THE INTERNATIONAL STANDARDS ON AUDITING AS A CONVERGENCE PARAMETER BETWEEN US GAAP AND IFRS

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Abstract

The present study involves the US GAAP and IFRS accounting frameworks, and how these are evaluated by accounting professionals in four (4) European countries, two of which have been severely impacted by the global economic crisis (Greece and Portugal) and two that remained relatively strong during the period of the European economic crisis (France and Germany). The main purpose of the study is to point out that the economy of a country does indeed affect the perception of listed companies towards a potential convergence. The issues that arise are of interest of the global accounting and auditing community, as well as this study. Academic literature has not shown much interest in recent years. In contrast, the professional bibliography is very rich and has greatly enhanced the bibliographic review. The results of the quantitative study reveal that there are differences between the factors affecting a potential convergence at a country level, as well as at an economy level. Stronger economies seem to pay more attention to economic and regulatory factors, and weaker economies seem more reluctant towards coordination and cooperation in order for the convergence to be achieved.

Keywords: ISA, US GAAP, IFRS, FASB, IASB, Convergence, Accounting Standards, Financial Reporting

1. INTRODUCTION

Globalisation and seeking capital on international capital markets requires an appropriate economic environment for businesses, where common procedures and the adoption of common standards when preparing and auditing financial statements exist. Over the years, the evolution of the accounting standards in this international economic environment has led to the convergence and alignment of International Financial Reporting Standards (IFRS) with US GAAP, along with each country's national accounting standards, and the International Auditing Standards. This combination of accounting standards has created a unique framework that consists of principles and rules, characterized by uniformity, as a result of consecutive reforms of supervisory and regulatory authorities.

In the global economic community, the main purpose of all interest groups (governments, investors, shareholders, banks, economic analysts, etc.) is to provide valid financial information. This financial information is generated through the financial statements and their respective audit reports, and also through the international convergence of accounting and audit standards, which provide the necessary credibility when making important strategic decisions and/or investments.

However, the diversity in accounting standards results from cultural, economic, historical, legal and political factors and it reflects the uniqueness and specific economic needs of each nation (Carslaw, 1999; Dzinkowski, 2001), and in a modern economic environment, corporations operate in multiple nations. These companies are therefore obliged to apply international accounting standards when preparing their financial statements. Additionally, many international companies choose to audit their financial statements in accordance with International Standards on Auditing (ISA), as it is more recognizable. Moreover, accountants in multinational companies need to prepare financial reports according to different accounting and financial standards, but this is addressed by recent economic developments. Auditors of multinational companies should take into account the differences in standards when they check the financial statements of these companies.

Unfortunately, this diversity in accounting standards is a major barrier to the capital flow across national borders. In order to properly evaluate an investment in another country, investors should interpret the existing financial statements using different accounting standards in order to convert them into the accounting standards of their own country, which is time-consuming, confusing and may create inconveniences in investment deals. The recent financial crisis of 2008 is also a factor that affected and still influences capital flow, and therefore investment deals. Countries, such as Greece, Portugal, Ireland and Spain were impacted the most and received international aid from stronger European economies, such as Germany and France (Kenny, 2018). Weaker economies went through several financial reforms, and auditing became a serious matter, as these countries were constantly under the international microscope.

Given the circumstances in the international economic environment, the harmonization of accounting and auditing standards enables economic activity to benefit globally. The internationalization of business and capital markets will result in an economic environment in which common procedures for drawing up and controlling financial statements can benefit investors, lenders, financial investors, accountants and auditors (Gaspar et al., 2006). The International Accounting Standards Board (IASB) and the International Auditing Standards Board (IAASB) are striving to develop harmonized accounting and auditing standards, respectively, to meet global requirements. And while some underdeveloped nations have and can operate with less comprehensive accounting standards like IAS, developed and developing nations, that survived the crisis, and want to compete in the international economic arena need to comply with harmonized accounting standards in order to regulate more specific and complex financial issues.

Thus, the present study will investigate the factors affecting a potential convergence of the two accounting frameworks (IFRS and US GAAP), at a country and at an economy level, in order to determine whether there are significant differences between them. First, the theory regarding the two accounting systems will be outlined and explained, to then look into the methodological approach used to respond to the main research question. The results will then be presented and discussed. Lastly, conclusions will be drawn, and limitations, as well future research will be discussed.

2. LITERATURE REVIEW

2.1. The first steps towards accounting harmonization

Internationally, a major step towards accounting harmonization was the formation of the International Accounting Standards Commission (IASC) in 1973. The IASC resembled an independent private sector body whose main purpose was to facilitate capital flow between different nations. Therefore, in order to make national accounting standards more comparable, financial statements were prepared in a more standardized manner. IASC allows a range of differences in permissible accounting methods. Major international players such as the US, Japan and many European countries have not been forced to change their national standards to comply with the emerging International Accounting Standards promoted by IASC (Shamrock, 2012). This strategy at least provided passive support for IASC's efforts by the world's most important financial forces.

In April 2002, IASC was renamed in the International Accounting Standards Board (IASB), aiming at developing a set of high quality and understandable global accounting standards, promoting the use and implementation of these standards, and achieving convergence of national accounting standards with international accounting standards. The IASB does not have the power to enforce compliance with these standards, but many countries have allowed or encouraged the use of IFRS as alternatives or complementary to their national accounting standards. In addition, the European Union applies IFRS for all listed companies since 2005.

Moreover, Financial Accounting Standards Board (FASB) was established in 1973 and is the accounting standard for the United States of America. Companies that prepare their financial statements based on FASB accounting standards are simultaneously admitted to stock exchanges in other countries. The FASB is officially recognized by the SEC and the Securities and Exchange Commission, which is the US State Treasury Trust. In addition to conducting extensive research, the FASB issues financial accounting reports including official definitions of generally accepted accounting principles. All accounting principles and standards governing US accounting practice are summarized in commonly accepted GAAP. A feature of US accounting practice is the non-mandatory implementation of a single national accounting plan or sectoral accounting plans, as well as the lack of articles in the Commercial and Tax Code of US legislation on business accounting obligations.

Despite the extensive collaboration between the IASB and the US Financial Accounting Standards Board (US FASB), there are many differences between IFRS and US Standards. In 2002, Deloitte Touche Tohmatsu reached 78 specific differences between IFRS and US GAAP. However, these differences vary between companies, depending on the particular financial position of each company. Moreover, the US allows foreign companies to use either their national standards or IFRS; however, it requires a form which includes adjustments of use and net worth to be presented in accordance with US Standards. In recent years, American Standards have been revised on the basis of global developments (Gordon & Hsu 2012; 2018). At the same time, IFRS should take US GAAP into account, due to the United States' position in the global economy.

2.2. Efforts to minimize the Standards' gap

In the Norwalk Agreement (2002), the United States and the IASB agreed to step up their efforts and bring their financial reports in-line. However, despite the extensive efforts to harmonize the two standards, significant differences still exist between IFRS and US Standards, particularly in the range of accounting practices permitted by IFRS. Previous surveys (Harris & Muller, 1999; Street & Gray, 1999) indicate that there were significant differences in the determination of the period's effect, research and development, exchange rates, but these differences were not insurmountable. In addition, Street, Nichols and Gray (2000) found that the gap between IFRS and US Standards was closed.

Plumlee and Plumlee (2008), in an effort to quantify the magnitude and direction of accounting differences between US and international accounting standards, analysed a random sample of 100 companies selected from foreign companies that issued shares, completing the form 20-F of the SEC (US Securities and Exchange Commission) and accepted the application of IFRS. Their analysis has highlighted only a few categories with remarkable objects for agreement in both contexts. Such items are post-employment pensions and pay, share-based remuneration, evaluations on fixed assets, and in particular property, plant and equipment, loss from impairment of intangible assets and specifically of the reputation and customer account and, finally, of deferred taxes (Atwood et al., 2012; Clacher et al., 2013).

Similarly, Gordon et al. (2008), Gordon and Hsu (2012, 2018) and Bellandi (2012) examined the value agreements based on the 20-F statement for dual-listed companies in the US and the countries of origin where they use the IFRS framework and concluded that the five the main categories with the largest differences are: a) mergers of companies, b) pension issues, c) tax issues, d) intangible assets and e) debt categorization.

From an accounting standpoint, regarding differences, Plumlee and Plumlee (2008) concluded that 75% of foreign private equity companies reported more net income in accordance with IFRS than with US GAAP. Their conclusion is also consistent with the study by Gordon et al. (2008), which states that, on average, net IFRS-based revenue is above the American Standard based on that. Regarding the equity of the companies, the result of the research is not clear in one direction, since only 43% of the companies referred to in IFRS have a higher net position than those reported in US GAAP. Provided that equity is positive or negative, the average net equity position is significant, i.e. at + 35.1% and -23.7% respectively, and varies depending on the size of the business and the industry to which it refers.

The IASB and the FASB intend to continue their ongoing action on global acceptance, convergence and partnerships (Hong et al., 2018). The effort to increase the global acceptance of the new fixed platform of IAS and IAASB faculty should be an important next step for the top players. This, of course, should include consultation with national standard-setting bodies, regulators and other users of the financial statements in order to identify the challenges of admission of the faculty at the global level and the ways in which they could to overcome.

2.3. The rule-based vs. principle-based approach to accounting standards systems

When accounting standards systems are compared and characterized, IFRSs are usually referred to as concept-based, while US GAAP is categorized as rule-based. In recent years, the FASB has repeatedly moved towards moving to more concept-based standards, as it has been increasingly growing criticism of the current approach, especially after the Enron scandal. Rules-based on rules are believed to provide companies with the ability to present their transactions, making them able to respond to specific accounting manipulations, even if these manipulations do not present the true economic picture (Maines et al., 2003; Sawabe, 2005).

Research into quality differences between US GAAP and IFRS is limited. For example, the study by Harris and Muller (1999) used data from the US Stock Exchange that concerned a specific sample of foreign companies that presented their results in accordance with IFRSs and, in addition, adapted them to US Standards to complete Form 20-F. Value is defined in terms of price and yield models, and these adjustments seem to add value. In contrast, research that followed (Leuz, 2003; Bartov et al., 2005) records that American and International Standards do not show significant differences in quality. These two surveys used a sample of German listed companies, which can choose and use either IFRS or American Standards. These studies differ in quality measurement, similarly to Ntoung's et al. (2015) study which provides evidence from different economies where differences are notable. Leuz (2003) defines quality in terms of market asymmetry and market liquidity, while Bartov et al. (2005) use more traditional value-related measurements. In 2006, Barth et al. they studied a sample of European and American companies by applying multiple measurements (e.g. profit manipulation) and concluded that IFRSs provide lower-quality accounting information.

US GAAP is an example of a rule-based approach. It consists of a large number of specific accounting standards, and each template contains a large number of rules (as well as exceptions to the rules) that attempt to address any possible situation that may arise. However, in 2002, the new FASB president signalled his support for a shift towards a principle-based approach (Financial Times, May 27, 2002).

An approach based on principles like the one used for the IFRS is examining each case as a whole, with its particular specifications. Thus, for each IAS/IFRS, the IASB Conceptual Framework applies and each standard is an individualized reflection of the whole. Specificity, at the level of detail, is sacrificed for reasons of clarity regarding the overall approach (Ehoff & Fischer, 2013; Palea & Scagnelli, 2016). The success of GAAP depends directly on their application and their ability to adapt to an evolving global economy. We believe that as globalization evolves, we will see more and more cases where GAAP will fail to evolve, omit to adapt to new accounting scenarios and address accounting problems in a timely manner (Strickland et al., 2014).

2.4. The rule-based vs. the principle-based approach in the audit standards systems

Issues falling under international auditing standards have been extensively addressed in the international literature. Warren (1975) investigated whether the auditing standards are evenly applicable through two alternative approaches to monitoring and controlling audit quality. While Kinney's research (1986) concluded that there is a model for the preferences expressed for controversial audit standards by the Auditing Standards Board. This affects those involved in setting audit standards and auditing research. In addition, the results indicated that the composition of the Audit Standards Committee has an impact on the nature of the auditing standards.

The view that standard setting is a political process has been accepted by academics (Hooks, 1991). The majority of critically acclaimed academic writings have been made at the macroeconomic level and focus on the procedures and presentations of setting standards rather than the technical assessment of the outcome. As the audit work is highly regulatory, the Audit Regulation operates in accordance with their professional standards and accountability as the auditor is responsible for the loss of users of the financial statements due to audit errors. The work of Willekens, Steele and Miltz (1996) provides an analysis of the effects of uncertainty from negligence, audit quality standards and audit fees produced. The research has resulted in the development of a number of proposals on how the rules and the existing audit standards interact, emphasizing the influence of uncertainty on the rules of responsibility on the quality of audit work. In the context of these different perceptions and interests, different approaches to the creation of control standards can be followed from time to time. One of these approaches considers that any control standards need primarily to support any audit work audits and also support any rule-based approach (Nelson, 2003; Benston et al., 2008).

Typically, attempting to create patterns of such an approach raises the need for the created standards to be restrictive and detailed (Kaplow, 2000). Indeed, this trend is extremely time-consuming. Furthermore, in order to quantify the objectives of an inspection contravenes the element of subjectivity that is implicitly implicated in auditors' judgments and beliefs. Another approach considers that auditing standards should provide general guidelines and set out general principles, i.e. fundamental principles governing audit, leaving important scope for the proper practice of any of the principles-based approach (Nelson, 2003; Benston et al., 2008). This approach also emphasizes the limitation of the requirements included in the control standards. In addition, this approach allows different interpretations and application of control standards depending on financial variables, cultural differences between countries and societies, differences in professional experience and differences in auditor training (Nelson, 2003).

Moreover, the approach based on a principles-based approach is characterized by a lower degree of consistency between the results of different controls. This is to be expected if one considers that this approach permits modification of the audit methodology and practice followed, if the circumstances so require and in some cases also lead to greater discrepancies in the results of the audits. Thus, the principle of standardization approach, of course, is also characterized by significant advantages. First of all, this approach emphasizes that the auditor is the ultimate controller and the most responsible for the audit procedures to be followed in an audit. However, if the auditor considers on the ground that, due to specific ad hoc conditions, he has to modify the procedures he needs to follow for an audit, he must feel ready to do so at any time. The approach considered supports a mentality that promotes such modes of action (Callahan, 2004; Herron & Gilbertson, 2004; Imhoff, 2003; Satava et al., 2006).

In addition, the principle-based approach can be applied in the widest possible range of cases, without the need to constantly and continuously update and update with newer, more restrictive and more detailed provisions. Moreover, due to the breadth of this approach, it is easier to deal with future problems by creating control standards at the current stage (Nelson, 2003). Assessing the aforementioned advantages and disadvantages of both the above-mentioned modelling approaches, we can conclude that a critical and productive combination of both approaches is desirable. Typically, each person who participates in a standardization organization, at least at least, tends towards one or the other approach (Ian, 2008; FASB/IASB, 2006; FSA, 2007).

Finally, we must always keep in mind that audit standards, which are distinguished by high quality, promote and impose such professional behaviour on the part of auditors, in order to enhance the efficiency and effectiveness of controls. In any case, the exact procedures required for the implementation of the control standards are also left to the professional judgment of the auditor and depend on the prevailing circumstances of each case. This determination of the necessity of the professional judgment of the auditor ought to be taken seriously by the bodies setting up the control standards.

Given all the theory that distinguishes the two standards, the main research question that arises is the following:

What are the factors that make it difficult to fully converge the two accounting frameworks (IFRS and US GAAP), and do they differentiate depending on the level of impact of the European financial crisis?

3. METHODOLOGY

3.1. Sampling method and procedure

The main purpose of this study is to a) investigate the factors that impede the convergence of the two accounting frameworks (IFRS and US GAAP), and b) determine whether there are differences between countries that were more affected by the European financial crisis. A quantitative research approach was followed.

Listed companies from the preselected countries were randomly chosen and since the main aim was the comparison between them, the number of responses was limited to 50 per country. Furthermore, since this research has not been conducted before, a smaller initial sample was agreed to serve the purpose of the present study. The online questionnaire was distributed to a sample of 400 auditors and financial directors from four European countries (France, Greece, Germany and Portugal), two of which were affected at a higher degree by the crisis, and the other two remained relatively strong. A detailed e-mail was sent to the accounting department of the preselected companies, stating the purpose of the study, ensuring anonymity and providing the contact details of the researcher. When the number of responses reached 50 for a country, responses were no longer accepted for that particular country. The questionnaires were composed in both English and the official language of each country (French, Greek, German and Portuguese) and were back-translated for quality purposes. The total number of responses that were collected at the end of the third week of the initial distribution (October 2017) was 200. Despite the small sample of this research, it is still representative, as this study was conducted to determine whether there are differences between countries that were affected at different levels by the crisis.

The listed companies that differed in size, were initially contacted via e-mail Online questionnaires comprising of two main sections, one focusing on demographics and professional experience, and one focusing on the factors affecting the convergence of the two accounting frameworks. The second section included twelve factors (Table 1), that the auditors and financial advisors had to rank on a 5-point Likert scale (1 = Not at all, 5 = A lot).

Table 1. Factors that make it difficult to fully converge the two accounting frameworks (IFRS and US GAAP)

Q	*Description*
Q1	Convergence cost
Q2	Required changes in regulatory regimes
Q3	Required changes to legal systems
Q4	Required changes to auditing standards
Q5	Co-ordination and co-operation between regulatory authorities internationally
Q6	Global acceptance of IFRS as a set of high-quality accounting standards
Q7	Required Strengthening of the IASB Structure
Q8	IASB's objectivity and independence when compiling IFRSs
Q9	Flexibility in adopting different versions of IFRS
Q10	Lack of adequate involvement of international regulators in the IASB's standard-setting process
Q11	Lack of training, understanding and experience of accountants who prepare financial statements using IFRS
Q12	Lack of uniformity in the application of IFRS by all jurisdictions

3.2. Sample

The sample consists of 200 respondents, 50 from each of the four countries that are under examination (France, Greece, Germany and Portugal).

Table 2. Demographics of the sample (N = 200)

Gender			*Age*			*Education*			*Position*			*Experience (years)*		
Male	143	71.5 %	25-35	18	9 %	Master/ACCA/ACA	167	83.5 %	CFO	81	40.5 %	5-10	14	7 %
Female	57	28.5 %	35-45	73	36.5 %	BSc Economics/other	33	16.5 %	Partners	13	6.5 %	11-19	83	41.5 %
			45-55	86	43 %				Managers	94	48.5 %	20+	103	51.5 %
			55 +	23	11.5 %				Seniors	12	8 %			

As shown in Table 1, 71.5 % of the respondents were male, whereas 28.5 % were female. As far as age is concerned, 9 % of the respondents were within the 25-35 age group, and 36.5 %, 43 % and 11.5 % in the 35-45, 45-55 and 55 and up respectively. 167 out of the 200 respondents that represent the 83.5 % have received Master/ACCA/ACA qualifications, whereas 16.5 % has only received an economics degree. Regarding the position of the respondents within the companies, 40.5 % are CFOs, 6.5 % are partners, 48.5 % are managers and 8 % are seniors. Lastly, regarding accounting experience, only a 7 % has 5-10 years of experience, whereas 41.5 % and 51.5 % have 11-19 and 20 and up years of experience respectively in the field. Qualification and experience shows that the sample consists of individuals who are informed about the accounting standards. That, coupled with extensive experience in the field makes the sample representative.

4. RESULTS AND DISCUSSION

The analysis of the responses was statistically analysed. Table 3 presents the results from the current study as a whole, whereas Table 4 and Table 5 present the results categorized by stronger and weaker economies and by country respectively.

Table 3. Factors that make it difficult to fully converge the two accounting frameworks (IFRS and US GAAP) (N = 200)

	Q1	*Q2*	*Q3*	*Q4*	*Q5*	*Q6*	*Q7*	*Q8*	*Q9*	*Q10*	*Q11*	*Q12*
Mean	3,13	3,91	3,75	2,99	4,12	2,48	3,83	1,86	4,17	4,24	3,93	4,06
Median	3	4	4	3	4	2	4	2	4	4	4	4
SD	0,59	0,65	0,59	0,54	0,69	0,77	0,64	0,73	0,55	0,54	0,57	0,56
p-value	0.02	0.01	0.01	0.01	0.01	0.07	0.01	0.03	0.01	0.01	0.01	0.01

In particular, from the overall results, auditors and financial advisors perceive cost (Q1) and required changes in audit standards (Q4) as a deterrent to convergence (Median = 3), without however considering that the specific factors may have a major influence on the convergence pathway (median = 3 which means that the auditors evaluate the effect of the comparators as "Enough" rather than "Very"). Instead, the auditors express their unanimity that factors, such as the required changes in regulatory regimes (Q2) and legal systems (Q3), as well as coordination and cooperation between regulatory authorities worldwide (Q5) and the required reinforcement of the IASB structure (Q7), may have a more significant impact (Median = 4) towards the path to a potential convergence. On the contrary, it is noted that the auditors interviewed do not take the global acceptance of IFRS as a set of high-quality accounting standards (Q6) (Mean = 2.48, p-value = 0.07 (not significant)). On a similar note, the objectivity and independence of the IASB in the preparation of the full convergence IFRS (Q8) was poorly evaluated by the respondents (Mean = 1.86, p-value = 0.03). This finding strengthens the belief that IFRS is a reliable accounting standard, whose quality in relation to other accounting frameworks is not called into question by international markets, and especially the European market that is under examination. At the same time, this finding is an indication of the transparency and credibility of the IASB as a body of high-quality standards, as the auditors do not realize that the IASB's objectivity and independence in the development of IFRS (Q8) may be a potential impediment to convergence. At this point, it is noted that the answers to these questions (Q6 & Q8), show the highest dispersion, with SD 0.77 and 0.73 respectively, meaning that there was little consistency. Finally, other factors that the average auditors consider to be "very difficult" for full convergence are the lack of flexibility in adopting various versions of IFRS (Q9), the lack of adequate involvement of international regulators in the IASB's standard-setting process (Q10), the lack of training, understanding and experience of accountants who prepare financial statements using IFRS (Q11) and the lack of uniformity in the application of IFRS by all jurisdictions (Q12). These findings are of significant importance, as they reveal that both regulatory authorities in different countries and companies themselves do not seem to focus on the uniform and full application of IFRS, which could be an indication of the priority given by the State and businesses to comply with the tax provisions (which differ from country to country) to the accounting framework.

Table 4. Factors that make it difficult to fully converge the two accounting frameworks (IFRS and US GAAP) by economies (N = 200)

	Q1	*Q2*	*Q3*	*Q4*	*Q5*	*Q6*	*Q7*	*Q8*	*Q9*	*Q10*	*Q11*	*Q12*
	Stronger economies (France and Germany) N = 100											
Mean	3,33	3,95	3,86	3,07	4,10	2,69	3,93	1,83	4,14	4,22	3,92	4,02
Median	3	4	4	3	4	3	4	2	4	4	4	4
SD	0,60	0,71	0,58	0,57	0,71	0,80	0,62	0,70	0,56	0,56	0,57	0,53
	Weaker economies (Greece and Portugal) N = 100											
Mean	2,93	3,86	3,65	2,90	4,14	2,26	3,74	1,88	4,20	4,26	3,94	4,11
Median	3	4	4	3	4	2	4	2	4	4	4	4
SD	0,51	0,58	0,57	0,50	0,68	0,69	0,64	0,75	0,55	0,53	0,58	0,60

When looking at the results from the perspective of stronger and weaker economies (Table 4), we notice some differences. In particular, perceive cost (Q1) seems to matter more to stronger economies (Mean = 3.33), as opposed to weaker economies (Mean = 2.93). This may be because of the ongoing control and imposition of measures on weaker economies, where the cost of these reforms is set by the lenders and other international regulatory bodies. As far as changes in the regulatory regimes (Q2), legal systems (Q3) and reinforcement of the IASB structure (Q7) are concerned, both stronger and weaker economies agree that they are necessary, with slightly higher mean scores from the respondents from France and Germany. The mean score regarding the coordination and cooperation between regulatory authorities worldwide (Q5) was slightly higher for weaker economies, meaning that these countries are more in need of structure and organization. These findings also confirm this view on the priority given by regulatory bodies to complying with the tax provisions (which vary widely between countries) over the accounting framework, which makes cooperation between international bodies to implement a single accounting framework. Required changes in audit standards (Q4) as a deterrent to convergence (Median = 3) has a lower mean score (2.90) for weaker economies, than stronger ones (3.07), and in general seems to be less important than changes in regulatory regimes (Q2) and legal systems (Q3) mentioned above. Global acceptance of IFRS as a set of high-quality accounting standards (Q6) is scored as expected more highly by the stronger economies (Median = 3), as they were playing a role when imposing auditing standards and regulations on weaker economies (Median = 2) during the crisis. Regarding the objectivity and independence of the IASB in the preparation of the full convergence IFRS (Q8) we notice once again the high SD between responses, SD = 0.7 and SD = 0.75 for stronger and weaker economies respectively, and the lowest mean scores of the survey.

Table 5. Factors that make it difficult to fully converge the two accounting frameworks (IFRS and US GAAP) by country (N=200)

	Q1	*Q2*	*Q3*	*Q4*	*Q5*	*Q6*	*Q7*	*Q8*	*Q9*	*Q10*	*Q11*	*Q12*
	Greece (N = 50)											
Mean	2,90	3,90	3,53	2,90	4,24	2,47	3,63	1,90	4,25	4,37	3,96	4,14
Median	3	4	4	3	4	2	4	2	4	4	4	4
SD	0,46	0,54	0,58	0,46	0,68	0,58	0,66	0,73	0,56	0,53	0,56	0,60
	France (N = 50)											
Mean	3,24	3,80	3,80	3,04	3,98	3,08	3,88	1,86	4,04	4,10	3,86	4,02
Median	3	4	4	3	4	3	4	2	4	4	4	4
SD	0,62	0,69	0,63	0,56	0,73	0,77	0,68	0,72	0,56	0,57	0,60	0,58
	Germany (N = 50)											
Mean	3,43	4,10	3,92	3,10	4,22	2,29	3,98	1,80	4,24	4,33	3,98	4,02
Median	3	4	4	3	4	2	4	2	4	4	4	4
SD	0,57	0,70	0,52	0,57	0,67	0,61	0,55	0,69	0,55	0,52	0,55	0,47
	Portugal (N = 50)											
Mean	2,96	3,82	3,76	2,90	4,04	2,06	3,84	1,86	4,14	4,16	3,92	4,08
Median	3	4	4	3	4	2	4	2	4	4	4	4
SD	0,56	0,62	0,55	0,54	0,66	0,73	0,61	0,78	0,53	0,50	0,59	0,59

At a country level, it is interesting to note that there is controversy regarding the coordination and cooperation between regulatory authorities worldwide (Q5), as Greece (Mean = 4.24) and Germany (Mean = 4.22) are stronger believers than France (Mean = 3.98) and Portugal (Mean = 4.04). Moreover, global acceptance of IFRS as a set of high quality accounting standards (Q6) is rated more highly by France (Median = 3), while auditors and financial advisors from the remaining three countries scored this factor poorly (Median of 2), confirming the view that IFRS is considered internationally as a credible accounting framework.

Overall, there are some differences in perception within the four countries, whether these were affected by the crisis at different levels. However, a pattern within stronger and weaker economies can be noticed.

5. CONCLUSION

This study was conducted in order to investigate the factors that impede the convergence of the two accounting frameworks (IFRS and US GAAP), and to determine whether there are differences between countries that were affected to a greater extent by the European financial crisis. A quantitative research approach was followed in order to investigate the hypothesis, as the economy was never the focus point of accounting standards frameworks studies. Four countries were taken into account to study the main research question: two of which were impacted by the European financial crisis (Greece and Portugal) and two which were affected less (France and Germany). There is no doubt that the chosen countries were representative, as the degree to which they were affected differed a lot, and thus, the results presented are valid.

When analysed at an economy level (stronger vs weaker economies), several differences in perception regarding the factors that make it difficult for the two accounting frameworks (IFRS and US GAAP) to converge. Notably, the perceived cost of the convergence and the required changes in the regulatory and legal systems of countries seem to be differentiated more between stronger and weaker economies. This was concluded to be a result of the trust of the companies towards the state. However, global acceptance of IFRS, and, objectivity and independence of the IASB during a potential convergence were scored the lowest from the sample, raising questions about the overall acceptance and setting of the ground for such change in the economic and auditing system.

This study was conducted under several resource and time limitations. As this study and the specific model have not been studied and analysed in a similar manner by other academics, and it was conducted to determine whether the hypothesis that there are differences between stronger and weaker economies is supported, the restricted number of respondents and countries is justified. Since this research study revealed that the financial crisis has impacted the perceptions regarding the factors that restrict a potential convergence of the two accounting frameworks, future studies with an enlarged and broader spectrum of respondents from more European countries could take place. Additional studies taking into account more economies, such as the US and even Eastern developed and developing economies, could add value to the existing literature, as the financial crisis had a bigger magnitude than that of the area that this study focused on.

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