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Accounting Differences: U.S. Enterprises and International Competition for Capital

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SYNOPSIS: The lack of harmonization of international accounting standards is frequently addressed in the literature. Since the fundamental purpose of accounting and the nature of standard-setting and regulatory processes vary from country to country, alternative reporting standards and practices have been developed. Prior studies describe and compare the accounting concepts, reporting practices, and principles of countries around the world. These studies report major differences in a variety of items. Some participants in the financial community envision serious problems caused by these differences. This study reports information about perceptions of accounting educators, chief financial officers, practicing accountants, and managers of international portfolios regarding the impact of differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete with foreign enterprises.

The findings of the study indicate that several items are perceived to have a positive impact and several items are perceived to have a negative impact on international competition. A one-way ANOVA comparison of the responses of the four groups found significant differences in the perceptions of the groups on eight items. A majority (67.4%) of the respondents indicated that changes are needed in the accounting concepts, reporting standards, and principles for U.S. enterprises. All four groups were consistent in their perception that the availability of capital was the most important factor affecting international competition. Differences in accounting concepts, reporting practices, and principles are perceived as being less important by accounting educators than by the other groups.

Information about the perceptions of different user groups on the impact of the differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete internationally should be helpful to officials making decisions about international transactions and to policy-making organizations considering international harmonizations of accounting standards.

The lack of harmonization of international accounting standards is frequently addressed in the literature (Hampton III 1980; Moulin and Solomon 1989; Peavy and Webster 1990; Wallace 1990; Choi and Levich 1991; and Gray and Roberts 1991). Since the fundamental purpose of accounting and the nature of standard-setting and regulatory processes vary from country to country, alternative reporting standards and practices have developed (Meek and Saudagaran 1990). Prior studies by Price Waterhouse (1979), Hampton (1980), and Choi and Bavishi (1982) describe and compare the accounting concepts, reporting practices, and principles of countries around the world. Meek and Saudagaran (1990) provide an overview

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of studies that describe and compare national reporting requirements and practices around the world. These studies report major differences on a variety of items.

Some participants in the financial community envision serious problems caused by these existing differences. For example, Correy (1990) argues that the required accounting treatment in the U.S. for certain intangibles, particularly goodwill, provides a disadvantage for U.S. enterprises competing in the international market place. Choi and Levich (1991), in their empirical study on accounting diversity, conclude that "... accounting differences are important and affect the capital market decisions of a significant number of market participants ...." They also state that "based on the responses [they] have received from active market participants, the presumption that accounting diversity does not interfere with international capital market efficiency is not a foregone conclusion." (Choi and Levich 1991).

The purpose of this study is to gather information about the perceptions of accounting educators, practicing accountants (CPAs), chief financial officers (CFOs), and managers of international portfolios (IPMs) regarding the impact of differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete for capital with foreign enterprises. Although previous studies exist from which to construct a listing of such differences, the literature is void as to the impact of these differences on the ability of U.S. enterprises to compete internationally. Dennis Beresford, Chairman of the Financial Accounting Standards Board, points out the need for academic research on international accounting issues. In identifying a specific issue, he states that

> ... for example, the competitiveness issue—the allegation that U.S. accounting standards are a handicap to U.S. companies in competing with foreign companies—has many ramifications. We (FASB) often hear arguments, particularly from academics, that the accounting for something like goodwill doesn't make a difference in the market valuation of a company. Businessmen don't believe that. Perhaps academic research could help sort out the variables in this and other issues. That would be useful for business and government policymakers and could help put accounting standard setting into a better perspective (Beresford 1990).

Knowledge of users' perceptions on the impact of the differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete internationally should be helpful to corporate officials making decisions about international transactions and to policy-making organizations considering international harmonization of accounting standards.

INCREASED INTERNATIONAL FINANCIAL ACTIVITY

Activity in the international capital market increased greatly during the 1980s, and further increases are expected during the 1990s (Gray and Roberts 1991). Growth of the international capital market is due to many factors such as the removal of financial barriers (e.g., deregulation, listing of foreign securities, and innovation in financial instruments), improved communications, and political changes (Gray and Roberts 1991). Political changes have produced economic conditions that are restructuring the landscape of the international market place (Gray and Roberts 1991). For example, the restructuring of the Eastern Bloc into a free-market economy and the changes in the Soviet system provide a foreign investment market potential of more than 400 million people (Peavy and Webster 1990).

Statistical evidence supports the premise that the marketplace is now an international affair. Total funds raised through debt in international capital markets exceeded $328 billion in 1989, an increase of $53 billion over 1980. In addition, foreign investments in U.S. equity securities exceeded $260 billion in 1989, an increase of more than 303 percent over 1980. Similarly, foreign investments in U.S. debt securities exceeded $299 billion in 1989, an increase of more than 2,305 percent (Peavy and Webster 1990). In 1989, equity securities of more than 500 companies were traded in more than one country (Moulin and Solomon 1989).

Other evidence of growth of the international market place is the number of international mergers, acquisitions, and joint ventures that are taking place. There were 1,276 European cross-border acquisitions, valued at $56.6 billion, in 1989 (Barrett 1990). Investments in terms of dollars by U.S. enterprises in foreign manufacturing activities increased by more than 100 percent over comparable figures for 1980. There were 109 overseas corporate investment projects in the first half of 1990. Fifty-three were acquisitions of existing overseas enterprises, and 37 were joint ventures with overseas partners (*Journal of Accountancy* 1990).

Increased international financial activity produces different information needs for investors and other users outside the enterprise's home country (Meek and Saudagaran 1990). Thus, international joint ventures, mergers, and alliances create many financial reporting questions for the multinational company (Gray and Roberts 1991). Purvis et al. (1991), in their study on the Comparability Project of the International Accounting Standards Committee (IASC) state that "as the volume of international financial operations and cross-border investments continues to surge, the need for a common language of business in financial statements is increasing in urgency." They point out that "it has long been argued that different national accounting standards militate against the efficiency of international capital markets and may even impair the ability of corporations to compete effectively for capital in those markets." Accounting differences result in increased costs for enterprises competing for capital in the international market and result in an unlevel playing field for companies competing for business opportunities in the international market place (Purvis et al. 1991). Biddle and Saudagaran (1991) point out that the largest costs associated with foreign listings for most enterprises relate to accounting and disclosure requirements. Factors contributing to these costs include differences between countries in accounting and auditing practices, financial reporting and registration requirements, and regulatory and legal restrictions (Biddle and Saudagaran 1991).

Correy (1990) supports his position regarding the treatment of intangible assets with two examples. The first is the acquisition of Pillsbury by Grand Met, a British company. U.K. accounting allows the charge of goodwill to stockholders' equity. If a U.S. enterprise had made the acquisition at the price Grand Met paid, it would, according to U.S. accounting standards, have to make an annual charge against earnings over a period of 40 years. Because total goodwill amounted $2 billion, the annual charge against earnings would be $50 million. The second example is the acquisition of Chesebrough-Pond's by Unilever, a company owned by both Dutch and U.K. citizens. The total purchase price of $3.1 billion included $2.4 billion for goodwill. U.S. accounting would require an annual $60 million charge to earnings. There was speculation that U.S. enterprises could not successfully compete in the acquisition because of the high goodwill charge to earnings. The high goodwill charge to earnings impacts annual net profit and certain ratios and analysis used to evaluate investment decisions (Correy 1990).

An examination of annual reports of selected companies from other countries reveals other accounting concepts, reporting standards, and principles different from those required from U.S. enterprises. Annual reports of Glaxo Holdings p.l.c. (U.K.), AB Volvo (Sweden), and Hafslund Nycomed (Norway) are used to illustrate the differences between the accounting by each of those companies and the accounting that each company would have prepared had it been a U.S. enterprise. Adjustments (approximates) are made in the reported data to comply with U.S. GAAP, but the amounts are expressed in the respective national currency.

Glaxo's 1992 reported profit under U.K. GAAP amounted to £1,033 million. If Glaxo was a U.S. enterprise, profit under U.S. GAAP would have been £1,008 million. Adjustments which would have been required if U.S. GAAP had been applied include the following: goodwill amortization £(–3), deferred taxation £(–18), and pension costs £(–4) (Glaxo Holdings p.l.c 1992).

AB Volvo's 1991 net income in accordance with Swedish accounting principles was 682 million. The approximate U.S. GAAP net income of SKr816 million would result from the following adjustments: shares and participations SKr(–572), tooling costs SKr(+333), income taxes SKr(+268), Business combinations SKr(–85), foreign currency translation SKr(–70), interest costs SKr(+54), leasing SKr(+41), and other SKr(+165), which includes pension costs, gain on sale of securities, and reduction of shareholders' equity as a result of certain associated companies' ownership in AB Volvo (AB Volvo 1991).

Hafslund Nycomed's 1992 profit in accordance with Norwegian GAAP was NKr1,005 million. The approximate U.S. GAAP net income of NKr964 million would result from the following adjustments: amortization of goodwill and adjustments to business combinations Nkr(+7), foreign currency translation NKr(–40), capitalization of interest NKr(+2), pension cost NKr(+20), equity accounting NKr(–2), taxes NKr(–28), and income from discontinued operations NKr(+58) (Hafslund Nycomed 1993).

It appears that the difference in treatment for some of the items may have a negative impact on profit and certain ratios and thus impair the ability of a U.S. enterprise to compete for capital. It also appears that the difference in treatment for some items may have a positive impact on profit and certain ratios and thus enhance the competitiveness of a U.S. enterprise.

METHODOLOGY

Prior studies identify a number of accounting concepts, reporting practices, and principles that require different treatment by U.S. enterprises compared with their international competitors (Price Waterhouse 1979; Hampton 1980; Choi and Bavishi 1982; and Meek and Saudagaran 1990). Table 1 includes a comprehensive list of these accounting concepts, reporting practices, and principles. It is argued that differences in national accounting concepts, reporting practices, and principles may impair the ability of corporations to compete effectively for capital in international capital markets. Do the accounting concepts, reporting practices, and principles that require different treatment by U.S. enterprises compared with their international competitors impact the ability of U.S. enterprises to compete in the international capital market? What impact, if any, do these identified differences have on the playing field and costs for U.S. enterprises as they participate in the international capital market?

The list of accounting concepts, reporting practices, and principles in table 1 served as a basis for constructing a questionnaire to gather information from four groups: accounting educators, practicing accountants, chief financial officers (CFOs) of U.S. enterprises, and managers of international portfolios. Accounting educators were included as a group to represent a broad and neutral perspective. Practicing accountants, CFOs, and managers of international portfolios were included to represent a more practical perspective. Practicing accountants were included to represent preparers and auditors of financial statements. CFOs were included to represent the management of U.S. enterprises, and managers of international portfolios were included to represent the viewpoint of investors.

The importance of the inclusion of accounting educators lies in the fact that, unlike the other groups, they are not direct participants in the activities of the international capital market. They should, as a group, possess a higher degree of neutrality. Accounting educators with a research/teaching interest in international accounting were selected because they were most likely to have some knowledge of the different accounting concepts, reporting practices, and principles of countries around the world. A second reason for including accounting educators was in response to the implication in Beresford's (1990) statement that academics and businessmen have different beliefs on the competitiveness issue.

The questionnaire was mailed to 136 accounting educators, 100 practicing accountants, 100 CFOs, and 108 managers of inter-

TABLE 1
Perceived Impact of Accounting Differences
(Response Means)

Items	Accounting Educators	CPAs	CFOs	IPMs	Pooled Means	P-values
GROUP 1-CONCEPTS						
Conservatism	–0.400	0.000	0.100	1.200	0.029	0.000
Consistency	0.636	0.822	0.400	2.150	0.879	0.000
Historical Cost	–0.436	–0.067	–0.100	0.650	–0.114	0.023
GROUP 2-REPORTING PRACTICES						
Adequacy of disclosures	0.600	0.756	0.050	1.842	0.741	0.015
Consolidation practices	0.564	0.356	0.400	1.200	0.564	0.095
Segment reporting	0.618	–0.111	0.350	0.950	0.393	0.056
Types of financial statements	0.527	0.489	0.400	1.250	0.600	0.067
Use of discretionary reserves income smoothing	–1.018	–1.200	–0.850	–1.000	–1.050	0.820
GROUP 3-PRINCIPLES						
Accounting for income taxes	–0.891	–1.000	–0.286	–0.350	–0.759	0.046
Accounting for post retirement benefits	–0.782	–1.244	–1.095	–1.100	–1.021	0.509
Accounting for R & D expenditures	–0.673	–0.844	–0.048	–0.400	–0.596	0.134
Accounting methods for business combinations	–0.036	–0.711	–0.143	0.100	–0.248	0.032
Amortization of goodwill	–0.582	–1.684	–1.429	–1.300	–1.163	0.001
Amortization of premium/discount long term debt	0.145	–0.178	–0.286	–0.050	–0.049	0.207
Capitalization of long-term lease	0.200	–0.911	–0.095	–0.050	–0.234	0.000
Depreciation of fixed assets	0.345	0.222	0.286	–0.250	0.213	0.075
Foreign currency translation	0.236	–0.067	0.190	–0.100	0.085	0.456
LIFO inventory method	0.164	–0.222	0.286	0.050	0.043	0.357
Presentation of inflation adjustment	0.000	–0.378	–0.158	–0.100	–0.158	0.401

national portfolios. The first group included all accounting educators indicating international (I) accounting as a research/teaching interest in the *Accounting Faculty Directory* (Hasselback 1991). The second group consisted of 100 practicing accountants included in the membership listing of selected committees of the American Institute of CPAs. The committees selected were the Accounting Standards Executive Committee, the International Practice Committee, the AICPA Delegation to International Committees and Conferences, and the International Accounting Standards Committee (AICPA 1988, 1989, 1990). The third group included the CFOs of 100 companies randomly selected (every 5th listing) from the *Fortune* 500 Companies (Fortune 500 Largest U.S. Industrials 1989). The fourth group included the international portfolio managers of all firms in a 1990 listing of the top international portfolio management firms (*Pensions and Investments* 1990).

Respondents' perceptions on four groups of items were solicited. First, respondents were asked to indicate their opinions regarding the impact of each of the items listed in table 1 on the ability of U.S. enterprises to compete with foreign enterprises. The response scale ranged from a "–3" (indicating a strongly negative impact) to a "+3" (indicating a strongly positive impact). A response of zero (0) indicated a "neutral" or "no impact" position. An item would have a negative impact if the difference in treatment impairs the ability of U.S. enterprises to compete for capital in the international market. An item would have a positive impact if the difference in treatment results in a favorable position for the U.S. enterprise in competing for capital in the international market.

Second, respondents were asked if changes are needed in the accounting concepts, reporting practices and principles required for U.S. enterprises. A response indicating that changes are needed could be in reference to those items perceived as having a negative impact. But it could also be without any reference to the perceived impact (positive, negative, or neutral). That is, a respondent could favor changes regardless of any perceived impact on the ability of U.S. enterprises to compete for capital. Respondents who indicated that changes were needed were then requested to indicate the importance of selected groups and organizations in bringing about the changes. Those groups and organizations were the American Accounting Association, American Institute of CPAs, Congress, Financial Accounting Standards Board, Financial Executives Institute, International Accounting Firms, International Accounting Standards Committee, National Association of Accountants, and Securities & Exchange Commission.

Third, respondents were asked to indicate the importance of selected factors on international competition. A number of factors have been identified in the literature as having an influence on the ability of a U.S. firm to compete internationally (Abdallah and Keller 1985, Correy 1990, Curran 1989, and Haas 1988). The factors considered were: availability of capital; cost of capital; different approaches to determining return of investment; differences in accounting concepts, reporting practices, and principles; and tax subsidies (direct or indirect). Finally, the respondents were asked to list any other accounting concepts, reporting practices or principles that might affect U.S. enterprises' ability to compete internationally.

RESULTS

The first mailing yielded 113 responses. A second mailing increased the total to 141 responses for an overall response rate of 31.7%. An analysis was made comparing the responses of the first mailing against the responses of the second mailing. *t*-tests were used to determine that there were no statistically significant differences between the means of these two groups. There were 55 responses, or 40.4%, from accounting educators; 45 responses, or 45%, from practicing accountants; 21 responses, or 21%, from CFOs; and 20 responses, or 18.5%, from international portfolio managers. The mean values of the responses of each group and of the combined responses were calculated to serve as a basis for analysis.

First, the mean values of the responses of each group were analyzed to determine if the listed items were perceived as having a negative impact, a positive impact, or no impact on the ability of U.S. enterprises to compete with foreign enterprises. Table 1 shows the mean values on an item-by-item basis for each of the four groups of respondents.

An examination of the mean values reported in table 1 reveals that accounting educators perceived 11 items as having a positive impact and eight items as having a negative impact. Practicing accountants perceived five items as having a positive impact, 13 items as having a negative impact, and one item as having no impact. CFOs perceived nine items as having a positive impact and ten items as having a negative impact. Table 1 also shows that international portfolio managers perceived nine items as having a positive impact and ten items as having a negative impact.

Second, the mean response from each group and the pooled mean response were analyzed to see how the responses compared across groups. Table 1 shows that of the pooled results nine items have positive mean values, and ten items have negative mean values. Four items were perceived as having a positive impact by all four groups: consistency, adequacy of disclosures, consolidation practices, and types of financial statements. Five items were perceived by all four groups as having a negative impact: use of discretionary reserves, accounting for income taxes, accounting for post-retirement benefits, accounting for research and development expenditures, and amortization of goodwill. Goodwill was perceived as having the most negative impact of all the items. Consistency was perceived as having the most positive impact of all the items.

One-way analysis of variance (ANOVA) was used to compare the means of the four groups (Ryan et al. 1985). Table 1 reports the p-values for each of the 19 items. Assuming a significance level of 0.05, a significant difference among the groups was found for eight items. International portfolio managers perceived conservatism, consistency, adequacy of disclosures, consolidation practices, segment reporting, and types of financial statements as having a more positive impact than did the other three groups. Accounting educators perceived conservatism as having a negative impact. The other groups perceived conservatism as having a positive impact. Segment reporting was perceived to have a negative impact by practicing accountants and a positive impact by the other groups. There was a significant difference in the perceptions of accounting educators and practicing accountants concerning the impact of segment reporting. Accounting educators perceived the item as having a positive impact, and practicing accountants perceived the item as having a negative impact.

Accounting educators perceived the impact of the amortization of goodwill as being less negative than did the other groups. Accounting educators perceived capitalization of long-term leases as having a positive impact, and the other groups perceived the item as having a negative impact. The accounting educators perceptions may differ in the case of goodwill and long-term leases because accounting educators are taking into consideration the positive impact of asset recognition.

Ninety-five respondents (67.4%) indicated that changes are needed in the accounting concepts, reporting practices, and principles required for U.S. enterprises, while 46 respondents (32.6%) indicated that changes are not needed. On a group basis, 40 (73%) of the accounting educators, 32 (71%) of the practicing accountants, 13 (62%) of the CFOs, and 10 (50%) of the international portfolio managers, indicated that changes are needed. Table 2 reports the opinions of respondents regarding the need for changes in standards and the importance of selected groups and organizations in bringing about those changes. The Financial Accounting Standards Board was collectively perceived as being the most important group or organization in bringing about changes in accounting concepts, reporting practices, and principles. All groups except the CFOs perceived the Financial Accounting Standards Board as the most important of all the groups or organizations. The CFOs perceived the Financial Executives Institute as the most important organization to bring about the changes. The FEI could play

TABLE 2
Importance of Organizations in Bringing About Change
(Response Means)

Organization	Accounting Educators	CPAs	CFOs	IPMs	Pooled Means	P-Values
American Accounting Association	4.125	3.559	2.667	3.308	3.646	0.073
American Institute of CPAs	5.825	5.971	5.308	5.308	5.740	0.138
Congress	5.050	4.206	4.846	4.000	4.606	0.104
Financial Accounting Standards Board	6.550	6.559	6.000	6.538	6.480	0.241
Financial Executives Institute	5.325	5.235	6.077	4.923	5.340	0.114
International Accounting Firms	5.575	5.206	5.154	5.923	5.440	0.070
International Accounting Standards Committee	5.375	5.706	5.417	5.462	5.505	0.771
National Association of Accountants	4.075	3.353	4.727	4.073	3.898	0.112
Securities and Exchange Committee	6.250	6.206	5.692	6.077	6.140	0.267

an important role in bringing about change in corporate reporting by recommending that member organizations volunteer more disclosure than that required by the FASB or by persuading the FASB to increase the required level of corporate disclosure.

Table 2 also reflects the p-values determined using one-way variance analysis (ANOVA). A significance level of 0.05 is assumed. CFOs perceived the American Accounting Association as more unimportant than did the other groups. CFOs perceived the Financial Accounting Standards Board as being less important than did the other groups. Accounting educators and international portfolio managers perceived international accounting firms as being more important in bringing about the changes than did practicing accountants and CFOs.

Table 3 shows the mean response of each group and the pooled response regarding the importance of selected factors on international competition. The availability of capital was perceived as being the most important factor by all four groups. Different approaches for determining return on investment was perceived as being least important by all groups. Table 3 also reflects the p-values for each factor. Each of the p-values describes the significance of the differences between the means from the four respondent groups.

Respondents identified several other accounting concepts, reporting practices, or principles that might affect U.S. enterprises' ability to compete internationally. These items include the accounting requirements of the Foreign Corrupt Practices Act, value-added reporting, value-added taxation, import/export duties, cost of disclosures, and accounting for goodwill at acquisition.

One respondent commented that a "global view" mentality was needed in the U.S. Another stated that too much emphasis is placed on short-run profitability and earnings per share and that our national trade policy is designed to promote and protect domestic competitiveness. One respondent questioned the usefulness of the mandated disclosures and suggested that disclosures should follow the Organization for Economic Cooperation and Development (OECD) model and should relate to the community environment and work force. Other respondents expressed the belief that accounting standards are not a relevant factor in assessing competitiveness. One respondent indicated that, while the concepts and reporting practices had an impact, the principles listed were neutral in impact for sophisticated users because analytical adjustments could be made for most of them. Another respondent commented that although accounting may affect a firm's ability to compete in capital markets, it was doubtful that accounting has any impact on a firm's ability to compete with foreign companies in the product market.

There were several comments directed at the approach of this study. One respondent thought that the most important constituency to be surveyed was the international investment community (non-U.S.). Another respondent indicated the questionnaire seemed to presume that a country's accounting standards should be devised to support its com-

TABLE 3
Factors Influencing International Competition
(Response Means)

Factors	Accounting Educators	CPAs	CFOs	IPMs	Pooled Means	P-values
Availability of capital	6.382	6.311	6.476	6.200	6.348	.869
Cost of capital	6.273	6.200	6.238	5.950	6.199	.749
Different approaches to determining ROI	4.582	4.689	4.476	4.400	4.607	.867
Differences in accounting concepts, reporting practices and principles	4.927	5.422	5.190	5.550	5.213	.110
Tax subsidies (direct or indirect)	6.073	5.841	5.571	5.450	5.856	.033

petitive position. One respondent expressed a belief that brief global attitude surveys lead to misinformation and often misuse.

CONCLUSION

This study reports information about the perceptions of accounting educators, chief financial officers, practicing accountants, and managers of international portfolios regarding the impact of differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete with foreign enterprises. An analysis of the results of a statistical test comparing the mean value of the responses from each group on an item-by-item basis to 0 (the neutral position) indicates that several items are perceived to have a positive impact and several items are perceived to have a negative impact.

There is clearly a consensus that certain items do have an impact on competition. Those perceived as having a positive impact are consistency, adequacy of disclosures, consolidation practices, and types of financial statements. Those perceived as having a negative impact are use of discretionary reserves, accounting for income taxes, accounting for post retirement benefits, accounting for research and development expenditures, and amortization of goodwill. Policy makers may wish to consider these items when addressing the issues of international competitiveness and harmonization of accounting standards.

One interesting disagreement relates to segment reporting. Practicing accountants perceived segment reporting as having a negative impact on U.S. enterprises' ability to compete internationally while the other groups perceived it as having a positive impact. One possible explanation for the practicing accountants' position might rest with problems experienced in the audit function. Radebaugh and Gray (1993) point out that U.S. enterprises are faced with the most extensive segment reporting requirements in the world. This segmental information must be audited. Auditors face serious problems with the verifiability of such segmental information and in segment identification. While other countries require some segmental information, most adopt a secretive approach. Japan, for example, only recently adopted minimal segmental reporting requirements (Radebaugh and Gray 1993).

A majority (67.4%) of the respondents indicated that changes are needed in the accounting concepts, reporting practices, and principles required for U.S. enterprises. Choi and Levich (1991), while identifying an association between accounting diversity and capital market effects, present limited evidence that market agents are effectively coping with the diversity. They question whether initiatives toward greater harmony in accounting standards are warranted and pose serious challenges to the advisability of harmonization. The contrast in the perceptions of the respondents in this study and the questions raised in the Choi and Levich (1991) study suggest the need for additional empirical research to assist policy-making in this area.

The almost consensual perception concerning the Financial Accounting Standards Board (FASB) as the most important group or organization in bringing about change is interesting. This is particularly so in light of recent criticism of the FASB for not being more active in working toward harmonization of accounting standards (Beresford 1990). Since the FASB charter and original mission statement make no mention of FASB involvement in international issues (Beresford 1990), is it reasonable to expect the FASB to assume a more active leadership role in bringing about change? Members of a Special Advisory Group to the Trustees of the Financial Accounting Foundation think so. The Trustees recently accepted the Advisory Group's recommendation that the FASB be encouraged to become more actively involved in the international standard-setting processes. This acceptance provides the first formal approval for FASB involvement in international activities (Beresford 1990).

Several interesting questions arise concerning the FASB. If the FASB were to consider changes to address differences in treatment of accounting concepts, reporting practices, and principles, should it focus its efforts primarily on those items perceived as having a negative impact on U. S. enterprises' ability to compete internationally? Should it focus its efforts on persuading others to change to the U.S. position? Beresford (1990) points out another issue when he states that "the essence of the question is what degree of priority the FASB should give to international as opposed to domestic considerations."

While the FASB was collectively perceived as being the most important group or organization in bringing about change, CFOs perceived the Financial Executives Institute as the most important. Perhaps the Financial Executives Institute's experiences in bringing about changes in accounting standards led CFOs to this viewpoint.

One interesting observation is that differences in accounting concepts, reporting practices, and principles were perceived as being less important by accounting educators than by the other groups. One explanation may be that accounting educators are more neutral and have a broader perspective on the issue than the other groups and can therefore better evaluate all the factors. Certainly the other groups have a more practical perspective that may either limit their view or provide valuable insight not available to educators. While accounting educators perceived differences as being less important than the other groups, a larger percentage of the accounting educators indicated that changes were needed in the accounting concepts, reporting practices, and principles required for U.S. enterprises.

There are several implications for future research in the area of accounting differences and international competition. Information about the perceptions of members of the international investment community (non-U.S.) would complement the information gathered in this study. Other research could investigate the impact of accounting differences on the ability of a firm to compete in capital markets versus the ability of a firm to compete with foreign companies in the product market.

Dennis Beresford, Chairman of the FASB, in responding to the recommendation that the FASB become more actively involved in international standard-setting activities, indicated that there was a need for research on international issues particularly on the allegation that U.S. accounting standards impair the ability of U.S. enterprises to compete with foreign companies (Beresford 1990). Hopefully knowledge of users' perceptions on the impact of the differences in accounting concepts, reporting practices, and principles on the ability of U.S. enterprises to compete internationally will be useful to corporate officials and to policymakers.

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