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To: Mr Williams
From: 123456
Title: Harmonisation Of Accounting
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Introduction:

Harmonisation, also known by standardisation, uniformity and convergence are used refer to efforts to ensure that like transactions and events are accounted for in a like way wherever they take place or are reported. Different players have had different levels of success, while some have shifted their focus to notions of equivalence or argued for mutual recognition.

Arguments Against Harmonisation:

The differences in accounting requirements matter now that business, investment and capital markets are international because both domestic and foreign readers use financial statements. When accounting requirements differ, readers may struggle to distinguish the changes in results and financial position, which are caused by variations in performance from the effects caused by the use of different accounting requirements. It is for this reason that if each different country has a different set of practices things become difficult especially if there is a lot of financial capital at stake.

Not just business, investment and capital markets suffer. The other people that suffer are companies. Companies suffer from the consequences of different accounting requirements in several ways. For example, they suffer increased costs when they have to convert the financial statements of subsidiaries from one set of requirements to another for the purpose of preparing consolidated financial statements. They also suffer when they have to modify their financial statements for the purpose of listing their securities on a foreign stock exchange and potentially most significantly of all, when they are forced to compensate foreign investors and lenders, by means of a higher interest rate than otherwise would be the case, for the increased risk arising from the use of unfamiliar or inadequate accounting requirements. Companies may also complain about what they perceive as an uneven playing field on which they have to comply with more onerous requirements than those of their competitors in other countries.

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Arguments For Harmonisation:

The sole purpose of the harmonisation of national accounting requirements is to harmonise the actual reporting practices of companies. The process is helped when companies adopt accounting practices, sometimes voluntarily, which are additional to those which are required by national requirements and which are in accordance with international practice and requirements. This often involves the publication of information which is not currently required by national requirements but which is commonplace in the annual reports of other international companies.

Possibly the most important argument for the harmonisation of accounting practices is the fact that everyone will be aware of what everyone else is doing and more importantly what those figures mean. It will make it a lot easier for auditors and people like that to look for fraud and dishonesty amongst people who are drawing up accounts. If people are allowed to do a certain thing on their own way then they are likely to take the easiest option and whatever they can do in the quickest time whether it is accepted globally or not.

A second argument for the harmonisation of global accounting practices is that it could save companies money in the long-term. If they have everyone trained in a set way, possibly even Universities could do it, then they will not have to change at a later date. This will mean that they are at an acceptable standard and will not be required to be put to additional expenditure further down the line meaning that extra revenue could be put to greater use in research and development or possibly even expanding of the company.

Evaluation:

Overall I believe that the harmonisation of accounting practices is a very good idea. It means that everyone all over the world can understand each other and if necessary help each other out. With it being a global understanding it can only help international trade and try to make the world a safer place. Without the place of harmonisation there is the greater chance of conflicts arising and arguments about who has the greater practices and what information they actually contain.

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Bibliography:

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