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The Management of
International Reporting Standards

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1. Introduction

In this article, I examine current financial reporting policy initiatives to improve the access of international companies to the U.S. capital market, one of the largest and lowest cost source of equity funding for non-U.S. registrants. The conventional wisdom underlying the management of international reporting standards is that active pursuit of a unified set of accounting and reporting standards is desirable (Sharpe 1999). The unanswered question at this point is, what constitutes an internationally-acceptable threshold? The major point of this article is the following. If the quest for an international reporting benchmark is to amount to something other than a theoretical goal, policymakers should embrace the realities of the marketplace.

2. The Problem

Business executives face a new millennium keenly aware that the fortunes of their companies are being shaped by global competition. This competition manifests itself in numerous ways. Examples include foreign penetration of domestic markets directly or through commercial alliances, operational synergies and economies of scale made possible by cross-border mergers and acquisitions, and increased parity in the development and exploitation of basic and applied technology (Lessard 1997). In such a context, reliance on firm-specific financial information as a basis for competitive benchmarking, credit decisions, and business negotiations is crucial.

In turn, market penetration, international M&A, and competitive expenditure strategies all require access to massive sums of financial capital. Accordingly, corporations today are much more inclined to raise monies abroad to increase their access to funds or lower their capital costs. The so-called global offering, whereby shares are issued simultaneously to investors around the world, has played a critical role in facilitating the sale of multibillion dollar privatization issues. As the competition for access to low cost funding is related to the quality and quantity of a firm's external communications (Choi 1972), international executives have become increasingly sensitive to financial reporting issues.

The United States, by virtue of its size, has historically been the market of first choice for companies seeking to issue or list their shares outside their home markets (Silkenat 1994). It appears to be less so today for several reasons. Owing to advances in information technology and continued market deregulation and restructuring, exchanges abroad