International Accounting Standards and the Global Financial Crisis

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Abstract—International accounting standards tend to converge, as do auditing, enforcement, and corporate governance, whereas trading of equity shares remains essentially national. The book provides a thorough analysis of what information investors really need, how financial accounting systems developed and their current requirements in major commercial countries, and examines current issues, particularly the benefits and costs of a single or multiple accounting standards, the bases for accounting standards, and limitations to accounting disclosure in financial statements.

Index Terms—commercial countries, accounting standards, limitations to accounting, financial statements.

I. INTRODUCTION

It is accepted that the accounting is social science that is evolving the development of society with its renaissance and progress, since the community interacts with the events and changes in various of economic, political, environmental and religious spheres, etc., we are still affected in the present time by current global economic crisis, all of these reasons with other reasons combined imposed on the social science that is evolving in terms of quality, style and methods that applied in order to reach results accounting more acceptable in solving accounting problems of contemporary that were created by these new, current, economic and financial circumstances in the life. In particular, it has influence on various areas of the business world that is wide and developing.

II. THE RESEARCH PROBLEM

This research focuses generally on the nature of the financial relationship with international standards and the extent of its response to the economic aspects of contemporary that were created by the current economic crisis that can be considered the alarm that alerted us to the necessity of attention to many of the points that were not considered or interested by economists and professionals. In terms of the fact that accounting is socially interact with changes and developments in society as a whole, so the extent study and analysis to which the international accounting standards with the reality of the situation are required by the current stage, particularly with regard to the financial status of the companies or economic units that are considered important.

III. THE IMPORTANCE OF THE STUDY

The developments were in various spheres of life, especially the economic ones were made by the task of continuing the development and progression of accounting and imperative duty to face the developments and phenomena that occurred in the economic institutions and what it requires changing the status quo that is emerged, evolved and complex in general, to face the changes that are in our practices of accounting-related financial areas have reported to be adapted to cope with the problems that have arisen with these new economic practices created by the current economic crisis, which as I pointed out, we still suffer from the consequences now that reflected negatively on all areas, including traditional accounting techniques that were dealing with the financial reporting at a time, so that we note that the importance of studying is how to extent in the international accounting standards with urgent international changes, they are important to us, especially as we are accountants who practice this profession that requires our business to keep up with all the current developments and changes that are considered in finding solutions and constructive proposals to address the bottlenecks in this vital area, which can not be dispensed with activities, it does not help the current and useful standards in addressing contemporary problems that have emerged recently, researchers shall develop methods and accounting practices for the advancement of this task, which emerged with the emergence of new accounting problems caused by the current economic crisis.

IV. RESEARCH OBJECTIVES

It is noted that the economic and financial crisis shook the whole world and as a result of the impact implications are made in various areas of economic life, and the accusation of accounting and its tools involved for the emergence this crisis, or at least they were among the reasons that were leading to the outbreak of the crisis, so we will try to refer to how to address or mitigate the effects that attributed to the weakness of the rules, the current accounting standards and contribution in creating the crisis.
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V. THE METHODOLOGY OF THE STUDY

The methodology of our study in this aspect depends on access to a number of available sources and relevant research that are direct and indirect as well as through access to some recently published articles on the pages of the Internet in multiple locations in addition to our reading of the reality of the case and much of what is transmitted News and specialized bulletins as a result of analysis profile to the events and thorough studying the international Accounting Standards that were relevant people. In addition, the researcher has practiced the profession since for quite some time, he was able to put this report with respect to relationship between the economic crisis and the applied accounting practices.

It is useful to note here that the practical aspects or actual practices that may confront us as accountants through our duty to practice daily, increase our awareness and understanding of the reality of the actual problems of accounting in which we live and realize it and thus be a matter of thinking in finding or suggestion to find alternatives to solve or overcome an easier task by outer observer or researcher who lacks the practical experience of the reality of the case.

VI. THE BENEFICIARY OF THE SEARCH

It is possible that anyone who is tracker the affairs of contemporary accounting utilized from the paragraphs of this research, and it is intended for the individual here or the legal entity, such as accountants, auditors, students of accountancy in particular and the economy in general, associations of accounting, specialized circuits regulatory and other government agencies and non-governmental relating to this field, they may be taken advantage of by the general public with public view.

VII. THE VALUE OF SEARCH

Giving an a simplified idea about economic crisis, the current financial and their impact on social life in general, it is addressed to the relationship was attributed to the lack of international accounting standards in contemporary solutions to the crisis in the appropriate times, in my opinion this report gives the importance to the beneficiary of the Arab people in particular, to learn about the background the global financial crisis, the sincerity of the charges against accounting science social through the international standards and the role played by these criteria in addressing the effects of the crisis. This report will open new horizons for our thinking to reflect the serious to the practical aspects of the accounting profession, which can take advantage of them over the ages and the succession of generations to create awareness of the cultural and scientific added to the collection of acquired and accumulated information over time which we can address the bottlenecks in running a business daily to find appropriate solutions in order to have access to the a satisfactory and acceptable results, as to professional applied and level.

A. The first Section

The global economic crisis and the role of the International Accounting Standards

The current economic crisis has changed the entire world, this crisis has been as the alert and gave warning of decision-makers and instructions makers and kind of accounting standards as a reminder of the need serious attention and beware of falling into the new dangers of this kind.

This crisis highlighted, vulnerabilities and weakness in the practice of business in the financial instructions currently applied, the current financial crisis has defied precedent beliefs that was in our minds about the principle of right and wrong, and that was one of the axioms of the usual accepted easily, but in the end we will face judgment with respect to how we deal with the crisis problems. The result is a more robust financial accounting systems or strong and appropriate to the reality of integrated capital markets, as well as other regulatory measures that must be undertaken by bodies authorized as to the political and economic systems prevailing.

The International Accounting Standards Board is fully aware of the attention paid by some of the world's political leaders to the issue of accounting standards, which was evident from the statements of a number of leaders, especially in recent times, and their conviction that is the development of such standards, which would have a deep impact in the reduction of bottlenecks in financial operations. The possibility of detecting weaknesses and deficits that are in the daily practices of business administration.

On the other hand, the responsibility International Accounting Standards Board and its commitment to responsive and expeditious manner and it is responsible for the requirements of the current stage to cope with these changes in the world, that has been clear through the amendments and new decisions that are issued by the Council, to conform with the current situation. Thus it can be said briefly that the financial crisis has highlighted three key lessons for makers and accounting standard setters:

1. The integrated nature of the capital markets, as well as the movement of capital in itself highlights the urgent need for the existence of a group accepted accounting standards.

2. Financial institutions, investors and developers of systems have failed in sufficient understanding of the risks that posed by the face, and accounting very slow beginnings indeed should play a leading role and important role in helping all the parties in this crisis, therefore there is an urgent need to provide transparency for the risks faced by institutions, especially financial actions have taken to overcome and solve them, and try to provide useful and meaningful information to investors and beneficiaries in
general, as well as the authors of the regulations and instructions.

3. That the rules of the Financial Accounting creates many options, which reduce and add comparability of unnecessary complications, therefore there is an urgent need to address the financial instruments to reduce complexity and enhance the relevance comparability, as well as it is provided a basis for the convergence of the various countries of the world.

Here it is useful to note that the statements made by some officials of the International Accounting Standards Board recently suggest that the Council is very interested in the process of taking action to overcome all the problems that are mentioned above.

I have emphasized the current financial crisis on the development of a set of global standards is extremely important that has also emphasized the active role of international accounting standards more than ever, there is an urgent and pressing need for the application of a single set of accounting standards worldwide.

It is worth mentioning here that the European countries had already been acknowledged by other countries, which provided by this important presence of a uniform global standards. It is clear that the role of the countries was a key factor and a pioneer in this field, especially when EU disclosed or adopted to international standards for financial reporting in 2005.

Today more than 100 countries applied or authorized to use the international standards of financial disclosure as well as key economies in Asia, including Japan, and North America (Canada), Mexico, and in South America (Argentina, Brazil, Chile) have set a timetable towards a full international standards to acknowledge the financial, on the other hand create this side of the catalyst for the United States to use these standards when the settlement required the removal of the former and private accounting principles that are generally accepted and applicable in the United States. Which clearly shows that the United States is on the road to leading the adoption of international standards for financial disclosure, but the important question arises here, when will it?

The International Accounting Standards Board continues to deal with the Financial Accounting Standards Board, where it held in March 2009 a meeting in London, which Council of the International Accounting Standards stressed the adherence to the obligations that set out under the Memorandum of Understanding that signed between them, where it is hoped after the completion of joint work with the Standards Board financial accounting will lead to a great affinity with the accounting standards in the United States and this will reduce the cost of the transition between the two modes, but there is also the question still on the table, which will this measure be sufficient to accept the United States international accounting standards in standing and valid?

The Prevailing belief is in the interest of the United States accrediting standards of financial disclosure international in the next five years, because all of Brazil, Canada, China, India, Japan and Korea have adopted the above criteria in addition to the EU countries that are currently applying these criteria, so the cost of non-compliance with the United States applying these standards will be expensive price on them. In the case of non-adoption of international standards, would be considered an anomaly compared to the international community, and that these countries that have adopted numerous international standards that will not accept the position adopted by the indefinitely constant rejection in United States! It must be discussed as a kind of seriousness and objectivity.

The financial crisis and the role of the International Accounting Standards Board in this area give us the opportunity to address to the first beginnings of the financial crisis, which began with the explosion in real estate market in the United States. The rapid deterioration in the capital market, as banks began reporting and announcement of huge losses caused by mortgage loans, that uncertainty has become a feature of the financial market, because nobody knew who and what was holding! The market has lost credibility, and as a result of non-payment of debt and the lack of collection that called the matter to the inability of banks to continue to lend to each other, as credit procedures tightened for all customers, the companies halted investments, money markets and stocks in the world achieved a sustained decline in its dealings daily, funds and pensions began to pension, which is one of the largest sources of funding for banks and lending institutions with capital to re-lend began losing massive amounts of valuable assets, many of the jobs lost as a result of lay off many workers resulting from the closure of many factories and institutions' works and thus there is a lack of purchasing power they have, (the subsequent social problems of the countless are not the subject of our research here).

There was a financial crisis in general all over the world, despite the differences, it is signed and raised from one country to another, as banks began to suffer from the scarcity of funds for the practice continuation of banking activities and usual events! who was behind to this crisis, and how did this problem occur?

The point fingers began to went to all directions, suddenly they began specifically directed to the role of accounting in creating or at least contribute to this crisis, especially after it plunged with some phrases relating to fluctuations in the economic cycle, which is the old enemy, it has been focusing on the principles of values after accounting that returned to life again, as well as it is considered the presentation of reports and financial accounting standards as a key part of parts in the current financial crisis.

As the hypothesis above crammed accounting within the causes of the global financial crisis, and if we accept the credibility of some of which came to this hypothesis, whether the accounting actually the cause of the crisis, there is another question imposes itself here, which is the size of the
crisis caused by accounting in particular? Of course the answer to this is not difficult to question observer about the events of the global financial crisis, even if we assume that the accounting role in this crisis, of course it is very small, if not non-existent sense.

Someone believe that the rules of the current accounting enhances the vagaries of the economic cycle, and this aspect is true on the one hand, but also we can say that the financial reports, which provide information and data to their beneficiaries, require to deal with them according to their needs and reactions, it is obvious that transparency, credibility and neutrality that must be met in this information and data that make them actually factors to help reduce the lack of credibility and enhance the stability required. It is recognized that the financial information and data must be impartial and transparent in order to be of benefit to its users and is of generally accepted accounting principles, of course this is the role of financial reporting of the data.

Undeniably, the International Accounting Standards has effective and important role in providing ground for professional application, and the current financial crisis might have given many lessons infer hypotheses and thus fixed rules for practical application. It is also notable have been taken by an unprecedented number of effective steps by the Board of International Accounting Standards, it is worth noting here that the Council is clearly aware of the important presence of the urgent need to improve and update many of the standards in force that the council actually was going to take measures necessary to achieve this. The approach of International Accounting Standards Board in addressing the bottlenecks was rapid and record where the real issues were targeted by raised crisis. The financial report is still qualified as uncertainty contents. In particular on the risks to institutions and financial position, at the onset of the current financial crisis, there were voices are calling for demanding more transparency, especially with regard to the dangers of the trial balance paragraphs, and the issue of fair value measurements and their uses, these calls later, followed by concerns about the financial stability and calls for further equivalent comparison to reduce the complexity of the financial accounting tools. It is noted that the financial report and often the size of the organization whether it is small, medium or large, it is not by the form of the enterprise, for example, but not limited to, the financial reports, according to the accounting system the British include both: Report of the Board of Directors, profit and loss account, balance sheet, cash flow statement, a list of the total gains and losses recognized, the list of accounting policies notes relating to the financial statements and the auditor's report. Of course, This classification is varied from one country to another according to the followed systems!

B. The second topic

The extent of international accounting standards with the events of the financial crisis

It is considered the Accounting Standards (rules), which includes the laws and regulations that govern the preparation of financial statements, and the standard-setting process is the regulatory framework or process that is a criteria, accounting may exert in the country in a different manner from the practice in another country (note that the principles remain fixed in general), so it has practical application deviates from the accounting standards in valid, and the researchers points in the field of accounting to the presence of at least four reasons that explain this difference,

1. Weak sanctions that are related to non-proper application of accounting standards or ineffective in many countries
2. some economic units do as well as the optional information is not required to submit originally
3. In some cases, a country allows its economic units to exist the accounting standards, if such action would lead to a true representation of the operations results and financial position
4. Application accounting standards on the financial statements of the independent institutions (companies) and not on the consolidated financial statements in some countries, these countries choose other bases of accounting next to national standards when they prepared the consolidated lists

It is known that the development of accounting standards required close collaboration between groups in public and private sectors that are operating in the country. It is noticeable that there is a clear difference in the effect on anyone of these groups in the development of accounting standards from country to country, they may give us the obvious answer about reasons of different criteria between the countries in the world.

The relationship between accounting standards and complex practice, in some cases, the standards are derived from the practice. In other cases, on the contrary, the practice is derived from the standards that may be affected by professional practice factors and changes such as, competition cases for funds in the capital markets, as noted above may some economic units (optionally) provide more information than is required to be submitted in the competition case for the money in response to the demands of investors and others, in this case it may change the criteria so that the need to require disclosure of information that were considered optional in some time!

It is important to note that there is a difference between accounting that aims to fair presentation of the financial position and operations results, and accounting that aims to align with the legal requirements and tax for the country.

In the Anglo-Saxon accounting system, a justice is the main characteristics of this system that are consistent from the common law system and with the shareholders as the main source of financing. Some countries covered by this system such as: the United Kingdom, the United States, Netherlands ... and other countries that have firmly economic and political links.

The countries that are consistent with legal requirements they tend to have a legal system, according to the code, which relies heavily on banks or government sources of funding, this system has the standards of practice of
professional custodial relatively, and there is a strong correlation between financial accounting and tax, where should economic units recording revenue and expenditure in their accounts for tax purposes, upon the tax laws have significant impact on the amounts to be reported in the financial statements, this group includes in addition to most countries in the European continent as well as their former colonies in Africa and South-East Asia and Japan.

After this illustrative offering about the nature of the accounting standards and regulations prevailing, we tend to respond to the issue addressed by the International Accounting Standards Board with the events of the current global financial crisis, it is through the contents of the attached table, which we tried to eliminate what has been amended and published before the events of the economic financial crisis, for the information more accurate and transparent, we note that there is a torrent of overwhelming amendments made to international standards to make them compatible with the current situation through which the international economy in general and the financial institutions in particular. In addition, they overcome the bottlenecks and complex aspects, and they simplify the operational procedures to section of these standards.

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<td>Presentation of Financial Statements</td>
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<td>— Comprehensive revision including requiring a statement of comprehensive income</td>
<td>2007</td>
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<tr>
<td>Presentation of Financial Statements</td>
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<td>IAS 1</td>
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<td>Presentation of Financial Statements</td>
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<td>IAS 7</td>
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<td>Statement of Cash Flows</td>
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<td>IAS 16</td>
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<td>IAS 20</td>
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<td>Government Grants and Disclosures of Government Assistance</td>
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<th>Standard</th>
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<td>Financial Instruments: Recognition and Measurement — Amendments for embedded derivatives and reclassifying financial instruments</td>
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VIII. RECOMMENDATIONS

1. Working to find common ground for the construction of a system depends on a set of international accounting standards that are acceptable and binding, which reduces the chances of individual interpretations in countries to note that there are some writers support the existence of local accounting standards, not international.

2. Activating the role of regulatory institutions and the imposition of penalties against the institutions and economic units that deviate from the proper application of international accounting standards.

3. We believe that the Council is seeking international accounting standards to issue or amend what was released from accounting standards to conform with changes and developments in the global economy as a result of the global crisis that the complexity away from the style, which characterizes the current accounting standards.

4. Try constant pressure on the United States to accept the application of international accounting standards. In fact, its currency represents the largest international currency depending on the international transactions between institutions and economic units, we believe that this measure will lead to a result that will pay and give moral force to the International Accounting Standards.

5. We believe that the participation of the United States in the international community to contribute and encourage the effective application of the unified international accounting standards, these standards will give international credibility durability and sobriety greater than they are at the present time.

6. Although the international accounting standards involved in the events of the global financial crisis, but the evidence is clear through the amendments that contained in the table above, which give us a clear picture of the International Accounting Standards Board efforts to overcome the complexities that faced standards in valid.

7. It is necessary to avoid getting more crises in the future, to take special measures to reform the financial regulatory system and changing accounting standards, as well as improving the level of integrity and transparency in institutions and global financial markets, this is consistent also with what was confirmed by U.S. Treasury Secretary in an earlier statement.

IX. CONCLUSIONS

1. The international accounting standards have been used as an outlet to achieve the goals in some of the directors boards in institutions, as inflating the market values of assets (especially in cases of inflation) in order to achieve fake and unreal revenue, it is the definitive guide to involve accounting standards are the reasons for occurrence of the global economic crisis, and this act gave an ultimatum to makers who put these standards to be care and attention that are required when they develop or modify the accounting standards.

2. Despite the lack of support for some writers and those concerned with accounting for finding idea about a set of international accounting standards that are applied binding (in the case of international transactions), but we see it is necessary to the countries to educate institutions and local economic units some bases and instructions that are derived from standards.

3. Lack of full acceptance of these standards by the United States and its continued refusal and finding excuses not to accept its application so far, which generates suspicion among the great majority of the countries that apply or rely on International Accounting Standards (which is up to 100 countries), there is something that needs to be done in this regard!

4. By depending on historical costs style of assets that gives a true picture of the financial position of the company. And this increases the credibility of the case for the company’s assets after downloading (EBITDA), where we support this principle in terms of cancellation of the role and impact of inflation caused by the method of accrediting market values to assess the assets.

5. The calculation of any actually unrealized gains of activities and in events main company within the lists of the financial position, it does not give the image transparent to the reality if the actual income of the company or the economic unit, and it calls into question the credibility of the administration and even the administrative efficiency of the (first: non-receipt of these revenues actually. Second: risk of price changes. Third: effects of developments in the markets).

6. The Council of International Accounting Standards held a total of 31 major revision to the current International Accounting Standards as well as a number of other minor edits that are not listed in the attached table, and this in our opinion gives this vital institution prestige and credibility in keeping up with any changes to the financial market, which had to be prepared to consider standards prevailing.
There were growth and development in recent decades, especially in communications, transportation, and Electronic Technology, which had a deep impact and great on the evolution, growth and prosperity of economic institutions. Clearly, all of these have led to the emergence of new problems and obstacles to accounting were not familiar with in the past or not the impact and clear as they are now.

The spread of the phenomenon of holding companies and their subsidiaries in the media are the result of cases of mergers who are taking place between the shareholding companies, as well as multinational companies that have led to the emergence of new complex accounting problems, including those related to aspects of the measure investments in main company and its subsidiaries and another department concerning the preparation of the consolidated financial statements for each of the companies included in the group.

The massive expansion and continuous development witnessed that have seen in the international capital markets throughout the world and their attempts to overcome the negative effects of the financial crisis, and its direct impact and effectively revival and development on the global economy, all of this has also led to the creation of accounting problems as a new kind of relate to addressing money enormous invested in those markets, and problems related to the quality of those enormous investments which takes varying forms of pictures in international loans and foreign currency prices that are different.

Accounting problems caused by the change in the norms that accepted accounting principles, for example, but not limited to, problems caused by the spread of the phenomenon of lease contracts, especially long-term fixed assets rather than buy them in order to overcome the financial liquidity problems experienced by some institutions. In addition, those contracts had results that were related accounting problems and how to address the accounting entries in the records of both parties (The lessor and the lessee) and the extent of their impact on the financial reports stated.

REFERENCES


Several Web sites, including the following sites: