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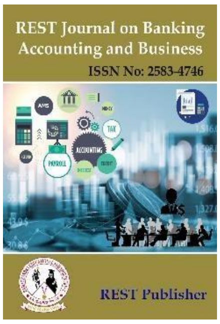

Empirical Study on International Accounting Standards and Accounting Quality

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Abstract: *This study explores the historical development of international accounting standards (IAS) and the initiatives of the prominent organizations involved in international standard setting. It also explains why countries differ in national standards, why the process of harmonization of standards among countries has been slow, and why countries should now converge their accounting standards. Many papers on IAS generally deal with the contents of the individual standards. This writer, however, believes that accountants, as social scientists, are also interested in tracing the development of social forms over time and comparing those developmental processes across cultures. Thus, this paper addresses the interest of accountants to learn how some contemporary events or institutions—like the IAS—came into being. In like manner, accountants are interested in finding out the varied reasons why the issue of coming up with a global set of accounting standards has taken a long while. Indeed, these are perspectives that substantially differ from those commonly presented in professional forum and scholarly exercises.*

1. INTRODUCTION

The international accounting standards are a set of practices established by the International Accounting Standards Board (IASB). These practices are designed to make it simpler for businesses around the world to compare financial reporting and data. This also helps create transparency and trust in the accounting process, particularly with investment and global trade. Having an international accounting standard also alleviates compliance pressures and can significantly reduce costs surrounding reporting. In particular, companies that have international operations and subsidiaries in different countries can streamline reporting and practices. It is important to know though, that IAS has been replaced by the newer International Financial Reporting Standards (IFRS). Globally comparable accounting standards promote transparency, accountability, and efficiency in financial markets around the world. This enables investors and other market participants to make informed economic decisions about investment opportunities and risks and improves capital allocation. Universal standards also significantly reduce reporting and regulatory costs, especially for companies with international operations and subsidiaries in multiple countries.

2. IMPORTANCE OF ACCOUNTING STANDARD

FIGURE 1. Importance of Accounting Standard

The purpose of standardization is to establish common rules with the dual aim of standardization and rationalizing the presentation of accounting information likely to meet the presumed needs of multiple users. It thus contributes to the harmonization and improvement of accounting practices and also promotes spatiotemporal comparisons in terms of financial information. The benefits also include lower transaction costs and improved international investment. These IFRS will help investors make informed financial decisions and make forecasts of future business performance. As a result of this added value, the majority of stock exchanges have accepted the preparation of financial statements of foreign listed businesses under IFRS. Easy comparison of company ratings. Because they are using the global accounting standard, it is easier to compare the economic results of two companies by verifying their financial statement, although they come from different countries. For example, if you compare a US company that used US GAAP and a Chinese company that uses Chinese accounting regulations, the result can not be impartial because it is not based on the same code. The benefits of investor education are many. Not only do educated investors protect themselves better, but they also are willing to invest their money to provide capital to new and expanding companies, thereby allowing businesses and jobs to grow, as well as contributing to regional economic stability. Informed investors are an important ingredient of liquid, stable capital markets. The need for high quality accounting standards. While this may seem miles removed from investor education, it really isn't. Educated investors need relevant, useful information to make their investment decisions-and that is what high quality accounting standards deliver. The SEC is concerned with accounting standards because of our mandate to protect investors. U.S. securities laws, as well as the SEC's own rules and regulations, all spring directly from this basic concept. We pursue this mandate not through merit regulation-allowing only "healthy" companies to trade their securities-but by market regulation. Ever since the SEC was established in 1934, our approach has been to require companies that wanted to list or trade their securities to comply with initial and continuing disclosure obligations. The goals of this approach are to prevent misleading or incomplete financial reporting and to facilitate informed decisions by investors. Robust financial reporting is essential to full disclosure-that's why the Commission has the authority to set accounting standards. Practically since its inception, however, the SEC has looked to the accounting profession to play a leading role, while the SEC staff monitors and oversees these standard-setting activities.

3. SCOPES OF INTERNATIONAL ACCOUNTING STANDARDS

FIGURE 2. Scopes of International Accounting Standards

Today, companies operating in the country's economies, which have become the only market, especially with the influence of globalization, face serious exchange rate risk. This risk can has negative effects on the results of operations of the enterprises. Many different day-to-day exchange rate risk management techniques are emerging in order to reduce or minimize these effects. However, the implementation of these methods brings with it a number of difficulties. Within the scope of International Accounting and Financial Reporting Standards (IAS / IFRS), which is mandatory for many companies as of 2005, it is aimed to give theoretical information about the forward contracts used in the foreign exchange risk management activities and the accounting process and to examine the implementation period. In this context, the theoretical information about the emergence, management and management instruments of the foreign exchange risk was given as the priority and the different alternatives of the risk management activities in the scope of IAS / IFRS have been presented afterwards. Finally, the risk management process belonging to a company operating in Turkey and the applications of the financial transactions included in this process within the scope of financial risk protection accounting.

4. FUTURE TRENDS OF ACCOUNTING STANDARD

It's becoming easier than ever to move money throughout the world. What once took a huge amount of paperwork, red tape, and time can now be accomplished with a small fraction of the time and effort. Even mid- to small-sized businesses can make international money transfers. This is particularly exciting because they may not have had the resources to conduct these kinds of transactions in the past. Fees are currently at an all-time low, and they are expected to remain low well into 2022. Pressure from bodies like the UN are helping make fees more manageable, forcing transfer companies to get more creative about how they can make transfers easier and more manageable for a wider range of customers. Increased Transaction Speed the pandemic has forced retailers and merchants to offer different ways to pay, from paying now and picking up later to digital payment methods. Tap to pay and paying with a cell phone are both relatively new payment methods gaining huge traction. Part of this increase was fueled by COVID-19,as individuals and businesses attempted to decrease the amount of physical interaction between people and goods. These new payment methods also have the added benefit of making the entire transaction faster. Tap to pay, paying with QR codes, or paying with a digital wallet can take just a few seconds, which is a small fraction of the time that a client would use to swipe a card or read a card chip. Artificial intelligence will continue to have a huge impact on the accounting and finance industry. As companies increase their reliance on AI and robotic process automation to tackle more mundane duties, others are available to do more complicated financial and accounting tasks. Accounting services rely more and more on software, and AI can be a valuable tool to conduct analysis, spot trends, and flag potential errors. When used properly, automation can increase ROI and general efficiency by huge amounts—more than 80% in some cases. As 2022 comes into full view, accounting automation is expected to be a huge focus area. Blockchain is increasing in popularity (with a 59% projected market growth between 2016 and 2024). In fact, businesses spent over $4 billion on blockchain solutions in 2020, and it is expected to be over $20 billion in 2024. Expect fee avoidance and capital fluidity to further advance this already explosive trend while also bringing increased legislative scrutiny. In an effort to address the unique challenges that international companies face, global tax laws are in development. In July 2021, several levels of negotiations took place at the Organization for Economic Co-Operation and Development (OECD). Ultimately, those negotiations culminated in a general decrease in U.S. corporate taxes while corporate tax revenue in other member countries increased. The United States is leaning toward increases in domestic corporate taxes and increased taxes on foreign source income. The tax on Global Intangible Low Taxed Income or GILTI might also change, with alterations to credits available in some industries—with the overall goal of decreasing investments made abroad. Discussions are also in process to repeal the deduction for foreign-derived intangible income as well. E-commerce is huge right now, and likely even more so because of the pandemic. There are serious concerns about the future of brick-and-mortar stores in many industries. As e-commerce continues to be one of the most popular methods to shop, accounting professionals need to develop ways to track and keep up with online sales, product inventory, and various tax obligations—often across several countries. Delivery is also changing accounting because of tipping methods, fees, and other related complexities that change the relationship between the consumer and the retailer or other business. As financial information continues to move toward the cloud and demands for increased accessibility for remote workers keep building, cyberattacks to access that information are expected to increase as well. In response, there is an expectation that businesses will need to take steps to address security and plan for cyberattacks. This preparation involves increased internal security and more external regulations about what security is necessary to protect individual consumers. Regulations are also expected at the international level.

5. CONCLUSION

Global compliance means being familiar with all the accounting standards that apply to the operation of business. Many countries follow the international accounting standards known as IFRS, but many important economies, such as the US, China and Japan apply their own system. In the US, this accounting system is known as 'GAAP'. Businesses operating internationally need to carefully consider the accounting standards that apply across all their international locations. If seeking investment from a foreign entity, businesses also need to consider the standards that are expected by that foreign entity. This may require preparing several sets of financial statements, compliant with each applicable systems Horizons supports business expansion across global locations. When advising on the set up of a local subsidiary or company, a merger or acquisition, or some other form of global expansion, Horizons can support your business: They ensure that you have the necessary support to compile compliant financial statements as required under the law. The economy of many countries is built by a very heterogeneous enterprise. They differ in many properties. One of the main divisions related to observation is the ownership of the firm, and on this criterion division between public and other companies could be made. The behaviour of the public and other companies in the 5-year period 2010–2015 in relation to the real intention of the introduction of IAS 16 in their business. The first reason is that the transition, of mainly former socialist countries over the last two decades, have performed accelerated privatisation of its formerly large state-SOEs. Within the observation of IAS 16 in the public sector the increasing desire of management to really introduce a fair evaluation could also be seen. The introduction of IAS 16 in the public sector is associated with important events or the Republic of Serbia signed chapter 32 of the EU in December 2015, which is committed to the financial control and audit of all budget users and, therefore public companies. The aim was to obtain credible results which will be used to determine the existence of possible differences in the application of full use of IAS 16 between public companies and other enterprises.

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