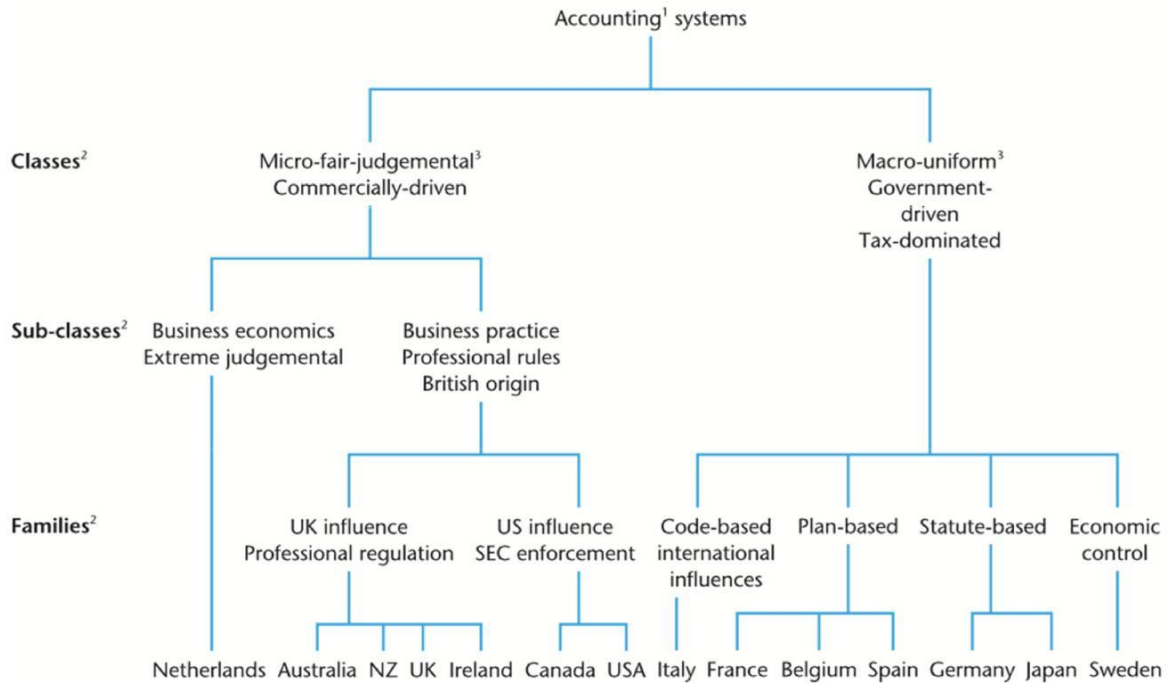


Figure 6: A suggested classification of accounting 'systems' in some developed Western countries in 1980; (Nobes 2014)

Conclusion

As a result it is safe to assume that this harmonization process has ended with a success. The differences between the accounting systems can cause problems. These differences come mostly from the systems that the countries use. In our case these systems includes all the political, economic, law and taxation systems as well. Other important differences come from the different cultures. The culture specifies the basic rules that the individuals should follow. So, financial support, strength of

the currency and other characteristics are dependent on a country's development. Beside that we can say the main problems are the conversion between the currencies and the consolidation.

The above mentioned problems have started a new era in international accounting. This era started in the 1970's with the first standards. The standard making process and harmonization are supposed to help both companies and governments to solve these problems easily. To help the implementation of these standards a few organizations have been founded. In our case, the IASC and IASB are considered as the most important ones are.

Nowadays more than 283 countries use standards to avoid the problems and to make the accounting system unified. Of course not all of these countries use the IAFS. They can use the GAAP but thanks to the harmonization process between the continents now there is no big difference between these two standards.

In our opinion this whole harmonization process and unified accounting language is a good idea. Not only does it help the companies but it helps the government as well. With this solution more and more companies could start new operations in different countries without having doubts. Nowadays almost all European countries have implemented at least a part of these standards.

Nobels's classification in our opinion is the best to level the differences between the developed countries and help the standardization process be a success. We support this because as it can be seen in the graph there is a hierarchy based not only just one property. The model is influenced by the law and economic system of the country.

References

- Anon, IAS 39. Available at:
<http://www.iasplus.com/en/standards/ias/ias39>.
- Auer, K. V., 1999. International harmonisierte Rechnungslegungsstandards aus Sicht der Aktionäre. Available at:
<https://books.google.gr/books?id=hN18BwAAQBAJ&pg=PA100&lpg=PA100&dq=international+accounting+standards+akzeptanz&source=bl&ots=c9BBxsVVdU&sig=RheMFJ01DoCPa5etyeeah5sJ2Ys&hl=de&sa=X&ei=olJGVYu3NsL4aKy2gagP&ved=0CDsQ6AEwBw#v=onepage&q&f=true>.
- Bechstein, M., 2010. Die Bilanzierung von Finanzinstrumenten nach IAS 39. Available at:
https://books.google.gr/books?id=FjFfAQAAQBAJ&pg=PA25&lpg=PA25&dq=IAS+39+akzeptanz&source=bl&ots=j20Soz8phF&sig=00Fknk7-4Uq6UHnKqb5cso_zff8&hl=de&sa=X&ei=-3lIVYufBdP5ap_agZgF&ved=0CCcQ6AEwAg#v=onepage&q=IAS39+akzeptanz&f=true.
- Deloitte, IAS 32 – Financial Instruments: Presentation. Available at:
<http://www.iasplus.com/en/standards/ias/ias32>.
- FAZ. (2004). IAS-Standards für Banken: IAS 39 – Warum der Schwanz mit dem Hund wedelt. [online] Available at:

- <http://www.faz.net/aktuell/wirtschaft/unternehmen/ias-standards-fuer-banken-ias-39-warum-der-schwanz-mit-dem-hund-wedelt-1177921.html>.
- Fekar, Z., 2008. *Písenná práce k modulu Mezinárodní účetní a daňové standardy*. The Nottingham Trent University B.I.B.S., a. s. Brno. Available at: http://www.fekar.cz/_docs/bibs/ifrs.pdf.
- KOTTKE, T., 2007. Harmonisierung in der internationalen Rechnungslegung. Available at: https://wiwi.uni-giessen.de/dl/down/open/bwl4/1ad94bec680aa6e67146acc873dc48f3e17bbc13150ec5c443a3121086b7786b75d15e37659b4cf57de61ae0ffbabc7/3527502262_c01.pdf.
- Löw, E. (2005). *Rechnungslegung für Banken nach IFRS*. Wiesbaden: Gabler.
- Muresan, M.; Fülöp M. T.; Pop A.; Cirstea A., 2009. HARMONISIERUNG DER INTERNATIONALEN RECHNUNGSLEGUNGSSYSTEMS, (58), pp.1212-1217.
- Nobes, C., 2011. International Variations in IFRS Adoption and Practice. *International Variations in IFRS Adoption and Practice*, p.38. Available at: <http://www.accaglobal.com/content/dam/acca/global/PDF-technical/financial-reporting/rr-124-001.pdf>.
- Nobes, C., 2014. *International Classification of Financial Reporting* 3rd ed., New York: Routledge, 2014.
- Whittington, G., 2005. The adoption of International Accounting Standards in the European Union. *European Accounting Review*, 14(1), pp.127-153.

List of Figures

Figure 1 - AAA's morphology for comparative accounting systems; (Nobes, 2014)	150
Figure 2- Financing systems; (Nobes 2011)	151
Figure 3 - Examples of features of the two accounting classes; (Nobes, 2011)	152
Figure 4 - Simplified model of reasons for international accounting differences; (Nobes 2011)	153
Figure 5 - An outline classification; (Nobes 2011)	153
Figure 6 - A two-group accounting classification of some European countries; (Nobes 2011)	Σφάλμα! Δεν έχει οριστεί σελιδοδείκτης.
Figure 7 - A suggested classification of accounting 'systems' in some developed Western countries in 1980; (Nobes 2014)	155