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The Influence of Culture on Accounting Systems

1.0. Introduction.

Culture over the years has been acknowledge as a social phenomenon that has shaped human existence as well as the various aspects of life that has to do with man. This concept has been defined varyingly by numerous scholars and prominent among such definitions include; Rohner (1984) defines culture as "the totality of equivalent and complimentary learned meanings maintained by a human population or by identifiable segments of a population and transmitted from generation to the next"; Hofstede (1980) also defines culture as „the collective programming of the mind which distinguishes the members of one human group from another". Another popular definition of culture is that proposed by Edward Burnett Tylor. Culture, he wrote, is „that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society".

The above definitions of culture are all correct but for the purpose of this article, the definition of Hofstede (1980) is most applicable. This is because further in his work, he identifies certain structural elements of culture which most strongly affect known behavior in the work situations of organizations and institutions. This phase of Hofstede's study is important to this paper since these elements of culture will be adopted to see to what extent they influences the various accounting systems that would be considered under this study. This study will equally be looking at the various factors that influence the classification of accounting systems and the relevance of culture in this case.

An accounting system is defined as an organized set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions. These systems are often based on the business transactions that are recorded in the course of an enterprise's business operations.

There is however a problem as to the classification of accounting systems since different authors adopt different methods and approaches to this process. Among some of the classifications of accounting systems include the following; management and financial accounting systems; internal, external and tax accounting systems; financial and cost accounting systems; classifies government accounting systems into cash, modified cash, modified accrual and full accrual; other types of accounting systems are determined based on the work of Hofstede (1980, 1983) and the work of S.J Gray (1988). For the purpose of this paper, the accounting systems that will be considered in the discussions of this paper will include the Internal Accounting system, the External accounting system and the Tax accounting system.

2.0. The Types of Accounting Systems.

In reference to the definition of an accounting system as „an organized set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret, and present accurate and timely financial data for management decisions", and importing from work off the European commission, the following accountings will be discussed; Internal (management) Accounting System, External (financial) Accounting System and the Tax Accounting System.

2.1. Management Accounting System (MAS).

Management accounting is concerned with providing information for the managers of an organization that is, to those who are inside an organization and who direct and control its operations (Garrison and Noreen, 1999). Kaplan (1983) describes MAS as part of a management control system whose function is to increase organizational effectiveness by providing useful information for management, planning and control. The value of companies can be enhanced by MAS through ensuring the effective use of resources to gain competitive advantage. Organizational theorists have pointed out the significance of MAS variables in understanding parts of organizations such as motivation, decision-making and control (Waterhouse & Tiessen, 1978).

Managerial accounting information among others include: Information on the cost of an organization's products and services; budgets; performance reports; and other information which helps managers in their planning and control activities. These systems are designed mainly to measure the efficiency of internal processes within an organization. Researchers over the years have suggested that the development of MA could be the answer to the need for more information, with which to excel in the increasingly competitive business environment. Shields et al. (1991) reported suggestions that MA practices might account for the competitive advantage of Japanese companies over the U.S companies.

There have been major developments in management accounting systems over the years. These systems have developed amidst many criticisms of its inadequacies. For example the traditional MAS which uses techniques such as single volume-based factory overheads for costing products and financial performance measures for determining performance have been criticized on the grounds that the techniques are old and were originally developed to measure companies and factories which were largely labor intensive and modern technologically enhanced institutions (Johnson & Kaplan, 1987; Cooper, 1988; Cooper & Kaplan, 1988; Kaplan, 1988). There have been calls for the development of up-to-date systems to meet the information demands of modern companies. Recent studies of the modern systems have however failed to overwhelmingly confirm the fact that these modern systems are superior in performance over the traditional systems.

The last decade's new managerial accounting practices such as activity-based-costing, the balanced scorecard and bottleneck accounting were developed. Unlike traditional managerial accounting, activity-based-costing deemphasizes direct labor or raw material as cost drivers and concentrates instead on activities (e.g. the number of production runs per month) that drive costs. Activity-based costing gives the management of an organization a clear picture of the cost drivers and the opportunities to reduce costs (Kaplan and Norton, 2001).

Traditionally, management accountants' principal performance report was variance analysis, which is a systematic approach to the comparison of the actual and budgeted costs and revenues during a production period. While some form of variance analysis is still used by most manufacturing firms, it nowadays tends to be used in conjunction with other performance reports such as the balanced scorecard. A balanced scorecard is a set of financial measures, operational measures on customer satisfaction, internal processes and the organization's innovation and improvement activities (Kaplan and Norton, 1992). Kaplan and Norton also argue that the balanced scorecard can be used as a strategic management system which identifies the value drivers of an organization's strategy and a management system to align the organization to the strategy (Kaplan and Norton, 2001).

In a traditional variance analysis, managerial accountants compare the actual sales with the budgeted sales. A traditional variance analysis however does not point out which bottleneck coursed an unfavorable difference between actual and budgeted sales (Veltman, 2011). With bottleneck accounting however, managerial accountants are able to determine: the bottlenecks of an organization and; how much money was lost because of each bottleneck.

Some of the principles of management accounting that makes it unique in its own right include the fact that its information is prospective in other words it is not based on historical data; that it is based on general usefulness for the company and not case based; information provided here is usually confidential and meant for only managers and not the public and finally it is prepared based on the needs of managers and not in reference to general financial accounting standards.

2.2. Financial Accounting System (FAS).

Whilst the purpose of accounting is to provide the information that is needed for sound economic decision making, financial accounting is targeted at preparing financial reports that provide information about a company's performance to external parties such as investors, creditors and tax authorities. Financial accounting information can be defined as 'the product of corporate accounting and external reporting systems that measure and publicly disclose audited, quantitative data concerning the financial position and performance of publicly held firms' (Bushman & Smith, 2001). Thus financial accounting is the fundamental source of independently certified information about the performance of executives. Indeed, financial accounting systems provide valuable information to corporate control mechanisms that help to alleviate the agency problem which results from the separation of managers and financiers.

Information in financial accounting is designed for decision maker and persons who are not involved in the daily management of an enterprise. Most of the times managers of a company are seriously concerned about reports that generates the financial accounting which in any case is insufficient for making operational decisions of the company.

It's important to point out that the purpose of financial accounting is not to report the value of a company. Rather, its purpose is to provide enough information for others to assess the value of a company for themselves. If financial accounting is going to be useful, a company's reports need to be credible, easy to understand, and comparable to those of other companies. To this end, financial accounting follows a set of common rules known as Accounting Standards or Generally Accepted Accounting Principles (GAAP).

According to Porporato (2008) accounting theory may be defined as the coherent set of hypothetical, conceptual and pragmatic principles forming a general frame of reference forming a general frame of reference for inquiring into the nature of accounting. Recent accounting theories which are founded on microeconomics consider an enterprise as an economic entity whose main activities affect the economy through its operations in the market. This approach is equally founded on the premise that all financial information has inevitable financial consequences.

Financial accounting information also enhances the information environment more generally by disciplining the unaudited disclosures of managers and supplying input into the information processing activities of outsiders.

The quality of financial disclosure can impact firms' cash flows directly, in addition to influencing the cost of capital at which the cash flows are discounted. Financial accounting information of firms and their competitors aid managers and investors in identifying and evaluating investment opportunities. An absence of reliable and accessible information in an economy impedes the flow of human and financial capital toward sectors that are expected to have high returns and away from sectors with poor prospects.

As argued by Black (2000) and Ball (2001), a strong financial accounting regime focused on credibility and accountability is a prerequisite to the very existence of vibrant securities markets. Efficient stock markets in which stock prices reflect all public information and aggregate the private information of individual investors presumably communicate that aggregate information to managers and current and potential investors. Recent papers by Dow and Gorton (1997) and Dye and Sridhar (2001) explicitly model a strategy-directing role for stock prices. The development of a country's financial sector facilitates its growth (for example, King and Levine [1993], Jayaratne and Strahan [1996], Levine [1997], Demirguc-Kunt and Maksimovic [1998], and Rajan and Zingales [1998]). Levine (1997) presents a framework whereby a well-developed financial sector facilitates the allocation of resources by serving five functions: to mobilize savings, facilitate risk management, identify investment opportunities, monitor and discipline managers, and facilitate the exchange of goods and services.

Financial accounting apart from all the above is based also on a set of principles that govern the way transactions are recorded. These are common set of accounting principles, standards and procedures that companies use to compile their financial statements. GAAP are a combination of authoritative standards (set by policy boards) and simply the commonly accepted ways of recording and reporting accounting information. Among some of the generally accepted accounting principles include; business entity principle, monetary unit principle, going concern principle, cost principle, time period principle, conservatism principle, consistency principle, materiality concept, full disclosure principle, objectivity principle, matching principle etc.

2.3. Tax Accounting systems.

This system of accounting is based on taxes rather than the appearance of public financial statements. Most of the times this accounting system is governed by internal revenue codes which dictate the specific rules that companies and individuals must follow when preparing their tax returns (Investopedia).

The tax accounting system has had to make adjustments to keep up with the complexities as well as the intricacies involved in the various businesses. It is important that the tax accounting system makes sure that all the businesses are meeting the criteria that had been established in order to pay appropriate taxes. It is therefore important that the people who are behind the formulation of the tax policies as well as those who are executing the policies understand the importance of keeping their tax accounting systems up to date as well as coordinating the taxpaying population.

In general the tax accounting system has two methods that are followed in order to file the tax returns. These two methods are the cash basis method as well as the accrual based method. The cash base method calculates the income earned when the cash is received whereas the accrual base method considers the income earned when the event that would make sure that the cash would be received has occurred. One advantage of the tax-based accounting system is that it is more streamlined than the accrual option. Since the system is geared to gather and process only that information pertinent to the preparation of taxes at year-end (fiscal or calendar, as the case may be), this eliminates a lot of unnecessary record-keeping that is not always needed by the company owner or managers to operate their business. The Implementation of tax-based accounting system also allows business owners to make better budget and acquisition forecasting predictions for their company, since they will have a better grasp of their true profit and loss margins being experienced at present--or anticipated due to tax benefits or discounts. As purchases are made--or possible expenditures are considered--the company will focus on the tax implications of these changes prior to taking action, ensuring a more accurate „forecasting" of future profits to be realized or tax gains anticipated. These result in management having a better handle on the effects these changes will have on cash outflow and income too.

By implementing the tax-based accounting system, a company is showing a goodwill effort to be legally compliant in regards to business tax matters; therefore, it is unlikely that it will incur any unnecessary audits. But, if for some reason an error is uncovered by the Internal Revenue Service at a later date, it will be looked upon with less suspicion by tax investigators than if the accounting system used had not emphasized a focus on observing tax laws and compliance. Selection of appropriate tax accounting system depends on the goals and business plans of the company. For a proprietor of a small company, whose main objective is to develop legal compliance with the federal tax authorities utilizing tax-based accounting system or the cash system would be beneficial as compared to the accrual method.

This system of accounting is quite different from the aforementioned two because whilst they depend on managers and accounting principles as the case may be, this system depends largely on the tax legislations that are operating within a particular country which introduces us to the differences in the various systems of accounting in relation to the different backgrounds and what role culture plays in explaining this puzzle.

3.0. The Influence of Culture on Accounting Systems.

There are a myriad of definitions of culture among which some authors propose music, arts, the way of life and generally things that identify a group of persons as a unique social group. For the purpose of this publication however the definitions of culture that are most appropriate are those proposed by Rohner and Hofstede. „The totality of equivalent and complementary learned meanings maintained by a human population or by identifiable segments of a population and transmitted from one generation to the next" or more informally it could be defined as „a system of meanings in the heads of multiple individuals within a population" (Rohner 1984). Another equally suitable definition of culture says it is "the collective programming of the mind which distinguishes the members the members of one human group from another", Hofstede (1980).

These definitions of culture have been adopted for the purpose of this publication for two main reasons; first that they reflection the ideal theory of culture which is predominantly used among cross-cultural anthropologists in recent times (Jahoda 1984, Rohner 1984). Secondly, they are consistent with the emphasis on values and meaning systems contained in a majority of definitions and conceptualizations of culture over the years (Parsons & Shils, 1951; Kroeber & Parsons, 1958; Fayerweather, 1959; Kluckhohn & Strodtbeck, 1961; Evan, 1975). These definitions of culture explain the various observed in the manner in which certain universal phenomena are approached in different countries and this lays an ideal background for progression into the examination of culture as an explanatory variable for the differences in approach to the various accounting systems. In this case, the paper focuses principally on the concept of national culture.

Differences between national accounting systems are general explained by economic, legal, political and cultural factors, Saudagaran (1990). It is however important to note from the definitions of culture adopted herein that, culture defines the whole identity of segments of a population and that extends to include their political and economic organizations, as well as their social, religious and legal systems. This in essence means that any universal phenomenon which is found within a particular social group or segment of a population, it will take-on certain identifiable qualities and traits of that group of people.

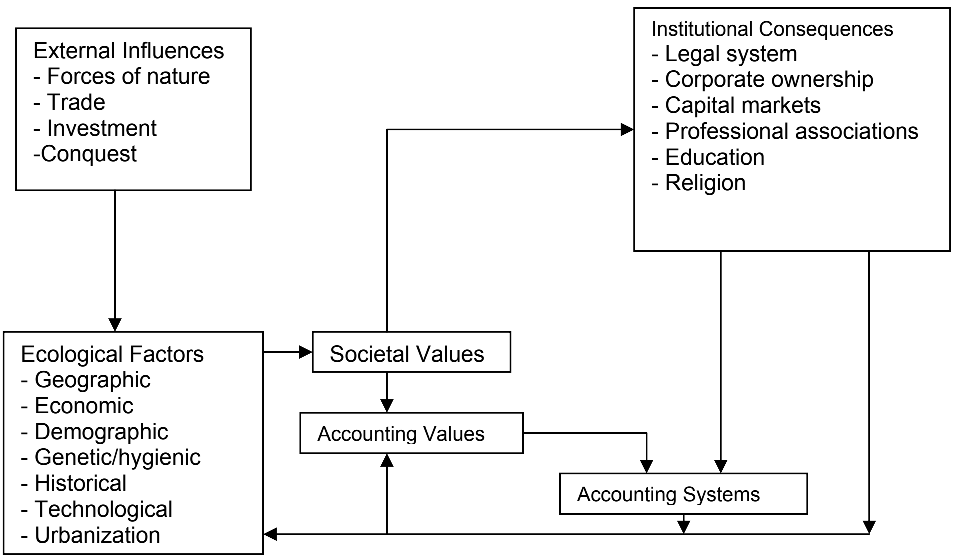
The following are some observations made by some authors concerning accounting. Accounting is a 'social construct reflecting the society in which it has developed', Haller and Walton (1997). Every national accounting system is largely the reflection of the country's economic, social and cultural specifications, Raffournier (2000). All these statements testify to the fact that accounting though universal, takes on the nature and characteristics of the society or country in which it is practiced.

Complementing the above perceptions is the proposal by Gray (1988)that a theoretical framework incorporating culture could be used to explain and predict international differences in accounting systems and to identify patterns of accounting development internationally.

It is important at this stage to introduce Gray's model of how societal values influence the accounting subculture. He argues that national culture may be likely to permeate organizational and occupational subcultures with varying degrees of integration which lays foundation for the premise that accounting systems and practices can influence and reinforce societal values. This model focuses especially on the influence of societal values on the institutional framework for the development of accounting. The attitude of accountants are shown as being related to and derived societal and work-related values which eventually attempts to explain the differences in the practice of accounting in individual countries.

This part of the article will be based on Radebaugh, Gray and Black (2006). It offers a deep insight and explanation to the various connections and linkages between culture and accounting.

Fig. 3.1: Culture, Societal Values and the Accounting Subculture.



Source: S.J. Gray (March 1988)

This model by Gray shows how institutional consequences and external influences have an impact on ecological factor; how societal factors and institutional consequences have an impact on accounting values; and how accounting values and Institutional consequences shape the accounting system.

In order to be able to assess the impact of culture on accounting, it is important to consider the structural elements of culture that affect business proposed by Hofstede's study. This study revealed four fundamental societal value dimensions – Individualism, Power distance, Uncertainty and Masculinity.

Satisfying the premise that societal values permeate a nation's social system, and if societal value orientations are related to the development of accounting system then Gray's argument that there is a close match between culture areas and patterns of accounting systems internationally does makes sense. It is therefore possible to infer wherefrom that Hofstede's cultural value dimensions have a relationship with 'accounting values'. Gray (1988) proposes four accounting values derived from accounting literature review and practice. They are;

Professionalism versus statutory control: Which reflects a preference for the exercise of individual professional judgment and the maintenance of professional self-regulation as opposed to compliance with prescriptive legal requirements and statutory control; Uniformity versus flexibility: This value reflects a preference for the enforcement of uniform accounting practices between companies and for the consistent use of such practices over time, as opposed to flexibility in accordance with the perceived circumstances of individual companies; Conservatism versus optimism: This value reflects a preference for a cautious approach to measurement that enables one to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach; Secrecy versus transparency: This value reflects a preference for confidentiality and the disclosure of information about the business only to those who are most closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach, Radebaugh, Gray and Black (2006).

3.1. Influence of Culture on Financial Accounting System

The very fact that financial accounting information is prepared for the consumption of largely persons outside of the organization makes it subject to the demands of standards and legislations as has been indicated in the earlier part of this publication. There are many ways in which culture (in this case, societal value) could influence the financial accounting system and this will be discussed in line with the already identified accounting values.

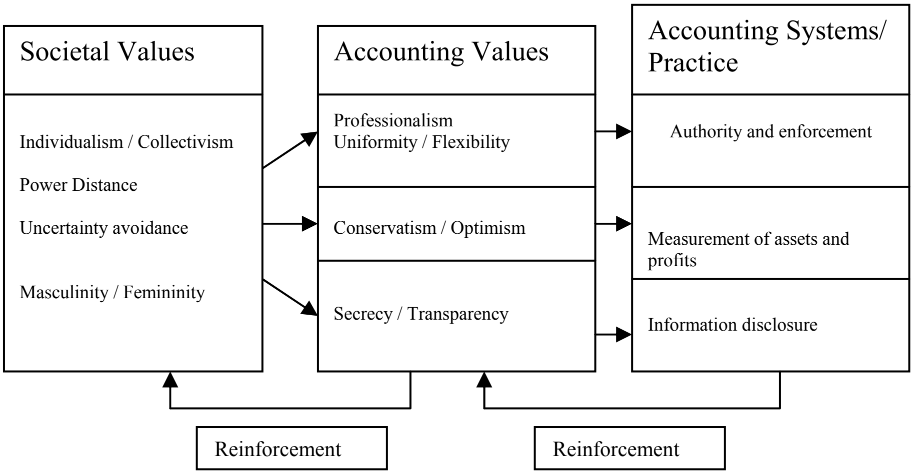
According to Radebaugh, Gray and Black (2006), professionalism, the first value of accounting is most likely the most probable to be linked with the societal dimension of individualism and uncertainty avoidance. As they put it "A preference for independent professional judgment is consistent with a preference for a loosely knit social framework where there is more emphasis on independence, a belief in individual decisions, and respect for individual endeavor. This is also consistent with weak uncertainty avoidance where practice is all-important, where there is a belief in fair play and as few rules as possible, and where a variety of professional judgments tend to be more easily tolerated. There also appears to be a link, if less strong, between professionalism and power distance in that professionalism is more likely to be accepted in a small power distance society where there is more concern for equal rights, where people at various power levels feel less threatened and more prepared to trust each other, and where there is a belief in the need to justify the imposition of laws and codes". It is succinctly clear from the above that depending on whether or not a society is individualistic or more inclined to uncertainty avoidance, will determine its approach to accounting professionalism. This explains the occurrences in which certain nations have legislation to govern accounting practice and to promote fair play whilst others allow each accountant the freedom to operate, bringing out their potentials.

The cultural dimensions of uncertainty avoidance and individualism can also be discussed closely with the accounting value of uniformity. This is another aspect in which culture has an influence on the financial accounting system. The choice of more uniformity in accounting approach is linked strongly with uncertainty avoidance which is as a result of concern for law and order, rigid codes of behavior, need for written rules and regulations, respect for conformity as well as for ultimate, absolute truths and values, Radebaugh, Gray and Black (2006).

Conservatism is a significant accounting value dimension because 'conservatism' is arguably „the most ancient and probably the most pervasive principle of accounting valuation" (Sterling, 1967). Conservatism can be linked most closely with the uncertainty-avoidance dimension. As Radebaugh, Gray and Black (2006) put it „conservative measures of profits and assets is consistent with strong uncertainty avoidance that stems from a concern with security and a perceived need to adopt a cautious approach to cope with the uncertainty of future events. A less conservative approach to measurement is also consistent with a short-term orientation where quick results are expected and hence a more optimistic approach is adopted relative to conserving resources and investing for long-term results". This is especially very evident in the case of valuation of businesses.

Another accounting worth considering in examining the influence of culture on accounting is secrecy versus transparency. The extent of secrecy appears to vary across countries, with lower levels of disclosure - including instances of secret reserves - evident in Japan and continental European countries such as France, Germany, and Switzerland than in the United States and United Kingdom. This value can also be linked to the dimension of uncertainty avoidance where there is the need to restrict the disclosure of information to outsiders to avoid conflict and competition and to preserve security. The following diagram shows this interaction and linkage in greater detail.

Fig.3.1.1: Culture and Accounting Systems in Practice



Source: Radebaugh, Gray and Black (2006).

Deriving inspiration from the Gray's argument of the usefulness of distinction, this diagram above differentiates the authority for accounting systems on the one hand and the measurement and disclosure characteristics of accounting systems on the other. In accounting practice, issues concerning professionalism and uniformity are governed mainly by legislation and certain organized authority which most of the time stems from the society's approach to individualism and collectivism. Information disclosure and measurement are mainly linked the accounting values of conservatism and secrecy which by extension are derived from the cultural dimensions of uncertainty avoidance and power distance. The following diagrams show how these factors interact with the various identified cultures.

3.2. The Influence of Culture on Management Accounting Systems.

The definition of management accounting emphasizes three important attributes of good management accounting information: the technical, behavioral and cultural attributes. The technical attribute of management accounting refers to the measurement-related qualities desired in management accounting information; this attribute has decision relevance and process understanding properties. The behavioral attributes refer to the way that measurement affect behavior. There are several ways in which management-accounting measures can impact the behavior of people in organizations. It changes cognitions and alters perceptions, motivates behavior, changes attitudes and aspirations and changes attributions. The cultural attributes refers to the beliefs, values and mindsets imbedded in a measure. Management-accounting measures are symbols that reflect and support values, beliefs, and mindsets of members of an organizational or societal culture. These collectively shared beliefs guide the behavior of people at the subconscious level.

Fig. 3.1.2:

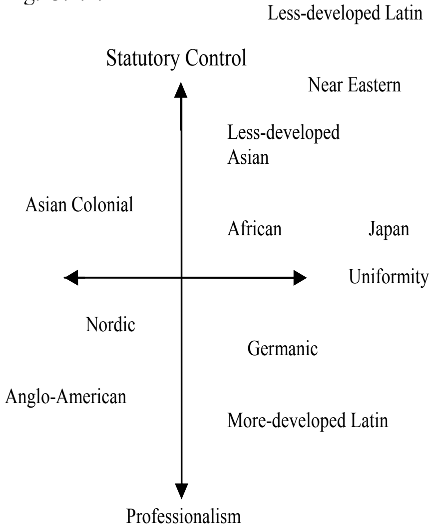
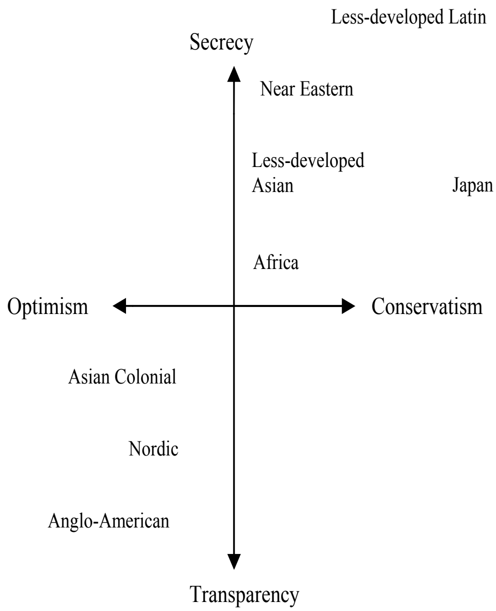


Fig. 3.1.3:



Source: S.J. Gray (March 1988)
Fig. 3.1.2: Accounting Systems: Authority and Enforcement.
Fig. 3.1.3: Accounting Systems: Measurement and Disclosure.

The resulting behaviors are easier to sustain because they are not driven by the threat of punishment or the lure of rewards, but because people believe in them. Values are used to interpret the meaning of accounting measures. If these measures are consistent with the beliefs, values, and symbols important to the groups people belong to - family, firm, community, ethnic group, or country - then it is likely these measures will be acceptable as a basis for action. For example, if individuals believe that meeting budgets reflects that they are disciplined, hard-working, and responsible, then they will try very hard to achieve the budget, Ansari, Bell Klammer & Lawrence (1997). The most detailed research concerning the nature of the influence of culture on management accounting system is the work of Graeme Harrison. This work is based on the influence of culture and personality on the relation between reliance on accounting performance measures (RAPM) in the evaluative style of superiors and work-related attitudes of subordinates in Singapore and Australia.

Considering the fact that management accounting is concerned with the provision of useful information for the use of managers, the way superiors evaluate subordinates in an organization is key especially with respect to the personality of employees. Some of the cultural dimensions used in this study include: individualism, power distance, authoritarianism, job-related and job satisfaction. The results from this study the hypothesis that high reliance on accounting performance measures and budgets in superior evaluative style is associated with associated with higher job satisfaction in a high power distance and low individualism society while low reliance on RAPM and budgets is associated with higher job-satisfaction in a low power distance and high individualism society, Graeme Harrison (1993).

Though this study was conducted on the basis of two countries – Singapore and Australia, it introduces an insight into the possible influence of culture on some management decisions that top managers make as well as some of the processes through which such decisions are made and therefore sets a basis on which further research could be conducted or the basis on which reasonable generalizations could be made consideration the cultural trends herein established.

3.3. The Influence of Culture on Tax Accounting.

The concept of tax accounting derives its essence from tax culture which is defined as „the entirety of all relevant formal and informal institutions connected with the national tax system and its practical execution, which are historically embedded within the country's culture, including the dependencies and ties caused by their ongoing interaction", Nerré (2008). This term according to Nerré involves even more than the concepts of 'culture of taxation, and 'tax-paying'. It involves all the actors of national culture with its subject of tax culture. The tax code is determined by cultural norms and historically developed institutions.

Since tax accounting just like financial is based on financial information that is prepared for mainly external persons, most of the cultural dimensions influence its practice in the same manner. This is especially true in the case of the accounting value of conservatism. As Gray puts „The varying impact of conservatism on accounting measurement practices internationally has also been demonstrated empirically. Such differences appear to be reinforced by the relative development of capital markets, the differing pressures of user interests, and the influence of tax laws on accounting practice in the countries concerned". This concept of conservatism is principal when enterprises state the profits since it is based on this value that they will be taxed. This is strongly linked with the cultural dimension of uncertainty avoidance, which depending on the prevalence rate within a culture (nation) will determine whether the conservative or optimistic outlook is adopted in the declaration of profit.

4.0. Conclusion.

This worked has examined the most significant categorizations of accounting systems –Financial, Management and Tax accounting systems. Particular attention has been paid to what each of these systems entail, what principles underlie their practice as well as the purpose for which each of them are instituted. This discussion has been put in the right context by a brief review of literature on this field. Researchers in the literature considered have given a clear indication from their work so far that, there is an influence of culture on the various accounting systems under consideration and that the cultural dimensions proposed by Hofstede – Individualism, power distance, uncertainty avoidance and masculinity, have an impact on the universal accounting values proposed by Gray – Professionalism, Conservatism and Secrecy, which eventually produce certain trends in accounting practice. From the trends in accounting practice – Authority, Measurement and Information, it is possible to determine which of them have an influence on which accounting system. This work has however been unable to confirm whether the conclusions drawn from the work of Gray; Hofstede and Radebaugh, Gray and Black are right. It is important that further research is conducted to find out what exact influence culture has on the various accounting systems. Another important area in which further research could be done is to investigate the extent to which the disparity in the practice of the various accounting systems is attributable to culture.

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Abstract

This paper explores the extent to which variations in accounting systems could be explained or predicted by differences in cultures. Researches both in the past and present have attributed the differences in certain universal phenomena to culture and other environmental factors and since then, the argument that supports culture as the explanatory variable has gained grounds. The different systems and patterns of accounting practice in each country is an indication of the variability and inconsistency of certain universal phenomena. This work explains the concept of accounting system. It also adopts the three groupings of accounting systems; the internal accounting system, the external accounting system and the tax accounting system. These accountings systems are discussed in detail in this article with particular attention to the principles that underlie each of them; the nature of their functions as well as the purpose and objectives they each seek to achieve. This work also discusses the concept of culture (national) in relation to business operations and the various significant elements of culture identified. The possible influence of culture on each of these systems is examined with particular attention on other systems of classification and accounting principles . This discussion ends with an attempt at finding out whether culture is the single most important variable that accounts for the differences in accounting systems or that indeed there are other equally important factors that account for this variation.