the lead in the development of accounting policy for securities regulator's reporting requirements. IOSCO has a "built-in desire to reduce the number of acceptable alternatives" corporations can choose from when reporting the results of operations and net worth.[4]

In lesser-developed countries standardization has been promoted through the establishment of regional accounting associations and accountant education programs. The International Monetary Fund has aided in this effort by assisting governments with their financial management procedures. The industrialized nations' foreign assistance programs include training local accountants and professional development.

In the long run, the "level playing field" provided by harmonization (and the attendant market efficiency) should be expanded to include financial institution regulation, audit requirements, ethical standards, and tax and custom policies.

Policy steps

Efforts should be continued through IOSC to establish international corporate reporting requirements. A fundamental first step is to gain international agreement as to the definition of financial statement items. The catalyst should come through political pressure placed on securities regulators by international industry. Once international standards are set, the politicalization of domestic policies will cease.

In the short term, an approach to internationalism is to find standards acceptable to each local regulator. Next, the amount of variance allowed from a single standard should be reduced until additional standards placed on industry locally by regulators is removed. The curriculum of business school accounting programs, in addition to practicing accountants, must quickly adopt these international standards.

Government financial reporting standards also need to be harmonized to assist with international economic and exchange rate coordination efforts, such as those of the Group of Seven nations, the Asian and African Development Banks, the Organization for Economic Coordination and Development (OECD), and the International Monetary Fund. Harmonization would assist in realizing the "level playing field" that the above efforts are attempting to achieve. Additionally, accounting standardization would allow better policies to be formulated and for more accurate comparative analysis by domestic economic planners. The International Federation of Accountants (IFAC), whose membership is the same as the private sector IASC, is responsible for standards concerning accounting for educational and public sector entities, and audits and ethics issues.

Adoption of IAS by accounting bodies in developing countries would reduce the expense of creating domestic accounting standards. Countries with relatively high inflation might be able to reduce "indexing" and other poor polices such as periodic, government-mandated revaluation of long-term assets with the adoption of international accounting standards.

## Barriers

### Politicalization

The creation of accounting standards is a political process. The major issues surrounding international accounting policy harmonization are shown in Table I. While it could be argued that in the U.S. the accounting profession sets a standard for self-regulation, in actuality, FASB standards are the result of complicated political processes and negotiation. Those with political power have a vested interest in domestic standards. It is not recognized in all nations and national industrial sectors that free trade is good for a nation's, and the world's, economy.

Accounting policy processes are different in each country, making it difficult to reach a consensus on standards. For example, the issues surrounding the use of purchase versus pool accounting for mergers, the reporting of goodwill and the value of assets net of deprecation (the question of fair market value versus historical value asset evaluation) need to be resolved.

The difficulty in establishing international economic cooperation has been proved with the recent breakdown of the General Agreement on Tariffs and Trade. Just as international and textile agreements have caused negotiation deadlocks, the process of setting accounting standards might be more the result of political than economic variables. A nation balances legal sovereignty with international cooperation.

The trend has been toward bilateral and trade-block agreements. The harmonization of European Community (EC) accounting standards is the most obvious model for trade-block accounting standardization.[5] EC standardization has begun with mutual recognition of prospectuses and related financial statements. World tax policy, with the recent exception of the EC, has been basically bilateral for negotiation of mutual tax recognition and withholding tax rates.

### Extra-territoriality

The difficulty in enforcing international law due to extra-territoriality requires that national governments promote and enforce accounting harmonization. Contracts between nations are more enforceable than those between citizens of different nations.

When encouraging harmonization, the International Organization of Securities Commissions (IOSCO) and the International Accounting Standards Committee (IASC) must not make U.S. economic hegemony an issue. The U.S. Government has not recognized any international accounting standards.[6] Additionally, the U.S. model may not be the ideal. It could be argued that U.S. Internal Revenue Service standards are confusing and needlessly complicated. One author believes that the U.S. is not competitive in its ability to provide a framework for attracting foreign firms to U.S. capital markets:

> Companies that do decide to raise capital in the United States face two significant expenses: the accounting costs of restating of reconciling financial statements to U.S. GAAP to meet SEC re-

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