

MATERIAL ACCOUNTING HARMONIZATION: AN OVERVIEW OF TRADE LITERATURE

Mustață V. Răzvan
Babeș-Bolyai University
Faculty of Economics and Business Administration

Matiș Dumitru
Babeș-Bolyai University
Faculty of Economics and Business Administration

Dragoș Dana Simona
University of Oradea
Faculty of Economics

Our paper develops an overview of trade literature within the particular area of material accounting harmonization. The usefulness of this paper consists in offering an up to date image on what was written on this particular topic with significant practical implications. We first divide existent studies on stages that we consider can be grounded based on trade literature's evolution. Furthermore, a qualitative analysis is done for studies belonging to each period. Limitations of previous studies are also synthesized. The final point of our analysis gives shape to research perspectives that further needs to be exploited.

Keywords: material accounting harmonization, de facto harmonization, measurement instruments, trade literature, accounting harmonization process

JEL Classification: M40, M41

Introductory thoughts

When it comes to researches in the area of international accounting harmonization measurement, there is a difference between those studies focused on the regulations harmonization problematic (*de jure* harmonization) and those which have as main study target the implementation method of the international standards in the accounting practice (*de facto* harmonization). In this context, we can argue that material harmonization is defined through the concentration level present around an option for a certain accounting policy (Herrmann and Thomas, 1995, p. 254). Based on this reasoning, the harmonization level increases along with the company's number that opts for the same accounting policy. This material harmonization type (*de facto*) is measured based on the concentration index developed by van der Tas (1988).

If we wish to define the material harmonization we can state that it represents that process where the diminution of the alternatives level and accounting option is intended, what means an increase of the harmonization level of the accounting practices and implicitly of the comparability level. On the other hand, starting from the statement that the harmonization is a process that leads towards a harmony state which afterwards becomes a real state (Canibano and Mora, 2000, p. 351), then we sustain the idea that the material harmonization is actually the process of the compatibility level increase between regulations and practice and the harmony state is reached when the differences variation between the two elements is contestant.

For a better understanding of the material harmonization process, it is very important to be able to identify the impact the modifications of afferent policies and accounting options have over the comparability level of the practices not only at an intra-state level but also at an inter-state level (Archer *et al.*, 1995, p.80). Further, on we can consider that a particular importance is given to the influence that

the inter-states situation has it over each national accounting system involved in an accounting harmonization process when it comes to practice.

A mandatory condition for the development of a common market at the European Union standard is an accounting-financial information flow as a result of the accounting harmonization process (Canibano and Mora, 2000, p.349). In this context, the accounting practices harmonization aims to become an important factor in reaching the common market desideratum (Herrmann and Thomas, 1995, p. 253) which could have important consequences especially on regional scale. If such a statement is real then we can estimate that the political element tends to become of high importance in the accomplishment of the accounting harmonization process.

Research methodology

In order to develop our paper we put into practice the steps of the exploratory literature review process. After establishing the approached topic area, we searched for papers belonging to this category and read them. After carefully analyzing the content of the selected paper, we outlined the subtopics being approached and summarized each one of them. After analyzing the evolution of studies being written in this area we established significant periods in time that helped us organize our study. Based on the previously developed summaries we discussed main subtopics within the selected papers. Limitations of the studies were also grouped and presented. Based on what was already done and the identified limitations we finally identified some future research guidelines that might help fill the existent gap in trade literature.

Stages within trade literature and typology

Taking into consideration all these aspects exposed through a brief approach that shows the importance and the role of the material accounting harmonization process we can estimate that if we take as analysis criteria the previous researches influence over the mentioned studies, we can separate the scientific steps from this research sphere in at least two categories: (1) the studies influenced by van der Tas' researches (1988, 1992a, 1992b), named – measurement systems based on the option concentration study and (2) studies that can be considered as new approaches in the material harmonization measurement sphere, named – measurement systems based on the similarity philosophy between the accounting practices.

The existing researches in the measurement sphere of the material harmonization level as well as in the sizing sphere of the international accounting regulations impact over the national accounting systems generated a series of results correlated on one hand to the IASC/IASB status, and on the other hand to the development of the standards issued by the international authority.

Due to this aspect, we started the descriptive analysis of the results from the material harmonization measurement sphere applied to four different categories of studies based on the IASB evolution and the standards issued by this authority. If we take into consideration the division into periods of the IASB evolution established in the previous chapter we can establish the systematization periods of the researches results in this analysis sphere, as follows: (1) The material harmonization level in the context of some flexible accounting standards, (2) The material harmonization in the context of the international standards comparability desideratum, (3) The material harmonization effects as a result of IOSCO agreement, (4) The material harmonization sizing in the financial reporting standards context.

Taking into consideration this delimitation in time, we can state that the *period prior to 1989* is characterized mostly by a high level of diversity and less through a medium level of the harmonization degree, situation present in the following periods.

If we bear in mind the existing studies *during 1989-1995* we can state that the defined material harmonization level is high in certain problems (for example: postponed taxes) and on the other hand is even absent when it comes to other elements (like: assets depreciation, goodwill, development and research expenses, etc.), and the international accounting harmonization process, can be characterized at most through a medium level.

Analyzing also the similar researches in the material harmonization sphere **for the 1995-2003 period**, we can state that the international accounting harmonization process, as a whole, can be characterized through important evolutions of the reached harmonization level, not only for certain accounting systems but for certain accounting problems as well. A remarkable fact is that the efforts made for the material harmonization as well as the afferent researches of this problem intensified reaching a high level of complexity.

If we consider the research instruments used in these researches and if we anticipate the research methods during the studies from the next period we are entitled to state that in this period (1995-2003) a maximum level of the debates regarding the van der Tas' indexes was reached. The derived aspects, their complexity but also the usage methods almost tend to be out of print giving way to other approaches regarding the material harmonization measurement.

The central element of the results obtained by the existent studies *during 2003-present*, we can state that the international accounting harmonization process manifests liberally especially when it comes to the accounting practice. A remarkable aspect is that two out of the three studies are focused on the sizing problem of the material harmonization level on a regional scale, and all three researches study the IFRS implementation effects in the national accounting systems.

The following table synthesizes the above established periods within the international accounting harmonization process, the evolution of material accounting harmonization studies and their results on the state of material harmonization:

Table 1. Stages within trade literature

Period	State of documented material harmonization and the international accounting harmonization process
Prior to 1989	- high level of diversity - a medium level of the harmonization degree
1989-1995	- high material harmonization in certain problems (such as: postponed taxes) - absence of harmonization when it comes to other elements (such as: assets depreciation, goodwill, development and research expenses, etc.) - at most a medium level registered by the international accounting harmonization process
1995-2003	- important evolutions of the reached harmonization level for the international accounting process
2003 - present	- liberal manifestation of the international accounting harmonization process

Source: author's projection

Limitations and research perspectives

Studies done in the material harmonization sphere generated for the scientific knowledge a series of relevant results. However, at the same time a series of limits of the research and its perspectives were identified for the next periods.

Thus, in the technical literature (Aisbitt, 2001) were mostly identified a series of limits afferent to the research methodology. These can be classified in two important categories, as follows:

- problems afferent to the causal deduction, or in other words, problems typical to the professional reasoning of research;
- problems afferent to the indexes characteristics of the material harmonization level measurement (Aisbitt, 2001, p.60).

A series of suggestions for further researches were given beyond the existing studies limits. Starting with the examples mentioned in the studies, we are entitled to generalize these suggestions as follows (Aisbitt, 2001):

- avoid data loss and the optimum sizing of the accounting elements necessary for the analysis;
- in these studies where the number of accounting elements differs from one category of analyzed elements to another, the interpretations must be carefully analyzed, taking into consideration also the effect of such an approach over the calculated measurement indexes;
- all the necessary efforts have to be made so that the allotment and the analytical reasoning of the measured elements to be accomplished in order to sustain the validity of the research;
- to increase the relevance and the reliability of the studies it is recommended to use those pieces of information that can be obtained from the producers of the accounting-financial information and to recur to the restriction of the analysis performed in those companies that present the information clearly and unambiguous.

Considering all these aspects we can conclude that the role of the existing researches in the material harmonization sphere is very complex and of high importance. We appreciate that the studies for the material harmonization measurement are aim at the international accounting harmonization process.

Taking into consideration all these approaches of the material harmonization as well as the existing studies in this domain, we can still state that this problem represents the research object of a great number of published studies. Furthermore, efforts orientation regarding the material harmonization must be pointed towards the diversity level diminution in the international accounting sphere, thing that can represent an index of the harmony level increase (Emenyonu and Gray, 1996, p. 270) or, in other words, an index of the harmonization level increase between regulations and accounting practices.

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