

book review

## **International Accounting: A User Perspective**

By Sharokh M. Saudagaran

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Reviewed by Yigal Rechtman

For accountants and auditors who wish to gain strength in international accounting, there are many articles and books that can describe part of the picture. But for true insight into the issues and methods affecting international accounting, this book is a must-read.

The author gives a succinct narration of the complex web of international accounting issues. Designed as a textbook, the book is divided into three parts: overview, technical review, and emerging issues.

The first two chapters do a good job of combining established research with common sense and a sincere discussion of the real issues. For example, in chapter 1 the author does not shy away from telling it like it is: "[W]here a country was colonized for an extended period of time, it typically adopted the accounting system of the colonial power." Later on, the author discusses the status of the accounting profession throughout the world: "In code-law countries [e.g., France, Germany] ... the accounting profession has considerably less stature and power." The chapter continues to provide an instructive analysis of various accounting standards paradigms, from the bank-centered German standards to the pragmatic Australian standards. Chapter 2 explores the harmonization of accounting standards.

Chapter 3, "Accounting for Currency Exchange Rate Changes," and chapter 4, "Selected Financial Reporting Disclosures," are more technical. For readers interested in a balance between theoretical analyses and practice, these chapters are an excellent review of the relevant accounting issues. Examples and case studies make the reading easier.

Chapter 4 does a good job introducing inflation-based accounting, once mandated even by U.S. GAAP, now more often found in countries with high inflation rates. Issues that affect financial analysis, such as performance, social, and environmental disclosures, are also explored at the end of chapter 4.

For readers who wish to get directly to financial analysis, chapter 5, "Using Corporate Reports Across Borders," discusses issues such as the analysis of financial statements from various countries, prepared under diverse financial standards. Some noted differences are in the areas of fixed assets and depreciation, post-employment benefits, taxation, and of course differences in language, style, and format of presentation.

Finally, chapters 6 and 7 are for professionals who wish to understand the issues of emerging markets and for corporate managers who want to understand the concepts that matter most to their non-U.S. counterparts. The emerging-markets chapter, fascinating to read, unmask some myths about what emerging markets entail. For example, while the U.S. has 168 auditors for every 100,000 persons in the country (versus Chile and Malaysia, which have 87 and 48, respectively), the U.S. is ranked seventh on a disclosure index, below emerging countries such as Chile (sixth) and Malaysia (fifth) and not too far above Sri Lanka (ninth).

### **Style and Caveats**

The book's narrative takes the reader by the hand when reviewing technical matters such as exchange rates or conceptual differences among various sets of accounting principles. It does a good job of providing examples where needed.

Throughout each chapter, the author continuously refers to underlying foundations of accounting: availability, reliability, and comparability. This dimension adds clarity for readers who wish to enhance their understanding of the substance in the different international standards.

The book was published in 2004 and more-recent accounting standards are not covered. The discussion of goodwill, for example, lacks the rules about impair-

ment now in effect. Also, the author sometimes refers to studies done a decade or more ago, which may be outdated. Nor does the text mention technological achievements, such as the advances with XBRL in international markets or the common uses of e-mail and videoconferencing, as ways to overcome certain cultural barriers that otherwise would make accounting transition more complex.

The book is an overview-type narrative, and sometimes avoids issues that could be perceived as contentious, such as totalitarian regimes and controlled exchange rates, as in China or Cuba. The author works around the unpleasantness by providing charts that simply show the positions of various countries and lets readers arrive at their own conclusions. A more direct discussion of such issues would be appropriate in a book aimed at the entire body of international accounting practices.

Because this is a students' textbook, readers may at times feel as if they are back in college, especially given the questions and case studies at the end of each chapter. This is not a deficiency per se, and for accountants who can withstand the textbook style presentation, the reward is worth working toward.

As the convergence of International Financial Reporting Standards (IFRS) and U.S. GAAP becomes a reality, U.S.-based accountants and auditors should be prepared to learn more about international accounting. In addition, the instructor's manual may be useful in developing in-house CPE. This book delivers a substantial amount of information in a well-organized manner, served "just right" for easy consumption and easy selection of chapters or sections. Overall, its viewpoint, combined with a fine-tuned conceptual and technical narrative, represents the right mix of intriguing discussion and enhancements to professional competence. □

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