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# **The Impact of Changes in Cultural Values on Accounting Value Systems A Case Study**

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## **INTRODUCTION**

Differences observed in accounting methods internationally result from differences in accounting environments. One of the most important environmental variables is the cultural variable, from which a nation's accounting values are derived. Recent international accounting research has focused on the effect of cultural values on accounting procedures.

Gray (1988) suggests that differences in the accounting methods of various nations stem not only from differences in variables such as macro and micro economies (addressed in prior research), but from a more general variable: cultural values. If the theory proposed by Gray is empirically valid, then cultural

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research. In this article the findings of an applied research about the initiation of a data base information model of the companies entered into Tehran Stock Exchange has been mentioned. The information data base model provides required applied and research information for investors and researchers, more over some of the most important financial ratios for companies can be analysed with speed and convenience.

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variables should be considered whenever subjects such as harmonization for international accounting are considered. Usually, it is not possible to test cultural variables directly and solely because accounting practices within any specific country result from a number of variables in addition to those that are culturally related. However, we will address Gray's (1988) propositions in a more empirical setting: changes in cultural values as a result of a revolution.

These authors believe that the Iranian revolution in 1979 caused considerable cultural changes (shifts) within the Iranian value system and as a consequence, some of the culturally-related accounting variables (according to Gray, 1988) have also changed. This situation provides an opportunity to study Gray's theory with respect to **the changes** in cultural values.

The paper is divided into five sections. The first section discusses prior research findings related to the development of a model(s) for explaining differences in international accounting practices. The second section provides a brief background for understanding some of the cultural differences between nations and suggests some possible relationships between these differences and different accounting practices. The propositions that relate differences in accounting practices and to differences in cultures are provided in section three. Section four will evaluate these propositions as they relate to Iran before and after the 1979 revolution. Section five contains conclusions and

suggestions for further research..

### **I. Development of models to explain differences in international accounting practices.**

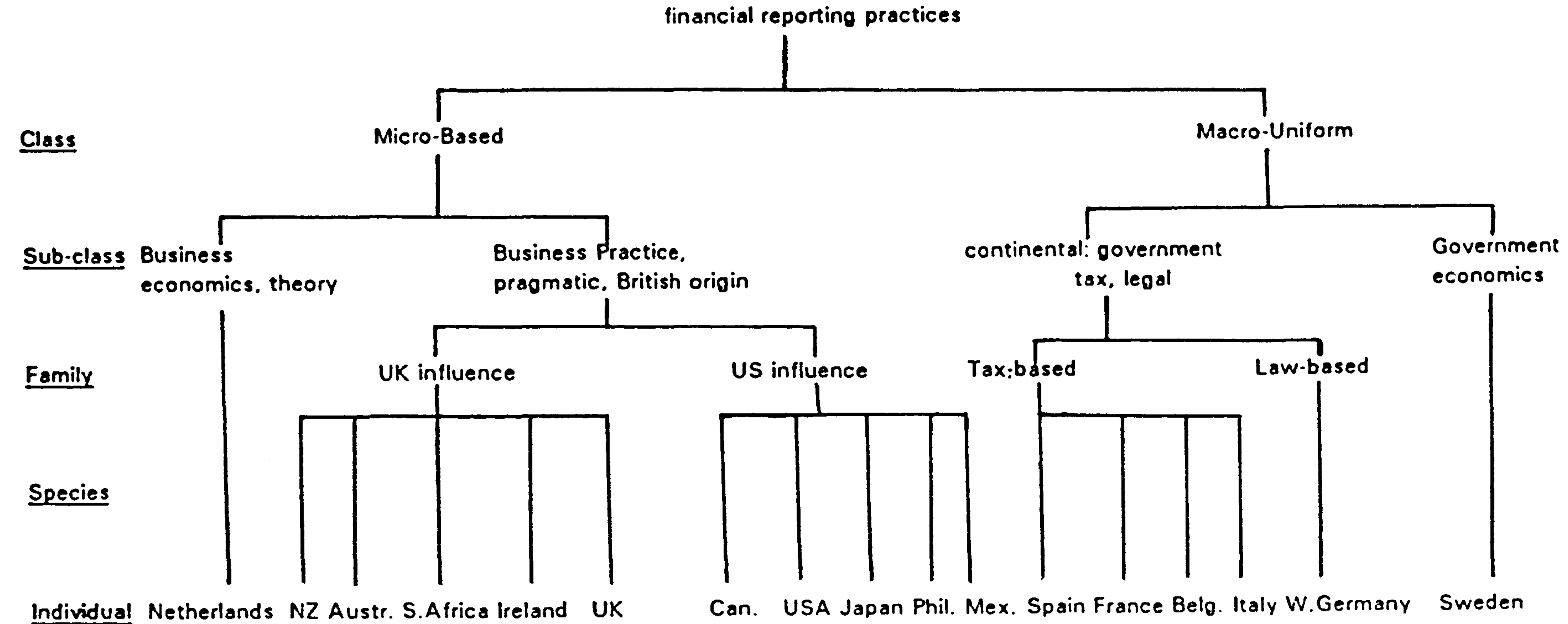
One of the most important issues in international accounting has been the development of a conceptual framework for international accounting. To develop such a framework, one needs to find reasons for differences and similarities in accounting practices. Prior research has provided some possible classifications for the accounting practices which exist in different countries. The following provides a review of two of these classifications.<sup>1</sup>

**Nobes'** (1980) classification uses macro-uniform and micro-based classes. Figure I depicts this classification of worldwide accounting practices. As Figure I shows, accounting practices result from the influence of economic and foreign systems. Using the description provided by Nobes for his classification and our knowledge of the status of Iranian accounting, We suggest that the Iranian accounting practices (before the 1979 revolution) were influenced by both UK and US.

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1- Since the Purpose of this study is not evaluate prior classifications of accounting practices, We have not described the classification in much detail. Interested readers are referred to the related references.

FIGURE I: Nobes Classification of Accounting Systems



Notes: 1) Austr. = Australia, S. Africa = South Africa, Can. = Canada, NZ = New Zealand, Phil = Philippine, Mex. = Mexico, Belg. = Belgium  
 2) This Figure is a duplicate of Nobes (1980) as quoted in Choi and Mueller (1992) page 34.  
 Source: C. W. Nobes, "International Classification of Accounting Systems," Unpublished paper, April 1980, Table C.

**Nair and Frank's** (1980) cluster analysis uses factor analysis to arrive at statistically based "clusters" of existing accounting practices. The clustering studies utilize qualitative survey data on accounting principles and reporting practices prepared and published by Price Waterhouse International. Nair and Frank break the accounting practices into two groups, "measurement" and "disclosure", and then find clusters using statistical techniques. Table I contains their results using 1975 Price Waterhouse data for "measurement" accounting practices.

TABLE I: Nair-Frank 1975 Measurement Groups (before the Iranian's Revolution).

GROUP I	GROUP II	GROUP III	GROUP IV	GROUP V
Australia	Argentina	Belgium	Bermuda	Chile
Bahamas	Bolivia	Denmark	Canada	
Fiji	Brazil	France	Japan	
<b>Iran**</b>	Colombia	West Germany	Mexico	
Jamaica	Ethiopia	Norway	Philippines	
Malaysia	Greece	Sweden	United States	
Netherlands	India	Switzerland	Venezuela	
New Zealand	Italy	Zaire		
Nicaragua	Pakistan			
Eire	Panama			
Rhodesia	Paraguay			
Singapore	Peru			
South Africa	Spain			
Trinidad	Uruguay			
United Kingdom				

Source: R. D. Nair and W. G. Frank, "The Impact of Disclosure and Measurement Practices on International Accounting Classification," *Accounting Review*, July 1980, P. 433.

Note: \*\* The emphasis is added.

Nair-Frank 1975 Disclosure Groups.

GROUP I	GROUP II	GROUP III	GROUP IV	GROUP V	GROUP VI	GROUP VII
Belgium	Australia	Bahamas	Bermuda	Argentina	Denmark	Italy
Bolivia	Ethiopia	West Germany	Canada	India	Norway	Switzerland
Brazil	Fiji	Japan	Jamaica	Iran **	Sweden	
Chile	Kenya	Mexico	Netherlands	Pakistan		
Colombia	Malaysia	Panama	Eire	Peru		
France	New Zealand	Philippines	Rhodesia			
Greece	Nigeria	United States	United Kingdom			
Paraguay	Singapore	Venezuela				
Spain	South Africa					
Uruguay	Trinidad					
Zaire						

Source: R. D. Nair and W. G. Frank, "The Impact of Disclosure and Measurement Practices on International Accounting Classification," *Accounting Review*, July 1980, p. 436.

Note: \*\* The emphasis is added.

Foreign accounting procedures which influenced Iranian accounting came mainly from England and the United States (and to some extent France). British systems dominated official accounting firms and American procedures dominated private industrial firms. As a result, Iranian accounting still carried the United States and British influence before the 1979's, revolution (Foroughi, 1981). Table I also shows that the cluster analysis results in grouping Iran in Group I with the United Kingdom in 1975.

Nair and Frank's results are not based on an underlying theory. Consequently, it is not possible to examine a pre-defined

(deductively derived) conceptual framework for worldwide accounting practices. Their results, however, can be used as a basis for the construction of a theory (inductively based) for international accounting and its advances. For example, Frank and Nair (1981) show that 1) there has been a clear trend (between 1973 and 1979) toward harmonization among accounting practices reported by the Price Waterhouse International survey, 2) many of the topics on which the International Standards Committee has issued pronouncements are those on which Frank and Nair observe harmonization, and 3) the accounting practices in the United States seem to serve as a model for the international harmonization process (P. 77).<sup>۲</sup>

These and similar findings have helped international accounting researchers to better understand why and how worldwide accounting practices differ. Understanding these differences and how they arise will facilitate both the task of harmonization in worldwide accounting and the interpretation of foreign financial reports. One of the main reasons for existing dissimilarities may be cultural differences. This issue will be addressed next.

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2- These findings also suggest that accounting practices have been changing worldwide. These changes can have resulted either from changes in the accounting environment or from the delayed response of accounting to the needs of the environment.



## II. Cultural differences

There are probably an infinite number of ways in which cultures differ. However, for a scientific analysis of cultural differences and the systematic study of how culture affects accounting, we need to ignore some of the more subtle differences and concentrate on the larger ones. A number of theorists, for example Glenn (1981), have classified cultures and suggested some of the dimensions of cultural differences. Empirical investigations such as Hofstede's (1980 and 1984) have also provided such dimensions.

Major dimensions of cultural variation that affect communication<sup>3</sup> are perception, the cognitive frames people carry with them, and patterns of action acceptable in various societies (e. g., acceptable physical distance in conversation and eye contact, Jablin et. al., 1987). We do not intend to discuss all of these dimensions, only that of "cognitive frames" which are most relevant to accounting practices. Cognitive frames are generally defined as the society's Social values and its methods of information processing. Consequently, accounting reports should be designed in a format that is useful within the cognitive frames of their environments. The following examples clarify this suggestion.

It is known that different societies Value time differently. Some societies focus on the past, others on the present, and still others

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3- Accounting is a means of communication for organizations.

on the future (Kluckhohn & Strodtbeck, 1961). Imagine a multinational organization which operates in two countries which differ in the way they value time. Assume that members of the subsidiary focus on the past, while members at the headquarters focus on the future. As a consequence, the subsidiary and headquarter offices will have quite different views about accounting information needs: one perceives a need for accounting information about the past performance and the other perceives a need for accounting reports that predict future performance. In this example, it is unlikely that the same accounting measurement and disclosure practices would provide proper reports to the headquarters and the subsidiary.

One can also examine patterns of information processing in different nations. Condon (1978) contrasts U.S. and Japanese approaches to communication. The American emphasis on "I" contrasts with the Japanese emphasis on "we"; the American emphasis on logic, proof, linear organization, and precise definition of terms differs from the Japanese emphasis on understanding connotations and what is implicit, and on not taking specific words at face value.

In a similar view, Glenn (1981) recognizes two dimensions (among others) for communication: associative versus abstractive communication. Associative communication focuses on the experience of the individual with the particular society, and it occurs in situations in which people belong to a relatively

homogeneous group. In abstractive communication, one defines one's concepts before communicating. In an accounting context then, the accounting reports for cultures practicing associative communication behavior should provide more detailed information than reports for those in cultures characterized by abstractive communication behavior. In this example, different degrees of disclosure of accounting information are demanded by the two groups.

The culture affects organizations at both internal and external levels. Organization members are constrained by perceptions, learned behaviors about how to communicate, and a variety of organizational factors, such as reports to whom, who is supposed to do a job, when a job needs to be done, where and how one is supposed to report (by letter or phone), and so on (Jablin et. al. 1987). From an accounting perspective, then, the culture can affect both internal (the managerial) and external (the financial) accounting reports. Although the effects of national cultural values on managerial accounting practices merit attention, this study is mainly concerned with the relationship between cultural values and financial accounting practices.

The relationship between cultural values and financial accounting practices can be developed in two steps: first, finding the correlation between the cultural values and organizations, and second, extending this correlation to the accounting values that underlie accounting practices. A few studies have contemplated

the association between cultural values and organizations. Hofstede (1980 or 1984), in one of the most comprehensive ones, has tried to link communication differences among international organizations to nations' cultural differences. He obtained data from 117, 000 questionnaires<sup>۴</sup> answered by employees of a large multinational corporation in 66 countries. Because of the instability of some of data, ecological correlations and factor analysis were limited to 40 countries. Using factor analysis statistical methods, Hofstede found four factors underlying differences in nations' cultural values.

These factors, individualism, power distance, uncertainty avoidance, and masculinity, permit comparisons among countries by providing information about cultural differences and some base information about the dissimilarities observed in accounting practices across the nations. These dimensions are defined as follows (Robcock and Simmonds, 1989, pp. 421-422):

**Individualism (vs collectivism):** The extent to which the individual expects personal freedom versus the acceptance of responsibility to family, tribal, or national groups (i.e., collectivism).

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4- Questions were of four types: 1) satisfaction questions, dealing with personal evaluation of aspects of the work situation; 2) perception questions, dealing with subjective descriptions of aspects of the work situation; 3) personal goal belief questions, dealing with beliefs about work and what is desired and desirable; and 4) demographic questions.

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**Power Distance:** The degree of tolerance of inequality in wealth and power indicated by the extent to which centralization and autocratic power are permitted. People in large power distance societies accept a hierarchical order in which everybody has a place which needs no further justification. People in small power distance societies strive for power equalization and demand justification for power inequalities.

**Uncertainty Avoidance:** The extent to which the society avoids risk and creates security by emphasizing technology and buildings, laws and rules, and religion. Weak uncertainty avoidance societies maintain a more relaxed atmosphere in which practice counts more than principles and deviance is more easily tolerated.

**Masculinity (vs Femininity):** The extent to which the society differentiates roles between the sexes and places emphasis on masculine values of performance and visible achievement. Femininity, stands for a preference for relationships, modesty, caring for the weak, and the quality of life.

We have provided a selected list of countries and their index values for the four dimensions in Table II.<sup>5</sup>

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5- Notice that the numbers assigned to each index are derived from a set of questions by Hofstede. A high or low score for any of the indices does not mean that a country is good or bad

TABLE II: Index Values of (some selected) Countries on Four Cultural Dimensions (before the Iranian Revolution)

Country	Individualism Index	Power Distance Index	Uncertainty Avoidance Index	Masculinity Index
Australia	90	36	51	61
Belgium	75	65	94	54
Canada	80	39	48	52
Chile	23	63	86	28
Denmark	74	18	23	16
France	71	68	86	43
Germany	67	35	65	66
Great Britain	89	35	35	66
Greece	35	60	112	57
India	48	77	40	56
Iran	41	58	59	43
Japan	46	54	92	95
Korea (S.)	18	60	85	39
Malaysia	26	104	36	50
New Zealand	79	22	49	58
Pakistan	14	55	70	50
Singapore	20	74	8	48
Sweden	71	31	29	5
Turkey	37	66	85	45
U. S. A .	91	40	46	62
Arab Countries	38	80	68	53

Source: Some of the selected countries form: G. Hofstede, "National Cultures in Four Dimensions: A Research - Theory of Cultural Differences Among Nations," International Studies of Management and organization, (1983), p. 52.

Note: The higher the number the higher the country ranks on that particular dimension.

in that cultural value.

The above results show the relationship between the culture and organizations in four separately defined and measured indices or factors (which, as mentioned previously, is the first step in linking cultural values to accounting practices), as described by Hofstede. Next, we need to investigate the link between the cultural dimensions and accounting values as suggested by Gray (1988). The following section discusses these relationships.

### III. Accounting and Cultural Values

To define the relationship between cultural values and accounting, one needs to specify the accounting values. Gray derives the following accounting values from a review of accounting literature and practice (1989, p. 8):

**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 legal requirements and statutory control.

**Uniformity versus Flexibility** - a preference for the enforcement of uniform accounting practices between companies and for the consistent use for such practices over 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.

**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.

Defining the accounting values, Gray hypothesizes the following relationships between a nation's accounting and cultural values (1988, pp. 9-11):

H<sub>1</sub>: The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance then the more likely it is to rank highly in terms of professionalism.

H<sub>2</sub>: The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism then the more likely it is to rank highly in terms of uniformity.

H<sub>3</sub>: The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of conservatism.

H<sub>4</sub>: The higher a country ranks in terms of uncertainty



avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy.

Using Hofstede's cultural indices (see Table II) for each country, Gray further suggests comparative accounting-value positions for different cultural areas (countries or regions). Figures II and III illustrate a selected set of these positions. Iran is considered a "near eastern"<sup>6</sup> cultural area, and so would be included in this position on the chart.

Although Gray furnishes a theoretical basis to link cultural and accounting values, he does not provide any empirical evidence for the test of this theory. To test the theory, one needs to be able to separate the effects of cultural values on accounting practices from those variables that are not directly related to cultural values (e.g., economic factors to some extent). One practical way to do this is to use a situation in which there is a shift in cultural values as a result of a revolution.

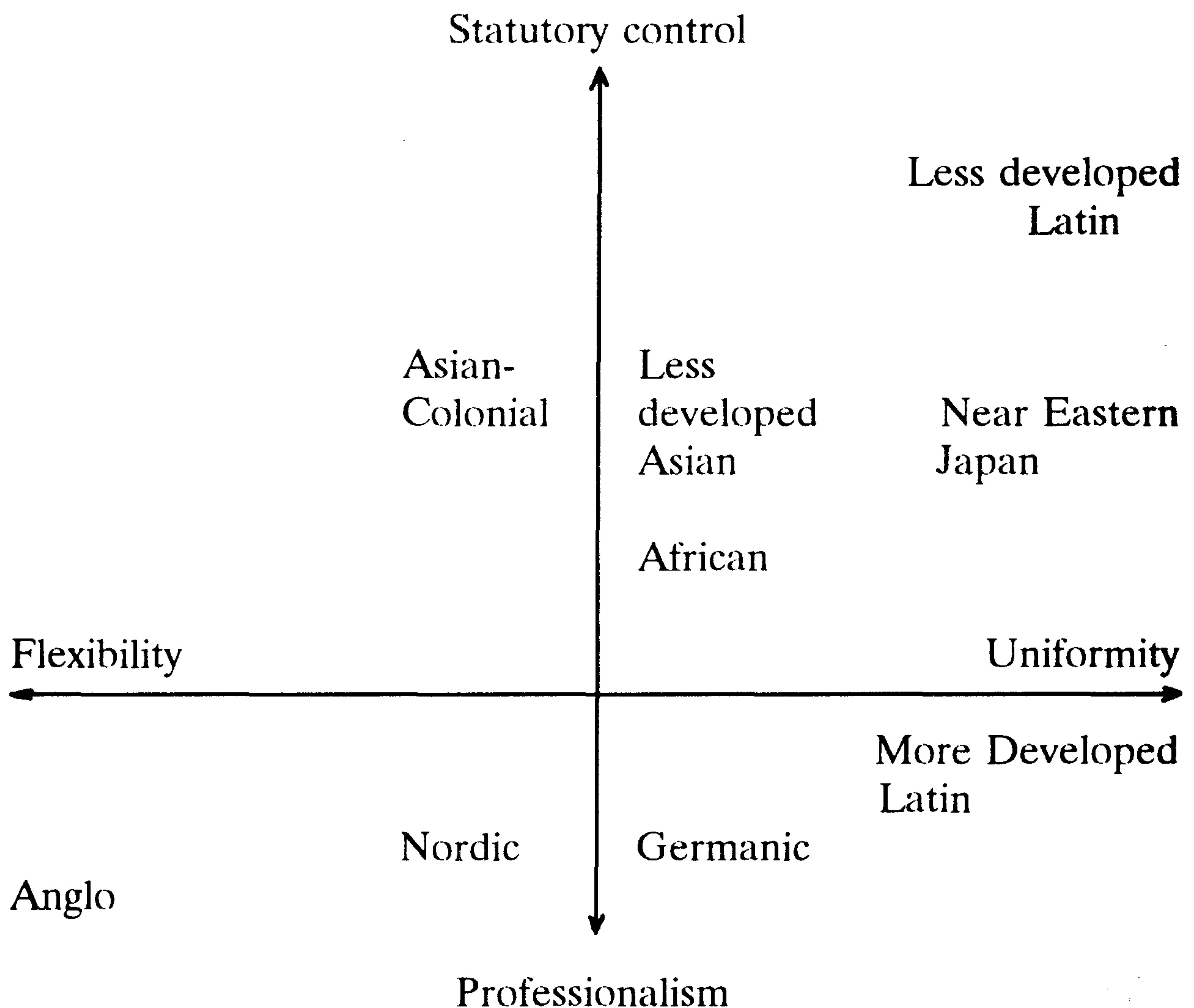
We believe that the Iranian revolution in 1979 resulted in considerable changes (shifts) in cultural values and as a consequence, some of the accounting values may have been affected. This situation provides an opportunity to study the theory with respect to **the changes** in the cultural values. The

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6- Other countries in the "near eastern" culture areas, are Yugoslavia, Greece, Turkey, and Arab countries (Gray, 1988, P. 6).

following section describes the changes in cultural and accounting values in Iran.

FIGURE II: Accounting Systems: Authority and Enforcement

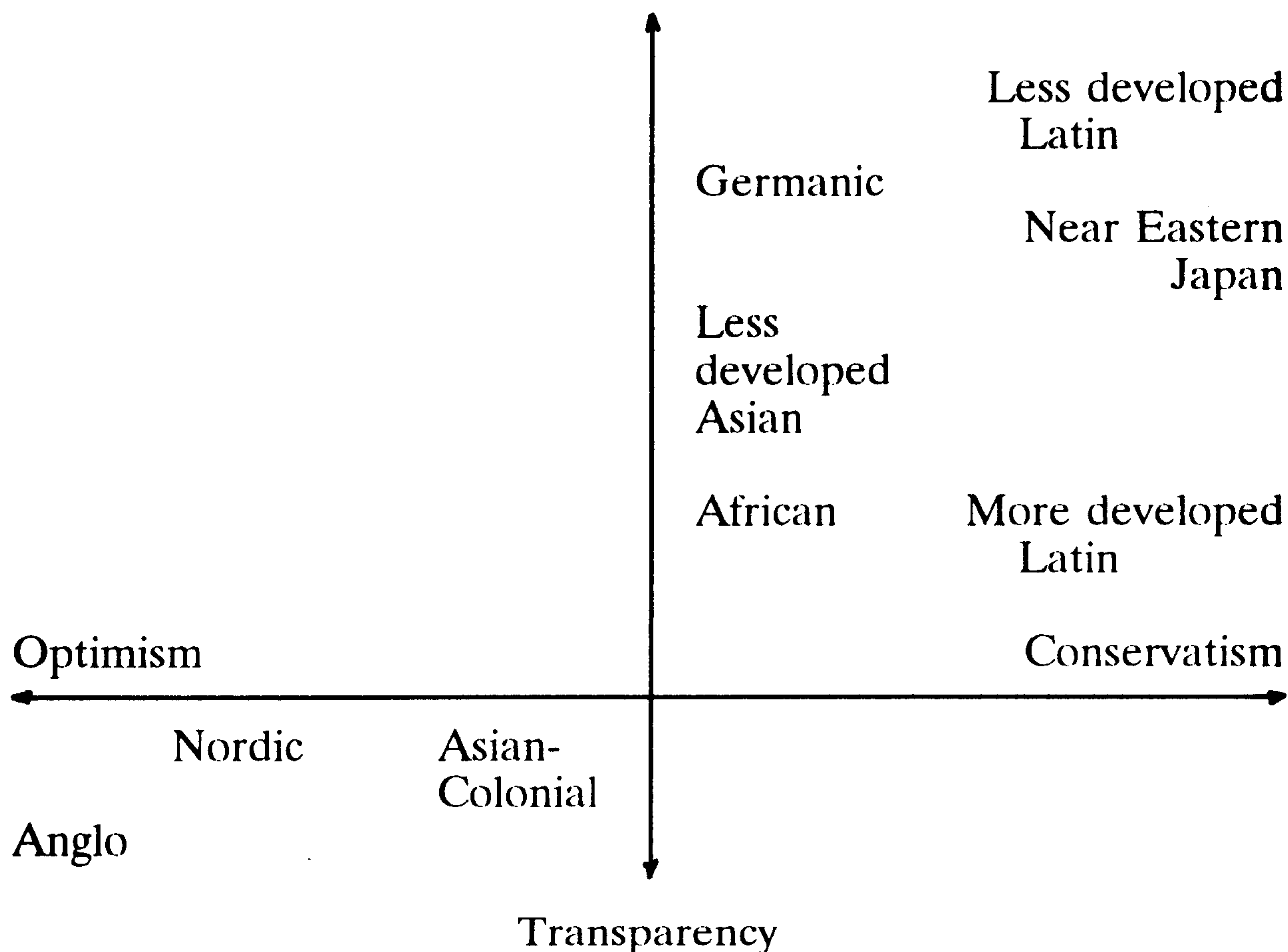


Source: S. J. Gray, "Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally," *ABACUS*, March 1988, p. 12.

#### IV. Accounting and Cultural Values in Iran

There are two seemingly contradictory forces within cultures: on the one hand, people attempt to protect and preserve their

FIGURE III: Accounting Systems: Measurement and Disclosure  
Secrecy



Source: S. J. Gray, "Towards a Theory of Cultural Influence on the Development of Accounting Systems Internationally," ABACUS, March 1988, p. 13.

Note: "Iran" is a considered as a "Near Eastern" country in the Figure.

culture with an elaborate set of sanctions and laws invoked against those who deviate from their norms. On the other hand, the environment within which a culture exists is continually changing, and a culture must change in order to ensure its own continuity. In any event, cultural values of a nation are subject to changes. Contemporary sociological research conceives of social systems as "dynamic" rather than "static" (McKinnon, 1986).

Applying this idea to cultural values and considering the theory discussed in this paper, one can logically conclude that changes in the cultural values (if material) should have follow-up changes in accounting values.

In the Iranian revolution the cultural environment changed materially and the culture had to change to ensure its own continuity. The following will discuss how the change in the Iranian environment affected the cultural values.<sup>Y</sup> The authors also solicited the opinions of certain accounting in Iran about the impact of the revolution. The discussion that follows is based in part on their feedback to the authors.

**Individualism versus Collectivism:** We suggest that the Iranian culture is more collective since the revolution for three reasons. First, a shift toward more Islamization of a society results in a higher collectivism (the interest of society before that of the individual).<sup>A</sup> Second, revolutions represent movements that are collective and emphasize groups and society rather than individuals. And finally, civil and external wars require and encourage collective efforts of the society for defense and

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7- The events that resulted in changes in cultural values are not subject of this study. Only the effects that these events had on cultural and accounting values are discussed here.

8- Almost all different models for Islamic society in the literature (e.g., Gambling and Karim, 1986), suggest that the society of Islam (Moslems as a group) must be considered before individuals.

rebuilding after the war.

**Large versus Small Power Distance:** The Iranian economy has experienced high inflation rates after the revolution. A high inflation rate results in decreases in the value of money and larger economic distance within the society. For example, in Iran, the prices for land and buildings (and other fixed assets) have been increasing considerably because they have traditionally been good and profitable investments (Foroughi, 1981). On the other hand, the economy has not been adjusting fixed salaries (public or private) to compensate for the increases in the cost of living. As a result, the **economic distance** between the wealthy and the poor has continually increased. Former civil wars and the war with Iraq also required increased emphasis on hierarchical order, which in turn has resulted in a greater power distance.

**Strong versus Weak Uncertainty Avoidance:** As mentioned previously, since the revolution the Iranian economy has suffered from high inflation rates and high uncertainty about the future value of money. Also, after the revolution Iran was subject to the foreign embargo, which in turn resulted in a high degree of uncertainty about the necessary goods that were imported. In such a situation, we expect individuals to show stronger uncertainty avoidance behavior. People have less of a tendency to keep their savings in cash or current assets.<sup>9</sup> Another reason for

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9- It is interesting to notice that one of the reasons for the increases in the value of land and

stronger uncertainty avoidance is lack of knowledge about long-term governmental plans. When long-term plans are not effectively written and carried out, the society has a higher tendency to avoid uncertainty.

**Masculinity versus Femininity:** An Islamic society differentiates roles between the sexes precisely. Males and females have defined roles and rights. Since the use of Islamic rules has expanded since the revolution, the Iranian society is more "masculine" than before. Also, a society which is subject to war places more emphasis on masculine values of performance and visible achievement. Given these reasons, we suggest that Iran is more masculine since the revolution. Table III summarizes our suggestions for the changes in the cultural values after (and as a result of) the revolution.

Next, we discuss how and why the accounting values have changed as a result of the 1979 revolution. Each of the accounting values is discussed separately.

**Professionalism versus Statutory Control:** In 1970 the amendment to the tax Law provided for the formation of an auditors' association. This independent association was later (in 1973) confined to the Ministry of Finance rulings. The accounting profession, however, established a professional and independent organization in 1974. As a result, two different professional bodies

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TABLE III: A summary of the changes in social (cultural) values after Iran's 1979 revolution:

The Social Value	Change in the social value suggested in this paper	Reasons for the Suggestions:
Individualism index	More Collectivism (less Individualism)	<ol style="list-style-type: none"> <li>1) The Islamic training.</li> <li>2) The revolutionary movements.</li> <li>3) The effect of war.</li> </ol>
Power Distance index	Larger Power Distance	<ol style="list-style-type: none"> <li>1) High inflation rates.</li> <li>2) Widening gap between rich and poor.</li> <li>3) The effects of war.</li> </ol>
Uncertainty Avoidance index	Larger Uncertainty Avoidance	<ol style="list-style-type: none"> <li>1) High inflation rates.</li> <li>2) Unbalanced supplies of goods.</li> <li>3) The effects of war and foreign embargo</li> <li>4) The uncertainty towards long-term government plans.</li> </ol>
Masculinity index	Larger Masculinity (less Femininity)	<ol style="list-style-type: none"> <li>1) The Islamic training.</li> <li>2) The effects of war.</li> </ol>

had been formed before the 1979 revolution (the "Iran Official Accountants' Institute" and the "Iran Chartered Accountants' Association", the Latter being the completely independent body). After the revolution, both professional bodies were terminated and professional influence was limited to that of persons within the Governments' established and/or managed organizations. As a result, we suggest that after revolution, the degree of professionalism (versus statutory control) decreased.

**Uniformity versus Flexibility.** Our analysis suggests that accounting practices are more uniform since the 1979 revolution in Iran. As mentioned previously, professional influence is limited to that within the Governments' established and/or managed organizations. Governments have historically had a stronger preference for uniformity than the private sector has. This preference can also be seen in accounting practices since the Iranian revolution. For example, almost all governmentally owned or managed firms have to follow similar disclosure requirements and format.

**Conservatism versus Optimism:** With the worsening economic conditions after the revolution, the accounting profession has become even more conservative than it was. There is a preference for conservative measurement approaches because they not only result in lower tax payments, but they can also be used as a means of coping with the uncertainty of future events. For example, although high inflation rates have resulted in a material increases



in the value of the fixed assets of corporations, no attempt has been made to incorporate the effect of the changes in prices in the financial reports.

**Secrecy versus Transparency:** One reason for transparency is to attract new capital and/or increase the entity's market value. The Tehran Stock Exchange was the major institution which required accounting information from its members before the revolution. The foreign capital market (individuals and agencies) who had investment activities in Iran before revolution also demanded and used accounting data (Foroughi, 1981, p. 184). Since the 1979 revolution, The Tehran Stock Exchange has had almost no activity, and foreign capital has left the country. As a result, the need for transparency has decreased. We suggest that a higher preference for confidentiality (the restriction of disclosure) of information exists since the revolution.

Table IV summarizes our analysis of the changes in the accounting values after the revolution.

We have provided evidence that after the revolution, both cultural and accounting values changed. If the theory constructed by Gray is valid, then we should be able to test his hypotheses. We use the changes in the cultural values to predict the changes in accounting values and then compare our predictions with those that were suggested previously. To facilitate the comparison, we have shown these steps in Table V below.

TABLE IV: A summary of the changes in accounting values after Iran's 1979 revolution:

The Accounting Value	Change in the Accounting value suggested in this paper	Reasons for the Suggestions:
Professionalism versus Statutory Control	Less Professionalism (or more Statutory Control)	<ol style="list-style-type: none"> <li>1) Closing the professional accounting institutes.</li> <li>2) The government direct effect in the largest auditing firms.</li> <li>3) The government manages nationalized companies.</li> </ol>
Uniformity versus Flexibility	More Uniformity	<ol style="list-style-type: none"> <li>1) Government-related auditing firms monitor the form and context of financial reports.</li> <li>2) Lesser (independent) professional influence.</li> <li>3) Government historically prefers uniformity.</li> </ol>
Conservatism versus Optimism	More Conservatism	<ol style="list-style-type: none"> <li>1) The uncertainty of the future has resulted in conservative accounting measurements.</li> <li>2) The tax consequences.</li> </ol>
Secrecy versus Transparency	More Secrecy	<ol style="list-style-type: none"> <li>1) Tehran Stock Exchange had not had significant activity.</li> <li>2) Foreign investors have left the country after the revolution and do not require financial information.</li> </ol>

TABLE V: Test of Gray's (1988) propositions in Iran.

The Hypotheses	Changes in Iranian Cultural Values (as indicated in Table III) and the Expected Change in the Accounting Value.	Observed Change in the Accounting Value (as indicated in Table IV)
H <sub>1</sub> : The higher a country ranks in terms of individualism and the lower it ranks in terms of uncertainty avoidance and power distance then the more likely it is to rank highly in terms of professionalism.	(higher degrees for collectivism, uncertainty avoidance, and power distance) <b>HIGHER STATUTORY CONTROL</b>	<b>HIGHER STATUTORY CONTROL</b>
H <sub>2</sub> : The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism then the more likely it is to rank highly in terms of uniformity.	(higher degrees for uncertainty avoidance, power distance, and collectivism) <b>HIGHER UNIFORMITY</b>	<b>HIGHER UNIFORMITY</b>
H <sub>3</sub> : The higher a country ranks in terms of uncertainty avoidance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of conservatism.	(higher degrees for uncertainty avoidance, collectivism, and masculinity) <b>HIGHER CONSERVATISM</b>	<b>HIGHER CONSERVATISM</b>
H <sub>4</sub> : The higher a country ranks in terms of uncertainty avoidance and power distance and the lower it ranks in terms of individualism and masculinity then the more likely it is to rank highly in terms of secrecy.	(higher degrees for uncertainty avoidance, collectivism, and masculinity) <b>HIGHER SECRECY</b>	<b>HIGHER SECRECY</b>

Notes:

\*\* Although the masculinity is opposite to what was hypothesized, We suggest that effects of changes in degrees for uncertainty avoidance and collectivism were strong enough to result in a higher degree of conservatism.

As Table V shows, we are able to predict the observed changes in the accounting values using the changes in the cultural values. There is only one instance in which the change in the cultural value is not consistent with that of the accounting value (Hypothesis 3, the change in the degree of masculinity). However, for the same hypothesis, the changes in the other two variables (uncertainty avoidance and collectivism) predict the correct observed change in accounting value. In general, we have been able to provide empirical results consistent with Gray's cultural value theory.

#### **V. Conclusions and suggestions for further research.**

We were able to draw the necessary conclusions about the direction of changes in social and accounting values in Iran since the revolution by analyzing the Iranian environment before and after the 1979 revolution. We found that since the revolution, the accounting values rank higher in statutory control, uniformity, conservatism, and finally secrecy. Also, since the revolution the cultural values rank higher in collectivism, power distance, uncertainty avoidance, and masculinity.<sup>10</sup> Given our findings, we are able to support all of Gray's propositions. Consequently, this study is able to provide empirical evidence for the theory that links cultural (social) values and accounting values.

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10- Our results are also supported by responses from a few Iranian accountants we surveyed.

This study can further be improved by two additional means. One, the analysis of changes in the social and accounting values through the use of a survey design (using an unbiased population in Iran) and then comparison of the survey results with the ones suggested in this paper. And second, the analysis of changes in the actual accounting practices of some of the corporations in Iran before and after revolution and the comparison of this analysis to the results suggested by this paper.

One extension of this paper is to apply the model to other countries. For example, it will be interesting to see how the changes in social and economic values in the eastern block have affected the accounting values and practices and if these effects are in line with those suggested by Gray. As mentioned previously, we limited the scope of this study to financial accounting practices. Another extension of this study is evaluating the effect of cultural changes on managerial accounting.

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### **Critical Analysis**

So for as the authors tackle the cultural aspect of accounting in its conceptual and abstract entity, the neutral and non value oriented theoretical knowledge need not to be questioned, But when it comes to fixtural categorization of Islam as a divine-oriented value system, in to such formalism as (Individualism-collectivism; large-small power distance; strang-week uncertainty avoidance; Masculinity-femininity), the critical questions have to be raised.

First of all when it comes to Islam there should be different demarcation and value-attributed approach to the following abstract and concrete manifestation which originate for the real entity of Islam. There are:

1. The essential reality of Islam as it is.
2. The different ideological and subjective interpretation which is attributed to Islam. This is mixed with many non-Islamic entities which have to be verified.

Secondly Islamic epistemological / ontological / axiological

Knowledge is an infinite and endless potentiality which has not yet fulfilled and manifested itself in the process of evolution and development. And of course it is not logically valid to confine the infinite concepts with the finite and concretely manifested realities which are portional realization of the infinite conceptual potentialities of Islam. For this part there should be more discretionary precaution in considering the cultural values as Islamic ones.



## The Impact of Changes in Cultural Values on Accounting Value Systems; A Case Study

### خلاصه مقاله

اخيراً جنبه‌های مختلف حسابداری در کشورهای جهان مورد تحقیق و بررسی بیشتری قرار گرفته است. نتیجه یک سری از این تحقیقات، ارائه نظریه جدیدی می‌باشد که «حسابداری در هر کشور رابطه نزدیک با ارزشهای اجتماعی و فرهنگی آن کشور دارد».

در این مقاله چهار ارزش اجتماعی که توسط Robock & Simmonds تعریف شده است:

«اصالت فردی و اصالت گروهی، فاصله قدرت، اجتناب از بلاتکلیفی

و چگونگی تخصیص کارهای اجتماعی بر حسب جنسیت»

با چهار ارزش حسابداری:

«کنترل دولتی در مقابل کنترل حرفه‌ای، یکنواختی در مقابل انعطاف

پذیری، محافظه کاری در مقابل خوش بینی و پنهان کاری در مقابل

آشکارسازی»

مقایسه شده و وضعیت حسابداری در ایران به عنوان یک مورد خاص بررسی شده است.