

Convergence or Harmonization of Accounting Rules under IASB

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Abstracts

According to A Harper, convergence or the harmonization of the accounting standards are described as the harmonized regulation and rules in all over the world to manage the accounting complexity and to provide the smooth regulatory framework to the modern business world. In the European zone there are different countries that are facing the accounting challenges because of the various accounting regulations and this directly influence their trade patterns and all the states are influenced with the government of the country in different challenges as interest, taxation, inflation etc because the all countries in European zone are differ in their accounting rules and regulations. The major distinction in the adoption of the accounting items in the monetary statements has increased the complications of the management of different countries that also impact the globalization scenario. The requirement of the convergence of the accounting rules has been felt in the financial crisis of 2008 when the companies because of the different accounting rules involved in window dressing and hiding of true facts from the investors and real owners that results in financial crisis of the 2008, so after this financial crisis the need for the harmonization of principles have enhanced and IASB start working on it. The world is demanding the harmonization of the accounting rules but there is another group demanding the accounting diversity. Accounting diversity is the utilization of the distinctive rules of accounting at different countries that will manifest many challenges. Globalization is the appealing opportunity but also a challenge for the business world that needs the harmonization of the accounting rules. For instance consider the parent corporation in located in a country but the different subsidiaries is in the distinctive countries. Each corporation will follow the distinctive rules in the accounting will be problematic at the time of the comparison and the preparation of the consolidated financial statements. This issue can be managed with the harmonization of the principles (A Harper, 2012). Cont... (1500 words of this report)

Contents

Introduction
Advantages of Convergence
Disadvantages of Convergence
Examples
Conclusion and Opinion
References

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