

**INTERNATIONAL FINANCIAL REPORTING, STANDARD SETTING, AND
PATTERNS OF ACCOUNTING DEVELOPMENT**

**Peter Aghimien
Indiana University South Bend**

ABSTRACT

This paper provides a summary of the history of international accounting and the reasons why there should be courses in international accounting. The paper explores some of the issues that multinational enterprises and small firms face in the process of international standardization of accounting practices and gives an overview of the main environmental factors that affect the development of accounting in different countries. The paper also examines the relationship between cultural differences and accounting and cites key studies in that area of inquiry.

Accounting is widely referred to as the language of business. Since its inception, accounting has been used as a tool to aid international business. The early periods of international accounting are associated with the history of Italian city-states which flourished during the fourteenth and fifteenth centuries and later on with the eighteenth and nineteenth-century colonization processes undertaken by European countries. In the twentieth century, international accounting has primarily served the intensification of world trade. Throughout its history, international accounting has produced unique national accounting systems which have a variety of similarities and differences. As a result, international accounting has evolved as separate sub-discipline under the general field and practice of accounting. The demands of international business have made it possible for international accounting to stand on its own as one of the most important areas of practice and inquiry of accounting and international business as a whole.

Over the recent decades, as the processes of globalization have accelerated, the need for global communication has correspondingly increased. As more goods, services, and capital are transmitted from one country to another, it is increasingly plausible that the parties involved in those transactions will utilize different accounting systems and will speak different languages. In order for these parties to obtain the information they need to communicate without barriers in this complicated context, they need to have a solid understanding of international accounting issues. Thus, the better educated and more capable in international accounting an executive is, the higher the chances that he or she will be able to successfully interpret and make decisions based upon information that originates in another country. Therefore, an education in international accounting becomes crucial to business people who wish to develop and maintain international operations. In this sense, a course in international accounting is the first step to explaining the intricacies and potential issues that could arise in the field of international accounting. Along with a course in international accounting it is pertinent to include a foreign language course as part of the education of any international executive.