Replacing IFRS instead of Iranian Accounting Standard

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ABSTRACT

Accounting standards, are rules governing how to do accounting work, and specify what information must be provided in financial reporting. The main objective of this study was to compare the stronger accounting standards against weaker accounting standards which in this study, we compare accounting standards of Iran and international standard in terms of Rents. The population of the research is institutions member of accounting community; that to collect theoretical principles of the study, library methods and to collect statistical information, questionnaires were used. Cronbach's alpha coefficient was used for validity and reliability of questionnaire, and to analyse the data, Student's t-test, Kolmogorov - Smirnov test and Friedman test was used. SPSS21software was used to analysis. Time limit of this research involves the second half of 2016. The population of the investigation includes audit firms of Certified Public Accountants community. Findings from analysis of statistical data are at 95% reliability level, which reject us hypothesizes based on non-reliability, unsuitability and lack of understanding. We conclude that Iran's accounting standards relative to international standards from the perspective of professional judgment of auditors to determine the rent type, in terms of degree of reliability, intelligibility, functionality is more appropriate.

1 Introduction

In this study, we work on shared precision impact of accounting standard and the professional judgment of the auditors in the auditor's ability to avoid exaggerated reporting. Due to the increasing judgment and complexity in financial reporting, it is necessary to apply professional judgment of the auditor's decision, regardless of the accuracy of the standard [1, 8]. Standards based on the principles, if applied correctly, by focusing on the economic content preferences of transactions on their form and applying the same accounting methods for similar transactions, improve the quality of accounting information [9-12]. However, the Financial Accounting Standards Board is concerned that auditors rely heavily on rules and in the face of instructions less carefully tend not to use professional judgment [17]. In addition, FASB concerns that auditors do not seek for fraud and follow the rules too carefully to avoid exaggerated reporting under precise standards effectively. Other accounting literature confirms these concerns. For example, Haken Brock and Nelson [15] found that auditors prefer

ambiguity in accounting to justify the use of exaggerated reports by client [15]. So, identification of effective ways to improve the quality of auditors' professional judgment in both accounting standards with less accuracy and accounting standards with greater accuracy is very important.

Existing different accounting methods for one type of transactions and events, has made many problems to analyze and compare financial statements. This explains why a growing support for the development of international standards exist. A set of international standards allows a higher level field, because facial ratio of profit and loss and balance sheet between competing countries, will be more uniform [1, 3, 5].

2   Literature Review

The development of standards institution must impose standards that establish a balance between the demands of different interest groups. For a standard, from the perspective of decision be useful, information should be presented in the financial statements, measure, and empirical research on capital market [3]. Accounting standards in addition to determination of accounting transactions and events, has economic consequences too. Accounting standards should determine the purpose of financial reporting including the provision of appropriate information for economic decision making, forecasting, comparison and measurement of cash flow and profitability and the ability to provide efficient use of resources [5]. Backof et al. [2] in their study compared the stronger accounting standards against weaker accounting standards (professional judgment of the auditors in preventing exaggerated reporting) which they investigated auditors' professional judgment based on accounting standards in which precision degree is different and conclude that when accounting standards are less accurate, auditors let exaggerated reporting happen. Sonola and Dina [16] reviewed accounting and financial reporting, they stated in their study that the global financial crisis, severe superiority and influence of Europe Union in the International Accounting Standards Committee and the need for discussion and decision regarding the differences between international and American standards, including financial instruments, methods for disclosure in the balance sheet using the present value, the liabilities of retirement, how to disclose, lease accounting and revenue recognition are of the most important obstacles to the adoption of the international standards in the United States.

Xiaohui and Guohua [17] in their study compared the Chinese accounting standards and international accounting standards. It is noted in this article that the aim of developing an integrated accounting standards, is to achieve global convergence and given the importance of this issue, the researchers tried to measure and evaluate integration method. The other goal of the researchers was finding a way for further integration of China's accounting standards and international financial reporting standards.

Chen et al [6], in their study compared the accounting quality of listed companies in the 15-nation member of Europe Union before and after the adoption of international standards in 2005. Their results showed that after the adoption of international standards, most indicators of audit quality are improved.

Barth et al. [4], in their research studied this issue that whether reported accounting amounts based on international standards of financial reporting has higher quality relative to amounts reported based on national standards?, the researchers investigated the effects of the financial reporting system characteristics, including standards, interpretations, enforcement and judgment in the 21 countries, and came to the conclusion that on the whole saw lower earnings management, timely diagnosis of profit and loss and collaboration of accounting values and typical companies that make use of international

standards. Overall, they concluded that international standards of financial reporting increase the quality of financial reporting.

Kohlbek and Warfield [12], studied the effects of developing accounting standards on the quality of accounting, which coincided with harsh criticism on the American standard committee because of the harmonization of international standards. Their statements show that there is no difference in earnings forecast for the period before and after the implementation of International Accounting Standards.

Herman et al. [11], studied the impact of convergence of procedures for incorporation in Japan with international standards on analysts forecast error. The results show that after the change in incorporation procedures in Japan in terms of convergence with international standards, the usefulness of the consolidated information through improved ability of financial analysts in prediction of the company's performance is enhanced. Leuz and Verrecchia [13] tested the quality of financial reporting for German companies who made use of International Accounting Standards or national standards in Germany. They concluded that companies that use the international standards as compared with companies that use national standards of the Germany, results of their operations is better reflected. As a result, the volume of stock trading of these companies increased that it reduces the cost of capital.

3   Proposed Methodology

In this research there are three main hypotheses that are stated as follows:

1. In classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater reliability relative to the international standard.

2. In Classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater intelligibility relative to the international standard.

3. Classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater suitability relative to the international standard.

Based on the hypotheses, the methodology of our research can be stated as follows:

The research method in terms of aim is applied and in terms of data collection is descriptive - survey. Library resources using books, articles, theses and internet websites will be used, and the questionnaire was used to collect theoretical resources, literature and theoretical research topics. And questionnaire was used to collect statistical data. In order to test the hypotheses and analysis of data SPSS 21 statistical software was used.

In this study, first Cronbach's alpha coefficient will be used for the analysis of data to determine the reliability of questionnaire and validity of the opinions of consultants and supervisors. If the alpha coefficient is more than 70% the validity of information is confirmed and to analyse the data on the descriptive statistics section the mean, median, skewness and kurtosis and in deduction dimension, Student's t test, Kolmogorov - Smirnov, Friedman test were used. As well, to analyse the information we also used SPSS21 software.

The population of this research is firms, CPAs member of the second half of 2016, according to CPAs community site (the number of member institutions of society is 267, the individual staff member employed 74 people and 225 Corporate Audit and employed in the member institutions 250and non-employees is 646 people). Cochran formula used to determine the sample size. The formula helps to determine the adequacy of the sample. Based on Cochran formula, the sample contains 290 people.

4   Research Variables

Accounting information is reliable When it is accurate and biased attitudes is important and honestly be representative of what is claimed or reasonably express what is expected.
Honest expression, preferred content over form, neutrality, prudence and completeness are feature necessary for the reliability of the criteria

The information contained in the financial statements must be prepared in a way that is easily understandable for consumers. Appropriate information that is relevant and reliable.
An agreement whereby the lessor in exchange for a certain amount or amounts agreed to lease the right to use the asset for the assignment.

5   Main Results

5.1 The Results of the First Hypothesis Test

The first hypothesis: In classification of leases, in terms of professional judgment of the auditors, Iran accounting standard has greater reliability relative to the international standard.
As shown in Table 1 coefficient of Cronbach's alpha test questionnaire reliability is 0/79, which showed that the questionnaire had good reliability, also according to the Table 1 Because of the significant level of reliability of the questionnaire is higher than 0/05 (0/055), so that H0 based on abnormalities of questionnaire data reliability is rejected and H1 containing the data normality of Kolmogorov - Smirnov test was confirmed. According to the Table 1, since the probability of reliability is (0.000) and is smaller than (05/0) us hypothesize for lack of reliability in Iran's accounting standards relative to international accounting standards is reject and conclude that Iran's accounting standard in view of the auditors' judgment, the degree of reliability is more than international standards. The results of the first hypothesis, has conflict with the results of Barth et al. [4] in terms of significant relationship and is consistent with the results of Maham et al. [14].

Table 1: T-test test for first hypothesis of the study

reliability	T	Freedom degree	Significance level	Deviation from mean	95% error level	
					Lower limit	Upper limit
	13,678	289	0.000	0.69740	0.5970	0.7978

5.2 The Results of the Second Hypothesis Test

The second hypothesis: In classification of lease in terms of professional judgment of the auditors, Iran accounting standard has greater intelligibility relative to the international standard.
As shown in Table 2 coefficient of Cronbach's alpha test questionnaire intelligibility is 0/85, which showed that the questionnaire had good intelligibility, also according to the Table 2 Because of the significant level of intelligibility of the questionnaire is higher than 0/05 (0/075), so that H0 based on abnormalities of questionnaire data intelligibility is rejected and H1 containing the data normality of Kolmogorov - Smirnov test was confirmed. According to the Table 2, since the probability of intelligibility is (0.000) and is smaller than (0/05), us hypothesize for lack of intelligibility in Iran's accounting standards relative to international accounting standards is reject and conclude that Iran's accounting standard in view of the auditors' judgment, the degree of intelligibility is more than inter-

national standards. Also, because the lower limit and upper limit are both positive, it can be concluded that the average is greater than the test. The results of the second hypothesis, has conflict with the results of Barth et al. [4] in terms of significant relationship and is consistent with the results of Maham et al [14].

Table 2: T-test test for second hypothesis of the study

intelligibility	T	Freedom degree	Significance level	Deviation from mean	95% error level	
					Lower limit	Upper limit
	4.304	289	0.000	0.20485	0.1112	0.2985

5.3 The Third Hypothesis Test Results

The third hypothesis: In classification of leases, in terms of professional judgment of the auditors, Iran accounting standard has greater suitability relative to the international standard.

As shown in Table 3 coefficient of Cronbach's alpha test questionnaire intelligibility is 0/72, which showed that the questionnaire had good suitability, also according to the Table 3 Because of the significant level of suitability of the questionnaire is higher than 0/05 (0/77), so that H0 based on abnormalities of questionnaire data suitability is rejected and H1 containing the data normality of Kolmogorov - Smirnov test was confirmed. According to the Table 3, since the probability of intelligibility is (0.000) and is smaller than (0/05), us hypothesize for lack of suitability in Iran's accounting standards relative to international accounting standards is reject and conclude that Iran's accounting standard in view of the auditors' judgment, the degree of suitability is more than international standards. The results of the third hypothesis, has conflict with the results of Barth et al. [4] in terms of significant relationship and is consistent with the results of Maham et al. [14].

Table 3: T-test test for the third hypothesis of the study

intelligibility	T	Freedom degree	Significance level	Deviation from mean	95% error level	
					Lower limit	Upper limit
	17.704	289	0.000	0.58582	0.4950	0.6766

6   Discussion and Conclusions

In the past two decades' movement towards integration in the world's accounting standards has been started and this has led professional societies of American accounting and auditing; advisory committee of financial reporting improvement and public accounting companies oversight board, to evaluate the strengths and weaknesses of international standards so as to warn about formulation of any improper international standard.
Iran's auditing organization moves toward this global integration and due to the fact that Iran's accounting standards are based on financial accounting standards board, thus it is possible to examine such improper and weak international standards and avoid codification and issuance of them so prevent financial statements with major errors.

In the accounting rents there are many similarities between Iran and the international standard, but

the slight differences will result in entirely different prepared financial statements.

The main objective of this study is to investigate accounting standards more precise against less-accurate accounting standards, the auditor's judgment framework is to limit exaggerated financial reporting, that in this study, we compared Iran's accounting standards and international accounting standards on the rent.

Therefore, the main objective of this study was to compare the stronger accounting standards against weaker accounting standards (professional judgment of the auditors' in preventing exaggerated reporting). The hypothesis of the study was developed as follows:

1. In classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater reliability relative to the international standard.

2. In Classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater intelligibility relative to the international standard.

3. Classification of rents, in terms of professional judgment of the auditors, Iran accounting standard has greater suitability relative to the international standard.

The research work was started with three hypotheses. After the formulation of hypotheses, to operate and set the parameters for the test, by means of the theoretical bases of accounting and previous studies, the variables were determined to test the hypothesis. The variables in the form of a questionnaire which its validity and reliability have been proven, tested, and T and Friedman test was used to analyses. Library methods were used for collecting theoretical principle of the study and to collect statistical information, questionnaires were used. SPSS21software was used to analysis. Findings from analysis of statistical data are at 95% reliability level, which reject us hypothesizes based on non-reliability, unsuitability and lack of intelligibility and we conclude that the degree of Iran's accounting standard in view of the auditors' judgment, suitability, reliability and intelligibility is more than international standards.

According to the results of the first, second and third hypothesis that the degree of Iran's accounting standard in view of the auditors' judgment, reliability, suitability and intelligibility is more than international standards, therefore, suggested that the Iran's organization of auditing can rely on Iran's accounting standards and audit firms could also be more reliable on Iran's accounting standards.

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