

Title: The Challenge of Culture to International Financial Reporting Standards (IFRS) Convergence

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Abstract: In accounting, the importance of culture and its historical roots is now increasingly being recognized. With increased globalization of world economy, harmonization of international standards has become the focus of increasing attention among accounting academics, researchers and practitioners. There is the internationalization of accounting and auditing standards by IASB and IFAC which are both involved in harmonization consistent, even if the same standards are followed across nations. Differences in application of standards will reduce comparability and transparency. This paper identifies the cultural factor as a possible reason for reporting entities applying IFRS in different ways. It establishes the accounting values. It expounds on how cultural values and accounting values relate to each other in the development of accounting standards world-wide. It adopts the secondary data methodology which is hinged on the institutional theory literature. This information sharpens the ability to describe, analyze and predict the development of accounting standards. It finds that national cultures, traditions and practices will be increasingly challenged in the years ahead as the pressures for global convergence increasingly impact accountants and accounting practices. The paper concludes that since accounting is culturally determined as such peculiarities of culture should be adequately provided for convergence. It recommends the understanding of cultural diversities before converging with international financial reporting standards.