

The Reform of the German Accounting System : The Adoption of IFRS and its Treatment by Various Interest Groups

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This study examines the reform of the accounting system associated with the adoption of International Financial Reporting Standards (IFRS) in Germany. Since the 1990's various interest groups, i. e. government, standard setters, firms and industries as preparers of financial information, have taken a positive and negative reaction to adopting IFRS with an individual strategy. This paper examine the early reaction of the German government to adopt IFRS for German early adopters, which need global standards as a global player. However, the German government continuously insists that German Commercial Code (HGB) maintains its position as a rule for dividend calculation and tax-based rules, while IFRS is for providing information or for decision making. I also find conflicts between HGB and IFRS especially in the accounting field related to traditional German characteristics of accounting or national economic surroundings, e.g. revenue rec-

ognition, distinguishing between liabilities and capital, conceptual framework and accounting for Small and Medium Enterprises (SMEs). For these conflicts, the German government continues the reform of the accounting system to diminish the differences between HGB and IFRS, while the German Accounting Standard Committee (DRSC), the German standard setter, tries to play an important role at EU level to reflect the German position. Many German firms are lobbying actively against setting international standards by means of publishing position papers. This evidence from Germany has implications for other countries where the adoption of IFRS, like Japan, is planned. Especially the problems of using either single or double standards, IFRS not only for consolidated but individual financial statement, IFRS not only for publicly traded companies but private companies and IFRS either for voluntary or mandatory adoption.