

ATTITUDES TO ACCOUNTING CONVERGENCE: TAIWANESE REGULATORS AND ACCOUNTANTS

Roger Hussey, Odette Business School, University of Windsor, 401 Sunset Avenue, Windsor, Ontario, N9B 3P4, Canada, (519) 253 3000 x 5056, rhussey@uwindsor.ca

Audra Ong, Odette Business School, University of Windsor, 401 Sunset Avenue, Windsor, Ontario, N9B 3P4, Canada, (519) 253 3000 x 3155, aong@uwindsor.ca

ABSTRACT

This paper compares the perceptions of standard setters and professional accountants in Taiwan towards international accounting harmonization. Taiwan is selected as the case study as it is moving from FASB based standards towards International Financial Reporting Standards. In-depth interviews were conducted with eight standard setters and six professional accountants. The study finds that the standard setters see themselves as working in a world defined by consensus and uniformity whereas professional accountants place standard setters more towards uniformity and enforcement. As far as business interests are concerned, standard setters regard these as liberalism almost to the point of corruption whereas professional accountants regard them as liberal but operating within a consensus.

INTRODUCTION

The case study examines the case of Taiwan Republic of China (R.O.C). In-depth interviews were conducted with 8 accounting regulators and 6 practicing accountants in Taiwan. The regulators comprised of legislators and national standard setters responsible for the standard setting process. The accountants were either partners or managers of the main international accounting firms and had the responsibility for the audit of companies that are required to comply with accounting standards

CONTEXTUAL REVIEW

There is earlier work that has sought not only to identify national differences in financial accounting and reporting but also to hypothesise on the factors that caused them. The present study has drawn from them to construct a working model of the factors that are present in the world of regulators and practicing accountants. The main reasons for determining differences in national financial reporting are: legal systems; business organizations and ownership; stock exchanges; taxation; the accounting profession; international relations; standard setters; investor interests.

In 1983, the Ministry of Finance was instrumental in establishing the Accounting Research and Development Foundation (the Foundation) that is responsible for standard setting. Historically, Taiwan based its accounting standards on those of US GAAP as the guide for developing their own standards. In 1996, however, the country publicly declared its move towards international accounting standards.

RESEARCH DESIGN

The repertory grid technique (RGT) of interviewing and data elicitation based on personal construct theory [1] was employed. Central to the application of the technique are reasons and constructs and a

method for allowing participants to link the reasons and grids. Reasons are the objects or concepts under discussion, in this paper reasons for differences in national reporting.

Constructs can be regarded as the characteristics or attributes of the reasons. The eight bi-polar constructs identified were: Uniformity – non-uniformity; Transparency – secrecy; Conservatism – liberalism; Statutory control - professional judgment; Monitoring – Laissez faire; Enforcement – negligence; Moral – corrupt; Consensus - individualism

A grid was constructed with the reasons on the horizontal axis and the constructs on the vertical axis. Personal interviews were conducted with eight key informants from the standard setters and six practicing accountants from the major international accounting firms. The participants were shown the grid and the meaning of each of the constructs explained. Participants were invited to consider each of the reasons in turn and to designate a number that places the reason on the bipolar construct with 1 = the construct and 7 = the antonym. The grids for the eight regulators and the six accountants were then aggregated into two separate grids for the purpose of this paper.

ANALYSIS

The analysis of the two repertory grids show that there are decided differences in the way that the regulators and the accountants perceive the reasons for differences in national financial reporting and in the way that they apply the constructs. There are some reasons that are closely related and the following table gives for each group those reasons that are correlated at the 98% and 99% levels

TABLE 1

Comparison of highly correlated reasons

Regulators	Accountants
<i>Business interests and Culture</i>	<i>Legal and Tax</i>
<i>Investors and Accounting profession</i>	<i>Standard setters and Financial Markets</i>
<i>Financial markets and Inter'l Relations</i>	<i>International Relations and Culture</i>

The regulators saw the reasons *Legal (7) and Standard setters (3)* as separated from the other reasons. The accountants saw *Business interests (5) and Accounting profession (2)* as being separated. Both groups regarded themselves as separated from the other reasons but considered the other group as being strongly correlated to other reasons. Two of the main characteristics attributed to the FASC were a high level of uniformity but a low level of statutory control. One suspects that many national standard setters would share these perceptions. They also regarded the FASC as having relatively low enforcement powers compared to the other reasons. Not surprisingly, the legal system was rated highest for statutory control and enforcement. The group of accountants regarded themselves as much more transparent than any of the other reasons but saw themselves as particularly low with statutory control. They also regarded themselves as being particularly conservative in comparison to the other reasons. Business interests they saw particularly low on enforcement, uniformity and monitoring.

Comparing the repertory grids for the two groups three distinct features are apparent. First, the two groups have each distanced themselves from almost all the other reasons. Secondly, both groups have identified one other reason that they did not relate closely to the other reasons. In the case of the

regulators the other reason is legal and that is understandable given the strong influence of the Ministry of Finance on the FASC. With accountants the distanced reason is business interest. From the interviews it would appear that accountants regarded the Accounting Profession as different from the other reasons because of their training and objective role. They regarded Business Interests as different because they did not have the same values and purposes of the other reasons. The third feature of the diagrams is the differences between the two groups' perceptions where there are deemed to be strong links between reasons as discussed in Table 1 above.

CONCLUSIONS

The present study investigated the “mental maps” of two groups involved with accounting standards in Taiwan. The analysis demonstrates that the two groups have differing mental maps of the accounting regime they inhabit. The regulators are intent on keeping orderly financial markets because of the importance of foreign investment. They also wish to safeguard business interests that they considered reflect the values of Taiwan as a trading nation. To some extent they regard the accounting profession as a mechanism for protecting the interests of investors. The professional accountants consider that the culture is influenced by international relations and regard the regulators as the guardians of the financial markets. Business interests appear disconnected from the other reasons.

REFERENCES

[1] Kelly, G. *The psychology of personal constructs Volumes 1 and 2*, New York: Norton Publishers, 1955.