

The Influence of Culture on Accounting Practice

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Abstract—The international accounting harmonization is an evolutionary process for a wider reorganization of same accounting standards between different countries. However, Stolowy (2005) has examined the pervasiveness of earning management did not refuse after the adoption of IFRS. The recent research has been focused on whether the standards improved the accounting quality or not. Sarens (2009) extended the literature on the impact of culture on accounting profession to explain the reason why the different countries shows different accounting results after adoption of IFRS. Based on the consideration of international accounting harmonization in the future, this study will critically review the priority study to examine the correlation of Gray's model (1988) with Hofstede's (1980, 1991, 2001) cultural classification to analysis the cultural influence on accounting practice.

Keywords—Culture, Accounting, IFRS, Earning management

I. INTRODUCTION

First, the national cultural differences are identified as a significant influencing factor on reporting and disclosure behaviour with regard to financial statement. Gray identified four accounting values with Hofstede's cultural dimensions, and illustrated the influence of culture on accounting [1]. Towards Gray's culture accounting theory, priory research applying the culture factors to examine the relationship between cultures' influence on specific accounting practices with accounting profession. The analysis of culture influence on accounting practice will give rise to the faster combination of accounting varieties and better understanding of accounting harmonization.

Second, The accounting practice in reality has been tested by the correlation with cultural impaction. A rising amount on consideration of accounting profession has been dedicated to the issue of accounting earnings management, which shows the accounting result on accrual account. Much of this research has focused on determining whether earnings management exists and identifying the incentives to manage earnings (Healy and Whalen, 1999). Studies also has examined the future cash flow predictive ability of accruals accounts (Dechow et al. 1995; Jones, 1991;) Therefor the results of accrual accounts can illustrate the quality of earnings and accounting information in some degrees. The research of earning management is limited by only analysis on one nation. Doupnik points out this limitation and examined the relation between national culture and earnings management across a

sample of thirty-one countries [2].

Third, culture is difficult to identify and the relationship with culture and accounting practices cannot be examined directly. Therefore, the influence of culture on accounting practice may be concluded by the analysis of some priory case and studies. The framework about cultural accounting theory from Gray classified culture with four groups of accounting factors [3]. But Gray's framework is not perfectly conclusion about the relationship of culture on accounting. The extension of cultural impact on religion and custom in specific area might be discussed independently.

Therefore, this study constructed a theoretical framework on cultural accounting theory, which describe the influence of culture on accounting practice from the national standards setting option to organizational accounting choice view then the philosophical explanation of individual accounts behavior.

This paper is organized as follow. Chapter 2 is the literature review about the priorities research on culture classification and culture accounting theory. The theoretical framework and the design of research question will be discussed in Chapter 3. Chapter 4 illustrates the findings and discusses the impactation of results on Chinese Accounting System Development. The conclusion in Chapter 5 summaries the key implications and limitations of this study.

II. LITERATURE REVIEW

A. Classifications and Understanding of Culture

Culture has been widely recognized as the common sense in specific group of people. Culture in a country refers to a set of common beliefs, ideas, and values of worth, which is shared by members of a group of individuals. Various definitions of culture and many studies have been carried out in describing and measuring the aspect and value of culture. Any collection, which distributes a common value of culture, may be the group, the country, or it may be a smaller society. For example, accounts are group of people has common moral restriction and stander limitation of activities. In business and accounting main literature identified with Hofstede definition of culture. "Culture is the collective programming of the mind which distinguishes the members of one human group from another" [4]. The combination of human society sense of culture with business and accounting plays a significant rule in the future analysis of explanation on international differences and harmonization of accounting.

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In brief, culture is collective, not a characteristic of one individual. It is not observed directly but can be inferred from the behavior of individuals. It may help different group of people to understand themselves and other groups.

1) Overview of Hofstede's Culture Research

Hofstede published his idea about the impact of culture [6]. The study of culture as a part of social science has influence and correlation with anthropology, economics, penology, political science, criminology, philosophy, biology, geography, medicine, education, psychology, linguistics, ethics, art, and Law, etc.

Culture has created of the process when the people in the similar environment have the common psychological process. Consequently, culture is not an individual characteristic, but with the same social experience and it has trained many of the same education psychological programs. The reason why different groups of people on different regions or society have different psychological procedures is that they have always been affected by different education have different social and work and, thus, have different ways of thinking.

Hofstede design the survey has collected the data from 40 countries employees at the HERMES Corporation in 1968 and 1972 to discuss the influence of cultural in human behavior and make the division of common cultural value group [7]. There are four categories of cultural dimensions has been tested and considered in this survey, which are: power distance, uncertainty avoidance, individualism and masculinity. Hofstede believed these four categories are useful and clean on the understanding of different culture dimensions and they are not only correlated with one signal, but with other available data as well [8]. The specific differences of participants as sex, job, beliefs and religions and education level has been concluded in the 116,000 questioners of the survey. Because of the correlation with each four dimensions, Hofstede analyzed the data with 8 similar statics group, which are more and less developed Latin and Asian, Near Eastern, Germanic, Anglo and Nordic.

What's more, Hofstede use the analysis of cultural impact on corporate area. The corporate culture is a complex combination of values and practice, in which the value of worth plays the core part. In the other hand, the practical part is consisted with consciousness and symbolic. Hofstede firstly put forward a clear organizational culture of hierarchy, he believes that corporate culture is composed by two parts of the values and practices, which value of worth from three separate dimensions (security needs, work as the center and authority required). Practical part is composed of six independent pairs of dimensions, which are process orientation to results orientation, employee orientation to task orientation, etc.

2) Culture Dimensions

First, Hofstede identified culture as 4 levels. There are Symbols, Heroes, Rituals and Values. The level of Symbols is the most superficial level. In this level, culture of group is emerging as words, pictures and simple with specific meaning. In the level of Heroes, these are individuals who are real or imagined. These individuals have the characteristics that are particularly prized by a society. The people in this group will

follow these "leaders" activities. Culture group in level of Rituals is not only follow the specific individuals or symbols, but the activities composed with symbols and leaders in the group, which be called rituals. These activities have no external value, but do have an essential social value. The fourth level is values. In this cultural group, people is classified with common sense of value of worth, which may decided their evaluation of activities and their judgments of what is right thing to do may create the standards of mature in activities. In brief, the classification of cultural level is identified the base of cultural dimensions.

Second, the concept of sub-culture is also playing an important role in cultural dimensions. Within a country, different area and place or different ethnic groups may share distinct sub-cultures. Therefore, the variable corporation in the same commercial cycle may have different sub-culture. The sub-culture shows the aims of a company and what is the expectation of corporate operation. What's more, this sub-culture may have the influence not only inside this group but also the other groups with different cultural classification as well. For example, accounts is a specific group in commercial cycle but this group will separated as industry accounts and commercial accounts etc. Each of this group will comply with the specific accounting standards. As the same time, the accounting practice will also be impact with the regulation setting system and other external group. Each group or organizations is the congregation of people with common reorganization, which can correlate with culture. Hofstede's Study conducted over period 1968 – 1972, which based on one company IBM. IBM has a unique and respect company culture and expected with strong sub-culture. Therefore, sub-culture is an important factor on analysis of culture dimensions.

Third, Hofstede's culture dimensions discussed the four groups of culture factors and it is the base of future research of cross-culture activities.

Power distance illustrated the concentration of power and leadership of dictatorship among an organization or a group. It also shows in which extends, people in this organization or group can accept this power distance and the distribution follow form the dictatorship.

In the venture business, cultural differences also can be understood as the social distance between employees and managers. Whether the culture of society is big or small power of distance, it will unavoidably be reproduced in the worth values reorganization on varying social members in different power. Therefore, to understanding the society's values among different members in society can verify the agreement of social power gap of a country.

For example, United States is comparatively with small power distance. American workers tend to not only admit the concept of administrative privileges. There are more equal and more harmonious relationship between employees and managers in the United States. Workers are encouraged to study, and the personal values have played an important role in US cultural of commercial environment and corporation management. In another way, China is a typical country with large power distance, which has a very vital category symbol in the cultural. Superiors in company have privilege, which is

considered to be as it should be. This privilege is greatly contributed to the application of high-level manager to subordinate their power on administration. These issues are noticeably not good on contribution on the harmonious relationship between employees. It is can be seen that, managers and employees in the enterprise in China are persist to learn and making changes. As a result, Chinese enterprises contribute a harmonious relationship among employees, company owner and managers as well as for the staff to provide more opportunities for learning how to continue to develop during their work, so that these two group of people can work together with least conflicts, and it will also good on reducing the distance between the enterprise internal power. It in some degree will also help managers to achieve the administration objectives.

In any culture, individuals will feel the face of a threat on vague and uncertainty, which is always trying to be prevented. Prevent can be operated in many ways, such as providing greater career stability, or entering more formal regulations to avoid the emergence of deviant thinking and behaviours. Different nationalities, countries or regions have different extend to prevent urgency of the uncertainty. Relatively speaking, in a low degree of uncertainty avoidance societies, people generally have a sense of security and tend to be a relaxing attitude to life. They may encourage on risk-taking tendency. Conversely, people generally have a high sense of urgency and motivation to avoidance uncertainty, and thus easy to form an inner impulse on hard working.

Salter and Niswander have pointed out that Individualistic refers to a combination of an untwisting social structure[9]. Each of individual in this society attach importance to the personally value and their own needs. They are relying on individual efforts to seek interests for themselves. Collectivism refers to a combination of strong social organization. People in this society will be distinguished by inside the group or outside the group. They may expect to get the respect of the group and pay the absolute loyalty as return at the same time. Individualistic society, emphasizing the individual freedom and personal achievement, thus personal competition between employees and individual may be an effective humanistic incentive policy. For example, the research of Leuz C et al. (2004) illustrated that China and Japan are highly collectivist society. Employees of the organization are emotional dependence. It might not too difficult to build a harmonious relationship between employees and managers.

Masculine and femininity described the standard of value on dominical community in society. For masculine society, the dominance community has significant characteristics of male, such as self-confident, assertive and aggressive. Femininity is completely on the opposite. For example, U.S. is a significant masculine society. The senior employees of enterprise are majorly making the decisions. Employees frequently change jobs and they might lack of corporate identity. Therefore, staffs are often not actively involved in the management. Conversely, the study done by Chen showed that China is a typical femininity society, which focuses on harmony and ethics of company operation [10]. As described above, employees are allowed to actively participate in the management of the humanist policy.

3) Critical Evaluation of Hofstede

Through the analysis of survey data on the four cultural dimensions above, Hofstede confirmed that there are indeed significant differences between different cultures, and this difference is rooted in people's minds. It is difficult to change (Table 1&2). Rodrigues and Craig exemplified that the social values development process and country's historical traditions cause the cultural differences [11]. It established in numerous aspects of social and cultural. Hofstede's cultural dimension index value drawn that the East-West cultural differences are very obvious from the Oriental cultural circles in Mainland China, Japan, Hong Kong, Singapore and other areas. Such as China has the same collectivism cultural dimension with Japanese, but these two kinds of collectivism are huge different. In additional, excepting the impact of ethnic, geographical and cultural differences, undeniable, corporate culture has different style as well. It can be said that the company, the greater the cultural gap, resulting in the possibility and strength of cultural conflict and confusion will be increasing.

However, the cultural dimension of Hofstede is not perfect. McSweeney pointed out that the tendency is equate cultural groups with countries [12].

What's more, the organizational culture questionnaire is based on the content and structure of the corporate culture itself, which clearly outline the dimensions of the structure of values and practices[13]. However, the three independent dimensions of the model values are not well distinguish the differences between various organizations, while it ignoring some of the known values of the corporate culture of academic and practice, such as innovation. Qualitative research interview outline emphasis on visits within the organization, ignoring the impact of corporate culture by the external environment in the dimension of the practical part of the structure, there is no dimensions such as social responsibility.

B. Cultural Influence on Accounting Values

Kluckhohn and Strodtbeck believed that culture is a national heritage of a country, which has the impact on both broad and deep [14]. Zeff illustrate that Culture is invisible impact on people's thinking and behavior, which including the accounting thinking and accounting practices[15]. Cultural differences reflect the differences of national characters. The difference of social values and philosophy of life are reflected in the accounting values, concepts of different countries with their unique culture.

1) Gray's Accounting Values Theory

Gray pointed out that the cultural impact of the accounting system of a country two ways [16]. First, the social values through a variety of social systems indirectly the impact of the accounting system and accounting standards. Second, because of the impact of social values on accounting culture and accounting values, culture affects the national accounting system and accounting practices. Gray proposed a four-dimensional theory of accounting values, which are Professionalism versus Statutory control, uniformity versus flexibility, conservatism versus optimism and secrecy versus transparency.

Implementation of the regulatory process for setting accounting standards and process on accounting supervision, Gray believed that a higher degree of professional societies tend to develop accounting guidelines and prefer to support professional accounting bodies or other independent body on accounting regulation setting than government intervention. In this situation, accounting staff, based on professional knowledge, experience exercise and independent judgment are encouraged on accounting independence operation. Conversely, low level of professional society tends to rely on detailed legal provisions for financial reporting with standardized content and format. Standards play a significant rule on accounting personnel works of accounting practices requirements. In such a society, it is emphasizing that the accounting should follow the regulations. Their personal choice is relatively limited.

This dimension is point on dealing with the details of the accounting standards, which should be the detailed requirements of each accounting practice or it should require the principle of the tendency to give a larger space of accounting staff. It means that the formulation of accounting standards should be principles-based or rule-oriented. Gray believes that, under normal circumstances, a lower individual consciousness group or higher social collective consciousness society are tend to comply with the uniform accounting system, which requiring companies to strictly follow the requirements and monitoring of laws and regulations.

Collectivism emphasizes the overall interests. The relevant accounting procedures and ways might reduce the controversy that caused by the interpretation guidelines or freedom of choice. The larger power distance of a society, the stronger concept of grade of people, who are more inclined to obedience to authority. They might be more willing to accept the dogmatic accounting requirements as well. Therefore, to avoid the high society of the sense of uncertainty, government is conferred to issue the uniform national accounting standards. It might help on reduce or avoid the doubts or disputes that may arise in the future. At the same time, the unified implementation is regarded as a protection of the public interest.

Against the face of risks or uncertainties, the attitudes on recognition and measurement of assets, income and expenses are different between conservatism and optimism. Conservatism tends to confirm choice on pessimistic way and keeps on a cautious attitude towards matters that may occur, so that this option would resulting in assets and profits underestimate, and vice versa. In general, if a society prefer the higher degree of uncertainty avoidance, because of the risk aversion, in the face of uncertainty about the future matter, people would tends to make pessimistic forecasts and choose conservative accounting approach. This action might avoid the big risk of the consequences if the actual results were not as good as imagination.

Point on how much should the enterprise disclose the accounting information, confidentiality tend to deal with financial information as trade secrets. Company will publicly disclose the information only for the business operation, fund-raising and closely related information. Opposite, transparency tends to use a transparent, open and responsible approach to the public and public disclosure of financial information. Gray

believes that collective consciousness of society put overall interests above personal interests. The society with larger power distance tends to respect and obey the executive consciousness. In such a society, full disclosure of corporate information is relatively weak willingness.

2) Gray's Accounting Values Hypothesis with Hofstede's Cultural Theory

Gray argues that Hofstede's cultural dimensions are lined with his accounting value model. Without the empirical examination, Gray explained his theory of cultural influence on the development of accounting systems internationally with analysis of different factors on cultural impactation [17].

In Gray's analysis, the external influence factors, which include trade, investment and conquest, are correlation with national social values, which has directly impact on institutional consequences such as legal system, education, religion and corporate ownership at el. It is no doubt that these factors above have a significant influence of accounting system and practice. However, it is still has no evidence to confirm that the factors above in reality business and life are impacted by culture and whether accounting values which be defined by Gray can be use to explain the reality consequences. The correlation between accounting values and cultural dimensions are still not clear. Therefore, based on the question of cultural accounting theory, Gray pointed out 4 hypotheses about the correlation of accounting values and Hofstede's cultural theory[18].

Hypotheses of Gray:

H1: The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance then the more likely it is to rank highly in terms of professionalism.

The arguments between whether individual professional judgments or specific standards adopted accounting principle and practices exist for a long time [19]. However the more attention should be pay is on why this arguments existing and how to explain this conflicts.

Gray gave an example on UK. He pointed out the advantaged accounting profession group and principle commitment has been build for a long history in this country [20]. Based on these consequences, such countries as UK and USA have their own professional accounting principle history. Therefore, these countries have professionalism accounting values. Compared with German and France accounting system, Gray argued that country with strong consideration of individuals would have a strong professionalism. These countries respect the individual and individuals' achievement. Professionalism can be easily contributed. At the same time, uncertainty avoidance tendency and larger power distance countries would have less professionalism.

H2: The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism then the more likely it is to rank highly in terms of uniformity.

Choi and Mueller have argued the uniformity and flexibility would seem to be a key accounting values for the basic

function on accounting principle setting [21]. In this part, Gray applied France as an example. As a uniformity country, which has uniform accounting, plan and standards has a significant taxation process on accounting principle setting. In the same time, Arpan reported, compared with UK and USA, which have more focus on individual consistency with flexibility, France is more concern with comparability of uniformity of standards and principle [22].

H3: The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of conservatism.

The focus on conservatism plays significant rules on accounting development process, which is correlation with the duty of accounts and the fundamental function of accounting practice and standards[23]. In this part, German and France were recognized as one group with significance conservatism culture, and USA and UK has been considered as less conservatism than German and France. In brief, Gray argued German and France pay more attention on uncertainty avoidance and has less individualism than USA and UK.

H4: The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy.

Watts pointed that public disclosure of accounting information is very important today, and accounting transparency is still the focus of discussion [24]. It is because of the particularity of the accounting profession. It will be difficult to end the debate on accounting choice of transparency and secrecy. On the one hand, the public wants to get as much and comprehensive as possible accounting and financial information. First, it can help investor to make the market forecast pre-judgment or investment decisions. Second, it's a way of a company to explore the operation of company to public. On the other hand, the company needs to save a certain amount of accounting information in order to prevent competitor's hearsay evidence. What's more it will also bring adversely affect the financing markets of company. Therefore, based on the different consideration, the different accounting system shows different requirements on the public disclosure of accounting reporting. In this parts Gray applied UK and USA to be example and discovered the evidence on capital market shows the correlation of secrecy and other cultural dimensions.

3) *The Critical View of Gray's Hypothesis*

Chanchani noted the lack of primary empirical research in cultural relevance literature of Gray's cultural accounting theory[25]. As may be seen from the study of Gray's theory of culture impact on accounting values, there will be more and far interest in cultural relevance research in accounting issue. The application of Gray's cultural accounting theory about the accounting values definition and Hofstede-Gray framework is probably more impact on a variety of accounting issues. Nestle noticed that Gray's values have patient relevance to cross-field academic research [26]. However, also addressed the lack of data supports of Gray's theory. The hypothesis was

limited by the empirical examination. Therefore, the further article is focus on illustrating the examination of Gray's theory.

In the past literature, the correlation between culture and accounting values were tested in different ways. The supports of Hofstede- Gray framework are given on some degrees by case study, empirical study et al. In brief, Gray's accounting values with Hofstede's dimension of cultural has been tested as reality worth in further accounting issues' research.

III. THEORETICAL FRAMEWORK

A. *Research Question*

This study involves the prior test result of Gray's hypotheses initially using Gray's accounting values model as the supports on variety process of accounting system development. The impact of Hofstede-Gray' cultural accounting theory will be discussed for explaining the cultural impact of accounting development on 4 parts of accounting system, which are accounting standards setting process, accounting reporting, accounting management and disclosure. The design of research question is following:

Research Question: How the cultural accounting theory affects the development of accounting system.

B. *The Influence of Culture of Accounting Standards Setting*

Chandler and Holzer analyzed the impact of environment on accounting standards setting[27]. The standards of accounting establishment in a country will affect the consequence of the history, culture and environment on a country. Accounting standards setting is affected by the organization, which is duty on standards setting, such as IASB and FASB. However, because of the different cultural dimensions and accounting values in different country, the responsibility of standards setting organization and the standards setting process is different. In some degree, the professionalism of standards determines the complement of a national accounting system.

1) *The Influence of Culture of Conceptual Framework*

Salter et al. examined the difficulty of Mexico accounting harmonization process is caused by the reason of history and cultural differences[28]. In that article, Gray's cultural accounting model was be tested and applied to explain the reason why US, Canada and Mexico has significant different accounting conceptual framework. US and Canada was recognized with similarity on cultural dimension, which has similar degree on power distance and uncertainty avoidance. At the mean time, US and Canada has higher degree of individualism than Mexico. Based on the empirical analysis of the correlation with cultural dimension and 44 measurements in the issues concludes the aspect of a national accounting standards conceptual framework. Salter et al involves the data to examine the correlation with cultural values and the setting of conceptual framework.

Based on Salter's study, because the use of LIFO for the accounting treatment of inventory, the liable of Canadian firms were found far less than both Mexico and the US. In CICA Handbook, the treatment of inventory is obviously permitted

by the requirements from the accounting regulations. At the meantime, Salter pointed out that Canadian firms were also less likely to expense directly all research and development expenditures. Upon CICA Handbook Section 3450, Canada permits certain development expenditures to be capitalized and written off in future periods. However, the regulation of FAS 2 of U.S. GAAP requires that all such costs should be treated as period expense. Another main difference which be showed in Salter's research is that Canada has a more liberal definition of what may be considered as an asset. What's more, the use of FIFO rather than LIFO, and treating research and development cost as an asset, are both likely to leads to increasing reported profits. However, compared with Mexico and USA, Salter et al. pointed out that Canada does not showed on a general tendency, which reported profits to be less conservative [28]. For example, a lot of items have impaction on reporting of profits. The treatment of depreciation and reorganization process of intangibles and goodwill are also showing no significant differences in the incidence of alternative treatments across the three countries.

The conceptual framework shows the basic of accounting standers setting. The specific accounting values like professionalism, uniformity, conservatism and transparency will be exposure in this conceptual framework. For example, analysis report shows there are significant different between Mexico and the other two countries. The three countries are not showed the same characteristics in each area. As in the last analysis, Mexico's knowledge in the accounting treatment was significantly different from United States, but Canada is only between those two. The property of their cause can be seen as Mexico financial reporting conceptual framework and its maturity are far less than the other two countries. It is because of gaps in professionalism. The three countries in the development of accounting conceptual framework are taken in different rules. Higher than the cost of the revaluation of fixed assets was agreed to use in Mexico.

2) The Influence of Culture of Accounting Standards Setting Process

The accounting standard setting process has been examined of the impaction of cultural factors in many researches. Obviously, the accounting standards setting will be affected by the structure of the organization, which has authority on standards establishment. In a country with high individualism are tested by Gary with high professionalism but lower uniformity, conservatism and secrecy. The results of prior research propose that national accounting systems are meaningfully associated with differences in market valuations and various other cultural factors. These results, however, rely heavily on the analysis of specific principal or empirical examination of archival data or survey evidence directed at national system differences [29]. Gray posited that there is a strong positive relationship between conservatism and uncertainty avoidance but a weaker link between individualism and masculinity and then only where uncertainty avoidance is low [30]. Take USA to be example, the institutional set up of standard setting in the US is not only based on the FASB (Financial Accounting Standard Board, the FASB) but also root in SEC, which has responsibility on making sure investors can get complete and useful information from accounting

reporting in order to make a informed investment options. Compared with the primary function of other countries, USA is a specific country with high degree of individualism. Therefore the accounting standards setting process is much more complicated. As a rule based country, FASB has responsible for the development of the U.S. Financial Accounting Standards. FASB is a non-profit and non-governmental organization, and its authority comes from the legal requirements of public companies to comply with generally accepted accounting principles. The public companies as financial reporting of public companies is defined wider than listed companies. It's funding comes mainly from large companies voluntary contributions. The higher individualism degree a country has, the higher professionalism degree of a standards setting process.

In the same time, the higher professionalism degrees comply with lower uncertainty avoidance and lower power distance. These consequences will be illustrated on the following analysis of accounting standards of USA and the political lobbying phenomenon as well. The formation of FASB is also caused by the expectation of justice on the non-profit and non-governmental organizations, which is initially wanted to accounting standards-making process from political or commercial interest often by the lobbying of various interest groups. In fact the process of FASB in developing accounting standards is not independent as hopes. When an accounting standard has a greater impact on corporate financial reporting, the FASB must balance the interests of all parties and compromise. The result is that the development of guidelines for the process is long, while the final published criteria are limited when it is provide to investors with useful information. Therefore, culture is either the formation of the accounting system or a large extent restricts of the development on accounting system. In short, its unique cultural influence of the United States accounting rules and accounting system showing the features of this accounting system is not perfect.

3) The Influence of Culture on Earning Quality

Follow to the article asked a question about does the accounting standard matter? This part of study is enlightened by an exploratory analysis of why different countries has different outputs of earning management after the adoption of IFRS, and it also discuss the implementation of Hofstede-Gray' model on earning management. Earning quality was identified as currency smooth and accrual accounting affect on operation of corporation [31]. In past research, the examination of Doupnik about the correlation with cultural factors and earning management are tested across a sample of thirty-one countries. Doupnik point out, "Earning smoothing is the process of manipulating the time profile of earnings to make the reported income stream less variable." The past research of Doupnik find a significant relations between income-increasing discretionary accruals and Hofstede's cultural values of positive affection of individualism, negative impaction of uncertainty avoidance and negative impaction of long-term orientation [32]. These results are consistent with the directional hypotheses and Gray's accounting culture theory. In 2006, Doupnik test the influence of conservatism and secrecy on the interpretation of verbal probability expressions in the Anglo and Latin cultural areas. In 2008, Doupnik extents these

results hold beyond the Asia-Pacific region with an empirical studies. However, the relation between culture and income smoothing was not examined. To test the correlation between earning quality and culture, the past studies of earning management showed the methodology on understanding of earning management. Following shows the main earning management measurement in accounting system, which are discretionary accrual choice method and the restatement accrual analysis and loss avoidance threshold.

Obviously, earning management plays significant roles on accounting system. As the result before, Jeanjean et al. illustrated that the common language does not play the key roles on increasing accounting quality and mentioned the impact of national factor. Though the research of threshold-oriented earning management study of Burgstahler and Degeorge et al, Glaum and Jeanjean's model select to use the model of small profits/small losses to test the earning quality of USA, UK and France. As the Jeanjean's result showed, the earning quality of UK and France shows conversely. Follow

Hofstede and Gray's framework about the cultural influence on accounting. UK and France have significant different cultural classification. Under the hypothesis of different cultural nation will be affected in different degree on adoptions of IFRS.

4) The Influence of Culture of Accounting Decision Making Process

First, accounting choice is a behavioral decision. Graham reported that since the mid-twentieth century, the formation of a new methodology on behaviorism changes brought a huge influence and impact of the social sciences, behavioral science research methods[36]. It perceptively produced important and profound impact on decision theory. The descriptive decision theory illustrated the satisfactory standard and the principle of bounded rationality. It is also precedent for the behavioral decision theory. In behavior management, Simon pointed out that human decision-making mode has two types, which are hesitated - select type and stimulus - reaction type. The former is the rational requirements, which is respected by specification decision theory model for sufficient time to evaluate the consequences before making a choice. Zhou further pointed out that the stimulus - reaction type is certain to stimulate but not hesitate on responding, which is intuitive, habitual behavior. It does not meet the requirements of the specification of decision theory, but the stimulus - response type of decision-making model not only cannot blindly oppose the contrary. Under certain conditions, in terms of individual decision-making or organizational decision-making are not only indispensable to the mode, but also an effective model to improve decision-making efficiency. Thus, the accounting decisions are hesitant - select decision, accounting decision-making and its consequences are complex, which caused by the external and internal environment and elements impactation.

In brief, the behavioral decision theory is described as using the views and methods of behavioral science to describe, explain and predict human decision-making activities. It will be the basic factor on human decision-making behavior. It applied the empirical methods of natural science of human behavior on decision-making process. This theory studied and

summarized a range of views on the basis of experimental and theoretical evidence. In order to expand the scope of decision-making theory, behavior theory promoted the deepening of normative decision theory and decision-making descriptive theory and normative theory of normalization, and improved the usefulness of decision theory.

Second, organizational culture is an important factor to affect the accounting decision-making behavior. Pettigrew first proposed the concept of organizational culture on his article On Studying Organization Culture. He believed that the corporate culture is formed through social practice, which with the impactation of certain socio-economic conditions and the sum of all group memberships' common sense values, professional ethics, codes of conduct. It is the unique cultural values which forming during the process of an enterprise or an organizations development process, as the core management mode.

However, the organization culture is not the same as the cultural which be classified and defined on Hofstede-Gray's model. However, the formation is inextricably linked with national characteristics and cultural environment. Organizational culture is the common values system of the organization members. It relies on the core values of the influence on the organizational staff. This influence will be used to enable memberships to produce identification with organizational goals, codes of conduct and values. However, the accounting decisions are making based on in the context of longer accounting environment nurtured and accounting professional education. Professional accounting practitioners in the limited time made the decision-making for different accounting practices. Therefore, accounting decision-making process might be subject to the impact of the decision-makers in which the corporate culture.

Accounting decision-making process is part of the accounting management. Point to the test and analysis of the influence of culture on accounting management, table 8 shows the main correlation and results found about culture and accounting management.

5) The Influence of Culture of Accounting Ethics

The discussion above has completely analysis the reason of cultural impactation on accounting practice and standards setting. However, what can be seen are the consequences of a specific accounting choice. Pratt reported that "there are not only cultural differences across accountants of different nationalities, but there are also cultural differences across accountants of the same nationality.

Because of the special function of accounting, and the conflict between profitability and social conscience exists on the operation of company. AS an individual employee, the choice of accounts truly has showed the impactation of culture on accounting system not only in the influence of national differences but also the individual ethic reorganization of a country. Therefore, this part combines the Hofstede-Gray's model with philosophy theory of Kant and Rawls to discuss why an individual account has different accounting choice.

First, depends on Hofstede-Gray's model, the group with higher power distance will lead to negative effect of professionalism. The submission awareness of high level of

power causes the following of higher power distance level without the pursuance of professionalism. Conversely, higher reorganization of person or organizations with higher professionalism is a directly reaction of higher individualism. Meanwhile, individual was widely recognized in this group, which allowed or even supports to keep the individual idea as lower uniformity. Therefore professionalism has opposite reaction with uniformity, as the individualism is conflicts with large power distance. However, the growths of the society display the larger power distance but higher reorganization of individualism, which can be explained by Kant and Rawls theory.

Second, Kant's deontological ethics supports the rights of individuals as utilitarian and libertarians. However, Kant's belvedere does not depend on the ideas of self-ownership, which means that the idea of Kant is depends on the dignity and respect. In this consideration, application of Kant claims about human beings autonomously capacity can be use to explain the accounts individual behavior when they make the choice during work. Take libertarians to be example, Kant draws the correlation between morality and justice to freedom. According to Kant, freedom has different conception. Kant illustrated "a categorical imperative would be one which represented an action as objectively necessary in itself apart from its relation to a further end." It is means that there is only a rational person has the capacity to act in accordance with his idea of laws. In Kant's opinion, categorical imperative is derived from the sense of duty. Kant's deontological ethics is contributed by the consideration of categorical imperative. Because from the ethic theory of Kant, only categorical imperatives can represent moral commands. Which means that the normally morality should not only be tested by the common law setts but also the limitation of duty and the so-called "categorical imperative". At the same time, because of the moral worth is decided by the right action with reasonable and moral reason, the accounting ethics also should be done for the sake of the moral law. In Kant's idea, categorical imperative is an absolute liability. It is the despite of people's wiliness and desires. Therefore, if there is a choice or decision, which is not done with the incentive of duty, it is an action that is with no moral value. Kant argues that morality cannot be based on merely empirical considerations, such as the interests, wants, desires, and preferences people have at any given time. Kant does not believe that the consequences of an action can show the propose or motivation of an action. In another words, Kant's paid more attention on the felling of duty when decision-making. In the combination with Kant's theory with Hofstede-Gray' model, professional accounts who has higher individualism will have higher reorganization of professionalism but lower uniformity and conservatism. Therefore, Kant's point out the right thing to do is limited by common moral law but with highest individual reorganization of duty.

Third, the understanding of individual accounts choice is not the whole parts of accounting ethics development. According to Rawls who takes up the Kant's idea of an imaginary, he illustrated the concept of "veil of ignorance". In Rawls theory of ethics, the way to think about justice is to ask what principles we would agree to in an initial situation of

equality. Because of the variety of people with different interests, desire and religious, and social values consideration, people in an initial situation will choose principles behind a that prevents them from knowing anything about who in particular they are. Therefore, what we agreed to this position of effective equality will tend to be just because the distortion of power and interest will be excluded. When decision-making, each of the individuals should consider on basic social arrangements from behind the veil of ignorance, which led to the rejection of utilitarianism. The first principle of Rawls provides an equal basic liberty to all individuals. The second principle showed the social and economic equality for all. In other words, people should do things that are not only benefits themselves but also good for society. Therefore, taking the application from Rawls into consideration, accounting ethics is not only requires the social and economic equality but also the individuals recognition, which also supports that accounts thought of motivation of affecting the corporation and the consequences of accounts choice are reflect the influence of different cultural impaction, which shows the common values and acknowledgments of group of people.

In brief, accounting ethics is developed based on the combination of philosophe explanation of individual behavior and application of reorganization of cultural differences, which is not only national differences or organizational differences, but the differences in individual as well.

IV. APPLICATION OF CULTURAL IMPACTION ON ACCOUNTING DEVELOPMENT

A. Impaction of Cultural Accounting Issues in Chinese accounting Standards Development

The impact of the humanistic culture of accounting and the accounting standards is linked with culture on accounting and the accounting standards in China. Because the advocating cultural characteristics of collectivism and larger power distance, the space of professional accounting and auditing to make independent judgment is narrow. Bloom (1989) pointed out that the impact of the professional accounting bodies and professional control in China is tight. Accounting personnel behave at work and requirement for certain norms and text. From the historical point of view on China's accounting development, pointed out the accounting system is the performance of this cultural identity. Therefore, the current Chinese accounting standards system is implementing the two-track system of accounting systems and accounting standards. The accounting system and accounting standards must be by the authority of government agencies but not the private sector of accounting professional organizations to develop. Aversion to uncertainty, reflecting on the needs for specific work standards and guidelines on the accounting work, therefore, the third level in the framework structure of the system of accounting standards - Accounting Standards Guide, is used to improve accounting standards in the accounting operability in practice. From advocating the doctrine of this point of view, due to the moderation attitude of the Chinese people and acted, the accounting staff in the disclosure of accounting information to adhere to fair and impartial manner. Taking into account the various stakeholders, accounts are working due to meet

stakeholders information needs. This point is consistent with the goal of diversification of Chinese accounting standards system. Therefore, the shortcomings in the formulation and implementation of the Chinese accounting standards from the perspective of culture mutual exchange and infiltration of western culture, the social culture in China is constantly changing. Western culture is continued to convergence. Chen pointed out that the reform and development of Chinese accounting standards system of social and cultural environment influence, social and cultural characteristics changes, the construction of the system of accounting standards are constantly with them to adapt to. Along with the continued integration and convergence of Chinese and other countries' cultures, accounting theory and practice of China will gradually converging. Finally, Chinese accounting standards will change with the international phase. However, in spite of the accounting reform to further improves the system of Chinese accounting standards system, accounting information distortion problem has not been well controlled and resolution. On the one hand, there are inadequacies in the Chinese accounting standards and the formulation of the system. In the other aspects, Accounting rules and regulations of the implementation process are still having many deviations.

B. The Limitation of Chinese Accounting Development

First, accountants' professional judgment is relatively low professional quality. Jubb reported that the newly enacted corporate accounting standards and corporate accounting system in China asked accounting staff with strong professional judgment, such as the judgment of the impairment of assets, or the judgment of events results. At present, China's accounting professional quality improved, but on the whole, with the accounting standards in the professional judgment of the accounting staff to strengthen its professional quality is still relatively low. Therefore, accounting personnel in the actual accounting treatment is difficult to reasonably and accurately grasp and use their professional judgment. As consequences, the quality of accounting information will affect.

Second, Zhou pointed out that the principle of prudence in the accounting standards in the actual implementation has been difficult in China. The new norms and new institutional provisions that provision for asset impairment is in order to squeeze the moisture expansion of corporate assets, excluding the non-performing assets, and showing a true reflection of the actual value of corporate assets and to ensure the authenticity of the accounting information. However, generally positive units in the implementation process are not high. The main reason for this is prepared to deal with asset impairment will affect the enterprise's total assets and corporate profits. It is possible to make a profit-making enterprise to become loss-making enterprises, which reflecting the enterprise true financial condition and operating results. But it is especially detrimental to the performance evaluation of state-owned enterprises. Zhou also showed that in China, official number and the figure out of office phenomenon has not been fundamentally resolved the case, the principle of prudence applications have a certain degree of difficulty.

Third, during the execution of the system design, the distortions on accounting standards still exist. New guidelines

and the new system are more using the relevant norms of international accounting standards and measurement standards, and strive to work with the international standards. Radebaugh showed that tend to occur in the implementation of the distortions, it is also a standardized measurement standards differ significantly from the results performed in a different cultural environment, which can not be said that cultural factors. Chinese accounting standards setting and implementation of the deficiencies, from the cultural dimension of analysis is determined by the social and cultural characteristics of China. Due to the impact of collectivism and power distance, accounting personnel follow the more common superior decree. In order to maintain the small collective or individual interests, it can be underestimated or false reporting of assets and income to achieve their desired purpose. China respected in the accounting management dominant the decision of the Chinese cultural characteristics. However, too much of grand unification resulted in a double face, the so-called policy measurement has the impact of accounting standards and the implementation of the system, which resulting in the accounting information is untrue.

C. The Future of Chinese Accounting System

The overall objective of the improvement and development of Chinese accounting standards is to establish the degree of perfection and the level of economic development and capital markets to adapt, coordinate with the international accounting practices and global economic integration trends, and fully reflects the requirements of investors, creditors and managers, to form a structured, complete and consistent logic, efficient and practical collection of modern information technology and accounting management practices in one of the accounting standards with Chinese characteristics, theory and methodology.

To do this we must explore new accounting guiding ideology, the new principles, systems and technology approach, which is no doubt the traditional concept of culture poses a challenge. Chinese cultural environment and social values restricts the objectives and the specific contents of the Chinese accounting standards system reform, accounting reform must adapt to the cultural environment, promote social and cultural development, social and cultural development and promote the accounting reform, and cultural the development and improvement of the environment and accounting standards system is interactive. Therefore, the establishment of accounting standards system should pay attention to adapt and improve the cultural environment in accounting.

First, the combination of informal system of traditional culture and the formal system of accounting standards will be contributed. Culture is a reflection of the values of social groups. It is an informal system of values, ethics, customs and ideologies collectively. For accounting purposes, the method of accounting, including enforcement mechanisms and rules, as well as standardizing accounting information, accounting standards and the implementation of auditing systems belong to the formal system, which the accounting standards as the core. Accounting standards will has a formal system and informal system of culture from different angles and intensity of binding on the accounting activities. Reference developed from the

Chinese accounting standards, mainly to learn from and imitate the Anglo-American model of accounting standards and international accounting standards. Western accounting standards of the formal system was introduced into China, will inevitably have some impact on existing accounting practice is more important is the occurrence of a certain amount of friction and impact with the informal system based on traditional Chinese culture. Coordinating the relationship between accounting standards and the unique cultural background in China to adapt will be important issues in the process of accounting reform in China.

Second, the development of Chinese traditional culture and the internationalization of accounting standards should be pay more attention. An inclusive spirit of traditional Chinese culture is to allow the international development of accounting standards. The developments of Chinese accounting standards will emphasis on coordination with international accounting practices and global economic integration trends. From the accounting standard setting process, the Chinese and Anglo-American and the International Accounting Standards Board's approach is also very close. Only in consultation with the range of views, consult the extensive views of the standardized summary and feedback consulted with the published criteria of convergence and finalization of the way there is a need for improvement. Accounting internationalization, drawing, coordination, consistent formulation has become the mainstream ideology of the Chinese accounting profession, in fact, that draw on the idea of absorption, is rooted in the inclusive spirit of traditional Chinese culture, this spirit of tolerance makes Chinese traditional culture has a remarkable fusion power, fusion power of this culture has become the cohesion of the Chinese nation a kind of affinity, the traditional Chinese culture since ancient times, learn, absorb, thinking I was using, inclusive. The internationalization of Chinese accounting standards is the reform and open situation of foreign cultures an absorption process, proposed by the accounting profession and actively learn from the international accounting practice is through the absorption of internationally accepted rules and culture, change the accounting system. The system evolution, we should always adhere to the ism, not to copy blindly copying Western accounting system both for our own cultural traditions and values and fully coordinated with international practice, but according to China's national conditions and to establish a set of rules.

What's more, Chinese accounting system reform should be compatible with the characteristics of traditional Chinese values. Behavior, the nature of factors that influence a behavior change is the changes in their values. Social groups, cultural values are closely heritage characteristics, traditional values based on human relations, for example, still play a huge potential. With absolute thousands of years of historical heritage of Confucian culture has social order and ethical norms, and thus gradually formed a set of specification, including the "three cardinal guides and the five permanent members of the religious legislation and programs. China's accounting staffs have long been used to comply with specific and detailed accounting system. Development of accounting standards and give their legal status will be beneficial to accounting standards widely accepted by the Ministry of

Finance. Therefore, in the process of accounting reform, led by the Ministry of Finance and other government agencies promote the process of internationalization of Chinese accounting standards, will be more compatible with traditional Chinese values of characteristics.

Third, the development of Chinese accounting standards should be a gradual process. China's traditional Confucian culture emphasizes the idea of moderation. People's social values expressed as a feminine characteristics, in order and harmony, advocating interpersonal harmony become one of the people's basic code of conduct. Traditional culture and psychological make the Chinese people do not like the ups and downs and high-risk change, and easier to accept a gradual, steady change. Therefore, in order to adapt to this cultural tradition, taking a gradual approach in the development and the internationalization process of Chinese accounting standards wiser. This will not only conform to the traditional psychological and behavioral habits of the public, will also greatly enhance the identity of the accounting staff on the development and changes of accounting standards, thereby reducing the resistance and costs of institutional change.

In short, the international development of Chinese accounting standards should be kept consistent with the traditional Chinese cultural background. To the traditional culture of the local match with outside the formal system is superior to the total westernization. The coordinated development of the informal system of traditional culture and the formal system of accounting standards is not only possible but it is very necessary.

V. CONCLUSION

Accounting, as humanity, has the function of both social and scientific properties. This study is aims to discuss in how culture impacts the accounting practice. Based on Hofstede's cultural dimensions, Gray illustrated the accounting values with Hofstede's cultural model. The theory about cultural accounting of Gray give rise to the development of accounting system, which has been tested by both empirical study and cause study.

This study applied Gray-Hofsted model to contribute a theoretical framework, which discussed the impact of culture on accounting starts from the national option. In the regulation and standards setting process, cultural has influence both on the conceptual framework building and the rules setting process. Therefore, it is appears that different countries shows different accounting treatment on same accounting practice.

Then it is considered on the organization cultural influence on accounting decision making. In this part, the organization behavior, management behavior and organization cultural theory was applied to described and analyzed why accounts has different accounting choice even they are in the same country. The last part of this theoretical framework discussed the impact of culture on accounting ethics. This is the view from individual accounts. In this part, the applying of the philosophical Kant and Rawls' theory on duty-based justice was used to explain the different behavior on individual accounts. In brief, the accounting choice is not only the way to

follow what the standards ask to do, but the duty on human being's choice in consideration of ethics as well.

The application of cultural accounting issues in Chinese accounting development leads to a consideration of how to explain the differences between courtiers and how to make the accounting harmonization true. It is also give the process and limitation of Chinese accounting system development. At last, the suggestion of future Chinese accounting system developing was given.

The main limitation of this study is lack of data supports. The index of cultural has been given by Hofstede, but this study did not build an empirical model to test the correlation between cultural and the consequences of accounting choice and behavior. The further research will focus on the empirical correlation with cultural dimension index of different countries and financial accounting results. Therefore, the implication of this study is illustrated a theoretical framework to discuss the reason of how cultural affect accounting behavior not only based on Gray's hypothesis, but other social and management theory as well.

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