

Table 3.9: International Comparison of Accounting Principles

<i>Accounting Principle</i>	<i>UK</i>	<i>USA</i>	<i>France</i>	<i>Germany</i>	<i>Netherlands</i>	<i>Sweden</i>	<i>Switzerland</i>	<i>Japan</i>
1. Consistence – accounting principles and methods are applied on the same basis from period to period	Yes	Yes	Yes	Yes	Yes	PP	PP	Yes
2. Realization – revenue is recognized when realization is reasonably assured	Yes	Yes	Yes	Yes	Yes	Yes	PP	Yes
3. Fair presentation of the financial statement is required	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. Historical cost convention – departures from the historical cost convention are disclosed	Yes	Yes	Yes	Yes	Yes	Yes	RF	Yes
5. Accounting policies – a change in accounting principles and methods without a change in circumstances is accounted for by a prior year adjustment	Yes	No	Yes	MP	RF	MP	MP	No
6. Fixed assets – revaluation – in historical cost statements, fixed assets are stated at an amount in excess of cost which is determined at irregular intervals.	MP	No	Yes	No	RF	PP	No	No
7. Fixed assets – revaluation – when fixed assets are stated, in historical cost statements, at an amount in excess of cost, depreciation based on the revaluation amount is charged to income.	Yes	No	Yes	No	Yes	Yes	No	No
8. Goodwill amortized	MP	Yes	Yes	Yes	M	Yes	MP	Yes

9. Finance leases capitalized	Yes	Yes	No	No	No	Yes	RF	No
10. Short-term marketable securities at the lower of cost or market value	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11. Inventory values at the lower of cost or market value	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12. Manufacturing overhead allocated to year-end inventory	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13. Inventory costed using FIFO	PP	M	M	M	M	PP	PP	M
14. Long-term debt included maturities longer than one year	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
15. Deferred tax recognized where accounting income and taxable income arise at different times	Yes	Yes	Yes	No	Yes	No	No	Yes
16. Total pension fund assets and liabilities excluded from a company's financial statements	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
17. Research and development expensed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
18. General purpose (purely discretionary) reserves allowed	No	No	Yes	Yes	Yes	Yes	Yes	Yes
19. Offsetting-assets and liabilities are offset against each other in the balance sheet only when a legal right of offset exists	Yes	Yes	Yes	Yes	Yes	Yes	PP	Yes
20. Unusual and extraordinary gains and losses are taken in the income statement	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
21. Closing rate method of foreign currency translation employed	Yes	Yes	Yes	Yes	Yes	No	Yes	No

22. Currency translation gains or losses arising from trading are reflected in current income	Yes	Yes	MP	MP	MP	MP	MP	No
23. Excess depreciation permitted	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
24. Basic statements reflect a historical cost valuation (no price level adjustment)	Yes	Yes	Yes	Yes	M	Yes	Yes	Yes
25. Supplementary inflation – adjusted financial statements adjusted	MP	MP	No	NO	MP	Yes	No	No
26. Accounting for long-term investments:								
(a) less than 20% ownership - cost method	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
(b) 20 - 50% ownership -equity method	Yes	Yes	Yes	No	Yes	MP	M	Yes
(c) More than 50% full consolidation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
27. Both domestic and foreign subsidiaries consolidated	Yes	Yes	Yes	M	Yes	Yes	MP	Yes
28. Acquisition accounted for under the purchase cost method	PP	PP	Yes	Yes	Yes	PP	Yes	Yes
29. Minority interest excluded from consolidation income	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
30. Minority interest excluded from consolidated owners' equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Key: PP – Predominant Practice

MP – Minority Practice

M – Mixed Practice

RF – Rarely or not found

