Comparison of International Accounting Standards, Demand for Multinational Accounting and Implication for International Accounting Harmonization

Dr. Abraham Mulugetta, Ithaca College

Abstract

This study discusses practical approach to international accounting conceptualization, reviews literature on international accounting harmonization, and highlights possible reasons for the weak adherence to international accounting standards. It compares specific requirements of the Security Exchange Commission, Financial Accounting Standards Board, International Accounting Standards Committee, Organization for Economic Cooperation & Development, European Economic Community, and the United Nations, on the disclosure of international operations of multinational enterprises in order to determine the degree to which these requirements are similar and by inference, the probable contribution to harmonization.

Overview of Some Empirical Research on Geographical Information: Disclosure and Compliance to Institutions' Requirements

Comparison of the data extracted from empirical studies by Gray (1978) on 100 EECs MNEs, and Choi and Bavishi (1981) on 105 MNEs (Choi and Mueller 1984, p. 270) of the United Kingdom, France, Germany and the Netherlands on sales, income, assets, and capital expenditures by geographical area implies that the general level of segment disclosure has not improved. The exception is capital expenditure disclosure, which may be a result of the OECD requirement, as is apparent from Table 1. Moreover, when a comparison is made between U.S.- and European--based MNEs as a group in terms of geographical segment information disclosure, the U.S. MNEs outpace their European counterparts in foreign sales, sales by geographical areas, foreign income, income by geographical areas, foreign assets, and assets by geographical areas. They lag behind in exports from home country and geographical areas, capital expenditures, and average number of geographic areas reported (Choi and Mueller, p. 270, 1984).

Justification of why the U.S. MNEs do not disclose more in export sales from the home country has been pointed out by Bavishi and Wayman (p. 162, 1984), who stated that only 24 percent of 296 MNEs had significant export sales, concluding that it is the foreign operations of U.S. MNEs which are important in comparison to export sales. In addition, the 10% requirement on revenue, sales, and assets of FASB 14 for geographical information disclosure can also be posited as the probable cause for the small number of geographical areas reported by U.S. MNEs. In general, U.S. MNEs received the highest ranking as a group in terms of segment information disclosure, compared to MNEs of many countries. [See Figure 1 reproduced from a Lafferty and Cairns survey (p. 30, 1980) of 200 major world companies in 20 countries.]

TABLE 1

Particulars	UK		France		Germany		Netherlands	
	Gray	Choi	Gray	Choi	Gray	Choi	Gray	Choi
Number of Firms	45	58	20	13	23	28	4	9
Disclosure by Geographical Area								
*Sales	98%	93%	80%	87%	91%	71%	75%	67%
*Income	89%	67%	40%	40%	0%	0%	0%	22%
*Assets	24%	17%	35%	13%	13%	0%	50%	22%
*Cap. Expenditure	2%	19%	0%	20%	26%	23%	0%	33%

Other studies by Choi and Bavishi (p. 63, 1983), and Choi and Mueller (pp. 488-492, 1984) point out that despite the fact that about 50 countries are represented as IASC members and have agreed to promote IASC efforts, support for IASC standards has not been uniformly high. On another dimension, McComb (1979), who believes that the IASC is the best alternative to harmonize international accounting, raises doubts when he states that if the IASC continues to internationalize Anglo-American accounting standards at the present rate, many nations will lose confidence in IASC impartiality.

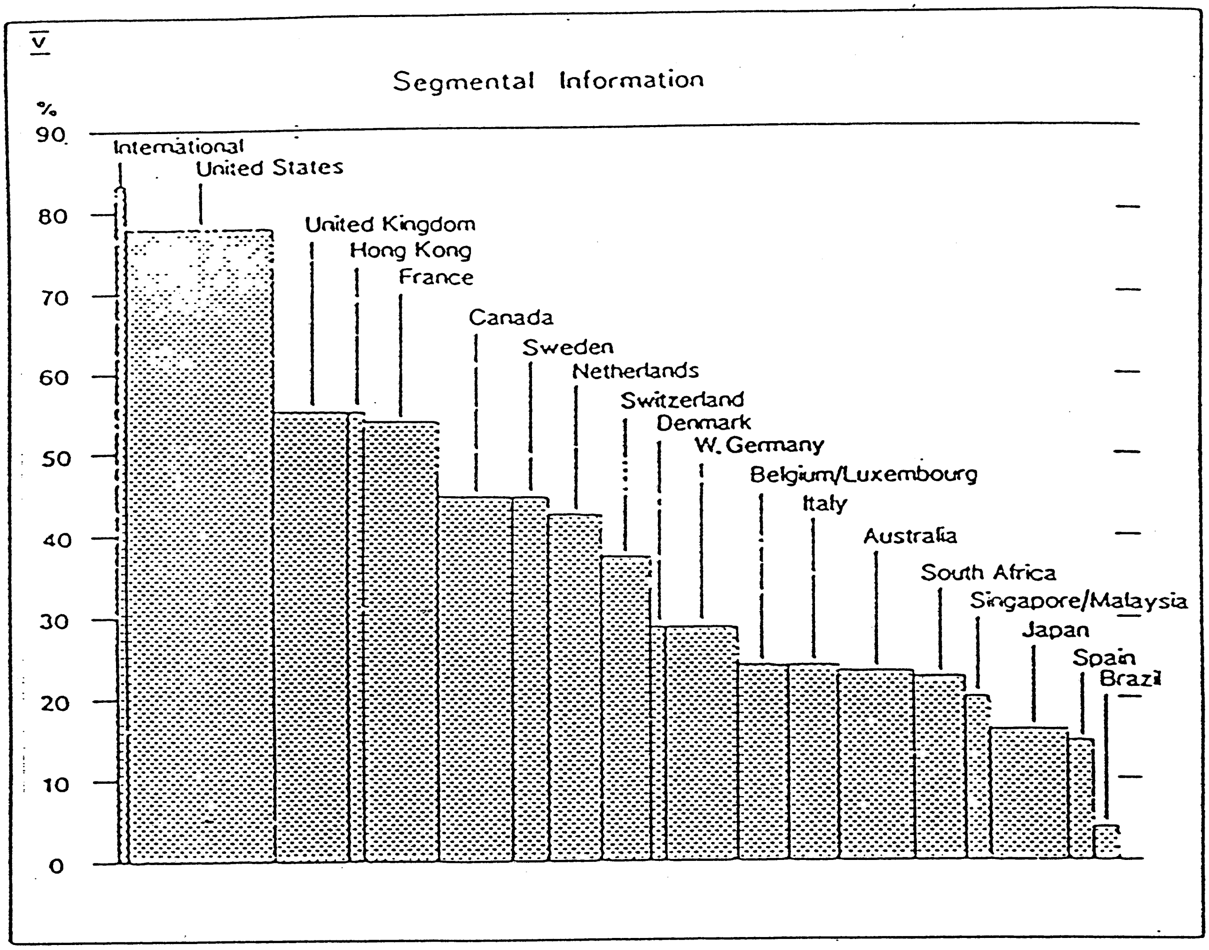
Some countries such as Italy, Kenya, Malaysia, Nigeria, and Singapore, have adopted IASC standards on a national level, while some professional bodies, such as those in France, have granted IASC standards equal footing to their domestic standards. In Canada, it is recommended that firms uphold the standards and more than 50 have indicated their adherence in financial statements. Similarly, Australian standards-setting bodies also consider IASC pronouncements in promulgating accounting standards. Moreover, observance of accounting standards is also promoted by rules of professional ethics of the accounting standards, codes of conduct of MNEs, and trade unions such as International Confederation of Free Trade Unions, the World Confederation of Labor, and the European Trade Union Confederation, which recommend international harmonization of accounting (United Nations, Economic and Social Council, E/C. 10/AC, 3/1983/2, pp. 8-11, 1983).

But another study by Evans and Taylor in compliance with IASC standards (p. 126, 1982) indicated that, except for a few instances, a country which followed a particular method prior to promulgation of an IASC standard continued to follow the same practice. Nevertheless, acceptance of IASC pronouncements seems to be increasing, although in general the pace may be slow.

In contrast, a study by Mulugetta (1986), which considered first the compliance of SEC and FASB requirements and the impact of the requirement on the level of geographical information disclosure by MNEs, found a high level of observance.

The OECD's survey on accounting standards in member countries, in particular on geographical segment information, showed that few countries have legal requirements and/or professional accounting standards on sales, operating results, assets, and capital expenditures. It should be noted, however, that since 1965, disclosure of international segment information has been required by the London Stock Exchange for all stocks listed there (Gray and Radebaugh, 1984, p. 353). Yet in contrast to the U.S., there is flexibility in determining the geographical segment, but the induced financial information disclosed by the

FIGURE 1



Reproduced from Lafferty and Cairns Survey (p. 30, 1980).

UK's MNEs is less compared to the U.S. MNEs.

Table 2, reproduced from the OECD's survey (1980, pp. 42-43), indicates that there is a general lack of requirements by OECD member nations. The U.K., Canada, and Sweden, have some form of legal requirements, while the Netherlands, Canada, and the U.S. have accounting standards. Even though the OECD disclosure requirement has been in effect since 1978, results of subsequent OECD's surveys reveal a lack of strong compliance to OECD disclosure guidelines.

The EEC's Fourth Directive, issued in 1978, gave member countries until 1982 to legislate the Directive. Yet, one would expect a higher degree of geographical information disclosure because some firms disclosed this information even before the Directive was enacted. Only one country, Denmark, had legislated the Fourth Directive by the deadline, while other countries are in different stages regarding implementation (Turley, 1983, p. 24). McKinnon (p. 282, 1984), and Nobes and Parker (p. 81, 1984), however, stated that the U.K. incorporated the Fourth Directive's requirements into national law in the Companies Act of 1981.

TABLE 2

VIII. SEGMENTATION OF INFORMATION

Member countries	Disclosures practices				Definitions	
	Legal requirements		Accounting standards		Lines of business	Geographical area
	Lines of business	Geographical areas	Lines of business	Geographical areas		
EEC	Yes (turnover) Article 43.1.8	4th Directive,			Not expressly defined, but applies only to substantially different categories and markets.	
Germany Belgium Denmark France Ireland Italy Luxembourg Netherlands	Yes (operating result)			Yes (turnover, gross profit, no. of employees)	In the discretion of the management.	Netherlands, other EEC countries, other European countries, North America, Latin America, Asia, Africa, Australia.
United Kingdom	Yes (turnover operating result)	Yes(1)(Turnover, operating result)			No official definition.	
Australia	No	No	No	No	-	-
Austria	No	No	No	No	-	-
Canada	Yes(1)(Summary of financial information)	Yes (1)	Yes(1)(CICA Handbook) (Revenues, profitability and assets)		Industry segment is a distinguishable component of an enterprise engaged in providing a product or service, or a group of related products or services, primarily to customers outside the enterprise.	Geographical segment is a single operation or group of operations located in a particular geographical area. An enterprise's domestic operations are considered to be a separate geograhical segment.
Spain	Yes (Sales, operating results)	No	No	No	Definition according to national classification of economic activities.	

TABLE 2 (continued)

Member countries	Disclosures practices				Definitions	
	Legal requirements		Accounting standards		Lines of Business	Geographical area
	Lines of business	Geographical areas	Lines of business	Geographical areas		
United States	Yes (1) (Revenues)	No	Yes (FASB Statement No. 14 (Sales, operating results, assets)		Industry segment is a component of an enterprise engaged in providing a product or service or a group of related products and services primarily to unaffiliated customers.	Factors to be considered include proximity, economic affinity, similarities in business environments, and the nature, scale, and degree of interrelationship of the enterprise's operations in the various countries
Greece	No	No	No	No		
Japan	Yes (Sales & costs)	No	No	No	Definition according to administrative purposes of the competent authorities.	
New Zealand	No	No	No	No	-	-
Norway	No	No	No	No	-	-
Portugal	No	No	No	No	-	-
Sweden	Yes(1) (gross profit or loss)	Yes(1) (sales, investments)	No	No	No official definition	-
Switzerland	No	No	No	No	-	-

(1) For certain categories of enterprises.

Reproduced from OECD publication entitled "Accounting Practices in OECD Member Countries," OECD, 1980, pp. 42-43.

The Fourth Directive's geographical information disclosure is limited to sales (turnover). Disclosure of operating results, assets, capital investments, and the number of employees, are not specifically required by the Directive, but are left to the legislators of each country. Thus, even if enacted by all member nations, unless additional requirements on assets, income, etc., are included, the geographical information disclosure would still be in its sub-basic stage, compared to the requirements of the OECD, IASC, U.N. and FASB. However, the Fourth Directive is very powerful, because when enacted, it will have the force of law, compared to the pronouncements of the ISAC, OECD and U.N. which are only recommendations. Currently, it appears that compliance to ISAC, OECD and U.N. guidelines would most probably come about only if those firms which agree to abide by the rulings see some benefits accruing from such disclosure.

Harmonization of Accounting at the Level of MNEs

It is proposed that if a downward reassessment of risk of U.S. MNEs that disclose such information for the first time is observed, then given the similarity of OECD, partially U.N., ISAC, 14, FASB 14 and the level of induced geographical information disclosure of SEC, other nations' MNEs may find it advantageous to adopt similar disclosure requirements. MNEs are not limited to their home nation's financial market to raise funds -- they do use other nations' financial markets as well. The less risk associated with overall performance of a MNE, the less will be the cost attached to funds raised by such MNE.

An earlier study by Mulugetta (1986), confirmed the expectation that when MNEs first disclosed geographical segment information, they experienced a systematic reduction in risk. These MNEs experienced a statistically significant downward shift in beta of -.138. Despite the F-test, using ANCOVA based on quasi-experiment research design, has supported that the change in beta for the treatment group is statistically significant, t-tests were subsequently carried out to obtain full confirmation. The t-tests, with the assumption of zero beta covariance among the groups, were intended to detect whether the change in betas in the treatment group would exceed the change in betas in the control groups. The tests failed to meet 95 percent confidence level. Thus, although full confirmation was not obtained, the overall results partially attest to the importance of geographical information disclosure. Indeed, such a result reinforces to a certain extent the proposition that the investing public recognizes the information content of geographical segment information disclosure, and thereby reassesses the risk (systematic risk) of firms disclosing such information. The major beneficiaries of the disclosure therefore, are not only the investing public, but also the MNEs whose stock prices command premium prices now.

It is the expectation of this research that recognition of the advantage of disclosing geographical segment information by other nations' MNEs, will lead to the adoption of the requirements, whether they be ISAC, OECD or the U.N., if it produces similar information as that of the SEC and FASB that is used to reevaluate risk of MNEs. To some extent this process will bring harmonization of MNEs accounting at the international level.

Harmonization of international accounting has been a topic of discussion in many international forums for a long time. Since the early 1970s, international professional associations, such as ISAC and IFAC (International Federation of Accountants), national professional associations such as FASB, governmental regulatory bodies such as the SEC in the U.S, the Companies Act in the UK, and international and regional institutions such as the U.N., OECD, and EEC, have taken an active role to speed up the internationalization of accounting. However, because of different environmental factors such as the level of economic development and the political system in which each nation abides, the process of harmonization is slow. Yet, studies like that of Nair and Frank (1981) showed that common accounting practices among countries (n-37) had increased from eight in 1973 to 49 in 1979, implying that harmonization is rising. Another study by Choi and Bavishi (p. 68, 1983), using 1,000 companies in 24 countries, concluded that, contrary to what is normally presumed, the fundamental difference in national accounting principles as gleaned from reporting practices of the world's leading industrial companies are not that great. Still, there are a number of different national accounting practices of recognition, measurement, and reporting, that are dissimilar, which makes comparison of financial statements of firms located in different sovereign states very difficult for investment purposes.

It seems appropriate to lay down the international accounting conceptual framework first and then draw standards from it, rather than promulgate a series of standards without a conceptual foundation. In the U.S., the FASB has instituted a laudable accounting conceptual framework, which it uses to overhaul some previous accounting procedures and practices and to issue much more consistent standards. If such is the case, then one would be tempted to propose that an international professional institution like IASC devote its resources to produce an international conceptual framework. In the long run, the proposal is acceptable and should be an appropriate long-range objective of international accounting institutions. But given the fact that nations have different cultural, legal, and political systems, and are at different stages of economic development, formulation of an accounting conceptual framework that embraces all these factors and also is a basis from which internationally acceptable accounting standards are going to evolve, seems highly improbable. Therefore, it appears that institutions which are ready to formulate an international accounting framework at the present time, should focus their conceptualization around entities that are in need of international accounting standards. Such entities are MNEs.

Because MNEs operate in different countries, they have to abide by the rules of each nation in preparing financial statements relevant to operating in each host country, as well as preparing consolidated financial statements for the home country. While the preparation of these statements may be in line with the accounting requirements of the nations in which MNEs function, their usefulness for decision making, whether by investors or creditors of other nations whose accounting requirements are not used in the preparation, becomes questionable. It is here that the importance of financial statements prepared according to acceptable international accounting standards becomes obvious. If MNEs prepare financial statements according to one set of accounting standards, then a comparison of their global performance can be relatively easier than what is done at this time. This process may bring an efficient allocation of international financial resources because international investors and creditors will have a relatively reliable and relevant performance sketch of MNEs and can form a better expectation of the firms' future prospects, which is essential to make investment decisions. Similarly, MNEs will then be able to tap different national and international financial markets in order to raise capital, without the need to produce financial statements prepared only according to the requirement of each financial market. Therefore, if MNEs and the international investing public feel there is a strong need to standardize multinational accounting procedures, then international accounting institutions should concentrate in this subarea and formulate a multinational accounting conceptual framework, rather than go to the all encompassing international accounting conceptual framework.

In line with the above statements, Choi and Mueller (p. 57, 1984), stated that it seemed plausible that an international accounting conceptual framework could be forged with the development of accounting standards specifically aimed at MNEs. The authors suggested if IASC does not pay more attention in this line, MNEs may choose to take accounting into their own hands. This notion was echoed by The Wall Street Journal (p. 34, May 8, 1985), when it stated that all kinds of international bodies are trying to harmonize accounting, but their success has been limited, and the real change may come from the companies themselves. The Journal further stated that as more large European firms seek to raise funds on world markets, they would have to upgrade their accounting practices. For that matter, Japanese MNEs lag far behind in their geographical information disclosure, compared to their European and North American counterparts (Choi and Mueller, p. 270, 1984).

It is these types of observations that lead us to anticipate that the MNEs of other nations (other than the U.S.) observing the risk reduction phenomena of initial geographical information disclosure, and the need of different financial markets will be amenable to disclosure requirement similar to SEC induced disclosure and/or FASB 14. As a result, U.S. geographical information disclosure requirements, therefore, will be in a position to contribute to international accounting harmonization. FASB 14 geographical segment information disclosure requirements fulfill the requirements of ISAC 14, and EEC substantially that of OECD and partially that U.N. This can be observed from Table 3 below.

Comparison of Geographical Information Disclosure Requirements

Table 3 presents specific requirements and/or recommendations of geographical segment information disclosure of the SEC, FASB, IASC, OECD and EEC and the U.N. As is apparent, the U.N. recommendations are numerous and are all-encompassing, while that of the EEC is the most minimal. The requirements of the SEC, FASB, IASC and OECD are almost at par in financial information disclosure sectors, but the OECD surpasses them in non-financial information part.

Quantitative definition of reportable geographical segment that is 10% or more of revenue, or assets is only given by FASB 14. The IASC does not put the qualitative definition in ISAC 14, but suggests it in the explanation part preceding the standard. The others leave the determination of reportable geographical segments to management. Although the FASB has put this 10% criteria, still, it lets the MNEs decide on the grouping of countries to form a reportable segment. Choi and Mueller (pp. 271-272, 1984), inferred from a study by Choi and Bavishi that, as a result of the 10% requirement, U.S. companies limit the number of geographic reporting to 3.2 on the average. Gray and Radebaugh (p. 358, 1984), comparing U.K. and U.S. geographical grouping, stated that disclosure of principal subsidiaries is required in the U.K. with a general tendency of continental basis disclosure, while in U.S. MNEs, there is a higher level of aggregation, that is, grouping of continents than is observed in U.K. MNEs. Therefore, while the 10% requirement of the FASB may be specific criteria compared to the other institutions' geographical segment determination, this criteria might have curtailed wider geograph-ical information disclosure. Similar implications have been drawn by Lafferty and Cairns (pp. 118-163, 1980).

In terms of description of major activities in each geographical area or country, the ISAC, OECD and the U.N. have a specific recommendation, while that of the SEC and the FASB are general. However, the study by Mulugetta (1986) indicated that most MNEs have satisfactory descriptions of major activities in each geographical area in the narration part of their statements.

Regarding sales to unaffiliated customers, there is a requirement by all. But when it comes to transfer to other geographical areas, export sales, operating results and net income, EEC falls short in all, while OECD has not put a clear guideline on transfer to other geographical areas, export sales and net income. Although not shown in the comparative table, OECD and U.N. also recommend that sources and uses of funds be shown. In general, in this part of financial information disclosure, we observed that there is a high level congruency of the SEC, FASB, IASC and the U.N. requirements, recommendations, and/or suggested disclosure.

Total assets disclosure identified with geographical area should be shown according to the SEC, FASB, IASC and the U.N. requirements on assets is much more detailed than the other institutions. There are specific recommendations on property, plant and equipment, accumulated

TABLE 3

COMPARATIVE TABLE ON GEOGRAPHICAL SEGMENT INFORMATION DISCLOSURE REQUIREMENTS AND/OR RECOMMENDATIONS

Particulars	SEC		FASB	IASC	OECD	EEC	UN	
	Release No. 4988 & 8650 of July '69	Regulation S-K May '77	FASB #14	IASC #14	Disclosure of Information	Fourth Directive	E/C.10/ 1982 Economic & Social Council	ST/CTC/30 Center on Transnational Corporations '82
I. Definition of Geog. Segment								
Qualitative Definition of Geographical Segment	None	None	32a&b	.14c	None	None	None	
Description of Major Activities in each Geographical Area or Country	None	1(c)(1) & 2(a)	38	.19c & .22c	(ii)	None	IIIG178	D.141
II. Financial Information								
Sales to Unaffiliated Customers	b(2)	1.(d)	35a	.22a	(iii)	43.I.8	IG133a	D.141
Transfer to other Geographical Area	None	1.(d)	35a	.22b			IIIG280a	D.141
Export sales in aggregate or by appropriate geographical areas	None	1.(d)	36	.16c	None	None	IIIB228a	
Operating Results	None	1.(d)	35b	.22b	(iii)	None	IIIG280b	D.141
Net Income	None	1.(d)	35b	.19c		None	IIIG280c	D.141
Total Assets (identifiable with geog. area)	None	1.(d)	35c	.22c	None	None	IIIG280d	D.141
Land, bldg, plant & equip.	None	None	None	None	None	None	IIIG280di	
Accumulated Depreciation	None	None	None	.19c	None	None	IIIG280dii	

TABLE 3 (continued)

Particulars	SEC		FASB	IASC	OECD	EEC	UN	
	Release no. 4988 & 8650 of July '69	Regulation S-K May '77	FASB #14	IASC #14	Disclosure of Informa- tion	Fourth Direc- tive	E/C.10/ 1982 Economic & Social Council	ST/CTC/30 Center on Transnational Corporations '82
Other long-term assets	None	None	None	None	None	None	IIIG210diii	
New capital investment (in property, plant & equipment)	None	None	None	.19c	(iv)	None	IIIG279a	D.141
Disclosure Method of Accounting								
For Transfer price be- tween geographical areas	None	1.(d)(3)	35a	.15c	(viii)	None	IF130d	D.141
Disclosure (exceptional) Operating Risk Exposure	b(2)	1.(d)(2)	FASB 5.32	IASC 3.47e	None	None		D.141
III. Nonfinancial Information								
Average number of employees	None	None	None	.19c	(vi)	431.9d	II143	
Other items whose disclosure is for the enterprise as a whole such as:								
Organization Structure	None	None	None	None	(i)	None	II.154,155 & 156	
Production	None	None	None	None	None	None	II.145,146, 147 & 148	
Investment Program	None	None	None	None	None	None	II.149,151, 152 & 153	
Environmental Measure	None	None	None	None	None	None	II.157 & 158	

TABLE 3 (continued)

a- Many documents and working papers have been produced by Economic and Social Council of UN that deals with information disclosure, but E/C. 10/1982/2 and ST/CTC/30 had been selected for their comprehensive geographical segment information contents.

b- Deciding on geographical segment is left mostly to management of enterprise, but UN requires that the criteria for the selection of geographical areas or countries be reported separately while SEC, FASB, and IASC give some guidelines for the grouping.

c- IASC states these items as other information that may be useful to disclose.

d- Average number of employees broken down by categories. Categories in 43.1.9 is not specified as to whether it is categories of activities or geographical areas as done in 43.1.8.

e- This section is found in Part Three A Comparative Study (I)(D).

depreciation, other long-term assets and new capital investment. The OECD has put new capital-investment disclosure in each geographical area in its guidelines, while the IASC, without including it in IASC 14, suggested the disclosure in the explanation part.

Although S-K regulation of SEC ha no specific requirements, our research disclosed that a few U.S. MNEs reported similar detailed information on assets, particularly after FASB 14. Such observation is further confirmed by Gray and Radebaugh Table 2 (p. 355, 1985), and Bavishi and Wyman Exhibit 7 (p. 163, 1980), where capital expenditures, liabilities, depreciation, and amortization have been disclosed by some U.S. MNEs.

In addition, there are similar disclosure requirements on the basis of accounting for transfer price with the exception of the EEC and on operating risk exposure disclosure with the exception of OECD and EEC. The U.N. recommendations far surpass the others in nonfinancial information disclosure. While the S-K regulation of the SEC, FASB 14, and IASC 14 have limited non-financial information disclosure requirements, the EEC has none. The OECD does require disclosure of the average number of employees by geographical area and organizational structure for the whole enterprise. In our research, we found that some U.S. MNEs do give the total number of employees in foreign countries, but with a few exceptions, disclosure is not segmented by geographical areas. Table 2 of Gray and Radebaugh (p. 355, 1984), and Exhibit 7 of Bavishi and Wyman (p. 163, 1980), showed that a very small percentage of U.S. MNEs disclose employee information. However, even the U.N. non-financial disclosure guidelines, with the exception of the average number of employees, on organizational structure, production, investment program and environmental measures, apply to the enterprise as a whole. Some U.N. member nations question the relevance of such whole-enterprise disclosure.

The group of experts who are working on U.N. guidelines pointed out that no broad guidelines, principles, and standards for reporting non-financial information have been worked out as yet, and the IASC objective makes no mention of non-financial information disclosure. But they state that non-financial reporting is as important as financial reporting to appraise the activities and impact of transnational corporations and should, therefore, be an integral part of corporate reporting (p. 43, St/CTC/30, 1982, Center on Transnational Corporations). It appears the importance attached to non-financial reporting on one hand, and the lack of standards on the other, together with opposition by some members to detailed non-financial disclosure, lead them to recommend the whole enterprise disclosure approach rather than geographically segmented ones.

In general, as is apparent from the comparative table, there is congruency in the description of activities, in disclosure requirements of financial information by the SEC, FASB, and IASC, and substantial similarities exist with OECD and U.N. requirements. Therefore, if U.S. geographical information disclosure generates a downward risk assessment of MNEs, it seems logical that other nations' MNEs will embrace similar requirements, whether they be IASC, OECD or U.N. This action, therefore, will increase the level of international accounting harmonization.

Policy Implications

A review of literature on geographical segment information disclosure reveals that compliance to OECD, IASC, and U.N. requirements is lukewarm. These requirements are not mandatory, and if they are not strongly upheld by professional institutions as they are in Canada and France for IASC, regulatory bodies like those in Italy for IASC and/or stock exchange overseers like that in the London Stock Exchange and the SEC, their compliance will continue to remain weak. On the other hand, some MNEs will voluntarily comply with some of the requirements if they know that investors give value to the information released. Such is our conjecture to IASC 14, OECD, and partially U.N. geographical information disclosure requirements. The result of the Mulugetta research (1986) confirmed that when MNEs disclosed geographical information for the first time, they enjoyed a downward shift in their systematic risk. Other MNEs that do not disclose this information should realize that investors incorporate such information in their investment decisions. Kelsey's behavioral study of mutual funds investment analysts (pp. 108-111, 1979), and a comparative study of U.S. and Australian investors conducted by Baker, et al. (pp. 14-16, 1977), have already confirmed this to be the case. Therefore, given the similarity of the SEC-induced geographical information disclosure and FASB 14 with that of the IASC, OECD, and partially of the U.N. (see Table 3), we anticipate an increased voluntary adherence to such requirements by firms that have not been disclosing their international opera-tions, and those that do not fear a negative reassessment of their future performance. However, unless we know how large the populations of "non-disclosing" and/or "non-fearing" MNEs (other than U.S.) are, it is difficult to make an unqualified statement about the future general level of geographical information disclosure.

In general, for a much better informative disclosure of geographical areas, specific criteria for segment determination that will avoid or lessen the possibility of combining different continents into one reportable region (as is done by some U.S. MNEs) should be addressed by concerned standard-setting bodies. The FASB's and the SEC's 10 percent criteria for determination of reportable segment are specific, but as pointed out earlier, it resulted in a smaller number of reportable segments compared to European MNEs. Thus, while the notion of having quantitative criteria is a step in the right direction, the 10 percent requirement should be lowered to be at least on a par with the average number of reported areas by European MNEs.

We also conclude that after reviewing relevant international accounting literature, to simply issue international accounting standards without a conceptual base, should not proceed at the current pace. However, given the differing environmental factors in which each nation dwells, it is difficult, if not impossible, to imagine the development of an international accounting conceptual framework that takes into account all the complex factors of the global environment. Therefore, given a higher level of homogeneity of different nations' MNEs compared to the nations of the world, some resources of those institutions devoted to harmonization of international accounting may be better directed to the formulation of a MNEs-accounting conceptual framework. But, who should do the conceptualization -- the UN, IASC, IFAC, OECD, etc.?

When it comes to international accounting harmonization, Fitzgerald (p. 27, 1981) believes the OECD is the appropriate institution, while McComb (p. 4, 1979) leans toward the IASC. Gray, McSweeney, and Shaw (p. 132, 1981) appear to favor the UN, supported by reformed works of the ISAC. Although there seems to be some inclination towards one or the other institution, in all the above studies there is a similar thread of suggestion of teamwork by the different institutions in order to harmonize international accounting. In general, even though we anticipate some logistical problems, we are also of the opinion that the teamwork route may best serve the formulation of MNEs' accounting conceptual framework, if it is to be effective in the long run.

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