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An Australian perspective

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Published: 01/01/2005

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ACKNOWLEDGEMENTS: The author is indebted to comments of Associate Professor Marcia Annisette-Grimes and seminar participants of University of Victoria, Footscray Park campus. The responsibility for the contents of this paper nonetheless remains entirely that of the author.

INTERNATIONAL HARMONISATION OF ACCOUNTING IMPERIALISM – AN AUSTRALIAN PERSPECTIVE

Abstract

Numerous authors, both practitioners and scholars, have constructed various justifications for the international harmonisation of accounting standards. To understand the motive behind establishing and implementing International Financial Reporting Standards (IFRS), this paper examined two reasons cited in the literature (reduction in cost of financial reporting and improvement in capital market efficiency) which argue for the setting of a global set of standards. This paper examined the constitution of the International Accounting Standards Board (IASB) and the relative positions of power of the member nations such as Australia, the EU and the US. The paper then analyses how IFRS help to expand imperialism. Subsequently, the post World War II imperialism of the US is examined to understand how the US can emerge as the most influential nation in setting globally enforced accounting standards.

Key words: Australia, EU, IASB, IFRS, imperialism, post-imperialism. US

INTERNATIONAL HARMONISATION OF ACCOUNTING IMPERIALISM

1. Introduction

Financial reporting, the principal means of communication between investors and firms, is a crucial tool for a firm's board of directors to make decisions on resource allocation. The accounting standards that guide financial reporting set the terms of a critical trust relationship between the firm and their stakeholders (Lenihan & Hume, 2003).

In Australia, the trust between the firm and shareholders has been shaken by the seemingly irrational behaviour, as seen in their recent decision-making, of the Financial Reporting Council (FRC), a body sponsored by the Commonwealth government of Australia. In particular, the FRC hastily embraced the wholesale adoption of International Financial Reporting Standards (IFRS) released by the International Accounting Standards Board (IASB) effective from 1 January 2005. The FRC's decision to adopt IFRS contrasts with Australia's image as one of the leading authorities in accounting with extensive resources in research and development (Haswell & McKinnon, 2003).

This seemingly irrational behaviour by the FRC has three implications. First, the future risks to corporate governance and favouring large corporate interests are being associated with the hasty decision. Although the cost of information in financial reporting is expected to reduce due to the uniformity of financial reporting, the quality of information produced by adopting IFRS is being questioned (Haswell & McKinnon, 2003). Second, the FRC has not adequately considered the implications of allowing a foreign private-sector body to determine the financial reporting practices in Australia (Howieson & Langfield-Smith, 2003). Third, the poor consultative process undertaken by the FRC leads to blind acceptance of IFRS, standards which may not have relevance to the preparers and users of financial reports in Australia. The decision-making procedure undertaken by the Australian government contrasts with that of the European Union (EU), which undertook an extensive and public consultation process to make a decision to accept the IFRS (Howieson & Langfield-Smith, 2003).

Leniham and Hume (2003) cite that the Australian government rushed into a decision due to the fact that the superiority of US GAAP was challenged by the collapse of Enron, leading to an embracement of a more principle-based as opposed to a rule-based financial reporting framework (Haswell & McKinnon, 2003). According to Lenihan & Hume (2003), the attraction of a rule-based system is that it is clear and conceptually simple. However, the judicial system universally acknowledges it as a too blunt instrument for justice. Principles on the other hand, are more general and require interpretation, and most legal systems heavily rely on principle-based approaches. According to Sawa (2002), Australia preferred principle-based IFRS rather than rule-based US GAAP because capital markets are regulated by a principle-based system. Although previous authors have offered reasons why Australia preferred the principle-based IFRS, the literature has not adequately addressed the underlying motives for Australia's adoption of IFRS. This paper attempts to fill that vacuum by examining the possible motives behind the Australian government's hasty decision to adopt IFRS and the possible implications for Australia and the rest of the world. Haswell and McKinnon (2003) argue that if the main purpose of adopting IFRS is to reduce the cost of information to increase capital flows in the globe, it is interesting to consider why a country such as Pakistan, which adopted a complete set of IFRS, has not been able to attract large amounts of global capital. However, previous literature provides little analysis as to which nations could and could not reduce the cost of information through the adoption of IFRS. This paper attempts to offer a broad analysis.

Although Mackenzie (2003) states that the adoption of IFRS will improve capital market flows, Mackenzie does not discuss the beneficiaries of the resulting improvement in capital market flows. This paper analyses the capital flows from an institutional perspective and sheds light onto who would emerge as the possible winners and losers of the implementation of IFRS to improve capital flows.

The International Accounting Standards Board (IASB), which develops and implements IFRS, is comprised of eight members each representing different jurisdictions (Australia, Canada, France, Japan, Germany, New Zealand, United Kingdom, and the US) (Alfredson, 2003). Nations representing different jurisdictions each have their own preferred interests in setting and implementing IFRS. If their preferred interests are included in IFRS, they can influence the financial reporting of other nations. This paper therefore examines the hierarchical control within the IASB in setting accounting standards which can be used to control distant nations.

According to Hegarty (1997), the changing relationship between geography and public interest which becomes the basis for the attempt to introduce globally enforced IFRS. This paper examines whether the motivation of international harmonisation is to protect the expanding regulatory turf created by the few international standard setters by making national regulators comply with them or to protect the public interest of the global community. This paper examines the expanding regulatory turf of harmonisation It reflects on how accounting regulation can maintain, exercise and expand control over distant territories through political, economic and cultural processes. In that light, the paper attempts to explore whether the motivation behind the creation and adoption of IFRS is more concerned with the shaping such processes of control rather than with the impetus of neutrality and uniformity of financial reporting standards.

With the aim to answer the questions raised above, section two analyses the claim made by the IASB, that the implementation of IFRS will result in a reduction in the information costs associated with financial reporting. Section three examines the claim to the improvement in capital market efficiency through the adoption of IFRS and which nations are bound to benefit from IFRS. Section four reviews Australia's position in the IASB committee and the possible reasons for Australia to make a decision for wholesale adoption of IFRS from 1 January 2005. Further, it examines the hierarchical power structure of nations in setting and controlling the agenda of IFRS. Section five examines how IFRS is linked to imperialism within the context of controlling the decision-making of economic resources. Section six examines post World War II imperialism to understand the role of the US in setting and implementing accounting standards. Section seven remarks as to why the US emerges as the most influential nation in setting and implementing accounting standards across the globe.

2. Reduction in information cost

Several authors have stated the major benefit from the adoption of IFRS is the reduction in information costs (Haswell & McKinnon, 2003; Howieson & Langfiled-Smith, 2003). However, this paper disagrees with the notion that the adoption of IFRS will reduce the cost of information for the following four reasons.

First, IFRS takes a prudent approach in recognising assets and the treatment of assets revaluation (Dixon 2003). It has reduced alternative ways of recording transactions available in accounting standards in Australia (Alfredson, 2003; IASB press release, 2003; Zeff, 2002). The prudent approach adopted by IASB in setting IFRS (such as applying impairment test on assets and writing off intangibles which cannot be objectively verified in reference to an active market) alters the reporting value rather than fair value of the firm.

Second, the IFRS also alter the balance sheet composition. It reclassifies preference shares as loans, imposing strict conditions on recognising liabilities such as derivatives (Ravlic, 2003). Although they may have an impact on altering gearing ratio, they have little impact on reporting the fair value of the firm.

Third, the prudent approach adopted by IFRS has increased the 'unexplained' gap between the fair price and the reported value (net book value) of the firm. Since investors are not fully aware of the gap between the fair value and reported value of the firm (Lev, Sarath & Sougianis, 1999), this information gap creates two broad classes of investors: those that have access to information relating to the 'unexplained gap' (perhaps shared at private meetings) and those that don't (Marr, Mouritsen & Bukh, 2003). The investors who have access to information that explicates the 'unexplained gap' can make better economic decisions as compared to those without the information. Therefore, this paper agrees with Hines' (1991) proposition that the change in reporting is merely a change in the social construction of accounting numbers.

Fourth, this paper also agrees with several authors who point out that the standard setting at the IASB is a negotiated process and has less to do with meeting pre-determined outcomes through implementation of IFRS (Collett, Godfrey & Hrasky, 2001; Lenihan & Hume, 2003). The diversity in reporting regimes is a result of an evolutionary process that reflects the uniqueness of cultural, legal and economic jurisdictions (Hegarty 1997, p. 75). These legitimate differences (arising from differences in concentrations of ownership of firms) lead to different degrees of reliance on general purpose financial reports, variations in optimal debt-equity ratios, and different legal systems impacts on accounting systems. Furthermore, financial reporting in some jurisdictions is taxation-based and in other jurisdictions is based on conceptual frameworks (Collett et al., 2001).

These differences lead the IASB to construct standards through a complex set of compromises between several jurisdictions and may not serve the needs and circumstances of all jurisdictions (Spencer 1998, p. 21). Therefore, this paper challenges the notion of reduction in cost of information and agrees that the adoption of IFRS will only benefit those nations whose cultural, legal and economic systems are similar to those nations involved in setting IFRS. This means that if other nations are indirectly forced to adopt the cultural, legal and economic systems prevailing in nations setting IFRS they will not derive the maximum benefits from its adoption.

3. Increase in capital market efficiency

The nations setting IFRS should benefit through the reduction of cost of capital due to the inflow of capital into their capital market. The expanded capacity of the capital markets of these nations to raise capital also allows them to export their capital to other nations at a lower cost and at an unparalleled scale. This paper agrees with Caldwell (2000, pp. 253-259) who argues that this capital can then abort and distort the development of nations (especially, developing nations), which are dependant on that capital, in a manner that best suits the requirements of the IFRS setting IASB nations. The form and arrangement of capital transfer can vary from one nation to another, but the outcome is the subjugation of the interests of the economically weaker developing nations. This capital determines the type of industries and activities that will survive in economic and political terms and will be complementary to the interests of the standard setting nations. It will also reinforce and perpetuate low labour wages in developing nations so that the IFRS setting

IASB nations can invest capital to reap the maximum profits. The low wages discourage imperialist capitalists to replace them with machinery that reduces their profits. The resurrection of distorted development requires foreign aid that is again provided by the imperialists with attached conditions to further their own political and economic agenda.

According to several authors an objective of the IFRS is to increase the capital market efficiency by setting globally accepted, high quality, comparable and transparent accounting standards (Alfredson, 2003; Howieson & Langfield-Smith, 2003). Mackenzie (2003) argues that IFRS will increase the accuracy of pricing capital. This paper does not agree with Mackenzie (2003) since the capital market must be fully efficient to accurately price capital. However, as previously discussed in the paper, IFRS has moved away from reporting relevant information to determine fair value of a firm by restricting itself to reporting intangibles that can be measured in relation to an active market.

Therefore, with the purposeful reduction of value relevant information recognized in financial reports, it appears that IFRS set the agenda on how accounting elements should be measured and reported, and in determining profit figures reported by firms. The profit figure determined through application of IFRS appears to be designed to attract investor capital according to the agenda set by a few nations prescribed to the rest of the nations. This can be perceived as an attempt by the IFRS setting nations to further attract capital into their capital markets at a lower cost of capital. The surplus capital can then be exported back to other nations by firms in developed nations to produce goods and services. Isaak (1991, p. 169-171) states that the product cycle almost always begins in high income market economies through their entrepreneurial culture for product innovation. They provide a supportive environment for technological innovation, which is facilitated by flexible risk insurance, enabling the commercial application of such technological change. When the product has reached standardisation of production, it becomes cheaper to produce in a low wage developing economy with the technologies recycled by developed countries to maximise their capital accumulation (Isaak, 1991, p. 169-171). As Harvey (1990) argues, when capital transcends geographical boundaries the success of capital accumulation depends on the extent of the support by means of socio-economic resources provided by other nations. The view that is taken here is that the promotion of IFRS is an attempt to foster an environment conducive to the appropriation of socio-economic resources of other nations by IFRS standard-setting nations in their favour.

This view is supported by Dwyer and Roberts (2004) who state that the fluidity of capital enables capital owners in the standard setting developed nations to control production in distant developing nations (Dwyer & Roberts, 2004). Isaak (1991, p. 166) argues that capital relations freed from spatial constraints can give rise to imperfect competition through a chaos of imperfect markets, and motivates firms and nations to maximise their global market share through co-operative pricing, transfer pricing, and economies of scale (Murray 1981, p. 147). Therefore, this paper agrees with the view expressed by Clegg and Dunkerley (1980, p. 5) and Holloway (1994). Clegg and Dunkerley (1980, p. 5) states that capital is more than a mere collection of transferable resources. Holloway

(1994) proposes that capital is an institutional system through which technology and organisational structures are increasingly developed and deployed to differentiate and legitimate processes for capital maximisation by capital providing nations.

This paper agrees with Holloway (1994) who states that by restricting the mobility of labour capital in non-IFRS setting nations while promoting the mobility of capital between the IFRS setting nations reinforce the use of a low-wage system in developing nations to maximise the profits of the standard-setting nations. This territorial definition enforces a different global relation of labour to the global relation of capital. If the objective of adopting IFRS is to promote 'free' capital whilst restricting 'free' workers among territories, then it can lead to capital providers in the developed territories (nations) extracting profits while restricting the movement of labour.

According to Luxemburg (2000, p. 102), the laws of capital accumulation are deduced from the economic roots of imperialism. Imperialism as a whole is nothing but a specific method of capital accumulation. The economic mechanism of imperialism is a rule of capital from the old capitalist countries to dominate the economics and politics of other regions in the world.

4. Australia's position in international financial reporting standard setting

Previous authors also provide additional reasons for Australia's unfounded adoption of IFRS. First, the political elites and voters who support the IFRS implementation and the present government's political ideology are heavily entrenched in materialism and capitalism (McAllister 1992, pp. 262-263). Second, unlike other close colonial nations (such as Canada which challenged imperial authority since 1918 and South Africa which redefined relations with Britain in 1926) Australia sees little need for a redefinition of Anglo-dominion relations to preserve imperial links (Smith 1998, p. 33).

It is argued here that Australia, a post-colonial nation, has demonstrated its subservient nature to colonial powers by the following two actions. First, the FRC endorsed the policy of the gradual adoption of IFRS at its 22 March 2002 meeting. However, the 28 June 2002 meeting hastily set a deadline to adopt IFRS by 1 January 2005, which becomes applicable to all reporting entities under the Corporations Act (Howieson & Langfield-Smith, 2003; Miller, 2003). The FRC stated that its decision was in support of the EU adopting IFRS, arguing that Australia couldn't afford to lag behind Europe (Alfredson, 2003; Carrol & Dixon, 2003). The subservience of the Australian government in adopting IFRS is further reinforced by the fact that due consideration was not given to the overall facts. The decision taken by the FRC seems to have ignored four critical differences between the EU Commission and Australia in adopting IFRS: (i) The EU decision extends only to listed firms whereas Australia's decision extends to all reporting firms. (ii) The EU Commission depends on member states to implement and enforce (compliance and non-compliance) the IFRS under their respective laws whereas Australia opted for mandatory adoption of IFRS while it has a uniform law under the *Corporations Act*. Most member states in the EU have no legislative binding GAAP which offers them a wider choice of GAAP, for instance IASB or US. (iii) The EU Commission made the decision to adopt IFRS while it does not have any mandatory accounting standards whereas Australia has a comprehensive set of mandatory accounting standards. (iv) There are distinct language differences between EU member states where translation and interpretation of IFRS can be an issue. In Australia, English is the official and national language (Howieson & Langfield-Smith, 2003).

Second, the stand taken by the IASB to comply with the requests made by the EU in developing IFRS contrasts with the position taken by IASB on AASB concerns. The recognition of internally generated intangible assets and revaluation of intangible assets is a domestic concern in the Australian corporate sector (Koch, 2003). The ED of the IASB proposes to define an intangible asset as an identifiable non-monetary asset without physical substance (Picker & Hicks, 2003). An asset meets the identifiability criterion when it meets one or the other of the following two: (i) it is separable, that is, it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; (ii) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations (Picker &

Hicks, 2003). The changes proposed in IFRS to re-define recognition of intangibles have both financial reporting and taxation implications in Australia (Koch, 2003).

However, the IASB reiterated to the AASB that it is unlikely to offer any concessions on the basis of national preferences and current practices. The IASB does not appear to think it is a domestic jurisdiction-specific issue since the IASB regime only permits national standards that cover domestic jurisdiction specific issues (Stoddart, 2003). However, the IASB made no reference to either capital market improvement or reduction in cost of information in its decline (Collett et al., 2001). The decline of Australia's request to recognise intangibles in financial statements could be because Australia is just one member of the eight members in the IASB which means Australia has little say in the IASB decision-making outcomes. The majority of the IASB (including the US, Japan, and other European nations) prefers a pro-cost or anti-revaluation approach which tends to indicate that even IFRS development is a political process (Haswell & McKinnon, 2003). This paper argues that the IASB decision to decline recognition of intangibles in the financial statements is a display of IASB power over the FRC of Australia as the former can overcome any resistance displayed by the latter. This can be interpreted as Australia's implicit obedience to the IASB (Emerson, 1962, p. 33). Further, since the Australian government has passed legislation for the adoption of IFRS, further effort from the IASB is unnecessary.

Blainey (2001) who offers an appropriate explanation for the surrender of power to international organisations such as the IASB. According to Blainey (2001, pp. 61-62), Australia has a history of voluntarily surrendering or half-surrendering powers held by its States or the Commonwealth to world organisations. Sadly, some of these surrenders have been made without public debate or vote by the federal parliament. Ravlic (2002) points out that this is much the case with the decision of the FRC, which was controlled by the Commonwealth government without consulting the community and firms.

A sense of internationalism – a sense of being citizens of the world – has over the past few decades grown at an exponential rate. The author argues that Australia, perhaps more often than most other nations has been willing to hand the tiller to an international pilot, which has reduced its autonomy. The loss in autonomy through international agreements has been much greater over the last thirty years. It is so much greater that Australia would not be able to compensate by the degree of independence it would gain from becoming a republic (Blainey, 2001, pp. 61-62). This contrasts with other member nations of the IASB such as France, Japan, Germany, United Kingdom, and United States which have implemented forward plans to expand their territorial controls in different parts of the twentieth century (Dukes, 2000, p.57). According to Mackenzie (2003) New Zealand has a history of following Australia. Since Australia is committed to the adoption of IFRS, it is expected that New Zealand will follow suit.

The extent of EU influence over Australia in directing its decision-making is evident from the extent to which Australia was prepared to accept IFRS revised at the discretion of EU. For instance, in August 2003, when the EU did not endorse IAS 32 and IAS 39 dealing with macro-hedging aspects of financial instruments, the IASB proposed to issue an Exposure Draft (ED) for further review. The IASB informed the Australian Accounting Standards Board (AASB) that IAS 32 and IAS 39 become IFRS 1 *First-time adoption of International Financial Reporting Standards* only if the EU endorses them as standards (AASB Action Alert 2003). Australia accepted the position taken by the EU and IASB without question as part of its wholesale adoption of IFRS by 1 January 2005.

The IASB's relationship with the US contrasts with its relationship with Australia. 'The Norwalk Agreement' memorandum of understanding signed by the IASB and FASB to represent the US, addresses matters of high priority in setting IFRS. It has the following four objectives. First, to undertake a short-term project on the variety of differences between US GAAP and IFRS. Second, to remove differences between US GAAP and IFRS through co-ordination of future work programs. Third, to continue progress on joint projects currently being undertaken. Fourth, to encourage their respective interpretive bodies to co-ordinate their activities (FASB news release, 2002). According to Alfredson (2003), the delay in finalising IFRS until year 2004 is due to its pending outcome of the short-term project of IASB with FASB. The dependence of the IASB on FASB on decision outcomes indicates the power that the FASB has over the IASB.

The view taken here is that each nation represented in the IASB committee is competing to have a greater share of influence on the IFRS by setting their implementation. Since the IFRS are intended to be implemented globally, it becomes a means to promote each nation's preferred method of accounting to influence the decision-making of organisations worldwide. This will be discussed in the next section in detail. The events reported above in this paper reveal that Australia is a less influential member in the IASB. The EU member nations appear to be more influential, as they together have a common interest in seeking a uniform set of accounting standards for the EU. The US, however, appears to be a more influential member than Australia.

5. Imperialism and accounting

Imperialism is defined as the 'sufficient function of the process of integrating new regions into the expanding economy and is largely decided by the various and changing relationships between the political and economic elements of expansion in any particular region and time' (Gallagher & Robinson, 1953, pp. 5-6). According to Said (1993, p. 5), imperialism means thinking about, settling on and controlling the land that you do not possess, which is distant and lived on and owned by others. This can be achieved through force, political collaboration, or through economic, social or cultural dependence.

Imperialism is the process or policy of establishing or maintaining an empire. An empire is a relationship, formal or informal, in which one state controls the effective political sovereignty of another political society. Direct colonialism (i.e. implanting of settlements on another territory) has long ended but what is seen today is its practice on political, ideological, economic or social practices (Said 1993, p. 8). Imperialism hinges on two principles: trade with consent if possible; trade with rule when necessary (Gallagher and Robinson 1953). It signifies the domination of one nation, or country by another (Sklar, 1999, p. 1).

The imperialists control the distant territories and inhabitants using both 'hardware' and 'software'. Headrick (1981, p. 18) describes 'hardware' as military technologies used for their expansion. 'Software' is defined as knowledge such as geography (Bell, Butlin & Heffman, 1995; Neu, 2000a) and accounting (Miller & Rose 1990, p. 9). Neu (2000a) points out that software is far more important to imperial rule in the present day's context but has received less attention in the literature since imperialism is generally construed as an act of force. In this context, this paper argues that the control of 'software' such as setting IFRS by few nations can be conceived as a method of indirect governance, in contrast to promoting accounting techniques that are neutral and free from bias (Miller, Hopper, & Laughlin, 1991; Neu, 2000b).

Modern imperialism contrasts with early twentieth century imperialism in that modern imperialism is a collection of a regimes of imperialism which are tied together by timing. In this context this paper argues that setting IFRS to the entire globe is an attempt to control accountancy 'software' by a few developed nations. Richelson & Ball (1990, pp. 6-7) cite the intelligence relationship between Australia, Britain, Canada, New Zealand, and the United States that was forged after the second world war that continues to this date with the formulation and acceptance of the UK and USA Agreement known as UK-USA Security Agreement or 'Secret Treaty' as an example of scattered imperialism. Their timing is a product of "a profound change in the international relationships" and "a power advantage". This offers a concrete explanation to the rest of the world for the new imperialism as unified nations of imperialism (Headrick, 1981, p. 7).

The control of the accountancy 'software' (knowledge) by imperialist nations promotes other nations, particularly economically weaker developing nations, to forge an economically dependent relationship with those imperialist nations. It facilitates and rationalises the unequal exchanges, becomes the active agent to expropriate, and set up mechanisms to apportion them in monetary terms. The imperialists become the judges and adjudicators by having full control of the accountancy 'software' which influences economic decisions, which pertain to resource allocation, so that the behaviour and priorities of nations can be controlled to achieve the desired economic conditions of the imperialist nations.

The realisation of the desired economic conditions (as discussed in section 3 of this paper) is necessary for imperial relations to exist. They relate to differential power that arises from circumstances where the economically weaker nation becomes so integrated with a nation of economic power that the strategic direction and the rate of growth of the weaker nation is governed by the economic power (Win, 1973). The imperial nation requires the support of other nations for its capital expansion through the internationalisation of capital to exercise formal and informal authority over other nations (Petras & Morley, 1980, p. 44; Polychroniou & Targ, 1992, pp. 62-63).

It is pointed out here that the economic dependency of other nations on imperialist nations who control the accountancy 'software' extends into a political dependency. Johnson & Caygill (1973, p. 79) state that the political dependency in modern imperialism is guided by the principle that imperialist nations are the leaders to regulate professional practice such as accountancy (Johnson & Caygill, 1973, p. 79). Historical evidence suggests that the political dependency of post-colonial nations on imperialist nations, which perpetuates after independence, is due to the colonial patterns of subordination inherited from colonisation. This was achieved by influencing the opinions of elites in those post-colonial nations because they make policies and decisions that count within the society (McAllister, 1992, p. 230). In relation to accountancy, imperialist nations approached post-colonial nations on accountancy practice development and expansion to offer membership to self-selected elite so that they can enjoy market opportunities (Chua & Poullaos, 1998; Annisette, 2000; McNicholas, Humphries & Gallhofer, 2004). This was further reinforced by the absence of a sizeable middle class in colonised nations which was unable to offer an alternative viable basis of accountancy practice free from imperialist intervention (Johnson, 1973).

Annisette (2000) points out that the developing Commonwealth virtually relies on British-based accountancy institutions for the training and certification of its practitioners, with UK based accountancy bodies training and certifying in may of those countries. The willingness to struggle for the accountancy qualifications of the imperialist nations affirmed the effectiveness of the Empire in transmitting a specific form of credentials across distant territories. According to Briston & Kedslie (1997), similar patterns are also up-and-coming in emerging nations in the central and Eastern Europe, China, and South Africa where these nations are controlled by accountancy 'software' of imperialist nations.

Countries such as Canada and Australia were different from other Commonwealth nations in that they successfully negotiated to narrow their differences with UK based chartered accountancy bodies by seeking a royal charter or with reciprocal recognition (Chua & Poullaos, 2002). These local accountancy bodies defined, protected, defended and promoted the expansion of its knowledge base (Armstrong 1993). These accountancy bodies nevertheless, established a long distance relationship between nations and the empire (Annisette, 2000).

The settler colonies began to model the notions of accountancy professionalism originating in colonial power. These relatively autonomous institutions provided a loose coupling between the colonial power and the colony (Chua & Poullaos, 2002; Yapa, 2001). In countries such as Canada (Richardson, 1997), Australia and South Africa the colonial influence was so successful that the elite local accounting associations emulated their British chartered model (Chua & Poullaos, 2002; Parker, 1989). According to Annisette (2000) these professionalisation strategies of colonial accountancy bodies are not due to autonomous local phenomena, but were a process inextricably linked to strategies employed by accountancy bodies seeking to advance their position in the empire.

6. Post imperialism and accounting

Britain is one few colonial powers of the twentieth century. The other member nations of the IASB who exercised colonial powers during that century include France, Germany, Japan and the US (Dukes, 2000, p. 57). The British style of arranging professional accountancy is rapidly changing due to technology, globalisation, reciprocal recognition between different accountancy bodies and increasing dialogue between accountancy associations (Chua & Poullaos, 2002). This paper believes that the increasing dialogue between accountancy associations added to the impetus behind the creation of globally enforced accounting standards.

The tussle between the US FASB and the IASB to control global accounting standards are apparent from the following four events and activities. First, according to Zeff (2002), some Europeans firms have cited their preference for US GAAP on the basis that they are well organised and constitute a powerful lobby. Jeff argues that the rigorous enforcement in the US is likely to be controversial and would generate stronger negative reactions than in any of the other seven countries collaborating with the IASB. This confrontational climate is heightened by the high incidence of litigation and traditional intense lobbying of legislators at state and federal level on the FASB. These legislators virtually assure the results for FASB.

Second, Ham (2002) agrees that the IASB is moving closer to the FASB standards than vice versa. Although the FASB has come under recent criticism with the collapse of Enron, Ham argues that the Enron collapse is not significant enough to challenge the superiority of the FASB standards, since the US has continued to be the most successful capital market and the most resilient economy.

Third, in the recent past the US has sought to expand their power base in the IASB by presenting a significant American presence. The chair of trustees is Paul Volker, one-time chairman of the US Federal Reserve. It is also widely accepted that the co-operation of the US is required for truly global standards (Haswell & McKinnon, 2003; Mackenzie, 2003).

There are economically powerful nations that offer voluntary support to perpetuate FASB standards. Canada explicitly ratifies the US FASB standards. The Canadian accounting standards board (AcSB) has two fundamental focuses: first, to harmonise with the US GAAP by eliminating significant unjustifiable differences with the FASB standards; second, to converge with the highest quality US and international accounting standards (Mackenzie 2003). Canada has publicly declared their commitment to contributing to, and developing, a reliable system of international accounting standards while recognising its critical dependence on access to capital markets in the US. Lenihan and Hume (2003) point out those adopting the US standards bring Canada closer in alignment with Americans and will strengthen business relationships with their biggest trading partner.

Fourth, the US public accounting profession represented by the 'big four public accounting firms' public accounting firms is also a dominant institutional driver supplying accounting expertise to multinational firms across nations. More than one half of 215 nations recognised by the United Nations maintain offices of 'big four public accounting' firms but they are headquartered in the US (Cooper, Greenwood, Hinnings & Brown, 1998; Hegarty, 1997). Their expertise shapes the culture and economics of nations without occupying their territory, i.e. without colonisation. This expertise provided by the 'big four public accounting' firms also facilitates the expansion of US Empire (Dwyer & Roberts, 2004). This increases the scope for firms to not just expand geographically but to increase their range of services to further expand their capital (Hegarty, 1997).

This paper argues that the above four factors support the notion of US accountancy 'software' to influence the decision-making of nations and firms located in other countries. The increasing domination of US accountancy 'software' enables the US to expand their post World War II imperialism.

The North American version of imperialism has a different emphasis than that of the European version. The US multinational firms drive the North American version of imperialism through globalisation. The US 'big four public accounting' firms expand their firms in another nation for the reason of serving their existing multinational clients (Cooper et al., 1998). This paper concurs with views expressed by Bowman (1999, p. 78), that although these multinationals retain the appearance of outmoded hierarchical firms, their accounting methods, amongst other things, shape the behaviour of firms in other (Bowman, 1999, p. 78). The multinational are supportive of a uniform global set of accounting standards (Day, 2002), but this paper argues that the multinationals would prefer the US accounting standards rather than IFRS since the majority of multinationals are US firms.

The US has been considered a post World War II imperialist nation in terms of their dominance of 'hardware' imperialism admitted by several economically powerful nations. The World War II wartime experiences lead Britain, Australia and New Zealand to sign a Pacific Security Agreement with the United States in 1951. The Commonwealth also began to look to secure their territorial sovereignty with the assistance of US confirming the domination of the US (Smith, 1998, p. 34). The UK-USA Security Agreement is a tiered treaty in which the US is designated as the first party, with other nations designated as second parties, which also confirms the US as the dominant party.

The dominance of the US in relation to 'software' imperialism was demonstrated by two factors. First, the US have a greater intelligence or knowledge collection capacity than other UK-USA participants to the UK-USA agreement. Second, the dominance of the US military among western nations allows them to exert significant influence in determining economic priorities of other nations making it more economical to depend on the US to satisfy their own intelligence needs (Richelson & Ball, 1990, pp. 7-8).

The economic domination of the US arose from three fronts: (i) The monetary arrangement negotiated at Bretton Woods with the concept of parity between the dollar and sterling pound as the world reserve currencies. When sterling pound was sharply devalued against the dollar, older sterling bloc members shifted their monetary systems to orient around the dollar; (ii) The US employed overwhelming power to police the globe in order to protect international investment by upholding the private property regime; (iii) The burial of the greater part of Japanese and European industrial capacity, US industrial supremacy promoted free trade with other nations and gave consumers freedom of choice. Free trade leads to global action, which means an expanded market for US goods and services (Davidson & Rees-Mogg, 1987, pp. 71-74). Third, only the US can afford to deploy the full array of modern knowledge 'software' systems for other parties. The access to such knowledge 'software' can only be gained through co-operation and exchange arrangements with the US (Richelson & Ball, 1990, pp. 302-303).

According to Silbey (1997) the US penetrated western ideals into non-western nations under the guise of globalisation. Their motives can be described as: enlightenment narrative and market narrative of globalisation (Dwyer & Roberts, 2004). The enlightenment narrative of globalisation is based on the premise that knowledge and capital should move without friction. The law must uphold property rights of owners developing ideas for the 'free' movement of capital for use of scarce resources efficiently to raise global production and capital. The excess capital imported into the US through the process of globalization is then needed to be exported into foreign markets for investment, and production of goods and services (Hobson, 2000, p. 53). The market narrative of globalisation is focusing on efforts to prove superiority by commanding and controlling societies and social property rights over command and control societies and socialised property rights. This empowers individuals to pursue their desires which are determined by market supply and demand forces in relation to their desires with the least burden of laws and (Silbey, 1997). This paper takes the view that accountancy 'software' is globally enforced via accounting standards to promote the enlightenment narrative of globalisation which is the 'software' dominance of imperialism. The enlightenment narrative is a precursor to promote the market narrative of globalisation which is the 'hardware' dominance of imperialism.

It is asserted here that multinational firms are a logical instrument with which to promote globalisation and global accounting standards are a means to propel the 'software' dominance of US. Bowman (1989), suggests the multinationals contribute to this cause through planning and coordinating productive activities, operating efficiently and providing a low cost production and mass distribution. As Kennedy (1994) suggests, the progress of US imperialism is dependent on the locals, and their ability to adopt and a share culture in order to take part in global exchange. According to this paper, this means that accounting standards are geared to alter the decision-making models of firms and nations to facilitate a culture of globalisation. The change in the decision-making model asserted in this paper, is consistent with Dwyer and Roberts' (2004) view which states that the decision-making model is promoted by labelling those who embraced these ideals as modern, realistic and reasonable, and those who don't as rigid, nostalgic and radical. According to Amin (2001) and Silbey (1997), US multinationals, as facilitators of global transactions, change the economic relations between the US and rest of other world by determining what should be produced, cultural relations by restructuring work and family life and political relations by re-writing basic laws governing citizenry such as promoting individualism and market economy to characterise the US as the contemporary Empire.

This paper agrees with Lenin (2000, pp. 91-94) who argues that the economic essence of imperialism is monopolise capital. According to Lenin, there are three principal types of monopoly. First, a monopoly which arises due to a concentration of production at a very high level. This is due to a formation of a monopoly of capitalist associations, cartels, syndicates, and trusts. Second, a capital monopoly seizes the important sources of raw material for highly cartelised industries in capitalist societies. Third, a capital monopoly exports capital to other nations forming spheres of influence, profitable deals, concessions, and monopoly profits. The monopoly profits enable these firms to bribe certain sections of the workers to the side of imperialist nation.

Post World War II was characterised by the emergence of a dependent third world and the construction of a US dominated global capitalist economy (Cammack, Pool & Tordoff, 1993). The US domination of the global capitalist economy largely comes in the form of the operation of multinational firms, foreign direct investment and economic dependence on the US market by other nations (Annisette, 2000). The tradition of

American constitutionalism and corporate liberal reform also promotes the consolidation of transnational corporate powers by applying the logic of corporate reconstruction in American society to the world market and corporate relations. This corporate capital through foreign direct investment combined with multinational corporations has enabled the US to herald imperialism largely based on corporate enterprise. This can be explained by the theory of 'postmaterialism' (Bowman, 1993). Therefore it is possible to assert that the promotion of the capital market through IFRS, which promote the monopolisation of capital, US dominance of multinationals and foreign direct investment, supports the perpetuation of US imperialism.

The East Asian economic crisis provides evidence of the US domination in capital markets and how promoting capital markets can perpetuate US imperialism. Johnson (2000, pp. 226-227) and Medley (2000) point out that the financial crisis that engulfed Asian countries in 1997-1998 allowed the US and the International Monetary Fund (IMF) to dismantle the East Asian model of development. The then desperate East Asian governments invited foreigners to invest in their economies, with the weakened Asian currencies dropping asset prices. This enabled US firms to gain access to markets and industry sectors (such as finance and telecommunication) previously protected from foreign ownership. The reforms proposed by the IMF with the backing of the US were a strategic attempt to open up Asian economies to international capital. The political agenda was to overturn the East Asian model and replace it with a US inspired free trade approach to offer privilege to multinational firms. Therefore, this paper supports the view that promoting capital markets through the adoption of IFRS advocates change in the decision-making models of other nations, thereby dominating them through US imperialism.

Improving capital market flows through the adoption of IFRS is necessary and beneficial for the US to maintain its post World War II imperialism. Within this post-imperialistic context, various international firms would supplement the firms that are essentially national in character to supersede economic, political and social firms as expounded by the theory of 'post-imperialism' (Sklar, 1999, pp. 1-19).

7. Concluding remarks

This paper is inclined to conclude that international harmonisation of accounting is a reinforcement of the current international economic system which is largely controlled by imperialist nations representing the IASB committee member nations. It is also designed to maintain the hierarchical political and economic world order. It is a medium to increase the economic dependency of the rest of the world, in particular developing nations, on the imperialist nations constituting the IASB committee. This increasing economic dependency enables these imperialist nations to widely promote their political ideologies such as free market trade and private ownership. The widening gap between imperialist nations and other nations (especially economically weaker developing nations) makes it more difficult for the latter to establish independent and sustainable political, social and economic development. This paper also supports the view that imperialism is harmonised through a collection of imperialist nations seeking to control the decision-making of other nations by mandating accounting standards.

Although the imperialist nations constituting the IASB committee are bound to reap significant benefits through the setting and implementing of IFRS by promoting their preferred 'software' of accountancy, this paper argues that the US is bound to receive the most benefit. This is because of four major factors. First, the US has the biggest capital market to attract capital flows through the implementation of IFRS from other nations. Second, other nations have a significant dependence on the US market to sell their goods and services. Third, US multinationals and foreign direct investments enable the US to increase the level of economic dependence of other nations on the US. Although it is not clear at this stage whether there will be two dominant bodies prescribing the 'software' of accountancy, the IASB and FASB, the above-mentioned three factors will provide a powerful impetus for the US domination of accountancy 'software', either in its own right through the FASB or through its substantial influence over the IASB. Therefore, the IFRS will shape the economic decision-making of other nations, and subsequently perpetuate post World War II imperialism.

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