A COMPARATIVE VIEW OF ACCOUNTING REGULATIONS

Paul J. RUTTEMAN *

Paul J. Rutteman focuses upon the accounting regulation experience of the EEC countries, Canada, Japan and Australia, and how those experiences provide lessons for the U.S. accounting profession. After pointing out the differences between the accounting standards in these countries, Rutteman argues that harmonization of disparate national accounting principles, rather than standardization, is the most effective approach.

Drawing upon the EEC, difficulties with harmonization are discussed. In particular, the different economic backgrounds of the member states and the different development of accounting standards are highlighted as problems in harmonization.

Rutteman concludes that development of internationally agreed upon accounting standards must rely upon adoption of broad principles and, only later, enactment of specific "cookbook" rules should occur.

1. Introduction

When David Solomons called me at the end of September and asked me to speak at the Arthur Young Professors' Roundtable, I was both delighted and apprehensive. Delighted to be asked, apprehensive as to what I should say or rather what I should leave out. Although David very kindly said that he was not expecting a written paper, he was hoping for a thirty minute talk dealing with how countries within the European Economic Community (EEC), Canada, Japan, and Australia handle accounting regulations. Among other questions, I was asked how the United States (U.S.) could learn from these experiences. Moreover, I was asked to identify problems of cooperation between U.S. regulatory agencies, especially the Securities and Exchange Commission (SEC), and such international bodies as the International Accounting Standards Committee (IASC) [1], the United Nations (U.N.) and the Organization for Economic Cooperation and Development (OECD). Cutting that down to thirty minutes is a tall order.

* Partner, Arthur Young, McClelland, Moores & Co., London.
2. The United Kingdom

Perhaps I had better start with the perspective. The EEC and particularly the United Kingdom (U.K.) are the areas I know most about, so let me start there. The EEC is a pretty diverse group of countries when it comes to accounting regulations because their backgrounds are so different. At one end of the spectrum is the UK, perhaps most similar to the U.S. in the sense of having a large, highly-developed stock market and an accounting profession which is large, well established and influential. In that its members include nearly all finance directors in industry and commerce, practicing accountants and auditors, as well as analysts and other users of financial reports, the British accounting profession is well placed to be the natural promulgator of accounting standards. The U.K. common law system imparts a bias against unnecessary regulations by statute, a strong acceptance of judge-made law, however outdated, and a preference for self-regulation.

Where the U.K. differs from the U.S. is that the U.K. has the City, the square mile where all the main accountants, lawyers, bankers, and stockbrokers know one another and keep up with the latest gossip [2]. It is a club where to be a member you have to be a gentleman and if you behave badly, you are ostracized. Such is the myth, and although times have changed, there is still an element of truth in the story. It is the only way self-regulation works and because the myth is dated we can see the cracks in the system. Rumor has it in London that if the U.S. had only had one stock exchange, on Wall Street I suppose, instead of eleven in 1933, the U.S. might never have had an SEC.

We tend to think of the disclosure requirements of the Securities Act of 1933 [3] as being based on the U.K. Companies Act of 1929 [4]. And, it is today still the case that the Companies Act administered by the Department of Trade and Industry represents the cornerstone of accounting regulations. But, in accountancy terms, it regulates very little. It calls on all limited companies to file audited accounts each year with the registrar of companies [5]. So, 900,000 companies must file their accounts with the Registrar each year. Those accounts must contain certain specified disclosures. If there are subsidiary companies, group accounts - usually consolidated accounts - must be filed and they must show a true and fair view [6]. Until recently, that was a reasonable summary of the requirements [7]. Companies and their auditors exercised their judgment as to what constituted a true and fair view and the same requirements applied to companies of all types - both large and small, widely-held and director-controlled companies [8].

As the *Economist* observed in August 1969:

Accountants do not have nor do they believe in written rules. Apart from the information and method of presentation required by the Companies Act, they rely on integrity and common sense guided by the occasional statements issued by the various professional
Professor Edward Stamp, assisted by Sir Ronald Leach, the then President of the Institute of Chartered Accountants in England and Wales, must be credited for subsequent changes. Professor Stamp wrote an article in The Times in the aftermath of a scandal known as the Pergamon affair and a celebrated takeover battle for a major engineering company [10]. He argued that there was a proliferation of acceptable accounting principles in the U.K. and, amongst other things, a more rapid evolution of accounting principles was necessary [11]. He considered the possibility of a British SEC but concluded that the degree of regulation which this would entail could well constitute a cure worse than the disease [12].

As a result of that article, the English Institute set up an Accounting Standards Steering Committee, later known as the Accounting Standards Committee (ASC). We did not set up an SEC but the subject is still endlessly discussed. The accounting standards produced by the ASC are generally adhered to because the key professional institutes, and now all the U.K. accountancy bodies, are members of the ASC and agree to require their members to observe the standards or have good reasons for not doing so [13]. The Stock Exchange has given its support to the standards also, but the sanctions in both cases are limited [14]. If standards are not observed, the Institutes may call their members before their professional standards committees to explain their actions and auditors can be called to give an account of themselves if they fail to qualify the accounts for any significant departure from an accounting standard [15]. The Stock Exchange can threaten to de-list a company but, since it is The Stock Exchange's only effective sanction, it is considered too draconian a measure to be used [16]. The weakness in U.K. accounting regulation is the lack of a really effective means of enforcement. Nevertheless, it is amazing how well the system works given these limitations.

As for the U.K. standards, they are more broadly drafted than their counterparts in the U.S. For example, the U.S. Statement of Financial Accounting Standards (SFAS) 13 [17] on lease accounting is regarded in the U.K. as a "cookbook rule" relying far too heavily on fixed percentages which can readily be circumvented. Have you seen any finance lease accounting in the U.S. recently or are they really all operating leases? The U.K. standard leaves more to the judgment of the preparer and auditor [19]. Guideline percentages are given but the real test is whether the lease involves the transfer of substantially all the risks and rewards of ownership.

To summarize the U.K. position, we have an admixture of disclosure-oriented public regulation – the "true and fair view" requirement – and of
private sector regulation. The latter accounting standards are broader in style than the U.S. counterparts and fewer in number, while presently covering the most significant accounting areas, with the exception of pension costs. The U.K. system of regulation is designed to apply to a wider range of companies than in the U.S. All U.K. companies are regulated compared to just those registered with the SEC in the U.S. [20]. The weakness lies in the ability to enforce standards. More recently, industry pressure groups have exploited this weakness in the U.K. system by suggesting that they should be exempted from certain requirements because they would not comply anyway. In fairness, this has been more of a threat than a practical problem. Nevertheless, it caused embarrassment some years ago when Imperial Chemical Industries (ICI) declined to follow a U.K. standard on accounting for government capital grants by insisting on using a flow-through approach when the standard required a deferral of the income. Having received a qualified audit report, ICI thereafter encountered difficulties when the SEC refused to allow the company to raise money in the U.S. markets until ICI amended its accounting policies. The irony is not just that it took the SEC to enforce U.K. standards but that, in this particular case, the accounting method used by ICI was not in breach of US principles under APB 4.

3. Holland

The accounting environment in Holland is similar to that in the U.K. in a number of respects. There is a well-established stock market dominated by a small number of multinational companies — Shell, Unilever, Philips, and AKZO. The Dutch laws were broadly drafted until 1971; accounts were required to follow good accounting practices, although such accounting practices were not defined [21]. The 1971 version is a little stronger but still very general, much in the style of the U.K. Companies Act. To remedy that deficiency, the Dutch government encouraged the formation of the Tripartite body, comprising representatives of employer and employee organizations together with the accounting profession [22]. In practice, the profession develops the papers for discussion by the Tripartite body and thereby assumes the initiative in this area. This Tripartite approach reflects Dutch political thinking in the post-war era.

Initially, the Tripartite body issued Considerations on the Law on the Annual Financial Reports of Enterprises. The Tripartite body was set up to take an inventory of generally adopted practice and consider the acceptability of the different policies. It has since moved to firm up its observations into guidance statements [23] — not yet mandatory, but at least strongly persuasive [24]. Once more, there is no statutory backing for their work and accountants are still very much encouraged to use their judgment. The very international
nature of large Dutch companies has caused Dutch accountants to look at acceptable practices elsewhere in determining what is acceptable in Holland. The result is that there are normally very few surprises for British and American readers, although there is greater emphasis on current values than in the U.S. [25]. That has long been the case since Professor Limperg’s influence. The “business economic” approach rather than “cookbook rules” would summarize the Dutch outlook.

Although the Tripartite body’s statements are the equivalent of accounting standards in the U.S. and U.K., there are two other sources of accounting regulation: the Act on Annual Financial Reports of Enterprises, already referred to and only very broad in its requirements, and the Enterprise Chamber, a special chamber of the Court of Justice at Amsterdam [26]. The Enterprise Chamber rules on charges of failure to comply with the Act on Annual Financial Reports [27]. Charges can be brought only by parties – not just shareholders, but employees and trade unions as well – with a direct interest in the financial statements of the company under investigation and the verdict of the court applies only to the specific case under investigation [28]. Nevertheless, these verdicts give rise to considerable discussion within the profession. Indeed, they have been known to contradict the requirements of the guidelines issued by the Tripartite body and to that extent undermine the status of those guidelines. Strangely, however, the court can impose few sanctions. If the financial statements are found not to comply with the law, the court can order the management to correct them. Only if they are not corrected can further action be taken against management. A number of pressure groups have sprung up to take suitable cases to court – the best known of these being Stichting Onderzoek Bedrijfs Informatie represented by Mr. Pieter Lakeman. It has been effective although it has lost many of its points.

About half the complaints made to the court are upheld. Some of the complaints upheld by the court are particularly significant for accounting regulations. For example, those quoted in a Dutch Institute publication include: (1) the reason for a change in an accounting policy should be stated; (2) outstanding contracts for the purchase/sale of inventories must be disclosed; and (3) a debit balance on a deferred tax account is not permitted [29]. The Attorney General of the Supreme Court has indicated [30] that the Enterprise Chamber is not obliged to follow either the recommendations of the Tripartite body or the International Accounting Standards, which are incorporated into the Tripartite body’s recommendations.

4. Germany

In Germany, the role of the accounting profession with respect to shareholder protection differs from that in the U.K., U.S., and Holland. The U.K.,
Holland and the U.S. each have a substantial stock market and a history of widespread equity investment. The U.K. and U.S. financial statements could be said to be prepared primarily for the benefit of the shareholder – the equity investor – whereas the Dutch would argue that U.S. and U.K. accounting are obsessed with the shareholder interest and ignore the employee's interest. In Germany, by contrast, the charge could be laid that the shareholder is insufficiently considered. German business is largely financed by banks either through loan capital or equity stock [31] on a basis that would be prohibited in both the U.K. because of the City of Glasgow Bank crisis in the 1870s, and in the U.S., given bank collapses during the Great Depression. German shareholders have bearer shares which traditionally are lodged, together with an open proxy to vote, at the shareholders' banks. In essence, the banks wield the power exercised by shareholders in other countries [32]. For instance, banks sit on the supervisory board of major clients, given the German two-tier board system. Banks tend to be more knowledgeable. There is less emphasis on the income statement vis-à-vis the balance sheet as a result [33]. Because the German system of law tends toward a system of interlocking disciplines, the link between tax and accounting requirements is strong [34]. For example, the amount of tax depreciation that can be claimed on different assets is regulated by law so that such amounts can only be claimed if they are likewise included in the financial statements [35]. In effect, therefore, the tax rules have an enormous influence on accounting requirements and the tax authorities are part of the supervisory process. Accounting tends to be very conservative both because of the influence of the banks and because no one wishes to pay tax on profits not yet realized in cash terms. The key principles, prudence and the concept of lowest value, ensure that only realized profits can be included in the income statements while all losses must immediately be recognized [36]. Thus, the evenhanded approach to the treatment of currency gains and losses in SFAS 52 [37], whereby some profits may be accounted for although not yet realized, is acceptable in Germany. Since German law formed such a significant part of the model for the Fourth EEC Directive on Company Law [38] – harmonizing accounts in Europe – this remains a major problem.

The accounting profession in Germany is small, some 4,000 Wirtschaftsprufer [39] compared with over 80,000 Chartered Accountants in the U.K. The reason, in part, for the relatively small size of the German accounting profession is because a Wirtschaftsprufer who takes a job in industry ceases to be a member. Since the profession cannot dictate standards to the preparers of accounts, their influence is limited. Consequently, the government lays down accounting principles in law. Some of them seem strange to British or American readers. For example, the law requires only domestic subsidiaries to be consolidated [40].
5. France

France is another country where the traditional source of finance for industry has not been outside equity. Large French industry developed mainly in family or state hands. The tax linkage is much the same as in Germany and the French accounting profession has a similar problem in making its influence felt in the setting of accounting standards. French accounting regulation has traditionally been directed at tax collection and government planning. The French inherited from Germany the structure of a uniform code of accounts as a basis for macroeconomic planning and the appeal of standardized formats of accounts remains. A government-appointed advisory body, the Conseil National de la Comptabilité, has put much effort into developing standard accounts formats. It recommends the use of specific accounting principles and pontificates on the acceptability of others. The capitalization of finance leases in the financial statements of lessees, for example, would be unacceptable because it would mean putting on balance sheet assets that are not owned. The influence of lawyers, rather than accountants, is perhaps more strongly felt in the Conseil National de la Comptabilité.

In recent years, the French government has been keen to develop wider share ownership and the Bourse, the French stock exchange, has been strengthened. To encourage this, the government set up a regulatory body called the Commission des Opérations de Bourse (COB) which has been very effective in improving French accounting. The COB encourages the use of consolidated accounts although it may only require them when companies come to the market for new capital. It also has powers to require companies to seek other auditors and has used those powers where it thought the company was too large and complex for a small audit firm to handle. Moreover, it has instituted inquiries into apparent accounting scandals and it comments freely in its regular reports on improvements needed in French accounting. The COB, itself, is a very small team of three or four government appointees, but its success lies in the individuals selected. Monsieur Bertrand d’Illiers has gained an international reputation for his successful efforts in developing French accounting practice in this way.

6. Italy

Similar accounting developments are underway in Italy. The Consob has been set up to improve investor confidence in Italian shares quoted on the Milan stock exchange, an exchange which previously was said to be used only by fools and insiders! One of the first actions taken was required use of International Accounting Standards. That was an interim measure while the main Italian accounting profession developed its own standards. Currently,
Consob requires the use of those principles which have already been established by the Dottori Commercialisti [48] and of International Accounting Standards where they have not. However, accounting regulation in Italy has still to mature.

7. EEC

From this background it is obvious that harmonization [49] of accounting requirements in the EEC is not an easy matter. The main steps, however, have been taken. The Fourth Directive [50] on the accounts of individual companies, and the Seventh Directive [51] on group accounts have already been agreed to by the Council of Ministers. The Fourth Directive is already enacted in national law in half of the member states [52]. The Seventh Directive must be enacted by January 1, 1988, and must be effective by January 1, 1990.

These dates may give a clue to one of the disadvantages of regulation by directive – the process is very slow and implementation takes place some years after ultimate agreement. Nevertheless, there is a great need for harmonization within Europe. Whereas most large U.S. corporations derive the greater part of their sales and profits from U.S. sources, the larger U.K. and Dutch companies have the majority of their operations abroad and other EEC-based companies are expanding abroad rapidly. Increasingly, those operations are in other EEC states and the U.S. In the longer term, a European stock exchange is desirable where European companies' shares would be traded as domestic issues. To achieve this, greater consistency of accounting principles and understanding of accounts is needed. The Fourth Directive is the key and all member states will have to introduce provisions in their national law implementing its requirements.

Norteworthy requirements include:

(i) Companies must comply with all the provisions of the Directive except where there is an overriding requirement for the accounts to show a true and fair view [53].

(ii) Accounts are to be prepared using standard formats. There are four possible profit and loss account formats [54] and two balance sheet formats [55].

(iii) Valuation rules are specified using the historical cost basis as the normal basis of accounting. Provision is made for the use of various methods or recognition of changing price levels if member states wish to allow it [56].

(iv) The contents of the directors' report are specified and the scope of the audit is extended to include an implicit assurance that the disclosure requirements for the accounts have been met and that the directors' report is not inconsistent with the accounts [57].

It is clear, therefore, that historical cost is the normal basis of accounting.
Although member states may permit recognition of the effects of inflation, comparisons must always be made with the normal historical cost basis [58]. For the first time in the U.K., accounting principles are set out in law where previously they had been contained in accounting standards [59]. In some cases, the requirements of the law are more stringent. For example, in requiring adherence to the concepts of consistency, accruals basis, going concern basis, and prudence as general principles of valuation, it does no more than echo existing standards. But, by detailing under the prudence basis that provision must be made for all foreseeable losses while only realized profits may be recognized in income, it has gone much further. Such restrictions are already causing problems for the U.K. accounting profession. There are also more specific valuation rules [60] dealing with the basis of charging depreciation, the treatment of goodwill, and the valuation of inventories.

Overall, the Fourth Directive, viewed as a first step towards harmonized accounting practice, has caused radical changes to the thinking and existing practice in a number of Member States. The question has to be asked: “Would it not have been better simply to adopt International Accounting Standards? [61]” Unfortunately, International Accounting Standards are not considered an acceptable basis for harmonization within the EEC by the Commission or member governments, although admiration for the standards exists. The problem is simply that the International Accounting Standards are promulgated by what is seen as a private body which is strongly influenced by British practice. To be effective, harmonization must come about through directives developed by the Commission and agreed to between governments of member states.

The effects, to date, have proven quite different from those expected. In continental Europe, countries have been struggling with the concept of the true and fair view [62] – how should it be defined in law? Will compliance with the law not automatically result in a true and fair view? What departures from the law can be authorized on the basis of such a nebulous concept? The “true and fair view” concept is nothing new for the U.K., and others turned to the U.K. to seek help in understanding the concept. Perhaps, the French have come closest to our thinking with their “image fidèle.”

In the U.K., the main difficulty lies in the interpretation of “realized profits.” A German view, and this part of the Fourth Directive is based on German thinking, interprets the concept as meaning that a transaction must be complete and the result known with certainty. In the U.K., “realized profits” requires virtual certainty and, in certain cases, partial completion [63]. The U.K., for example, allows use of the percentage of completion basis for long-term contracts [64]. Interestingly, in Germany, this basis of accounting is now becoming acceptable, although recognition of unrealized profit on foreign currency transactions using an SFAS 52 approach would not be allowed [65]. Further discussion centers on the perceived purpose of the profit and loss accounts. In the U.K., it principally serves as a reflection of a company's
performance, while elsewhere it is seen as a statement of distributable trading profits realized during the year.

Incorporation of the Fourth Directive’s provisions in U.K. law has resulted in a number of recent Accounting Standards resorting to the true and fair override. An example is SSAP 19, which requires companies not to depreciate buildings held for investment because to do so would conflict with the true and fair view. The law requires all tangible fixed assets having a limited useful life to be depreciated, which is why the true and fair view override has to be invoked [66]. Needless to say, the EEC Commission is not very impressed with the override: the Commission views the override as applicable to individual companies in unusual circumstances and not of general application to general situations. This strain between standard-setting bodies in member states and the Commission, charged with ensuring proper application of EEC directives, is only just emerging.

When the Directive was first adopted, a Contact Committee comprising Commission staff and representatives of national governments was established [67]. Its function is to interpret the Directive as necessary and recommend changes where appropriate. So far, the Contact Committee has had only limited success although a number of problems have been raised and discussed. The difficulty lies in securing changes which would require further directives. The accounting profession has an input to the directives through the Groupe d’Etudes des Experts Comptables de la C.E.E. (EEC Accountants Study Group) [68]. It has provided advice to the Commission at all stages in the development of the Fourth Directive. It has also advised on similar directives involving the accounts of banks and insurance companies.

Overall harmonization is a laudable goal but, given the very different economic backgrounds of the member states and the different ways national accounting systems have developed, it is questionable whether directives are the best means of securing the necessary harmonization. The Fourth Directive is a compromise, or series of compromises, of necessity at a relatively low level. Further harmonization is needed, but Member States have expressed concern over the number of new laws that must be introduced following adoption of new directives. The process of preparing directives is too slow and the mechanism needs to be improved. There needs to be greater exposure during the negotiation process because, at present, the final directive often bears little direct resemblance to the last publicly available proposal. For instance, the Seventh Directive on group accounts changed completely during negotiations. Increased use of experts in the negotiations must occur. Accountants, and not just governmental officials, need to be involved. Finally, priorities need to be more carefully set: sacrificing the complete coverage of annual accounts in one directive, in favor of tackling only the problems that need to be dealt with through a series of directives.

As for the lessons that may be drawn in the U.S., they are much the same as
can be drawn elsewhere. While some regulation is needed, overregulation can be both costly and ineffective. One point, however, does stand out. The EEC Commission consciously treats the employee and the investor as equally interested in the results of a company. In contrast, financial reporting in the U.S. is seen as exclusively investor-oriented.

8. Additional models of accounting regulation

So what is the ideal system of accounting regulation? I find the Canadian model attractive with its legal backing for private sector standard-setting. Thus, the law requires that accounts must comply with generally accepted accounting principles and then defines those as the principles promulgated by the Canadian Institute of Chartered Accountants (CICA) [69]. This combines the enforceability of the law with the flexibility of standards set by a profession in touch with current problems. Meanwhile, such regulatory bodies as the Ontario Securities Commission ensure that the standards are applied without having to be directly involved in setting them.

Australia is another interesting model, although it is more accurate to say that the new Australian regulatory system is an amalgam of works used in the U.K., the EEC, and the U.S. The regulatory body, the National Companies and Securities Commission (NCSC), was established following adoption of the 1979 Securities Act [70]. It is one half of the cooperative scheme established among the six states to ensure that companies and securities regulation is uniform throughout the Commonwealth of Australia. The Ministerial Council for Companies and Securities is the other half of the scheme. The NCSC performs its regulatory function by reviewing and agreeing to standards that the profession prepares. The nine-person review body has the power of veto in that if it does not agree with a proposed standard, the standard may be sent back to the profession for revision. This also has the effect of strengthening the standards and making them enforceable.

In Japan, the state takes responsibility for accounting regulation and, as in some parts of Europe, accounting and tax regulation are closely related. Individual accounts are accorded greater significance in the tax regime than consolidated accounts and it appears that only some fifty percent of listed companies currently publish consolidated accounts [71]. Japan has some way to go before it can be considered a model of accounting regulation, but there are changes afoot and much greater interest is currently accorded the International Accounting Standards.

It is the International Accounting Standards that will gain increased importance in the future. In the U.S., the existence of conflicting accounting requirements in different countries is of only minor importance. Most U.S. companies derive the greater part of their earnings, and hold most of their
assets, in their home market. But for U.K., Dutch, Canadian and, increasingly, Australian, Japanese and other European companies, the greater part of companies’ income is earned abroad and the differences in accounting requirements pose significant obstacles. International Accounting Standards hold out a greater hope for harmonization than any consensus among other regulations.

Generally, International Accounting Standards are seen to be well thought out and technically competent. They are widely disseminated and discussed and are the result of truly international debate. The difficulty is that the IASC has no jurisdiction of its own and has to rely on its members using their best efforts to persuade local regulators to adopt the IASC requirements [72]. These efforts have had only limited success. It is not just the SEC and the FASB that argue that their domestic responsibilities are much more important than international harmonization. Nor is it realistic to believe that all countries will simply adopt the FASB standards.

Both the U.N. and the OECD have tried to deal with this difficulty in different ways. The OECD, in particular, is making a significant contribution by bringing together standard-setters. The country representatives are usually government officials – but Canada is represented by a CICA staff member and the U.S. is represented by Clarence Staub of the SEC and Richard Walters, ex-FASB member – who gather to discuss papers on topics such as foreign currency translation, deferred tax, and accounts of banks and insurance companies [73]. While useful as a discussion forum, the OECD is unlikely to achieve significant harmonization since no one is keen to see yet another standard-setting body emerge.

Similar to the OECD, the U.N. Committee on Transnationals [74] is a discussion forum. Its annual meetings last two weeks at a time. It has a wider membership than the OECD and the issues have a greater political content than discussions at the OECD. In that no harmonization can be achieved without a suitable forum for discussion, the U.N. and the OECD serve a useful purpose, although concrete results will take a long while to achieve.

To summarize, the level of accounting regulation is related to the economic environment of each country. It may be that the U.S. needs greater regulation than other countries, but international companies, generally, suffer from the plethora of conflicting regulations. Perhaps the time is ripe for a more international view of accounting regulation. Initially, harmonization must occur through development of broad principles and not through cookbook rules. That can come later, if it is needed at all. Surely, it is worth asking whether we can do without a regulation, given the economic costs of conflicting national accounting standards, rather than just how we shall precisely word the requirement. Indeed, could we not live without a standard reporting a change in accounting for railroad track structures?
Notes


[8] Id. at 192–93.


[11] Id. at 159.

[12] Id.


[16] Cf. id. at 190.


[20] Id. at 192.


[22] See generally Choi & Mueller, supra note 1, at 87.


[27] Id.


[29] NIVRA Pilot (Netherlands), No. 9, Challenges to Financial Reporting in the Netherlands.


[31] Oldham, supra note 2, at 132.

[32] Cf. id.

[33] Choi & Mueller, supra note 1, at 83.

[34] Id. at 84.


[36] Choi & Mueller, supra note 1, at 83.

See generally Choi & Mueller, supra note 1, at 477; Ernst & Whinney Review, supra note 21, at 9. The Fourth Directive was submitted to the Council of Ministers on November 10, 1971, by a committee of member state representatives led by Dr. Wilhelm Elmendorff, a German accountant. Id. The November 10, 1971, draft was characterized as "quite noticeably permeated by concepts that seemed to be borrowed from the German stock corporation law." Id.

[39] Choi & Mueller, supra note 1, at 84.

The November 10, 1971, draft was characterized as " 'quite noticeably permeated by concepts that seemed to be borrowed from the German stock corporation law.' " Id.

[38] 21 O.J. Eur. Comm. (No. L 222) 11 (1978) [hereinafter cited as Fourth Directive]. See generally Choi & Mueller, supra note 1, at 477; Ernst & Whinney Review, supra note 21, at 9. The Fourth Directive was submitted to the Council of Ministers on November 10, 1971, by a committee of member state representatives led by Dr. Wilhelm Elmendorff, a German accountant. Id. The November 10, 1971, draft was characterized as "quite noticeably permeated by concepts that seemed to be borrowed from the German stock corporation law." Id.

[70] See Choi & Mueller, supra note 1, at 85.

[71] See id.

[72] See id. at 491 (citing IASC Objectives and Procedures brochure).

[73] In January 1975, the Council of the OECD created the Committee on International Investment and Multinational Enterprises (CIIME). Id. at 482.

[74] See generally id. at 484.

Paul Johannes Rutteman is a partner in Arthur Young McClelland Moores & Co.’s London Office. A former chairman of the Arthur Young International Accounting and Auditing Standards Advisory Committee, he is presently chairman of the corresponding committee of Arthur Young International in Europe. In June 1985, Mr. Rutteman became chairman of the Groupe d’Etudes des Exports Comptables de la CEE – the professional organization representing accountants in the EEC.