

GREG N. GREGORIOU AND MOHAMED GABER (editors), *International Accounting: Standards, Regulations, and Financial Reporting* (Oxford, U.K.: Elsevier, 2006, xx, 596 pp).

In my opinion, one of the research directions in which academics can have the biggest impact on future policy development is that of international financial reporting and regulation of global capital markets. I make this claim because I expect that during the next decade we will achieve near-global standards and that the cross-border flow of capital will continue to expand. Yet, we know relatively little about traditional research topics such as earnings management, investor response, and market efficiency when applied to a global stage. The generalizability of major segments of previous research can—and perhaps should be—revisited in an international context. As a result, I welcomed the opportunity to review the volume edited by Gregoriou and Gaber on this topic.

This book is composed of 24 chapters, each containing a scholarly paper with a complete list of references, but with no other interpretive or supporting material. Each paper stands on its own. As such, the book is much more a compilation of research around very broad international themes than a traditional text for classroom use. The focus of the papers is more or less on current issues in international financial reporting and their relation to standard-setting, auditing, financial instruments, and more.

Most notable is the breadth of topics addressed by the authors and the variety of research methods used. For example, the collection includes papers on implementation of fair value accounting, reporting of employee stock options, convergence and harmonization within specific geographic regions (including Australia, Estonia, and Italy), earnings management, and an extensive assessment of the curriculum for accounting education in Australia. The methods used include small-sample surveys, large-sample empirical work, and theoretic-analytical. In addition, the works reflect both positive and normative writings by authors representing all political and economic regions of the globe.

I found several of the chapters to be of particular topical interest or to offer the most potential research contribution. One that stands out is “Lobbying towards a global standard setter ...” by Jorissen, Lybaert, and Van de Poel. This study illustrates how to use existing research frameworks, developed in a largely U.S./U.K. context, to examine similar phenomenon at a global level. The authors consider a mix of economic, political, and cultural factors to investigate lobbying activity (comment letters) directed at the International Accounting Standards Board (IASB). In addition, they examine lobbying across a broad range of stakeholders, including audit firms, stock exchanges, national standard-setting bodies, and reporting entities. I found quite interesting the results from a country-level analysis of lobbying effort. One insight from the analysis is that regional influences on the IASB processes appear to vary systematically by cultural dimensions (as defined by Hofstede). What is important about the study is that, given the emergence of the IASB, the authors offer insights on the sources and nature of political influence on the development of global standards. Apparently, as with most global endeavors, the “playing field” for international standards might not be level.

Another notable paper is “Determinants of bias in management earnings forecasts: Empirical evidence from Japan” by Ota. The paper investigates numerous factors that could be associated with pessimism/optimism in the annual earnings forecast by the management of listed Japanese firms, including industry, firm size, firm performance, capital structure, and historical forecast accuracy. Interestingly, the results suggest a systematic persistence in the forecast error, meaning that Japanese managers appear to remain optimistic or pessimistic over time in their earnings outlook. The contribution of this study is that it examines what appears to be a fundamental regional difference in the importance of management forecasting. The author notes that, unlike in the U.S., management forecasting is a significant component of annual disclosures in Japan. Future research could investigate whether this emphasis on management forecasting is exhibited elsewhere, including the Asian region, or how investors react to the suggested bias in forecasts. Furthermore, the results illustrate one of many apparent regional differences that could affect the successful implementation of global standards.

While the book is ambitious in its scope, I found myself wishing the editors had done more with it. For example, the editors could have included an introduction in which they preview what they see as the overarching themes and importance of the collection. In their view, what future research directions should be inspired by this collection? What do they see as the contribution of the wide array of topics, methods, and authors’ backgrounds? Some reflection on each article, such as discussant comments, would have provided a helpful perspective. An alternate approach could have been to attempt to organize the chapters around themes with an editorial preface to each theme’s section. Furthermore, a few of the articles appear to be much less relevant to international accounting than others, detracting from the overall contribution of the collection.

Nonetheless, I commend the editors and authors for their work. The book provides a model for conducting and communicating broad-based research on difficult international accounting issues. Because of the breadth and level of writing, the book seems appropriate for other scholars interested in international research or perhaps a

doctoral seminar. However, I do not view it as a potential textbook for traditional masters or undergraduate courses on international accounting.

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HENNIE VAN GREUNING, *International Financial Reporting Standards: A Practical Guide*, Fourth Edition (Washington, D.C.: The World Bank, 2006, x, 299 pp).

Consistent with the preceding *Newly Revised Edition* (2005), the fourth edition of *International Financial Reporting Standards: A Practical Guide* sets out to provide a “consolidated and simplified reference” (vii) on the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) as of May 2006. Its stated objective is to present the standards in nontechnical language so as to address the needs of managers and analysts who may lack the accounting background necessary to comprehend the technical literature enough to be able to readily apply the provisions of the standards. The book’s target audience, therefore, is “executives and financial analysts ... who might not have a strong accounting background” (ix), but who must contend with the surging international convergence in accounting and reporting standards, and the attendant “steady stream of revisions to accounting standards by the IASB and the Financial Accounting Standards Board (FASB).”

Like the previous edition, the fourth edition is organized into four parts and 38 chapters, covering the IASs, the Framework, and IFRS 1 through IFRS 7. IFRS 6 and IFRS 7 are new to the fourth edition. The pronouncements, which invariably form the chapters, are grouped into the four parts based on homogeneity of the accounting and reporting issues addressed, rather than in numeric order. For example, Part I, *Presentation*, contains chapters 1–5, covering the Framework, IFRS 1, IAS 1, IAS 7, and IAS 8, respectively. Part II contains the standards that address business combination or group issues, Part III focuses on the standards that address the balance sheet and income statement issues, and Part IV focuses on the standards on disclosure. This organization makes for an effective and quick reference guide for the intended users. All IFRSs and IASs existing as of May 2006 are included in the book. Chapter 30 discusses IAS 14, Segment Reporting, which has been superseded by new IFRS 8.

Each standard is outlined to summarize the problems addressed, the scope of the standard, key concepts, the accounting treatment, presentation and disclosure requirements, and financial analysis and interpretation. Every chapter, except for Chapter 2 (IFRS 1—First-Time Adoption of IFRS) and Chapter 11 (IFRS 4—Insurance Contracts), concludes with practical application examples. Part III of the book, which centers on the balance sheet and income statement related IFRSs and IASs, is the longest of the four parts. In practical terms, it may also be considered the core of the book. The 18 chapters in this section offer some of the more illustrative examples of transactions dealing with measurement and reporting issues on items reported in the balance sheet and income statement.

In keeping with the book’s elected strategy of excluding detailed discussions of certain topics, coverage does not extend to interpretations by the erstwhile Standing Interpretations Committee (SIC) or the current International Financial Reporting Interpretations Committee (IFRIC). The book is indeed written in nontechnical language that can be easily understood by the unsophisticated user. It is doubtful, however, that taken by itself, it can serve as a sole resource for those who may undertake to apply IFRS in practice.

Even though the primary audience is not the classroom, the book should prove valuable as supplementary material to undergraduates in accounting, as well as to MBA students who may only need cursory familiarity with international accounting and reporting standards. Some of the detailed end-of-chapter examples and the accompanying questions and answers may actually be useful material in teaching a survey course on IFRS. For many of the examples, the suggested solutions to the accompanying questions include explanations. Practitioners and teachers needing more in-depth coverage that addresses some of the nuances of the IFRSs and IASs may look to other sources, such as Alfredson et al. (2006). [Editor’s note: Alfredson et al. [2006] is also reviewed in this issue.]

Hennie van Greuning’s book is a useful contribution in the burgeoning field of international accounting and financial reporting, but only as a simplified practical guide. Its presentation in simple and practical terms should indeed serve the needs of the naïve and the not-so-naïve reader.

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