

INTERNATIONAL ACCOUNTING

M.COM. SEMESTER – 4
(English Medium)

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Definition of International Accounting

International accounting which includes both financial and managerial accounting, is defined as accounting for international transactions, the operations of international firms, and comparison of accounting principles and practices found in foreign lands and the procedures by which they are established.

- T.Evans, M. O. Holzmann

Characteristics of International Accounting

1. Global Accounting issue
2. Govern by International Rules
3. Wide Scope
4. Many Users
5. Recognize by foreign Financial Market Regulator
6. Widely Accepted
7. Covers all fields of accounting
8. Unavoidable for Multinational Organisation

Importance of International Accounting

1. Reduction in Cost of Capital
2. Investor Benefits
3. Ethical Practice
4. Simplify Accounting
5. Simplify International Trade
6. Increase Comparability
7. Creditability
8. Discipline

Difference between Domestic and International Accounting

Point	Domestic Accounting	International Accounting
Applicability	The Principles of domestic accounting and applicable within the territory of country of region.	While the principle of international accounting is recognize by many countries and hence is adopted by many countries.
Scope	The Scope of domestic accounting is narrow.	While the scope of international accounting is wider compare to domestic accounting.
Govern	Domestic accounting is governed by the domestic accounting standard, local regulatory requirement and domestic legal provisions.	While international accounting is governed by international accounting standard and IFRS.
Users	Domestic accounting is generally used by domestic organization and local investor	While international accounting is used by multinational organization and foreign investors
Issues	Domestic accounting addresses issue likes preparation of financial statement, measurement, valuation, <u>recganization</u> of various accounting items.	While apart from issue addressed by domestic accounting it also deals with the issue like translation of various accounting items and its effects in consolidation of accounts.
Decision Making	Domestic accounting provides the information those are useful for taking decision for domestic market.	While international accounting provides information for taking decisions for global market like explanation of business in other countries, stating of business in new foreign territory etc.
Harmonization	Adoption of domestic accounting is not useful in harmonizing accounting treatment with accounting treatment adopted by foreign partner.	While the main objective of international accounting is to achieve harmonization in accounting policies.

THANK YOU

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