THE GLOBAL CONVERGENCE OF FINANCIAL REPORTING IN BANGLADESH

A thesis in fulfilment of the requirement for the Degree of Doctor of Philosophy

by

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Dedication

This thesis is dedicated to my Abba and Amma for their love, and endless support and encouragement.

Statement of Candidate

The work presented in this thesis has not been submitted for a higher degree to any other university or institution. The source of information used and the extent to which the work of others has been utilised is acknowledged in the thesis. Macquarie University Human Research Ethics Committee (HREC (Human Sciences & Humanities)) approval has been obtained (Reference Number: 5201500888).

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Appendices

The Global Convergence of Financial Reporting in Bangladesh

Abstract

The thesis comprises three related papers which extend the literature on global convergence of financial reporting using Bangladesh as a proxy for Islamic countries. Figure 1.1 on page 14 provides the aim of the thesis and objectives of the three papers, and Figure 1.2 on page 15 provides the theoretical framework of the study. The first paper is entitled, "Theoretical and Methodological Suggestions for Improving Research on the Global Convergence of Financial Reporting". This paper critically evaluates 430 scholarly articles published in leading journals (classified as A* and A by the Australian Business Deans Council) from January 1985 to June 2018. The articles examine various aspects of the global convergence of financial reporting with the objective of providing theoretical and methodological suggestions for improving research in this area. All 430 papers were grouped into two categories, namely (1) *de jure* convergence (12) and (2) *de facto* convergence (418). Whilst *de jure* research examines uniformity and consistency in accounting standards, *de facto* research studies consistency in accounting practices. The papers in the *de facto* category are further classified as follows: (1) archival research (199); (2) behavioral research (85); and (3) others (134), which includes topics related to, for example, the standard-setting agendas of the IASB and countries such as the United States, the United Kingdom, Canada, and Australia, the history and politics of accounting standards in different countries, and accounting system classification. All 418 papers categorised as *de facto* are evaluated in terms of the objective of the paper. Archival studies primarily examine the impact of IFRS adoption on various variables, including earnings management, value relevance, analyst following and forecast accuracy, various financial ratios, cost of capital, and liquidity. Fifty-four studies developed quantitative approaches such as indices and regression analysis to measure the *de facto* level of global convergence. However, these simplistic quantitative techniques are criticised on a number of theoretical and methodological grounds. For example, the indices used to measure convergence are very sensitive to sample size, number of countries, and number of accounting practices examined. In these studies, quantitative models are simplistically employed and country-specific contextual factors that influence professional accountants' judgments are largely ignored. Measuring convergence poses serious challenges because accounting standards require extensive use of accountants' professional judgment and applying quantitative approaches to

capture complex judgment processes both within and across countries is problematic. To address the limitations of these archival studies, another stream of research in *de facto* convergence, 'behavioural research', representing 85 papers in our sample, primarily use survey and experiment research designs to obtain in-depth insights into professional accountants' judgments. This strand of research primarily attempts to unpack the 'black-box' of culture. However, all these attempts to assess global convergence are concentrated mostly in Anglo-American and European countries and largely ignore transitional, developing, and Islamic countries, which differ substantially from Anglo-American countries in terms of country-specific contextual factors. While useful, these studies are often narrow in their focus, and do not provide adequate holistic insights into the global convergence of financial reporting, particularly within countries. Hence, there have been calls in the literature to provide more holistic and in-depth insights into professional accountants' judgments. By integrating multidisciplinary perspectives, this study suggests that researchers may extend this strand of research by taking into account relevant and important contextual factors such as cultural, political, legal, and economic factors, which collectively provide a more complete framework of factors that cause within- and between-country-level differences in accounting practices. This study also suggests that relevant accountants' personality variables such as Islamic religiosity and perceived accountability need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants' judgments.

The second paper is entitled, "The Influence of Islamic Religiosity on Professional Accountants' Judgments on the Global Convergence of Financial Reporting: Evidence from Bangladesh". This paper examines the influence of Islamic religiosity on professional accountants' judgments on issues related to the global convergence of financial reporting. Gray's (1988) accounting values—professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency—are the dependent variables. These accounting values, which have been tested for validity and reliability, are selected because they provide useful insights into accountants' judgments and decision making on issues related to IFRS convergence. Islamic religiosity is measured using the Sahin-Francis Scale of Attitude towards Islam (Sahin & Francis, 2002) because it has been tested for validity and reliability in different jurisdictions, including Pakistan, Malaysia, and Kuwait. Islam is a rigid religion and allows its adherents little room to exercise their judgments. It is quite specific in many of its prescriptions and is no doubt more rules-based than most of the world's religions. However, IFRS are more principles-based and adopt the 'substance over form' approach,

which requires accountants to exercise their professional judgments in interpreting and applying IFRS. The paper finds support for the hypothesis that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are more likely to be supportive of statutory control, uniformity, conservatism and secrecy, and therefore, are less likely to be supportive of principles-based financial reporting standards. The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that Islamic religiosity is an important variable in examining the convergence of financial reporting. The findings have implications for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries. The results may be useful to multinational companies that employ a significant number of Muslims, and regulators in Bangladesh and other Islamic countries in improving the quality of convergence and financial reporting.

The third paper is entitled, "The Influence of Perceived Accountability on Professional Accountants' Judgments on the Convergence of Financial Reporting: Evidence from Bangladesh". This paper examines the influence of perceived accountability on professional accountants' judgments on the global convergence of financial reporting using Bangladesh as a proxy for Islamic countries. Gray's (1988) accounting values—professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism and secrecy vs. transparency, which have been tested for validity and reliability, are selected as dependent variables because they provide useful insights into accountants' JDM on issues related to global convergence. The concept of perceived accountability is rooted in the phenomenological view of accountability, which describes accountability as a state of mind and posits that subjective interpretations of objective conditions impact individuals' attitudes and behaviour. Although the phenomenological view emphasises the subjective, internal nature of accountability, it also recognises that these assessments of accountability are based, in part, on perceptions of objective external conditions. Individuals may perceive and experience those objective conditions differently. This focus on perceived or subjectively experienced accountability is useful in examining what drives professional judgments. Consequently, the contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence in an Islamic context. Perceived accountability is particularly important in Islam because accountability to God and the community for all activities is paramount to a Muslim's faith. Using the measures of perceived accountability (Hochwarter et al., 2003) and Gray's (1988) accounting values, the

paper provides evidence that perceived accountability is positively (negatively) associated with statutory control (professionalism), uniformity (flexibility) and conservatism (optimism), and transparency (secrecy). The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that perceived accountability is an important personality variable. Findings from this study provide important insights for understanding the global convergence of financial reporting in an Islamic context. The findings are useful for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries. In addition to these three papers, the thesis also includes an introduction and a conclusion section that integrate the papers together.

Chapter 1: Overview of the Thesis

1.1. Introduction

Global standard setters such as the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC) have implicitly assumed that accounting is neutral, objective, and value-free, and that the country-specific contextual factors and differences in individual personality can be ignored in the rush towards convergence. By integrating both cultural and personality perspectives, the aim of this thesis is to challenge these simplistic assumptions by providing in-depth and sharper insights into understanding the influence of two important factors—Islamic religiosity and perceived accountability—on professional accountants' judgments and decision making (JDM) in Bangladesh. Bangladesh is selected as an appropriate case study because Islam—which directs all aspects of social, political, personal, and professional life—is the country's dominant religion. Furthermore, Bangladesh serves as a proxy for Islamic countries. This thesis responds to calls for more rigorous research to examine the impact of contextual factors, specifically, personal values and religious influences, on professional accountants' JDM with respect to the global convergence of financial reporting. Islam's rigid and prescriptive nature, higher levels of conservatism and secrecy, and the unique socio-political characteristics of the reporting environment in Bangladesh significantly distinguishes the country form Anglo-American developed countries and makes the country an interesting setting to examine the convergence of financial reporting. This thesis invokes multi-disciplinary approaches by drawing on literature from diverse disciplines such as sociology, social psychology, and personality, and takes into account the unique national contextual factors to provide holistic insights into global convergence in Bangladesh.

To date, over 130 countries have adopted IFRS (Deloitte, 2012). Global convergence of financial reporting broadly refers to the adoption of IFRS. Convergence of financial reporting is defined as reducing international differences in accounting standards by selecting the 'best practice' currently available, or, if none is available, by developing new standards in partnership with national standard setters (Whittington, 2005). IFRS convergence assumes that a single set of high-quality global IFRS will increase the comparability of accounting numbers among countries and benefit international investment and a range of stakeholders. However, a distinctive trait of the IFRS standards is that they are 'principles-based', drawn clearly from the IASB's Conceptual Framework, instead of 'rules-based'. Principles-based standards do not provide detailed guidelines for their implementation and thus leave room for individual

professional judgment (Bennett et al., 2006; Benston et al., 2006; Agoglia et al., 2011; Heidhues & Patel, 2011). The principles-based IFRS contain a number of vague and indeterminate phrases and concepts, such as, 'assumed beyond any reasonable doubt', 'probable', 'reasonably certain', 'sufficiently', 'remote', 'insignificant', 'major part', 'substantially', 'significant influence', 'more likely', 'less likely', 'more likely than not', 'deemed', 'expected', and 'control' (Doupnik & Richter, 2003; Huerta et al., 2013; Kettunen, 2017). These concepts are often used to indicate levels of probability in prescribing the recognition, measurement, and disclosure of events and transactions in financial reports. In contrasts, rules-based standards provide a high level of detail, numerous bright-line thresholds, various exceptions, and very detailed implementation guidance (Mergenthaler, 2012; Donelson et al., 2012; Donelson et al., 2016). Thus, convergence requires an understanding of professional accountants' complex internal cognitive processes (Ying & Patel, 2016; Huerta et al., 2016; Pan & Patel, 2017) as well as the social and political processes (Heidhues & Patel, 2011; Kamla & Haque, 2017; Balfoort et al., 2017) that influence accountants' JDM.

Numerous studies have shown that country-specific contextual factors, namely, historical, social, political, economic, and legal factors, in addition to cultural values, may result in different outcomes even in the presence of a common set of financial reporting standards, and thus cannot be ignored when examining the global convergence of financial reporting (Patel et al., 2002; Doupnik & Richter, 2003; Patel, 2006, Perera & Baydoun, 2007; Nobes, 2009; Hellmann et al., 2010; Chand et al., 2012; Heidhues & Patel, 2011; Combs et al., 2013; Wehrfritz & Haller, 2014; Pan & Patel, 2017; Mala et al., 2018). Consequently, a significant number of studies have contended that achieving *de jure* convergence in global financial reporting may not necessarily result in *de facto* convergence (Chand et al., 2010; Chand & Patel, 2011; Heidhues, & Patel, 2011; Drnevicha & Stuebs, 2013). Whilst *de jure* convergence implies uniformity and consistency in accounting *standards*, *de facto* convergence refers to consistency in accounting *practices* (Tay & Parker, 1990; Schultz & Lopez, 2001; Chand & Patel, 2011).

Gray (1988) provides a theoretical framework that links Hofstede's (1980) four cultural dimensions and presents four 'accounting values': professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency. Professionalism is defined as accountants' preference for exercising professional judgment (Gray 1988, p. 8). Uniformity represents a preference for the enforcement of uniform accounting practices among companies, and a belief that over time these practices can be consistently applied (p. 8). Conservatism relates to the preference for a cautious approach to

measurement and treatment (p. 8). Secrecy is defined as a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing (p. 8). Gray (1988) proposes that these accounting values explain and determine the structure and practice of accounting, including the basic tenets of measurement and disclosure which determine financial reporting practices.

The usefulness of Gray's (1988) framework in examining global convergence is evident in the increasing number of studies that invoke or test the framework. For example, Salter and Niswander (1995), Gray and Vint (1995), Sudarwan and Fogarty (1996), Askary (2006), Liu and O'Farrell (2013), and Salter et al. (2013) apply Gray's accounting values framework and broadly find empirical support for accounting values. However, evidence shows that Anglo-American countries rank higher on professionalism, optimism, flexibility, and transparency, all of which reflect Anglo-American accounting values (Gray, 1988; Heidhues & Patel, 2011; Halaoua et al., 2017). However, these accounting values may not be applicable to emerging countries such as Bangladesh.

Given the importance of Gray's (1988) framework in understanding the influence of accounting values on accountants' professional judgments, we also apply this theoretical framework to examine the influence of Islamic religiosity (Chapter 3) and perceived accountability (Chapter 4) on professional accountants' judgments on measures of global convergence. Based on Gray's (1988) accounting values, Chanchani and Willett (2004) developed a research instrument to measure respondents' support for four accounting values. In the current study, the instrument was further pilot-tested in Bangladesh for validity and reliability. This accounting values-based research instrument is used to examine Bangladeshi professional accountants' preference for accounting values, which support the convergence of financial reporting.

Although it has been well established in the literature that culture is an important factor that influences accountants' judgments, it is also important to recognise within-country differences as they pertain to individual accountants' personalities. Individual personality traits have been identified as an important attribute that may influence accountants' JDM (Nelson, 2009; Pan & Patel, 2017; 2018). Despite the importance of personality in understanding behaviours and behavioural intention, there is a lack of rigorous research regarding the influence of personality in the accounting literature (Wheeler, 2001; So & Smith, 2003; Taggar & Parkinson, 2007; Pan & Patel, 2017, 2018). Wheeler (2001) suggests that many challenges facing the profession can be attributed to personality and that accounting research has failed to rigorously examine the influence of personality. Consequently, there are calls for more research

on accountants' internal cognitive processes (Ponemon, 1990; Peytcheva & Gillett, 2011; Pan & Patel, 2017, 2018) and contextual factors (Wehrfritz & Haller, 2014; Holthoff et al., 2015; Grossa, & Perottib, 2017), which may influence professional accountants' JDM. This thesis contributes to the literature by providing sharper insights into IFRS convergence in Bangladesh by examining the influence of culture and two important and relevant personality variables, namely, Islamic religiosity and perceived accountability, on accountants' judgments on accounting values.

1.2. Islamic Religiosity

Islamic religiosity is selected because prior literature in accounting suggests that professional accountants' judgments can be influenced by their religiosity (Nelson, 2009; Leventis et al., 2015; Alshehri et al., 2016; Jaggi & Lewis, 2017). Level of religiosity has been found to influence economic decisions and behaviour in a variety of contexts. For example, level of religiosity influences risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015; Du et al., 2015); going concern reporting decisions (Omer et al., 2016); audit firms' pricing decisions (Leventis et al., 2015); and corporate social responsibility (Du et al., 2014a, 2014b). Prior studies that examine the influence of religiosity on auditors' JDM apply simplistic proxies for examining religiosity. For example, Hilary and Hui (2009), McGuire et al. (2011), and Jaggi and Lewis (2017) examine religiosity according to the geographical location of audit offices in religious or non-religious areas. In addition, categorisation of high and low religiosity areas in most of these studies is based on a single measure of church attendance (Walker et al., 2012; Hilary & Hui, 2009). Evidence suggests that an individual measure of religiosity is a better measure and can provide sharper insights into judgments (Tarakeshwar et al., 2003). Therefore, we suggest that an individual measure of Islamic religiosity is theoretically an appropriate measure for the present study. Indeed, researchers in sociology and psychology suggest the importance of applying value-based individual constructs to examine cognition (Oyserman, 2015).

Examining Islamic religiosity is important for several reasons. First, given the number of Muslims worldwide and their contribution to the world economy, it is important to examine the influence of Islamic religiosity on IFRS convergence. Additionally, Islamic banking has

complemented conventional banking over the past decade, increasing its penetration rate by over 15% in dozens of jurisdictions in the Middle East and Asia (Khan & Bhatti, 2008). An international standard-setting body, namely, the Accounting and Audition Organization for Islamic Financial Institutions (AAOIFI), was established to develop accounting, auditing, and *Shariah* standards for Islamic financial institutions (IFIs). However, the AAOIFI's standards are rules-based because the AAOIFI has rejected two key concepts in IFRS: (1) substance over form; and (2) the time value of money (PWC, 2010; Deloitte, 2012). The increasing demand for Islamic finance and thus the adoption of the AAOIFI's standards, shows a growing movement towards Islamic convergence of financial reporting and poses challenges for the global convergence of financial reporting (Hamid et al., 1993; Lewis, 2001; Vinnicombe & Park, 2007). Increasing concerns about conflicts between global convergence and Islamic convergence are evidenced in a joint report by KPMG and the Association of Chartered Certified Accountants (ACCA), which calls for the IASB, the AAOIFI, and other Islamic financial standard setters and regulators to work together to develop guidelines and standards to harmonise and converge financial reporting (ACCA, 2012).

The importance of Islam for the global convergence of financial reporting is also reflected in the calls from various bodies, including the Islamic Financial Services Board (IFSB), the ACCA, and the Malaysian Accounting Standards Board (MASB), for the IASB and the Islamic banking industry to work together to harmonise financial reporting of IFIs. In response to these calls, the IASB (2012) announced its plan to set up an expert advisory group on Islamic accounting by stating:

> The IASB could benefit from learning more about Islamic (*Shariah*-compliant) transactions and instruments – neither the IASB nor our staff have expertise in this area. The IASB is establishing a consultative group to assess the relationship between *Shariah*-compliant transactions and instruments and IFRS and to help educate the IASB, mainly through public education sessions.

In 2013, the IASB formed a consultative group on *Shariah*-Compliant Instruments and Transactions (IFRS Foundation, 2014). The objective of this group is to examine challenges that may result from the application of IFRS to the instruments and transactions linked to Islamic finance, to invite papers on those challenges, and to make recommendations to the IASB regarding steps that it might take after reviewing the key recommendations of those

papers (IFRS Foundation, 2014). This thesis responds to the call by the IASB to provide additional insights on Islamic influence on accounting and convergence in Islamic countries.

1.3. Perceived Accountability

Perceived accountability is selected because individual-level perceived accountability, which stimulates individuals' intrinsic motivations for their judgments and behaviour, has not been rigorously examined in prior accounting literature. It is important to study perceived accountability with respect to global convergence because it provides guidance and direction for employees, establishes role expectations and mutual obligations, clarifies performance and behaviour evaluation criteria, and is likely to provide insights for enhancing convergence (Frink & Klimoski, 2004; Wikhamn & Hall, 2014; Laird et al., 2015; Pearson & Sutherland, 2017). Perceived accountability has been defined as an '… expectation that one's decisions or actions will be evaluated by a salient audience and that rewards or sanctions are believed to be contingent on this expected evaluation' (Hall & Ferris, 2011, p. 134).

Researchers generally classify accountability into two categories: *formal or imposed* accountability and *perceived or felt* accountability. Extensive research has been conducted on formal accountability, which basically refers to monitoring of individuals by superiors who have the power to instigate rewards or punishments (Roethlisberger & Dickson, 1939; DeZoort et al., 2006; Peecher et al., 2013). Formal accountability emphasises the importance of the implementation of control and monitoring systems to ensure the organisation remains competitive (Samkin & Schneider, 2010; Hall et al., 2017; Pearson & Sutherland, 2017). Individual-level perceived accountability, which provides insights into internal mental process, represents how individuals are intrinsically motivated to voluntarily take responsibility for opening themselves up to scrutiny, and for assessing their performance in relation to goals aligned to their organisational mission (Lewis & Madon, 2004; Ebrahim, 2009). Consequently, it provides important benefits for both organisations and their employees. However, perceived accountability has not been rigorously examined in prior accounting literature (Hall & Ferris, 2011; Hall et al., 2006, 2017; Pearson & Sutherland, 2017). Therefore, there are calls in the literature to examine the influence of perceived accountability in various national contexts (Wikhamn & Hall, 2014; O'Dwyer & Boomsma, 2015; Hall et al., 2017). We respond to these calls by examining the influence of perceived accountability on professional accountants' JDM on measures of global convergence.

Examining perceived accountability in various national contexts is important because perceived accountability is context-dependent and can be interpreted differently by different individuals. Perceived accountability is based on a phenomenological view of accountability where it seen as a state of mind, rather than a state of affairs (Tetlock, 1985, 1992; Hall & Ferris, 2011; Wikhamn & Hall, 2014; Park, 2016; Hall et al., 2017). A person's subjective interpretation of accountability that requires exercise of judgments, rather than objective formal accountability mechanisms imposed on organisational participants, is the focus of this thesis. It is important to note that, although the phenomenological view emphasises the subjective and internal nature of accountability, it also recognises that these assessments of accountability are based, in part, on perceptions of objective external conditions (Hochwarter et al., 2005). However, individuals may perceive and experience those objective conditions differently (Frink & Klimoski, 1998). Therefore, focusing on perceived or subjectively experienced accountability is more useful to examine what drives the professional judgments consistent with enhancing the global convergence of financial reporting (Lewin, 1936; Frink et al., 2008). Consequently, the contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence (Gelfand et al., 2004, 2006; Hall et al., 2017).

1.4. Reasons for Selecting Bangladesh

Through the influence of colonisation, India and Pakistan inherited corporate legislation and accounting practices from the United Kingdom (Mueller, 1968; Roberts et al., 2005; Ghio & Verona, 2015). After gaining independence from Pakistan in 1971, in 1994 Bangladesh introduced the Company Act of 1994 (which replaced the Company Act of 1913 initiated by the British), which requires companies to prepare financial statements in order to reflect a 'true and fair view' of the state of affairs of the company (Uddin & Hopper, 2001; Mir & Rahaman, 2005; Akhtaruddin, 2005). Even though IFRS have been mandatory in Bangladesh since 1998, Bangladesh has the lowest level of compliance with IFRS (Nurunnabi, 2016). Other researchers also raise concerns regarding Bangladesh's level of compliance with IFRS (Siddiqui & Ferdous, 2014; Nurunnabi, 2017b; Islam & Hossain, 2017). This low level of compliance makes Bangladesh an appropriate setting to examine accounting values that facilitate convergence.

Since its liberation, Bangladesh has either been under a socialist or pro-Islamic regime. In June 1988, Islam was declared the state religion (Hossain, 2006; Hasan, 2011; Khan, 2017),

and this was reconfirmed by the country's High Court in 2016 (Reuters, 2016). Currently more than 90% of Bangladesh's 162.9 million people are Muslims (UNDP, 2016). The increasing influence of Islam in Bangladesh is evident by an increasing number of Islamic banks compared to conventional banks. Seven banks are currently operating as fully-fledged Islamic banks with 750 branches, nine conventional banks are offering Islamic banking through 20 Islamic banking branches, and eight more conventional banks are doing so with 30 Islamic banking windows. To facilitate Islamic banking, the Bangladesh's central bank allows only Islamic banks to follow the rules-based *Shariah* standards. While some financial institutions are permitted to follow *Shariah* standards, conventional banks are not. Therefore, given the current tension between global convergence and Islamic convergence, Bangladesh provides an interesting setting to examine convergence.

Much of the current religiosity and accountability literature originates in Anglo-American countries, in particular the United States, and 'is the product of its individualistic, psychology-oriented culture' (Hall et al., 2017, p. 218). Convergence to IFRS has also been vastly researched in developed countries. By contrast, limited studies have been conducted to examine the global convergence of financial reporting in developing countries, including Bangladesh (Wickramasinghe & Hopper, 2005; Zeghal & Mhedhbi, 2006; Altarawneh & Lucas, 2012; Nurunnabi, 2014). It has been suggested in the literature that Islamic religiosity and perceived accountability in contexts other than Anglo-American countries should be examined (Mir & Rahaman, 2005; Ali et al., 2006; Wikhamn & Hall, 2014; Nurunnabi, 2015). As opposed to Anglo-American countries, Bangladesh is an Islamic collectivist country (Abdullah et al., 2011; Nurunnabi, 2015; Abdullah, 2017). Islam's rigid and prescriptive nature (Boulanouar et al., 2017), high level of conservatism (Tlaiss, 2015) and secrecy (Belal et al., 2015), and socio-political characteristics of the reporting environment significantly distinguishes the country form Anglo-American developed countries and makes the country an interesting setting to examine convergence. Consequently, in response to these calls in the literature, this thesis examines Islamic religiosity and perceived accountability with respect to professional accountants' JDM on issues related to convergence in Bangladesh.

The theoretical framework underpinning this thesis is shown in Figure 1.2. The framework shows that the forces of globalisation are largely driving the current focus on the convergence of financial reporting. The next layer of the framework raises the issue that the unique contextual factors of a country cannot be ignored in the rush towards convergence. A country's unique social, cultural, political, economic, and legal factors must be taken into account to ensure that convergence results in relevant and useful information. That is,

accounting values embedded in convergence need to be aligned with professional accounting values. The next layer shows that sharper insights into accounting values are provided by examining relevant personality values such as Islamic religiosity and perceived accountability in the Bangladeshi context. The final layer shows the three papers that extend the literature on the global convergence of financial reporting using Bangladesh as a proxy for Islamic countries.

1.5. Aim and Objectives

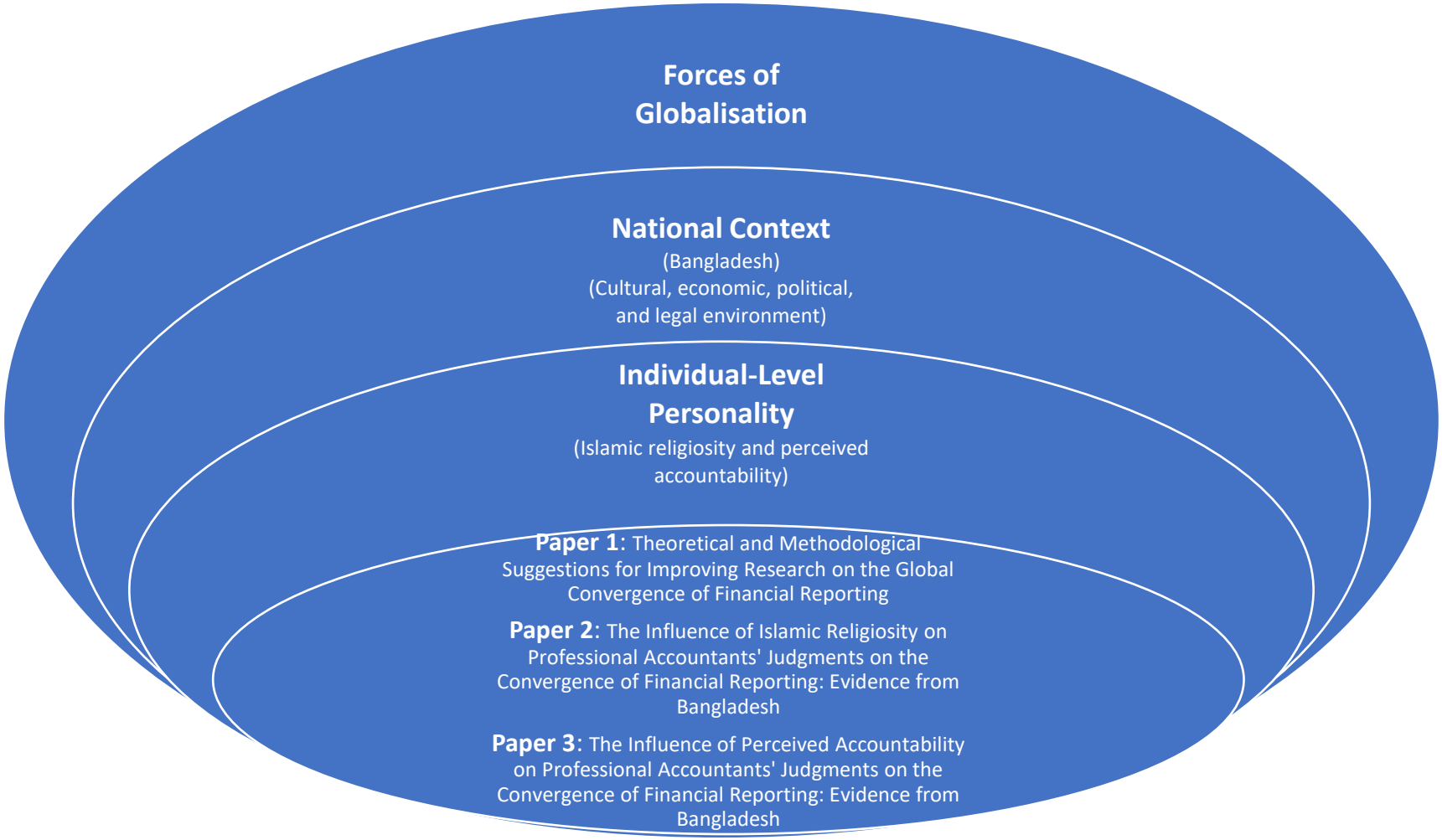
The aim of this thesis is to provide empirical evidence on the influence of various factors on professional accountants' judgments on issues related to the global convergence of financial reporting in Bangladesh. These factors have been selected because of their particular relevance to the cultural and socio-political characteristics of the Bangladeshi reporting environment. The three papers that comprise this thesis have the following respective objectives:

1. To provide theoretical and methodological suggestions for improving research on the global convergence of financial reporting.
2. To provide empirical evidence on the influence of Islamic religiosity on professional accountants' judgments on the global convergence of financial reporting in Bangladesh.
3. To provide empirical evidence on the influence of perceived accountability on professional accountants' judgments on the global convergence of financial reporting in Bangladesh.

Figure 1.1: Aim of the thesis and objectives of the three studies

Thesis	Three empirical studies	Objectives of the three individual studies
Title: Global Convergence of Financial Reporting in Bangladesh **Overall aim** To provide holistic and comprehensive insights into various factors, such as Islamic religiosity and perceived accountability, on professional accountants' judgments on issues related to the global convergence of financial reporting in Bangladesh.	**Paper 1**: Theoretical and Methodological Suggestions for Improving Research on the Global Convergence of Financial Reporting **Paper 2:** The Influence of Islamic Religiosity on Professional Accountants' Judgments on the Global Convergence of Financial Reporting: Evidence from Bangladesh **Paper 3**: The Influence of Perceived Accountability on Professional Accountants' Judgments on the Convergence of Financial Reporting: Evidence from Bangladesh	**Study 1**: To provide some theoretical and methodological suggestions for improving research on the global convergence of financial reporting. **Study 2**: To provide empirical evidence on the influence of Islamic religiosity on professional accountants' judgments on the global convergence of financial reporting in Bangladesh. **Study 3**: To provide empirical evidence on the influence of perceived accountability on professional accountants' judgments on the convergence of financial reporting in Bangladesh.

Figure 1.2: Theoretical Framework



1.6. Contributions and Implications

This thesis makes a number of important theoretical and methodological contributions to international accounting research, particularly to research on professional accountants' JDM on issues related to global convergence of financial reporting. First, this thesis contributes to the literature by examining accountants' JDM with a specific focus on the Bangladeshi cultural context. Prior studies on accountants' JDM have largely been conducted in Anglo-American countries and research in other cultural contexts is scant (Nelson & Tan, 2005; Nolder & Riley, 2014). There have been calls in the literature to examine accountants' JDM in countries where prevalent cultural values significantly differ from those of the US and other Anglo-American countries (Humphrey, 2008; Trotman, 1999; Wu & Patel, 2015). Consequently, to response to these calls in the literature, this thesis selected Bangladesh to examine professional accountants' judgements on issues related to IFRS convergence. As opposed to Anglo-American countries, Bangladesh is an Islamic collectivist country (Abdullah et al., 2011; Nurunnabi, 2015; Abdullah, 2017). Islam's rigid and prescriptive nature (Boulanouar et al., 2017), level of conservatism (Tlaiss, 2015) and secrecy (Belal et al., 2015) and socio-political characteristics of the reporting environment in Bangladesh significantly distinguishes the country form Anglo-American developed countries and makes the country an interesting setting to examine convergence.

Furthermore, earlier studies examined the role of culture or personality in influencing accountants' JDM in isolation. By integrating both cultural and personality perspectives, this thesis provides sharper insights into psychological functioning underlying accountants' JDM because "culture and personality are most productively analyzed together as a dynamic of mutual constitution" (Markus & Kitayama, 1998).

Paper 1 critically evaluates 430 scholarly articles published on leading journals (ranked A* and A by the Australian Business Deans Council) from January 1985 to June 2018 which examine various aspect of global convergence of financial reporting with the objective of providing theoretical and methodological suggestions for improving research in this area. Even at present global convergence of financial reporting measures are still at an experimental stage, where methodology and analytical techniques are still being proposed and tested on specific samples of accounting items and jurisdictions (Rahman et al., 1996). Even so, an extensive analysis of the literature shows that international accounting truly suffers from a distinct lack of studies on methodological criticisms and suggestions for improvement in research in convergence of financial reporting. Consequently, this paper makes an original contribution by providing a

discussion of various theoretical and methodological issues that have not been comprehensively addressed in the accounting literature. Examples of such issues that are likely to enhance the quality of cross-cultural accounting research include examining the importance of two personality variables namely Islamic religiosity and Perceived accountability in providing sharper insight influencing accountants' JDM.

Additionally, previous research shows country-level differences in accounting practices either at the macro level (political, legal, colonial, cultural and economic factors) or the micro level (individual companies, industries and organisational culture), or relates the differences to the individual attributes of the accountants (experience, education, ability and motivation) (Patel, 2004; Patel & Millanta, 2011; Heinz et al., 2013; Pan & Patel, 2018). While these studies provide invaluable insights in differences in professional accountants JDM, they are limited in scope (Chand et al., 2008). Thus, there is lack of both theoretical and empirical research that collectively provides a more comprehensive framework that cause level differences in accounting practices. Suggesting a multidimensional measure backed by theoretical soundness, this study will fill the gap in the existing literature. By integrating multidisciplinary perspectives, this study suggests that researchers may extend this strand of research by taking into account relevant and important contextual factors, including cultural, political, legal, and economic factors, that collectively provide a more complete framework of factors that cause within- and between-country-level differences in accounting practices. This study also suggests that relevant accountants' personality variables such as Islamic religiosity and perceived accountability need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants' judgments.

Paper 2 contributes to the literature by examining the influence of Islamic religiosity on professional accountants' judgements on issues related to the global convergence of financial reporting. Earlier literature in accounting suggests professional accountants' judgments can be influenced by their traits, such as, Islamic religiosity (Nelson, 2009). However, accounting literature on the influence of Islamic religiosity on professional accountants' judgements is relatively scant. Limited number of research examined religiosity with respect to risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016), unethical corporate behavior (Grullon et al., 2010), information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012), tax avoidance (Boone et al., 2013), earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015; Du et al., 2015), tunneling (Du, 2014), going concern reporting decisions (Omer et al., 2015), audit firms' pricing decisions (Leventis et al., 2015). However, all aforementioned studies are conducted in

the U.S. where most devotees are Christian (Du et al., 2015). Consequently, there is lack of evidence on other denominations including Muslims in non-Anglo-American countries. This study fills this important gap by examining the influence of Islamic religiosity on professional accountants' judgements on issues related to the global convergence in Bangladesh.

Also, recognizing the importance of Islam, in 2013, IASB decided to form a consultative group on Shariah-Compliant Instruments and Transactions to examine challenges that may result from the application of IFRS to the instruments and transactions linked to Islamic finance, to invite papers on those challenges, and to make recommendations to the IASB regarding steps that it might take after reviewing the key recommendations of those papers (IFRS Foundation, 2014). This thesis responds to the call by the IASB to provide additional insights on Islamic influence, accounting and convergence in an Islamic country context.

Paper 3 contributes to the literature by examining the influence of perceived accountability on professional accountants' judgements on global convergence of financial reporting using Bangladesh as a proxy for Islamic countries. Extensive attention has been paid to formal or imposed accountability which basically refers to monitoring of individuals by superiors who have the power to instigate rewards or punishments (Zelnik et al., 2012; Chang et al., 2013; Peecher et al., 2013), the individual level perceived accountability, which stimulates individuals' intrinsic motivations for their judgments and behaviour has not been rigorously examined in prior accounting literature (Hall et al., 2006, 2015; Steinbauer et al., 2014; O'Dwyer & Boomsma, 2015; Pearson & Sutherland, 2017, Park, 2016, 2017). Hall and Ferris (2011) argued that scholars have historically taken the construct of perceived accountability for granted. However, until today this important personality variable, perceived accountability, has not been examined with respect to global convergence of financial reporting. Therefore, there are calls in the literature to examine the influence of perceived accountability in various national context (Wikhamn & Hall, 2014; O'Dwyer & Boomsma, 2015; Hall et al., 2017). We respond to these calls by examining the influence of perceived accountability on professional accountants' judgements on accounting values that related to global convergence.

Finally, this thesis challenges the implicit assumption of global standard setters that accounting is neutral, objective, and value-free and that the country specific contextual factors can be ignored in this rush towards convergence.

1.7. Structure of the Thesis

The remainder of the thesis is comprised of four chapters which include three papers and a concluding chapter. Chapter 2 presents paper 1, 'Theoretical and Methodological Suggestions for Improving Research on the Global Convergence of Financial Reporting'. Chapter 3 presents paper 2, 'The Influence of Islamic Religiosity on Professional Accountants' Judgments on the Global Convergence of Financial Reporting: Evidence from Bangladesh'. Chapter 4 presents paper 3, 'The Influence of Perceived Accountability on Professional Accountants' Judgments on the Convergence of Financial Reporting: Evidence from Bangladesh'. Chapter 5 concludes the thesis by summarising and synthesising the three studies and discussing the implications of the findings along with the limitations of the research.

Chapter 2: Theoretical and Methodological Suggestions for Improving Research on the Global Convergence of Financial Reporting

Abstract

This paper critically evaluates 430 scholarly articles published in leading journals (ranked A* and A by the Australian Business Deans Council) from January 1985 to June 2018 which examine various aspects of the global convergence of financial reporting to provide theoretical and methodological suggestions for improving research in this area. Most of these archival studies examine the impact of IFRS adoption on various variables, including earnings management, value relevance, analyst following and forecast accuracy, various financial ratios, cost of capital, and liquidity, but these simplistic quantitative techniques have been criticised on a number of theoretical and methodological grounds. For example, the indices used to measure convergence are very sensitive to sample size, number of countries, and number of accounting practices. Further, quantitative models are simplistically employed and country-specific contextual factors that influence professional accountants' judgments are largely ignored. Measuring convergence poses serious challenges because accounting standards require extensive use of accountants' professional judgment and applying quantitative approaches to capture complex judgment processes both within and across countries is problematic. To address these limitations, another stream of research in *de facto* convergence, labelled 'behavioural research', and representing 85 papers in our sample, primarily use survey and experiment research designs to obtain in-depth insights into professional accountants' judgments. This strand of research primarily attempts to unpack the 'black-box' of culture. However, all these attempts to assess global convergence are concentrated mostly in Anglo-American and European countries and largely ignore transitional, developing, and Islamic countries, which differ substantially from Anglo-American countries in terms of country-specific contextual factors. While useful, these studies are often narrow in focus, and do not provide adequate holistic insights into the global convergence of financial reporting, particularly within countries. Hence, there have been calls in the literature to provide more holistic and in-depth insights into professional accountants' judgments. By integrating multidisciplinary perspectives, this study suggests that researchers may extend this strand of research by taking into account relevant and important contextual factors, including cultural, political, legal, and economic factors, that collectively provide a more complete framework of

factors that cause within- and between-country-level differences in accounting practices. This study also suggests that relevant accountants' personality variables such as Islamic religiosity and perceived accountability need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants' judgments. Consistent with this suggestion, Paper 2 of this thesis examines the influence of Islamic religiosity and Paper 3 examines the influence of perceived accountability on professional accountants' judgments on the global convergence of financial reporting using Bangladesh as a proxy for Islamic countries.

Keywords: IFRS; Convergence; Harmonisation; Judgments and decision making (JDM); Theoretical and methodological suggestions.

2.1. Introduction

This paper critically evaluates 430 scholarly articles published in leading journals[1] from January 1985 to June 2018, which examine various aspects of the global convergence of financial reporting to provide theoretical and methodological suggestions for improving research in this area. Global convergence of financial reporting with the adoption of International Financial Reporting Standards (IFRS) by more than 140 jurisdictions is increasingly recognised as an important and controversial topic (IASB, 2018). 'Convergence' means reducing international differences in accounting standards by selecting the 'best practice' currently available, or, if none is available, by developing new standards in partnership with national standard setters (Whittington, 2005). Increasing the comparability of accounting information among jurisdictions is an important goal for the IASB to achieve convergence of accounting standards internationally (IASB, 2006; Barth, 2008; Wang, 2014; Felski, 2017).

However, the accounting literature has raised concerns about the Anglo-American bias in convergence. Indeed, global accounting standards largely reflect Anglo-American values, principles, and practices that may not be suitable in other regions that have their own unique social, political, and economic factors (Heidhues & Patel, 2011; Bamber & McMeeking, 2016; Kamla & Haque, 2017). International accounting literature has provided evidence that the Anglo-American dominance of the world political economy has substantially influenced the essential characteristics of IFRS in terms of, for example, capital market orientation, fair value measurement, and accountants' professional judgments (Perry & Noelke, 2006; Peng & Bewley, 2010; Mhedhbi & Zeghal, 2016). Moreover, current measurement practices (e.g., fair value), highlight the Anglo-American emphasis on the importance of relevance over reliability. However, developing countries, where government is the major user of financial information, have a preference for reliability over relevance. Empirical evidence has shown that the lack of suitability of the Anglo-American accounting model to other contexts, including Islamic economies, challenges the important objective of global standards setters' of attaining comparability of financial information across jurisdictions (Heidhues & Patel, 2011; Tsipouridou & Spathis, 2012; Karampinis & Hevas, 2013; Kamla & Haque, 2017).

To acquire an in-depth insight into the published research on harmonisation and convergence, because of their direct relevance to the topic under examination, a total of 430

[1] 'Leading journals' refers to A* and A-ranked journals in the Australian Business Deans Council (ABDC) *Journal Quality List 2013*. More information on this is given in the research method section.

studies were examined. These 430 papers are classified into two categories: *de jure* research (12); and *de facto* research (418). Whilst *de jure* convergence implies uniformity and consistency in accounting standards, *de facto* convergence refers to consistency in accounting practices (Chand & Patel, 2011). Papers in the *de facto* category were then classified as: (1) archival research (199); (2) behavioural research (85); or (3) others (134). Archival research has extensively examined earnings management and value relevance to gain insight into convergence. A significant number of studies have examined the influence of IFRS adoption on the earnings management of financial reporting in different countries, particularly Anglo-American countries but the empirical findings are inconsistent. While numerous studies observe increased earnings management since the adoption of IFRS (Ahmed et al., 2013; Capkun et al., 2016; Kao, 2014; Ugrin et al., 2017), other studies provide contrasting evidence (Zéghal et al., 2011; Liu et al., 2011; Dimitropoulos et al., 2013; Godsell et al., 2017). Another stream of archival research on global convergence has focused on the value relevance of accounting information. Prior studies provide contradictory evidence on the value relevance of accounting information presented under IFRS versus domestic Generally Accepted Accounting Principles (GAAP). A significant number of studies find a higher value relevance of accounting information presented under IFRS versus domestic GAAP (Landsman et al., 2012; Dimitropoulos et al., 2013; Kim, 2013), while other studies find contrasting evidence (Khanagha, 2011; Tsalavoutas et al., 2012; Shah et al., 2013).

The sample from this study reveals that archival studies are concentrated mostly in Anglo-American and European countries and largely ignore transitional and Islamic countries, which differ substantially from Anglo-American countries in terms of country-specific contextual factors that influence professional judgments and decision making (JDM). For example, 55% of the studies in our sample focus on EU, Anglo-American, and developed economies and only 2% focus on Middle-Eastern Islamic countries. Furthermore, the effect of the contextual factors of a country on professional accountants' JDM has been ignored because the approach adopted by the IASB for developing IFRS is called 'substance over form' and requires accountants to exercise their professional judgment in interpreting and applying IFRS (Garanina & Kormiltseva, 2013; Liu et al., 2014). In summary, archival studies have a narrow focus, and do not advance our understanding of the global convergence of financial reporting.

Quantitative approaches, for example, the H index, the C index, and the I index, have also been developed to measure the level of global convergence. However, these simplistic quantitative approaches have been criticised on a number of methodological and interpretative grounds (Nobes, 1987; Tay & Parker, 1990; van der Tas, 1992; Krisement, 1997; Aisbitt, 2001;

Jones & Finley, 2011). For example, the indices used to measure convergence are very sensitive to sample size, number of countries, and number of accounting practices examined. Additionally, indices that measure the degree of convergence face difficulties in interpreting the results and form inferences because of a lack of benchmarks. In addition to this problem, it is also difficult to compare across different studies because researchers use different samples (firms, sectors, countries, etc.) and often examine different accounting practices. Also, indices employed to measure the degree of convergence use a number of financial variables and ratios as inputs that have been retrieved from different databases whose accuracy and reliability are questioned repeatedly in the literature (Niels & Weiner, 2005; Lara et al., 2006). Additionally, since earlier studies do not have coherent and comprehensive theoretical underpinnings, we do not have *a priori* expectations, which makes it difficult to interpret the results of these studies and constrain their generalisability (Gernon & Wallace, 1995; Rahman et al., 2002; Ali, 2005). Importantly, measuring convergence poses serious problems because accounting standards require extensive use of accountants' professional JDM and applying quantitative approaches to capture this complex professional judgment process across countries is problematic.

Another stream of research in *de facto* convergence, labelled 'behavioural research', representing 85 scholarly articles in our sample, primarily uses survey and experiment research design to gain insights into professional accountants' JDM. This strand of research is motivated by the concern that *de jure* convergence may not lead to *de facto* convergence. This strand of research primarily attempts 'to unpack the black-box of culture' (Patel, 2006, p. 13). However, research to date has largely failed to tease out the constructs of culture, for example, values and beliefs, that are most likely to influence professional accountants' judgments (Patel et al., 2002; Patel, 2006). Because the operationalisation of culture invoked by these studies is considered to be too broad, they have been criticised for their limited ability to provide richer insights into accountants' judgments (Patel et al., 2002; Heidhues & Patel, 2011).

Even today, global convergence of financial reporting measures is still at an experimental stage; methodology and analytical techniques are still being proposed and tested on specific samples of accounting items and jurisdictions (Rahman et al., 1996). Even so, an extensive analysis of the literature shows that international accounting suffers from a distinct lack of studies on methodological criticism and suggestions for improvement in research in the convergence of financial reporting. Consequently, the main objective of this study is to identify the theoretical and methodological strengths and limitations of earlier research, with a view to informing and guiding both the theoretical specification and treatment of culture and its

operationalisation and methodology. Suggestions included in this paper may provide some useful guidance for future convergence studies researchers. Importantly, this paper makes an original contribution by providing a discussion of various theoretical and methodological issues that have not been comprehensively addressed in the accounting literature. Examples of such issues that are likely to enhance the quality of cross-cultural accounting research include examining the importance of two personality variables, namely Islamic religiosity and perceived accountability, to provide sharper insights into accountants' JDM.

Extant research has shown that global convergence of financial reporting has a strong Anglo-American bias (Patel, 2006; Doupnik & Perera, 2009; Heidhues & Patel, 2011). In particular, research has focused on the United States. This includes studies conducted within the United States, as well as cross-national studies that have included US data. The easy availability of relevant data for the United States may be one reason for this extensive coverage (Bushman & Smith, 2001; Sarkar et al., 2008). Accounting researchers from Anglo-American countries often implicitly assume that Anglo-American research findings are generalisable and transferable to other countries, whether they be other Anglo-American countries or countries outside the Anglo-American cluster (Psaros et al., 2003; Chand & Patel, 2011). To date, accounting researchers from Anglo-American countries have largely ignored the importance and uniqueness of country-specific contextual factors. This paper rejects such simplistic assumptions and suggests that future studies examine factors that may influence accountants' JDM on issues related to convergence in other countries, including Islamic and emerging economies, namely Bangladesh.

In addition, previous research shows country-level differences in accounting practices either at the macro level (political, legal, colonial, cultural, economic) or the micro level (individual companies, industries, organisational culture), or relates the differences to the individual attributes of the accountants (experience, education, ability, motivation) (Patel, 2004; Patel & Millanta, 2011; Heinz et al., 2013; Pan & Patel, 2018). While these studies provide invaluable insights into differences in professional accountants' JDM, they are limited in scope (Chand et al., 2008). Thus, there is a lack of both theoretical and empirical research that collectively provides a more comprehensive framework that cause differences in accounting practices. By suggesting a multidimensional measure backed by sound theoretical evidence, this study will fill the gap in the existing literature. The study suggests that by integrating multidisciplinary perspectives, researchers may extend this research trend by considering all the relevant and important contextual factors—cultural, political, colonial inheritance, legal, and economic—and thus provide a more complete framework of factors that

cause within- and between-country differences in accounting practices. This study also suggests some relevant personality variables, namely, religiosity and accountability, that need to be examined with respect to global convergence to gain holistic and in-depth insights into accountants' JDM.

The remainder of the paper is organised as follows. Section 2.2 describes the research method. Section 2.3 provides summary of findings. Section 2.4 reviews previous archival studies on convergence and their limitations. Section 2.5 reviews previous behavioural studies on convergence. Section 2.6 provides some theoretical and methodological suggestions to examine the global convergence of financial reporting. Section 2.7 presents the limitations of the study. Section 2.8 concludes the paper.

2.2. Research Method

In order to achieve an in-depth insight into the published research on harmonisation and the convergence of global financial reporting, two key words— 'harmonisation' and 'convergence'—were used to search a number of databases including EBSCO, JSTOR, Emerald, Science Direct, Springer, Taylor and Francis, and SSRN. Our sample period includes January 1985 to June 2018. However, given the sheer volume of research on harmonisation and convergence, we limited our search to only A-ranked journals from the ABDC's *Journal Quality List 2013*. Using 'convergence' and 'harmonisation' as key words yielded 1,903 and 1,133 papers in those journals respectively.[2] It should be noted that articles published in the *Journal of Accounting Literature* from January 1984 to June 2013 were not available either on the journal's website or at the Macquarie University library. However, a manual examination of the articles showed that 430 papers were specifically relevant for this study. Discussions, replies, or responses pertaining to earlier papers, book reviews, journal editorials, and announcements were excluded from the sample. Table 2.1 summarises the results.

[Insert Table 2.1 here]

Because of a lack of appropriate literature relating to the classification of scholarly articles in convergence, following Bloomfield et al. (2016), we classified each paper's topic area and method by evaluating the paper. A total of 430 papers were evaluated and grouped

[2] Even though 'convergence' and 'harmonisation' have two different meanings (Zeff & Nobes, 2010), in the rest of the paper these two terms are used interchangeably.

into two categories: (1) *de jure* convergence (12); and (2) *de facto* convergence (418). Whilst *de jure* research examines uniformity and consistency in accounting standards, *de facto* research studies consistency in actual accounting practices. We then classified papers in the *de facto* category under: (1) archival research (199); (2) behavioural research (85); and (3) others (134) (see Figure 2.1). Archival studies primarily examine the impact of IFRS adoption on a range of issues including earnings management, value relevance, analyst following and forecast accuracy, stock market reaction, P/E and other financial ratios, cost of capital, liquidity, debt contracting, market performance, foreign mutual fund ownership, and equity and debt markets. Another stream of research in *de facto* convergence, labelled 'behavioural research', with 85 scholarly articles in our sample, primarily uses survey and experiment research design to gain insights into professional accountants' JDM. Papers that are neither archival nor behavioural in nature were classified clustered under 'others' (134). Topics pertaining to, for example, the standard-setting agendas of the IASB, the United States, the United Kingdom, Canada, and Australia; the history and politics of accounting standards in different countries; and accounting system classification were grouped under 'others' and are not the focus of this paper.

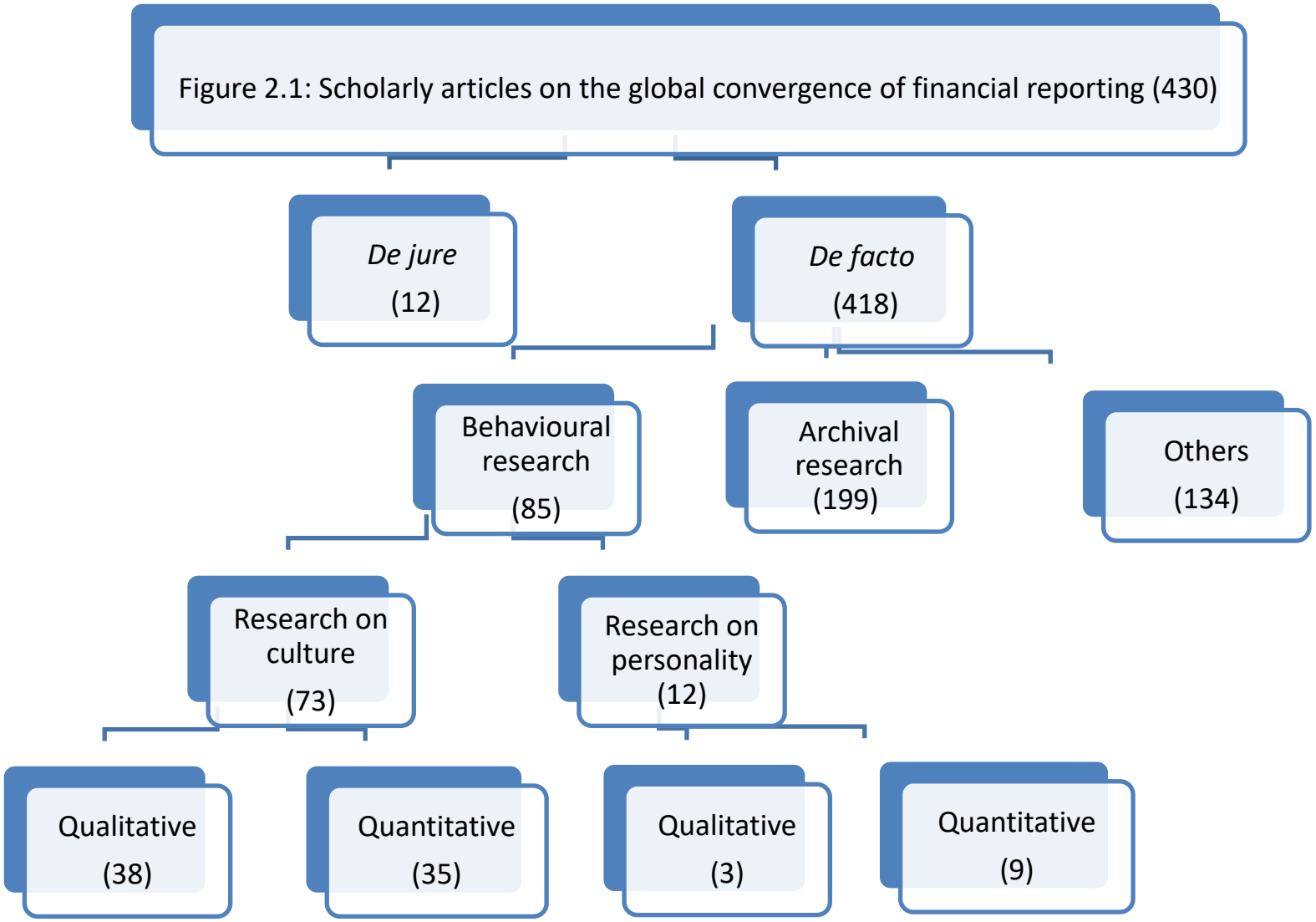


Figure 2.1: Scholarly articles on the global convergence of financial reporting (430)
De jure (12)
De facto (418)
Behavioural research (85)
Archival research (199)
Others (134)
Research on culture (73)
Research on personality (12)
Qualitative (38)
Quantitative (35)
Qualitative (3)
Quantitative (9)

2.3. Findings

Table 2.2 shows that 272 studies out of 430, that is, 63%, use mathematical/statistical models, surveys, and experiments. The other 37% are qualitative in nature, and were used to gain insights into various aspects of convergence. Close examination of the 430 studies also revealed that while authors in the United States and China are more inclined to employ complex quantitative techniques, researchers from Europe and Australia are more focused on studies that use surveys and different qualitative techniques (e.g., interviews, case studies), an observation that is in line with prior literature (Panozzo, 1997; Bhimani, 2002).

[Insert Table 2.2 here]

Furthermore, no papers have been published on *de jure* convergence since 2010. This points to the fact that 139 jurisdictions already require IFRS standards for listed companies (IFRS, 2017). Even the Chinese GAAP is 'substantially aligned' with IFRS (Chen & Rezaee, 2012) which makes *de jure* research redundant. However, an analysis of sample studies show that during the same period, research on *de facto* convergence increased about threefold compared to the previous years, and has continued to increase ever since. It is no surprise that today researchers in international accounting are more interested in conducting quantitative research, and in particular, archival research. This is because emphasising quantitative techniques rather than critical accounting knowledge has become increasingly important for publications in the top-ranked accounting journals (Heck & Jensen, 2007; Basu, 2012). Disciplines that require more complex mathematical models are viewed as more rigorous than those that require less (Heberlein, 1988). It is no wonder then that most of the research on global convergence increasingly relies on complex mathematical and statistical models and ignores the most important aspect of convergence, that is, professional accountants' JDM.

2.4. Archival Research

Many attempts have been made to examine the global convergence of financial reporting, for example, with respect to liquidity and cost of capital (Daske et al., 2013); firm performance (Wu & Zhang, 2009); audit fees (De George et al., 2013); equity valuation/debt market (Eng et al., 2013; Beneish et al., 2015; Bierstaker et al. 2016); analyst following and forecast accuracy (Barniv & Myring, 2015); debt contracting (Christensen et al., 2009); corporate social disclosure (van der Laan Smith et al., 2014); financial ratios (Lueg et al., 2014); foreign direct

investment (Charles et al., 2014); and contractual usefulness (Ozkan et al., 2012). A significant number of studies (For example, Barth et al., 2008; Liu et al., 2011; Ahmed et al., 2013; Dimitropoulos et al., 2013; Capkun et al., 2013; Kao, 2014) in this group have examined earnings management and value relevance to gain insight into convergence. A number of studies have examined the influence of IFRS adoption on earnings management in different countries, particularly in Anglo-American countries. Earnings management is defined as 'reasonable and legal management decision making and reporting intended to achieve stable and predictable financial results' (McKee, 2005, p. 1). However, the empirical findings of the effects of the adoption of IFRS on accounting earnings management are inconsistent in prior studies. Numerous studies find increased earnings management after the adoption of IFRS (Ahmed et al., 2013; Capkun et al., 2013; Kao, 2014), while other studies provide contrasting evidence (Barth et al., 2008; Liu et al., 2011; Dimitropoulos et al., 2013). Another stream of archival research on global convergence focuses on the value relevance of accounting information. The value relevance of accounting information has been explained as 'the ability of accounting numbers to summarize the information underlying the stock prices' (Francis & Schipper, 1999, p. 346). Thus, value relevance is indicated by a statistical association between financial information and stock prices or returns. Accounting standards that decrease opportunistic behaviour cause accounting earnings with high value relevance (Ewert & Wagenhofer, 2005; Barth et al., 2008). Prior studies provide contradictory evidence on the value relevance of accounting information presented under IFRS versus domestic GAAP. A significant number of studies find that accounting information has a higher value relevance under IFRS than domestic GAAP (Dimitropoulos et al., 2013; Kim, 2013), while other studies find contrasting evidence (Khanagha, 2011; Tsalavoutas et al., 2012; Shah et al., 2013).

Owing to methodological and sample-related differences across these studies, it is challenging to identify why they reach varying conclusions. However, a possible explanation for inconsistent results stems from the many country-specific institutional factors that are unique to each industry, country, and region. For example, Ali and Hwang (2000) claim that the value relevance of financial information is trivial for jurisdictions where the financial systems are bank-dominated rather than market-dominated; where the private sector is not engaged in the standard-setting practice; where the Continental, as opposed to the Anglo-American, accounting model is practiced; where tax rules have significant impact on financial accounting measurements; and where auditing fees are relatively low. Soderstrom and Sun (2007) argue that accounting quality after IFRS adoption depends on three factors: (1) the quality of the standards; (2) a country's legal and political system; and (3) financial reporting

incentives, namely financial market development, capital structure, ownership structure, and the tax system. A number of studies also observe that stronger (weaker) investor protection (Ball et al., 2000; Enomoto et al., 2015; Persakis & Iatridis, 2016), legal enforcement (Anagnostopoulou, 2017; Chen et al. 2016), and tax enforcement systems (Chen & Gavious, 2017; Hanlon et al., 2014) lead to stronger (weaker) accounting quality. Sample selection biases and methodological issues such as omitted variables and lack of robustness (Barth & Clinch, 2009; Christensen et al., 2013; De George et al., 2013) are other factors that may lead to mixed results. For example, Bartov et al. (2005) employ a regression of returns on earnings, in which the book value of equity could be the omitted variable that is highly associated with earnings, thus biasing the coefficient on earnings (Soderstrom & Sun, 2007; Palea, 2013; De George et al., 2013). Another possible explanation for these contrasting results might be, as Sellami and Fakhfakh (2013) noted, that most of the studies are mainly based on transitional period analysis which is generally limited to the first one, two, or three years after IFRS adoption. This analysis period is considered short and is influenced by the reaction of firms in the face of regulatory change rather than by the enforcement role of IFRS. Much of the archival research in prior literature excludes financial firms because it is believed that this sector has 'idiosyncratic transactions and accounting policies' (Nobes & Perramon, 2013, p. 210). Inconsistent results in prior literature can therefore also be traced back to the exclusion of financial firms from the sample.

Another major problem in archival studies is that a wider range of explanatory variables is included in the right-hand side of the equation. There must be appropriate theory to back the variables included in the equation, or else the researcher will end up with models that have certain limitations including 'a lack of stability across different time periods or contexts, the need for large samples to operationalize, the reduction of variance in the sample in order to find firms that provide all the data required, inadvertently including endogenous variables, and unclear expectations against which the model can be tested' (Richardson, 2015, p. 73). Prior research also notes that archival studies do not address the detailed mechanisms through which IFRS adoption influences stewardship or pinpoint the precise accounting attributes that drive these changes (Christensen et al., 2013; De George et al., 2013). Furthermore, archival studies that employ large data samples may not be able to evaluate which theory best fits the available data, since major variables have the potential to proxy for different theories (Graham et al., 2005; Stent et al., 2017). For example, in the accounting policy choice literature, firm size can proxy for different variables including political costs, economies of scale in information production, or firm risk. Additionally, archival research that uses large data samples cannot

always speak to the relative importance of competing hypotheses for an event as the explanatory variable with the least measurement error might dominate in a regression analysis (Graham et al., 2005). Furthermore, different confounding events make it even more challenging to pinpoint IFRS effects. Ball (2016) notes that about a decade has passed since the mandatory adoption of IFRS. This provides researchers with only about a decade-long post-IFRS dataset to examine, in which half or more data are plagued by the Global Financial Crisis and subsequent economic malaise, and other institutional changes, including enforcement.

Table 2.3 shows that all these attempts to assess global convergence in relation to earnings management or value relevance are concentrated mostly in Anglo-American and European countries and largely ignore transitional and Islamic countries which differ substantially from Anglo-American countries in terms of the country-specific contextual factors that are found to influence professional JDM. In addition, even though limited attempts have been made with respect to the Chinese market, the quantitative models, which have been used for Anglo-American countries, have been simply employed and thus largely ignore China's unique contextual factors. Importantly, these studies ignore the effect of a country's contextual factors on professional accountants' JDM because the 'substance over form' approach adopted by the IASB for developing IFRS requires accountants to exercise their professional judgment in interpreting and applying IFRS (Garanina & Kormiltseva, 2013; Liu et al., 2014). Also, the inconsistent results in both earnings management and value relevance research may indicate that, because of differences in country-specific contextual factors, achieving *de jure* convergence in global financial reporting may not necessarily result in *de facto* convergence (Drnevicha & Stuebs, 2013; Wehrfritz & Haller, 2014).

[Insert Table 2.3 here]

In addition to these problems, lack of consistency in empirical choices across sample studies makes it difficult to compare results. For example, De George et al. (2013) observe that researchers in archival studies use different event windows. They point out that while Chen et al. (2013) employed a sample period between 2000 and 2009, Hong et al. (2014) selected 2003–2004 as their pre-adoption period and 2006–2007 as their post-adoption period, and excluded the adoption year, 2005. The former paper studies the cross-border spill-over effects of the EU's mandatory adoption of IFRS in 2005 on the investment efficiency of firms, and the latter paper examines the impact of IFRS adoption on initial public offerings. Even though their sample includes 10 years in total, they are not able to determine from the data whether the

effects of IFRS occur soon after adoption or take time to be observed. To overcome this significant limitation, De George et al. (2013) suggest a focus on both short- and long-event windows to examine whether observed effects are persistent or short-lived and present support related to inter-temporal trends. This practice would also benefit researchers in comparing results across various studies. For example, Ozkan et al. (2012) acknowledge that their findings hold only for countries whose earlier domestic GAAP differed significantly from IFRS. In summary, the above-mentioned archival studies have a narrow focus, and do not advance our understanding of the global convergence of financial reporting.

Indices have been developed to measure the level of the global convergence of financial reporting. Table 2.4 presents a list of indices that have been used extensively in the prior literature. For example, van der Tas (1988) propose different quantitative methods such as the H index, the C index, and the I index for measuring convergence. The values of the H, C, I, and T indices range between zero and one. A value of zero means no convergence while a value of one signifies that absolute *de facto* convergence has been achieved. All those indices have their own limitations. For example, the C-index is less suited to measure global convergence for the following two reasons. First, the C index is influenced by the number of observations studied (Krisement, 1997). For example, Krisement (1997) notes that when the sample size is 100, the value of the C index is 0.516 whereas it is 0.51759 for a sample size of 200 even though there is no rationale for the varying degree of comparability for differences in sample sizes. Second, the C index is not additively decomposable with regard to geographical unit, which limits our understanding of whether comparability increases/decreases over time in a particular jurisdiction. Furthermore, Taplin (2003) argues that the original C index is calculated from a sample of companies rather than the entire population, therefore a standard error should be calculated. Taplin (2003) attempts to overcome this shortcoming by developing formulae that include standard errors. However, the formulae in Taplin (2003) are not suitable if the accounts of a firm are comparable with firms using several different accounting methods or if comparisons between firms in different jurisdictions are required (Taplin, 2010).

[Insert Table 2.4 here]

To overcome the limitations of previous measures, Jones and Finley (2011) suggest using the coefficient of variation (CV) to measure the level of convergence. CV is a scale-neutral measure of dispersion of a probability distribution. However, the CV suffers some serious limitations that limit its usefulness. For example, the CV of a variable cannot be

computed when the mean of that variable is zero. Also, when the mean value is near zero, the CV is sensitive to small variations in the mean (Livers, 1942; Jones & Finley, 2011). Another disadvantage is it can be regarded as an appropriate measure if the variable includes only positive values (Livers, 1942). These simplistic quantitative approaches have also been criticised on a number of methodological and interpretative grounds (Nobes, 1987; Tay & Parker, 1990; van der Tas, 1992; Krisement, 1997; Aisbitt, 2001; Jones & Finley, 2011), which are described below.

It is difficult to compare prior studies because authors often examine different accounting practices and use different samples that include companies as well as countries. Emenyonu and Gray (1992, 1996) and Herrmann and Thomas (1995) use a smaller number of accounting treatments in their studies compared to Archer et al. (1995, 1996) and van der Tas (1988, 1992), which makes comparing the findings in these studies difficult. Aisbitt (2001) demonstrates that the smaller the number of accounting treatments examined, the simpler it is to exhibit a high level of convergence. Furthermore, Aisbitt (2001) notes that within a single study, different numbers of accounting treatments are employed for different items. For example, there could be five possible treatments for deferred tax and only two possible treatments for goodwill. Therefore, the index value could indicate that convergence is much higher for goodwill than it is for deferred tax. Earlier studies, namely, van der Tas (1988), Emenyonu and Gray (1992), Herrmann and Thomas (1995), Archer et al. (1995) and Emenyonu and Adhikari (1998) may suffer from this criticism and thus make results from prior studies incomparable. Also, the results of one type of research, for example, *de facto*, are not directly comparable with other types of research, for example, archival research. This is because in archival research data from financial statements are examined where decisions regarding accounting policy choices are the product of an 'institutionalized decision-making process'(Wehrfritz and Haller, 2014, p. 206). On the other hand, *de facto* research that uses surveys to examine professional accountants' JDM is influenced by contextual factors, namely, personality, culture, and globalisation (Wehrfritz & Haller, 2014).

Indices that have been used to measure the level of convergence have also been criticised for numerous other reasons. For example, the indices used to measure convergence are very sensitive to sample size, number of countries, and number of accounting practices examined (Jones & Finley, 2011). A close examination of data shows that most empirical studies use relatively small company samples drawn from a limited number of European countries. Moreover, several studies are conducted across quite limited time frames, and most

of the studies provide a weak rationale for why certain accounting practices are selected. This may create a self-selection bias to the sample and results (Ali, 2005).

Below we discuss a few common characteristics of archival studies.

2.4.1. Number of Countries Examined

Of the 430 papers in our sample that study a sample country, 147 contain a single-country treatment sample and 148 papers use multi-country settings. Studying a single IFRS-adopting country has numerous benefits. For example, single-country settings enable researchers to study a more homogenous sample of firms with largely comparable ownership structures and archival incentives. They also allow researchers to hold constant different factors including socio-economic, institutional, and political factors, examine more deeply institutional details, adopt better identification strategies, and better control for latent confounding events (Ruland et al., 2007; De George et al., 2013; Filip et al., 2015). On the other hand, multi-country setting studies are sensitive to the effects of correlated omitted institutional variables and even when these are included in the studies, they are likely to be estimated erroneously (Bushman & Smith, 2001; Peek et al., 2010). Also, single-country settings enable researchers to better control for unconditional conservatism, a highly problematic issue in an international setting (Ball & Shivakumar, 2005; Beaver & Ryan, 2005; Filip et al., 2015). Given their benefits, there have been calls in the literature for in-depth single-country-setting studies on IFRS adoption (Guerreiro et al., 2012; Tsalavoutas et al., 2012).

However, examining single-country settings typically limits the generalisability of results to a broader set of audiences, firms, and countries. For example, a number of studies including Leuz (2003), Bartov et al. (2005), Van Tendeloo and Vanstraelen (2005), Daske, (2006), Hung and Subramanyam (2007), Ernstberger and Vogler (2008), Tarca et al. (2013), and Christensen et al. (2015) examine German firms with respect to IFRS adoption. Germany is a unique setting as, before mandatory IFRS adoption in 2005, German firms reported under different accounting standards, including German GAAP, IAS, and US GAAP (De George et al., 2013). This facilitates comparisons across firms that are mostly similar except for their selection of accounting standards. This approach can help isolate the effects of accounting standards from the effects of legal, regulatory, and political factors. However, these samples are generally susceptible to self-selection bias associated with firms voluntarily selecting a particular accounting standard or include a non-random sample of firms. Another attribute of German GAAP is that it allows only historical cost accounting.

On the other hand, a number of archival studies including Wu and Zhang (2009), Jones and Finley (2011), Yip and Young (2012), and van der Laan Smith et al. (2014) study multi-country settings. A major benefit of multi-country-setting studies is that the findings can more easily be generalised to a wider variety of audiences, firms, and institutional and enforcement factors. Such studies can also carry out cross-country analyses of the role of country features in influencing IFRS outcomes. The samples used in multi-country analysis are also typically larger, yielding greater power of tests (De George et al., 2013).

2.4.2. Problems Related to Data Sources

Databases A total of 163 studies in our sample, mostly archival research, use a number of financial variables and ratios as inputs, which have been retrieved from one or more databases whose accuracy and reliability have been questioned repeatedly in the literature (see Table 2.5). Ljungqvist et al. (2009) report extensive adjustments to the historical I/B/E/S recommendations database. The alterations comprise changes in analyst recommendations, addition and removal of records, and deletion of analyst identity. Payne and Thomas (2003) note that I/B/E/S usually presents per share data on a split-adjusted basis and rounds to the nearest penny, which can cause a loss of information and lead to erroneous conclusions. Abarbanell and Lehavy (2000) observe that different databases, namely, COMPUSTAT, First Call, I/B/E/S, and Zacks can affect the findings of studies pertaining to earnings management and the value relevance of accounting information.

[Insert Table 2.5 here]

When Jaafar and McLeay (2007) match accounting policy information presented in the Worldscope database against information released in the annual reports, a number of inconsistencies are revealed. They note that Worldscope does not present enough information that may require an in-depth examination of the level of convergence. For example, when a company uses more than one treatment for an accounting item, Worldscope simply describes it as ‘mixed’ without detailing the combination of accounting treatments exercised. Daske et al. (2013) also mention significant discrepancies in the coding of accounting standards between WorldScope and COMPUSTAT Global. When they categorise accounting standards into three broad groups (IAS-IFRS, US GAAP, or local GAAP) and match the coding of reporting standards across these two databases, they spot significant classification differences for around 5% of the firm-year observations covered by both databases. However, when attention is

limited to the subsample of firm-year observations coded as IFRS followers by either database, this value increases to about 30%. Even more alarming is when they match the accounting standards reported in these two databases against respective data hand-collected from annual reports, they find classification discrepancies in about 25% of the observations for WorldScope and about 40% for COMPUSTAT Global.

Lara et al. (2006) analyse whether the choice of database has an effect on the results of empirical studies in accounting. They examine the Global Vantage (COMPUSTAT Global), Company Analysis, Worldscope, datastream, Thomson Financial, Extel Financials, and BvD Osiris databases, and conclude that database choice matters, as it leads to different results even after using the same research design. Niels and Weiner (2005) compare the COMPUSTAT and Worldscope databases, and show that if both databases are not treated with care, the quality of conclusions may differ considerably. Ball et al. (2000) testify that the differences between their findings and those of Pope and Walker (1999) could be linked to the use of different databases as sources for UK data. While the former study uses the Global Vantage database, the latter uses Datastream. Alves et al. (2007) compare the coverage and content of the Datastream, Worldscope, Extel, Company Analysis, and Thomson Research databases for UK companies. Their results suggest that these products are not perfect substitutes in terms of: (1) coverage of firms and accounting items; and (2) the values of accounting items. Their replication of four empirical tests indicates that the results are sensitive to the data source. Krist (2009) shows that Datastream, and even more so COMPUSTAT, reveal considerable differences in the data they report, especially for historical data. Consequently, inconsistencies detected across databases raise questions concerning the generalisability, reliability, and comparability of the findings of studies, especially in archival research, that use databases. There have also been calls in the literature to examine the institutional context in which commercial databases collect their data and construct their variables (Richardson, 2015).

Annual reports An extensive number of studies that use indices to measure levels of convergence mostly use annual reports as their data source. However, the use of annual reports in measuring level of convergence is subject to numerous limitations. First, financial statements are ‘raw’ and prone to manipulation in any way the researcher wishes. Second, the reports may not be communicated in a language that the researcher can comprehend. And when English versions of the report are available, other problems may exist. For example, translated financial statements could be either abridged or restated on bases other than those applied in the original reports. Nobes (1987) uses the financial statements of US and UK firms and notes significant

language differences as American English accounting terms are different from the terms used in British English. A list of such differences is given in Table 2.6. Companies from non-English-speaking countries, for example, Germany, France, and Turkey, frequently publish 'convenience translations' of their annual reports. Convenience translations are statements translated from a filing language to a different language, usually English, but retain all original accounting principles and the original currency. Although translations may provide valuable insights, they may not present a holistic and complete understanding of financial reporting. In addition, a statement issued for informational purposes in a second language may not be reliable as it does not have to obey any disclosure rules (Pagell & Halperin, 2000). In their translated annual reports companies frequently note 'in the event of a conflict in interpretation, reference should be made to the original version of this Annual Report'. One of the grounds for the concern about equivalence in translation is that accounting jargon is also influenced by 'social structures and cultural connotations' (McLeay, 2012, p. 472). Therefore, it is possible that researchers who used financial statements in measuring level of convergence are exposed to numerous shortcomings.

[Insert Table 2.6 here]

2.4.3. Problems Relating to Interpretation

An increase in the index value does not necessarily mean improvement in convergence. The majority of the studies that use indexing or the statistical approach are based on voluntary disclosure practices which pre-date the decision of sample countries, say, Australia and the EU, to move to a mandatory IFRS regime (Jones & Finley, 2011). Consequently, how the researchers specify the accounting treatment being studied significantly affects the values obtained under the index approach. Also, little is known about the indices' sensitivity to variations in the distribution of companies across accounting methods as more countries are compared. Additionally, studies that measure the degree of convergence using indices face difficulties in interpreting the results and form inferences because of a lack of benchmarks. For example, it is difficult to comment whether an H-index reading of 0.60 for a particular accounting practice is good or bad or an improvement. Some studies interpret the extent of actual accounting practices compliance with International Accounting Standards (IAS) results as follows: high—when the index value is 80% or more; moderate—if the value is between 60% and 79%, and low—when it is less than 60% (Ali, 2006; Ali et al., 2006). This is a judgmental approach.

Also, researchers who use indices to measure levels of convergence identify that firms might be using a combination of more than one method for the same transaction (Aisbitt, 2001). For example, firms may apply straight line, declining balance, or a combination of both methods to compute depreciation over a given time period. If most of the firms in the sample use a combination of methods, a higher comparability index may be attained even though financial reports are not truly comparable. Consequently, an increase (decrease) in the comparability index does not essentially indicate an increase (decrease) in convergence. Hence, data need to be carefully examined to obtain true insights into global convergence.

2.4.4. Problem Pertaining to Non-Disclosure

Convergence measurement using indices is dependent on information provided in the annual reports. Non-disclosure has led to a major limitation to the measurement and interpretation of empirical testing of *de facto* convergence of external financial reporting within and between countries (Archer et al., 1995; Morris & Parker, 1998; Aisbitt, 2001; Pierce & Weetman, 2002) because it is difficult to identify whether a disclosure item was applicable or if the company failed to disclose an item in the annual report. The indices used to measure convergence have been computed in such a restrained way in earlier studies that firms not disclosing the accounting method employed or not reporting on a given item are excluded from the index calculation. Consequently, increased (decreased) convergence reported in prior literature can be linked to a great extent to changes in the applicability of certain accounting methods plus changes in the level of disclosure (McLeay, 1993).

2.4.5. Difficulty in Establishing Causation

Indices can provide an indication as to whether the level of convergence has improved but they cannot isolate the cause. Convergence studies attempt to associate changes in harmony with a single factor, that is, legislation. However, preparing annual reports is also influenced by other issues, namely changes in non-legislative regulations, development in accounting practices and thoughts, industry factors, and demands of the market which are difficult to control (Aisbitt, 2001). Peill (2000) attempts to cross-check indices measured by reference to different criteria. She compares the results of indices determined by industry with indices calculated by country to examine industry effects. However, it may not be possible to identify or control all possible causes.

2.4.6. Theoretical Limitations

With respect to theoretical limitations, concerns have been raised repeatedly in the literature that there is an absence of coherent and comprehensive theory pertaining to the measure of global convergence of financial reporting. Since studies that use indices to measure convergence do not have theoretical underpinnings, we do not have *a priori* expectations, which makes it difficult to interpret the results of these studies and also limits their generalisability (Gernon & Wallace, 1995; Rahman et al., 2002; Ali, 2005). Lacking an appropriate theory for direction, earlier research on this key issue has often generated more emotional heat than scholarly light. Above all, many of these studies tend to ignore the importance of professional accountants' JDM, and simply examine various independent variables, namely deferred tax (van der Tas, 1992; Archer et al., 1995; Pierce & Weetman, 2002), fixed asset valuation, depreciation (Herrmann & Thomas, 1995), goodwill (Herrmann & Thomas, 1995; Archer et al., 1995; Garrido et al., 2002), and fair value (Cairns et al., 2011; Alexander et al., 2012), which is quite narrow in focus.

2.4.7. Size and Industry Effect

Studies that employ indices to measure levels of convergence ignore the 'size effect'. It has been found that firm size, profitability, region, and industry could affect the convergence of financial reporting. For example, firms with small market capitalisation within a country make more homogeneous policy choices than do large companies for two reasons (Jaafar & McLeay, 2007; Nobes & Stadler, 2012; Nobes, 2013; Nobes & Perramon, 2013; Stadler & Nobes, 2014; Nobes & Stadler, 2015). Adhikari & Tondkar (1992) suggest that financial reporting by large firms might not be a good proxy for that of firms in general. Moreover, as the industry mix is not identical in each jurisdiction, this may affect the comparison of accounting systems worldwide (Hellman et al., 2015). Consequently, if country is the primary reason for a lack of comparability, this does not mean that other factors, such as industry and firm size, should be ignored (Jaafar & McLeay, 2007). This argument basically points to the fact that researchers need to select sample companies with similar firm characteristics in their research design. However, indices do not take into account the impact of firm-specific characteristics, which leads them to compare apples with oranges. Also, a significant number of archival studies fail to control for these effects, which raises questions about the methodological soundness of their models.

2.5. Behavioural Research

Behavioural research, another stream of research in *de facto* convergence, representing 85 scholarly articles in our sample, uses surveys and experiments to gain insights into professional accountants' JDM. This strand of research is motivated by the concern that *de jure* convergence may not lead to *de facto* convergence. A total of 73 papers examine convergence with respect to culture and only 12 studies examine personality.

2.5.1. Research on Culture

Numerous studies have shown that country-specific contextual factors, namely, historical, social, political, economic, legal, and cultural factors may result in different outcomes even in the presence of a common set of financial reporting standards, and thus cannot be ignored when measuring the global convergence of financial reporting (Patel et al., 2002; Doupnik & Richter, 2003; Ball et al., 2003; Askary, 2006; Patel, 2006; Ball, 2006; Nobes, 2006; Soderstrom & Sun, 2007; Doupnik & Riccio, 2006; Tsakumis, 2007; Perera & Baydoun, 2007; Chand & White, 2006; Nobes, 2009; Hellmann et al., 2010; Kvaal & Nobes, 2012; Chand et al., 2012; Heidhues & Patel, 2011; Combs et al., 2013; Wehrfritz & Haller, 2014; Pan & Patel, 2017). A distinctive trait of IAS and IFRS is that they are 'principles-based', drawn clearly from the IASB's Conceptual Framework, rather than 'rules-based'. Principles-based standards do not provide detailed guidelines for implementation and thus allow room for individual professional judgments (Bennett et al., 2006; Benston et al., 2006; Agoglia et al., 2011; Heidhues & Patel, 2011). Because the approach adopted by the IASB for developing IFRS is called 'substance over form', accountants are required to exercise their professional judgment in interpreting and applying IFRS (Garanina, & Kormiltseva, 2013; Liu et al., 2014). Thus, accountants are required to use professional JDM that is likely to influence global convergence.

Gray's (1988) framework, based on Hofstede's (1980) four-dimensional cultural framework, is extensively used in this strand of research, which primarily attempts to unpack the 'black-box' of culture. Gray (1988) asserts that societal values influence accounting values, which in turn influence the nature and structure of national accounting systems. To exhibit this influence of culture, Gray (1988) offers four 'accounting values' for consideration: professionalism vs. statutory control; uniformity vs. flexibility; conservatism vs. optimism; and secrecy vs. transparency. However, questions regarding the soundness of Gray's framework have been raised repeatedly on a number of theoretical and methodological grounds (Baskerville, 2003; Doupnik & Tsakumis, 2004; Heidhues & Patel, 2011). For example, Heidhues and Patel (2011) contend that Gray's choice of jargon may signify the idea that

Anglo-American accounting concepts are better than other accounting concepts, namely the Continental European accounting model. Gray (1988) uses 'professionalism' to denote Anglo-American accounting models while he uses 'statutory control' to symbolise Continental European accounting models, even though 'professionalism' is used to signify the JDM of professional accountants and 'statutory control' indicates accountants requiring prescriptive and detailed guidelines. Heidhues and Patel (2011) argue that similar biases can be sensed in Gray's other three accounting values. However, Gray (1988, p. 6) provides a simplistic explanation regarding the validity of his social value dimensions by arguing that 'if Hofstede has correctly identified […] cultural value dimensions then it should be possible to establish their relationship to accounting values'.

However, subsequent researchers largely ignore these and other major criticisms of Gray's framework, and invoke or test Gray's framework (Chanchani & Willett, 2004; MacArthur, 2006; Askary, 2006; Marrero & Brinker, 2007; Noravesh et al., 2007; Hooi, 2007; Hope et al., 2008; Rodriguez, 2009). More recent examples of studies that emphasise the continuing popularity of Gray's framework in international accounting include Yunos et al. (2012), Jorissen et al. (2013), Combs et al. (2013), Yusoff et al. (2014), Wahab & Ali (2015), Hellman et al. (2015), Gray et al. (2015), Ali et al. (2016), and Houqe et al. (2016). Heidhues and Patel (2011) contend that Gray's framework does not only resonate the severe weaknesses of Hofstede's dimensions but its subsequent large-scale uncritical adoption further endorses the application of theoretically and methodologically questionable methodologies in international accounting research. Because of the serious limitations of Gray's (1988) framework, this strand of research, which evaluates convergence using the survey method, raises question and fails to provide complete insights into global convergence.

Prior research in accounting shows that culture influences professional accountants' JDM (Hu et al., 2013; Wehrfritz & Haller, 2014; Ball, 2016). However, culture may gradually change because of increasing levels of globalisation, education, and technological developments (Hofstede & Hofstede, 2005). Wehrfritz and Haller (2014) report that country-specific factors such as culture or institutional factors (e.g., national financial system) might have lost a considerable degree of influence on the international application of IFRS over recent years. Chand et al. (2012) and Hu et al. (2013) examine the influence of national culture on the judgments of Australian and Chinese tertiary accounting students. One of the intriguing findings of these studies is that the cultural values of individuals can change because of acculturation which could in turn improve the global convergence of financial reporting. However, even though acculturation is a complex variable, to gain a true insight into

convergence, there is a need to measure it. Also, there is a need to examine this important variable to understand different dimensions of it with the help of theories drawn from different disciplines including psychology, sociology, and economics. Therefore, by using a true measure of acculturation, future studies in international accounting may test the influence of two competing forces, that is, culturation and acculturation, on professional accountants' JDM.

2.5.2. Research on Personality

While culture plays an important role in influencing accountants' judgments, it is also important to recognise within-cultural differences in individual accountants because research shows that it should not be assumed that any society is homogeneous and within-country differences can be ignored (Baskerville, 2003; Chand, 2012; Jones, 2007; Pan & Patel, 2018; Ying & Patel, 2016). Personality generally refers to the dynamic and organised set of characteristics possessed by an individual that uniquely influence his or her cognitions, motivations, and behaviours in different situations (Ryckman, 2012). Personality has been recognised as one of the most important factors influencing individual variability in judgments and behaviours (Taggar & Parkinson, 2007; Funder & Fast, 2010; LePine et al., 2011; Tsunogaya et al., 2017; Nolder & Kadous, 2018; Prather-Kinsey et al., 2018). Because IFRS are ambiguous and subjective, personality plays a more important role in accountants' judgments (Prather-Kinsey et al., 2018). For example, one study suggests that under IFRS, Indian accountants' decisions were more strongly swayed by their personality than those of US-based accountants. This suggests that US-based accountants may be better equipped to resist the tendency to allow their personal feelings to drive their decisions, or that because of their rules-based training they are more familiar with, and therefore more likely, to apply the greater than 50% of voting shares rule in applying interpretation of the word 'control' in consolidations. The Homo Sovieticus (HS) personality type[3] is quite often found among accountants, which may be a serious barrier to the proper implementation and application of IFRS/IAS, since a comparison of HS style and the characteristics required in connection with IFRS clearly shows that these two elements are incompatible (Kabalski et al., 2013; Szychta & Kabalski, 2016).

[3] The term HS was created by Zinovyev, a Russian writer and Philosopher, to signify a personality type whose character, way of thinking and attitude were shaped by a totalitarian system (more specially, communism). Characteristics features of the HS personality, according to Zinovyev, includes enslavement (total submission to communist authorities), lack of intellectual independence, and lack of individuality and dignity (Szychta & Kabalski, 2016)

Researchers have long recognised the value of examining the importance of personality with respect to different aspects of accounting including impact of cognitive styles on resource allocation decisions (Chenhall & Morris, 1991); information processing (Dermer, 1973; Gul, 1984; McGhee et al., 1978); explaining and predicting professional career success (Choo, 1987; Frucot & Shearon, 1991; Goetz et al., 1991; Jacoby, 1981); and teaching accounting students (Fortin & Amernic, 1994; Nourayi & Cherry, 1993; Nyland et al., 2000; Oswick & Barber, 1998). However, this important variable has not been examined comprehensively with regard to accountants' judgments (Shafer et al., 2016; Ying & Patel, 2016; Pan & Patel, 2017). In our sample, only 12 papers investigate different personality variables, and nine of these are quantitative. Therefore, researchers have called for studies into the influence of personality on professional accountants' JDM (Briggs et al., 2007; Kovar et al., 2003; So & Smith, 2003; Taggar & Parkinson, 2007; Wheeler, 2001; Heinz et al. 2013).

The literature on professional accountants' JDM does, however, recognise the importance of culture and personality in isolation and prior studies of cultural influences have largely ignored personality influences, and vice versa. By integrating both cultural and personality perspectives, future convergence studies can provide better insights into the psychological functioning underlying professional accountants' JDM because 'culture and personality are most productively analyzed together as a dynamic of mutual constitution' (Markus & Kitayama, 1998, p.66).

2.5.3. Quantitative Methods

While the impact of the convergence of accounting standards has been extensively studied, the sources of this impact are not yet well understood (De George et al., 2013; Christensen et al., 2013). The availability of enormous data sets enables researchers to find statistically significant associations among variables based on small effects (Libby et al., 2015; Ball, 2016). For example, the extant literature shows that models of the effect of disclosure on stock prices explain 5–9% of the variation (Ball & Shivakumar, 2008). It is in this space of unexplained phenomena that survey, interview, and experiment research design could make an important contribution. One of the unique features of the survey and experiment methodology is that it largely stresses cognitive factors, including self-serving attribution bias, different forms of overconfidence, anchoring on regulations formerly in force, accountants' personality traits, weighting of sunk costs, social identity factors, and moral licensing that may affect the way professional accountants form the beliefs and preferences that ultimately influence their choices (Koonce et al., 2011; Baker & Wurgler, 2013; Everett et al., 2015; Libby et al., 2015).

For example, surveys and interviews offer the opportunity to ask accountants very specific questions about the motivations behind their particular financial reporting choices, which may not be able to be understood well enough using archival data. Surveys can also shed light on new explanations or research ideas that have not been considered before. Even though smaller sample sizes in the survey approach raise questions about the generalisability of results, they would surely complement archival studies in providing in-depth insights into the underlying causes of empirically observed effects (Fields et al., 2001).

Although the survey method offers direct insights into the subject matter, it is problematic for a number of reasons. Both researchers and respondents can introduce their prejudices into the survey method. Owing to the researcher's inability to assign participants to different levels of manipulated independent variables, self-selection bias may exist, and may ultimately cause reverse causality. Also, owing to the researcher's inability to control the research setting, hypothesis testing may become subject to omitted variables bias associated with the measure of interest (Bloomfield et al., 2016). Graham et al. (2014) note other challenges that arise in the survey method: survey data can be biased by how questions are asked; respondents can misunderstand the survey questions; or respondents may answer questions randomly and untruthfully. In addition, respondents' desire for conclusion can also bias survey data. It may also be possible that the participants are not representative of the underlying population (Graham et al., 2005). Over time, researchers have come up with ways to lessen some of these difficulties, but complete elimination of them is impossible. Against this reality, survey results should be inferred and used with these probable restrictions in mind, understanding that high-quality survey research always demands a set of conditions that is not always within the researcher's control.

2.5.4. Qualitative Methods

A total of 40 studies in our sample use qualitative approaches, namely, content analysis, case studies, interviews, and observations, to examine global convergence. This is due to the fact that researchers are becoming more concerned about the shortcomings of quantitative methods in providing holistic and in-depth explanations on issues relating to convergence (Zainal, 2007). Qualitative methodologies are particularly useful in providing greater insights on observed statistical associations, and are most appropriate in obtaining 'rich descriptions and explanations from organizational actors on their perceptions' (Moll et al., 2006, p. 378). However, each of the aforementioned qualitative approaches has its own limitations. For example, in order to ask informed questions in an interview, a researcher must plan carefully

and be sufficiently prepared and employ a variety of skills (e.g., intensive listening and note taking). In terms of the interview design process, there are many decisions that must be carefully considered including who to interview, how many interviewees will be required, what type of interview to conduct, and how the interview data will be analysed (Doyle, 2004). Even when the interviewer and the interviewee are speaking the same language, their words may have entirely different cultural meanings (Evans et al., 2015). Given the above limitations, interpretive methods such as the interview have been identified as 'unreliable, impressionistic, and not objective' (Denzin & Lincoln, 2000, p. 12).

2.5.5. Research on De Jure Convergence

Few studies have addressed *de jure* convergence, in whole or in part. D'Arcy (2001) clusters national accounting systems based on financial reporting requirements. Some studies examine the effects of divergence of national GAAP from IAS/IFRS on the quality of accounting information or forecast accuracy (Joos & Lang, 1994; Bae et al., 2008) or analyse determinants of differences between domestic accounting standards and IAS (Ding et al., 2005, 2007). Another major stream focuses on the quantification of *de jure* convergence of accounting regulations (Ashbaugh & Pincus, 2001; Rahman et al., 2002; Garrido et al., 2002; Fontes et al., 2005; Ding et al., 2007; Bae et al., 2008; Peng & van der Laan Smith, 2010; Qu & Zhang, 2010) (see Table 2.7 for details). This group of *de jure* studies fits well with the present study as it concentrates on measurement of *de jure* convergence between two sets of accounting standards and is therefore reviewed in detail below.

Fuzzy clustering analysis (Qu & Zhang, 2010), Jaccard's and Spearman's coefficients (Fontes et al., 2005), Euclidian and Mahalanobis distances (Garrido et al., 2002), multiple discriminant analysis and Mahalanobis distance (Rahman et al., 1996), and different types of indices (Ashbaugh & Pincus, 2001; Ding et al., 2007; Bae et al., 2008) have been used to quantify the level of *de jure* convergence of financial reporting. However, research on *de jure* convergence is still in an experimental stage—inconsistent methodologies and analytical methods have been suggested for and tested in different jurisdictions, mostly Anglo-American and EU countries. A close examination of the 430 scholarly articles in our sample shows that no papers have been published on *de jure* convergence since 2010. This points to the fact that 139 jurisdictions already require IFRS standards for listed companies (IFRS, 2016). Even the Chinese GAAP is 'substantially aligned' with IFRS (Chen & Rezaee, 2012) which makes *de jure* research redundant.

[Insert Table 2.7 here]

Few concerns have been raised regarding the methods and methodologies employed in the extant literature on measuring levels of *de jure* convergence. Qu and Zhang (2010) offer four limitations of previous measures of *de jure* convergence. For example, data sources employed in *de jure* convergence studies are generally regulations, accounting standards, and stock exchanges' listing requirements, which are featured with nominal variables. However, Euclidian distances, Mahalanobis distances, or indices, applied to measure *de jure* convergence, are appropriate for calculating ordinal or interval variables rather than nominal variables. Only Jaccard's coefficient, Spearman's coefficient (Fontes *et al*., 2005), and fuzzy clustering analysis (Qu & Zhang, 2010) can satisfy this requirement.

2.6. Theoretical and Methodological Suggestions

This study suggests the importance of developing a more comprehensive model to examine professional accountants' JDM. Research on convergence can be improved by placing greater focus on interdisciplinary research. Use of multidimensional measures is important in gaining holistic insights into accountants' judgments. Another suggestion for improving research is to use field investigation as a supplement to archival data. Relevant factors, namely, Islamic religiosity and perceived accountability, need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants' JDM.

2.6.1. A More Comprehensive Model to Examine Professional Accountants' JDM

Prior research has examined in isolation the influence of different factors including cultural, political, legal, and economic factors, organisational culture, firm size, and accountants' personal qualities (e.g., years of experience, level of education, ability and motivation), on within- and cross-country differences in accounting practices. Table 2.8 lists 33 possible reasons, identified in previous literature, for within- and cross-country-level differences in accounting practices. For example, in their survey of 381 professional accountants in the UK and Germany, Wehrfritz and Haller (2014) show that professional accountants' JDM is influenced by contextual factors, namely, personality, culture, and globalisation. However, earlier convergence studies are limited in scope because there is a lack of both theoretical and empirical research that collectively provides a more complete framework of factors that cause country-level differences in accounting practices (Chand et al., 2008). For example, earlier

researchers implicitly assume that all these aforementioned factors influence professional accountants' JDM independently. However, most of these factors are usually 'nested' in the county-level factors and evidently, within the same level, these factors interact with each other.

[Insert Table 2.8 here]

To alleviate these research limitations, this study suggests more comprehensive and reliable approaches, including structural equation modelling (SEM) and hierarchical linear modelling (HLM), to examine the simultaneous influence of multilevel factors on professional accountants' JDM. This is because SEM and HLM are used to test the joint effects of multilevel factors including national-level, firm-level, and individual-level contextual factors on professional accountants' judgments. For instance, using SEM, Dalton et al. (2014) provide a theoretical model to examine a large set of antecedents and consequences of perceived gender discrimination within the audit profession. Using a sample of 234 female auditors working in public accounting firms in the United States, they test a theoretical model of perceived gender discrimination in order: (1) to advance theory development within gender-related research in accounting; (2) to motivate future research related to gender equality in the audit profession; (3) to present public accounting firms with vital insights about the factors that influence gender inequality; and (4) to highlight adverse organisational outcomes linked to gender discrimination in the audit profession. Also, Hampton (2015) offers in-depth insights on issues relating to various aspects of SEM using accounting behavioural data.

Therefore, this study suggests that researchers may extend this trend in research by taking into account all the relevant and important contextual factors that influence professional accountants' JDM in one single model to gain more complete and in-depth insights into the global convergence of financial reporting. Having studied these contextual factors (see Table 2.8) in isolation for decades, it is about time researchers developed a model that provides a more comprehensive theoretical link between the existing models and factors. For example, by combining archival research with experimental research, and simple ordinary least squares (OLS) regression with complicated SEM and HLM, researchers can examine the influence of individual-level, nation-level, regional-level, and firm-level contextual factors and their simultaneous effects on financial reporting convergence and earnings quality in different jurisdictions. In this case, an experiment is a complement to archival research, not an alternative. Also, multiple research methodologies provide more in-depth and holistic evidence on IFRS convergence.

2.6.2. Interdisciplinary Research in Accounting

Disciplines that require more complex mathematical models are viewed as more rigorous than those that require less (Jensen, 1983; Heberlein, 1988). Consequently, emphasising complex quantitative techniques rather than accounting knowledge has become increasingly important for articles in top-ranked accounting journals (Chua 1996; Heck & Jensen 2007; Basu, 2012). Another significant inadequacy in empirical study is that researchers 'tend to work on problems they are able to study because data are available; they thereby tend to overlook problems that they ought to study, if data for such problems are not easy to obtain. It is significant that the larger and more comprehensive efforts reported have dealt with published or otherwise readily available data. Gathering direct and original facts is a tedious and difficult task, and it is not surprising that such work is avoided' (Vatter, 1966, p. 232). No wonder that most of the research on global convergence today increasingly relies on complex quantitative methods with highly stylised and impractical assumptions. However,

> [q]uantitative methods are deficient in that they do not come close to providing the type of detail required to enable an adequate grasp of a social actor's lived experiences (or, depending on the theoretical framework employed, her or his aspirations, ideologies, world-views, framings, meanings, interpretive schemes, desires, mental models, intentions, sense-making, representations, dispositions, or justifications), which are important because these things are the very basis of action in the world (Everett et al., 2015, p. 38).

Therefore, there is recognition in the literature that accounting research needs to be 'socially, politically and institutionally contextualised, theoretically informed, and embracing interdisciplinarity' (Parker et al., 2011, p. 9). Consequently, this study suggests that researchers should place more emphasis on interdisciplinary and critical research in international accounting.

The approach adopted by the IASB for developing IFRS is called 'substance over form', which requires accountants to exercise their professional judgments in interpreting and applying IFRS (Garanina & Kormiltseva, 2013). However, professional accountants' JDM are highly complex, multi-dimensional, and deeply embedded contextually, and can only be explained using multiple forms of knowledge and methods drawn from various disciplines including history, psychology, economics, law, and statistics. Gaining knowledge in other

disciplines can broaden and generally augment researchers' grasp of reality. This added perspective may result in fresh insights which could advance our understanding of impediments to the global convergence of financial reporting.

2.6.3. Using the Multidimensional Measure

Even though an extensive number of attempts have been made to examine the global convergence of financial reporting, these studies are simplistic, narrowly focused, and do not advance our understanding of the subject. Hence, there have been calls in the literature (Patel, 2006; Hellmann et al., 2010; Jones & Finley, 2011; Heinz et al., 2013) to provide more holistic and in-depth insights into professional JDM. Even though few studies use unidimensional measures to study the global convergence of financial reporting, to our knowledge no study has ever used a multidimensional measure to look into the idea of convergence. A multidimensional measure provides a more reliable and valid measure than a single-item measure (Patel, 2007). Patel (2007) finds support for the hypothesis that the explanatory powers of the multidimensional measure are greater than those of the unidimensional measure.

Previous researchers have used one or more dimensions to examine professional accountants' judgments. For example, based on Gray's (1988) framework, a number of researchers (Peng and Bewley, 2010; Cairns et al., 2011; Drnevich & Stuebs, 2013) examine professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency. An examination of the literature suggests that to gain greater insights into complex judgments, a comprehensive set of judgment-based dimensions need to be employed. An extensive analysis of the literature shows that the following dimensions—legalistic vs. substance over form, rules-based vs. principles-based accounting standards, historical cost vs. fair value, professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, secrecy vs. transparency—are likely to provide greater insights into professional accountants' judgments.

2.6.4. Using Field Investigation as a Supplement to Archival Data

Archival data and surveys alone are totally inadequate for providing complete insights into an event (Horkheimer, 1993; Malina et al., 2011). Relying merely on archival data always puts researchers in a risky position since they might overlook important insights that could have been uncovered via field investigation. This tendency might lead them to face the 'Honda Effect', which posits that examining inferences through field work can provide a completely different set of findings than might be deduced from archival data only (Mintzberg, 1996).

Often archival data can offer more than one interpretation and, in using both archival and field data, it is possible for researchers to come up with one narrative, eliminating competing ones. This one set of interpretations can then offer all available information (Soltes, 2014). Preciple et al. (2014) suggest that using both archival and field data may allow researchers to triangulate or validate measures or accounting choices. They also point out that the tactics also help complement variable measures that might be uniquely observed through various data collection methods. Thus, the use of combined archival and survey data with chronological intervals, as suggested by Payne et al. (2009) and Pugliese et al. (2014), minimises the effects of common method variance. Therefore, rather than depending on archival data alone, researchers may use field data as an important addendum to the archival dataset. Researchers also need to be cognisant of the institutional context in which commercial databases collect their data and construct their variables (Richardson, 2015).

2.6.5. Personality Variables

As mentioned earlier, personality has been recognised as one of the most important factors determining individual variability in JDM (Taggar & Parkinson, 2007; Funder & Fast, 2010; LePine et al., 2011; Tsunogaya et al., 2017; Nolder & Kadous, 2018; Prather-Kinsey et al., 2018). This study suggests that relevant personality variables, namely, Islamic religiosity and perceived accountability, need to be examined with respect to IFRS convergence to gain holistic and in-depth insights into accountants' JDM.

Islamic Religiosity

Studying religion, an important element of culture, is critical as it is one of the most powerful social institutions that influences an individual's attitudes, values, and actions at both individual and societal levels (Cleveland & Chang, 2009; Alam & Hisham, 2011; Kanagaretnam et al., 2015). Religious teachings may forbid the use of certain goods and services. For instance, Islamic law prohibits Muslims from drinking alcohol, eating pork, gambling, and paying interest on debt. Nelson's (2009) framework suggests that professional accountants' judgments can be influenced by their traits (e.g., Islamic religiosity). However, accounting literature on the influence of Islamic religiosity on accountants' JDM is relatively scarce.

Examining Islamic religiosity is important for several reasons. First, the Pew Research Center (2015) in the US projects that Islam, currently the second largest religion with 1.6 billion adherents, is set to outnumber Christianity, currently the largest religion, by 2070. Given the

number of Muslims worldwide, it is vital to study the impact of Islamic religiosity on professional accountants' JDM, and hence on global convergence. Second, the IMF (2015) shows that Islamic finance assets sky-rocketed in the past decade, from about US$200 billion in 2003 to an estimated US$1.8 trillion at the end of 2013. Additionally, Islamic banking left behind conventional banking over the past decade, increasing its penetration rate by over 15% in a dozen jurisdictions in the Middle East and Asia. This incredible growth has attracted internationally reputable banks such as HSBC, Citibank, BNP-Paribas, and Deutsche Bank to operate 'Islamic windows' or business units within conventional banks (Khan and Bhatti, 2008). An international standard-setting body, namely, the Accounting and Audition Organization for Islamic Financial Institutions (AAOIFI), was established to develop accounting, auditing, and *Shariah* standards for Islamic financial institutions (IFIs). The AAOIFI is supported by 200 institutional members from 40 jurisdictions including central banks, IFIs, and other members from the international banking industry. The AAOIFI has issued a total of 88 standards which include 26 financial accounting standards (FAS), 48 *Shariah* standards, five auditing standards, seven governance standards, and two codes of ethics (AAOIFI, 2015). These standards have been adopted in the Kingdom of Bahrain, the Dubai International Financial Centre, and in Jordan, Lebanon, Qatar, Sudan, and Syria. It is also noted that relevant authorities in Australia, Indonesia, Malaysia, Pakistan, the Kingdom of Saudi Arabia, and South Africa have issued guidelines that are based on the AAOIFI's standards and pronouncements (AAOIFI, 2015). The AAOIFI's standards are considered rules-based as the AAOIFI have been less receptive to two key concepts in IFRS: (1) substance over form; and (2) the time value of money (PWC, 2010; Deloitte, 2012). The increasing demand for Islamic finance and thus the adoption of the AAOIFI's standards show a growing movement towards Islamic convergence of financial reporting and represent challenges for the global convergence of financial reporting (Hamid et al., 1993; Lewis, 2001; Vinnicombe & Park, 2007). Increasing concerns about conflicts between global convergence and Islamic convergence is evidenced in a joint report by KPMG and the Association of Chartered Certified Accountants (ACCA), which calls for the IASB, the AAOIFI, and other Islamic financial standard setters and regulators to work together to develop guidelines and standards to harmonise global financial reporting (ACCA, 2012).

However, despite the above issues, there is limited accounting research examining the association of religiosity with accounting choices (Dyreng et al., 2012; Grullon et al., 2010; McGuire et al., 2012). A limited number of studies examine religiosity with respect to risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical

corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015; Du et al., 2015); tunnelling (Du, 2014); going concern reporting decisions (Omer et al., 2015); and audit firms' pricing decisions (Leventis et al., 2015). However, all aforementioned studies are conducted in the United States where most people are Christian (Du et al., 2015). Consequently, there is a lack of evidence regarding other denominations, including Muslims. Hence, to fill this important gap in the literature, this study examines the influence of Islamic religiosity on professional accountants' JDM on issues related to global convergence of accounting standards.

The importance of Islam for the global convergence of financial reporting is also witnessed by calls from various bodies, including the Islamic Financial Services Board (IFSB), the Association of Chartered Certified Accountants (ACCA), and the Malaysian Accounting Standards Board (MASB), for the IASB and the Islamic Banking Industry to work together to harmonise financial reporting of IFIs. In response to these calls, the IASB (2012) announced its plan to set up an expert advisory group on Islamic accounting by stating:

> The IASB could benefit from learning more about Islamic (*Shariah*-compliant) transactions and instruments—neither the IASB nor our staff have expertise in this area. The IASB is establishing a consultative group to assess the relationship between *Shariah*-compliant transactions and instruments and IFRS and to help educate the IASB, mainly through public education sessions.

In 2013, the IASB decided to form a consultative group on *Shariah*-compliant instruments and transactions (IFRS Foundation, 2014). The objective of this group is to examine challenges that may result from the application of IFRS to the instruments and transactions linked to Islamic finance, to invite papers on those challenges, and to make recommendations to the IASB regarding steps that it might take after reviewing the key recommendations of those papers (IFRS Foundation, 2014). This paper responds to the call by the IASB to provide additional insights into Islamic influence, accounting, and convergence in an Islamic country context.

Perceived Accountability

One of the major objectives of an accounting system is to encourage accountability which is, to a great extent, a matter of disclosure, transparency, and of explaining corporate policies and

actions to those to whom the company has responsibilities. The 2015 revision of the IFRS Foundation's mission statement reintroduced the term 'accountability', identifying its mission now as 'to develop IFRS that bring transparency, accountability and efficiency to financial markets around the world' (IFRS Foundation, 2015). In this era of globalisation, felt or perceived accountability offers important benefits for both organisations and their employees as it provides guidance and direction for employees, establishes role expectations and mutual obligations, and clarifies performance and behaviour evaluation criteria (Wikhamn & Hall, 2014; Patil et al., 2017). The extreme importance of accountability to all societies and to the organisations that inhabit society means that the concept of accountability must also be fully understood and examined in reference to the global convergence of financial reporting. However, while great attention has been paid to formal or imposed accountability, which basically refers to the monitoring of individuals by superiors who have the power to instigate rewards or punishments (Zelnik et al., 2012; Chang et al., 2013; Peecher et al., 2013), individual-level perceived accountability, which stimulates individuals' intrinsic motivations for their judgments and behaviour, has not been rigorously examined in prior accounting literature (Hall et al., 2006, 2015; Steinbauer et al., 2014; O'Dwyer & Boomsma, 2015; Pearson & Sutherland, 2017; Park, 2016, 2017). Hall and Ferris (2011) argue that scholars have historically taken the construct of perceived accountability for granted.

Prior literature shows that there are characteristics of accountability that are culture-dependent (Frink & Klimosvki, 1998; Gelfand et al., 2004; Liu et al., 2012). Since accountability is essentially a norm enforcement mechanism, and norms and standards for behaviour vary for individualists and collectivists (Frink et al., 2008; Liu et al., 2012), it is expected that accountability would differentially affect individualists and collectivists in exercising professional JDM. For example, construal of self may differ across cultures, and the implications for answerability insofar as it is related to identity may also differ (Ying & Patel, 2017). This may also be present with other variables such as cultural tightness/looseness and power distance (Hall et al., 2017). While there are cultural influences on accountability, the literature fails to reflect culture as a salient variable (Hall et al., 2017). This research is also motivated by the fact that prior research shows that the cultural perspective on accountability is important and critical for both theoretical and practical reasons in the increasing era of globalisation (Gelfand et al., 2006; Hall et al., 2015). Yet there is limited work examining accountability across cultures (Hall et al., 2017). Therefore, there are calls in the literature to examine accountability across cultures. However, until now, these two important variables,

Islamic religiosity and perceived accountability, have not been examined with respect to the global convergence of financial reporting.

2.7. Limitations

This study is subject to some limitations that need to be acknowledged. Firstly, this paper only considered research within A-ranked journals over the period January 1985 to June 2018. Therefore, many highly cited scholarly articles that were published in journals other than those that are A-ranked have not been reviewed. Furthermore, it is important to note that the ABDC journal list is 'a starting point only for assessing publication quality and should not constrain researchers to a particular domain. There is no substitute for assessing individual articles on a case-by-case basis' (ABDC, 2016).

2.8. Conclusion

Over the last two decades, the global convergence of financial reporting has become a dominant and controversial topic in international accounting research (Dimitropoulos et al., 2013; Ball, 2016). In this paper, a total of 430 scholarly articles published on ABDC's A* and A ranked journals were critically evaluated to provide theoretical and methodological suggestions to more comprehensively and holistically examine the convergence of financial reporting. The 430 papers were grouped into two categories: (1) *de jure* convergence (12); and (2) *de facto* convergence (418). The *de facto* convergence papers were then classified under: (1) archival (199); (2) behavioural (85); and (3) others (134). Archival studies primarily examine the impact of IFRS adoption on a range of issues including earnings management, value relevance, analyst following and forecast accuracy, stock market reaction, price-to-earnings and other financial ratios, cost of capital, liquidity, debt contracting, market performance, foreign mutual fund ownership, and equity and debt markets. Behavioural research, representing 85 scholarly articles in our sample, primarily uses survey and experiment research design to obtain insights into professional accountants' JDM. Papers that are neither archival nor behavioural in nature are classified as 'others' (134). Topics pertaining to this group include the standard-setting agendas of the IASB, the United States, the United Kingdom, Canada, and Australia, the history and politics of accounting standards in different countries, and accounting system classification and are not the focus of evaluation in this paper.

Archival studies employ simplistic quantitative techniques and have been criticised on a number of theoretical and methodological grounds. For example, the indices used to measure

convergence are very sensitive to sample size, number of countries, and number of accounting practices. Archival research has extensively examined earnings management and value relevance to gain insights into convergence. In these studies, quantitative models are simply employed and country-specific contextual factors that influence accountants' JDM are largely ignored. Measuring convergence poses serious problems because accounting standards require extensive use of accountants' JDM and applying quantitative approaches to capture this complex judgment process across countries is problematic. Additionally, all these attempts to assess global convergence are concentrated mostly in Anglo-American and European countries and largely ignore transitional, developing, and Islamic countries, which differ substantially from Anglo-American countries in terms of country-specific contextual factors. Therefore, these studies are narrow in their focus, and do not provide adequate insights into the global convergence of financial reporting. Hence, there have been calls in the literature to provide more holistic and in-depth insights into accountants' JDM.

This study therefore stresses the importance of developing a more comprehensive model to examine accountants' JDM. Research on convergence can be improved by integrating interdisciplinary research and considering all the relevant and important contextual factors, for example, cultural, political, colonial inheritance, legal, and economic factors, that collectively provide a more complete framework of factors that cause within- and between-country-level differences in accounting practices. Use of multidimensional measures is important to gain holistic insights into accountants' judgments. Another suggestion to improve convergence research is to use field investigation as a supplement to archival data. Relevant personality variables, for example, Islamic religiosity and perceived accountability, need to be examined with respect to global convergence to gain holistic and in-depth insights into accountants' JDM.

Chapter 3: The Influence of Islamic Religiosity on Professional Accountants' Judgments on the Global Convergence of Financial Reporting: Evidence from Bangladesh

Abstract

This paper examines the influence of Islamic religiosity on professional accountants' judgments on issues related to the global convergence of financial reporting. Gray's (1988) accounting values—professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency—are the dependent variables. These accounting values, which have been tested for validity and reliability, are selected because they provide useful insights into accountants' judgments and decision making (JDM) on issues related to International Financial Reporting Standards (IFRS) convergence. Islamic religiosity is measured using the Sahin–Francis Scale of Attitude toward Islam (Sahin & Francis, 2002) because it has been tested for validity and reliability in different Islamic jurisdictions, such as, Pakistan, Malaysia, and Kuwait. Islam as a religion is rigid and prescriptive in nature and allows little room for its believers to exercise their judgment. Islam is quite specific in many of its prescriptions and is no doubt more rules-based than most of the world's religions. However, IFRS are more principles-based and adopt the 'substance over form' approach which requires accountants to exercise their professional judgment in interpreting and applying IFRS. The paper finds support for the hypothesis that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are more likely to be supportive of statutory control, uniformity, conservatism, and secrecy, and therefore, are less likely to be supportive of principles-based financial reporting standards. The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that Islamic religiosity is an important variable in examining the convergence of financial reporting. The findings have implications for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries. The results may also be useful to multinational companies that employ a significant number of Muslims. Finally, our findings may be useful to regulators in Bangladesh and other Islamic countries in improving the quality of convergence and financial reporting.

Keywords: Islamic religiosity; Principles-based standards; Rules-based standards; Accountants' judgments and decision making (JDM).

3.1. Introduction

Global convergence of financial reporting with the adoption of International Financial Reporting Standards (IFRS) by more than 130 jurisdictions is increasingly recognised as an important and controversial topic (Daske et al., 2008; IFRS Foundation, 2017; Stent et al., 2017). 'Convergence' means reducing international differences in accounting standards by selecting the 'best practice' currently available, or, if none is available, by developing new standards in partnership with national standard setters (Whittington, 2005). Increasing the comparability in financial reporting is an important goal for the International Accounting Standards Board (IASB) for the convergence of accounting standards internationally (Barth, 2008; Wang, 2014). However, global standard setters, including the IASB, have implicitly assumed that accounting is neutral, objective, and value-free (Patel, 2006; Hellmann et al., 2010; Heidhues & Patel, 2011) and that country-specific contextual factors can be ignored in this rush towards convergence. However, each country has its unique social, political, economic, and legal environment and these contextual factors cannot be ignored in the moves towards convergence (Chand & White, 2006; Chand et al., 2010). Also, within-culture differences in individual accountants' personality have been identified as an important attribute that may influence accountants' judgments and decision making (JDM) (Nelson, 2009; Pan & Patel, 2017, 2018). Despite the importance of personality in understanding behaviours and behavioural intention, there is a lack of rigorous examination regarding the influences of personality in the accounting literature (Wheeler, 2001; So & Smith, 2003; Taggar & Parkinson, 2007; Pan & Patel, 2017, 2018). Consequently, there are calls for more research on accountants' internal cognitive processes (Ponemon, 1990; Peytcheva & Gillett, 2011; Pan & Patel, 2017, 2018) and the contextual factors (Wehrfritz & Haller, 2014; Holthoff et al., 2015; Grossa, & Perottib, 2017) that may influence professional accountants' JDM when examining the issues related to the global convergence of financial reporting.

Responding to these calls and given the number of Muslims worldwide and their contribution to the world economy, this paper, using Bangladesh as a proxy for Islamic countries, contributes to the literature by examining the influence of Islamic religiosity on professional accountants' JDM on issues related to the global convergence of financial reporting. Prior research has defined religiosity according to three dimensions: (1) its cognitive (knowing) dimension, which links to belief on or knowledge about a religion, such as Islam; (2) its affective (feeling) dimension, which relates to individuals' Islamic values, or emotional feelings about Islam or a particular religion; and (3) its behavioural (doing) dimension, which

includes different behavioural indicators and Islamic rituals, for example, prayer frequency, reading of sacred texts, fasting during Ramadan, paying *zakat*, and avoiding interest on debt (Cornwall et al., 1986; Parboteeah et al., 2008; McGuire et al., 2012; Omer et al., 2015; Kanagaretnam et al., 2015). Both Islamic values and rituals are based on the *Qu'ran*, Islam's holy book, and *Sunnah*, which represents the sayings of the Prophet and deeds as reported by others, and the opinions of early jurists based on their interpretation of the sources of Islamic law mentioned above (Alsharif et al., 2011).

In this study, Islamic religiosity has been defined only by its affective dimension. Based on the pioneering analysis of Fishbein and Ajzen (1975), Francis (1978a, 1978b) asserts that the affective element of religiosity is capable of transcending the partitions between denominational perspectives, whereas beliefs tend to polarise such partitions. For example, in the Islamic context, although Shia and Sunni Muslims are significantly different in some respects, they may still agree on the assessment of the extent to which their faith exercises a positive or negative influence on their lives. In addition, the affective element is less likely to be influenced by personal and contextual factors, whereas the behavioural dimension is conditional on all types of personal or social restrictions. For example, a person's decision to attend a congregation for prayer can be influenced by his personal factors (e.g., health condition, break in the workplace during prayer) or social factors (e.g., peer pressure, parental expectations, nonexistence of a congregation in the neighbourhood), whereas feelings towards a particular belief are much less likely to be affected by such factors. In addition, insights into the affective element of religiosity can be gained by instruments that can act in a reasonably steady manner over a varied age range: while beliefs are formulated and developed over the individual's life span (Fowler, 1981; Fowler & Dell, 2006), attitudinal statements associated with positive and negative feelings can be formulated in ways that are similarly acceptable throughout childhood, adolescence, and adulthood (Francis, 1989; Francis & Stubbs, 1987). The cognitive dimension of Islamic religiosity may be contaminated by the fact that an atheist may also have knowledge about a particular belief.

Extant literature shows that core religious values (the affective dimension) are deeply held, enduring, stable, and are likely to influence accountants' preference for judgment, while Islamic rituals and worship differ from core values, and are not likely to influence accountants' preference for judgment (Schwartz & Bilsky, 1987; Weaver & Agle, 2002; Krauss et al., 2005; Glew, 2009). Choudhury (2015) holds that Islamic values provide the foundation for the moral–social reconstruction of ethical business practices in Islamic countries, and stronger Islamic values (the affective dimension) are likely to develop more ethical business practices. Research

on Islamic consumers and marketing also provides evidence that Islamic values are likely to influence consumer decision making (Arham, 2010; Ilyas et al., 2011; El-Bassiouny, 2014; Ahmad et al., 2015). Therefore, given its importance in influencing judgments, in this study Islamic religiosity is defined only by its affective dimension, which deals with individuals' attitudes towards Islam. We use the Sahin–Francis (2002) Scale of Attitude toward Islam because it has been tested for validity and reliability in different jurisdictions, including Kuwait (Francis et al., 2008), Pakistan (Khan & Watson, 2006; Hamid et al., 2016), and Malaysia (Francis et al., 2016).

When examining the influence of Islamic religiosity on convergence, it is important to know that IFRS are 'principles-based', rather than 'rules-based'. Principles-based standards do not provide detailed guidelines for implementation and thus leave room for individual professional judgments (Bennett et al., 2006; Benston et al., 2006; Agoglia et al., 2011; Heidhues & Patel, 2011; Ismail et al., 2013; Donelson et al., 2016; De Simone, 2016; Marton & Runesson, 2017). For example, IFRS contain a number of vague and indeterminate concepts, including 'assumed beyond any reasonable doubt', 'probable', 'reasonably certain', 'sufficiently', 'remote', 'insignificant', 'major part', 'substantially', 'significant influence', 'more likely', 'less likely', 'more likely than not', 'deemed', 'expected', and 'control' (Doupnik & Richter, 2003; Huerta et al., 2013; Kettunen, 2017). These concepts are often used to indicate levels of probability in prescribing the recognition, measurement, and disclosure of events and transactions in financial reports. In contrast, rules-based standards provide a high level of detail, numerous bright-line thresholds, various exceptions, and voluminously detailed implementation guidance (Bennett et al., 2006; Agoglia et al., 2011; Mergenthaler, 2012; Donelson et al., 2012; Donelson et al., 2016). Thus, in IFRS, accountants are required to use extensive professional JDM that are likely to be influenced by contextual factors. Additionally, the focus on relevance and the drive towards subjectivity embedded in fair value requires professional accountants to exercise greater JDM.

Prior research has provided evidence that country-specific contextual factors, namely, historical, social, political, economic, and legal factors, and cultural values may result in different outcomes even in the presence of a common set of financial reporting standards, and thus cannot be ignored when examining global convergence (Combs et al., 2013; Holthoff et al., 2015; Han et al., 2016; Pan & Patel, 2017). Consequently, a significant number of studies have contended that achieving uniformity and consistency in accounting standards (*de jure* convergence) may not necessarily result in consistency in accounting practices (*de facto* convergence) and may impede the IASB's main objective of enhancing the global

comparability of financial information (Doupnik & Perera, 2012; Wehrfritz & Haller, 2014; Gross & Perotti, 2017).

Nelson's (2009) framework suggests that professional accountants' judgments can be influenced by their traits, such as religiosity. Level of religiosity has been found to influence economic decisions and behaviour in a variety of contexts. For example, level of religiosity influences risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015; Du et al., 2015); going concern reporting decisions (Omer et al., 2016); audit firms' pricing decisions (Leventis et al., 2015); and corporate social responsibility (Du et al., 2014a, 2014b). All these studies examine the religiosity of people who adhere to a particular religion—Christianity—and ignore other religiosity, including Islam. Therefore, this paper, which presents evidence from Bangladesh, aims to show the influence of Islamic religiosity on professional accountants' judgments on issues related to the global convergence of financial reporting in the Bangladeshi context.

Examining Islamic religiosity is important for several reasons. First, the Pew Research Center (2015) in the United States report that there are 5.8 billion religiously affiliated individuals across the world, accounting for 84% of the 2010 world population of 6.9 billion. The report also predicts that Islam, currently the second largest religion with 1.6 billion adherents, is set to outnumber Christianity, currently the largest religion, by 2070. Given the number of Muslims worldwide, it is vital to study the impact of Islamic religiosity on professional accountants' JDM, and hence on global convergence. Second, the IMF (2015) shows that Islamic finance assets sky-rocketed in the past decade, from about US$200 billion in 2003 to an estimated US$1.8 trillion at the end of 2013. Additionally, Islamic banking left behind conventional banking over the same period, increasing its penetration rate by over 15% in dozens of jurisdictions in the Middle East and Asia. This incredible growth has attracted internationally reputable banks such as HSBC, Citibank, BNP-Paribas, and Deutsche Bank, who now operate 'Islamic windows' or business units (Khan & Bhatti, 2008). An international standard-setting body, namely, the Accounting and Audition Organization for Islamic Financial Institutions (AAOIFI), was established to develop accounting, auditing, and *Shariah* standards for Islamic financial institutions (IFIs). The AAOIFI is supported by 200 institutional members from 40 jurisdictions including central banks, IFIs, and other members of the international banking industry. The AAOIFI has issued a total of 88 standards which include 26 financial accounting standards (FAS), 48 *Shariah* standards, five auditing standards, seven

governance standards, and two codes of ethics (AAOIFI, 2015). These standards have been adopted in the Kingdom of Bahrain, the Dubai International Financial Centre, and in Jordan, Lebanon, Qatar, Sudan, and Syria. Relevant authorities in Australia, Indonesia, Malaysia, Pakistan, the Kingdom of Saudi Arabia, and South Africa have also issued guidelines that are based on the AAOIFI's standards and pronouncements (AAOIFI 2015). The AAOIFI's standards are considered rules-based as the AAOIFI has been less welcoming to two key concepts in IFRS: (1) substance over form; and (2) the time value of money (PWC, 2010; Deloitte, 2012). The increasing demand for Islamic finance and thus the adoption of the AAOIFI's standards indicate a growing movement towards Islamic convergence of financial reporting, which represents challenges for the global convergence of financial reporting (Hamid et al., 1993; Lewis, 2001; Vinnicombe & Park, 2007). Increasing concerns about conflicts between global convergence and Islamic convergence are evidenced in a joint report by KPMG and the Association of Chartered Certified Accountants (ACCA), which calls for the IASB, the AAOIFI, and other Islamic financial standard setters and regulators to work together to develop guidelines and standards to harmonise financial reporting (ACCA, 2012).

Despite the facts mentioned above, there is limited accounting research examining the association of religiosity and accounting choices (Dyreng et al., 2012; Grullon et al., 2010; McGuire et al., 2012). Limited research has examined religiosity with respect to risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015; Du et al., 2015); tunnelling (Du, 2014); going concern reporting decisions (Omer et al., 2015); and audit firms' pricing decisions (Leventis et al., 2015). However, all aforementioned studies are conducted in the United States where most people are Christian (Du et al., 2015). Consequently, there is a lack of evidence on other denominations including Muslims. Hence, to fill this important gap in the literature, this study examines the influence of Islamic religiosity on professional accountants' JDM on issues related to global convergence.

The importance of Islam for the global convergence of financial reporting is also witnessed by calls from various bodies including the Islamic Financial Services Board (IFSB), the Association of Chartered Certified Accountants (ACCA), and the Malaysian Accounting Standards Board (MASB), for the IASB and the Islamic banking industry to work together to harmonise the financial reporting of IFIs. In response to these calls, the IASB (2012) announced its plan to set up an expert advisory group on Islamic accounting by stating:

> The IASB could benefit from learning more about Islamic (*Shariah*-compliant) transactions and instruments—neither the IASB nor our staff have expertise in this area. The IASB is establishing a consultative group to assess the relationship between *Shariah*-compliant transactions and instruments and IFRS and to help educate the IASB, mainly through public education sessions.

In 2013, the IASB decided to form a consultative group on *Shariah*-compliant instruments and transactions (IFRS Foundation, 2014). The objective of this group is to examine challenges that may result from the application of IFRS to the instruments and transactions linked to Islamic finance, to invite papers on those challenges, and to make recommendations to the IASB regarding steps that it might take after reviewing the key recommendations of those papers (IFRS Foundation, 2014). This paper responds to the call by the IASB to provide additional insights on Islamic influence, accounting, and convergence in an Islamic country context.

To gain in-depth insights into IFRS convergence, Gray (1988) provides a theoretical framework that links Hofstede's (1980) four cultural dimensions and develops four 'accounting values': professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism and secrecy vs. transparency, and proposes that these values 'may be used to explain and predict international differences in accounting systems and patterns of accounting development internationally' (Gray, 1988, p. 5). Professionalism is defined as a preference by accountants to exercise professional judgment (Gray, 1988). Uniformity is the preference for the enforcement of uniform accounting practices among companies, which, over time, can be consistently applied. Conservatism is to the preference for a cautious approach to measurement and treatment. And secrecy is the preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing.

The usefulness of Gray's (1988) framework in examining global convergence is evident in the increasing number of studies that invoke or test the framework. For example, Salter and Niswander (1995), Gray and Vint (1995), Sudarwan and Fogarty (1996), Askary (2006), Liu and O'Farrell (2013), and Salter et al. (2013) apply Gray's accounting values framework and broadly find empirical support for accounting values. However, evidence shows that Anglo-American countries rank higher on professionalism, optimism, flexibility, and transparency, which reflect Anglo-American accounting values (Gray, 1988; Heidhues & Patel, 2011;

Halaoua et al., 2017). However, these accounting values may not be applicable in emerging countries like Bangladesh.

Given the importance of Gray's (1988) framework in understanding the influence of accounting values on accountants' professional judgments, we also apply this theoretical framework to examine the influence of perceived accountability on professional accountants' judgments on measures of global convergence. Based on Gray's (1988) accounting values, Chanchani and Willett (2004) developed a research instrument to measure respondents' support for accounting values. The instrument was further pilot tested in Bangladesh for validity and reliability. In this study, this accounting values-based research instrument is used to examine Bangladeshi professional accountants' preference for accounting values, which supports the convergence of financial reporting.

The remainder of the paper is organised as follows. Section 3.2 discuss the reasons for selecting Bangladesh as the sample country for this study. Section 3.3 presents the literature review. Section 3.4 describes the hypothesis development. Section 3.5 discusses the research instruments. Section 3.6 presents the research methods. Section 3.7 describes the analysis of data, and Section 3.8 concludes the paper.

3.2. Reasons for Selecting Bangladesh

An extensive analysis of the literature shows that countries that do not belong to the Anglo-American cluster have more impediments in converging to IFRS (Zeghal & Mhedhbi, 2006). Furthermore, convergence to IFRS has been heavily researched in developed countries. On the other hand, limited studies have been conducted to examine the global convergence of financial reporting in developing countries such as Bangladesh (Wickramasinghe & Hopper, 2005; Zeghal & Mhedhbi, 2006; Altarawneh & Lucas, 2012; Nurunnabi, 2014). Thus, there are calls in the literature for further research on the convergence of accounting practices in countries in South Asia (including Bangladesh, India, and Pakistan), regarding compliance with IFRS (Mir & Rahaman, 2005; Ali et al., 2006; Nurunnabi, 2015). In response to these calls in the literature, Bangladesh has been selected to examine the influence of Islamic religiosity on issues related to the global convergence of financial reporting.

As a result of colonisation, India and Pakistan inherited corporate legislation and accounting practices from the United Kingdom (Mueller, 1968; Radebaugh & Gray, 2002; Roberts et al., 2005; Ghio & Verona, 2015). The concept of a 'true and fair' view of the financial affairs of an entity and the exercise of professional judgment are important aspects of

accounting in these countries (Radebaugh & Gray, 1993; Patel & Millanta, 2011). In the British Commonwealth model of accounting development, accounting standards allow for flexibility in accordance with the perceived circumstances of individual companies (Patel & Millanta, 2011). In 1947, India and Pakistan gained independence from Britain (Corner & Dewan, 2014). Following independence, Pakistan did not make any significant changes to its accounting system until 1984 when International Accounting Standards (IAS) became mandatory for listed companies through the enactment of the Companies Ordinance 1984 (Ashraf & Ghani, 2005). After gaining independence from Pakistan in 1971, Bangladesh, in 1994, introduced the Company Act of 1994 (which replaced the Company Act of 1913 initiated by the British), which requires companies to prepare financial statements in order to reflect a 'true and fair view' of the state of affairs of the company (Uddin & Hopper, 2001; Mir & Rahaman, 2005; Akhtaruddin, 2005).

In 1998, Bangladesh adopted IAS (Nurunnabi, 2016), which makes the country one of the early adopters of the Anglo-American accounting model. Given the forces of globalisation and a sustained increase in international trade and investments since the adoption of the 'open-door' economic policy in the 1990s, the accounting profession in Bangladesh is emerging and has undergone substantial reforms (Alam, 1994; Ahmed, 1995; Nurunnabi, 2015). For example, the Financial Reporting Act was passed in parliament on 6 September, 2015 paving the way for the establishment of the Financial Reporting Council (FRC)[4] to improve market confidence by promoting the highest standards among auditors, enhancing the credibility of financial reporting, and improving the quality of accountancy and audit services (Muni, 2015).

Even though IFRS have been mandatory in Bangladesh since 1998, Nurunnabi (2016) concludes that Bangladesh has the lowest level of compliance with IFRS. Other researchers also raise concerns regarding Bangladesh's level of compliance with IFRS (Siddiqui & Ferdous, 2014; Nurunnabi, 2017b; Islam & Hossain, 2017). Bangladesh is ranked 133rd in the world (out of 144 countries) for the strength of its auditing and reporting standards. All companies, both private and public, are required to file audited financial statements with the regulators. However, less than 10% of companies complied with this requirement in 2013 (World Bank, 2015; Daily Star, 2017). The World Bank (2003, 2009, 2015) has also been

[4] Bala (2017) contends that this FRC will be the 'super regulatory body' with respect to the reporting infrastructure of public interest entities (PIEs). Objectives of the FRC include: (a) setting standards of the accounting and auditing profession, standards relating to ethics; (b) developing the accounting and auditing profession; (c) enhancing the reliability of financial reports; (d) ensuring the integrity and transparency of the professional activities of accounting and auditing and cooperation in increasing capability thereto; and (e) management of PIEs will be under the monitoring and enforcement of the FRC in order to motivate them in preparing high standard report.

critical of the poor compliance with IFRS and the lack of enforcement in Bangladesh. The World Bank (2003, 2009, 2015) also notes that the Bangladesh Securities and Exchange Commission (BSEC) does not have sufficiently qualified staff to effectively monitor the accounting practices of listed firms. Its repeatedly having the lowest level of compliance makes Bangladesh an appropriate setting to examine accounting values that facilitate convergence.

Since its liberation, Bangladesh has either been under a socialist or pro-Islamic regime, and this also provides an appropriate national context to examine global convergence. Bangladesh inherited an economy dominated by the private sector. However, after independence, the Government was committed to socialism, which resulted in the suspension of the Dhaka Stock Exchange and the nationalisation of all large and small enterprises with assets exceeding US$31,000[5] (Uddin & Hopper, 2003; Mir & Rahaman, 2005). The Government also nationalised all the properties abandoned by Pakistanis and others who fled the country during the liberation war (GoB, 1972). By 1974, the public sector controlled about 350 state-owned enterprises (SOEs), which were responsible for over 92% of total fixed assets of the industrial sector (Uddin & Hopper, 2003). However, after 1975, during the two subsequent army regimes (1975–1990), a number of measures were taken to introduce and promote Islamic values in Bangladesh.[6] Consistent with this focus on Islamisisation, in January 1981, President Rahman, while addressing the 3rd Islamic Summit Conference held at Makkah and Taif suggested that the Islamic countries should develop a separate banking system of their own in order to facilitate their trade and commerce. This statement indicated the regime's favourable attitude towards establishing IFIs in the country. These measures were indicative of the regime's interest and finally, in June 1988, Islam was declared the state religion (Hossain, 2006; Hasan, 2011; Khan, 2017). In 2016, Bangladesh's High Court reconfirmed Islam as the country's state religion (Reuters, 2016), which challenges the IASB's main objective of enhancing the global comparability of financial information.

[5] 1 US$=80.645 Taka.

[6] According to Hasan (2011), a few of these measures included: (1) replacement of secularism with 'absolute faith and trust in the God Almighty' and the introduction of Bismillahirahmanir Rahim ('In the name of God, the Merciful, the Compassionate') into the Constitution; (2) hanging of posters in government offices with quotations from the Quran, and displays of Quranic verses and the Prophet's advice in public places; (3) flying of Eid-Mubarak festoons beside the national flag on Eid festivals, and issuance of messages by the head of state or government on various religious occasions; (4) offerings of prayer (*munajat*) on special occasions; (5) practice of call to prayer (*azan*) five times a day; (6) establishment of a new religious affairs division under a full-fledged minister; (7) establishment of the Islamic Foundation with an extensive network of research facilities; (8) setting up an Islamic University with an Islamic Research Centre attached to it; (9) establishment of a *zakat* fund headed by the president; (10) proposal of an education policy intended to introduce Arabic in schools, beginning in class 1; (11) disbursement of huge funds for the construction of mosques and madrassahs; (12) establishment of the Bangladesh Madrassah Education Board.

Second, the Population and Housing Census by the Bangladesh Bureau of Statistics (2011) shows that more than 90% of Bangladesh's 160 million people are Muslims. As Western accounting concepts are in clear conflict with the values and principles of Islam, Islamic jurisdictions are in dire need of an accounting system that truly fits with the ideology and values of Muslims, to help them satisfy their religious obligations (Hameed, 2001; Altarawneh & Lucas, 2012). Recognising this fact, Bangladesh Bank, the country's central bank, issued a circular in November 2009, prescribing banks under Islamic *Shariah* to follow AAOIFI standards. While some financial institutions are allowed to follow AAOIFI standards, others are not. Also, rule 12(2) of the Securities and Exchange Rules 1987 suggests that the financial statements of a listed firm shall be prepared in compliance with the requirements stated in the Schedule and the IAS as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB). It has also been observed that Bangladesh Bank provides preferential treatment to Islamic banks in the country. For instance, conventional banks in Bangladesh have been asked to maintain their statutory liquidity requirement at 19% of total deposit liabilities while it is 11.50% for Islamic banks. This discriminatory provision had provided Islamic banks the opportunity to hold more liquid funds for more investment and thereby generate more profit. Therefore, given the current conflict between the global convergence of financial reporting and Islamic convergence of financial reporting, Bangladesh has been selected for this study; the country is currently struggling to reach a compromise between adopting global accounting standards as opposed to *Shariah* (Islamic) standards.

Third, even though IFRS have been mandatory in Bangladesh since 1998, Nurunnabi (2015) asserts that Bangladesh has the lowest level of compliance with IFRS. The country is ranked 133rd in the world (out of 144 countries) for the strength of its auditing and reporting standards in the World Economic Forum's Global Competitiveness Report (2014–2015), with a value of 3.37 out of 7, below the world mean of 4.65.[7] The World Bank (2003, 2009, 2015) has also been critical of the country's poor compliance with IFRS and the lack of their enforcement in Bangladesh. With the lowest level of poor compliance among developing countries for more than a decade (1998–2010) makes Bangladesh an ideal setting to study the impediments of convergence to IFRS.

[7] Competitiveness Rankings. Retrieved from http://reports.weforum.org/global-competitiveness-report-2014-2015/rankings/

Fourth, in December 1997, the BSEC asked all its listed firms to prepare their financial statements in accordance with the requirements laid down in the IAS (Nurunnabi, 2015). However, even after 19 years of adopting IAS, Transparency International (2016) ranks Bangladesh as the 13th most corrupt country in the world and the second most corrupt country in South Asia. This situation is in contrast with the existing literature that depicts the duration of a country's experience with IFRS and are negatively associated to perceived corruption in that jurisdiction (Houqe & Monem, 2016). Also, in 2014, the total foreign direct investment (FDI) in Bangladesh was US$1527 million, which is less than 1% of the corresponding year's total GDP (UNCTAD, 2015). This situation contradicts prior literature, which finds that the adoption of IFRS by a country translates into higher FDI inflows (Gordon et al., 2012; Chen et al., 2014). This makes Bangladesh an interesting setting to examine the influence of Islamic religiosity on professional accountants' JDM, and thus the global convergence of financial reporting. Findings from this paper will be of interest to stakeholders in different countries since results of IFRS adoption in one country could provide important insights relating to accounting policy information in another country (Christensen et al., 2007).

Fifth, another important factor that contributes to secrecy in the Bangladeshi business environment is ownership concentration and family domination in public limited companies (Farooque et al., 2007; Khan et al., 2013; Muttakin et al., 2015; Rashid, 2016). For example, on average, the top five stockholders hold more than 50% of a firm's stocks (Farooque et al., 2007). Management in many companies is effectively just an extension of the dominant owners. Consequently, most companies' executive directors, CEOs, and chairmen originate from the controlling family. A survey conducted by Sobhan and Werner (2003) finds that an overwhelming majority (73%) of the boards of non-bank listed companies are heavily dominated by sponsor shareholders. This is consistent with the existing literature that reports similar family dominance in the board of directors (Reaz & Arun, 2006; Uddin & Choudhury, 2008). Ownership concentration and family domination in public limited companies promotes secrecy, which is also consistent with the literature (Perumpral et al., 2009; Chau & Gray, 2010; Muttakin et al., 2015; Abdullah et al., 2015; Cabeza-García et al., 2017; Nekhili et al., 2017; Nurunnabi, 2017b). Indeed, evidence shows that measures such as selecting the chairman and the CEO from the same family and appointing the board of directors and the audit committee members on the basis of personal connections rather than personal competence and talent preserve Bangladesh's propensity for corruption and secrecy which is deeply embedded in the country's society (Uddin & Choudhury, 2008; Ahmed & Siddiqui, 2011; Belal et al., 2017).

Finally, prior literature has identified a number of other socio-political characteristics of the reporting environment in Bangladesh, namely, weak legal structure (Sobhan & Werner, 2003) and poor perception regarding the skills and competence of auditors (World Bank, 2003; Siddiqui, 2010). Uddin and Choudhury (2008) report that unlike developed economies, the influence of institutional investors is almost absent in Bangladesh as such investors mostly operate as secondary market traders. Additionally, unlike firms in Anglo-American countries, the primary source of corporate borrowing in Bangladesh is mainly banks (Rashid, 2016). Uddin and Hopper (2003, p. 745) conclude that 'accounting education inappropriate to the local environment' has also caused a lack of transparency in Bangladesh. Hooghiemstra et al. (2015) contend that cultures characterised by strong collectivism, such as Bangladesh, underestimate the value of personal competence and talent in career advancement, and reduce the accountability of managers. Siddiqui (2010) identifies these unique socio-political contextual factors as potential impediments towards adoption of the Anglo-American model of accounting. Indeed, Mir and Rahaman (2005), investigating the adoption of IAS in Bangladesh, conclude that such adoption does not appear to be entirely suitable with respect to the socio-economic conditions prevailing in the country. However, these unique socio-political contextual factors make Bangladesh appropriate to examine professional accountants' level of Islamic religiosity and preference for accounting values that enhance global convergence.

3.3. Literature Review

3.3.1. Islamic Religiosity

Religiosity plays a significant role in fostering high moral and ethical standards among individuals (Sunstein, 1996; Kennedy & Lawton, 1998; Cialdini & Goldstein, 2004), which in turn have a significant influence on the decision-making process in business environments, including risk- exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); cheaper equity financing costs (El Ghoul et al., 2012); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015a; Du et al., 2015); tunnelling (Du, 2014); going concern reporting decisions (Omer et al., 2015); audit firms' pricing decisions (Leventis et al., 2015); and cost of debt (Chen et al., 2016).

For example, Dyreng et al. (2012) find that firms headquartered in jurisdictions with high levels of religious adherence are more likely to have higher accrual quality, have a lesser risk of fraudulent accounting, and are less likely to meet or beat analyst forecasted quarterly earnings and to restate their financial statements. McGuire et al. (2012) also show an inverse relation between level of religiosity and accounting restatements and accounting risk. McGuire et al. (2012) note a positive relation between religious social norms and real earnings management, implying that managers in religious regions prefer real earnings management over accruals manipulation. Grullon et al. (2010) examine the influence of level of religiosity on unethical corporate behaviour in the United States. Their papers conclude that businesses headquartered in highly religious areas are less likely to offer excessive compensation packages to their executives, backdate options, perform aggressive earnings management, and be the subject of class action lawsuits. Boone et al. (2013) examine whether higher levels of religiosity are associated with less aggressive tax positions. They find support for their hypothesis that firms headquartered in more religious areas are less likely to avoid taxes. Consistent with earlier literature, they also observe that religiosity is associated with lower tax avoidance among individuals, as measured by underreported income. Leventis et al. (2015) examine whether religiosity has an impact on audit firms' pricing decisions in the United States. They note that a higher level of religiosity acts as an institutionalised monitoring mechanism which cuts audit risk and audit costs, which ultimately results in lower audit pricing. They conclude that religious adherence reduces agency costs for shareholders. Omer et al. (2016) find that audit practice offices located in highly religious metropolitan areas in the United States are more likely to issue going concern audit opinions, consistent with a more sceptical assessment of mitigating factors.

Similar to the accounting research described above, Hilary and Hui (2009) and Adhikari and Agrawal (2016), relying on prior research in psychology and anthropology, also find a positive correlation between risk aversion and individual religiosity (Miller & Hoffman, 1995; Diaz, 2000; Osoba, 2003; Dehajia et al., 2005). Hilary and Hui (2009) predict that this relation would also influence organisational behaviour. Their findings also suggest that religiosity is negatively related to risk exposure that is proxied by variances in equity returns and returns on assets, investment rate, and growth. Adhikari and Agrawal (2016) show that banks in the United States headquartered in more religious areas exhibit lower stock return volatility, lower tail risk, and lower idiosyncratic risk. For a sample comprising 36,105 US firm-year observations from 1985 to 2008, El Ghoul et al. (2012) find that firms located in more religious counties in the United States enjoy cheaper equity financing costs. They also

document that the effect of religiosity on firms' cost of equity capital is larger for firms lacking alternative monitoring mechanisms as measured by lower institutional ownership, suggesting that religion plays a corporate governance role.

Since all aforementioned studies were conducted in the United States where people are mostly Christian (Du et al., 2015), there is no evidence on other denominations, including Muslims in the United States, and also in other parts of the world. A limited number of studies examine the influence of religiosity outside the United States. Using 11,357 firm-year observations from the Chinese stock market during 2001–2011, Du et al. (2015) examine whether religion can mitigate earnings management. They provide robust evidence that religiosity has a negative influence on earnings management, implying that religion plays an important role in mitigating corporate unethical behaviour such as earnings management. Using an international sample of banks, Kanagaretnam et al. (2015a) document that religiosity is inversely associated with income-boosting earnings management for loss avoidance and meeting or beating previous years' earnings. They also show that religiosity lowers income-boosting earnings management through abnormal loan loss provisions. By emphasising a particular, homogenous industry, they provide strong support for the association between religion and nonaccrual-based and bank-specific, accrual-based earnings management.

Furthermore, religiosity has been studied with respect to risk exposure-related decisions (Hilary & Hui, 2009; Adhikari & Agrawal, 2016); unethical corporate behaviour (Grullon et al., 2010); information reliability-related decisions (McGuire et al., 2012; Dyreng et al., 2012); tax avoidance (Boone et al., 2013); cheaper equity financing costs (El Ghoul et al., 2012); earnings management (McGuire et al., 2012; Kanagaretnam et al., 2015a; Du et al., 2015); tunnelling (Du, 2014); going concern reporting decisions (Omer et al., 2015), audit firms' pricing decisions (Leventis et al., 2015); and cost of debt (Chen et al., 2016). However, this important variable has not been examined with respect to the global convergence of financial reporting. The present study attempts to fill these important gaps in the existing literature by examining the influence of Islamic religiosity on professional accountants' JDM on issues related to the global convergence of financial reporting.

In addition, Hilary and Hui (2009), El Ghoul et al. (2012), Dyreng et al. (2012), Grullon et al. (2010), McGuire et al. (2012), Boone et al. (2013), Leventis et al. (2015), and Adhikari and Agrawal (2016) measure religiosity at county/region/metropolitan levels. However, county-level religiosity variables are susceptible to serious cross-sectional self-correlation (Wines and Napier, 1992; Du, 2014; Du et al., 2015). Also, the abovementioned studies estimate religiosity variables as the number of religious adherents in the

county/region/metropolitan area (as reported by ARDA) to the total population in the county/region/metropolitan area (as reported by the US Census Bureau). While county/region/metropolitan area is a convenient unit of analysis, the individual-level differences in religiosity are not addressed in the above studies. More granular data could have strengthened these results to provide a superior understanding of how religiosity influences individuals' decision making. While the choice and definition of unit of analysis is not only important with respect to the design of empirical studies, it is also critical for the appropriateness of the utilisation of different theories with regard to hypothesis development or analysis of results (Davidsson and Wiklund, 2000; Gartner and Brush, 1999). Theories have been specifically developed to address, for example, organisational or individual issues and are therefore not equally well suited for all levels of analysis.

Kanagaretnam et al. (2015a, 2015b) and Chen et al. (2016) use World Values Survey (WVS) data to measure levels of religiosity for their sample jurisdictions. However, there are some methodological biases in the construction and implementation of WVS questionnaires (Mellon, 2011; Hurtienne & Kaufmann, 2011). The WVS is conducted using local-language survey instruments translated from English. Since different languages do not represent the same social reality, we do not have a one-to-one semantic equivalence between concepts in different languages, which makes translation problematic (Werner, 1994; Evans et al., 2015). Indeed, as noted by Mellon (2011), there are numerous examples where world values are lost in translation. Mellon (2011) examines nine translations of a particular word—ideas—which is mentioned in one of WVS items, 'Progress toward a society in which ideas count more than money'. Polish and Russian translations use the word 'ideals' instead of 'ideas', while Chinese translations use a word that most equates with the English word 'spirit'. Applying large-scale internet corpora in each language, Mellon (2011) documents that these terms have associations that are significantly different from the associations that the word 'ideas' has in English. The WVS dataset is therefore subject to some serious limitations. For example, Fleche et al. (2011) note that the sample size for the WVS is comparatively small for each country/wave, and the collection process varies among countries and waves. Response rates for some countries/waves are alarmingly low, which raises concerns about non-response bias. Haller (2002) is also critical of the WVS dataset due to the fact that the questionnaires are produced without a design and are not based on (preliminary) theoretical grounds. King et al. (2004), Jen et al. (2009), and Donnelly and Pop-Eleches (2012) are also critical of WVS data. Because of the flaws associated with WVS data, Adam (2008, p. 179) observes, 'it would probably be wrong to reach any major conclusions or make additional statistical analyses on the basis of data of

questionable quality'. McGuire et al. (2012) and Omer et al. (2016) measure religiosity using a database of over 610,000 interviews conducted countrywide by the Gallup organisation. Gallup randomly selects 1,000 adults daily for these telephone interviews, and participants are asked only three questions relating to religion: (1) Are you affiliated with a particular religion? (cognitive); (2) Is religion important in your daily life? (affective); and (3) Do you attend religious services weekly? (behavioural). One of the main concerns with the data is that telephone interviews are more susceptible to social desirability bias than face-to-face interviews. (Holbrook et al., 2003; Evans et al., 2004; Chang & Krosnick, 2009; Holbrook & Krosnick, 2013). These three overly simplistic questions may not be enough to capture interviewees' level of religiosity. Furthermore, the answer to the last question could be affected by the interviewees' personal situation (e.g., health).

3.3.2. Accounting Values and Convergence

Gray's (1988) four accounting values are defined as follows:

- Professionalism versus statutory control: 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: 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: a preference for a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach. Conservatism in accounting practice generally means that financial reports should disclose the lowest of several possible values for assets and revenues and the highest of several possible values for liabilities and expenses (Hendriksen & Breda, 1992).
- Secrecy versus transparency: a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach. Tsakumis (2007) observes that Gray's secrecy hypothesis has been subjected to the greatest amount of testing, presumably because available disclosure indexes make it the easiest accounting value to operationalise.

Gray (1988) did not empirically test these hypotheses. However, to gain insights into culture and national accounting systems, researchers have applied Gray's accounting values and found empirical support for it. For example, Eddie (1990) finds support for all four of the accounting values. He creates a 10-item index for each of the four accounting values and applies these indices to 13 Asia–Pacific countries. He finds significant associations between the four indices and Hofstede's (1980) culture scores in the directions predicted by Gray (1988). Salter and Niswander (1995) operationalise the accounting values measures with various objective and subjective variables from previous research papers. Testing Gray's (1988) hypotheses on firms from 29 countries, they also find support for the accounting values. Salter and Niswander's (1995, p. 391) findings indicate that Gray's model has a significant explanatory power, and they contend that 'Gray appears to have provided a workable theory to explain cross-national differences in accounting structure and practice, which is particularly strong in explaining differential financial reporting practices'. Based on data from 29 countries, and using Indonesia as a sample country, Sudarwan and Fogarty (1996) also find support for all four accounting values. Applying a comprehensive database of disclosure practices covering 27 countries, Gray and Vint (1995) find support for secrecy. Zarzeski (1996) uses data gathered from the annual reports of firms from seven industrialised countries and finds support for the secrecy value. Jaggi and Low (2000) also find support for only one dimension of Gray's secrecy hypothesis.

By applying Gray's (1988) model of accounting values, Askary (2006) develops and tests a theoretical framework to measure accounting authority in 12 developing Islamic countries as either professionalism or statutory control. The results show that while Gray's hypothesis of statutory control is positively confirmed for Iran, and moderately for Bangladesh, Jordan, Oman, and Qatar, it is negatively rejected for Pakistan, Turkey, Malaysia, and Indonesia. This result for accounting authority in Iran is consistent with Pourjalali and Meek's (1995) and Noravesh et al.'s (2007) studies. However, their finding has been criticised because they selected only one accounting value, namely, professionalism versus statutory control. It is important for researchers to adopt all four accounting values to have greater insights into professionalism versus statutory control. Braun and Rodriguez (2008) demonstrate that earnings management is associated with the accounting values of uniformity, statutory control, conservatism, and transparency developed by Gray and as proxied by combinations of Hofstede's (1984) cultural indices. Using data from 32 countries, Han et al. (2010) test Gray's (1988) model and posit that managers will have more latitude in terms of self-governance (professionalism) and flexibility of measurement in societies in which individualism is the

dominant culture. Liu and O'Farrell (2013) hypothesise and find support that accounting values play a significant role in influencing information quality as proxied by analyst forecast accuracy and XBRL adoption. After controlling for previously documented legal and financial institutional variables, Salter et al. (2013) observe that accounting conservatism is greater in countries with higher accounting values, as outlined by Gray (1988). After examining studies that tested Gray's framework at the individual rather than the country level, Tsakumis (2007) conducted an experiment using 103 accountants from the United States and Greece to represent low and high conservatism and secrecy countries, respectively. With a sample of 15 European countries, observed from years 2000 to 2010, Zeghal and Lahmar (2016) empirically confirm that Gray's (1988) accounting values influence a significant reduction of accounting conservatism in the IFRS adoption period.

Gray's (1988) accounting values framework has been widely used as a basis for subsequent studies. For example, Baydoun and Willett (1995) use the framework to help describe the relevance of Western accounting systems to developing countries. Roberts and Salter (1999) use the uniformity accounting value to help explain cross-cultural variations in auditors' preference for a single mandated treatment of an accounting issue. Both Williams (1999) and Hope (2003) separately use the secrecy accounting value to help explain cross-cultural variations in a firm's level of disclosure. Haniffa and Cooke (2002) employ all four of the accounting values to help explain the level of disclosure in Malaysian firms. Chanchani and Willett (2004) find some support for the validity of the accounting values via a survey of financial statement preparers and users in New Zealand and India.

We do not directly test the framework. Instead, we build our hypotheses and empirical tests on the presumption that the framework is effective at explaining financial reporting outcomes. Most of the earlier studies that test Gray's framework (Eddie, 1990; Salter & Niswander, 1995; Gray & Vint, 1995; Sudarwan & Fogarty, 1996; Zarzeski, 1996; Wingate, 1997; Jaggi & Low, 2000; Hope, 2003; Cieslewicz, 2014) have done so at the country level utilising financial statement data; they examine the relationships between Hofstede's cultural dimension scores and one or more aspects of countries' financial reporting systems. However, five studies examine aspects of Gray's model at the individual, rather than the country, level. MacArthur (1996, 1999) finds that comment letters submitted to the International Accounting Standards Committee by corporate managers and accounting lobby groups from different countries exhibit preferences for conservatism and secrecy consistent with Gray's hypotheses. Roberts and Salter (1999) find general support for Gray's uniformity proposition in that Hofstede's cultural values significantly influence accountants' attitudes towards the uniformity

of accounting rules. Schultz and Lopez (2001) show that accountants from countries with higher uncertainty avoidance resolve warranty expense estimates more conservatively than accountants from countries with lower uncertainty avoidance, which is consistent with Gray. Similarly, Doupnik and Richter's (2004) results indicate that German accountants exhibit a conservatism bias in their interpretation of probability expressions. These studies provide evidence that accountants' opinions, attitudes, and decisions are generally consistent with Gray's propositions.

More importantly, this stream of research introduces the notion that Gray's framework can be tested at the individual level. Using individual-level survey data and Gray's (1988) framework, Tsakumis (2007) finds that US accountants consistently exhibit more conservatism than Greek accountants. Tsakumis (2007) discusses several studies that examine aspects of Gray's accounting values model at the individual level rather than the country level. He concludes, 'These studies provide evidence that accountants' opinions, attitudes and decisions are generally consistent with Gray's propositions. More importantly, this stream of research introduces the notion that Gray's framework can be tested at the individual level' (p. 31). Hence, it is evidenced that financial reporting decisions made by accountants in different countries will vary because of their cultural influences, especially when those decisions involve accounting judgment (Prescott & Vann, 2015). The present study also tests Gray's framework at the individual level and therefore extends the literature by examining the influence of Islamic religiosity on accountants' JDM on issues related to IFRS convergence.

3.4. Theory Development and Hypothesis Formulation

3.4.1. Professionalism, Uniformity, and Conservatism

Islam is not only a religion, it is a way of life, with detailed prescriptions regarding most day-to-day activities (Hamid et al., 1993; Kamla, 2009; Woodward, 2017). Muslims must adhere to *Shariah*, that is, Islamic law, which is based on the *Qu'ran* and *Sunnah* and comprises the broad set of principles and moral obligations that shape all aspects of Muslims' lives (Abou El-Fadl, 2004; Korteweg, 2008; Boulanouar et al., 2017). While Quran is the word of God, *Sunnah* is the teachings, deeds and sayings, and silent approvals (or disapprovals) of the Prophet Muhammad. Islam, unlike many other world religions, is an all-inclusive religion that governs every aspect of a Muslim's life including public and private, political and economic, and therefore, is also equally applicable to everyday business activities (Tayeb, 1997; Hassan

& Christopher, 2005; Sabki & Hardaker, 2013; Souiden & Rani, 2015; Aldulaimi, 2016). According to *Shariah*, all actions performed by Muslims are categorised as either forbidden, discouraged, permissible, recommended, or obligatory. Islamic ideology demands total submission to God and acceptance of Islam as a complete way of life. Muslims believe, therefore, that everything, including accounting, should be carried out as directed by God in the *Qu'ran* and *Sunnah* (Afifunddin & Siti-Nabiha, 2010).

Islam provides detailed rules and prescription for all aspects of life—individual and social, material and moral, economic and political, legal and cultural, national and international (El-Bassiouny, 2014; Iqbal & Mirakhor, 2017; Woodward, 2017). It is rigid and prescriptive and allows its adherents few choices (El-Zein, 1977; Barclay et al., 1978; Akbarzadeh, 2001; Akhavi, 2003; McCleary & Barro, 2006; Janin & Kahlmeyer, 2007; Rizk, 2008; Howard, 2013; Selçuk, 2015; Previato, 2016; Boulanouar et al., 2017). Islam is quite specific in many of its prescriptions and is no doubt more rules-based and legalistic than other religions. For example, it is obligatory for Muslims to pray five times a day at specific times and in a specific direction (El-sayed et al., 2010). In Islam, the scope for individual judgment is very limited. Even when Islamic jurisprudence allows interpretation of some contemporary issues, reference to founding Islamic rule from religious texts is nonetheless still required (Hasan, 1978). As such, this focus on details and prescriptions is not compatible with the extensive use of JDM. Therefore, this study suggests that Muslims are likely to prefer a legalistic approach, which may hinder global convergence.

Prior research suggests that there is a positive relation between religiosity and risk aversion (Osoba, 2003; Dohmen et al., 2011; Miller & Hoffman, 1995; Diaz, 2000; Hilary & Hui, 2009; Noussair et al., 2013 Jiang et al., 2015; Kanagaretnama et al., 2015b; Adhikari & Agrawal, 2016), that is, people with a strong religious faith act and live in accordance with rules that generally limit their risky behaviour. This phenomenon has also been observed among Muslims (Bartke & Schwarze, 2008; León & Pfeifer, 2013). For example, the Quran limits the riskiness of financial and health-related behaviour by prohibiting gambling and drinking (Quran 5:90, 5:91). Studies have also found that highly risk-averse individuals are less likely to exercise professional JDM. Niskanen et al. (2011) and Ramanna (2015) document that auditors' level of risk aversion is negatively associated with the exercise of professional JDM. Also, the lower implementation guidance under principles-based standards like IFRS appears to increase firms' exposure to litigation risk (Schipper, 2003; Diehl, 2010; Joos & Leung, 2013). Conversely, rules-based accounting standards lower the risk of litigation (Kadous & Mercer, 2012; Donelson et al., 2012; Grenier et al., 2015). To avoid the risk of

litigation, highly religious Muslim accountants are expected to prefer rules-based standards over principles-based standards, seek uniformity, and be conservative in exercising professional JDM. Therefore, because of the rules-based and prescriptive nature of Islam and also to avoid litigation risk, it is suggested that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are less likely to exercise professional JDM, and are more likely to prefer prescriptive legal requirements, enforcement of like accounting practices, and will have a preference for cautious practice to measurement to avoid uncertainty.

Since IFRS requires extensive application of professional JDM and less reliance on conservatism, it may not therefore be relevant for Islamic countries. Therefore, global convergence, which is based on relevance and adoption of fair values, is likely to create tension. As such, the focus on conservatism presents further challenges in *de facto* convergence in Islamic countries, Bangladesh included. Based on the above discussion, this study hypothesises that Muslim professional accountants are more likely to support statutory control, uniformity, and conservatism, which will in turn deter them from exercising professional judgments:

> *Ha: Professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of statutory control (professionalism).*
>
> *Hb: Professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of uniformity (flexibility).*
>
> *Hc: Professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of conservatism (optimism).*

3.4.2. Transparency vs. Secrecy

Transparency is at the heart of the Anglo-American model of accounting. Gray (1988) defines secrecy as a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach. Qu and Leung (2006) conclude that secrecy relates to the amount of disclosure and secrecy is negatively associated with the amount of public disclosure. Consistent with Gray (1988), the extant literature shows

that more disclosure leads to increased transparency (Dhaliwal et al. 2011; Cho et al., 2012; Arena et al., 2015; Steffel et al., 2016). However, even though Bangladesh was one of the early adopters of IFRS, evidence shows that even after 20 years of adopting IFRS, Bangladesh has the lowest level of disclosure among developing countries which may be, in part, linked to the secretive nature of Islam (Momin & Parker, 2013; Belal et al., 2015), the country's widespread corruption (Nurunnabi, 2015; Houqe & Monem, 2016), and ownership concentration and family domination in public limited companies (Akhtaruddin, 2005; Muttakin et al., 2015; Nurunnabi, 2017b).

Secrecy[8] is important in Islam which is evident in disclosure practices in Bangladesh. For example, Momin and Parker (2013) note that corporate social responsibility reporting (CSR) reporting practice in multinational corporations' (MNC) subsidiaries in Bangladesh is alarmingly limited, and primarily contains employee information. Belal et al. (2015) examine the ethical performance and disclosure of Islami Bank Bangladesh Limited (IBBL) as stated in its annual reports from 1983 to 2010. They note an overall increase in ethical disclosures during the sample period. However, the study documents that IBBL is still failing to present full disclosure in certain areas including sources and uses of disposable income. This situation is no different in other Islamic countries. For example, Hassan and Christopher (2005) and Aribi and Arun (2015) find similar results in the Middle East and North Africa (MENA) countries. Momin and Parker (2013) attribute this contradictory situation to the secretive nature of Islam. Even though Islam imposes a philanthropic obligation on individuals and corporations to pay *zakat*, there is no emphasis on the disclosure of *zakat* as an element of corporate accountability. This act can be attributed to the fact that Islam is silent about the disclosure of *zakat* payments (Qardawi, 2011). To sum up, even though individuals and corporations are required to pay *zakat*, disclosure of these payments on corporate reporting is not expected. In Momin and Parker (2013, p. 223), one of the interviewees commented:

[8] Khan (2009) asserts that secrecy is an essential element in 'Quranic eschatology, Shi'ite theology and practice, Arabic love literature, and Islamic mysticism'. In Islam, secrecy is encouraged in good deeds. For example, the Quran says, 'If you disclose your charitable expenditures, they are good; but if you conceal them and give them to the poor, it is better for you" (Quran 2:271). Abu Hurayra narrates that the Prophet Muhammad said, 'God shades seven people on the day when there is no shade but His'. He also mentions 'a man who gives in charity so secretly that his left hand does not know what his right hand has given' (Al-Bukhaari #505). The right and left hands are used as metaphors. A Hadeeth reads: 'Charity given in secret extinguishes the wrath of the Lord' (Saheeh al-Jaami' #3759). Secrecy is also expected in bad deeds. For example, the Prophet Mumahamad said, 'All of my ummah (nation of followers) will be excused, except those who make their sins known (Imaam al-Bukhaaree stated in his Saheeh #6069). Another hadith reconfirms this and reads, 'Whoever shields [or hides the misdeeds of] a Muslim, God will shield him in this world and the Hereafter' (Sahih Muslim (4/2074) No. 2699). One of the Salafs, Ya'qoob al-Makfoof once said: 'The sincere person is the one who hides his good deeds just like he hides his evil deeds'. Therefore, it is expected that a Muslim accountant who scores higher on measures of Islamic religiosity is more likely to be supportive of secrecy.

> I feel our culture is dominated by Islam … Islam encourages you to do a lot of community activities, to care for your employees and to care about the whole society … you should not publicise any donation even made voluntarily … It's just the culture does not encourage you to do that.

This could be one of the reasons why firms in Bangladesh or in other Islam-dominated jurisdictions fall short with regard to disclosure practices.

Based on the above discussion, we predict that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are more likely to have a preference for secrecy over transparency.

> *Hd: Professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of secrecy (transparency).*

3.5. Measures

Flynn et al. (1990) suggest using existing instruments for which reliability and validity have been assured. Consequently, in this study, Islamic religiosity is the independent variable and four dimensions of Gray's (1988) accounting values, operationalised by Chanchani and Willett (2004), are the dependent variables. A brief description of the instruments is given below.

3.5.1. Dependent Variables: Accounting Values Survey

The AVS instrument developed by Chanchani and Willett (2004) is used to capture subjects' professional JDM on issues related to the global convergence of financial reporting. In developing the instrument, the authors used three key sources as to guide them, including the basic principles of questionnaire design, the Hofstede's value survey module (VSM) format and the purpose of the Hofstede–Gray theoretical framework, and the implications of prior theoretical and empirical work on the Hofstede–Gray framework. The AVS instrument is presented in Table 3.1. The professionalism vs. statutory control construct is represented by the Items 4, 8, 12, and 16. Items 1, 5, 9, and 13 are used to capture the conservatism vs. optimism construct. The uniformity vs. flexibility construct is represented by questionnaire

Items 2, 6, 10, and 14. The secrecy vs. transference construct is captured by Items 3, 7, 11, and 15.[9]

[Insert Table 3.1 here]

3.5.2. Independent Variable

This study uses the Sahin–Francis Scale of Attitude toward Islam (Sahin & Francis, 2002), a five-point Likert scale ('strongly disagree' (1) to 'strongly agree' (5)) consisting of 23 items, to measure professional accountants' level of religiosity (Table 3.2). Scores on the measure can range from 23 to 115, with lower scores on the scales indicating a more positive attitude towards Islam. The main benefit of using the Sahin–Francis Scale of Attitude toward Islam (Sahin & Francis, 2002) is that it allows for the meaningful integration of results from each of these attitudinal measures. Furthermore, over 250 studies have used the Francis Scale of Attitude toward Christianity.

[Insert Table 3.2 here]

Sahin and Francis (2002) describe the development process of their Scale of Attitude towards Islam. All 24 items on the Francis Scale of Attitude toward Christianity (Francis & Stubbs, 1987) were cautiously assessed by numerous Muslim scholars until agreement was reached on the 23 items which mapped significant onto the areas evaluated by the main instrument, that is, the Francis Scale of Attitude toward Christianity. All the six negatively phrased items were kept. Afterwards, the instrument was tested among a sample of 381 Muslims (mostly from Bangladeshi and Pakistani family backgrounds) living in the United Kingdom. An acceptable level of internal reliability (Alpha coefficient=0.82) was achieved for the instrument. An in-depth analysis of the instrument carried out by Abu-Rayia and Pargament (2011) declared the scale psychometrically sound.

In this study, we define high religiosity and low religiosity based on the mean religiosity score of all the subjects. Subjects whose religiosity score is below the mean score are levelled as low religious and, in contrast, subjects who scored above the mean score are considered highly religious.

[9] While the instrument used to measure Islamic religiosity is a five-point Likert scale, the AVS instrument is a seven-point Likert scale. It is suggested that a five-point or higher Likert scale can be considered a continuous variable (Grace-Martin, 2008). Both research instruments were pilot tested in Bangladesh.

3.6. Research Method

When examining the impact of Islamic religiosity on professional accountants' JDM on issues relating to global convergence, survey research design can provide sharper insights than the complex quantitative techniques that largely employ archival data. Everett et al. (2015, p. 38) note that 'quantitative methods are deficient in that they do not come close to providing the type of detail required to enable an adequate grasp of a social actor's lived experiences (or, depending on the theoretical framework employed, her or his aspirations, ideologies, world-views, framings, meanings, interpretive schemes, desires, mental models, intentions, sense-making, representations, dispositions, or justifications), which are important because these things are the very basis of action in the world'. Furthermore, different confounding events make it even more challenging to examine global convergence using archival data. Ball (2016) notes that only 11 years have passed since the mandatory adoption of IFRS. This provides researchers with only 10 to 11 years of post-IFRS data, of which half or more have been affected by the Global Financial Crisis and subsequent economic malaise, and other institutional changes, for example, level of enforcement. In addition, the availability of enormous data sets enables researchers to find a statistically significant association among variables based on small effects (Ball, 2016). For example, the extant literature shows that models of the effect of disclosure on stock prices explain 5–9% of the variation (Ball & Shivakumar, 2008). It is in this space of unexplained phenomena that survey, interview, and experiment research design could make an important contribution (Libby et al., 2015) because the approach adopted by the IASB for developing IFRS is called 'substance over form', which requires accountants to exercise their professional judgments in interpreting and applying IFRS (Wehrfritz & Haller, 2014; Ball, 2016). One of the unique features of the survey methodology is that it largely stresses cognitive factors, including self-serving attribution bias, different forms of overconfidence, anchoring on regulations formerly in force, accountants' personality traits, weighting of sunk costs, social identity factors, and moral licensing that may affect the way professional accountants form their beliefs and preferences, which ultimately influence their choices (Koonce et al., 2011; Baker & Wurgler, 2013; Everett et al., 2015; Libby et al., 2015). For example, surveys and interviews offer an opportunity to ask accountants very specific questions about the motivation behind their particular financial reporting choices, which may not be able to be understood well enough using archival data. Because of the benefits of the survey approach, and the subject under examination, this study uses the survey

approach to examine the influence of Islamic religiosity on professional accountants' JDM on issues relating to the global convergence of financial reporting.

In addition, prior studies use a number of financial variables and ratios as inputs that have been retrieved from different databases whose accuracy and reliability have been questioned repeatedly in the literature (Niels & Weiner, 2005; Lara et al., 2006). For example, Lara et al. (2006) analyse whether the choice of database has an effect on the results of empirical studies in accounting. They examine databases including Global Vantage (COMPUSTAT Global), Company Analysis, Worldscope, datastream, Thomson Financial, Extel Financials, and BvD Osiris, and conclude that database choice matters, as it leads to different results even after using the same research design. Niels and Weiner (2005) compare COMPUSTAT and Worldscope, and show that if both databases are not treated with care, the quality of conclusions may differ considerably. Alves et al. (2007) compare the coverage and content of the Datastream, Worldscope, Extel, Company Analysis, and Thomson Research for UK companies. Their results suggest that these products are not perfect substitutes in terms of: (1) coverage of firms and accounting items; and (2) the values of accounting items. Their replication of four empirical tests indicates that the results are sensitive to the data source. Krist (2009) shows that Datastream and even more so COMPUSTAT reveal considerable differences in the data they report, especially for historical data. Consequently, inconsistencies detected across databases raise questions concerning the generalisability, reliability, and comparability of the findings of the above studies. Ljungqvist et al. (2009) report extensive adjustments to the historical I/B/E/S recommendations database. The alterations comprise changes in analyst recommendations, addition and removal of records, and deletion of analyst identity. Payne and Thomas (2003) note that I/B/E/S usually presents per share data on a split-adjusted basis and rounds to the nearest penny, which can cause a loss of information and lead to erroneous conclusions. Abarbanell and Lehavy (2000) observe that the choice among databases, namely, COMPUSTAT, First Call, I/B/E/S, and Zacks can affect the findings of studies pertaining to earnings management and the value relevance of accounting information.

Earlier studies measure religiosity at the aggregate level, but provide limited understanding. For example, one limitation of these earlier studies is that they examine variation at the regional level, but say little about whether a widely held religious belief affects those subjects within a region in the manner predicted (Atkinson & Bourrat, 2011). Also, the practice of aggregating the responses of group members to characterise a group suggests an important assumption that the variation of individual responses within the groups is smaller than that between the groups (Glisson, 1987). In other words, the practice implies that the

individual responses are more a function of group membership than of individual characteristics. However, at individual level, this study provides more holistic and in-depth insights into global convergence by examining the influence of Islamic religiosity on professional accountants' JDM on issues related to the global convergence of accounting standards.

An email invitation to participate in the survey was sent to the human resources department (HRD) of the top 10 Bangladeshi Chartered Accountancy (CA) firms (see Table 3.3). The contact details were extracted from the Institute of Chartered Accountants of Bangladesh (ICAB) website.[10] Four firms agreed to participate in the study. The HRD in the participating firms contacted all the professional accountants within the firm via email. The participants were informed by the HDR that, if they wanted to participate in the survey, they could collect the sealed, stamped, self-addressed questionnaire packs from a designated central location (e.g., the mail room). Following prior literature, in order to minimise social desirability bias, a cover letter explaining the nature of the study and assuring the confidentiality of the information collected was attached to every instrument (Mayhew & Murphy, 2014; Tucker & Lowe, 2014; Svanberg & Ohman, 2015; Sheehan & Schmidt, 2015). The letter also requested respondents, after completing the instrument, to return it to a contact person in the HRD in a sealed envelope for collection by the researchers. Finally, in order to decrease evaluation apprehension, it was stressed that there were no correct or incorrect answers for any given items in the survey.

[Insert Table 3.3 here]

However, survey data on religious behaviour and practice are extremely unreliable, as respondents often present their behaviour incorrectly by replying to survey questions as they think they should (i.e., social desirability bias) (Krauss et al., 2007). This social desirability bias has also been observed among professional accountants (Cohen et al., 2001; Patel et al., 2002; Chung & Monroe, 2003; Parker & Kohlmeyer, 2005; Shafer, 2009; Shafer et al., 2013). Also, social desirability bias increases (decreases) as a country's uncertainty avoidance (individualism) increases (Bernardi, 2006). Bangladesh scores lower on the individualism dimension (score 20) and higher on the uncertainty dimension (score 60) while Australia, an

[10] The URL for the ICAB website with the details of the CA firms in Bangladesh is <www.icab.org.bd/index.php?option=com_contentandview=articleandid=174andItemid=58>

Anglo-American country, scores 90 and 51 on those two dimensions respectively (Bernardi, 2006). In this study, potential social desirability bias has been mitigated by the preservation of respondents' anonymity (Mayhew & Murphy, 2014; Tucker & Lowe, 2014; Svanberg & Ohman, 2015; Sheehan & Schmidt, 2015).

3.7. Results and Analysis

A total of 140 completed questionnaires were received from the four participating CA firms in the sample country, Bangladesh. After discarding 11 partially completed questionnaires, we were left with 129 completed questionnaires for analysis. All the 129 respondents in our sample were Muslims. As of January 2014, Bangladesh has 1,508 qualified CAs, of whom only 4.67% are women, pointing to significant gender inequality (ICAB, 2014). In this research, about 7.75% of respondents were women, which closely mirrors the gender inequality found in accountancy in Bangladesh. About 97% of all the respondents had either a bachelor's or master's degree. Over 15% of all respondents had experience working in Big 4 accounting firms.

More than 50% of the all respondents had working experience of more than four years. While about half of the respondents were between the ages of 25 and 34, the other half were aged 34 or older. The demographic data of the respondents are reported in Table 3.4.

[Insert Table 3.4 here]

Table 3.5 indicates Cronbach's alpha of 0.73, 0.75, 0.81, and 0.75 for professionalism, conservatism, uniformity, and secrecy respectively. All these scores are higher than Nunnally's (1978) suggested level of 0.70. On the other hand, the Cronbach's alpha for the Islamic religiosity construct is estimated as 0.73.

[Insert Table 3.5 here]

Inspection of the Pearson correlation matrix reveals low correlations among dependent variables which further supports the constructs' discriminant validity (see Table 3.6). Having multicollinearity is problematic for MANOVA and needs to be screened out. However, a low correlation among dependent variables in this study suggests that there is no multicollinearity.

[Insert Table 3.6 here]

Total scores on the Islamic religiosity measure can range from 23 to 115, with lower scores on the scales signifying a more positive attitude towards Islam. In this study, we define high religiosity and low religiosity based on the mean religiosity score of 95.25. Subjects whose religiosity scores are above 95.25 are denoted as highly religious and subjects who scored below this mean score are considered less religious. Following Gray et al. (2015), we present the descriptive statistics in Table 3.7.

[Insert Table 3.7 here]

Individual characteristics of professional accountants, namely, gender (Chung & Monroe, 2001; Gold et al., 2009; Han et al., 2016), level of education (Chand & Patel, 2008; Hu et al., 2013), working experience (Chand & Patel, 2008; Wehrfritz & Haller, 2014), age (Ghazali & Ismail, 2013), and experience working in a Big 4 (Chand, 2012) may influence their JDM. For example, Han et al. (2016) observe that female auditors are likely to interpret uncertainty expressions in IFRS more conservatively than male auditors. Therefore, we conduct tests for differences in the judgments of professional accountants in Bangladesh with respect to different variables, apart from the effects of Islamic religiosity. Further results of the study are provided below.

To examine the influence of Islamic religiosity on professional accountants' JDM on measures of the global convergence of financial reporting in Bangladesh, we conducted 17 MANOVAs, four ANOVAs, and four ANCOVAs. We followed a top-down approach to analyse our data. The first MANOVA was carried out to analyse if significant differences exist in exercise of JDM between the two religiosity groups (high/low) on the combined 16 questions. This analysis was done without regard to any hypotheses in our study. As the first MANOVA was significant, we proceeded to our main analysis. This approach is useful because, if overall differences do not exist between accountants regarding interpretations of a common set of accounting standards, the remaining analysis will not be meaningful.

Following Gray's (1988) accounting values, we used all four dimensions to test our hypotheses: (1) professionalism vs. statutory control (PvS); (2) uniformity vs. flexibility (UvF); (3) conservatism vs. optimism (CvO); and (4) secrecy vs. transparency (SvT). In total there are 16 questions representing all four dimensions, and each dimension is comprised of four questions. There is a statistically significant difference between the two religiosity groups

(high/low) on the combined 16 questions, $F(16, 112) = 10.63$, $p = 0.00$. Follow-up ANOVAs show that PvS scores ($F(1, 127) = 14.11$, $p = 0.00$), CvO scores ($F(1, 127) = 99.16$, $p = 0.00$), UvF scores ($F(1, 127) = 13.88$, $p = 0.00$), and SvT scores ($F(1, 127) = 14.51$, $p = 0.00$), are statistically significantly different between the respondents from the two religiosity groups using a Bonferroni adjusted α level of 0.025 (see Table 3.8). Table 3.8 also shows that for each of the four dependent variables, the mean scores of the Bangladeshi highly religious accountants are lower than for those accountants who scored lower on the measure of Islamic religiosity. These scores are in the direction predicted in the hypotheses, that is, for example, professional accountants in Bangladesh who score higher on measures of Islamic religiosity are more likely to be supportive of statutory control, uniformity, conservatism, and secrecy.

[Insert Table 3.8 here]

Items 4, 8, 12, and 16 in the AVS relate to the professionalism vs. statutory control construct. In general, this construct refers to the attributes of those who perform the accounting function rather than the characteristics of financial statements. Item 4 is a general and direct regulatory framework question asking if the accounting profession should be self-regulated. The higher the agreement to this item, the higher the level of professionalism. This is consistent with Gray's (1988) suggestion that professionalism is correlated with self-regulation and firmly established professional associations. Items 8 and 12, while concerned with the attributes of accountants, attempt to relate these to the separate issues of measurement and disclosure. In both cases, agreement to the assertions that accountants are the best judges of how to measure something and what should be disclosed was taken as indicating high professionalism. The last item (16) queried respondents' agreement to a statement about the standards of the ethical conduct of the accountant. This was an attempt to tap into aspects of professionalism that may have been missed in the other items. Whilst a low value in the professionalism vs. statutory control variable indicates professionalism, a high value specifies statutory control. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an ANCOVA we found that the influence of Islamic religiosity is statistically significant for Item 4, 12, and 16 insignificant for Item 8 (see Table 3.9). To be consistent in direction with questions in the other three dimensions, we reverse-scored all four items here.

[Insert Table 3.9 here]

An ANCOVA was also run to determine the effect of Islamic religiosity on professionalism vs. statutory control after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience, age, and gender was found to have significant influence on the professionalism vs. statutory control construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in professionalism vs. statutory control between the two religiosity groups, $F(1, 122) = 12.42$, $p = 0.001$ (see Table 3.10). Table 3.11 shows that the level of statutory control increases from the low (n = 129, M = 26.92, SD = 1.08) to the high (n = 129, M = 26.10, SD = 1.43) religiosity group. Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of statutory control (professionalism).

[Insert Table 3.10 here]

[Insert Table 3.11 here]

Items 1, 5, 9, and 13 in the AVS relate to the conservatism vs. optimism construct. Items 1 and 13 were taken to relate to measurement and Items 5 and 9 to the disclosure aspect of conservatism. Item 1 required respondents to state the extent of their agreement as to whether profits and assets should be valued downwards in case of doubt. Item 13 asked the respondents to indicate the extent of their agreement with the statement that in times of rising prices LIFO instead of FIFO should be used in calculations as estimates. The stronger the agreement to these statements, the greater the extent to which the respondents were judged to adopt conservative valuation approaches. Items 5 and 9 asked whether market values are more relevant than historic costs and whether they should be used in preference to historic costs, respectively. To the extent that respondents indicated a preference towards historic costs, they would be considered conservative. Whilst a low value in the conservatism vs. optimism variable indicates conservatism, a high value specifies optimism. After controlling for age, gender, level of experience, education and experience working in a Big 4, while running an ANCOVA we found that the influence of Islamic religiosity is statistically significant for all four items, that is, Items 1, 5 9, and 13 (see Table 3.12).

[Insert Table 3.12 here]

An ANCOVA was run to determine the effect of Islamic religiosity on conservatism vs. optimism after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. No covariate was found to have a significant positive influence on the conservatism vs. optimism construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in conservatism vs. optimism between the two religiosity groups, $F(1, 122) = 93.52$, $p = 0.000$ (see Table 3.13). Table 3.14 shows that the level of conservatism increased from the low (n =129, M = 10.69, SD = 3.05) to the high (n = 129, M =6.19, SD = 2.07) religiosity group. Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of conservatism (optimism).

[Insert Table 3.13 here]

[Insert Table 3.14 here]

Items 2, 6, 10, and 14 in the AVS relate to the flexibility vs. uniformity construct. Items 2 and 10 were designed to relate to the measurement dimension, Items 6 and 14 to the disclosure dimension. Item 2 required respondents to indicate their level of uniformity by providing a specific measurement context. Agreement to externally set depreciation rates was taken to indicate higher uniformity. Item 6 approached the disclosure dimension from a cross-sectional viewpoint, eliciting degrees of agreement to a standardised format for the purpose of reporting information. The stronger the extent of the respondent's agreement with this item, the stronger the inclination towards uniformity. Item 10 approached the measurement issue in a time (consistency) context, asking respondents for their level of agreement to the statement that accounting policies, once chosen, should not be subsequently changed. Agreement on this question implied that the respondent's degree of uniformity was high. Item 14 asked respondents about the extent of their agreement to a statement that the level of detailed standardisation disclosed within financial statements should be increased. The extent to which the respondents agreed with the statement was taken to indicate their level of preference for uniform accounting disclosure practices. Whereas a low value in the uniformity vs. flexibility variable indicates uniformity, a high value signifies flexibility. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an

ANCOVA we found that the influence of Islamic religiosity is statistically significant for Items 6, 10, and 14, and insignificant for Item 2 (see Table 3.15).

[Insert Table 3.15 here]

Items 2, 6, 10, and 14 in the AVS relate to the flexibility vs. uniformity construct. An ANCOVA was run to determine the effect of Islamic religiosity on flexibility vs. uniformity after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience working in a Big 4 was found to have an influence on the flexibility vs. uniformity construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in flexibility vs. uniformity between the two religiosity groups, $F(1, 122) = 11.38$, $p = 0.001$ (see Table 3.16). Table 3.17 shows that the level of uniformity increased from the low (n =129, M = 8.09, SD = 3.73) to the high (n = 129, M = 6.23, SD = 2.26) religiosity group. Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of uniformity (flexibility).

[Insert Table 3.16 here]

[Insert Table 3.17 here]

Items 3, 7, 11, and 15 in the AVS relate to the secrecy vs. transparency construct. All four items were classified as being related to disclosure issues. Item 3 required a response to the statement that financial statements should be available to the general public rather than just to shareholders and managers. This was designed to capture the 'external spread of user' aspect of secrecy noted in Baydoun and Willett (1995). Item 7 measured the respondent's attitude regarding the amount of detailed information disclosed in financial statements capturing an 'information quantity' aspect of secrecy. Item 11 required respondents to indicate their agreement with the statement that information about management and owners should not be included in financial statements. As with Item 7, Item 11 relates to the information quantity and level of detail aspect of secrecy, with agreement with the item indicating higher secrecy. Item 15 was intended to capture the aspects of secrecy relating to managerial intentions. To the extent that the respondents agreed with this statement, they were considered to hold

transparency values, as opposed to secrecy. Items 3 and 15 both relate to a transparency aspect of secrecy. Whilst a low value in the secrecy vs. transference variable indicates secrecy, a high value specifies transparency. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an ANCOVA we found that the influence of Islamic religiosity is statistically significant for all the four items, that is, Items 3, 7, 11, and 15 (see Table 3.18).

[Insert Table 3.18 here]

An ANCOVA was run to determine the effect of Islamic religiosity on secrecy vs. transparency after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience and experience working in a Big 4 were found to influence the secrecy vs. transparency construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in secrecy vs. transparency between the two religiosity groups, $F(1, 122) = 14.29$, $p = 0.000$ (see Table 3.19). Table 3.20 shows that the level of secrecy increased from the low (n =129, M = 18.26, SD = 6.85) to the high (n = 129, M = 14.08, SD = 5.23) religiosity group. Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of Islamic religiosity are more likely to be supportive of secrecy (transparency).

[Insert Table 3.19 here]

[Insert Table 3.20 here]

3.8. Conclusion

This study contributes to the literature by examining the influence of Islamic religiosity on professional accountants' JDM on issues relating to the global convergence of financial reporting. Given the number of Muslims worldwide and their contribution to the world economy, it is important to study the impact of Islamic religiosity on IFRS convergence. Prior research investigating religiosity and accountants' JDM uses various simplistic proxies of religiosity, for example, church attendance and proximity of accountants' offices to non-

religious areas (McGuire et al., 2011; Omer et al., 2016). This study, however, contributes to the literature by adopting a more sophisticated measure of Islamic religiosity, namely the affective dimension of religiosity, which is less likely to be influenced by personal and contextual factors, to investigate their influence on accountants' judgments on issues related to IFRS convergence.

Islam is quite specific and dogmatic in many of its prescriptions and is no doubt more rules-based or prescriptive than most of the other world religions. Conversely, the approach adopted by the IASB for developing IFRS is called 'substance over form', which requires accountants to exercise their professional judgment in interpreting and applying IFRS. A distinctive trait of the IAS/IFRS standards is that they are principles-based, drawn clearly from the IASB's Conceptual Framework, rather than rules-based. Principles-based standards do not provide detailed guidelines for their implementation, and thus leave room for individual professional judgment. Therefore, accountants are required to use professional JDM that are likely to influence global convergence. Extant literature shows that country-specific contextual factors, namely, historical, social, political, economic, and legal factors, as well as cultural values, may influence professional accountants' JDM. Given the rules-based and prescriptive nature of Islam, it can be argued that accountants in Bangladesh who score higher on measures of religiosity are less likely to be supportive of principles-based financial reporting standards, that is, IFRS.

This study uses the Sahin-Francis Scale of Attitude toward Islam, a five-point Likert scale consisting of 23 items, to measure professional accountants' level of Islamic religiosity. The AVS, a seven-point Likert scale consisting of 16 items, was used to capture professional accountants' JDM on issues related to the global convergence of financial reporting. A total of 129 completed questionnaires from Muslim professional accountants working in the four largest CA firms in Bangladesh were used for analysis in this study.

The findings of the study support the hypotheses that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are more likely to be supportive of statutory control, uniformity, conservatism, and secrecy. Our findings establish the importance of examining Islamic religiosity to gain further insight into accountants' JDM.

This study further supports prior literature that achieving *de jure* convergence in global financial reporting may not necessarily result in *de facto* convergence (Chand & Patel, 2011; Drnevicha & Stuebs, 2013; Wehrfritz & Haller, 2014; Hellman et al., 2015; De George et al., 2016). The findings of this paper will be of interest to stakeholders at a time when over 130 jurisdictions have adopted IFRS and standard setters are struggling to improve compliance and

comparability of financial statements across countries. The findings of this thesis will interest global standard setters, international accounting firms, national and regional regulators, national practitioners, and international accounting researchers. In particular, the findings of this thesis provide greater insights into professional accountants' judgments in an Islamic cultural context and will assist global standard setters and accounting firms enhance the quality and consistency of accounting practices within and across jurisdictions, particularly in response to the convergence of IFRS, as well as the growing cultural diversity in accounting firms.

Chapter 4: The Influence of Perceived Accountability on Professional Accountants' Judgments on the Convergence of Financial Reporting: Evidence from Bangladesh

Abstract

This paper examines the influence of perceived accountability on professional accountants' judgments and decision making (JDM) regarding the global convergence of financial reporting. Using Bangladesh as a proxy for Islamic countries, the accounting values of professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency, which have been tested for validity and reliability, are selected as dependent variables. The concept of perceived accountability is rooted in the phenomenological view of accountability, which describes accountability as a state of mind and posits that subjective interpretations of objective conditions impact individuals' attitudes and behaviour. Although the phenomenological view emphasises the subjective, internal nature of accountability, it also recognises that these assessments of accountability are based, in part, on perceptions of objective external conditions. Individuals may perceive and experience those objective conditions differently. This focus on perceived or subjectively experienced accountability is more useful to examine what drives professional judgments. Consequently, the contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence in an Islamic context. Perceived accountability is particularly important in Islam because accountability to God and the community for all activities is paramount to a Muslim's faith. Using measures of perceived accountability and the above accounting values, the paper provides evidence that perceived accountability is positively (negatively) associated with statutory control (professionalism), uniformity (flexibility) and conservatism (optimism), and transparency (secrecy). The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that perceived accountability is an important personality variable. Findings from this study provide important insights for understanding the global convergence of financial reporting in an Islamic context. The findings are useful for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries.

Keywords: Perceived accountability; Accountants' judgments and decision making (JDM); Accounting values; Islam.

4.1. Introduction

As discussed in Chapter 1, the global convergence of financial reporting with the adoption of International Financial Reporting Standards (IFRS) by more than 130 jurisdictions is increasingly recognised as an important and controversial topic (Heidhues & Patel, 2011; Arnold, 2012; Stent et al., 2017). IFRS convergence assumes that a single set of of high-quality global IFRS will increase both the relevance and comparability of accounting numbers among countries and benefit international investment and a range of stakeholders. However, convergence requires understanding of professional accountants' values and some insight into their complex internal cognitive process (Johnstone et al., 2002; Peytcheva et al., 2014; Ying & Patel, 2016; Huerta et al., 2016; Pan & Patel, 2017). Convergence also requires understanding of a country's unique contextual factors that influence accountants' judgments and decision making (JDM) (Heidhues & Patel, 2011; Tsunogaya, 2016; Kamla & Haque, 2017; Balfoort et al., 2017). However, various cognitive and contextual factors that influence convergence have not been rigorously examined in the literature. Consequently, there are calls for more research on accountants' values and internal cognitive processes (Ponemon, 1990; Peytcheva & Gillett, 2011; Pan & Patel, 2017, 2018) and contextual factors (Wehrfritz & Haller, 2014; Holthoff et al., 2015; Grossa, & Perottib, 2017), which may influence professional accountants' JDM. Responding to these calls, and using Bangladesh as a proxy for Islamic countries, this paper contributes to the literature by examining the influence of *perceived accountability* on professional accountants on measures of global convergence.

Perceived accountability is defined as a 'perceived expectation that one's decisions or actions will be evaluated by a salient audience and that rewards or sanctions are believed to be contingent on this expected evaluation' (Hall & Ferris, 2011, p. 134). Perceived accountability is selected for examination because it provides guidance and direction for employees, establishes role expectations and mutual obligations, clarifies performance and behaviour evaluation criteria, and is likely to provide insights for enhancing convergence (Frink & Klimoski, 2004; Wikhamn & Hall, 2014; Laird et al., 2015; Pearson & Sutherland, 2017). Given the current tensions between the global convergence of financial reporting and the Islamic convergence[11] of financial reporting, Bangladesh, where IFRS have been mandatorily adopted since 1998 (Nurunnabi, 2016), provides an appropriate context.

[11] Islamic convergence of financial reporting is explained later in the paper.

Researchers generally classify accountability according to two categories: *formal or imposed* accountability and *perceived or felt* accountability. Extensive research has been conducted on formal accountability, which basically refers to monitoring of individuals by superiors who have the power to instigate rewards or punishments (Roethlisberger & Dickson, 1939; DeZoort et al., 2006; Peecher et al., 2013). Formal accountability emphasises the importance of the implementation of control and monitoring systems to ensure the organisation remains competitive (Samkin & Schneider, 2010; Hall et al., 2017; Pearson & Sutherland, 2017). Individual-level perceived accountability, which provides insights into internal mental processes represents how individuals are intrinsically motivated to voluntarily take responsibility for opening themselves up to scrutiny, and for assessing their performance in relation to goals aligned to their organisational mission (Lewis & Madon, 2004; Ebrahim, 2009). Consequently, it provides important benefits for both organisations and their employees. However, perceived accountability has not been rigorously examined in prior accounting literature (Hall & Ferris, 2011; Hall et al., 2006, 2017; Pearson & Sutherland, 2017). Therefore, there are calls in the literature to examine the influence of perceived accountability in various national contexts (Wikhamn & Hall, 2014; O'Dwyer & Boomsma, 2015; Hall et al., 2017). We respond to these calls by examining the influence of perceived accountability on accountants' JDM on accounting values that relate to global convergence in Bangladesh.

Examining perceived accountability in national contexts is important because it is context-dependent and can be interpreted by individuals in different ways. Perceived accountability is based on the phenomenological view of accountability where it is a state of mind, rather than a state of affairs (Tetlock, 1985, 1992; Hall & Ferris, 2011; Wikhamn & Hall, 2014; Park, 2016; Hall et al., 2017). A person's subjective interpretation of accountability, which requires exercise of judgment, is the focus of this study, rather than the objective formal accountability mechanisms that are imposed on organisational participants. It is important to note that, although the phenomenological view emphasises the subjective and internal nature of accountability, it also recognises that these assessments of accountability are based, in part, on perceptions of objective external conditions (Hochwarter et al., 2005). However, individuals may perceive and experience those objective conditions differently (Frink & Klimoski, 1998). Therefore, focusing on perceived or subjectively experienced accountability is more useful to examine what drives professional JDM to enhance the global convergence of financial reporting (Lewin, 1936; Frink et al., 2008). Consequently, the contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence (Gelfand et al., 2004, 2006; Hall et al., 2017).

When examining the influence of perceived accountability on convergence, it is important to know that IFRS are 'principles-based' rather than 'rules-based'. As discussed in Chapter 3, principles-based standards do not provide detailed guidelines for their implementation and thus leave room for individual professional judgments (Bennett et al., 2006; Benston et al., 2006; Agoglia et al., 2011; Heidhues & Patel, 2011; Ismail et al., 2013; Donelson et al., 2016; De Simone, 2016; Marton & Runesson, 2017; Yang et al., 2018). The principles-based IFRS contain a number of vague and indeterminate terms and concepts, including 'assumed beyond any reasonable doubt', 'probable', 'reasonably certain', 'sufficiently', 'remote', 'insignificant', 'major part', 'substantially', 'significant influence', 'more likely', 'less likely', 'more likely than not', 'deemed', 'expected', and 'control' (Doupnik & Richter, 2003; Huerta et al., 2013; Kettunen, 2017). These concepts are often used to indicate levels of probability in prescribing the recognition, measurement, and disclosure of events and transactions in financial reports. In contrast, rules-based standards provide a high level of detail, numerous bright-line thresholds, various exceptions, and very detailed implementation guidance (Bennett et al., 2006; Agoglia et al., 2011; Mergenthaler, 2012; Donelson et al., 2012, 2016). Thus, in IFRS, accountants are required to use extensive professional judgments that are likely to influence convergence. Additionally, the focus on relevance and the drive towards subjectivity embedded in fair value requires professional accountants to exercise greater judgments. The fair value approach requires extensive use of judgments as it often involves judgmental calculations of hypothetical values and markets and thus has been rigorously debated in the accounting literature, specifically in regard to relevance and reliability (Barth et al., 2008; Zhang & Andrew, 2016; Islam & Hossain, 2017; Yang et al., 2018).

Prior research provides evidence that country-specific contextual factors, namely, historical, social, political, economic, and legal factors, in addition to cultural values, may result in different outcomes even in the presence of a common set of financial reporting standards, and thus cannot be ignored when examining global convergence (Combs et al., 2013; Holthoff et al., 2015; Han et al., 2016; Pan & Patel, 2017). Consequently, a significant number of studies contend that achieving uniformity and consistency in accounting standards (*de jure* convergence) may not necessarily result in consistency in accounting practices (*de facto* convergence) and may impede the International Accounting Standards Board's (IASB) main objective of enhancing the global comparability of financial information (Doupnik & Perera, 2012; Wehrfritz & Haller, 2014; Gross & Perotti, 2017).

The accounting literature also raises concerns about the Anglo-American bias of convergence. Indeed, the global accounting standards largely reflect Anglo-American values, principles, and practices that may not be suitable in other contexts with their own unique social, political, and economic factors (Heidhues & Patel, 2011; Bamber & McMeeking, 2016; Kamla & Haque, 2017). The international accounting literature provides evidence that the Anglo-American dominance of the world's political economy substantially influences the essential characteristics of the IFRS in terms of capital market orientation, fair value measurement, and accountants' professional judgments (Perry & Noelke, 2006; Peng & Bewley, 2010; Mhedhbi & Zeghal, 2016). The literature (For example, Perry & Noelke, 2006; Mhedhbi & Zeghal, 2016; Bewley et al., 2018) demonstrates that current measurement practices, for example, fair value, highlight the Anglo-American emphasis on the importance of relevance over reliability. However, developing countries, where government is the major user of financial information, have a preference for reliability over relevance. Importantly, empirical evidence shows that the lack of relevance and usefulness of the Anglo-American accounting model to other countries, including Islamic countries, challenges global standards setters' important objective of achieving comparability of financial information across jurisdictions (Heidhues & Patel, 2011; Tsipouridou & Spathis, 2012; Karampinis & Hevas, 2013; Kamla & Haque, 2017).

In examining convergence in Bangladesh, it is also important to understand the tension between the global convergence of financial reporting and the Islamic convergence of financial reporting. Movement towards Islamic convergence has grown in recent years but this presents challenges for global convergence (Hamid et al., 1993; Lewis, 2001; Vinnicombe & Park, 2007; Fakhfakh, 2017). Consequently, Islamic convergence, which is evidenced by the significant growth of Islamic financial institutions (IFIs) and the issuance of accounting, auditing and *Shariah* (Islamic) standards for IFIs by the international standard-setting body, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)[12] (Hamid et al., 1993; Vinnicombe, 2010; Kamla & Rammal, 2013). *Shariah* standards are largely in conflict with the global accounting standards as the former are less welcoming to the key concepts in IFRS, that is, substance over form (PWC, 2010; Deloitte, 2012). Therefore, given the current tension between global convergence and Islamic convergence, Islamic countries are struggling to reach a compromise between adoption of global accounting standards and adoption of *Shariah* standards. Recognising this fact, Bangladesh's central bank issued a circular in November 2009 prescribing banks under Islamic *Shariah* to follow AAOIFI

[12] The AAOIFI standards are referred to as *Shariah* standards in the remainder of the paper.

standards.[13] In Bangladesh, while IFIs are allowed to follow *Sharia*h standards in order to comply with *Shariah*, non-IFIs are not. Increasing concerns about conflicts between global convergence and Islamic convergence are evidenced in a joint report published by KPMG and the Association of Chartered Certified Accountants (ACCA), which calls for the IASB, *Shariah* standards and other Islamic financial standard setters and regulators to work together to develop guidelines and standards to harmonise financial reporting (ACCA, 2012). Acknowledging the importance of Islam, the IASB recently created the Consultative Group of *Shariah*-Compliant Instruments and Transactions[14] (Camfferman & Zeff, 2018). In addition, global standard setters such as the IASB have called for more research to minimise tensions between global convergence and Islamic convergence. This paper further contributes to the literature by responding to these calls (Kamla, 2012; Kamla & Rammal, 2013) and suggests that the influence of perceived accountability is likely to provide additional insights into Islamic convergence.

Understanding Islam is important in examining convergence in Bangladesh. Islam has received wide coverage in the accounting literature (Gambling & Karim, 1986; Hamid et al., 1993; Baydoun & Willett, 2000; Askary, 2006; Kamla, 2009; Williams & Zinkin, 2010; Kamla & Roberts, 2010; Kamla, 2012; Kamla & Rammal, 2013; Fang & Foucart, 2014; Rahim & Alam, 2014; Belal et al., 2016; Platonova et al., 2018; Kamla & Haque, 2017; Nurunnabi, 2017a). Islam is not only a religion, it is a way of life with detailed prescriptions on most day-to-day activities (Hamid et al., 1993; Kamla, 2009; Woodward, 2017) and aspects of life: individual and social, material and moral, economic and political, legal and cultural, national and international (El-Bassiouny, 2014; Iqbal & Mirakhor, 2017; Woodward, 2017). Islam's rigid and prescriptive nature (Barclay et al., 1978; Howard, 2013; Boulanouar et al., 2017),

[13] Bangladesh Bank (2009). Guidelines for Islamic Banking, BRPD Circular No. 15, 9 November 2009.
[14] Renamed in 2016 as the *Islamic Finance Consultative Group*.

level of conservatism[15] (Hanafi, 2002; Norris & Inglehart, 2012; Tlaiss, 2015), and secrecy[16] (Dakake, 2006; Momin & Parker, 2013; Belal et al., 2015) are particularly relevant to Islamic countries and have been identified as core cultural values that influence all aspects of personal and social conduct. Since IFRS require extensive application of professional judgment and rely less on conservatism, they may not be relevant for Islamic countries. Islam's propensity for secrecy can also be expected to moderate the effects of adopting IFRS disclosure requirements. Owing to secrecy among Muslim accountants, the degree of disclosure will be less than the levels required under IFRS. As such, Islam's focus on the legalistic approach, conservatism, and secrecy presents further challenges for the convergence of accounting practices in Islamic countries, including Bangladesh.

Islam promotes accountability among its adherents and provides a dual accountability structure consisting of: (1) external deterrence, that is, the law; and (2) a complementary spiritual structure (Er, 2008; Belal et al., 2015; Abdelsalam et al., 2016). While the former is delineated in *Shariah*, the latter is based upon punishment and rewards both in this world and in the hereafter. *Shariah* is Islamic law that is based on the *Qu'ran* and *Sunnah* and comprises the broad set of principles and moral obligations that shape all aspects of Muslims' lives

[15] Prior research suggests that there is a positive relation between religiosity and risk aversion (Hilary & Hui, 2009; Kanagaretnama et al., 2015b; Adhikari & Agrawal, 2016) as people with strong religious faith act and live in accordance with rules that generally limit risky behaviour. The same phenomena have also been observed among Muslims (Bartke & Schwarze, 2008; León & Pfeifer, 2013). For example, the *Qur'an* limits the riskiness of financial and health-related behaviour by prohibiting gambling and drinking (*Qur'an* 5:90, 5:91). Studies have found that highly risk-averse individuals are less likely to exercise professional judgments. Niskanen et al. (2011) and Ramanna (2015) document that auditors' level of risk aversion is negatively associated with the exercise of professional judgments. Also, the lower implementation guidance under principles-based standards like IFRS appears to increase firms' exposure to litigation risk (Schipper, 2003; Diehl, 2010; Joos & Leung, 2013). Conversely, rules-based accounting standards lower the risk of litigation (Donelson et al., 2012; Grenier et al., 2015). To avoid the risk of litigation, highly religious Muslim accountants are expected to prefer rules-based standards over principles-based standards, seek uniformity, and be conservative in exercising professional judgments. Therefore, it is suggested that professional accountants in Bangladesh who score higher on measures of Islamic religiosity are less likely to exercise professional judgments, and are more likely to prefer prescriptive legal requirements, enforcement of like accounting practices, and a cautious approach to measurement to avoid uncertainty.

[16] Secrecy is essential part of Islam. Khan (2009) asserts that secrecy is an essential element in '*Quranic* eschatology, Shi'ite theology and practice, Arabic love literature, and Islamic mysticism'. In Islam, secrecy is encouraged in good deeds. For example, the *Qu'ran* says, 'If you disclose your charitable expenditures, they are good; but if you conceal them and give them to the poor, it is better for you" (*Qu'ran* 2:271). Abu Hurayra narrates that the Prophet Muhammad said, 'God shades seven people on the day when there is no shade but His'. He also mentions 'a man who gives in charity so secretly that his left hand does not know what his right hand has given' (Al-Bukhaari #505). The right and left hands are used as metaphors. A Hadeeth reads: 'Charity given in secret extinguishes the wrath of the Lord' (Saheeh al-Jaami' #3759). Secrecy is also expected in bad deeds. For example, the Prophet Mumahamad said, 'All of my ummah (nation of followers) will be excused, except those who make their sins known (Imaam al-Bukhaaree stated in his Saheeh #6069). Another hadith reconfirms this and reads, 'Whoever shields [or hides the misdeeds of] a Muslim, God will shield him in this world and the Hereafter' (Sahih Muslim (4/2074) No. 2699). One of the Salafs, Ya'qoob al-Makfoof once said: 'The sincere person is the one who hides his good deeds just like he hides his evil deeds'. Therefore, it is expected that a Muslim accountant who scores higher on measures of Islamic religiosity is more likely to be supportive of secrecy.

(Korteweg, 2008; Boulanouar et al., 2017). Adherence to *Shariah* means that man-made rules are superficial, in particular because in Islam man is accountable only to Allah. The Prophet Muḥammad also emphasised the need for accountability and said that the wise person is one who holds himself accountable for his deeds, thoughts, and relations (Hadith quoted in Tirmithi #2459, Ibn Majah #4260). The recognition that one is always watched, observed, and heard, and will be punished or rewarded for his or her deeds and thoughts has profound moral and ethical implications for Muslims' attitudes and behaviour. In the *Qu'ran*, Allah says:

> To Allah belongs whatever is in the heavens and whatever is in the earth. Whether you show what is within yourselves or conceal it, Allah will bring you to account for it. Then He will forgive whom He wills and punish whom He wills, and Allah is over all things competent. (*Qu'ran*, 2:284)

Therefore, the notion of negative and positive sanctions in Islam not only has implications in the workplace, it also has implications in the hereafter. In other words, even if one undertakes or neglects one's responsibilities without being seen by others, one still knows that Allah is always watching (Osman, 2012).

Perceived accountability, which may be drawn from 'personal religious and moral values' (Hall et al., 2007, p. 412), forms an important motivation towards accomplishing an organisational mission. Sinclair (1995, p. 230) contends that this type of accountability is more 'powerful' as it is 'enforced by psychological, rather than external, controls …'. This also indicates that perceived accountability is motivated by 'internalised private principles' (Schlenker & Weigold, 1989, p. 255). Therefore, Islam's dual accountability structure reinforces perceived accountability among its followers. The concept of perceived accountability in Islam extends the moral accountability of the managers and board members of Islamic banks beyond conventional legal liability (Beekun & Badawi, 2005; Belal et al., 2015). This moral accountability is likely to reduce risk-taking behaviour (more conservatism) among Islamic banks (Abdelsalam et al., 2016). Indeed, following the same line of reasoning, evidence shows that Islamic banks tend to be relatively more conservative in using their loanable funds and/or lack lending opportunities (Metwally, 1997; Cihak & Hesse, 2010; Beck et al., 2013; Mostafa & El Sahn, 2016; Abdelsalam et al., 2016; Louhichi & Boujelbene, 2017). Accordingly, it is suggested that the level of perceived accountability among Muslims is also expected to be influenced by Islam.

To gain greater insights into global convergence, it is important to take into account evidence that shows that professional accountants' *cultural values* influence *accounting values* which in turn influence professional judgments (Gray, 1988; Heidhues & Patel, 2011; Hellmann et al., 2013; Ugrin et al., 2017). Indeed, Gray (1988) provides a theoretical framework that links Hofstede's (1980) four cultural dimensions[17] and presents four 'accounting values: professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency. Professionalism is defined as a preference by accountants to exercise professional judgment. Uniformity represents a preference for the enforcement of uniform accounting practices among companies, which, over time, can be consistently applied. Conservatism relates to the preference for a cautious approach to measurement and treatment. Secrecy is defined as a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing. Gray (1988) proposes that these accounting values explain and determine the structure and practice of accounting, including the basic tenets of measurement and disclosure which determine financial reporting practices. He further classifies countries into 10 clusters: Anglo, Nordic, Germanic, More Developed Latin, Less Developed Latin, African, Asian-Colonial, Less Developed Asian, Japan, and Near Eastern. Evidence shows that Anglo-American countries rank higher on professionalism, optimism, flexibility, and transparency, which facilitates convergence (Gray, 1988; Heidhues & Patel, 2011; Halaoua et al., 2017). In contrast, Islamic countries are likely to show a preference for the legalistic approach, conservatism, and secrecy (Gray, 1988; Askary, 2006; Halaoua et al., 2017).

The usefulness of Gray's (1988) framework in examining global convergence is evident in the increasing number of studies that invoke or test the framework. For example, Salter and Niswander (1995), Gray and Vint (1995), Sudarwan and Fogarty (1996), Askary (2006), Liu and O'Farrell (2013), and Salter et al. (2013) apply Gray's accounting values framework and

[17] Hofstede's (1980) model of culture was initially comprised of four cultural values: uncertainty avoidance, masculinity, power distance, and individualism. Uncertainty avoidance refers to the extent to which members of a culture feel threatened by uncertain or unknown situations (Hofstede, 1980). Masculinity refers to a society in which gender roles are distinct, with men expected to be tough and assertive (whereas femininity refers to a society where gender roles overlap and both sexes are expected to display modesty and a concern for quality of life (Hofstede, 1980)). Power distance refers to the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally (Hofstede, 1980). Individualism refers to a society wherein ties between members are relatively loose (whereas collectivism refers to a society in which members are integrated into a cohesive group (Hofstede, 1980)). McKague et al. (2015) suggest that Bangladeshi society is characterised by high power distance, uncertainty avoidance, masculinity, and group orientation.

broadly found empirical support for it. Given the importance of Gray's (1988) framework in understanding the influence of accounting values on accountants' professional JDM, we also apply this theoretical framework to examine the influence of perceived accountability on accountants' JDM on measures of global convergence. Based on Gray's (1988) accounting values, Chanchani and Willett (2004) developed a research instrument to measure respondents' support for accounting values. The instrument was further pilot-tested in Bangladesh for validity and reliability. We use this instrument to examine Bangladeshi professional accountants' preference for accounting values that support convergence.

The remainder of the paper is organised as follows. Section 4.2 discusses different important features of Islam and Bangladesh. Section 4.3 presents an extensive literature review on perceived accountability and Gray's (1988) accounting values. Section 4.4 describes the hypotheses development. Section 4.5 discusses the research instruments. Section 4.6 presents the research methods. Section 4.7 describes the analyses of data, and Section 4.8 concludes the paper.

4.2. Reasons for Selecting Bangladesh

Chapter 3 provides a detailed explanation of why Bangladesh is selected for examination in this thesis. A summary of relevant factors discussed in Chapter 3 follows.

In 1998, Bangladesh adopted International Accounting Standards (IAS) (Nurunnabi, 2016), which makes the country one of the early adopters of the Anglo-American accounting model. Given the forces of globalisation and a sustained increase in international trade and investment since the adoption of the country's 'open-door' economic policy in the 1990s, the accounting profession is emerging and has undergone substantial reforms (Alam, 1994; Ahmed, 1995; Nurunnabi, 2015). Even though IFRS have been mandatory in Bangladesh since 1998, Nurunnabi (2016) concludes that Bangladesh has the lowest level of compliance with IFRS. Other researchers also raise concerns regarding Bangladesh's level of compliance with IFRS (Siddiqui & Ferdous, 2014; Nurunnabi, 2017b; Islam & Hossain, 2017). For example, Nurunnabi (2017) notes that approximately 36% of independent auditing firms (31 from a total of 86) have violated the Bangladesh Securities and Exchange Commission (BSEC) rules regarding IFRS. More specifically, 38 out of 1647 (2.3%) enforcement notices were issued against Chartered Accountancy (CA) firms. However, only two of the 36 CA firms were fined for violating the BSEC's rules. Surprisingly, these two firms declined to pay the penalty. Islam and Hossain (2017) note that while there was an average compliance rate of 60% for Big 4

affiliates, the rate was a mere 40% for non-affiliates. Bangladesh is ranked 133rd in the world (out of 144 countries) for the strength of its auditing and reporting standards. All companies, both private and public, are required to file audited financial statements with the regulators. However, less than 10% of companies complied with this requirement (World Bank, 2015; Daily Star, 2017). The World Bank (2003, 2009, 2015) is also critical of the poor compliance with IFRS and the lack of enforcement in Bangladesh. The World Bank (2003, 2009, 2015) also notes that the BSEC does not have sufficient qualified staff to effectively monitor the accounting practices of listed firms. Its repeatedly low level of compliance therefore makes Bangladesh an appropriate setting to examine accounting values that facilitate convergence.

More than 90% of Bangladesh's 162.9 million people are Muslims (UNDP, 2016). Islam thus plays an important role in the daily lives of Bangladeshis (Gallup, 2009). The increasing influence of Islam in Bangladesh is evident in the number of Islamic banks compared to conventional banks. Furthermore, to facilitate Islamic banking, the central bank allowed only Islamic Banks to follow *Shariah* standards. While some financial institutions are allowed to follow *Shariah* standards, conventional banks are not. Conversely, the BSEC requires that the financial statements of a listed firm shall be prepared in accordance with IFRS requirements (Security and Exchange Commission, 1998). Therefore, given the current tension between global convergence and Islamic convergence, Bangladesh provides an interesting setting to examine convergence.

Bangladesh, as an Islamic country, is also appropriate for study because of the three unique characteristics of Islam: (1) its prescriptive or legalistic nature; (2) its level of conservatism; and (3) the importance of secrecy, which is fundamental to the faith.

First, as noted previously, Islam is more than a religion, it is a way of life (Hamid et al., 1993; Kamla, 2009; Woodward, 2017); it provides detailed rules and prescriptions for all aspects of life—individual and social, material and moral, economic and political, legal and cultural, national and international (El-Bassiouny, 2014; Iqbal & Mirakhor, 2017; Woodward, 2017). Islam is rigid and allows its adherents few choices (El-Zein, 1977; Barclay et al., 1978; Akbarzadeh, 2001; Akhavi, 2003; McCleary & Barro, 2006; Janin & Kahlmeyer, 2007; Rizk, 2008; Howard, 2013; Selçuk, 2015; Previato, 2016; Boulanouar et al., 2017). Islam is quite specific in many of these prescriptions and is thus rules-based and legalistic. This focus on details and prescriptions is not compatible with the extensive use of judgments required under IFRS. Therefore, this study suggests that Muslims are likely to prefer a legalistic approach to a 'substance over form' approach, which may hinder convergence.

Another Islamic cultural value that may hinder convergence in Bangladesh and in other Islamic jurisdictions is conservatism. Conservatism is particularly relevant to Islamic countries as it has been identified as a core cultural value that influences all aspects of personal and social conduct (Hanafi, 2002; Norris & Inglehart, 2012; Tlaiss, 2015). Accountants' conservatism is an important concept in both accounting research and practice and has been extensively examined (Nalebuff, 1991; Abdelsalam et al., 2016; Hsu et al., 2017). Accounting conservatism specifies a higher threshold for recognising gains and a lower one for recognising losses, with the aim of reporting strict profits and net assets (Basu, 1997). Kim et al. (2003) suggest that professional accountants' conservatism has a preference for income-decreasing accounting choices. Moreover, evidence shows that conservatism is a major factor influencing professional judgment and behaviour in Islamic countries (Beekun & Badawi, 2005). Gray (1988) suggests that conservatism hinders convergence. This is opposed to optimism, which is considered a characteristic of Anglo-American countries and reflects extensive use of judgment. Since IFRS require extensive application of professional judgment and less reliance on conservatism, it may not be relevant for Islamic countries. Therefore, global convergence, which is based on relevance and adoption of fair values, is likely to create tension. As such, a focus on the legalistic approach and conservatism presents further challenges in *de facto* convergence in Islamic countries, including Bangladesh.

Third, the IFRS's emphasis on disclosure is in conflict with the deep-rooted propensity for corruption, and by extension secrecy, embedded in Bangladeshi society. Evidence shows that because of illicit payments, firms maintain strong secrecy and control over the preparation of accounting reports (Uddin, 2009), comply poorly with international accounting standards (Mir & Rahaman, 2005), choose small audit firms (Karim & van Zijl, 2013), and make limited disclosures (Akhtaruddin, 2005). Individuals in Bangladesh partake in corruption with the knowledge that they will not be held accountable for their actions. This paradoxical situation, where religion and corruption exist side by side, means Bangladesh is an interesting setting to examine how accountability affects the JDM of professional accountants. Consequently, this thesis furthers the current debate on the role of religion with regard to perceived accountability and global convergence.

Another important factor that contributes to secrecy in the Bangladeshi business environment is ownership concentration and family domination in public limited companies (Farooque et al., 2007; Khan et al., 2013; Muttakin et al., 2015; Rashid, 2016). For example, on average, the top five stockholders hold more than 50% of a firm's stocks (Farooque et al., 2007). Management in many companies is just an extension of the dominant owners. Evidence

shows that measures such as selecting the chairman and the CEO from the same family and appointing the board of directors and the audit committee members on the basis of personal connections rather than personal competence and talent preserve the country's deep-rooted propensity for corruption and secrecy (Uddin & Choudhury, 2008; Ahmed & Siddiqui, 2011; Belal et al., 2017). Therefore, the focus on secrecy in Bangladesh, which is in contrast to the Anglo-American accounting value of transparency, is likely to hinder effective convergence.

Prior literature has identified a number of other socio-political characteristics of the reporting environment in Bangladesh, namely, weak legal structure (Sobhan & Werner, 2003) and poor perceptions regarding the skills and competence of accountants (World Bank, 2003; Siddiqui, 2010). Uddin and Choudhury (2008) report that unlike developed economies, the influence of institutional investors is almost absent in Bangladesh as such investors mostly operate as secondary market traders. Additionally, unlike firms in Anglo-American countries, the primary source of corporate borrowing in Bangladesh is banks (Rashid, 2016). Uddin and Hopper (2003, p. 745) conclude that 'accounting education inappropriate to the local environment' also causes a lack of transparency and accountability in Bangladesh. Hooghiemstra et al. (2015) contend that strong collectivist cultures like Bangladesh underestimate the value of personal competence and talent in career advancement, which reduces the accountability of managers. Siddiqui (2010) identifies these unique socio-political contextual factors as potential impediments towards successful adoption of the Anglo-American model of accounting. Indeed, Mir and Rahaman (2005), investigating adoption of IAS in Bangladesh, conclude that such adoption does not appear to be entirely suitable with respect to the socio-economic conditions prevailing in the country. These unique socio-political contextual factors are another reason why Bangladesh is appropriate for examining professional accountants' level of perceived accountability and preference for accounting values that enhance global convergence.

Finally, much of the current accountability literature originates in Anglo-American countries, especially the United States, and 'is the product of its individualistic, psychology-oriented culture' (Hall et al., 2017, p. 218). It has been suggested that perceived accountability in other contexts other than Anglo-American countries should be examined (Wikhamn & Hall, 2014). Unlike Anglo-American countries, Bangladesh is an Islamic collectivist country (Abdullah et al., 2011; Nurunnabi, 2015; Abdullah, 2017), makes it an interesting setting to examine convergence. Consequently, in response to these calls in the literature, Bangladesh has been selected to examine perceived accountability with respect to professional accountants' JDM on issues related to convergence.

4.3. Literature Review

4.3.1. Perceived Accountability

The definition of perceived accountability mentioned earlier captures several distinct aspects of accountability such as the subjective and perceptual nature of accountability; internal and external rewards and sanctions; multiple audiences, including self; and the social context of accountability (Hall et al., 2017). These rewards or sanctions cause individuals to engage in more effortful processing of information before they make decisions or judgments (Kennedy, 1993; Peecher, 1996; Lerner & Tetlock, 1999). However, it has also been noted that the social context in which the subject is situated is an important factor that may influence accountants' JDM (Frink & Klimoski, 1998; Frink et al., 2008; Wikhamm & Hall, 2014). In other words, it is not only the rewards or sanctions but also the social context that influences an individual's JDM.

The concept of perceived accountability is rooted in the phenomenological view of accountability, which describes accountability as a state of mind and posits that subjective interpretations of objective conditions impact individuals' attitudes and behaviour (Frink & Klimoski, 1998; Hall et al., 2006; Lewin, 1936; Tetlock, 1985, 1992; Hall & Ferris, 2011; Wikhamn & Hall, 2014; Hall et al., 2017). Researchers have suggested that compared with 'objective and external' formal accountability, perceived accountability is 'subjective and internal' in essence and drives individuals' cognitive activities (Hochwarter et al., 2007; Hall & Ferris, 2010; Chen et al., 2016). Although the phenomenological view emphasises the subjective and internal nature of accountability, it also recognises that these assessments of accountability are based, in part, on perceptions of objective external conditions (Hochwarter et al., 2005). Individuals may perceive and experience those objective conditions differently (Frink & Klimoski, 1998). This focus on perceived or subjectively experienced accountability is useful when examining what drives professional JDM consistent with enhancing the global convergence of financial reporting (Lewin, 1936; Frink et al., 2008). Consequently, the contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence (Gelfand et al., 2004; Gelfand et al., 2006; Hall et al., 2017). In sum, 'accountability […] interacts with

characteristics of decision makers and properties of the task environment to produce an array of effects–only some of which are beneficial' (Lerner & Tetlock, 1999, p. 270).

In any discussion of accountability, an evaluation need not occur but the possibility for an evaluation to occur must be present. However, accountability is more than evaluation expectation (Frink & Klimoski, 1998; Lerner & Tetlock, 1999); the actor must believe that an accountgiving [explanation] might be required (Frink et al., 2008). There must be consequences for the potential evaluation in terms of possible rewards or sanctions. To this end, there needs to be some salient audience who is typically external to the actor. However, as responsibility (which includes values and strongly held beliefs) is typically considered to be a subcomponent of perceived accountability among accountability researchers (Schlenker et al., 1991; Hall et al., 2006), evaluating audiences may include the actors themselves. Although responsibility and accountability have been used interchangeably in some of the literature (Hochwarter et al., 2005; Frink et al., 2008), Frink and Klimoski (1998) and others (e.g., Schlenker et al., 1994) distinguish responsibility from accountability by suggesting that accountability imposes the additional requirement of an external audience (Cummings & Anton, 1990). Hochwarter et al.'s (2003) measure, used in this study to measure the level of perceived accountability, does not distinguish between perceived responsibility and perceived accountability (Hall et al., 2017; Patil et al., 2017).

Perceived accountability can be useful in understanding how individuals differ in interpreting and reacting to the same contexts and formal accountability mechanisms, and how this can impact behaviour in the workplace (Hall et al., 2007). Perceived accountability has also been found to influence individual judgment. When individuals anticipate being accountable, they feel pressure to provide more justifiable explanations, and this pressure leads them to exert greater effort in making their judgment. Consequently, perceived accountability has been shown to cause people to think longer and more carefully about their decisions in order to improve judgmental accuracy (Tetlock, 1987), promote careful decision making (Kramer et al., 1993), and increase the thoroughness of searching for information and information processing (Langhe et al., 2011; Riedl et al., 2013; Scholten et al., 2007). Thus, professional accountants, for example, auditors, with higher perceived accountability have the potential to improve audit quality through more careful evaluation of alternatives (Tetlock et al., 1989), reduction in bias (Kennedy, 1993), and greater audit effort (DeZoort et al., 2006). Ferris et al. (1995) suggest that either too much or too little accountability can be destructive. This all points to the fact that perceived accountability is an important, yet complicated, construct.

Prior literature shows that there are characteristics of perceived accountability which are culture-dependent (Markus & Kitayama, 1991; Triandis, 1995; Frink & Klimosvki, 1998; Gelfand & Realo, 1999; Gelfand et al., 2004; Liu et al., 2012). Since perceived accountability is essentially a norm enforcement mechanism, and norms and standards for behaviour vary for individualists and collectivists (Markus & Kitayama, 1991; Triandis, 1995; Gelfand & Realo, 1999; Frink et al., 2008; Liu et al., 2012; Patil et al., 2017), it is expected that perceived accountability would differentially affect individualists and collectivists in exercising professional judgment. For example, construal of self[18] may differ across cultures, and the implications for answerability insofar as it is related to identity may differ too (Ying & Patel, 2017). This may also be present with other variables such as cultural tightness/looseness and power distance (Hall et al., 2017). While it is clear that there are cultural influences in perceived accountability, the literature fails to reflect culture as a salient variable (Hall et al., 2017). The present research is also motivated by the fact that prior research shows that the cultural perspective on accountability is important and critical for both theoretical and practical reasons in the era of increasing globalisation (Gelfand et al., 2004, 2006; Hall et al., 2017). Yet, there is limited work examining perceived accountability across cultures (Hall et al., 2017).

Research shows that subjects who score higher on measures of perceived accountability are more likely to exhibit work behaviours at a higher level than those perceiving less accountability (Schlenker, 1985; Hochwarter, 2007). This signifies a positive relationship between perceived accountability and other important variables, including motivation (Enzele & Anderson, 1993); attention to others' needs (Fandt, 1991); organisational citizenship behaviour (Hall et al., 2003); job performance (Hochwarter et al., 2007); job satisfaction; (Thoms et al., 2002; Breaux et al., 2009; Hall et al., 2006; Laird et al., 2009); job-induced tension (Hochwarter et al., 2005); emotional labour (Hall et al., 2003); depressed mood (Hochwarter et al., 2007); cognitive biases (Lerner & Tetlock, 1999); organisational commitment (Lanivich et al., 2010); pro-social behaviour (Mitchell et al., 1998); and politically motivated behaviour that may divert employees from work tasks (Fandt & Ferris, 1990). Since perceived accountability is based on the phenomenological view of accountability where it is seen as a state of mind, rather than a state of affairs (Tetlock, 1985, Hall & Ferris, 2011; Hall et al., 2017), it is likely to affect accountants' judgments, and thus, global convergence.

[18] Construal of self is defined as, "constellation of thoughts, feelings, and actions concerning the relationship of the self to others and the self as distinct from others" (Singelis & Sharkey, 1995).

4.3.2. Accounting Values and Convergence

As discussed in Chapter 3, Gray's (1988) four accounting values are defined as follows:

- Professionalism versus statutory control: 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: 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: a preference for a cautious approach to measurement so as to cope with the uncertainty of future events as opposed to a more optimistic, laissez-faire, risk-taking approach. Conservatism in accounting practice generally means that financial reports should disclose the lowest of several possible values for assets and revenues and the highest of several possible values for liabilities and expenses (Hendriksen & Breda, 1992).
- Secrecy versus transparency: a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach. Tsakumis (2007) observes that Gray's secrecy hypothesis has been subjected to the greatest amount of testing, presumably because available disclosure indexes make it the easiest accounting value to operationalise.

Gray (1988) did not empirically test these hypotheses. However, in an effort to gain insights into culture and national accounting systems, researchers have applied Gray's accounting values and found empirical support for them. For example, Eddie (1990) finds support for all four accounting values. Salter and Niswander (1995) operationalise the accounting values measures with various objective and subjective variables from previous research papers. Testing Gray's (1988) hypotheses on firms from 29 countries, they find that Gray's model has a significant explanatory power, and they contend that 'Gray appears to have provided a workable theory to explain cross-national differences in accounting structure and practice, which is particularly strong in explaining differential financial reporting practices' (P. 391). Based on data from 29 countries, Sudarwan and Fogarty (1996) also find support for all four accounting values. Applying a comprehensive database of disclosure practices covering 27 countries, Gray and Vint (1995) find support for secrecy. Zarzeski (1996) uses data gathered

from the annual reports of firms from seven industrialised countries and also finds support for the secrecy value. Jaggi and Low (2000) also find support for one dimension of Gray's Secrecy hypothesis.

By applying Gray's (1988) model of accounting values, Askary (2006) develops and tests a theoretical framework to measure accounting authority in 12 developing Islamic countries as either professionalism or statutory control. The results show that while Gray's hypothesis of statutory control is positively confirmed for Iran, and moderately for Bangladesh, Jordan, Oman, and Qatar, it is negatively rejected for Pakistan, Turkey, Malaysia, and Indonesia. Braun and Rodriguez (2008) demonstrate that earnings management is associated with Gray's accounting values of uniformity, statutory control, conservatism, and transparency as proxied by combinations of Hofstede's (1984) cultural indices. Using data from 32 countries, Han et al. (2010) test Gray's (1988) model and posit that managers will have more latitude in terms of self-governance (professionalism) and flexibility of measurement in societies in which individualism is the dominant culture. Liu and O'Farrell (2013) hypothesise and find support that accounting values play a significant role in influencing information quality as proxied by analyst forecast accuracy and XBRL (eXtensible Business Reporting Language) adoption. After controlling for previously documented legal and financial institutional variables, Salter et al. (2013) observe that accounting conservatism is greater in countries with higher accounting values, as outlined by Gray (1988). After examining studies that tested Gray's framework at the individual rather than the country level, Tsakumis (2007) conducted an experiment using 103 accountants from the United States and Greece to represent low and high conservatism and secrecy countries, respectively. With a sample of 15 European countries, observed from the year 2000 to 2010, Zeghal and Lahmar (2016) empirically confirm that Gray's (1988) accounting values influence a significant reduction of accounting conservatism in the IFRS adoption period.

Gray's (1988) accounting values framework has been widely used as a basis for subsequent studies. For example, Baydoun and Willett (1995) use the framework to help describe the relevance of Western accounting systems to developing countries. Roberts and Salter (1999) use the uniformity accounting value to help explain cross-cultural variations in accountants' preference for a single mandated treatment of an accounting issue. Both Williams (1999) and Hope (2003) use the secrecy value to explain cross-cultural variations in a firm's level of disclosure. Haniffa and Cooke (2002) employ all four accounting values to explain the level of disclosure in Malaysian firms. Chanchani and Willett (2004) find some support for the

validity of the accounting values via a survey of financial statement preparers and users in New Zealand and India.

Utilising financial statement data, most of the earlier studies that test Gray's framework (Eddie, 1990; Salter & Niswander, 1995; Gray & Vint, 1995; Sudarwan & Fogarty, 1996; Zarzeski, 1996; Wingate, 1997; Jaggi & Low, 2000; Hope, 2003; Cieslewicz, 2014) do so at the country level, and examine relationships between Hofstede's cultural dimension scores and one or more aspects of countries' financial reporting systems. However, five studies examine aspects of Gray's model at the individual, rather than the country, level. MacArthur (1996, 1999) finds that comment letters submitted to the International Accounting Standards Committee by corporate managers and accounting lobby groups from different countries exhibit a preference for conservatism and secrecy, consistent with Gray's hypotheses. Roberts and Salter (1999) find general support for Gray's uniformity proposition in that Hofstede's cultural values significantly influence accountants' attitudes towards the uniformity of accounting rules. Schultz and Lopez (2001) show that accountants from countries with higher uncertainty avoidance resolve warranty expense estimates more conservatively than accountants from countries with lower uncertainty avoidance, which is consistent with Gray. Similarly, the results of Doupnik and Richter (2004) indicate that German accountants exhibit a conservatism bias in their interpretation of probability expressions. These studies provide evidence that accountants' opinions, attitudes, and decisions are generally consistent with Gray's propositions.

More importantly, this stream of research introduces the notion that Gray's framework can be tested at the individual level. Using individual-level survey data and Gray's (1988) framework, Tsakumis (2007) finds that US accountants consistently exhibit more conservatism than Greek accountants. Tsakumis (2007) discusses several studies that examine aspects of Gray's accounting values model at the individual level rather than the country level. He concludes, 'These studies provide evidence that accountants' opinions, attitudes and decisions are generally consistent with Gray's propositions. More importantly, this stream of research introduces the notion that Gray's framework can be tested at the individual level' (p. 31). Hence, it is evidenced that financial reporting decisions made by accountants in different countries will vary because of their cultural influences, especially when those decisions involve accounting judgments (Prescott & Vann, 2015). This study also tests Gray's framework at the individual level.

4.4. Theory Development and Hypothesis Formulation

4.4.1. Professionalism vs. Statutory Control and Uniformity vs. Flexibility

As discussed earlier, professionalism refers to a preference by accountants to exercise their individual professional judgments in interpreting and applying accounting standards. It has already been noted that Islam is rigid and prescriptive and allows its adherents few choices (El-Zein, 1977; Akhavi, 2003; Boulanouar et al., 2017). In Islam, the scope for individual judgment is therefore very limited. Even when Islamic jurisprudence allows interpretation of some contemporary issues, reference to founding Islamic rule from religious texts is still required (Hasan, 1978). Furthermore, Gray (1988) defines uniformity as a preference for applying similar accounting practices within companies and for the consistent use of such practices over time periods.

As discussed earlier, perceived accountability provides guidance and direction for employees, establishes role expectations and mutual obligations, and clarifies performance and behaviour evaluation criteria (Frink & Klimoski, 2004; Wikhamn & Hall, 2014). Perceived accountability affects task performance differently depending on whether or not the performer is aware of the preferences of the evaluator (Bagley, 2010). When making judgments, accountants are accountable to their superiors (Lord, 1992; Koonce et al., 1995; Tan & Kao, 1999; Asare & Wright, 2003; Nelson & Tan, 2005; DeZoort et al., 2006), and judgments are increasingly being made with knowledge of the superior's views and preferences (Koonce et al., 1995; Rich et al., 1997; Gibbins & Trotman, 2002; Peecher et al., 2010). When superiors' preferences are known, professional accountants lack the motivation to engage in cognitively demanding strategies (McGuire, 1969; Taylor, 1981; Tetlock, 1985; Lerner & Tetlock, 1999; Gong et al., 2014) and often rely on simple heuristics or rules of thumb when making JDM (Slovic et al., 1977; Nisbett & Ross, 1980; Einhorn & Hogarth, 1981). Indeed, evidence shows that accountants make judgments that favour the preferences of their superior (Buchman et al., 1996; Hoffman & Patton, 1997; Peecher et al., 2010; Peytcheva & Gillett, 2011; Pickerd et al., 2015; Kim & Harding, 2017) and firm (Peecher 1996; Brown et al., 1999; Hoos et al., 2015; Wolfe et al., 2017). Ying and Patel (2016) provide evidence that this result is even more prominent in collective than in individualistic countries. They conclude that collectivists are more concerned with pleasing and maintaining harmonious relationships with their superiors. Therefore, they are more cautious in exercising professional judgments in order to avoid negative evaluation by superiors.

Also, when accounting standards have prescribed decision rules, accountants are likely to be attentive to those rules (Weick, 1979; Sitkin, 1992; Wiseman & Gomez-Mejia, 1998). Strategically conforming to decision rules in the accounting standard is a low-effort, low-risk, and effective way of coping with accountability (Schillemans, 2015; Patil et al., 2017; Hwang & Han, 2017). Because following prescribed decision rules is legitimate and rational (Feldman & March, 1981) and offers solid political cover (Berger & Luckmann, 1966; Scott, 2008; Tetlock, 1992), accountants view anticipatory opinion conformity as a reliable means of avoiding negative evaluation by superiors (Tetlock, 1983). Accountants can simply raise the defence that they did all they could within the bounds of best practices (Edelman, 1992; Wilson, 1989). Therefore, higher perceived accountability is likely to enhance uniformity—sticking with the status quo even when it is inappropriate.

The desire to please superiors appears to be especially strong among individuals who score higher on self-monitoring and social anxiety (Snyder, 1974) or low on individuation (Maslach et al., 1987). Social anxiety is the fear of negative evaluation by others (Hofmann et al., 2010) while self-monitoring refers to how individuals monitor and control self-presentation in accord with social appropriateness (Snyder, 1974). Evidence shows that collectivistic countries show greater levels of social anxiety (Heinrichs et al., 2006; Caldwell-Harris & Aycicegi, 2006; Hofmann et al., 2010; Schreier et al., 2010; Scharf et al., 2016; Knyazev et al., 2017) and self-monitoring (Church et al., 2006; Sharma et al., 2011; Liu et al., 2012; Zhang et al., 2013; Geisler, 2016) than individualistic countries. Conflict avoidance and desire for harmony and conformity is another feature of collectivist societies (Gudykunst et al., 1987; Triandis, 1995; Komarraju et al., 2008; Güngör et al., 2014; Willner et al., 2015; Awanis et al., 2017). Bangladesh is a collectivist country (Abdullah et al., 2011; Nurunnabi, 2015; Abdullah, 2017). Islamic ideology also further reinforces collectivism among its adherents in Bangladesh (Kabasakal et al., 2012; Ibrahim et al., 2015; Ratten et al., 2017). Therefore, accountants who score higher in self-monitoring and social anxiety are less likely to prefer exercising their professional judgment to avoid negative evaluation. Therefore, the following hypotheses are predicted:

H1: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of statutory control (professionalism).

H2: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of uniformity (flexibility).

4.4.2. Conservatism vs. Optimism

Gray (1988) defines conservatism as a preference for a cautious approach to the measurement of accounting elements such as the monetary amounts of assets and liabilities, revenues, expenses, and the calculation of profit or loss, calculated with uncertainty of future events in mind (Gray, 1988). In addition to providing guidance and direction, perceived accountability also establishes role expectations and clarifies performance and behaviour evaluation criteria for employees (Frink & Klimoski, 2004; Wikhamn & Hall, 2014; Pearson & Sutherland, 2017). Accountants who score higher on perceived accountability tend to become more conservative in exercising their judgments so that they can defend their judgments in subsequent evaluations and avoid negative consequences and/or pursue positive consequences (Lord, 1992; Hoffman & Patton, 1997; Lerner & Tetlock, 1999; Asare et al., 2000; DeZoort et al., 2006; Boyle et al., 2015). Indeed, evidence shows that professional accountants under higher levels of accountability pressure exhibit more conservative judgments than accountants under lower levels of pressure (Johnson & Kaplan, 1991; Hoffman & Patton, 1997; DeZoort et al., 2006; Libby et al., 2015; Trotman et al., 2015; Blay et al., 2016; Westermann et al., 2016).

DeZoort et al. (2006) examine materiality judgments in settings where the evaluative audiences' views are not known and no objective 'right' answers exist. In such ambiguous settings, it has been found that increased accountability pressure strength increases auditor caution and motivation to make a positive impression on the evaluative audience. Asare et al. (2000) find that justification pressure increases cautious behaviour among auditors in an analytical procedures task when the evaluative audience's views are unknown. Similarly, Hoffman and Patton (1997) find that justification pressure leads to more conservative fraud risk assessments. Therefore, as accountants perceive more conservative judgments to be more defensible, it is suggested that as accountability pressure increases, professional accountants will become more conservative.

Accountants' judgment conservatism can also be influenced by their accountability to regulators (Hurtt et al., 2013). Because of risk of litigation, and risk of regulatory scrutiny, accountants' judgments tend to be conservative (Earley et al., 2012). Agoglia et al. (2011) find that financial statement preparers make more conservative judgments under more

principles-based standards than under rules-based standards, and show that this judgment is driven by a concern for regulator second-guessing. Bushman and Piotroski (2006) provide evidence that financial reporting practices are more conservative in jurisdictions with 'high quality judicial regimes'. In a nutshell, as conservative judgments are easier to defend, when accountants are held accountable to their superiors for tasks without an objectively correct answer, their judgments tend to become more conservative. Thus, it is suggested that:

> *H3: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of conservatism (optimism).*

4.4.3. Transparency vs. Secrecy

Gray (1988) defines secrecy as a preference for confidentiality and the restriction of disclosure of information about the business only to those who are closely involved with its management and financing as opposed to a more transparent, open, and publicly accountable approach. Qu and Leung (2006) conclude that secrecy relates to the amount of disclosure and is negatively associated with the amount of public disclosure. Consistent with Gray (1988), the extant literature shows that more disclosure leads to increased transparency (Dhaliwal et al. 2011; Cho et al., 2012; Arena et al., 2015; Steffel et al., 2016). Disclosure is the basis of discharging one's accountability (Gray et al., 1995; Baydoun & Willett, 1997; Haniffa & Cooke, 2002; Beu & Buckley, 2001; Ratanajongkol et al., 2006; Schwartz & Carroll, 2008; Weber, 2014; Belal et al., 2015). Therefore, accountants who score higher on measures of perceived accountability are likely to disclose more information.

However, evidence shows that even after 20 years of adopting IFRS, Bangladesh has been assessed as having the lowest level of disclosure among developing countries which can be, in part, linked to the secretive nature of Islam (Momin & Parker, 2013; Belal et al., 2015), the country's widespread corruption (Nurunnabi, 2015; Houqe & Monem, 2016), and ownership concentration and family domination in public limited companies (Akhtaruddin, 2005; Muttakin et al., 2015; Nurunnabi, 2017b).

As mentioned earlier, Bangladesh is one of the early adopters of IFRS. Transparency and accountability is at the heart of the Anglo-American model of accounting. Because of globalisation, acculturation, accounting education, and professional training, it is highly unlikely that accountants will prefer secrecy in survey data.

H4: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of transparency (secrecy).

4.5. Measures

4.5.1. Independent Variable: Perceived Accountability

The eight-item measure of perceived accountability (see Table 4.1) that was developed by Hochwarter et al. (2003) and first tested by Hall et al. (2003) is the most commonly used instrument in the accountability literature (Wikhamn & Hall, 2014; Hall et al., 2017). The validity of this scale has been established in previous research (Laird et al., 2009; Breaux et al., 2009; Hall & Ferris, 2011; Wikhamn & Hall, 2014; Laird et al., 2015).

This eight-item measure of perceived accountability presents a single-factor structure of perceived accountability. Subsequent studies have continued to use unidimensional measures because past studies have demonstrated initial construct adequacy in terms of internal consistency and unidimensionality (Hall et al., 2003; Hochwarter et al., 2003; Hochwarter et al., 2005). For example, Hochwarter et al. (2005) and Hall et al. (2006) use Exploratory Factor Analysis (EFA) to verify the unidimensional construct.

[Insert Table 4.1 here]

4.5.2. Dependent Variables: Accounting Values Survey

The Accounting Values Survey (AVS) (see Table 3.1) instrument developed by Chanchani and Willett (2004) is used to capture subjects' professional judgments on issues related to the global convergence of financial reporting. In developing this instrument, they used three key sources including the basic principles of questionnaire design, Hofstede's value-survey module (VSM) format, and the purpose of the Hofstede–Gray theoretical framework, and the implications of prior theoretical and empirical work on the Hofstede–Gray framework. The professionalism vs. statutory control construct is represented by questionnaire Items 4, 8, 12, and 16. Items 1, 5, 9, and 13 are used to capture the conservatism vs. optimism construct. The uniformity vs. flexibility construct is represented by Items 2, 6, 10, and 14. The secrecy vs. transference construct is captured by Items 3, 7, 11, and 15.

While the instrument to measure perceived accountability is a five-point Likert scale, the AVS instrument is a seven-point Likert scale. It is suggested that a five-point or higher

Likert scale can be considered as a continuous variable (Grace-Martin, 2008). Both research instruments were pilot-tested in Bangladesh.

[Insert Table 3.1 here]

4.6. Research Method

When examining the impact of perceived accountability on professional accountants' JDM on issues relating to global convergence, survey research design can provide more in-depth insights than the complex quantitative techniques that largely use archival data. An email to participate in the survey was sent to the human resource department (HRD) of the top 10 Bangladeshi Chartered Accountancy (CA) firms (see Table 3.3). The contact details were extracted from the Institute of Chartered Accountants of Bangladesh website.[19] Four firms agreed to participate in the study. The HRD in the participating firms contacted all the professional accountants within the firm via email. The participants were informed by the HDR that, if they wanted to participate in the survey, they could collect the sealed, stamped, self-addressed questionnaire packs from a designated central location (e.g., the mail room). Following prior literature, in order to minimise social desirability bias, a cover letter explaining the nature of the study and assuring the participants of confidentiality regarding the information collected was attached to every instrument (Mayhew & Murphy, 2014; Tucker & Lowe, 2014; Svanberg & Ohman, 2015; Sheehan & Schmidt, 2015). The letter also asked respondents to return the instrument, once completed, to a contact person in the HRD in a sealed envelope for collection by the researchers. Finally, in order to decrease evaluation apprehension, it was stressed that there were no correct or incorrect answers for any given items in the survey.

[Insert Table 3.3 here]

4.7. Results and Analysis

A total of 128 completed questionnaires were received from the four participating Bangladeshi CA firms. We discarded nine partially completed questionnaires and were left with 119 completed questionnaires for analysis. All 119 respondents in our sample were Muslims. As of January 2014, Bangladesh has 1,508 qualified CA, of whom only 4.67% are women, pointing

[19] The URL for the ICAB website with the details of CA firms in Bangladesh is <www.icab.org.bd/index.php?option=com_contentandview=articleandid=174andItemid=58>

to significant gender inequality (ICAB, 2014). In this research, about 7.56% of all respondents were women, which closely mirrors the gender inequality in accountancy in Bangladesh. About 97% of all respondents had either a bachelor's or master's degree. Over 15% of all respondents had experience working in Big 4 accounting firms.

More than 50% of all respondents had working experience of more than four years. While about 51% of all respondents were between the ages of 25–34, 49% were aged over 34. The demographic data of the respondents are reported in Table 3.4.

[Insert Table 3.4 here]

Table 4.2 indicates Cronbach's alpha of 0.73, 0.72, 0.72, and 0.72 for the constructs of professionalism, conservatism, uniformity, and secrecy respectively. All these scores are higher than Nunnally's (1978) suggested level of 0.70. On the other hand, the Cronbach's alpha for the accountability construct is estimated as 0.87.

[Insert Table 4.2 here]

Inspection of the Pearson correlation matrix further revealed low correlations among dependent variables, which further supports the constructs' discriminant validity (Table 4.3). Having multicollinearity is problematic for MANOVA and needs to be screened out. However, a low correlation among dependent variables in this study suggests that there is no multicollinearity.

[Insert Table 4.3 here]

Total scores on the perceived accountability measure can range from 8 to 40, with higher scores on the scales signifying higher accountability. In this study, we defined high accountability and low accountability based on the median accountability score which is 34. Subjects whose accountability score is below 34 are labelled 'highly accountable' and, in contrast, subjects who scored above this median score are considered 'less accountable'. In this study, 59 of our subjects scored above 34 (highly accountable) while 60 subjects scored below 34 (less accountable). Following Gray et al. (2015), we present the descriptive statistics in Table 4.4.

Individual characteristics of professional accountants, namely, gender (Chung & Monroe, 2001; Gold et al., 2009; Han et al., 2016), level of education (Chand & Patel, 2008; Hu et al., 2013), working experience (Chand & Patel, 2008; Wehrfritz & Haller, 2014), age (Ghazali & Ismail, 2013), and experience working in a Big 4 (Chand, 2012) may influence their JDM. For example, Han et al. (2016) observe that female auditors are likely to interpret uncertainty expressions in IFRS more conservatively than male auditors. Therefore, we conducted tests for differences in the judgments of professional accountants in Bangladesh with respect to different variables, apart from the effects of perceived accountability. Further results of the study are provided below.

[Insert Table 4.4 here]

To examine the influence of perceived accountability on accountants' JDM on measures of the global convergence of financial reporting in Bangladesh, we conduct multivariate analysis of variance (MANOVA) and univariate analysis of variance (ANOVA). MANOVA is useful for testing the differences between two or more groups on two or more dependent variables. MANOVA is a more robust test than ANOVA as it considers the relationships among the dependent variables (Field, 2009). Meyers et al. (2013) also suggest that using MANOVA over several individual ANOVAs helps in controlling Type 1 error rate, sometimes called alpha-level inflation. As each of our three hypotheses have multiple dependent variables, MANOVA is an adequate test for examining differences between professionals.

MANOVA analysis is supplemented by ANOVAs to determine the locus of significant differences (Meyers et al., 2013). Overall, we conduct 17 MANOVAs, four ANOVAs, and four ANCOVAs in our study. We follow a top-down approach to analyse our data. The first ANOVA is carried out to analyse if significant differences exist in JDM between accountants. This analysis is done without regard to any hypotheses in our study. As the first MANOVA is significant, we conduct our main analysis. This approach is useful because if overall differences do not exist between accountants regarding interpretations of a common set of accounting standards, the remaining analysis would not be meaningful.

Following Gray's (1988) accounting values, we use all four dimensions to test all our hypotheses: (1) professionalism vs. statutory control (PvS); (2) uniformity vs. flexibility (UvF), (3) conservatism vs. optimism (CvO); and (4) secrecy vs. transparency (SvT). In total there are 16 questions representing all four dimensions, and each dimension comprises four questions.

There is a statistically significant difference between the two accountability groups (high/low) on the combined 16 questions, $F(16, 102) = 6.28$, $p = 0.00$. Follow-up ANOVAs showed that PvS scores ($F(1, 117) = 15.95$, $p = 0.00$), CvO scores ($F(1, 117) = 10.02$, $p = 0.00$), UvF scores ($F(1, 117) = 23.81$, $p = 0.00$), and SvT scores ($F(1, 117) = 51.90$, $p = 0.00$), are statistically significantly different between the respondents from the two accountability groups, using a Bonferroni-adjusted α level of 0.025 (Table 4.5). Table 4.5 also shows that for each of the four dependent variables, the mean scores of the highly accountable Bangladeshi accountants are lower than those for the accountants who scored higher on the measure of perceived accountability. These scores are in the direction predicted in the hypotheses, that is, for example, professional accountants in Bangladesh who score higher on measures of perceived accountability are more likely to be supportive of statutory control, uniformity, conservatism, and secrecy.

[Insert Table 4.5 here]

Hypothesis 1a: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of statutory control (professionalism).

Items 4, 8, 12, and 16 in the AVS relate to the professionalism vs. statutory control construct. In general, this construct refers to the attributes of those who perform the accounting function rather than the characteristics of financial statements themselves. Item 4 is a general and direct regulatory framework question asking if the accounting profession should be self-regulated. The higher the agreement with this item, the higher the level of professionalism is taken to be. This is consistent with Gray's (1988) suggestion that professionalism is correlated with self-regulation and firmly established professional associations. Items 8 and 12, while being concerned with the attributes of accountants, attempt to relate these to the separate issues of measurement and disclosure. In both cases, agreement to assertions that accountants are the best judges of how to measure something and what should be disclosed was taken as indicating high professionalism. The last item (16) queried respondents' agreement to a statement about the standards of the ethical conduct of the accountant. This was an attempt to tap into aspects of professionalism that may have been missed in the other items. Whilst a low value in the professionalism vs. statutory control variable indicates professionalism, a high value specifies statutory control. After controlling for age, gender, level of experience, education, and

experience working in a Big 4, while running an ANCOVA we found that the influence of perceived accountability is statistically significant for Items 4, 8, and 16, insignificant for Item 12 (Table 4.6). To be consistent in direction with questions in the other three dimensions, we reverse-scored all four items.

[Insert Table 4.6 here]

An ANCOVA was also run to determine the effect of perceived accountability on professionalism vs. statutory control after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience, age, and education has a significant influence on the professionalism vs. statutory control construct. After adjustment for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in professionalism vs. statutory control between the two accountability groups, $F(1, 112) = 15.79$, $p = 0.00$ (Table 4.7). Table 4.8 shows that the level of statutory control increased from the low accountability group ($n = 119$, M = 26.83, SD = 1.53) to the high accountability group ($n = 119$, M = 25.69, SD = 1.62). Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of statutory control (professionalism).

[Insert Table 4.7 here]

[Insert Table 4.8 here]

Hypothesis 1b: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of conservatism (optimism).

Items 1, 5, 9, and 13 in the AVS relate to the conservatism vs. optimism construct. Items 1 and 13 were taken to relate to measurement and Items 5 and 9 to the disclosure aspect of conservatism. Item 1 required respondents to state the extent of their agreement as to whether profits and assets should be valued downwards in case of doubt. Item 13 asked the respondents to indicate the extent of their agreement with the statement that in times of rising prices LIFO instead of FIFO should be used in calculations as estimates. The stronger the agreement with

these statements, the greater the extent to which the respondents were judged to adopt conservative valuation approaches. Items 5 and 9 asked whether market values are more relevant than historic costs and whether they should be used in preference to historic costs, respectively. To the extent that respondents indicated a preference for historic costs, they would be considered conservative. Item 9 has been reverse-scored. Whilst a low value in the conservatism vs. optimism variable indicates conservatism, a high value specifies optimism. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an ANCOVA we found that the influence of perceived accountability is statistically significant for Items 1, 9, and 13, and insignificant for Item 5 (Table 4.9).

[Insert Table 4.9 here]

An ANCOVA was run to determine the effect of perceived accountability on conservatism vs. optimism after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. No covariate was found to have a significant positive influence on the conservatism vs. optimism construct. After adjustment for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in conservatism vs. optimism between the two accountability groups, $F(1, 112) = 9.39$, $p = 0.003$ (Table 4.10). Table 4.11 shows that the level of conservatism increased from the low accountability group (n =119, M = 10.30, SD = 4.45) to the high accountability group (n = 119, M = 8.05, SD = 3.33). Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of conservatism (optimism).

[Insert Table 4.10 here]

[Insert Table 4.11 here]

Hypothesis 1c: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of uniformity (flexibility).

Items 2, 6, 10, and 14 in the AVS relate to the flexibility vs. uniformity construct. Items 2 and 10 were designed to relate to the measurement dimension, Items 6 and 14 to the disclosure dimension. Item 2 required respondents to indicate their level of uniformity by providing a specific measurement context. Agreement to externally set depreciation rates was taken to indicate higher uniformity. Item 6 approached the disclosure dimension from a cross-sectional viewpoint, eliciting degrees of agreement to a standardised format for the purpose of reporting information. The stronger the extent of the respondent's agreement with this item, the stronger the inclination towards uniformity was taken to be. Item 10 approached the measurement issue in a time (consistency) context, asking respondents for their level of agreement to the statement that accounting policies, once chosen, should not be subsequently changed. Agreement on this question implied that the respondent's degree of uniformity was high. Item 14 asked respondents about the extent of their agreement with a statement that the level of detailed standardisation disclosed within financial statements should be increased. The extent to which the respondents agreed with the statement was taken to indicate their level of preference for uniform accounting disclosure practices. Whereas a low value in the uniformity vs. flexibility variable indicates uniformity, a high value signifies flexibility. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an ANCOVA we found that the influence of perceived accountability is statistically significant for all four items, that is, Items 2, 6, 10, and 14 (Table 4.12).

[Insert Table 4.12 here]

An ANCOVA was run to determine the effect of perceived accountability on flexibility vs. uniformity after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience working in a Big 4 was found to have an influence on the flexibility vs. uniformity construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically significant difference in flexibility vs. uniformity between the two accountability groups, $F(1, 112) = 25.74$, $p = 0.00$ (Table 4.13). Table 4.14 shows that the level of uniformity increased from the low accountability group ($n = 119$, M = 8.35, SD = 3.21) to the high accountability group ($n = 119$, M =6.00, SD = 1.74). Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of uniformity (flexibility).

[Insert Table 4.13 here]

[Insert Table 4.14 here]

Hypothesis 1d: Professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of transparency (secrecy).

Items 3, 7, 11, and 15 in the AVS relate to the secrecy vs. transparency construct. All four items were classified as being related to disclosure issues. Item 3 required a response to the statement that financial statements should be available to the general public rather than just to shareholders and managers. This was designed to capture the 'external spread of user' aspect of secrecy noted in Baydoun and Willett (1995). Item 7 measured the respondent's attitude regarding the amount of detailed information disclosed in financial statements capturing an 'information quantity' aspect of secrecy. Item 11 required respondents to indicate their agreement to the statement that information about management and owners should not be included in financial statements. As with Item 7, Item 11 relates to the information quantity and level of detail aspect of secrecy, with agreement with the item indicating higher secrecy. Item 15 was intended to capture the aspects of secrecy relating to managerial intentions. To the extent that the respondents agreed to this statement, they were considered to hold transparency values, as opposed to secrecy. Items 3 and 15 both relate to a transparency aspect of secrecy, and both of them have been reverse-scored. Whilst a low value in the secrecy vs. transference variable indicates secrecy, a high value specifies transparency. After controlling for age, gender, level of experience, education, and experience working in a Big 4, while running an ANCOVA we found that the influence of perceived accountability is statistically significant for the three items, that is, Items 3, 7, and 11, and insignificant for Item15 (Table 4.15).

[Insert Table 4.15 here]

An ANCOVA was run to determine the effect of perceived accountability on secrecy vs. transparency after controlling for respondents' experience, age, gender, education, and experience working in a Big 4. Experience and experience working in a Big 4 was found to have an influence on the secrecy vs. transparency construct. After adjusting for respondents' experience, age, gender, education, and experience working in a Big 4, there was a statistically

significant difference in secrecy vs. transparency between the two accountability groups, $F(1, 112) = 51.50$, $p = 0.004$ (Table 4.16). Table 4.17 shows that the level of transparency increased from the low accountability group (n =119, M = 13.56, SD = 4.36) to the high accountability group (n = 119, M =16.52, SD = 6.31). Hence, the results of the one-way ANOVA support the hypothesis that professional accountants in Bangladesh who score higher (lower) on measures of perceived accountability are more likely to be supportive of transparency (secrecy).

[Insert Table 4.16 here]

[Insert Table 4.17 here]

4.8. Conclusion

This paper contributes to the literature by examining the influence of perceived accountability on professional accountants' judgments on measures of the global convergence of financial reporting in Bangladesh. Perceived accountability causes individuals to engage in more effortful processing of information before they make decisions or judgments (Kennedy, 1993; Peecher, 1996; Lerner & Tetlock, 1999). The contextual perspective on perceived accountability is important and critical for both theoretical and practical reasons in understanding globalisation and convergence.

Using the eight-item measure of perceived accountability (Hochwarter et al., 2003) and Gray's (1988) accounting values constructs, operationalised by Chanchani and Willett (2004), we find that perceived accountability is positively (negatively) associated with transparency (secrecy) and negatively (positively) related to professionalism (statutory control), flexibility (uniformity), and optimism (Conservatism). Professionalism, flexibility, optimism, and transparency are at the heart of the Anglo-American model of accounting. However, increasing the comparability of accounting information among jurisdictions is an important goal to the IASB for the convergence of accounting standards internationally (IASB, 2006; Barth, 2008; Wang, 2014; Felski, 2017). This study is consistent with prior literature that shows achieving *de jure* convergence in global financial reporting may not necessarily result in *de facto* convergence (Chand & Patel, 2008; Wehrfritz & Haller, 2014; Hellman et al., 2015). Whilst *de jure* convergence implies uniformity and consistency in accounting *standards*, *de facto* convergence refers to consistency in accounting *practices* (Chand & Patel, 2011).

The findings of this study have a range of implications. First, this study contributes to the existing literature by extending the context of accounting JDM research. Prior research has provided evidence that country-specific contextual factors, namely, historical, social, political, economic, and legal factors, as well as cultural values, have been a dominant factor in explaining differences in accountants' JDM on issues relating to IFRS (Combs et al., 2013; Holthoff et al., 2015; Han et al., 2016; Pan & Patel, 2017). However, significant within-country differences have not been rigorously examined in prior research (Harrison, 1993; Heidhues and Patel, 2011; Heinz et al., 2013). Findings from this study establish the importance of examining personality variables in explaining differences in accountants' judgments within the jurisdiction. Our findings may be relevant to researchers who are interested in examining the influence of personality and different contextual factors on professional accountants' JDM both within and across jurisdictions.

Therefore, the findings challenge the implicit assumption by global standard setters such as the IASB, that accounting is neutral, objective, and value-free (Patel, 2006; Hellmann et al., 2010; Heidhues & Patel, 2011). Even if full convergence (*de jure*) is achieved, differences in variables at an individual level cast doubt on the implementation effectiveness of IFRS. The findings of this paper are of interest to stakeholders at a time when over 130 jurisdictions have adopted IFRS and standard setters are struggling to improve compliance and comparability of financial statements across countries. This suggests that the IASB's goal of having an identical set of IFRS applicable to all countries may be too optimistic. This study suggests that it may be premature for the IASB and various standard setters of countries adopting IFRS to assume that adoption of IFRS will lead to comparable financial reporting. Regulators and various global standard setters may provide additional attention to various factors which influence accountants' judgments in applying the principles-based IFRS. The findings of this thesis will interest global standard setters, international accounting firms, national and regional regulators, national practitioners, and international accounting researchers. In particular, the findings of this thesis provide greater insights into professional accountants' judgments in an Islamic cultural context and will assist global standard setters and accounting firms enhance the quality and consistency of accounting practices within and across jurisdictions, particularly in response to the convergence of IFRS, as well as the growing cultural diversity in accounting firms.

Chapter 5: Conclusions

5.1. Introduction

The aim of this thesis is to provide holistic and comprehensive insights into various factors such as Islamic religiosity and perceived accountability on professional accountants' judgments on issues related to the global convergence of financial reporting in Bangladesh. These factors were selected because of their particular relevance to the cultural and socio-political reporting environment in Bangladesh. The respective objectives of the three papers comprising the main body of the thesis are as follows:

1. To provide theoretical and methodological suggestions for improving research on the global convergence of financial reporting.
2. To provide empirical evidence on the influence of Islamic religiosity on professional accountants' judgments on the global convergence of financial reporting in Bangladesh.
3. To provide empirical evidence on the influence of perceived accountability on professional accountants' judgments on the global convergence of financial reporting in Bangladesh.

By addressing and examining these objectives through three separate empirical studies, this thesis makes a number of contributions to the accounting literature and particularly to research on accountants' judgments and decision making (JDM). First, it responds to calls in the literature for research on the influence of Islamic religiosity on accountants' JDM (Bell et al., 2005; Hurtt et al., 2013; Nelson, 2009; Trotman, 2011). Prior studies on religiosity have been predominantly conducted in Anglo-American countries, particularly the United States (El Ghoul et al., 2012; Leventis et al., 2015; Adhikari & Agrawal, 2016; Omer et al., 2016), and very little is known about religiosity in other national contexts. Additionally, prior research investigating religiosity and accountants' JDM uses various simplistic proxies of religiosity, for example, church attendance and proximity of accountants' offices to non-religious areas (McGuire et al., 2011; Omer et al., 2016). This study, however, adopts a more sophisticated measure of religiosity, namely the affective dimension of religiosity, which is less likely to be influenced by personal and contextual factors, to investigate its influence on accountants' judgments on issues related to IFRS convergence. Specifically, this thesis contributes to the literature on Islamic religiosity in Bangladesh.

Second, this thesis responds to the calls for more studies on accountants' JDM in countries where cultural values differ significantly from those of Anglo-American contexts (Humphrey, 2008; Trotman, 1999; Wu & Patel, 2015) where most research has been conducted (Nelson & Tan, 2005; Nolder & Riley, 2014). Both the current focus on International Financial Reporting Standards (IFRS) convergence and the increasing cultural diversity of accounting firms have led to calls for more research in understanding JDM among accountants from different cultures. To address the need to understand accountants' JDM beyond Anglo-American contexts, this thesis contributes to the literature by taking into account Bangladeshi (Islamic) cultural values to examine accountants' judgments from a cultural perspective.

Third, this research also responds to calls for more rigorous examination into the influence of personality in accounting. It is suggested that while personality is a relatively identifiable, stable, and measurable area of scientific enquiry that is crucial to understanding behaviours in the workplace and other situations, accounting research has failed to rigorously examine the influence of personality on accountants' JDM (Briggs et al., 2007; Kovar et al., 2003; So & Smith, 2003; Taggar & Parkinson, 2007; Wheeler, 2001). More importantly, this thesis draws on the cultural psychology theory of personality, which views culture and personality as inseparable and mutually constitutive. By integrating both cultural and personality perspectives, this thesis contributes to the literature by providing better insights into the psychological functioning underlying accountants' JDM.

The remainder of this chapter is organised as follows. Section 5.2 provides summaries, implications, and contributions of the three separate empirical studies comprising the main part of this thesis. Section 5.3 draws overall conclusions and presents further implications for accounting research and practice. Section 5.4 outlines the limitations of the thesis and provides suggestions for future research.

5.2. Summaries, Implications, and Contributions of Empirical Studies

This section provides a summary of the contributions of each of the three papers comprising the main part of this thesis. Their collective contribution and further implications are outlined in Section 5.3.

5.2.1. Paper 1: 'Theoretical and Methodological Suggestions for Improving Research on the Global Convergence of Financial Reporting'

This paper critically evaluates 430 scholarly articles published in leading journals (classified as A* and A by the Australian Business Deans Council) from January 1985 to June 2018, which examine various aspects of the global convergence of financial reporting with the objective of providing theoretical and methodological suggestions for improving research in this area. All 430 papers were grouped into two categories: (1) *de jure* convergence (12); and (2) *de facto* convergence (418). The papers in the *de facto* category were then classified under: (1) archival research (199); (2) behavioural research (85); and (3) others (134), which includes topics related to, for example, the standard-setting agendas of the International Accounting Standards Board (IASB) and countries such as the United States, the United Kingdom, Canada, and Australia; the history and politics of accounting standards in different countries; and accounting system classification. Next all 418 papers categorised as *de facto* were evaluated in terms of the objective of the paper. By integrating multidisciplinary perspectives, the paper suggests that researchers might extend this strand of research by taking into account relevant and important contextual factors, such as cultural, political, legal, and economic factors, that collectively provide a more complete framework of factors that cause within- and between-country differences in accounting practices. The study also suggests that relevant accountants' personality variables, such as Islamic religiosity and perceived accountability, need to be examined with respect to global convergence to gain holistic and in-depth insights into professional accountants' judgments. Consistent with this suggestion, this paper examines the influence of Islamic religiosity on professional accountants' judgments on the global convergence of financial reporting using Bangladesh as a proxy for Islamic countries.

5.2.2. Paper 2: 'The Influence of Islamic Religiosity on Professional Accountants' Judgments on the Global Convergence of Financial Reporting: Evidence from Bangladesh'

This paper examines the influence of Islamic religiosity on professional accountants' judgments on issues related to the global convergence of financial reporting. Gray's (1988) accounting values of professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency, were chosen as dependent variables because they provide useful insights into accountants' JDM on issues related to International Financial Reporting Standards (IFRS) convergence. Islamic religiosity was measured using the Sahin-Francis Scale of Attitude toward Islam (Sahin & Francis, 2002). The paper finds support for the hypothesis that professional accountants in Bangladesh who score higher on measures

of Islamic religiosity are more likely to be supportive of statutory control, uniformity, conservatism, and secrecy, and therefore, are less likely to be supportive of the principles-based IFRS. The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that Islamic religiosity is an important variable for examining the convergence of financial reporting. The findings have implications for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries. The results may also be useful to multinational companies that employ a significant number of Muslims, in addition to regulators in Bangladesh and other Islamic countries, for improving the quality of convergence and financial reporting.

5.2.3. Paper 3: 'The Influence of Perceived Accountability on Professional Accountants' Judgments on the Convergence of Financial Reporting: Evidence from Bangladesh'

This paper examines the influence of perceived accountability on professional accountants' judgments on the global convergence of financial reporting using Bangladesh as a proxy for Islamic countries. Gray's (1988) accounting values of professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy vs. transparency, were chosen as dependent variables because they provide useful insights into accountants' JDM on issues related to IFRS convergence. Using Hochwarter et al.'s (2003) measures of perceived accountability and Gray's (1988) accounting values, the paper provides evidence that perceived accountability is positively (negatively) associated with statutory control (professionalism), uniformity (flexibility), conservatism (optimism), and transparency (secrecy). The results show that the accounting values of Bangladeshi professional accountants are not compatible with Anglo-American accounting values. The findings also show that perceived accountability is an important personality variable. Findings from this study provide important insights for understanding the global convergence of financial reporting in an Islamic context. The findings are useful for global standards setters, international accounting firms, and cross-cultural research, particularly in Islamic countries.

5.3. Overall Conclusions and Further Implications

Global standard setters have implicitly assumed that accounting is neutral, objective, and value-free, and that country-specific contextual factors can be ignored in the rush towards convergence. This thesis challenges this simplistic assumption by theoretically,

methodologically, and empirically examining the influence of professional accountants' judgments on issues related to the global convergence of financial reporting, with an emphasis on relevant Bangladeshi cultural values and within-cultural differences in individual personality.

An extensive analysis of the literature shows that international accounting suffers from a distinct lack of studies on methodological criticisms and suggestions for improvement in research on the convergence of financial reporting. Consequently, this thesis makes a contribution by providing a discussion of various theoretical and methodological issues that have not been comprehensively addressed in the accounting literature. This thesis suggests that use of multidimensional measures is important in gaining holistic insights into accountants' judgments. Another suggestion for improving convergence research is to use field investigation as a supplement to archival data. Relevant personality variables, for example, Islamic religiosity and perceived accountability, need to be examined with respect to global convergence to gain holistic and in-depth insights into accountants' JDM.

IFRS convergence has been vastly researched in developed countries but countries that do not belong to the Anglo-American cluster have more impediments in converging to IFRS (Zeghal & Mhedhbi, 2006). Furthermore, limited studies have been conducted to examine the global convergence of financial reporting in developing countries such as Bangladesh (Wickramasinghe & Hopper, 2005; Zeghal & Mhedhbi, 2006; Altarawneh & Lucas, 2012; Nurunnabi, 2014). Thus, there are calls in the literature for further research on the convergence of accounting practices in countries such as Bangladesh (Mir & Rahaman, 2005; Ali et al., 2006; Nurunnabi, 2015). Responding to these calls, this thesis provides sharper insights on issues related to IFRS convergence from Bangladesh, which is a proxy for Islamic countries, and shows that contextual factors cannot be ignored in the process.

This thesis provides empirical insights into two important factors—Islamic religiosity and perceived accountability—on professional accountants' judgments on issues related to the global convergence of financial reporting in Bangladesh. The findings of this thesis show that convergence research benefits by integrating both cultural and personality perspectives because together they provide greater insights into the psychological functioning underlying professional accountants' judgments. In particular, the findings provide empirical evidence that Islamic religiosity and perceived accountability have important implications for understanding professional accountants' judgments on issues related to IFRS convergence.

The findings of this thesis show that both cultural values and individual personality play important roles in influencing accountants' JDM. Sharper insights on accountants' JDM from

both cultural and personality perspectives is important for countries where cultures are considerably different from individualist and independent cultures, which are prevalent in Anglo-American contexts. Findings from this thesis show that when examining accountants' JDM, results from Anglo-American contexts cannot be assumed to be similarly valid to other cultural contexts, for example, Bangladesh. Furthermore, the findings of this thesis further show that factors influencing accountants' JDM are very complex in nature and their influence cannot be understood in isolation from the contextual environment. As such, it is suggested that relevant cultural contexts are considered when designing policies and training programs to improve accountants' JDM. Greater insights into the influence of cultural and personality factors on accountants' JDM would benefit IFRS convergence in enhancing quality and consistency in accounting practices across and within jurisdictions.

Furthermore, a better understanding of JDM among accountants from different national cultures is particularly important because of increasing diversity in employees hired in Anglo-American countries, including the United States. To address the changing multicultural environment of accounting firms, and the shifting cultural makeup of accounting staff, there are calls for more research that can contribute to managing the growing cultural diversity in accounting firms (Nolder & Riley, 2014). This thesis responds to these calls and contributes to a better understanding of accountants' JDM beyond Anglo-American settings.

The findings of this thesis will interest global standard setters, international accounting firms, national and regional regulators, national practitioners, and international accounting researchers. In particular, the findings of this thesis provide greater insights into professional accountants' judgments in an Islamic cultural context and will assist global standard setters and accounting firms to enhance the quality and consistency of accounting practices within and across jurisdictions, particularly in response to the convergence of IFRS and the growing cultural diversity in accounting firms. The findings suggest that understanding Islamic culture will assist global standard setters and multinational accounting firms in considering the potential implications of cultural variables such as Islamic religiosity on accountants' judgments and help them and professional bodies in developing relevant policies, procedures, and training to overcome potential culturally induced biases that have a negative impact on accounting quality.

5.4. Limitations and Suggestions for Future Research

The findings of this thesis should be considered in light of the following limitations.

Prior research has defined religiosity according to three dimensions: (1) its cognitive (knowing) dimension, which links to belief on or knowledge about a religion; (2) its affective (feeling) dimension, which relates to individuals' emotional feelings about a particular religion; and (3) its behavioural (doing) dimension, which includes different behavioural indicators, for example, prayer frequency, reading of sacred texts, and for Islam in particular, fasting during Ramadan, paying *zakat*, and avoiding interest on debt (Cornwall et al., 1986; Parboteeah et al., 2008; McGuire et al., 2012; Omer et al., 2015; Kanagaretnam et al., 2015). In this study, Islamic religiosity is defined only by its affective dimension. We use the Sahin-Francis Scale of Attitude toward Islam (Sahin & Francis, 2002) to capture professional accountants' Islamic religiosity. However, the nature of Islamic religiosity is very complex, and future research should apply a research instrument that includes all three dimensions to provide further insights into accountants' JDM.

Following prior literature, and in order to minimise social desirability response (SDR) bias, a cover letter explaining the nature of the study and assuring participants of the confidentiality of the information collected was attached to every instrument (Mayhew & Murphy, 2014; Tucker & Lowe, 2014; Svanberg & Ohman, 2015; Sheehan & Schmidt, 2015). The letter also asked respondents to return the instrument, once they had completed it, to a contact person in Higher Degree Research in a sealed envelope for collection by the researchers. An issue in any religiosity study is a reliance on the self-reported responses of the participants and challenges with endogeneity and SDR bias. In this thesis, a 'lie scale' embedded in the Sahin-Francis Scale of Attitude toward Islam (Sahin & Francis, 2002) was used to mitigate SDR bias. However, it is still likely that the research is subject to SDR and endogeneity bias.

This thesis focuses on a single country, Bangladesh. Studying a single IFRS-adopting country has some benefits. First, it allows the researcher to hold constant different factors, including socio-economic, institutional, and political factors, to examine more deeply institutional details, to adopt better identification strategies, and to better control for latent confounding events (Ruland et al., 2007; De George et al., 2013; Filip et al., 2015). Second, a single-country setting enables the researcher to better control for unconditional conservatism, an issue which is highly problematic in an international setting (Ball & Shivakumar, 2005; Beaver & Ryan, 2005; Filip et al., 2015). Given the benefits then, there have been calls in the literature for in-depth single-country-setting studies on IFRS adoption (Guerreiro et al., 2012; Tsalavoutas et al., 2012). On the other hand, examining a single-country setting typically limits the generalisability of results to a broader set of audiences, firms, and countries. Consequently, it is important to note that, given the significant cultural differences between Bangladesh and

Anglo-American countries, and even between Bangladesh and other Islamic countries, the findings may not be generalisable to contexts where the culture is substantially different. Drawing on core Bangladeshi cultural values, this thesis demonstrates the importance of understanding culture in examining accountants' JDM. Furthermore, while Bangladesh is proxied for Islamic countries, it should not be assumed that all Islamic countries are homogeneous. It may also be beneficial to further examine whether the findings of this study can be generalised to other Islamic countries.

A survey research approach was adopted to examine the influences of culture and personality variables on convergence in Bangladesh. In addition to factors particularly relevant to Bangladeshi cultural values, the research instrument included factors such as gender, age, and work experience, but the list of variables is not exhaustive. Other relevant environmental factors and individual characteristics may provide further explanations for differences in Bangladeshi accountants' JDM. Future studies may use qualitative methods, such as interviews, to explore other factors that may be important in influencing Bangladeshi accountants' JDM to gain additional insights into the complexity and dynamics associated with the influence of culture and personality on accountants' JDM.

Given the number of Muslims worldwide and their contribution to the global economy, understanding Islamic religiosity is vital. However, IFRS convergence is under-researched in the Islamic cultural context. Also, Islamic countries differ significantly from each other in terms of their economic, cultural, and socio-political conditions. Therefore, this thesis calls for more research into this important space.

The findings of this thesis call for more research on accountants' JDM from both cultural and personality perspectives. In addition to cross-cultural studies, IFRS convergence research would benefit from rigorous examination of accountants' JDM with a particular focus on the core cultural values underpinning the JDM processes. This focus may facilitate a better understanding of various factors influencing accountants' JDM which is the most important aspect of convergence. Moreover, greater insights into personality influences could be gained by including perspectives and measures from other disciplines such as social psychology. Future research is needed to adopt this interdisciplinary perspective in order to better understand the influence of personality on accountants' JDM. Therefore, this thesis calls for more critical research into this area which is 'socially, politically and institutionally contextualised, theoretically informed, and embracing interdisciplinarity' (Parker *et al*., 2011, p. 9).

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Tables

Table 2.1: Database search results				
#	**Journal name**	**Convergence**	**Harmonisation**	**Papers appropriate for this study**
1	*Accounting, Organizations and Society*	152	69	17
2	*The Accounting Review*	130	32	15
3	*Contemporary Accounting Research*	79	20	13
4	*Journal of Accounting and Economics*	58	14	10
5	*Journal of Accounting Research*	46	18	19
6	*Abacus*	79	81	35
7	*Accounting and Business Research*	150	13	32
8	*Accounting and Finance*	59	17	9
9	*Accounting, Auditing & Accountability Journal*	104	32	19
10	*Accounting Horizons*	91	40	19
11	*Advances in Accounting / Advances in International Accounting*	83	71	41
12	*Auditing: A Journal of Practice and Theory*	43	6	11
13	*Behavioral Research in Accounting*	43	1	2
14	*British Accounting Review*	60	59	11
15	*Critical Perspectives on Accounting*	100	79	26
16	*European Accounting Review*	135	223	35
17	*Financial Accountability and Management*	61	35	0
18	*The International Journal of Accounting*	120	207	61
19	*International Journal of Accounting Information Systems*	27	7	0
20	*Issues in Accounting Education*	77	27	20
21	*Journal of Accounting and Public Policy*	75	45	22
22	*Journal of Accounting, Auditing & Finance*	48	15	13
23	*Journal of Accounting Literature*	Not available	Not available	Not available
24	*Journal of Management Accounting Research*	26	4	0

25	*Journal of the American Taxation Association*	22	9	0
26	*Management Accounting Research*	35	9	0

Table 2.2: Distribution of 430 papers			
	Total number of quantitative studies (272)		**Total number of qualitative studies**
	Quantitative studies that use complex mathematical/statistical models	**Quantitative studies that use surveys/experiments**	
Total number of papers	234	38	158
Number of papers (%)	54%	9%	37%

Table 2.3: Classification of 295 papers based on countries examined				
	De jure	**Behavioural**	**Archival**	**Overall**
Number of studies examining at least one sample country that adopted IFRS	10	67	186	295
Studies on EU, Anglo-American and developed economies[20]	9	41	162	237
Studies on transitional economies[21]	0	2	2	5
Studies on the Middle-Eastern economies[22]	0	6	2	8
Studies on BRIC[23] economies	0	8	18	27
Studies on emerging economies[24] including Bangladesh, Malaysia, Indonesia, Fiji, Papua New Guinea, Romania, Mexico, South Africa, Trinidad & Tobago	0	10	2	15

[20] Anglo-American and developed economies include Canada and the United States, Japan, Australia, New Zealand, the United Kingdom and Japan.
[21] Transition economies include Albania, Bosnia and Herzegovina, Serbia, Montenegro, Republic of Macedonia, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and Georgia (UNCTAD, 2014).
[22] A common definition of the Middle East encompasses the states or territories of Turkey, Cyprus, Syria, Lebanon, Iraq, Iran, Israel, the West Bank, the Gaza Strip, Jordan, Egypt, Sudan, Libya, Saudi Arabia, Kuwait, Yemen, Oman, Bahrain, Qatar and the United Arab Emirates (Encyclopædia Britannica, 2016).
[23] BRIC countries include Brazil, Russia, India and China.
[24] Economies other than EU, Anglo-American, developed or BRIC economies are considered emerging economies.

Table 2.4: Indices used to measure the level of *de facto* convergence	
Indices	**Statistical models**
H indices (van der Tas, 1988)	Tay & Parker (1990) suggest two measurement approaches: (1) the use of concentration indices, which may be applied to cardinal data; and (2) the use of nonparametric tests when data are only ordinal.
C indices (van der Tas, 1988)	A set of generalised linear models (McLeay et al., 1999)
I indices (van der Tas, 1988)	Binomial linear logistic regression (Jaafar & McLeay, 2007)
T index (Taplin, 2004)	
V ratio: This methodology links the C index and entropy so that 'the advantages of these two measures complement one another while any disadvantages are eliminated' (Krisement, 1997, p. 477).	
The index of comparability (the index of conservatism) (Gray, 1980; Haverty, 2006)	
Coefficient of variation (Jones & Finley, 2011).	
T index (Taplin, 2017)	New national and international indices within the T index framework are used

Table 2.5: Number of quantitative papers that used databases						
I/B/E/S	**Compustat**	**CRSP**	**WorldScope**	**Datastream**	**Annual report**	**Other databases**
23	17	6	36	29	50	88

Table 2.6: Accounting terminologies used in the US and UK	
US	UK
Sales turnover	Turnover
Income statement	Profit and loss account
Common stock	Ordinary shares
Preferred stock	Preference shares
Inventories	Stocks
Treasury stocks	Own shares
Receivables	Debtors
Reserve for doubtful accounts	Provision for bad debts
Included in equity	Taken to reserves
Leverage	Gearing
Par value	Nominal value
Stock dividend/Stock split	Bonus/script issue

Source: Adapted from Pagell & Halperin (2000).

Table 2.7: Techniques used for measuring the level of *de jure* convergence		
Authors	**Methodology**	**Comments**
Qu & Zhang (2010)	Fuzzy clustering analysis	
Penga et al. (2010)	Content analysis	
Bae et al. (2008)	Two benchmarks are used. The first is used to identify GAAP differences across countries. The second attempts to determine country-level conformity to or departure from IAS for selected areas.	These measures are incomplete and do not capture all important aspects of differences in accounting standards across countries (Bae et al., 2008).
Ding et al. (2007)	Two indices—absence and divergence—are used to quantify differences.	Indices have absolute values and are not easily interpretable.
Fontes et al. (2005)	Jaccard's coefficient and Spearman's coefficient	
Rahman et al. (2002)	Jaccard's coefficient	
Garrido et al. (2002)	Euclidian distances and Mahalanobis distances	As Euclidian distances yield absolute values, they are not easily interpretable. This flaw makes it inappropriate for use in analysing convergence among different standards (lateral) or the progress achieved within one standard (longitude).
Ashbaugh & Pincus (2001)	Three indices were developed to reflect differences in countries' measurement and disclosure policies relative to IAS.	
Rahman et al. (1996)	Utilise multiple discriminant analysis and Mahalanobis distance to compute variances in strengths of the different requirements.	Mahalanobis distance is used for continuous variables, while the requirements of disclosure and measurement are discrete data, which should be treated purely in a descriptive fashion. Also, it is difficult to explain the degree of convergence by absolute distances.
Lainez et al. (1996)	Fnedman's non-parametric test Wilcoxon's non-parametric test	

Table 2.8: Possible reasons for within- and cross-country differences in accounting practices	
(1) Personal factors	**(3) Country-specific contextual factors**

Gender Age Level of education and training Years of experience Ability and motivation Personal values **(2) Firm and industry environment** Organisation culture Ownership concentration Leverage Sources of finance Firm size Profitability Industry Nature of business ownership and financing system	Culture Colonial inheritance Invasions Taxation Inflation Legal systems Religion History Geography Age and size of accountancy profession Stage of economic development Language and translation Influence of theory Political systems, social climate Law enforcement Quality of accounting education Nature of country's capital market **(4) Globalisation** Globalisation Acculturation

Table 3.1: Accounting Values Survey

		Strongly agree						**Strongly disagree**	**Comments**
1	Profits and assets should be valued downwards in case of doubt.	1	2	3	4	5	6	7	
2	Depreciation rules should be set externally, specifically for separate groups of assets.	1	2	3	4	5	6	7	
3	Financial statements should be available to the general public rather than just to shareholders and managers.	1	2	3	4	5	6	7	Reverse scored
4	Accounting profession should be self-regulated.	1	2	3	4	5	6	7	Reverse scored

5	Market values are generally less relevant than historic costs.	1	2	3	4	5	6	7	
6	Financial statements of all companies should have standardised formats.	1	2	3	4	5	6	7	
7	Only a minimum amount of detailed data should be included in financial statements.	1	2	3	4	5	6	7	
8	Professional accountants are the best judges of how to measure a firm's financial position and performance.	1	2	3	4	5	6	7	Reverse scored
9	Market values should be generally used instead of historic costs.	1	2	3	4	5	6	7	Reverse scored
10	Accounting policies once chosen should not be changed.	1	2	3	4	5	6	7	
11	Information about management and owners should not be included in financial statements.	1	2	3	4	5	6	7	
12	Professional accountants are the best judges of what to disclose in financial statements.	1	2	3	4	5	6	7	Reverse scored
13	In times of rising prices LIFO instead of FIFO should be used in calculations as estimates.	1	2	3	4	5	6	7	
14	The level of detailed standardisation in financial statements should be increased.	1	2	3	4	5	6	7	
15	Management forecasts should be included in financial statements.	1	2	3	4	5	6	7	Reverse scored
16	Professional accountants should maintain high standards of ethical conduct.	1	2	3	4	5	6	7	Reverse scored

Table 3.2: Islamic religiosity scale							
		Strongly disagree				**Strongly agree**	**Comments**
1	I find it inspiring to listen to the Qu'ran.	1	2	3	4	5	
2	I know that Allah helps me'	1	2	3	4	5	
3	Saying my prayers/du'a helps me a lot'	1	2	3	4	5	
4	Attending the mosque is very important to me.	1	2	3	4	5	
5	I think going to the mosque is a waste of my time.	1	2	3	4	5	Reverse scored
6	I want to obey Allah's law/Shariah in my life.	1	2	3	4	5	
7	I think mosque sermons/khutbah are boring.	1	2	3	4	5	Reverse scored
8	Allah helps me to lead a better life.	1	2	3	4	5	
9	I like to learn about Allah very much.	1	2	3	4	5	
10	Islam means a lot to me.	1	2	3	4	5	
11	I believe that Allah helps people	1	2	3	4	5	
12	Prayer/salat helps me a lot.	1	2	3	4	5	
13	I feel that I am very close to Allah.	1	2	3	4	5	
14	I think praying/salat is a good thing.	1	2	3	4	5	
15	I think the Qu'ran is out of date.	1	2	3	4	5	Reverse scored
16	I believe that Allah listens to prayers/du'a.	1	2	3	4	5	
17	Allah does not mean everything to me.	1	2	3	4	5	Reverse scored
18	Allah is very real to me.	1	2	3	4	5	
19	I think praying/du'a does no good.	1	2	3	4	5	Reverse scored
20	Belief in Allah means much to me.	1	2	3	4	5	
21	I do not find it hard to believe in Allah.	1	2	3	4	5	

22	I am happy to be a Muslim.	1	2	3	4	5	
23	I love to follow the life/sunnah of the Prophet.	1	2	3	4	5	

Table 3.3: Top 10 Bangladeshi CA firms in terms of number of partners

	Name of firm	Number of partners
1	ACNABIN	10
2	ARTISAN	10
3	Syful Shamsul Alam and Co.	8
4	A. Qasem and Co	7
5	Aziz Halim Khair Choudhury	7
6	Hoda Vasi Chowdhury and Co.	7
7	Hussain Farhad and Co	6
8	M J Abedin and Co.	6
9	MABS and J Partners	6
10	MARHK and Co	6

Table 3.4: Respondents' profiles

Particulars		Frequency	Percentage (%)
Age	25–29	12	9.30
	30–34	52	40.31
	35–39	46	35.66
	40–49	17	13.18
	50–59	1	0.78
	60 or over	1	0.78
Gender	Male	119	92.25
	Female	10	7.75
Experience	1–3 years	62	48.06
	4–6 years	34	26.36

	7–9 years	17	13.18
	10–12 years	7	5.43
	> 12 years	9	6.98
Education	HSC	4	3.10
	Bachelor	36	27.91
	Master	89	68.99
Big 4	Yes	20	15.50
	No	109	84.50

Table 3.5: Reliability score of dependent and independent variables

Construct	**Cronbach's alpha**	**Construct**	**Cronbach's alpha**
Professionalism vs. statutory control	0.73	Islamic religiosity	0.73
Conservatism vs. optimism	0.75		
Uniformity vs. flexibility	0.81		
Secrecy vs. transparency	0.75		

Table 3.6: Pearson correlations between dependent variables

	Professionalism vs. statutory control	Conservatism vs. optimism	Uniformity vs. flexibility	Secrecy vs. transparency	Islamic religiosity
Professionalism vs. statutory control	1				
Conservatism vs. optimism	0.30* (0.00)	1			
Uniformity vs. flexibility	–0.03 (0.70)	0.20 (0.02*)	1		
Secrecy vs. transparency	0.19* (0.03)	0.30* (0.00)	0.08 (0.38)	1	

Islamic religiosity	0.32* (0.00)	0.66* (0.00)	0.31* (0.00)	0.32* (0.00)	1

* significant at the 0.05 level.

Table 3.7: Descriptive statistics

Variable	Sample size	Mean	Median	Standard deviation	Minimum	Maximum
Islamic religiosity	129	95.25	96.00	4.28	77.00	115.00
Professionalism vs. statutory control	129	26.49	27.00	1.34	24.00	28.00
Conservatism vs. optimism	129	8.32	7.00	3.43	4.00	19.00
Uniformity vs. flexibility	129	7.11	6.00	3.20	4.00	21.00
Secrecy vs. transparency	129	16.05	14.00	6.36	5.00	28.00

Table 3.8: Results for the influence of Islamic religiosity on professional judgments

Dependent variable	Mean for high Islamic religiosity (N = 68)	Mean for low Islamic religiosity (N = 61)	Mean difference (High–Low)	Expected direction	*F*	*p*
MANOVA					10.36	0.00*
ANOVA						
Professionalism vs. statutory control	26.09	26.93	-0.84	Yes	14.11	0.00*
Conservatism vs. optimism	6.18	10.70	-4.52	Yes	99.16	0.00*

Uniformity vs. flexibility	6.16	8.18	-2.02	Yes	13.88	0.00*
Secrecy vs. transparency	14.13	18.20	-4.07	Yes	14.51	0.00*

* significant at the 0.05 level.

Table 3.9: Influence of Islamic religiosity on professionalism vs. statutory control

	Independent variables	Mean (High)	Mean (Low)	Mean difference (High–Low)	*F*	*p*
Professionalism vs. statutory control	The accounting profession should be self-regulated.	6.24	6.46	–0.22	6.11	0.02*
	Professional accountants are the best judges of how to measure a firm's financial position and performance.	6.40	6.56	–0.16	1.39	0.24
	Professional accountants are the best judges of what to disclose in financial statements.	6.66	6.92	–0.26	13.70	0.00*
	Professional accountants should maintain high standards of ethical conduct.	6.79	7.00	–0.21	19.30	0.00*

* significant at the 0.05 level.

Table 3.10: Analysis of co-variance for professionalism vs. statutory control with experience, age, gender, education, experience working in a Big 4 as covariates

Source	SS	DF	MS	*F*	*p*
Experience	0.47	1	0.47	0.28	0.60
Age	0.04	1	0.04	0.02	0.88
Gender	1.07	1	1.07	0.64	0.43
Education	0.05	1	0.05	0.03	0.87

Big 4	0.91	1	0.91	0.54	0.46
Islamic religiosity	20.81	1	20.81	12.42	0.001*
Error	204.43	122	1.68		
Total	90741	129			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 3.11: Pairwise comparisons and effect sizes of professionalism vs. statutory control

Group	N	Mean	Adjusted mean	SD	Mean difference (H–L)
High Islamic religiosity (H)	68	26.09	26.10	1.43	–0.82* (0.001)
Low Islamic religiosity (L)	61	26.93	26.92	1.08	

Note: *p = 0.000, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 3.12: Influence of Islamic religiosity on conservatism vs. optimism

	Independent variables	Mean (High)	Mean (Low)	Mean difference (High–Low)	*F*	*p*
Conservatism vs. optimism	Profits and assets should be valued downwards in case of doubt.	1.51	2.31	–0.8	28.87	0.00*
	In times of rising prices LIFO instead of FIFO or weighted average costs should be used in calculations as estimates.	1.53	2.84	–1.31	75.70	0.00*
	Market values are generally less relevant than historic costs.	1.60	2.70	–1.1	25.99	0.00*

	Market values should be generally used instead of historic costs.	1.53	1.85	–0.32	46.54	0.00*

* significant at the 0.05 level.

Table 3.13: Analysis of co-variance for conservatism vs. optimism with experience, age, gender, education, experience working in a Big 4 as covariates

Source	**SS**	**Df**	**MS**	***F***	***p***
Experience	1.34	1	22.78	0.20	0.65
Age	1.37	1	32.26	0.21	0.65
Gender	15.03	1	0.13	2.27	0.13
Education	0.00	1	18.95	0.00	0.99
Big 4	12.74	1	8.61	1.93	0.17
Islamic religiosity	618.89	1	50.45	93.52	0.000*
Error	807.34	122			
Total	10429	129			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 3.14: Pairwise comparisons and effect sizes of conservatism vs. optimism

Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High Islamic religiosity (H)	68	6.18	6.19	2.07	–4.50*
Low Islamic religiosity (L)	61	10.70	10.69	3.05	(0.000)

Note: **p* = 0.000, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 3.15: Influence of Islamic religiosity on uniformity vs. flexibility

Uniformit	**Independent variables**	**Mean (High)**	**Mean (Low)**	**Mean difference (High– Low)**	***F***	***p***

	Depreciation rules should be set externally, specifically for separate groups of assets.	1.66	2.02	–0.36	2.95	0.09
	Accounting policies once chosen should not be changed.	1.66	2.10	–0.44	4.78	0.03*
	Financial statements of all companies should have standardised formats.	1.43	2.05	–0.62	15.03	0.00*
	The level of detailed standardisation in financial statements should be increased.	1.51	1.95	–0.44	7.95	0.01*

* significant at the 0.05 level.

Table 3.16: Analysis of co-variance for flexibility vs. uniformity with experience, age, gender, education, experience working in a Big 4 as covariates

Source	**SS**	**DF**	**MS**	***F***	***P***
Experience	0.09	1	0.09	0.01	0.92
Age	2.79	1	2.79	0.30	0.59
Gender	5.77	1	5.77	0.62	0.43
Education	27.62	1	27.62	2.95	0.09
Big 4	1.27	1	1.27	0.14	0.71
Islamic religiosity	106.71	1	106.71	11.38	0.001*
Error	1144.10	122	9.38		
Total	7827	129			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 3.17: Pairwise comparisons and effect sizes of flexibility vs. uniformity

Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High Islamic religiosity (H)	68	6.16	6.23	2.26	–1.86*
Low Islamic religiosity (L)	61	8.18	8.09	3.73	(0.001)

Note: *p = 0.001, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 3.18: Influence of Islamic religiosity on secrecy vs. transparency

	Independent variables	Mean (High)	Mean (Low)	Mean difference (Low–High)	*F*	*P*
Secrecy vs. transparency	Financial statements should be available to the general public rather than just to shareholders and managers.	3.78	4.57	–0.79	4.82	0.03*
	Only a minimum amount of detailed data should be included in financial statements.	3.24	4.31	–1.07	8.39	0.00*
	Information about management and owners should not be included in financial statements.	3.12	4.56	–1.44	13.17	0.00*
	Management forecasts should be included in financial statements.	3.91	4.67	–0.76	6.18	0.01*

* significant at the 0.05 level.

Table 3.19: Analysis of co-variance for secrecy vs. transparency with experience, age, gender, education, experience working in a Big 4 as covariates

Source	SS	DF	MS	*F*	*P*
Experience	14.86	1	14.86	0.40	0.53
Age	0.00	1	0.00	0.00	0.99
Gender	42.64	1	42.64	1.14	0.29
Education	8.32	1	8.32	0.22	0.64

Big 4	0.00	1	0.00	0.00	0.99
Islamic religiosity	535.35	1	535.35	14.29	0.000*
Error	4,571.44	122	37.47		
Total	38,429	129			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 3.20: Pairwise comparisons and effect sizes of secrecy vs. transparency

Group	N	Mean	Adjusted mean	SD	Mean difference (H–L)
High Islamic religiosity (H)	68	14.13	14.08	5.23	–4.18*
Low Islamic religiosity (L)	61	18.20	18.26	6.85	(0.000)

Note: *p = 0.000, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 4.1: Perceived accountability measure

Perceived accountability	Strongly disagree				Strongly agree
I am held very accountable for my actions at work.	1	2	3	4	5
I often have to explain why I do certain things at work.	1	2	3	4	5
Top management holds me accountable for all of my decisions.	1	2	3	4	5
If things at work do not go the way that they should, I will hear about it from top management.	1	2	3	4	5
To a great extent, the success of my immediate work group rests on my shoulders.	1	2	3	4	5
The jobs of many people at work depend on my success or failure.	1	2	3	4	5
In the grand scheme of things, my efforts at work are very important.	1	2	3	4	5

Co-workers, subordinates and bosses closely scrutinise my efforts at work.	1	2	3	4	5

Table 4.2: Reliability score of dependent and independent variables

Construct	Cronbach's alpha	Construct	Cronbach's alpha
Professionalism vs. statutory control	0.73	Perceived accountability	0.87
Conservatism vs. optimism	0.72		
Uniformity vs. flexibility	0.72		
Secrecy vs. transparency	0.72		

Table 4.3: Pearson correlations between dependent variables

	Professionalism vs. statutory control	Conservatism vs. optimism	Uniformity vs. flexibility	Secrecy vs. transference	Perceived accountability
Professionalism vs. statutory control	1				
Conservatism vs. optimism	0.18* (0.05)	1			
Uniformity vs. flexibility	0.16 (0.08)	0.19* (0.04)	1		
Secrecy vs. transparency	–0.04 (0.65)	–0.11* (0.22)	–0.14 (0.13)	1	
Perceived accountability	0.22* (0.02)	0.32* (0.00)	0.26* (0.00)	–0.21* (0.02)	1

* significant at the 0.05 level.

Table 4.4: Descriptive statistics

Variable	Sample size	Mean	Median	Standard deviation	Minimum	Maximum
Perceived accountability	119	33.25	34	5.64	14	40
Professionalism vs. statutory control	119	26.26	6	1.68	22	28
Conservatism vs. optimism	119	9.18	9	4.08	4	19
Uniformity vs. flexibility	119	7.18	7	2.83	4	17
Secrecy vs. transparency	119	15.03	13	5.59	5	27

Table 4.5: Results for the influence of perceived accountability on professional judgment

Dependent variable	Mean for high perceived accountability (N = 59)	Mean for low perceived accountability (N = 60)	Mean difference (Low–High)	Expected direction	*F*	*p*
MANOVA					4.32	0.00*
ANOVA						
Professionalism vs. statutory control	25.69	26.83	–1.14	Yes	15.95	0.00*
Conservatism vs. optimism	8.05	10.3	–2.25	Yes	10.02	0.00*
Uniformity vs. flexibility	6.00	8.35	–2.35	Yes	23.81	0.00*
Secrecy vs. transparency	16.52	13.56	2.96	Yes	8.58	0.00*

* significant at the 0.05 level.

Table 4.6: Influence of perceived accountability on professionalism vs. statutory control						
	Independent variables	**Mean (High)**	**Mean (Low)**	**Mean Difference (High–Low)**	***F***	***p***
Professionalism vs. statutory control	Accounting profession should be self-regulated.	6.34	6.75	–0.41	14.12	0.00*
	Professional accountants are the best judges of how to measure a firm's financial position and performance.	6.39	6.53	–0.14	2.00	0.16
	Professional accountants are the best judges of what to disclose in financial statements.	6.42	6.67	–0.25	5.74	0.02*
	Professional accountants should maintain high standards of ethical conduct.	6.53	6.88	–0.35	17.88	0.00*

* significant at the 0.05 level.

Table 4.7: Analysis of co-variance for professionalism vs. statutory control with experience, age, gender, education, experience working in a Big 4 as covariates					
Source	**SS**	**DF**	**MS**	***F***	***p***
Experience	0.02	1	0.02	0.01	0.93
Age	0.96	1	0.96	0.40	0.53
Gender	2.90	1	2.90	1.19	0.28
Education	6.07	1	6.07	2.50	0.12
Big 4	9.84	1	9.84	4.05	0.05*
Perceived accountability	38.38	1	38.38	15.79	0.000*
Error	272.23	112	2.43		
Total	82395	119			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 4.8: Pairwise comparisons and effect sizes of professionalism vs. statutory control					
Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High perceived accountability (H)	59	25.68	25.69	1.62	
Low perceived accountability (L)	60	26.83	26.83	1.53	–1.14* (0.000)

Note: *p = 0.000, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation

Table 4.9: Influence of perceived accountability on conservatism vs. optimism						
	Independent variables	**Mean (High)**	**Mean (Low)**	**Mean difference (High–Low)**	***F***	***p***
Conservatism vs. optimism	Profits and assets should be valued downwards in case of doubt.	1.83	1.02	0.81	4.12	0.05*
	In times of rising prices LIFO instead of FIFO or weighted average costs should be used in calculations as estimates.	2.03	2.48	–0.45	3.96	0.05*
	Market values are generally less relevant than historic costs.	2.17	2.57	–0.40	2.03	0.16
	Market values should be generally used instead of historic costs.	2.00	3.00	–1.00	12.15	0.00*

* significant at the 0.05 level.

Table 4.10: Analysis of co-variance for conservatism vs. optimism with experience, age, gender, education, experience working in a Big 4 as covariates					
Source	**SS**	**DF**	**MS**	***F***	***p***
Experience	0.01	1	0.01	0.00	0.98
Age	2.37	1	2.37	0.15	0.70
Gender	12.51	1	12.51	0.79	0.38
Education	2.24	1	2.24	0.14	0.71
Big 4	0.40	1	0.40	0.03	0.88
Perceived accountability	149.43	1	149.43	9.39	0.003*
Error	1783.17	112	15.92		
Total	12005	119			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 4.11: Pairwise comparisons and effect sizes of conservatism vs. optimism					
Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High perceived accountability (H)	59	8.03	8.05	3.33	
Low perceived accountability (L)	60	10.32	10.30	4.45	–2.25* (0.003)

Note: *p = 0.003, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 4.12: Influence of perceived accountability on uniformity vs. flexibility						
Uniformity vs. flexibility	**Independent variables**	**Mean (High)**	**Mean (Low)**	**Mean difference (High–Low)**	***F***	***p***
	Depreciation rules should be set externally, specifically for separate groups of assets.	1.47	2.02	–0.55	11.06	0.00*

	Accounting policies once chosen should not be changed.	1.54	2.32	–0.78	17.65	0.00*
	Financial statements of all companies should have standardised formats.	1.44	1.83	–0.39	9.55	0.00*
	The level of detailed standardisation in financial statements should be increased.	1.56	2.17	–0.61	11.95	0.00*

* significant at the 0.05 level.

Table 4.13: Analysis of co-variance for flexibility vs. uniformity with experience, age, gender, education, experience working in a Big 4 as covariates

Source	**SS**	**DF**	**MS**	***F***	***p***
Experience	0.08	1	0.08	0.01	0.91
Age	2.35	1	2.35	0.37	0.54
Gender	37.15	1	37.15	5.89	0.02*
Education	0.52	1	0.52	0.08	0.78
Big 4	15.09	1	15.09	2.39	0.13
Perceived accountability	162.30	1	162.30	25.74	0.000*
Error	706.10	112	25.74		
Total	7087	118			

Note: SS = sum of squares, DF = degree of freedom; MS = mean square.

Table 4.14: Pairwise comparisons and effect sizes of flexibility vs. uniformity

Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High perceived accountability (H)	59	6.02	6.00	1.74	
Low perceived accountability (L)	60	8.33	8.35	3.21	–2.35* (0.000)

Note: *p = 0.000, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Table 4.15: Influence of perceived accountability on secrecy vs. transparency

	Independent variables	Mean (High)	Mean (Low)	Mean difference (High–Low)	*F*	*p*
Secrecy vs. transparency	Financial statements should be available to the general public rather than just to shareholders and managers.	4.13	3.51	0.62	4.59	0.03*
	Only a minimum amount of detailed data should be included in financial statements.	4.03	3.03	1.00	7.54	0.00*
	Information about management and owners should not be included in financial statements.	4.08	3.2	0.88	5.25	0.02*
	Management forecasts should be included in financial statements.	4.25	3.83	0.42	2.06	0.15

* significant at the 0.05 level.

Table 4.16: Analysis of co-variance for secrecy vs. transparency with experience, age, gender, education, experience working in a Big 4 as covariates

Source	SS	DF	MS	*F*	*p*
Experience	36.03	1	36.03	1.23	0.27
Age	122.32	1	122.32	4.18	0.04*
Gender	21.41	1	21.41	0.73	0.39

Education	99.84	1	99.84	3.42	0.07
Big 4	1.32	1	1.32	0.05	0.83
Perceived accountability	259.22	1	259.22	8.87	0.004*
Error	3274.72	112	29.24		
Total	30548	119			

Note: SS = sum of squares; DF = degree of freedom; MS = mean square.

Table 4.17: Pairwise comparisons and effect sizes of secrecy vs. transparency

Group	**N**	**Mean**	**Adjusted mean**	**SD**	**Mean difference (H–L)**
High perceived accountability (H)	59	16.49	16.52	6.31	
Low perceived accountability (L)	60	13.58	13.56	4.36	2.96* (0.004)

Note: *p = 0.004, where p-values are adjusted using the Bonferroni method; N = number of respondents; SD = standard deviation.

Appendix 1: Research Instrument

FACULTY OF
BUSINESS AND ECONOMICS

Global Convergence of Financial Reporting in Bangladesh

Dear Participant

My name is A F M Mainul Ahsan and I would like to invite you to participate in this survey, which is conducted to meet the requirements for the degree of Doctor of Philosophy (PhD) in Commerce- Accounting under the supervision of Professor Chris Patel [Chris.patel@mq.edu.au] and Lecturer Meiting Lu [meiting.lu@mq.edu.au]. The objective of this questionnaire survey is to examine the influence of relevant contextual and personality variables on global convergence of financial reporting.

The questionnaire consists of **four** parts and takes about **20 minutes** to complete. Please answer all the questions. Your responses are very important for the research, which will contribute to our understanding the influence of relevant contextual and personality variables on global convergence of financial reporting. With regard to the questions in this survey, there are no "right" or "wrong" answers.

Please note that participation in this survey is voluntary and questionnaires are anonymous. If you do not wish to participate you may simply not return the questionnaire. Any information you provide will be treated in strict confidence. Data will be analyzed in aggregate form and will be used for research purposes only. The results of the data analysis will be included as part of my PhD dissertation, which will be available from the Department of Accounting and Corporate Governance, Macquarie University. Participants may also request a summary of the results directly from me.

Thank you very much for your time and cooperation in this study. For any more details of this study, please do not hesitate to contact us.

Yours sincerely
A F M Mainul Ahsan
Faculty of Business and Economics
Department of Accounting and Corporate Governance
Macquarie University, NSW 2109, Australia
Ph: +61(0)406 996 535
Email: afm.ahsan@students.mq.edu.au

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics and Integrity (telephone [02] 9850 7854, email: ethics@mq.edu.au). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome

PART I

Please provide the following information about yourself by placing a tick (✓) in the appropriate boxes or providing relevant details.

1. **How many years/months experience do you have in the current company?**

   _____ Years _____ Months

2. **How many years of professional work experience do you have?**

Nil	1-3years	4-6years	7-9years	10-12years	Greater than 12 years

3. **What is your age?**

Under 20	20-24	25-29	30-34
35-39	40-49	50-59	60 or over

4. **What is your gender?**

Male	Female

5. **What is your highest academic qualification?**

Bachelor	Master	PhD	Others (Please specify) _____

6. **Are you a member of**

ICAB	ICMAB	ACCA	Others (Please specify) _____

7. **What is your organizational position?**

Supervisor	Senior	Manager	Partner	Others_____

8. **How much of your working time do you spend in the provision of management advisory services?**

Nil	Less than 50%	Between 50% to 70%	Greater than 70%

9. **Are you currently working or have you ever worked for Big 4 accounting firms?**
   - Yes, I am working in Big 4 accounting firm, please specify _____
   - Yes, I worked for Big 4 accounting firm before, please specify _____
   - No, I have never worked for Big 4 accounting firms.

10. **Are you currently engaged in accounting related work?**

Yes	No

11. **What is your role in your current employment? _____**

12. **What is your nationality? _____**

13. **What was your nationality at birth? (If different) _____**

PART II

Please check the appropriate boxes. This section requires your judgment on various aspects of the accounting profession in Bangladesh. With regard to the questions in this survey, there are no 'right' or 'wrong' answers.

	Strongly agree						Strongly disagree
The accounting profession should be self-regulated.	1	2	3	4	5	6	7
Professional accountants are the best judges of how to measure a firm's financial position and performance.	1	2	3	4	5	6	7
Professional accountants are the best judges of what to disclose in financial statements.	1	2	3	4	5	6	7
Professional accountants should maintain high standards of ethical conduct.	1	2	3	4	5	6	7

	Strongly agree						Strongly disagree
Profits and assets should be valued downwards in case of doubt.	1	2	3	4	5	6	7
In times of rising prices LIFO instead of FIFO or weighted average costs should be used in calculations as estimates.	1	2	3	4	5	6	7
Market values are generally less relevant than historic costs.	1	2	3	4	5	6	7
Market values should be generally used instead of historic costs.	1	2	3	4	5	6	7

	Strongly agree						Strongly disagree
Depreciation rules should be set externally, specifically for separate groups of assets.	1	2	3	4	5	6	7
Accounting policies once chosen should not be changed.	1	2	3	4	5	6	7
Financial statements of all companies should have standardised formats.	1	2	3	4	5	6	7
The level of detailed standardisation in financial statements should be increased.	1	2	3	4	5	6	7

	Strongly agree						Strongly disagree
Financial statements should be available to the general public rather than just to shareholders and managers.	1	2	3	4	5	6	7
Only a minimum amount of detailed data should be included in financial statements.	1	2	3	4	5	6	7
Information about management and owners should not be included in financial statements.	1	2	3	4	5	6	7
Management forecasts should be included in financial statements.	1	2	3	4	5	6	7

PART III

Please indicate how much you agree or disagree with each of the following statements. (Please put only one '√' in each row across). With regard to the questions in this survey, there are no 'right' or 'wrong' answers.

		Strongly disagree				Strongly agree
1	I find it inspiring to listen to the Qu'ran.	1	2	3	4	5
2	I know that Allah helps me'	1	2	3	4	5
3	Saying my prayers/du'a helps me a lot'	1	2	3	4	5
4	Attending the mosque is very important to me.	1	2	3	4	5
5	I think going to the mosque is a waste of my time.	1	2	3	4	5
6	I want to obey Allah's law/Shariah in my life.	1	2	3	4	5
7	I think mosque sermons/khutbah are boring.	1	2	3	4	5
8	Allah helps me to lead a better life.	1	2	3	4	5
9	I like to learn about Allah very much.	1	2	3	4	5
10	Islam means a lot to me.	1	2	3	4	5
11	I believe that Allah helps people	1	2	3	4	5
12	Prayer/salat helps me a lot.	1	2	3	4	5
13	I feel that I am very close to Allah.	1	2	3	4	5
14	I think praying/salat is a good thing.	1	2	3	4	5
15	I think the Qu'ran is out of date.	1	2	3	4	5
16	I believe that Allah listens to prayers/du'a.	1	2	3	4	5
17	Allah does not mean everything to me.	1	2	3	4	5
18	Allah is very real to me.	1	2	3	4	5
19	I think praying/du'a does no good.	1	2	3	4	5
20	Belief in Allah means much to me.	1	2	3	4	5
21	I do not find it hard to believe in Allah.	1	2	3	4	5
22	I am happy to be a Muslim.	1	2	3	4	5
23	I love to follow the life/sunnah of the Prophet.	1	2	3	4	5

PART IV

Please indicate how much you agree or disagree with each of the following statements. (Please put only one '√' in each row across). With regard to the questions in this survey, there are no 'right' or 'wrong' answers.

Self/Felt accountability	Strongly disagree				Strongly agree
I am held very accountable for my actions at work.	1	2	3	4	5
I often have to explain why I do certain things at work.	1	2	3	4	5
Top management holds me accountable for all of my decisions.	1	2	3	4	5
If things at work do not go the way that they should, I will hear about it from top management.	1	2	3	4	5
To a great extent, the success of my immediate work group rests on my shoulders.	1	2	3	4	5
The jobs of many people at work depend on my success or failure.	1	2	3	4	5
In the grand scheme of things, my efforts at work are very important.	1	2	3	4	5
Co-workers, subordinates and bosses closely scrutinise my efforts at work.	1	2	3	4	5

Total time taken: _____ minutes

Thank you for taking the time to complete this survey. Your assistance is very important to the success of the project and is greatly appreciated. All answers will be treated in strict confidence. If there is anything else relating to the global convergence of financial reporting, or if there are any other comments you would like to make, please do so in the space provided below.

Thank you for your participation!

A F M Mainul Ahsan
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Email: afm.ahsan@students.mq.edu.au

Appendix 2: Ethics Approval Letters

Office of the Deputy Vice-Chancellor
(Research)

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ABN 90 952 801 237

MACQUARIE University
SYDNEY·AUSTRALIA

17 December 2015

Professor Chris Patel
Department of Accounting and Corporate Governance
Faculty of Business and Economics
Macquarie University
NSW 2109

Dear Professor Patel

Reference No: 5201500888

Title: *Global Convergence of Financial Reporting in Bangladesh*

Thank you for submitting the above application for ethical and scientific review. Your application was considered by the Macquarie University Human Research Ethics Committee (HREC (Human Sciences & Humanities)) at its meeting on 27 November 2015 at which further information was requested.

The requested information was received with correspondence on 7 December 2015 and was considered by the Executive at its meeting on 15 December 2015.

I am pleased to advise that ethical and scientific approval has been granted for this project to be conducted at:

- Macquarie University

This research meets the requirements set out in the *National Statement on Ethical Conduct in Human Research* (2007 – Updated May 2015) (the *National Statement*).

This letter constitutes ethical and scientific approval only.

Standard Conditions of Approval:

1. Continuing compliance with the requirements of the *National Statement*, which is available at the following website:

http://www.nhmrc.gov.au/book/national-statement-ethical-conduct-human-research

2. This approval is valid for five (5) years, subject to the submission of annual reports. Please submit your reports on the anniversary of the approval for this protocol.

3. All adverse events, including events which might affect the continued ethical and scientific acceptability of the project, must be reported to the HREC within 72 hours.

4. Proposed changes to the protocol must be submitted to the Committee for approval before implementation.

It is the responsibility of the Chief investigator to retain a copy of all documentation related to this project and to forward a copy of this approval letter to all personnel listed on the project.

Should you have any queries regarding your project, please contact the Ethics Secretariat on 9850 4194 or by email ethics.secretariat@mq.edu.au

The HREC (Human Sciences and Humanities) Terms of Reference and Standard Operating Procedures are available from the Research Office website at:

http://www.research.mq.edu.au/for/researchers/how_to_obtain_ethics_approval/human_research_ethics

The HREC (Human Sciences and Humanities) wishes you every success in your research.

Yours sincerely

Dr Karolyn White
Director, Research Ethics & Integrity,
Chair, Human Research Ethics Committee (Human Sciences and Humanities)

This HREC is constituted and operates in accordance with the National Health and Medical Research Council's (NHMRC) *National Statement on Ethical Conduct in Human Research* (2007) and the *CPMP/ICH Note for Guidance on Good Clinical Practice*.

Details of this approval are as follows:

Approval Date: 15 December 2015

The following documentation has been reviewed and approved by the HREC (Human Sciences & Humanities):

Documents reviewed	Version no.	Date
Macquarie University Ethics Application Form	3	July 2015
Response from Mr Ahsan addressing the issues raised by the HREC		
MQ Appendix B: Research to be Undertaken Outside Australia		
Invitation Email		
MQ Participant Information and Consent Form		
Research Instrument (Survey)		

The following documentation was noted by the HREC (Human Sciences & Humanities):

Documents noted	Date
MQ Vice Chancellor's Delegate approval to travel to Bangladesh	09/12/2015