

## **A Comparative Study between Accounting Standards of Iran with International Accounting Standards**

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### **Abstract**

*The purpose of this study is to compare accounting standards of Iran with international accounting standards. This study has applied objectives and methodology of this research is a descriptive- Survey research. The approaches are represented by interviews with accounting experts from a selected amount of Iranian expert's auditor the experimental material has been analyzed on the basis of the theoretical framework regarding the background and development of Iranian accounting standards in relation to the internationalization of accounting standards. The study concludes that there are differences to be found between international standards accounting and Iranian standards accounting. Iranian markets commonly have more insubstantial property in relation to total benefit on their balance sheet. This goes especially for capitalized research and development, where the largest difference has been located, both in the examination of annual reports, as well as on the answers from the interviews.*

**Keywords:** *Accounting, Accounting Standards, Financial accounting standards, International Accounting Standards.*

### **1. Introduction**

Accounting standards have been evolving through diverse practice, developed by accounting experts in order to meet legal and economic requirements and to avoid intentional misuse of financial reporting (Walton et. al., 1998). According to Douppnik & Salter (1995)

Nine different groups of accounting traditions can be discerned. The majority of the different traditions are based on cultural, political and institutional differences (Nobes & Parker, 2004) and the fact that

different interest groups with different agendas have been the important influencers in various countries (Artsberg, 2005). There are however, two major international accounting traditions that are more widely acknowledged and practiced than the rest, the Anglo-Saxon tradition and the Continental tradition (Smith, 2006).

One of the main purposes of the international accounting harmonization process developed by the International Accounting Standards Board (IASB) is to achieve the comparability of financial reporting across countries. In order to do so, it is necessary - though not enough - to adopt an identical set of accounting standards. In fact, professional accountants (i.e. accountants and auditors) should also interpret and apply the standards similarly, so as to make possible the international comparability of financial statements (Doupnik & Riccio, 2006). However, professional accountants are faced with accounting standards using verbal probability expressions (VPE), such as "remote", "possible", "probable" and "virtually certain", to describe (in terms of probability) the occurrence of a certain event or result (Simon, 2002). Accountants and auditors have to give a meaning to such terms and expressions (Doupnik & Richter, 2003). Auditors, in particular, have to assure the proper application of accounting standards and to evaluate alternative accounting practices. These professionals evaluate the application of accounting principles and criteria used to prepare the financial statements and make recommendations to the companies regarding financial reporting issues.

The Anglo-Saxon accounting tradition has its origin in Great Britain. The tradition has been used in countries like Great Britain, Australia, the US, Ireland, the Netherlands, Canada and other English speaking countries such as former British colonies (Smith, 2006) The Anglo-Saxon accounting tradition is influenced by the English Common law system, a case based system that focuses on customs and precedent cases (Nobes & Parker, 2004).

The Continental accounting tradition has its origin from Western European countries. It is influenced by the Roman law system, a civil law system that focuses on written laws instead of providing an answer to a specific case (Smith, 2006).

A major cause of dissimilarity between the two major accounting traditions is the difference in company ownership (Henriksen & Breda, 1992). In countries where the Anglo-Saxon tradition has been developed and practiced, companies have been represented on the stock exchange to a greater extent than in the countries where the Continental tradition has been dominant. Thus, ownership in the Anglo-Saxon countries.

There have also been a lot of different scholars that have conducted extensive research on the topic of international accounting harmonization and, thus, the benefits and cost that one set of standards generates. But before reviewing prior research and literature of the different reasons for harmonization and obstacles to harmonization, it is important to clarify the involved concepts. Prior research focuses on both harmonization and standardization. According to Choi & Mueller (1984) harmonization means there might be a variety of accounting standards in various countries, however, harmonization implies a gathering around a few available standards so that they are in harmony with each other. On the other hand, standardization implies that a single standard is used in all situations. Thus, a firm compliance to the one set of rules in order to achieve consistency in practice. Tay & Parker (1990) argue that harmonization can be viewed as a process that is moving away from a total diversity of practice, and that standardization can be viewed as a process that is moving towards uniformity. However, Emenyonu &

Gray (1992) argue that, in an accounting regulatory process, this distinction between harmonization and standardization, and when more precisely the change from one to the other is difficult to distinguish.

In conjunction with increasing globalization, rising trade between countries, large multinational companies, and the growing importance of financial centers like the London stock exchange and the New York stock exchange, a consistent platform of accounting standards has been highly sought after (Smith, 2006). A harmonization of accounting standards has been considered to be an essential step towards facilitating the global business environment. Nobes & Parker (2004) state that, the accountancy profession would benefit vastly by developing one international set of accounting principles, thus simplify auditing and make it less time consuming. Carroll (2003) argues that, the benefits of consistent standards are obvious, citing more effective interaction between international companies and investors. Comparable standards would greatly help investors and other stakeholders comprehend and evaluate the information from multinational companies, since the transparency would increase the ability to interpret, and assess financial reporting across jurisdictions (Alfredson, 2003) Smith (2006) argues that, it is important that financial reporting is in fact been an increase of harmonization in accounting standards between the countries surveyed.

However, Evans & Taylor (1985) conducted a similar survey aiming to study the effect of IAS accounting practices 2,3,4,6 and 7 in three European countries, France, U.K and West Germany, and two additional countries outside Europe, U.S.A and Japan. Their findings concluded that IASC had had limited positive effect on harmonization between the countries surveyed. Furthermore, Douppnik & Taylor (1985) assessed the IAS accounting practices 1 to 8 in 17 various European countries. They came to the conclusion that, even though, there had been some conformity according to IASC recommendations, there were still major differences in accounting practice between the countries surveyed. Another survey that coincides with the conclusions of the surveys conducted by both Douppnik & Taylor (1985) and Evans & Taylor (1985) is a survey by Emenyonu & Gray (1992). Set out to assess to what extent accounting harmonization has been fulfilled in France, Germany and the U.K. They studied 26 companies with a turnover in excess of 1 billion euro in each country, with the conclusion that there were significant differences in practice between large French, German and U.K companies.

The differences found can have many different explanations. Different scholars have in different surveys found different reasons for the discrepancies. For example, Nobes & Parket (2004) mention previous political, cultural, and other national characteristics as possible reasons. As seen above, Nobes (1992) argues that language might be one reason for discrepancies. Others have mentioned the society's degree of openness and ownership traditions (Emenyonu & Gray, 1992) accounting practices, regulation, and taxation (Smith, 2006) as possible explanted.

This study is relevant for those involved in regulating financial reporting as it reviews the interpretation of international standards accounting used in the Iranian registered auditors and draws attention to the existing differences in the interpretation of those terms and expressions. The study is also important for preparers, auditors and users of financial statements, as it identifies the mean interpretation (expressed in percentage) of some Iranian standards by Iranian auditors.

### *1.1 Problem Statement*

Financial accounting standards is a definitive benchmarks prescribed by a country's Audit Organization (as in Iran) or Accounting Standards Board (as in the U.K) or Financial Accounting Standards Board (as in the U.S.A) for reporting of accounting data in financial statements. These rules must be applied to all financial statements in order to provide a true and fair view of the firm's financial position, and a standardized method of comparison with financial statements of the other firms. In this study we will see that the accounting standards issued by Audit Organization (Iran) are able to support the said objectives. For example the objective of Cash Flow Statements prescribed under International Accounting Standards No.7 and Accounting Standards (Iran) No. 2 is:

1. To provide relevant information about the cash receipts and cash payments of an enterprise during a period
2. To help investors, creditors, and others to assess;
  - 2.1. The enterprise's ability to generate positive future net cash flows
  - 2.2. The enterprise's ability to meet its obligations, its ability to pay dividends, and its needs for external financing
  - 2.3. The reasons for differences between net income and associated cash receipts and payments
  - 2.4. The effects on an enterprise's financial position of both its cash and noncash investing and financing transactions during the period.

So the objectives of standards of financial accounting and reporting is to require the presentation of information about the historical changes in cash and cash equivalents of an enterprise by means of the statement of cash flows which classifies cash flows during the period according to operating, investing and financing activities.

According to International Accounting Standards No.7 and Accounting Standards (Iran) No. 2 , all enterprises that prepare financial statements in conformity with Accounting Standards are required to present a cash flow statement.

As per International Accounting Standards No.7 , a cash flow statement consist of 3 categories including operating, investing and financing activities, but also according to Accounting Standards (Iran) No. 2 a cash flow statement consist of 5 categories including operating, returns on investments and paid interest on financing, income tax, investing and financing activities.

With reference to the above facts, there is a crucial difference between the two standards that have been developed by the said bodies, so in this research, the researcher is following to find out answer/answers for the questions as follows:

1. With this fact that the accounting standards in Iran have been based on International Accounting Standards, Is there any differences between Accounting Standards issued by Audit Organization of Iran with International Accounting Standards.
2. If the answer is Yes; we ask accounting and auditing professions to see that, whether Accounting Standards issued by International Accounting Standards is most Understand ability, Relevance, Reliability, Comparability as comparison to Accounting Standards issued by Audit Organization of Iran

to support the main target of accounting standards that is " These rules must be applied to all financial statements in order to provide a true and fair view of the firm's financial position, and a standardized method of comparison with financial statements of the other firms."

It would be a long-term and difficult path for Iran to converge and adopt the Iranian accounting with IFRSs without revolutionary changes within the Iranian system.

## **2. Objectives Research**

Accounting Standards may be defined as authoritative rules, practices, and conventions meant to provide both broad guidelines and detailed procedures for preparing financial statements and handling specific accounting situations. They provide objective standards for judging and comparing financial data and its presentation, and limit the directors' freedom in showing an unrealistic picture through creative accounting. So the purpose of this study is to explain:

To study the meanings, scope of accounting standards in Iran with reference to International Accounting Standards.

The existing differences between Accounting Standards (Iran) and International Accounting Standards and; if there is any differences between those standards, from the viewpoint of accounting and auditing professions body, which of them most support the said objective Standards.

## **3.Literature and Background Research**

The study conducted by Simon (2002) represents the first research on the interpretation of IAS/IFRS used in accounting standards by European professional accountants. The thirty terms and expressions examined in that study fairly reflect the diversity and complexity of IAS/IFRS used in this context. The predominant research method for assessing the interpretation of IAS/IFRS has been to survey respondent's interpretation through the use of a research instrument (i.e. a survey questionnaire). The majority of the studies on this matter use samples with less than 100 respondents, except for those aimed at students, which register more respondents, though less skilled when compared to the respondents who are professional accountants.

Several methods have been used to assess the interpretation of IAS/IFRS. For example, respondents have been asked to: (i) analyse a series of IAS/IFRS and subsequently to interpret them as numerical percentage (e.g. Chesley, 1986; Reimers, 1992; Amer et al., 1994; Laswad & Mak, 1997; Simon, 2002). This method provides useful indicators about the typical perception of the respondents on IAS/IFRS; (ii) assign a numerical range that best represents the probability associated to each IAS/IFRS (e.g. Jiambalvo & Wilner, 1985; Chesley, 1986; Reimers, 1992; Amer et al., 1994; Laswad & Mak, 1997; Simon, 2002). This method helps to overcome the natural difficulty in assigning a single value, point or estimation (i.e. point estimates) to IAS/IFRS; (iii) examine the terms and expressions in the context of the activities they carry out, through the simulation of "real" professional situations (e.g. Jiambalvo & Wilner, 1985; Harrison & Tomassini, 1989; Amer et al., 1994). The simulation of a context will always be an attempt to recreate the "reality", but in practice, this method falls short of its aim, since it is not feasible to generalize all possible scenarios for a given situation or event; (iv) analyse the terms and expressions "in isolation", that is, without a context(e.g. Chesley, 1986; Reimers, 1992; Laswad & Mak, 1997; Simon, 2002; Doupnik& Richter, 2003) and (v) review the terms and expressions "in context", that is, contextualized in

standards, through excerpts of the accounting standards (e.g. Douppnik & Richter, 2004; Douppnik & Riccio, 2006). The main objective of this methodology is to understand the perception (expressed in percentage) of such VPE used in different accounting contexts, in order to observe a pattern in the interpretation of IAS/IFRS along different accounting scenarios (e.g. recognition of liabilities, assets and losses). However, the respondents will always consider their own professional experience in the accounting contexts under analysis, which leads to the implicit consideration of a vast array of scenarios.

Most of these studies reported inconsistent interpretations of those terms and expressions among professional accountants (e.g. Jiambalvo & Wilner, 1985; Harrison & Tomassini, 1989; Amer et al., 1994; 1995; Simon, 2002; Douppnik & Richter, 2003; 2004; Douppnik & Riccio, 2006). Such inconsistencies might result from the existence or absence of an accounting context.

The literature seems to agree that the use of IAS/IFRS is not appropriate to express probabilities, and that its inconsistent interpretation can affect the accurate application of accounting standards and comparability of financial reporting.

### *3.1. Setting IASs and IFRSs*

International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2000. From 1973 until a comprehensive reorganization in 2000, the structure for setting IASs was known as the IASC. There was no actual "committee" of that name. The standard-setting board was known as the IASC Board.

International Accounting Standards Board (IASB) is an independent, private-sector body that develops and approves IFRSs. The IASB operates under the oversight of the International Accounting Standards Committee Foundation (IASCF) (The IASCF created in 2000 to oversee the IASB). The IASB was formed in 2001 to replace the IASC. The IASB replaced the IASC in 2001. Since then, the IASB has amended some IASs and has proposed to amend others, has replaced some IASs with new International Financial Reporting Standards (IFRSs) and has adopted or proposed certain new IFRSs on topics for which there was no previous IAS. Through committees, both the IASC and the IASB also has issued Interpretations of Standards.

While not a standard, the IASB Framework for the Preparation and Presentation of Financial Statements serves as a guide to resolving accounting issues that are not addressed directly in a standard.

An International Financial Reporting Interpretations Committee (IFRIC) develops and solicits comment on interpretive guidance for applying Standards promulgated by the IASB, but the IASB must approve the Interpretations developed by IFRIC.

#### *3.1.1. Adoption of IFRSs*

IFRSs are used in many parts of the world, including the European Union, Hong Kong, Australia, Malaysia Pakistan, GCC countries, Russia, South Africa, Singapore and Turkey. As of August 27, 2008, more than 1 ] countries around the world, including all of Europe, currently require or permit IFRS reporting Approximately 85 of those countries require IFRS reporting for all domestic, listed companies.

#### *3.1.2 United States and convergence with US GAAP*

In 2002 at a meeting in Norwalk, Connecticut, the IASB and the US Financial Accounting Standards Board (FASB) agreed to harmonize their agenda and work towards reducing differences between IFRS and US GAAP (the Norwalk Agreement). In February 2006 FASB and IASB issued a Memorandum of

Understanding including a program of topics on which the two bodies will seek to achieve convergence by 2008.

### 3.1.3 Distinction between IASs and IFRSs

IFRS has both a narrow and a broad meaning. IFRSs refer to the new numbered series of pronouncements the

The IASB is issuing, as distinct from the IASs series issued by its predecessor. More broadly, IFRSs refers the entire body of IASB pronouncements, including standards and interpretations approved by the IASB as IASs and SIC interpretations approved by the predecessor IASC. There are 8 IFRSs, 41 IASs and ' Interpretations.

### 3.1.4 Accounting Standards of Iran

**Accounting Standards of Iran** has been developed based on International Accounting Standards. There a 31 Accounting Standards issued by Audit Organization (Iran) up to date. **IAS:** Abbreviation for the International Accounting Standards, International Accounting standards of accounting standards by the Committee from 1973 to 2000 has been published. Number of standards currently reaches 41 statements.

**IFRS:** Abbreviation for International Financial Reporting Standards, which sets accounting standards in 2001 by an independent and non-profit organization called the International Accounting Standards Board has been published. The standards of reporting laws in some important industries, offers a more comprehensive instructions. Currently more than 100 countries use the standards for state-owned enterprises have been permitted or required. The use of such firms, especially for large companies that have branches in other countries can be important.

### 3.2 Accounting Standards Literature

The usual size of everything considered based on a contract or organizational decision and measurement scale is referred to as Standard. Usually a standard sample is regarded for many stuff, materials and concepts, and other existing materials or concepts are qualitatively or quantitatively compared to its standard sample. For example, for length, mass and other measurement units, basic standards are set and kept at specific laboratories or standard organizations. For accountants, global standardization has been regarded as an important subject. Accounting, like measurement unit, different technologies, English language and national revenue seems to require a kind of standard. From theoretical point of view, there is a consensus that holding a uniform set of high-quality standards is profitable to the investors and lead to decrease in administrative costs to access capital markets across the world. The formal process to formulate administrative standards in modern ways began after the great crisis in US exchange market in 1929. Considering the fact that there was a relationship between accounting information and the value of securities, after that great crisis, US accountants were accused of getting misleading information to make that event. Hence, series of meetings gathered the representatives of New York Exchange market and the American association of Accountants to take the measures required for regulation of information disclosure. The main purpose of such meetings was to propose accounting and financial report issues influencing on the wealth and resources of investors, creditors and exchange market. The mentioned meetings led to formation of a powerful public foundation called "Securities and Exchange Commission" in the Law of Exchange and Securities. Integration and solidarity made its way into the profession of accounting and more sensitivity and accuracy was made in formulating the principles, criteria and standards of accounting.

Although the existence of accounting standards may limit the performance quality of accountants due to the difference between the nature of economic activities and the environmental situations, and the users of financial statements may think that the financial statements prepared are based on undistortable accounting standards and/or existence of many standards increases the cost to prepare financial statements, but formulation and creation of accounting standards is of numerous advantages with the advantages more than the costs. The following items are some advantages of accounting standards:

- Equipping the accounting profession to a set of useful applied principles,
- Inevitable enhancement of accountants quality
- The possibility to make the accountants resistant against the pressures by directors to apply inappropriate accounting methods,
- Making the possibility to compare financial statements of different units for the users
- Leading financial statements towards determining the economic reality of the performance of units

### *3.3 Process of Formulating Accounting Standards*

#### General Methods of Standard Formulation

Four general solutions, applied worldwide on legislation and formulation of accounting national standards are summarized as below:

#### A) Formulation of Standards by Professional Communities

In this solution, accounting standards are formulated by a board of scientifically qualified and expert accountants appointed by the countries accounting professional societies, and with the credibility by the profession members, in following the professional related community, the enacted standards are enforced. This method of legislation and formulation is mainly based on the methods applied in the profession of accounting and is mainly inductive. Theoretically, this method is based on legislation of standards by profession and acceptance of the legislated standards by professionals; but in the contemporary world, administrative and public authorities and also the economic and commercial societies have the right to vote on electing the standard formulation board, and the formulated standards are enforced upon their confirmation. In addition, some countries have applied this method or have prepared formulated theoretical principles or are formulating and enacting them. This solution is mainly chosen in the countries which have professional persistent and powerful communities. However, some authors hold that in this method, formulation of accounting standards is influenced by the advantages of great units.

#### B) Formulation of Standards by Professional Communities and their Confirmation by Public Authorities

In this method, accounting standards are compiled by the country's professional accounting communities and are further confirmed by an authority consisting of qualified accountants and other experts in economic affairs (as appointed by state authorities and officials), and are hence enacted. The advantage of this task is the cooperation of government and the profession in legislating and formulating accounting standards, the possibility to lead the standards towards preservation of public expedience and prevention from the overcome of the interests of great units on standard formulation process. On the opposite side, existence of an authority to formulate and another one to regulate the standards leads to discrepancy and low speed of standard compilation.

### C) Formulation of Accounting Standards by the Government-Appointed Authority

In this method, the formulation of national standards is delegated to a governmental organization or foundation or a board of expert qualified accountants appointed by governmental authorities and the standards legislated by such an authority are enforced as the Law-based regulations. The advantage of this solution is the formulation of national standards according to the requirements of the society and toward public interest. On the opposite, due to the lack of participation by professional communities in formulating national standards the acceptance of the legislated standards would face difficulties. In addition, national standards may have significant difference with the globally accepted standards and hence the information and financial statements prepared based on that may be unusable in international communications.

### D) Acceptance of Accounting International Standards

In this solution, the authority to legislate accounting standards including those appointed by public or professional societies, admits the international standards enacted by the international committee as the national standard and enforces its observation in the country. However, for the conformity of international standards with the specific situation inside the country, this body may choose a method among the internationally admitted standards or may make little alterations in that. This solution, in addition to holding the advantage of conformation of national standards to international standards, exempts the national authority of standard formulation from studying in formulating the national standards. On the contrary, the possibility increases to nonconformity of accounting standards to the country's situation and legal relations.

#### *3.4 Standard Formulation in US*

The American Association of Accountants was established in 1887. From the early beginning, this body decided to penetrate into formulation of accounting standards.

After the World War II and enormous criticism on the accounting principles, accounting principles Board was established in 1959. Yet, in late 1960s, criticisms were made on the formulation of accounting principles and on the professionals in this field. These criticisms were mostly on the dependence of the members of accounting principles and their low reaction to the emergent issues in the profession.

On the other hand, Exchange and Securities Commission should be responsible to Congress. Consequently, the process of compiling accounting standards in US is indirectly supervised by the congress.

#### *3.5 Research Background in Iran*

In comparing the standards, research done in Iran is classified into two categories: The first category is the research selected based on the ambiguity or the importance of some standards, and in which the researcher studies and criticizes them (like: Liquidity Statement, Iranian Standard in comparison with the international standard- Mahdi Morad Zadeh). But the second category is the studies comparing and studying all standards and the present study is of the same category.

The difference between the present study and the other studies is in its time period. At present the last study examining all international accounting standards and accounting standards in Iran dates back to 2004, when the number of standards formulated in Iran were not more than 25. New standards were formulated in these years and some standards were reconsidered and revised. Most important of all, the

agreement made between international standard formulation board and US in formulating common standards led to much revolutions in the international accounting standards.

Also in examining the challenges of international reporting standards, the following were proposed:

- Use of Fair Method: In many cases there is no possibility of accurate and valid assessment and thus, the people personal judgments enter the scope of financial reporting.
- Dissimilar Economic and Political Conditions: the economic and political diversity of the countries in the world makes the implementation of IAS/IFRS face many problems in many countries. This diversity will challenge the comparability of financial statements by different companies.

Lack of preservation of the interests of all interested groups: Advanced countries and particularly US seem to have considered their interests in formulating the standards and the not the interests of all groups. Maybe referral to “historical end price system” or balance of “fair value” van somehow solves the problems.

### *3.6 Research Background outside Iran*

Much research has been done in the country to compare the accounting standards, including the researches such as Comparison of International Accounting Standards to the accounting standards of China or Canada. Of course, the results and works related to such researches mainly done with the purpose to help convergence only have applications in the same country and cannot be useful for the researcher who decides to identify the similarities and differences between the accounting standards of his/her country and the international standards. But of the researches related to international standards one can refer to the following:

#### 1-Inspection on Formulation of International Accounting Standards: IFRS Black Pack

This article was offered in 2010 by Cordin Corts and Hellen Ervine and it was a research on the penetration of powerful companies in forming international accounting standards specially on a project of International board of Accounting standards on the standard number 6 (discovery and operation of mineral resources). In this standard, the board recommended that instead of calculating the total cost, the successful effort method is used as the basis for pre-production costs. But in contrary with the confirmation by the majority of members, the results of this method changed nothing. It was suggested in this article that some companies have been influential in the manner of deciding the management of pre-production costs.

#### 2-The convergence of national accounting standards with international reporting standards

Xahugo and Gohoya Xang, two Chinese researchers compared the accounting standards of China and those of the world in 2010. They say in this article the purpose of formulating integrated accounting standards is to reach global convergence and considering the importance of this issue, these researchers measured the convergence method. Also the other purpose of these researchers is to find a way for further convergence between Chinese accounting standards and international accounting standards.

#### 3-Nonconformity with International accounting standards

Kosheng Xhang et al., addressed some non-coordination existing between the method applied by the formulators of accounting standards in China with international accounting standards. One of this non-coordination is the admission of interest unity method in China, while this method has been omitted by international boards of accounting standards. This research, done in 2009, implies that the formulators of

accounting standards in China have taken a method against with international board of accounting standards.

#### 4-Standards of International Financial Reporting and the Quality of Financial Statement Information

George Letterdis has written an article on accepting the standards of international financial reporting and move from GAAP to application of IFRS in England. In this article he seeks to answer the question that whether the acceptance of financial reporting standards increases the information quality or not. And finally he demonstrates that the acceptance of such standards decreases the asymmetry of information and its better measurement and consequently the investors and users make decisions more confidently.

#### 5-The difference between Native Accounting standards and IAS

Yang Ding et al conducted a research in 2007 in which they analyzed the factors leading to discrepancy between national accounting standards and international accounting standards and it was made clear that two factors of lack and divergence led to discrepancy in national accounting standards and international accounting standards. By studying 30 countries they also indicated that the lack emerges due to ownership concentration; while divergence is related to the level of economic undevelopedness and the importance of accounting profession.

### **4. Research Hypotheses**

Based on the theoretical literature and the conducted studies, research hypotheses were developed as follows. The present study has two main hypotheses.

1. There is a difference between Accounting Standards issued by Audit Organization of Iran as compare with International Accounting Standards.
2. Accounting Standards issued by Audit Organization of Iran is most understand ability, Relevance, Reliability, Comparability than Accounting Standards issued by International Accounting Standards to support the main target of accounting standards that is " These rules must be applied to all financial statements in order to provide a true and fair view of the firm's financial position, and a standardized method of comparison with financial statements of the other firms."

### **5. Research Methodology**

This study has applied objectives and it is considered a descriptive- Survey research. The researcher uses primary and secondary sources of data collection as follows:

1. Primary Source The researcher uses field visit and interview.
2. Secondary Source The researcher uses secondary sources of data collection such as documents probing, Internet, Websites, books, and magazines, etc.
3. Third Source Data analysis methods were used for analysis of data from SPSS and EXCEL software. Through standardization of scores in the normal distribution ( $Z$ ) can be calculated and made known

Population for this research includes: financial management, experts, and postgraduate accounting students in Tehran, Iran.

The sampling technique is divided into two techniques namely probability and non-probability. The probability sampling techniques is the techniques that every units of universe has the equal chance to be as a unit of the sample whereas in non-probability sampling technique the items for the sample are selected deliberately by researcher. So in this study the non-probability techniques, including convenience sampling and purposive sampling is as sampling technique used. The primary data by questionnaire is collected from Certified Public Accountants, Auditors and University Professors from accounting and auditing professions who are available and satisfy to share and issue their information, opinions, views and attitudes.

Interview is a method through which the researcher asks questions transparently from the subjects during a predefined plan and registers their answers. To do the interview, the researcher first asks questions systematically. It should be stated that this part of data collection was used only by preparing a valid questionnaire approved by qualified experts. This part was not used much in analyzing the data, unless in interpreting the research results and validation of research tools.

Questionnaire is prepared based on four qualitative criteria of evaluation, comparability, reliability and understandability; with a 0 to 100 scale consisting of 20 questions and the maximum score for the entire questionnaire is 2000. The reliability was evaluated through interview with experts.

To identify the reliability and validity interview was done with approved experts.

To accredit through congruity index of 0.567, a credit of about 60 percent is specified which is the minimum level of research validity. It is hoped that in the further research this amount of credit is increasable.

## **6. Results**

### *6.1 Data Collection*

In the first part of this chapter which is dedicated to statistical data description, first the gathering of data selected after implementation of the questionnaire in the statistical society through sample people, who were put in three categories of financial managers, professional auditors, and MA students in accounting and the scores were selected. Then each question devoted to one of the capabilities and qualitative characteristics of financial statements including their comparability, appropriateness, reliability, and understandability was specified and its abundance distribution table was formulated. Then the diagram and finally its statistical indices were calculated and mentioned. It should be stated that this data gathering based on separated questions in coordination with research questions and research hypothesis were considered to present the results of this research.

Thus, first the research question, table interpretation, diagram drawing and the interpretation of the given diagram, and then the comparative inter-category table and finally the final conclusion were done.

### *6.2 Statistical Tests*

As it was stated in the previous chapters, because Iran accounting standard is a translation of IASB international standard, only in the cases where there is a difference between them, that standard is proposed and the expert view is sought and they are asked to give score from 0 to 100 as follows:

In this part of the report formulated based on the questions in the questionnaire and each is collected and offered proportionate to research question, each given characteristics can be seen by watching their

percentages. In respect with visual relationship with the tables, the diagrams are presented immediately after the given table, and at the end of each question, to compare the three categories in the abundance distribution table, a percentage is offered to describe the data indicating the category comparison easily.

The important points gained in this research indicate that the idea of categories on standards are not the same and are not integrated, so that they consider different distributions and scores. Thus it can be said that with this significant difference, the integrity of social judgment faces problem. Although they acknowledge that Iranian standard is better at last, considering the research errors proposed, there exists the probability of personal abuse. Hence, although the outward result is not desirable to Iranians, but the necessity of investment and attention in this regard and doing further studies is so transparent.

In this research, where the given hypothesis based on a significant difference between the triple categories toward their evaluation and judgment regarding the ratio of international accounting indicates that the square calculated is equal to 145/433 is greater than the index value in the table at 99% level which is equal to 20/09.

Hence the difference between the categories is significant and the research hypothesis is confirmed. In the other word, the three categories had different ideas on Iranian standard, but generally it can be said that all three groups, namely directors with 50.97, standard formulators with 65.32, and MA students in Accounting with 70.81 indicate the supremacy of Iranian accounting standard, with high value of comparability, appropriateness, reliability, and understandability(table 1-5).

Comparisons between each standard based on the objectives, application, and similarities can be easy to evaluate and study, but the difference between them which can be different in different situations will entail different effects and applications. Hence, the expert view on the difference between standards, qualitative financial situation of trade, economic, and state systems may not enjoy a specific order. Therefore, it is inferred that considering the ideas of different experts in different situations, the place and performance of accounting standards can clarify the logical nature of the research. With the difference seen that the ideas of experts do not talk about the similarity of the influence, based on social judgment theory they can be influenced by different factors, and hence the systematic nature of the implies high variety. In the other word, in case social judgment was similar the effect of standard could be coordinated with those judgments and in this situation, research results rejects that. In the other word, social judgment is not the same toward the standards and requires more attention. It is hoped that with accurate view of the results gained, all experts and professionals active in this field understand this and use it in further planning.

## **7. Conclusion & Discussion**

Today, sustainability of organizations is one of the concepts which have attracted much attention. Therefore, organizations in order to conduct the social duty and also remain in the scene of the trading competition must include the sustainability a part of the policies of the organization and take it seriously. Because remaining in the trading competitive space requires the attraction of the customers' satisfaction and the customers are, in fact, those which the aspects of the sustainability of the organization relate to them and are important for them. In this direction, whereas the accountants play an undeniable role in this context, they require to develop their knowledge and skill not only in the accounting and financial fields, but also in the aspects of the sustainability and decision making. Otherwise, if they rely on the accounting knowledge, they will go out from the working life cycle like the organizations which are indifferent

towards the sustainability. With regard to the discussions which were raised, the lack of time does not allow to include such important cases, which are today's discussion of the world of the business in the university academic chart as the institution of the academic instruction of the accounting occupation, so that the students who are the future accountants of the organizations will not neglect such important and vital concepts for the organization.

This study considered the hypothesis that there are significant differences between the three groups The evaluation and triple their judgments about the superiority of Iranian accounting standards The International Accounting Standard indicates that the calculated  $X^2$  56.538 of the amount equal to the benchmark level of 99% which is equal to 20/09 Larger is the difference between the groups is highly significant and confirmed research This means that three groups have very different views of the Iranian standards.

But overall it can be stated that the financial managers of all three groups, respectively, equal to 50/97, group of experts 65/32 graduate accounting students 70/87 is equal to the average high superiority of their views on accounting standards Iran shows that the four criteria for qualitative comparison to be made, as appropriate, Reliable and high intelligibility.

Comparisons between each of the objectives, standards, applications and similarities can be easily Can be evaluated and reviewed But the difference between them is that the different effects in different situations can and will bring a variety of applications. As such the Experts differ on the standards, quality systems, business finance, economics and government in order and the rule of law cannot be certain. So the argument is that the view of experts in the various situations Are the position and performance auditing and accounting standards generally financial situations can be reasonably transparent to the study of the differences observed.

Experts say the same about the theory of social judgments (Mozaffar Sharif) to be influenced by various factors and the systematic nature of the standards and its effect on the rule of law, accounting in total patterns of high diversity speaks In other words, if judged to be of the same social standards

could also It is consistent with the judgments that this denies them the status of research results Compared to the same standards of social justice and the need for more attention has been Expected View detailed results observed with all the experts and practitioners active in this area It is understood and used for future planning. Finally, the general conclusion which can be made of the research is that the situation of regulations and cultural, social, and even economic situation for each country requires the legislation of specific standards a different interpretation of international standards and these issues applies to Iran. The ideas of the asked groups consider the standards used in Iran as better and higher than the international standards, of course with a little change, but personal abuse and social judgments are not denies, but the necessity of investment and more attention and further study is felt.

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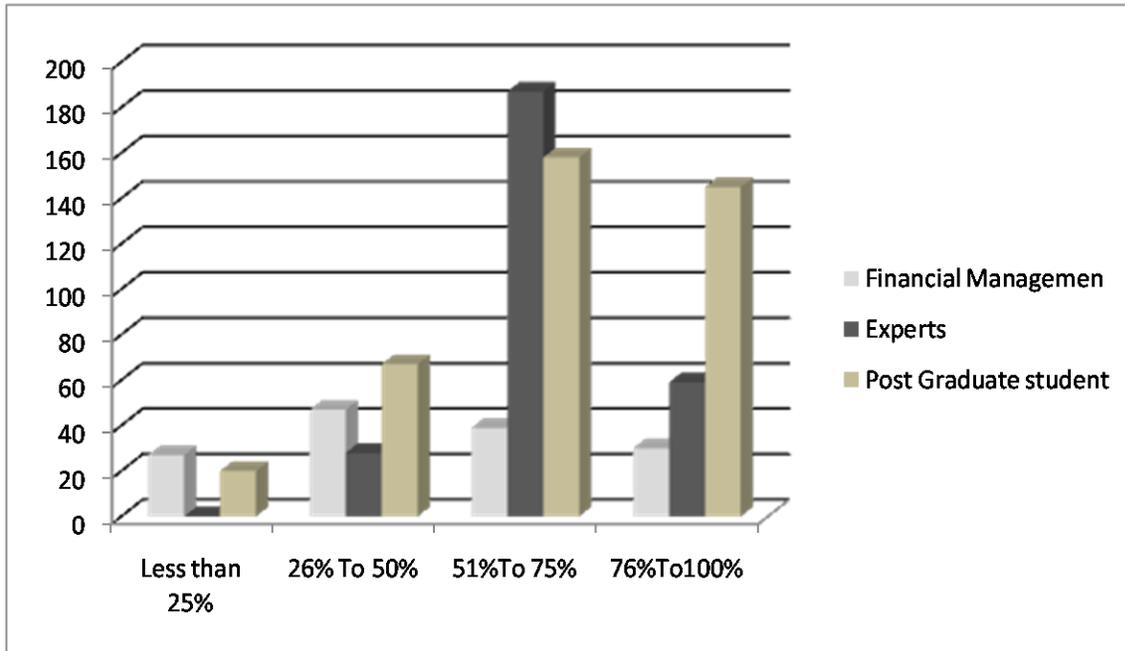
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**Table 1-** Distribution of total scores for all three groups to different standards than the standards of Iran.

Total			
Groups	Options	Observed N	Percent %
Management of Universities	Less than 25%	31	19.375
	26% To 50%	51	31.875
	51% To 75%	42	26.25
	76% To 100%	36	22.5
	Total	160	100
experts	Less than 25%	1	0.357
	26% To 50%	32	11.429
	51% To 75%	187	66.786
	76% To 100%	60	21.429
	Total	280	100
Postgraduate	Less than 25%	24	6
	26% To 50%	74	18.5
	51% To 75%	157	39.25
	76% To 100%	145	36.25
	Total	400	100

**Figure 1-** Histogram of the frequency distribution of the total score for all three groups for different standards than the standards of Iran.



**Table 2-** Comparison of percentage distribution of total scores for all three groups to different standards than the standards of Iran

Options	Financial Management	Experts	Post graduate student
Less than 25%	31	1	24
26% To 50%	51	32	74
51% To 75%	42	187	157
76% To 100%	36	60	145
Total 1%	100	100	100

**Table 3-** Table Percentages of agreement by the total scores for the three groups at three levels of evaluation ( $\chi^2$ )

K-Squire	Financial Management	Experts	Postgraduate	Sum
Less than 25%	31(10.667)	1(18.667)	24(26.667)	56
26% To 50%	51(29.9)	32(52.333)	74(74.762)	157
51% To 75%	42(73.524)	187(128.667)	157(183.81)	386
76% To 100%	36(45.91)	60(80.333)	145(114.762)	241
Sum	160	280	400	840
$E = \frac{\sum_r \times \sum_c}{\sum}$ $\chi^2 = \sum \frac{(O-E)^2}{E}$ $df = (r-1)(c-1)$	K-Squire			
	38.758			
	16.721			
	0.627			
	14.89			
	7.9			
	7.767			
	13.52			
	26.446			
	3.91			
	2.14			
5.147				
df =95%	7.967		df =99%	
15.51	K-Squire=145.433		20.09	
145.433+840=985.433	(Correction factor)C= 0.567		Are the average	

**Table 4-**Scores based on the actual ratio of the average scores for the three groups.

Xi	MX	AX	PX
13-169	403	13	2860
38-1444	1938	1216	2812
63-3969	2646	11781	9891
88-7744	3168	5280	12760
Sum	8155	18290	28323
Mean	50.97	65.32	70.81
P mean-ia	0.5097	0.6532	0.7081
P mean- i	0.4903	0.3468	0.2919

**Table 5-** Comparison between the scores of two Iranian accounting standards and International Accounting

Statistics	MX-IASB.ir	AX-IASB.ir	PX-IASB.ir	Total-IASB.ir	Max
Sum	8155	18290	28323	54768	84000
Mean	50.97	65.32	70.81	65.2	
Pmean-ir	0.5097	0.6532	0.7081	0.652	
Pmean-i	0.4903	0.3468	0.2919	0.348	

$$\sum MX_i=8155 \quad \sum MX_i^2=564356$$

$$\sum AX_i=18290 \quad \sum AX_i^2=1253220$$

$$\sum PX_i=28323 \quad \sum PX_i^2=1856925$$

$$S_m=30.58 \quad \text{Mean}(M)=50.97 \quad S^2_M=935.30$$

$$S_A=14.48 \quad \text{Mean}(A)=65.32 \quad S^2_A=209.65$$

$$S_P=22.17 \quad \text{Mean}(P)=70.81 \quad S^2_P=491.35$$