2. Classification of Accounting Systems

This chapter presents the hypothetical classifications of international accounting system and shows the three main information systems in details: the European accounting system, the US GAAP, and international accounting standards. Here, “accounting system” will be used in terms of the financial reporting practices employed by a company for an annual report. The systems could be classified into groups by similarities and differences. If all or most of the enterprises in a country use very similar accounting practices, this might suggest that countries can be classified on the basis of accounting practices.

The classification of accounting systems will help to describe and compare international accounting systems in a way that will promote improved understanding of the complex realities of accounting practices. This classification should contribute to an improved understanding of:

- the extent to which national accounting systems are similar to or different from each other;
- the pattern of development of individual national systems with respect to each other and their potential for change;
- the reasons why some national systems have a dominant influence while others do not.
Classification will also help policymakers assess the prospects and problems of international harmonization. Developing countries seeking to choose an appropriate accounting system will also be better informed about the relevance for them of the systems used by other countries. The education of accountants and auditors who operate internationally would also be facilitated by an appropriate classification system.

Doupnik and Perera (2007) devised a hypothetical classification of accounting systems based on some explanatory variables to show the differences in measurement practices.

1. Classes
   - micro-fair-judgmental and commercially driven
   - macro-uniform government-driven and tax-dominated

2. Subclasses
   - business economics and extreme judgmental (The Netherlands),
   - business practice, professional rules, and British origin

3. Families
   - UK-influenced and professional-regulated (Australia, New Zealand, United Kingdom, Ireland)
   - US-influenced and enforcement by Securities and Exchange Commission (SEC; Canada, Israel, United States)
   - code-based and international-influenced (Italy)
   - plan-based (France, Belgium, Spain)
   - statue-based (Germany, Japan)
   - economic-controlled (Sweden)

All attempts were made to isolate those features of a country’s financial reporting practices that may constitute