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COUNTRY-SPECIFIC BARRIERS TO INTERNATIONAL CONVERGENCE OF ACCOUNTING STANDARDS

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ABSTRACT
The current arguments for international accounting harmonization accepts that for some countries convergence will be a monumental task. Little analysis has been made of the nature and size of the task. The present study adopts and refines the generic barriers to international accounting harmonization and further examines the experiences of one country i.e. Taiwan, R.O.C. In-depth interviews were conducted with twenty-one participants consisting of professional accountants, senior financial executives and accounting regulators involved with the standard-setting process in Taiwan. The study not only identifies varying perceptions between different groups but also explains the nature of the country-specific barriers. The experience of Taiwan is probably not unique amongst the financially sophisticated, smaller countries in the Far East that have particular issues which are overlooked by the broader accounting community. The study provides valuable lessons for policy-makers and corporate management in their pursuit of accounting harmonization.

Keywords:
international accounting, barriers, convergence, harmonisation, Taiwan

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INTRODUCTION

On 1st April, 2001, the International Accounting Standards Board (IASB) assumed accounting standard-setting responsibilities from its predecessor body, the International Accounting Standards Committee (IASC), and designated international accounting standards (IASs) as International Financial Reporting Standards (IFRSs). Its objective is to “develop, in the public interest, a single set of high quality, and enforceable global accounting standards” (International Accounting Standards Foundation Trustees, 2002, p.1). The IASB has received substantial support from the decision of the European Commission to require listed European companies to adopt IFRSs for consolidated accounts in 2005. Its past public disagreements with the Financial Accounting Standards Board (FASB) in the USA also appeared to be, at least partially, resolved in a memorandum of understanding (the ‘Norwalk Agreement’) drawn up in October 2002.

Although it is claimed that the differences between U.S. GAAP and internationalization are not insurmountable (Street and Gray, 1999), a degree of caution needs to be made regarding the progress towards convergence amongst all countries. The process of convergence requires “the elimination of current differences and the avoidance of unnecessary future differences” (Cairns and Nobes, 2000, p. 12). Originally part of the G4+1, the UK and USA would have substantial levels of negotiation and the possibility of behind-the-scene discussions on the differences that should be addressed and how they may be overcome. For others, there may not have been the
same opportunity and the differences may be far more fundamental compared with the UK and USA.

In Asia, there has been considerable support for the harmonization of international accounting standards but, to date, little analysis has been conducted in the potential barriers towards convergence and how these may be addressed. Although it is acknowledged that “for many countries, convergence with IAS will be a monumental task” (Street, 2002, p. 89), few have ventured to analyze the nature and evaluate the extent of such a monumental task.

Asian countries have been vocal in their support of IASs but, to date, little has been published on the difficulties they are encountering in adopting these international accounting regulations. This paper aims to remedy this deficiency by investigating, in depth, the experiences and problems of one country in the Far East i.e. Taiwan, Republic of China (R.O.C).

Taiwan originally based its accounting standards on those of US GAAP as the guide for developing their own standards. In 1996, however, the country publicly declared its move towards international accounting standards. It has concentrated with substantial vigour in attempting to achieve this objective.

The aim of this paper is to examine the perceptions of the ‘key’ players in the process of standard-setting. The research, therefore, adopts a phenomenological approach where the objective is to investigate the opinions of individuals with the assumptions that these perceptions will reflect attitudes and shape behaviour. Through a series of in-depth interviews with three
groups of participants - regulators, accountants in practice and senior financial executives - the barriers and opportunities of international harmonization are explored. By a process of comparison amongst the three groups, the perceived strengths of the barriers are identified and the potential for future progress discussed.

The next part of the paper provides a literature review. This is followed by a description of the research design. The main part of the paper presents the analysis and discussion. A substantial part of the analysis in the main section is concerned with the qualitative data arising from the interviews. The conclusions examine the insights of the study and may benefit the experiences of other countries.

LITERATURE REVIEW

A much vaunted reason for the inability to achieve international accounting harmonization is the difference between the rules-based approach and a principles-based approach to standard-setting. These are best exemplified by the rules-based approach of the USA and the principles-based approach of the UK. In the US, there is agreement that there should be international standards but it has been argued they should be firmly based on US standards (Cheney, 2001). Although some (Nelson 2003) argue that there are behavioral implications in the financial reporting process associated with each of these approaches, others (Schipper 2003) contend that US GAAP is based on a recognizable set of principles derived from the FASB’s Conceptual Framework, albeit with some rules-based elements.
Whether the FASB’s Conceptual Framework harmonizes with that of the IASB has been explored by Campbell, Hermanson and McAllister (2002). Campbell et al. compare the two Conceptual Frameworks and conclude that there are three key areas that either hinder or foster convergence. As far as the general organization in terms of form and content of the two Conceptual Frameworks, they conclude there is nothing to create a hurdle for convergence. They identify some pervasive differences in the level of detail that could hamper convergence. Finally, they refer to a number of topical differences that could either hinder or help convergence.

In the UK, where IASs have been considered close to UK GAAP, there still exist “a surprising number of differences” (Holgate and Gaull, 2002) and the recent IASB (2002) proposals on goodwill and intangibles raised some concerns in the UK (Simmonds and Sleigh-Johnson, 2003). These developments have led to the question being raised as to whether accounting for these transactions is being fudged (Ong, 2003).

The problem of companies claiming to follow international accounting standards but in reality failing to do so has also been commented on (Street, Weishar and Gray, 2001) and has included US companies such as Exxon, FMC and General Electric who were compelled to drop such assertions (Cairns, 2002). In the Pacific Rim, Japan has voiced concern that Asia’s voice is not being fully heard in the discussions currently taking place on future regulations and could withdraw from the IASB (Bolton, 2002).
The reasons for differences in international accounting and reporting have been examined in previous research. In recent years, however, the enthusiasm for convergence has obscured the lessons that can be learnt. As this body of work contributes towards the methodology in the current paper, a brief review is useful. Various studies have sought not only to identify differences in financial reporting but have often hypothesised on the factors which caused them (Mueller, 1967; Frank, 1979; Nair and Frank, 1980; Goodrich, 1982). Six factors are discussed below, the first five factors being drawn from Nobes (1992) as important causes of international differences between financial reporting systems.

**Legal systems**

Some countries have a system of common law where a limited amount of statute law is developed by the courts into a substantial amount of case law. Company law does not have detailed prescriptions on company activities and the form and content of published accounts. Other countries have codified law where company law or commercial codes lay down detailed rules for financial accounting and reporting.

**Business organisations and ownership**

In some countries there is a wide ownership of shares and, even if held by institutional investors, there will be pressure for greater financial disclosures. In countries where financial support comes mainly from the state, banks or family themselves, the financial supporters usually obtain all the information they require.
Stock exchanges

Where there are a large number of private shareholders there will usually be a well-developed stock exchange requiring certain disclosures. These will be supported and usually surpassed by requirements of legislation and accounting bodies designed to protect the interests of the investor.

Taxation

In some countries the rules of commercial accounting are used for financial accounting and reporting and subsequent adjustments are made to ascertain the tax liability. In other countries the tax rules are the basis for the financial reporting rules.

The accounting profession

The strength, size and competence of the accounting profession are due to some of the factors already identified. These factors also help to shape what the current accounting practices are.

National culture

Nobes (1992) makes little mention of culture per se in his analysis and it can be argued that the influence of culture on accounting would seem to have been largely neglected in many of the studies of international financial reporting classifications. One contribution in this area comes from Gray (1988) who proposed a comprehensive model of accounting values linked to Hofstede’s (1980; 1991) societal values. The rationale for this is that Hofstede’s proposition on societal values has institutional consequences in the form of legal, political and economic systems including the pattern of corporate ownership and capital markets. Gray contends that the
values of accountants are derived from societal values and that accounting values will, in turn, have an impact on accounting systems.

A study by Salter and Niswander (1995) concluded that Gray’s theory is best at explaining actual financial reporting practices and is relatively weak in explaining extant professional and regulatory structures from a cultural base. The researchers also found that the developments of financial markets and levels of taxation enhanced the explanations offered by Gray. A further elaboration on the importance of financial markets was demonstrated in a study of seven countries by Zarzeski (1996). The research found that enterprises operating in a global culture appeared to disclose higher levels of information than dictated by their local culture.

The study conducted by Nobes (1992) is generic and does not specify the relative importance of the various barriers to specific countries. Neither does it explain the dynamics of the operations of the barriers on those countries attempting to change their financial reporting system. There is a paucity of literature on the structure and operation of the accounting regime in Taiwan. Chen (2003) provides a comprehensive review of the development of the accounting profession and identifies government policies to attract foreign investments and to promote the domestic capital market as major factors in fostering demand for accounting services. In addition, Hussey and Ong (2003) give a brief overview of the standard-setting process in Taiwan.

Apart from these contributions, no published study has investigated the dynamics of convergence towards international accounting harmonization in that country and the perceptions of those involved in the process. The published research on Far East developments has concentrated
mainly on China and is frequently contradictory and either charts the progress made in introducing accounting standards (Taylor, 2000; Pacter and Yuen, 2001) or the lack of substantial progress being made (Chen, Sun and Wang, 2002).

ACCOUNTING STANDARD-SETTING SYSTEM

Taiwan provides an interesting case study as it is moving from a standard-setting system influenced by the United States towards harmonization with international accounting standards. In 1983, the Ministry of Finance in Taiwan convened a conference at which the Accounting Research and Development Foundation (the Foundation) was established. The role of the Foundation was to promote accounting knowledge and expertise and enhance the quality of accounting and auditing practices (Lai, 1992).

The development of an accounting standard-setting body reflected Taiwan’s increasing economic sophistication and the growing international trade, particularly with the United States. Not surprisingly, its initial accounting standards drew heavily from the American body, the FASB.

The structure and operation of the Foundation have changed little since its first days. There is an oversight body of a Board of 27 Directors, all part-time and subject to re-election every three years. The main operating activities are the responsibility of a Board of Managing Directors. The Deputy Minister of Finance is Chair of this Board of 13 part-time members and one full-time member: the Secretary General of the Foundation which is a paid position. It is important to stress the close involvement of the government which has six members of the Board of Managing Directors.
There are four separate committees reporting to the Foundation. The Financial Accounting Standards Committee (FASC) is responsible for standard-setting and has 14 members. The Chair of the FASC is drawn from accounting academics and the Deputy Chair from Certified Public Accountants (CPAs). Two members are represented by the government, one being drawn from the Securities and Futures Commission (SFC), a division of the Ministry of Finance, and another from the Ministry of Economic Affairs. The other 10 members comprise five accounting academics and five accountants from professional practice. In 1996, Taiwan decided to adopt International Accounting Standards. A project has been underway since 1999 to compare the existing Taiwanese standards with International Accounting Standards and to make revisions where necessary.

RESEARCH DESIGN

The aim of the research, which was kindly supported by the Ministry of Education, Taiwan, was to explore and examine perceptions towards convergence of those involved in the standard-setting and compliance process. The aim of the research is to illuminate the experiences of one country and the pattern of perceptions influencing the attitudes and behaviour of some of the key participants in the financial reporting process. The research, therefore, adopts a phenomenological approach where the objective is to investigate the opinions of individuals with the assumptions that these perceptions will reflect attitudes and shape behaviour.

The current research was conducted by interviewing those known to be closely involved in some aspect with the process of IFRS convergence. The personal interviews lasted approximately two
hours each and were conducted with 21 individuals. A total of eight regulators were interviewed and these comprised members from both the Ministry of Finance and the Financial Accounting Standards Committee (FASC), including the Chair of the latter. The second group consisted of seven senior audit managers or partners of the ‘Big 4’ accounting firms based in Taipei. Each was a member of the CPA profession and had direct experience of dealing with IFRSs. The third group comprised senior financial executives from six different companies. Each had the prime responsibility for preparing the financial statements for their organizations in compliance with accounting standards.

Each interview was conducted either in English or Mandarin depending on the preference of the interviewee. All interviews were audio recorded with at least two interviewers being present to ensure no linguistic or semantic misunderstandings and for post-interview confirmation of data gathered. Although the individual interviews lasting approximately two hours were lengthy, the researchers considered that it was critical to maintain focus, but at the same time to preclude premature closure on the subjects to be discussed. A pre-designed interview schedule was, therefore, not used but the interviewees were given the list of the nine potential barriers to accounting convergence. They were invited to discuss each barrier separately and to explain its nature and possible relevance to events in Taiwan. This was a substantial part of the interview and generated considerable qualitative data, allowing an examination of the relevance of individual barriers in Taiwan and the context in which they can be explained.

The second part of the interview required participants to state their importance of the barriers relevant to Taiwan using a Likert scale (1 = Very important to 7 = Not important). The reasons
for their decision were probed until the interviewers considered that a stage of conceptual saturation had been reached.

Prior to the main interviews, six pilot interviews were conducted to ascertain the relevance of the barriers in the literature to the Taiwanese companies. The results of these pilot interviews modified slightly the barriers drawn from the literature and were extended to provide the following list:

**Legal system**

Those aspects of the legal system in Taiwan have already been explained but it is important to emphasize that the Ministry of Finance has the overall responsibility for standard-setting and is significantly involved in the process through the Securities and Futures Commission (SFC).

**Business interests**

Taiwan regards itself as a trading nation and it is government policy to promote business interests in a geographic area where there are several competitive economies.

**Operation of financial markets**

It has been a major government policy to foster the growth of capital markets and the integrity of financial information is regarded as a critical element of this policy.
The role of the national accounting standard-setting body

The FASC in Taiwan is a committee responsible to the Accounting Research and Development Foundation which, in turn, is responsible to the Ministry of Finance. Two government members are part of the 14-member committee and all accounting standards and proposals for standards have to be approved by the SFC.

Culture

The main aspects of culture identified during the research is that Taiwanese culture is consensus-based and the importance it attaches to itself as, primarily, a trading nation needs to be taken into account when considering the impact of potential barriers.

Taxation system

In Taiwan, the taxation system is not closely related to the financial accounting and reporting system and, as in many countries, the financial statements are adjusted to calculate taxation liabilities.

The role of the accounting profession

Chen (2003) has pointed to the rapid growth in accounting services over the last 40 years in Taiwan and CPAs have established large practices. CPAs are also active in the standard-setting system with the appointment of a CPA as the Deputy Chair of the FASC and a further five members being appointed on the basis of their professional designation.
Investor and user interest

This barrier has been merged by Nobes (1992) into the category of Business Ownership. This was not considered to have sufficient potential relevance in Taiwan and an additional barrier is separately identified.

Focus on international relations

Taiwan is a close neighbour of Mainland China and its status as a nation with full autonomy remains ambiguous. It is also in a geographic area with several competing nations for trade with the West. It is possible that political or economic factors could influence the policy Taiwan would take. An analogy is Canada where the policy on international harmonization is strongly influenced by the position adopted by the United States.

ANALYSIS

In this section, the analysis is structured on the basis of the rankings provided by the interviewees. Firstly, the responses for all interviewees are ranked. Then, a comparison is conducted of the rankings of the three groups of practicing accountants, senior financial executives and regulators. Although some non-parametric testing has been conducted, it is important that the aim of this section is not to conduct a statistical analysis. The rankings act as a device to shape and examine the qualitative data from the interviewees. In Table 1, the rankings for the three groups of interviewees are given.
Table 1

Overall Rankings of Barriers to International Accounting Harmonization

<table>
<thead>
<tr>
<th>Perceived barrier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal system</td>
<td>2.38</td>
</tr>
<tr>
<td>Business interests</td>
<td>2.90</td>
</tr>
<tr>
<td>Financial markets</td>
<td>3.76</td>
</tr>
<tr>
<td>National accounting standard-setting body</td>
<td>4.48</td>
</tr>
<tr>
<td>Culture</td>
<td>4.52</td>
</tr>
<tr>
<td>Taxation system</td>
<td>4.57</td>
</tr>
<tr>
<td>Role of accounting profession</td>
<td>4.76</td>
</tr>
<tr>
<td>Interests of investors and users</td>
<td>4.86</td>
</tr>
<tr>
<td>Focus on international relations</td>
<td>5.48</td>
</tr>
</tbody>
</table>

Table 1 demonstrate that some of the barriers are perceived as being far more relevant to Taiwan than others. The “legal system” is regarded as a major barrier to convergence and the interviews revealed that the regulators responsible for standard-setting wish to control the extent and pace of convergence. Although the adoption of international accounting standards is a national policy, the regulators consider that some limits must be placed on convergence as the total adoption of IFRSs may conflict with national interest as some standards do not recognize the particular aspects of Taiwan’s economy and domestic law.

To support the opinions of the regulators of the need to protect the Taiwanese economy from some of the perceived undesirable consequences of complete convergence, the two next important barriers were regarded as “business interests” and “financial markets”. Our interviews revealed some conflicting opinions on the extent to which there should be limits placed on the progress towards convergence. It was recognized that the regulators had the authority to place controls to safeguard business interests and to ensure the orderly conduct of the financial markets. There was some disagreement, however, on the extent to which these controls were
necessary and this is discussed later in this paper when the perceptions of the individual groups are examined.

The average for each of the three categories of interviewees (accountants, senior executives/CFOs in industry, accounting standard-setters) were also calculated and the results are shown in Table 2 below. The ranking of each item is shown in brackets.

**Table 2**

**Barriers to International Accounting Harmonization:**

**Practising Accountants, Senior Financial Executives and Regulators Compared**

<table>
<thead>
<tr>
<th>Difference</th>
<th>Practising Accountants</th>
<th>Senior Financial Executives</th>
<th>Regulators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal system</td>
<td>2.71(1)</td>
<td>3.00(1)</td>
<td>1.63(1)</td>
</tr>
<tr>
<td>Business interests</td>
<td>2.71(1)</td>
<td>3.67(3)</td>
<td>2.50(2)</td>
</tr>
<tr>
<td>Financial markets</td>
<td>3.14(3)</td>
<td>4.67(6)</td>
<td>3.63(3)</td>
</tr>
<tr>
<td>Standard setting body</td>
<td>4.29(7)</td>
<td>4.50(5)</td>
<td>4.63(4)</td>
</tr>
<tr>
<td>Culture</td>
<td>3.71(4)</td>
<td>4.33(4)</td>
<td>5.38(8)</td>
</tr>
<tr>
<td>Tax system</td>
<td>3.85(5)</td>
<td>3.50(2)</td>
<td>6.00(9)</td>
</tr>
<tr>
<td>Accounting bodies</td>
<td>4.43(8)</td>
<td>5.00(7)</td>
<td>4.88(6)</td>
</tr>
<tr>
<td>Investors’ interests</td>
<td>4.00(6)</td>
<td>6.00(9)</td>
<td>4.75(5)</td>
</tr>
<tr>
<td>International relations</td>
<td>6.00(9)</td>
<td>5.33(8)</td>
<td>5.13(7)</td>
</tr>
</tbody>
</table>

A visual inspection of the data reveals some similarities and the researchers had no *a priori* evidence to predict that the three group rankings would differ. Null hypotheses were therefore established to state that there were no associations between the group rankings. Because of the relatively small number of the samples and non-parametric nature of the data it was decided to use Spearman’s *rho* to test whether there were any statistical differences between the three groups and the results were as follows.
Hypothesis 1

The null hypothesis would appear to be supported as there is no significant association at the 5% level between the ranking given by accountants and regulators using a two-tailed test of significance ($\rho = +0.57$, $N = 9$).

Hypothesis 2

The null hypothesis would appear to be supported as there is no significant association at the 5% level between the ranking given by industry and regulators using a two-tailed test of significance ($\rho = +0.217$, $N = 9$).

Hypothesis 3

The null hypothesis would appear not to be supported as there is significant association at the 5% level between the ranking given by accountants and industry using a two-tailed test of significance ($\rho = +0.69$, $N = 9$).

There are two immediate aspects of interest revealed in Table 2. Firstly, the regulators give a different ranking and, secondly, they give a much higher level of importance to the influence of the legal system as one of the differences. Additionally, it is on the middle ranking items of culture and tax where the regulators hold opinions at variance with the other two groups. The explanations for the differences in perceptions and the nature and potential importance of the major barriers are discussed below using the qualitative data from the interviews.

Legal system

All three groups identified the importance of the legal system in Taiwan in creating a difference between Taiwanese R.O.C. GAAP and international standards. Advocates of international
harmonization would view this as a barrier, i.e. impediment, but the regulators view the legal system as a protection of Taiwanese appropriate practices and economic policies. The standard-setting body, although publicly stating its objective of adopting international accounting standards, accepts that this objective can only be pursued within the constraints imposed by the Securities and Futures Commission (SFC), a division of the Ministry of Finance. One should not conclude from this that there is a conflict between the two groups: it is more a realization that a consensus is necessary for progress to be achieved.

A more prosaic explanation also exists that is rarely identified in the literature. Some of the regulators believe that principle-based international accounting standards do not always easily translate into Mandarin. Nuances and subtleties can be lost and companies are unclear as to what is expected of them (Hussey and Ong, 2003). The rules-based US standards seem to them more amenable to translation on some issues. It would be interesting to pursue this issue with other countries where translation is required.

**Business interests**

In this section, it is important to remember the importance of international trade to Taiwan. The great economic progress it has made is a source of pride and the SFC has always stressed the need for probity in financial dealings. “Ever since foreign investment arrived in 1965, the image of an efficient, uncorrupted government was of great concern to the Ministry of Finance” (Chen 2003 p. 292). The Ministry of Finance continues to play a major role in the supervision of business matters. It is therefore regarded essential to promote business interests as they are of great national importance.
From the interviews, the theme of ‘protecting and controlling businesses’ was strong. There was concern that any change in accounting regulations in Taiwan may give competitors in neighbouring countries a competitive advantage as the latter may not adopt the same accounting practices. Taiwanese companies are concerned that any international proposals that could affect earnings e.g. employee bonuses, stock option and pensions would depress company financial results.

It was argued by the interviewees that Taiwanese companies seek a listing on New York Stock Exchange (NYSE) if they wish to raise finance. Unless that stock exchange accepts financial reports and accounts drawn up on an international basis there is no incentive for Taiwanese companies to depart from US standards.

Additionally, the accounting group and the regulators argued that businesses were not interested in any change in accounting standards either at the national or international level. Although this criticism appears harsh, it is understandable when placed in the appropriate context. The industry interviewees were following Taiwanese standards derived from R.O.C. GAAP and in some instances with a strong leaning towards US GAAP. From their perspective there appeared to be little need for change on an individual company basis.

Financial markets

It was on this item that differences in perspective became apparent. The interviews with regulators and accountants revealed a great emphasis placed on the protection of the individual
investor. The industry group saw financial markets in terms of the requirements placed on them. The main issue, but only for a minority of companies, is how to access more easily the US capital market.

Culture
Both accountants and industry group ranked culture as number four whereas the regulators designated it as number eight. The professional accountants and the industry executives accepted the significant impact that the US had on accounting in Taiwan. The educational system in Taiwan uses US accounting textbooks. Many of the academics and professional accountants have spent some period of time studying or working in the US and accounting standards were initially based on those of FASB.

The regulators consider that legislation sets the boundaries and priorities for issues as far as accounting and business matters are concerned, and this complements their opinions on the importance of the legal system. Apart from the tax system, which was viewed by the industry group as important, the other differences were considered to have little or no impact on standard setting in Taiwan.

DISCUSSION
It is premature to claim that Taiwan has fully embraced international accounting standards both in spirit and in practice. Although it has, in principle, chosen the route of harmonizing with international accounting standards, it is currently operating a three-part system. There are FASB-based standards, international accounting standards and Taiwan-derived standards based
on R.O.C. GAAP. In addition, the powerful SFC will sometimes issue a pronouncement on an accounting matter and this prevails over the particular requirements of a standard.

The three-part system sounds more fragmented than it is and an explanation of the development and practicalities of standard-setting as revealed by the interviews will demonstrate how Taiwan has reached this position. A key factor is the legislative system, which was ranked the most important barrier by our interviewees. In relation to this, it is valuable to make reference to the role of the SFC.

As previously discussed, the regulators are unwilling to completely release their control on accounting regulation and move totally to IFRSs. The regulators believe that there are several features unique to the Taiwanese economy and business practices that are either not addressed by international standards or are dealt with in a manner not useful to Taiwan.

The national legislative body would be reluctant to pass on complete control to an international body as this could mean the weakening of the former’s powers. As such, the SFC ensures that the provisions of international accounting standards are compatible with the needs of Taiwan before they can be adopted and such standards may require modification.

As regards to companies, they are not enthusiastic on changes to accounting standards although, in principle, they accept the harmonization arguments. There are a number of reasons for their opinion. Most importantly, a number of companies are either closely linked with US companies or involved with the US in some way. The use of standards as promulgated by FASB is much
more helpful to their business relations. It would require FASB to completely accept the role of the IASB for Taiwanese companies to follow suit. Secondly, there is the concern of the accounting practices of competitors in nearby countries. Adopting international accounting standards before neighbouring countries may harm the competitive position of Taiwanese companies unless there is a “level playing field”.

The actual process of standard-setting is therefore a blend of the possible and the desired. Given the part-time nature and tight resources of the FASC in Taiwan, the process of revising past FASB-based standards to international accounting standards is a lengthy process. Some FASB-derived standards are therefore still applicable. A further dilemma arises where there is a conflict between the new international standard and the existing FASB standard. If it is possible, Taiwan will opt for the International Financial Reporting Standard. However, it is sometimes considered that neither of the conflicting standards fits the particular issues faced in Taiwan and a Taiwan-derived standard based on R.O.C. GAAP is therefore developed to take these into account.

CONCLUSIONS
The advocates of convergence towards international accounting harmonization make a strong case for the benefits but rarely address the issues that arise in specific countries. Although it is accepted that there are barriers to harmonization, the literature fails to fully examine them. This research has used the data from 21 in-depth interviews to examine the nature and strength of barriers in one country. With such a relatively small sample, caution must be exercised in interpreting the results. The data is non-parametric and, for this reason, Spearman’s rho was used
to provide a somewhat crude statistical analysis to provide a structure for the discussions on the qualitative data from the interviews. It must be emphasized that the paper does not claim that the results can be generalized to other countries or other periods of time. The aim of the research is to illuminate the experiences of one country and the pattern of perceptions influencing the attitudes and behaviour of some of the key participants in the financial reporting process. In that context, the results provide explanations that can assist in the interpretations of research conducted in other accounting regimes and understanding the experiences of other countries in the Far East.

Taiwan is actively working on the complete adoption of international accounting standards. There are strong practical and cultural influences that make Taiwan reluctant to completely abandon US standards before international standards are globally accepted. The path towards convergence has, therefore, many difficulties to be resolved and one may anticipate that the change will be evolutionary, not revolutionary. International accounting standards cannot be adopted and implemented in just a few months or even in a few years.

Taiwanese regulators are concerned that particular domestic issues are not always recognized by the IASB. There is therefore a need to retain national control of accounting developments. Taiwanese companies look to the New York Stock Exchange if they are seeking to raise finance. Unless that stock exchange accepts financial statements drawn up on an international basis there is no incentive for Taiwanese companies to depart from the US position. Also there is the concern over the accounting practices of competitor companies in the Far East region and their accounting practices that may work against Taiwanese interests.
On the practical basis, the country has only a certain amount of resources it can commit to changing to international standards. Not only is there the backlog of FASB-derived standards, but also there are the new standards being issued by the IASB and, as most countries have realized, convergence has become a moving target which requires substantial effort to retain proximity to the goal. The other major factor remains which is labeled culture, tradition or custom and practice. Taiwan has been closely connected on an educational basis and a standard setting basis with the U.S. It is extremely difficult to reverse that approach and to adopt a new one within a few years.

Finally, changing from a rules-based approach to a principles-based approach is not just an issue of translating English-worded standards into Chinese but of overcoming conceptual and practical problems. The process involves grasping concepts which are elusive or implied and capturing them in such a way that they can be applied by the practitioner.

There is anecdotal evidence that embracing international accounting standards requires more than good intentions and there are reports that other countries are now realizing that convergence will be a ‘monumental task’ to be overcome. Taiwan, as with other Asian countries, has made rapid progress towards international accounting harmonization. It is necessary to recognize the effort that has been made to date on achieving this progress and the nature and extent of the barriers that still remain.
REFERENCES


