ACCT 6002
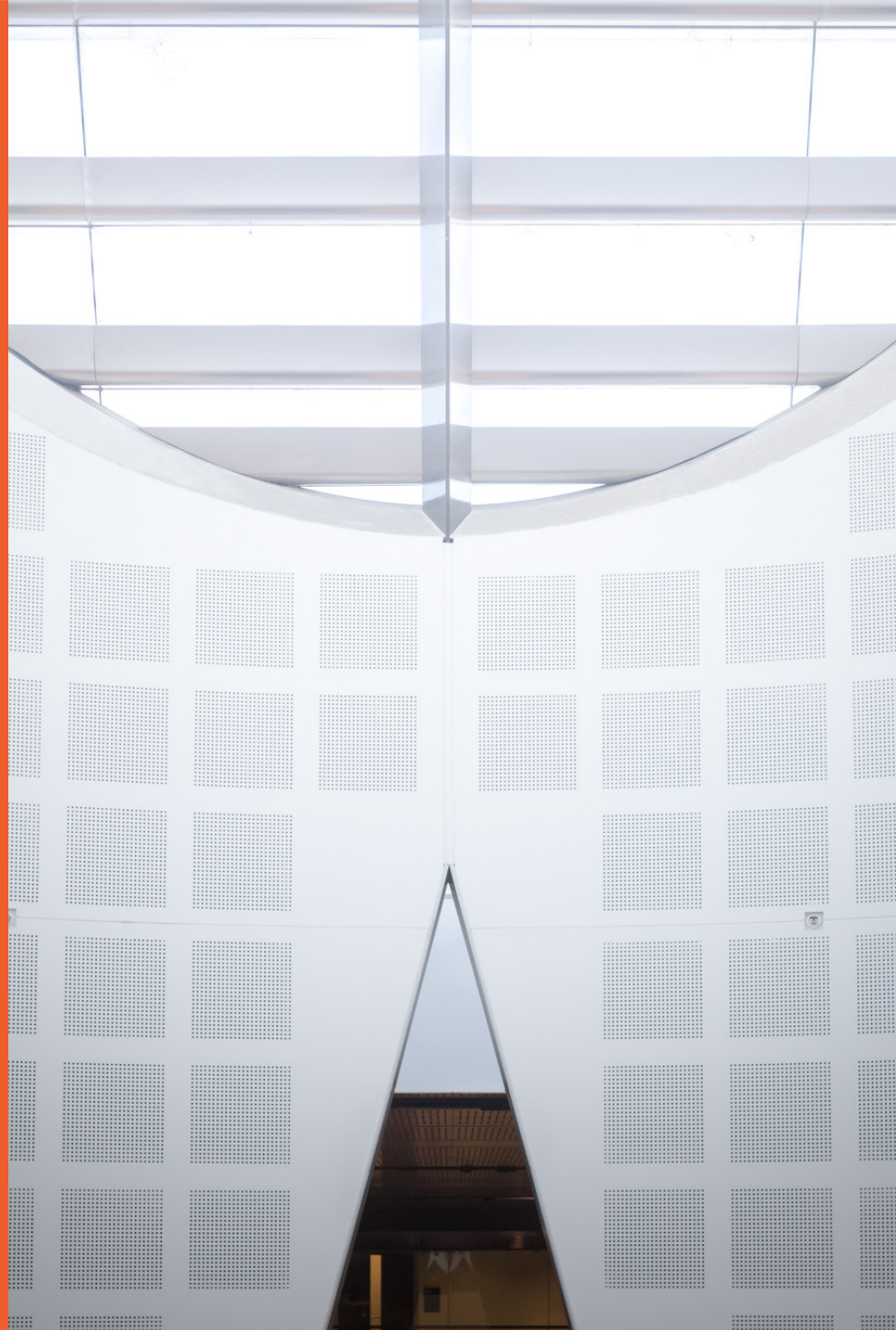## Classification and Harmonisation

THE UNIVERSITY OF
SYDNEY

Classification and Harmonisation

- **Text readings:**

   Comparative International Accounting: Chapters 3, 4 and 14

- **Academic paper, on Blackboard:** Nobes, C.W. and Stadler, C., 'How arbitrary are international accounting classifications?', *Accounting, Organizations and Society,* Vol. 38, 2013.

- **Self-Study Questions:** See Canvas for instructions

Learning objectives

After this week's studies, you should be able to:

- explain why classification can be useful in the study of accounting
- outline the classifications of national accounting systems that have been developed:
  - distinguishing between those based on influences on accounting, and
  - those based on accounting rules or practices
- outline which countries can be classified with which others, depending on what is being classified
- assess the arguments for and against international harmonisation or standardisation of financial reporting
- outline the content and effects of the EU's Directives
- contrast EU sand IASB harmonisation

Classification

– Involves putting things into groups

– Accounting is much concerned with putting things into groups:
  – E.g. On a balance sheet we put assets into groups:
    • Current; non-current assets
    • PPE; intangibles; investments

– We talk today about classification of accounting systems:
  – Can we put countries into groups based on different types of accounting?
  – What have researchers suggested?
  – What lessons can be learned from other disciplines?

Recap week 2: What might cause the international differences in accounting?

We suggested that culture is a cause of difference, but:

- the effect of culture is difficult to measure
- culture is complex and difficult to isolate

So we suggested that focusing on institutions that emerge from culture might be more helpful:

– Tax system: dominant or with disconnections from accounting

– Legal system: Roman or English

– Equity markets: weak or strong

Measures of Equity Markets: Example of Europe

Europe's 8 largest economies

	Equity Market Capitalisation/GDP	Domestic Listed Companies per Population (m)
UK	1.74	42.4
Netherlands	1.33	23.2
Sweden	1.13	28.2
Belgium	0.49	14.0
France	0.43	12.9
Spain	0.40	9.7
Germany	0.34	8.6
Italy	0.29	4.1

Two Classes of Accounting

English common law	Roman codified law
Tax separate from accounting	Tax dominates accounting
Large, old profession	Small, young profession
Large equity market	Small equity market
"Fair" accounting: decisions	Legal accounting: tax and distribution
Groups	Individual entities
UK, Australia	Germany
US	France
IFRS	Japan

So, why classify? Purposes of Classification

Classification can:

- Bring order to a mass of data
  - In chemistry – Mendeleev (Russian) produced the periodic table
  - In biology – Linnaeus (Swedish) divided plants and animals into families

- Sharpen description and analysis

- Predict behaviour and missing elements

Periodic Table of the Elements

	IA																	O
1	1 H	IIA											IIIA	IVA	VA	VIA	VIIA	2 He
2	3 Li	4 Be											5 B	6 C	7 N	8 O	9 F	10 Ne
3	11 Na	12 Mg	IIIB	IVB	VB	VIB	VIIB	———	VII	———	IB	IIB	13 Al	14 Si	15 P	16 S	17 Cl	18 Ar
4	19 K	20 Ca	21 Sc	22 Ti	23 V	24 Cr	25 Mn	26 Fe	27 Co	28 Ni	29 Cu	30 Zn	31 Ga	32 Ge	33 As	34 Se	35 Br	36 Kr
5	37 Rb	38 Sr	39 Y	40 Zr	41 Nb	42 Mo	43 Tc	44 Ru	45 Rh	46 Pd	47 Ag	48 Cd	49 In	50 Sn	51 Sb	52 Te	53 I	54 Xe
6	55 Cs	56 Ba	57 *La	72 Hf	73 Ta	74 W	75 Re	76 Os	77 Ir	78 Pt	79 Au	80 Hg	81 Tl	82 Pb	83 Bi	84 Po	85 At	86 Rn
7	87 Fr	88 Ra	89 +Ac	104 Rf	105 Ha	106 Sg	107 Ns	108 Hs	109 Mt	110 110	111 111	112 112	113 113					

* Lanthanide Series	58 Ce	59 Pr	60 Nd	61 Pm	62 Sm	63 Eu	64 Gd	65 Tb	66 Dy	67 Ho	68 Er	69 Tm	70 Yb	71 Lu
+ Actinide Series	90 Th	91 Pa	92 U	93 Np	94 Pu	95 Am	96 Cm	97 Bk	98 Cf	99 Es	100 Fm	101 Md	102 No	103 Lr

So, why classify in international accounting?

- Lots of companies operate in many countries, so it may be useful to know what "kind" of accounting is taking place where. For example, Apple operates in 120 countries, so it would be easier to do accounting if these could be divided into 5 "types of accounting" rather than 120 types.

- This is useful for management decisions, consolidation, auditing, investment analysis

What have accounting researchers done?

– Lots of research from the late 60s, but before IFRS
– Two approaches:
  – Extrinsic (based on things influencing accounting)
    - Mueller (1967 and 1968) related to development
    - Seidler (1967) spheres of influence
    - Gray (1988) culture

  – Intrinsic (based on rules or impressions of practices)
    - Frank (1979)
    - Nair and Frank (1980)
    - Nobes (1983)
    - Doupnik and Salter (1993)
    - Nobes (1998)
    - d'Arcy (2001)

You could divide the world into legal systems, and then predict what kind of accounting a country has. This would be **extrinisic: n**ot looking at the accounting itself, but looking at things which might be causing the accounting differences

Or, you could look at the actual accounting. You could look at the accounting rules, or the accounting practices. This would be **intrinsic.**

Extrinsic classifications

Extrinsic Classifications: Mueller (1967)

- First to try to classify accounting, based on business environments. He found four patterns of development:
  - Accounting emerging within a macroeconomic policy
  - Accounting aimed at supporting businesses
  - Accounting as an independent discipline
  - Uniform accounting
- He illustrates each group with one or two example countries
- He argued the type of accounting rules that exist in countries are a product of economic, political and other environmental factors
- He believed that rules should be chosen to fit a country's needs
- He did not classify accounting systems directly (on the basis of practices), but indirectly on the basis of institutions affecting accounting
- No hierarchy, so we don't know if any of the patterns are related; and some countries fit two patterns
- The classification is now out of date

Siedler (1967)

- Classification based on sphere of influence:
  - British, American and European
  - This may help us classify countries based on colonisation as the ideas, institutions and practices were imposed across the globe.

Gray (1988)

- Gray (1988) classified accounting based on culture, suggesting the ways in which culture produce preferences in accounting.
- We discussed this in week 2.

Intrinsic classifications

Data from Price Waterhouse (1973 and 1975)

– In 1973 PW surveyed 38 countries, scoring each country on 233 accounting topics

– The scores were based on whether the practices were required, allowed or banned

– For those allowed, an indication is given about how common they are

– It is based on rules and practices, but if we assume companies are applying the rules, then it is reasonable to think it is a study of actual accounting practice

– Researchers used this data to classify countries – mainly in terms of measurement practices

Specifically: is cost determined using FIFO?

Intrinsic classifications in a pre-IFRS era 55

Table 6.3 Practice 93 'inventories'

	6	5	4	3	2	1	0
Argentina				*			
Australia		*					
Bahamas		*					
Belgium		*					
Bermuda		*					
Bolivia				*			
Brazil				*			
Canada			*				
Chile						*	
Colombia			*				
Denmark		*					
Ethiopia		*					
Fiji		*					
France			*				
Germany				*			
Greece				*			
India				*			
Iran				*			
Iraq				*			
Jamaica		*					
Japan				*			
Kenya			*				
Malaysia		*					
Mexico		*					
Netherlands		*					
New Zealand		*					
Nigeria		*					
Norway		*					
Pakistan		*					
Panama		*					
Paraguay				*			
Peru			*				
Philippines			*				
Rep. of Ireland		*					
Rhodesia			*				
Singapore		*					
South Africa			*				
Spain		*					
Sweden		*					
Switzerland			*				
Trinidad		*					
United Kingdom	*						
United States		*					
Uruguay				*			
Venezuela			*				
Zaire				*			

Source: Price Waterhouse (1973, 1976, 1979).

Notes
Cost determined using FIFO.
0−no application; 1−not permitted; 2−not found in practice; 3=minority; 4=about half; 5=majority; 6=required.

0 = no application
1 = not permitted
2 = not found in practice
3 = minority
4 = about half
5 = majority
6 = required

Countries by similarities: using PW data

– da Costa (1978) shows that the accounting system *least* like the UK's is US GAAP, concluding that: France "follows the lead of the US in dissociating…from… the British model"

– Nair & Frank (1981) have four types of accounting, with no hierarchy. It is more sensible, but still UK is in different group from US.

Classification by Nair and Frank

British Commonwealth model	Latin American	Continental Europe model	United States model
Australia	Argentina	Belgium	Canada
Bahamas	Bolivia	France	Japan
Eire	Brazil	Germany	Mexico
Fiji	Chile	Italy	Panama
Jamaica	Colombia	Spain	Philippines
Kenya	Ethiopia	Sweden	United States
Netherlands	India	Switzerland	
New Zealand	Paraguay	Venezuela	
Pakistan	Peru		
Rhodesia	Uruguay		
Singapore			
South Africa			
Trinidad and Tobago			
United Kingdom			

What was wrong with the PW data?

- List of 233 attributes of accounting

- Some errors, but the main problems are:
  - created as a list of UK/US differences
  - detail swamps important points
  - PW in London and New York were initially only interested in the differences between their two biggest offices
  - other countries were later asked to fit themselves into that list
  - if something was not a difference between the US and the UK, there was no page for to it

Table 6.3 Practice 93 'inventories'

	6	5	4	3	2	1	0
Argentina				*			
Australia		*					
Bahamas		*					
Belgium		*					
Bermuda		*					
Bolivia					*		
Brazil					*		
Canada			*				
Chile				*			
Colombia			*				
Denmark		*					
Ethiopia		*					
Fiji		*					
France			*				
Germany				*			
Greece				*			
India				*			
Iran				*			
Iraq				*			
Jamaica		*					
Japan				*			
Kenya			*				
Malaysia			*				
Mexico				*			
Netherlands		*					
New Zealand		*					
Nigeria		*					
Norway		*					
Pakistan		*					
Panama				*			
Paraguay				*			
Peru				*			
Philippines				*			
Rep. of Ireland			*				
Rhodesia			*				
Singapore			*				
South Africa			*				
Spain			*				
Sweden			*				
Switzerland			*				
Trinidad			*				
United Kingdom	*						
United States			*				
Uruguay				*			
Venezuela			*				
Zaire					*		

Source: Price Waterhouse (1973, 1976, 1979).

Notes
Cost determined using FIFO.
0=no application; 1=not permitted; 2=not found in practice; 3=minority; 4=about half;
5=majority; 6=required.

But is FIFO required in the UK? No. It is allowed but is AVCO.

Also, Ireland, should be the same as the UK because they use the same set of standards.

0 = no application
1 = not permitted
2 = not found in practice
3 = minority
4 = about half
5 = majority
6 = required

Nobes (1983)

- This research tried to develop a better system of classifying accounting:
  - Clear definitions of what was being classified "classification of countries by the financial reporting practices of their public companies"

  - A hierarchy: To see the distance between groups of countries and the importance of particular influences on groups of countries.

  - Discriminating features: Isolating features of a country's financial reporting practices that may constitute important similarities

Suggested classification of accounting 'systems' in some western countries in 1980 (Nobes, 1983)

Accounting systems

Based on 9 **PRACTICES**

Commercially-driven

Government-driven
Tax dominated

Extreme judgemental

Professional rules
British origin

UK influence
Professional regulation

US influence
SEC enforcement

Code-based international influences

Plan-based

Statute-based

Economic control

Netherlands — Australia — NZ — UK — Ireland — Canada — USA — Italy — France — Belgium — Spain — Germany — Japan — Sweden

D'Arcy (2001)

- Data from Ordelheide and KPMG was used to produce a new classification
- The data covered fewer countries and was more recent
- Focused on rules alone
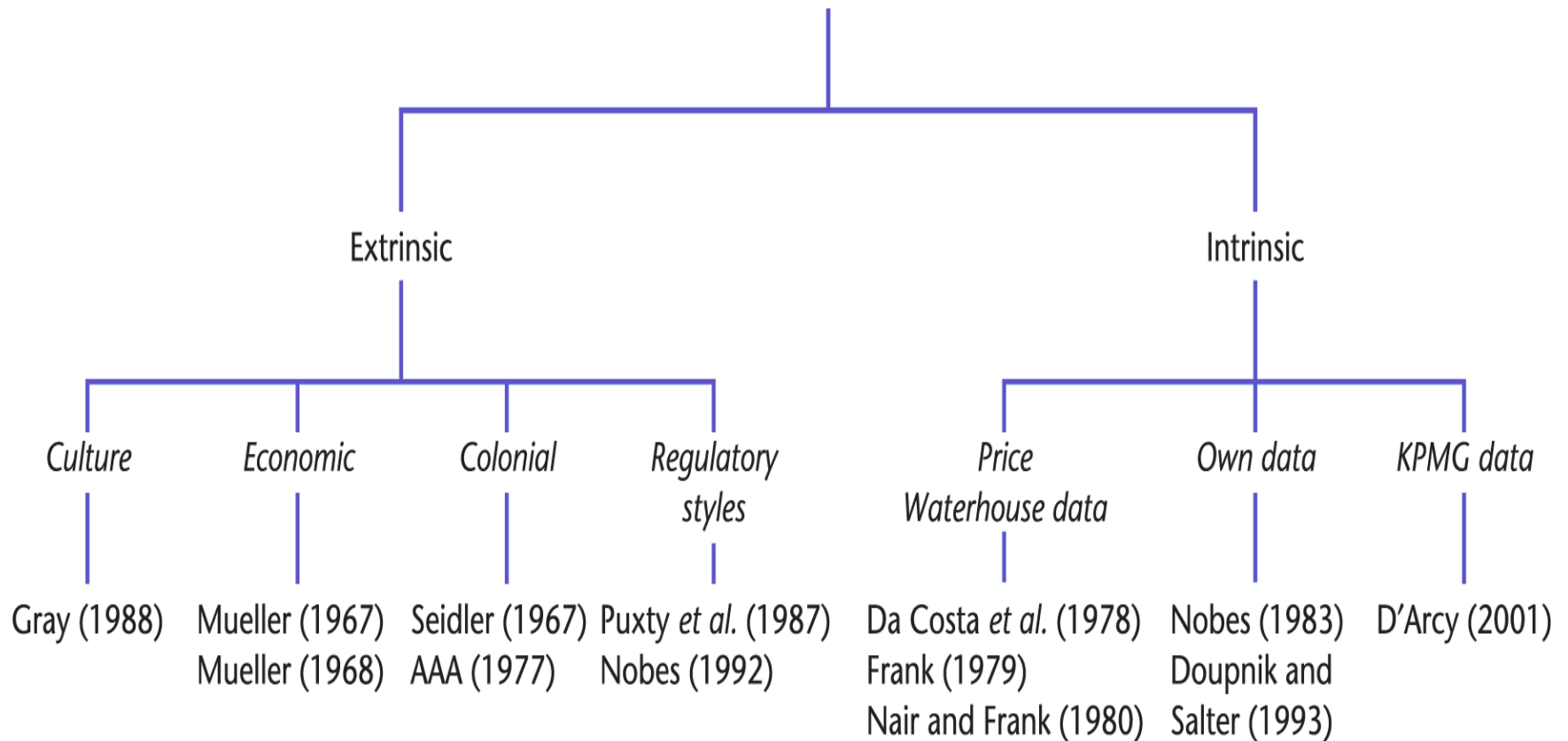- But the data was not collected for the purpose of classification, and contains errors

AOS (2001) classification
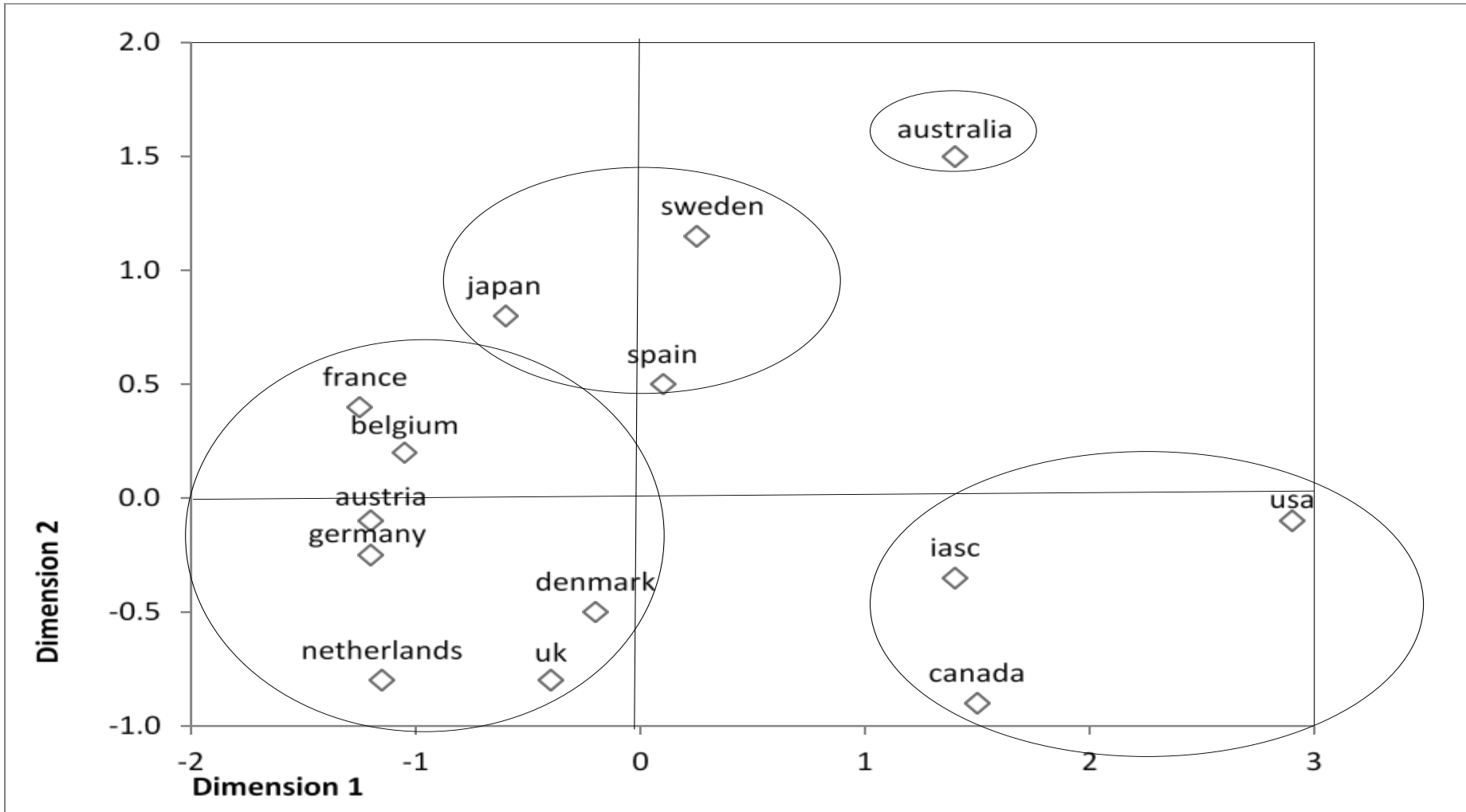
Summary on types of data used

- Extrinsic classifications do not use data

- PW data is impressions of practices

- KPMG data is about regulations

- None of the above researchers actually measures practices (see Nobes & Stadler, AOS, 2013)

A taxonomy of some accounting classifications

Summary on types of data used

- Extrinsic classifications do not use data

- PW data is impressions of practices

- KPMG data is about regulations

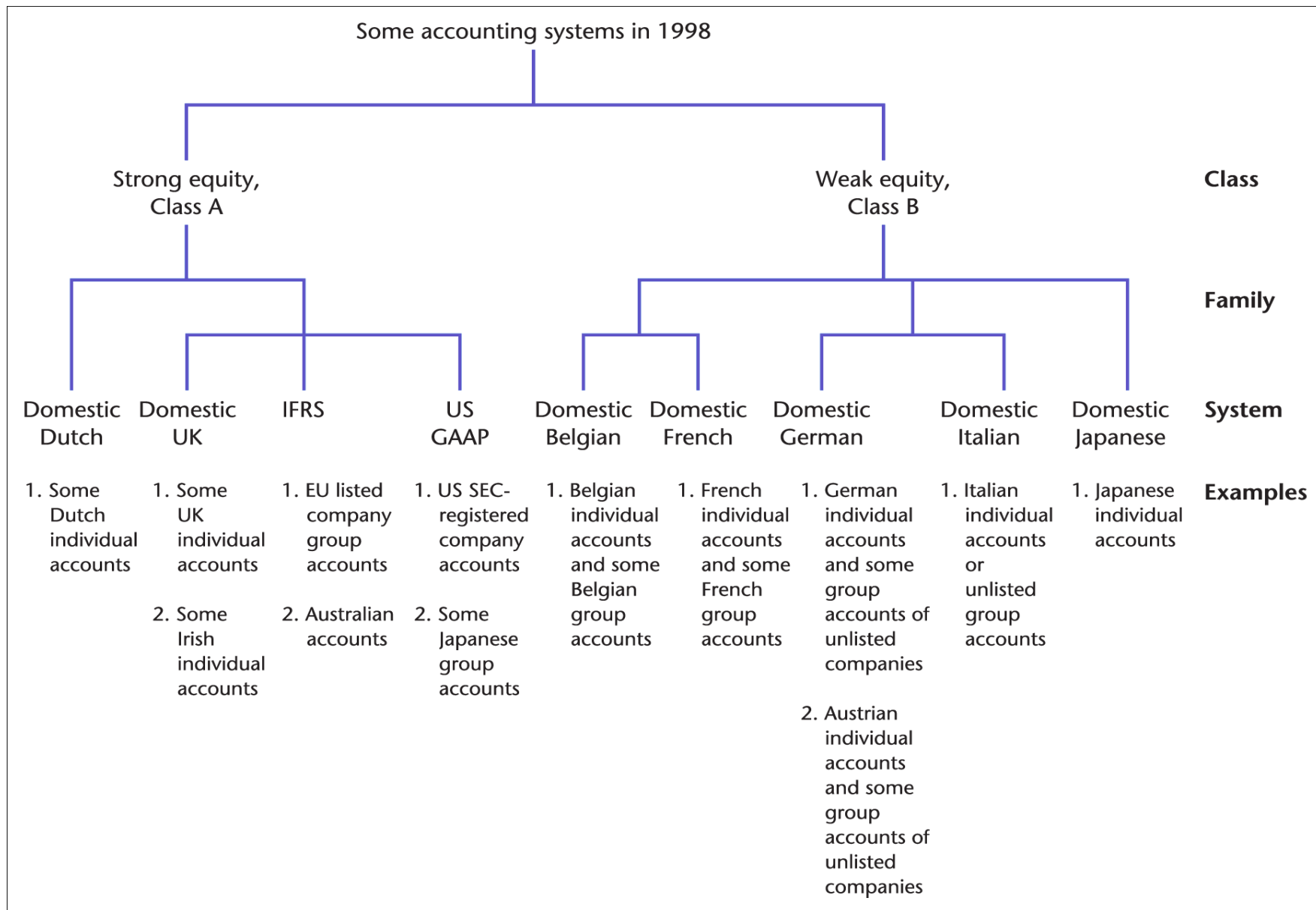- None of the above researchers actually measures practices (see Nobes & Stadler, AOS, 2013)

- From the late 1990s, classification of "countries" makes less sense because a country can use two systems

Some accounting systems in 1998

	Strong equity, Class A				Weak equity, Class B					**Class**

Family

Domestic Dutch	Domestic UK	IFRS	US GAAP	Domestic Belgian	Domestic French	Domestic German	Domestic Italian	Domestic Japanese	**System**

Examples

Domestic Dutch	Domestic UK	IFRS	US GAAP	Domestic Belgian	Domestic French	Domestic German	Domestic Italian	Domestic Japanese
1. Some Dutch individual accounts	1. Some UK individual accounts 2. Some Irish individual accounts	1. EU listed company group accounts 2. Australian accounts	1. US SEC-registered company accounts 2. Some Japanese group accounts	1. Belgian individual accounts and some Belgian group accounts	1. French individual accounts and some French group accounts	1. German individual accounts and some group accounts of unlisted companies 2. Austrian individual accounts and some group accounts of unlisted companies	1. Italian individual accounts or unlisted group accounts	1. Japanese individual accounts

Proposed scheme for classification in Nobes (1998)

Summary on types of data used

– Extrinsic classifications do not use data

– PW data is impressions of practices

– KPMG data is about regulations

– None of the above researchers actually measures practices (see Nobes & Stadler, AOS, 2013)

– From the late 1990s, classification of "countries" makes less sense because a country can use two systems

– Nobes (2011) classifies countries by their IFRS practices. At last, the data is measures of IFRS practices from annual reports

Why do differences matter?
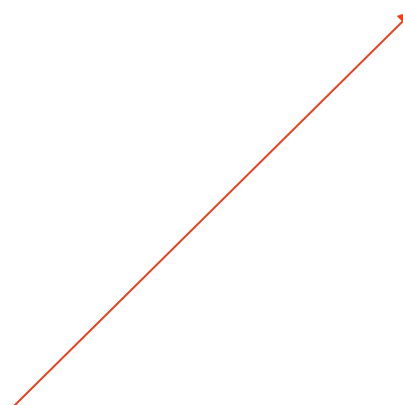
– To:

      1. Investors – differences can impede informed decisions, especially when building a diversified portfolio

      2. Companies – differences can increase costs

      3. Governments – differences reduce ability to collect tax revenues

      4. Workers – differences reduce bargaining power

      5. Societies – differences impede regulation of business practices to support broad social and environmental concerns

Harmonisation?

- Harmonisation or standardisation –
    - allowing some differences that fit together (EU harmonisation);
    - wanting everyone to do the same accounting (US standardisation)
    - "Both 'harmonization' and 'standardization' are used rather loosely in accounting practice and in the literature" Tay and Parker, 1990, p. 71
    - *de jure* or *de facto* – which matters more: harmonising law or practice?
- Convergence –
    - the 'politically correct' term, describes the narrowing gap between IFRS and national rules
- Adoption –
    - voluntary by companies; compulsory by countries

Ways of Harmonising by Type of Legal System

	English	**Roman**
In Charge	IASB	EU
Workers		
Output		
Location		
Language		

Contrasting the IASB with the EU is interesting because the EU (27 countries) is the most obvious governmentally driven version of international harmonisation.
We'll look at this over the next few slides
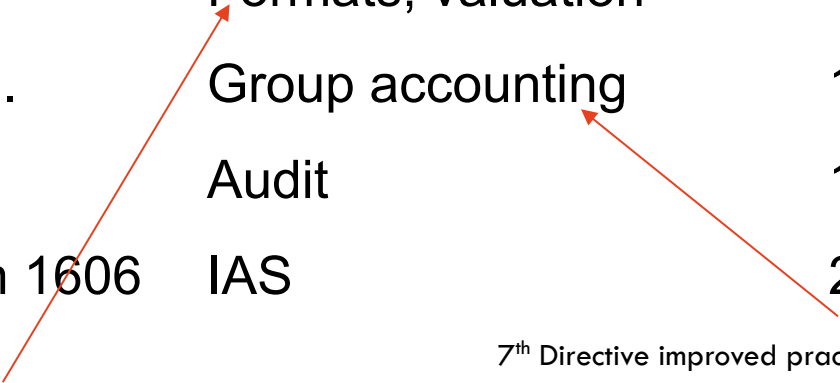
Ways of Harmonising by Type of Legal System

	English	**Roman**
In Charge	IASB	EU
Workers	Accountants	Lawyers
Output	Standards	Laws
Location	London	Brussels
Language	English	French

EU Harmonisation

–   The EU attempted to harmonise company law and financial services through two instruments:

   –   1. Directives - must be incorporated into laws of member states

   –   2. Regulations – become law throughout the EU without the need to pass through national legislators

–   As is to be expected, the EU took a Roman law route

EU Company Law Directives/Regulations

Number	Topic	Drafts	Adoption
Second D.	Names of companies, capital requirements	1970, 72	1976
Fourth D.	Formats, valuation	1971, 74	1978
Seventh D.	Group accounting	1976, 78	1983
Eighth D.	Audit	1978	1984
Regulation 1606	IAS	2001	2002

7th Directive improved practice by requiring consolidated accounts from groups above a certain size.

There were still lots of choices within 4th Directive: asset valuation, formats and disclosure were not standardised but "harmonisation" was noticeable.
The concept of "true and fair" was introduced.

Implementation of Accounting Directives as Laws

	Fourth	Seventh
Denmark	1981	1990
United Kingdom	1981	1989
France	1983	1985
Netherlands	1983	1988
Luxembourg	1984	1988
Belgium	1985	1990
Germany	1985	1985
Ireland	1986	1992
Greece	1986	1987
Spain	1989	1989
Portugal	1989	1991
Austria	1990	1990
Italy	1991	1991
Finland	1992	1992
Sweden	1995	1995
Norway	1998	1998

Results of Fourth Directive

- Formats harmonised
- Measurement rules largely carried on as before
- Disclosures increased
- Audit and publication increased

- So, on 'recognition' and 'measurement', the 4th Directive did little
- There were still many options and gaps

Results of the Seventh Directive

- Great extension of consolidation (not previously done in Belgium, Portugal, etc)
- Some harmonisation (on UK lines) of consolidation techniques
- Treatment of goodwill not harmonised
- Choice of proportional consolidation or equity accounting for joint ventures

Problems with "Roman" route

(a) Compromises:

- options

- omissions

- vagueness

(b) Slow

(c) Stuck in the past

There were options on:

LIFO; cost or revaluation for PPE; formats; R and D; recognition of liabilities before obligations

There was no coverage of:
foreign currency translation, leases, long-term contracts, pensions, impairment, cash flow statements, deferred tax

The alternative approach: IASC and then IASB

- Most influential bodies in terms of harmonisation

- IASC founded in 1973 by accountancy bodies from nine countries

- For a discussion of the history, please refer to:

https://www.iasplus.com/en/resources/ifrsf/history/resource25

Was the IASC successful?

- In terms of issuing standards, they were:
    - 41 standards
    - A conceptual framework was developed (published in 1989)
- A criticism was that there were too many options, but:
    - This was probably inevitable to start the process
    - Many options were removed in the early 1990s and later
- But the IASC had no authority of its own to impose its standards on companies. So, limited effects:
    - Some developing countries (Nigeria, Malaysia, Singapore) adopted IAS with few changes
    - Emerging countries after 1990 (China and Eastern Europe): IAS were a quick fix as they moved from no profit, no shareholders, no stock market, no auditors to a more modern market economy
    - Continental Europe and Japan were ambivalent/suspicious as the IASC was thought to be Anglo-American, undermining national traditions with its focus on capital markets and "fair" accounting

Has the IASB been successful?

- 2001: Reformed Board starts

- 2002: EU requires IAS for listed companies by 2005; convergence with FASB announced; Australia adopts for 2005

- 2007: SEC accepts IFRS for foreign registrants

- 2009: IFRS for SMEs issued (now widely adopted)

- 2010: Japan *allows* IFRS

- 2011: Brazil and Canada adopt; Russia 2013

- 2015: Major survey by EU gives strong support (see the academic paper for this Week)

- 2015: Major review of academic literature gives strong support (see "ICAEW, 2015" in references to Chapter 5 of textbook)

EU: towards IFRS

- 2000: proposal by Commission that all EU listed companies should use IFRS for consolidated statements
- 2001: Fourth Directive amended to allow fair value (further amendments towards IFRS in 2003, 2013)
- 2002: Regulation require IFRS for consolidated statements of listed companies from 2005, but:
  - Individual standards must be 'endorsed' by the Commission before they become part of the Regulation
  - In 2005, part of IAS 39 was not endorsed.
  - Endorsement takes more than one year (e.g. IFRSs 10 to 12 were not endorsed in time)
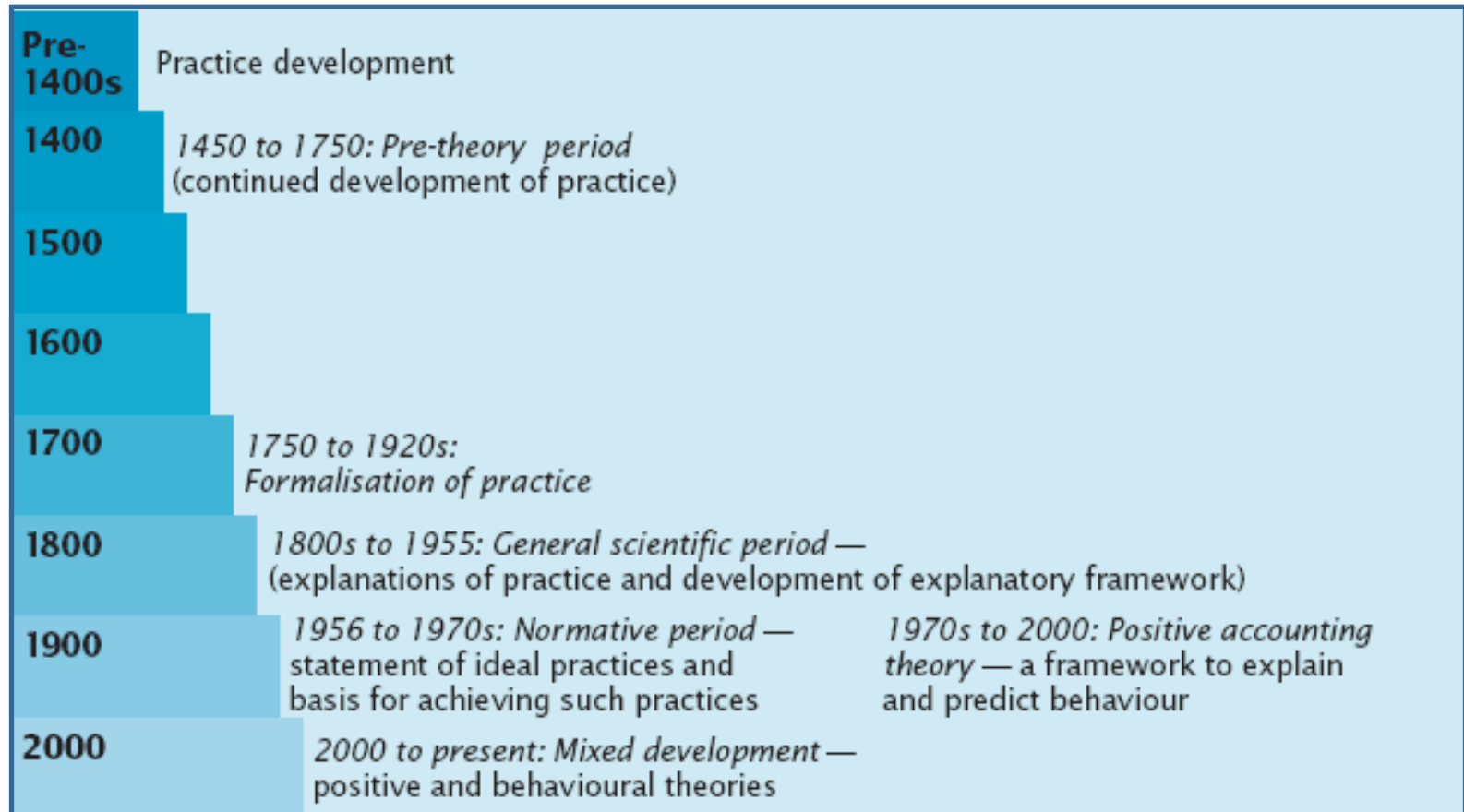
Definition of a Theory

Kerlinger (1964):

"A set of interrelated constructs (concepts), definitions   and propositions that present a systematic view of phenomena by specifying relations among variables with the purpose of explaining and predicting the phenomena."

- **Concepts, definitions and propositions**
  - Systematic view
  - Variables
  - Explain & predict

  (Chand 2022)

Accounting Theory Development

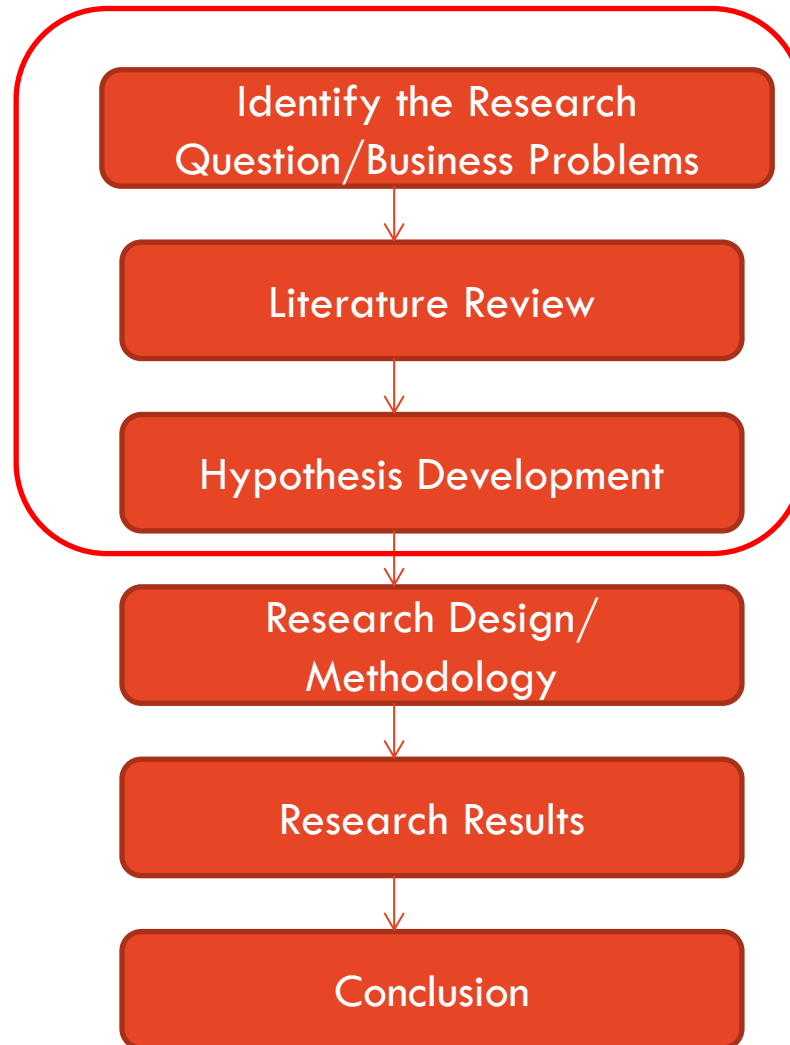|	
Pre-1400s	Practice development
1400	*1450 to 1750: Pre-theory period* (continued development of practice)
1500	
1600	
1700	*1750 to 1920s: Formalisation of practice*
1800	*1800s to 1955: General scientific period —* (explanations of practice and development of explanatory framework)
1900	*1956 to 1970s: Normative period —* statement of ideal practices and basis for achieving such practices *1970s to 2000: Positive accounting theory —* a framework to explain and predict behaviour
2000	*2000 to present: Mixed development —* positive and behavioural theories

(Chand 2022)

ACCOUNTING THEORY CLASSIFICATION

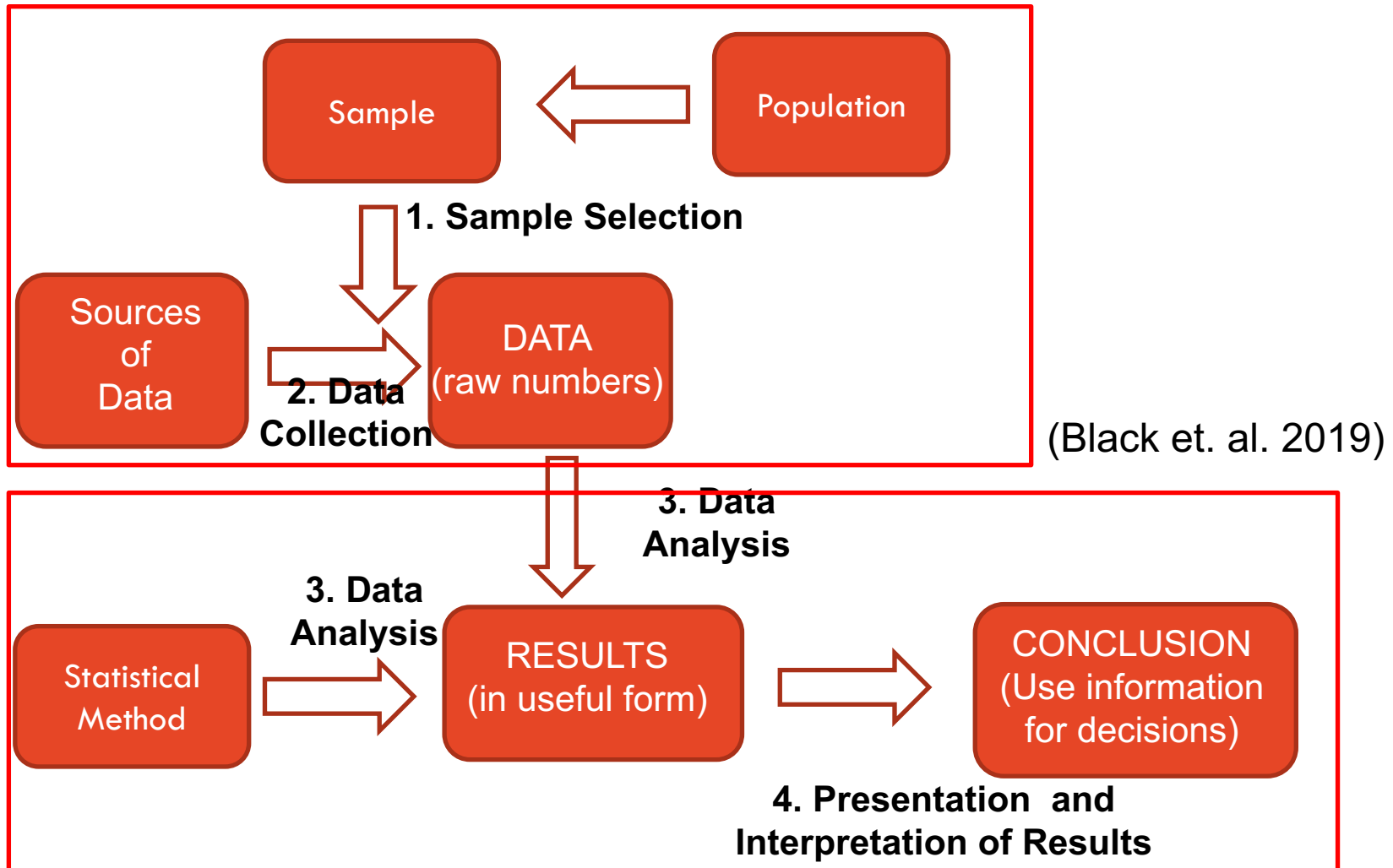|	Normative (Prescriptive) Theory	Positive (Descriptive) Theory	Political Economy (Critical) Theory	Behavioral Theory (BAR)
Methodology	Philosophical	Empirical	Philosophical/ Empirical	Philosophical/ Empirical
Discipline	Traditionally from Capitalist Economics, although not specifically associated with a particular discipline	Capitalist Economics	Marxist Economics	Psychology, Sociology, Organisational Theory
Explanation for Accounting	Accounting information must be relevant for decision making. Each measurement method claims to provide greater relevance.	Accounting is a science, a mathematical process that can be studied independently from human activity.	Accounting is essentially a human activity and its development is shaped by various social and political factors.	Accounting is a human activity and requires an understanding of how individuals process and use accounting information.
Objective of Accounting Research	To identify the most relevant method for financial statement valuation.	To identify the information content of accounting information and the economic consequences of accounting standards.	To identify structural inequities in accounting and how accounting benefits certain groups at the expense of others.	To identify how users, preparers and auditors interpret financial information and make decisions.
Role of Accounting Information	Examines whether there better ways of measuring, categorising and disclosing accounting information.	Examines to what extent accounting information create efficiencies within the market.	Examines to what extent accounting information is used as a means of control by managers.	Accounting information can be interpreted many ways by preparers, users and auditors.

(Chand 2022)

Define a problem

(Black et. al. 2019)

Develop research approach

Sample ← Population

1. Sample Selection

Sources of Data

2. Data Collection

DATA (raw numbers)

(Black et. al. 2019)

3. Data Analysis

3. Data Analysis

Statistical Method → RESULTS (in useful form) → CONCLUSION (Use information for decisions)

4. Presentation and Interpretation of Results

Nobes, C.W. and Stadler, C., 'How arbitrary are international accounting classifications?', *Accounting, Organizations and Society,* **Vol. 38, 2013.**

How arbitrary are international accounting classifications? Lessons from centuries of classifying in many disciplines, and experiments with IFRS data

CrossMark

Christopher Nobes [a,b,*], Christian Stadler [c,1]

[a] School of Management, Royal Holloway, University of London, Egham, Surrey TW20 0EX, UK
[b] Discipline of Accounting, University of Sydney, Australia
[c] Department of Accounting and Finance, Lancaster University Management School, Lancaster, Lancashire LA1 4YX, UK

ABSTRACT

The process of classification is central to the daily task of doctors and librarians; and it is the foundation of study and research in chemistry and biology. Double-entry bookkeeping and the preparation of financial statements are classification activities of accounting *practice*. Classifying national accounting systems has long been an aspect of accounting *research*. This paper seeks to extract lessons for accounting researchers from anthropology, biology, chemistry, cosmology and medicine. In particular, we examine how the classifiers themselves and the characteristics that they choose can affect classification. We observe that objectivity is neither possible nor desirable in classification. Despite the arbitrariness, some classifications can be more reasonable or more useful than others. For previous accounting classifications, we analyze the classifiers, the scope, the characteristics used, the data and the classification techniques. We report various problems. We then empirically investigate the sensitivity of classifications to such issues as the characteristics chosen, and the countries and sectors included. For this, we hand pick data on the practices of large listed companies from 12 jurisdictions relating to 14 accounting topics under International Financial Reporting Standards. We show how different researchers could produce different classifications, particularly depending on which accounting topics are used to represent the countries.

Introduction

Classification is a fundamental part of many disciplines. The classifications of diseases and books are vital in the daily tasks of medical practitioners and librarians, respectively. The Linnaean and Mendeleev classifications are central to learning and research in biology and chemistry. Classifications have also been made in many other fields; for example, languages (Ruhlen, 1991), economies (Neuberger & Duffy, 1976), political systems (Shils, 1966), and legal systems (David & Brierley, 1985). Members of society are also put into classes, e.g. recently in the UK (Savage et al., 2013). In all cases, the fundamental purpose of the classification is to simplify (Rudner, 1966).

The everyday work of accountants involves recording transactions in the classification system that is double-entry bookkeeping. The financial statements which result are also classifications: for example, assets are classed as non-current or current; the former are then sub-classed as tangible, intangible or financial (Gröjer, 2001). The classifications are debatable: in the income statement, should expenses be classified by nature or by function?

* Corresponding author at: School of Management, Royal Holloway, University of London, Egham, Surrey TW20 0EX, UK. Tel.: +44 1784 414120.
E-mail addresses: chris.nobes@rhul.ac.uk (C. Nobes), c.stadler@lancaster.ac.uk (C. Stadler).
[1] Tel.: +44 1524 592221.

- When was it published?

- Who are the authors? What do you know about them?

- What can you find out about the journal? Google it, what are its aims?

- What does the title tell you? Based on this, what do you think the paper is about?

- Read the abstract, what do the authors say their paper is about?

- Read the introduction, the conclusion, the sub-headings, the tables and figures. What else have you learned?

- Try to summarise the paper in 250 words.

Nobes and Stadler: summary

- Draws lessons on classification from other disciplines to find an appropriate approach to classification in accounting
- They study previous accounting classifications in terms of:
  - The classifiers
  - The scope
  - The characteristics used
  - The data
  - The classification techniques
- They then consider how the characteristics chosen, the countries and the sectors classified affect classification. These choices make it impossible to be completely objective
- The hand-pick data from listed companies in 12 jurisdictions relating to 14 accounting topics in IFRS