



## Accounting Frameworks and Cross-Cultural Effects on Accounting disclosure Practices in Nigeria

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**Abstract:** This study examines the distinct dimensions of culture (power distance, collectivism and individualism) using the Hofstede framework and its effect on accounting disclosure practices in the Federal Republic of Nigeria. Using the OLS regression method of data analysis, it was observed that the collectivism and power distance dimension of culture impacts positively on accounting disclosure practices, though only the cultural dimension of collectivism was found to be significant. The cultural dimension of individualism was found to be negatively and non-significantly associated with accounting disclosure practices. Based on this finding some recommendations were made, prominent amongst which was that, in harmonization of accounting disclosure practices/standards toward ensuring uniformity in accounting practices, there is need to consider cultural values related to collectivism and power distance; while cultural values in terms of individualism need not be given much attention when developing uniform accounting standards like the International Financial Reporting Standards (IFRS).

**Key words:** accounting frameworks, culture, power distance, individualism and collectivism.

### Introduction

In this age of globalization, accounting practices are no longer constrained by international borders. We believe these practices culminate in accounting

frameworks constrained by societal culture due to the impact on the development of setting of national accounting standards. In this paper we discuss these issue in relation to societal culture

defined as the shared espoused values of a group (Agyris and Schon, 1978). Societal culture has also been referred to as “software of the mind” which influences the way in which people of a particular group interpret and operate in a given environment (Hofstede, 1991). Drawing on cross-cultural research in the tradition of Hofstede (1980), Schwartz (1992), and Moustafa, Slaubaugh & Wang (2008), we empirically explore distinct dimensions of culture (power distance, collectivism and individualism), that can have different scores, and which we assume to effect on intentions as to setting of national accounting standards like in Japan and United States of America.

From a theoretical point of view, the result of this study contributes to an improved understanding of cross-cultural effects on accounting frameworks. From a practical view, these insights can assist the formulation of national and cross-national accounting frameworks. It is essential to note that there are many other dimensions of culture (uncertainty avoidance and universalism) posited in the literature than just the three we selected. However, these three seem to be most applicable to the areas of accounting framework. For example, Moustafa *et al.* (1998)

argues that individualism, collectivism and power distance as cultural dimensions, explains much of the dissimilarities in behaviour between societies of the world and intentions as to setting of national accounting standards. The national accounting standards may come in the form of modified International Financial Reporting Standards (IFRS).

In extant literature, some researchers (Eddie, 1990; Salter & Niswander, 1995; Wingate, 1997; Jaggi & Low, 2000; & Borker, 2012) have examined the distinct dimensions of culture and its effect on accounting frameworks. Eddie (1990) found out that culture impacts accounting practice. However, Salter & Niswander (1995) dismissed Eddie’s findings because Eddie’s accounting value constructs and their method of measurement were adjudged not rigorous and found that while Gray’s (1988) model has a significant explanatory power in terms of differential financial reporting practices, it is relatively weak in explaining professional and regulatory structures from a cultural base.

Sudarwan & Fogarty (1996) in their study, found that change in power distance is related to the change in accounting values in the Indonesian context. Taking a sample of thirty-nine countries, Wingate (1997) found out that

power distance is not significantly related to accounting disclosure. Using the same independent data on financial disclosure as Wingate (1997), Jaggi & Low (2000) found out that for common law countries, none of the cultural variables were significant, while for the code law countries, all of the cultural variables were significant. According to Borker (2012), an International Financial Reporting Standard (IFRS) favourable profile based on Gray's accounting value dimensions can be used to adjust for country cultural profiles at variance with the IFRS profile. This suggests that culture has a positive effect on accounting rules.

The above results in extant literature are not in tandem with one another and the results are therefore inconclusive. Based on this, the general objective of this study is to take data sources from Nigeria and find out the role of culture in accounting disclosure practices in Nigeria. However, the specific objectives of this study are to find out if (1) individuals in high power distance cultures are more likely to base their accounting practices on directions from superiors rather than the accounting and financial documents (2) individuals within cultures that are more individualistic in their orientation will consider accounting practice

norms to be those promulgated by the government or that are generally accepted accounting practice in his or her society, and (3) individuals within cultures that are more collectivistic in their orientation will depend on their personal knowledge of the individuals performing the task (ingroup versus outgroup) in determining whether accounting practices meet their requirements.

The remainder of the paper is organized as follows. The second section reviewed accounting literature that covered the impact of societal culture on accounting practice. The third and fourth sections present the steps we followed for data collection, the description of the variables used in this study, and the results of the empirical model. The fifth section contains a discussion of our findings, conclusion and recommendation.

### **Literature Review and Hypotheses Development**

This section reviews the literature on both the dependent and independent variables and presents the theory underpinning the study. This section also presents the development of the hypotheses to be tested in the study.

### **Cultural Comparison**

Empirical works by Hofstede (1980; 1991), Schwartz (1994), and Smith, Dugan & Trompenaars

(1996) show that countries are clearly separated from each other on national-cultural dimensions. Cultural values do have a significant effect on differences in accounting frameworks. National cultures' multifaceted character was explored in many studies, which tried to develop dimensions for distinguishing different national cultures. Hall & Reed (1990) differentiate between context, space, and time orientation. Trompenaars & Hampden-Turner (2000) developed six culture dimensions (universalism Vs. particularism, individualism Vs. communitarianism, specificity Vs. diffusion, achieved status Vs. ascribed status, inner direction Vs. outer direction, and sequential time Vs. synchronous time). However, according to Chanchani & Willett (2004), one of the most rigorous and comprehensive frameworks that has been developed in the last two decades is the study of Hofstede (1980; 1991). Hofstede's study can serve as the point of departure for understanding national culture. In this study Hofstede (1980) identified four cultural dimensions: power distance, uncertainty avoidance, individualism and collectivism through research of 116,000 employees of US computer corporate IBM in 50 countries

(Deresky, 2000). In the following sections, we will briefly discuss the basic premises of each dimension in relation to accounting.

### **Hofstede-Gray Accounting Framework on Culture and Accounting**

There have been several contributions in the literature attempting to extend or refine the Hofstede-Gray framework in understanding the influence of culture on accounting (e.g., Perera 1989; Fechner & Kilgore, 1994; Baydoun & Willett, 1995; Kolesnik, 2013). Chanchani & MacGregor (1999) have examined the literature focused on the conceptual and theoretical issues of the Hofstede-Gray model, while Douppnik & Tsakumis (2004) investigated the literature concerning the empirical testing of the theory relating culture to global diversity in financial reporting. Douppnik & Tsakumis (2004) attempted to determine whether the Gray (1988) framework had been subjected to adequate empirical inquiry so as to prove its validity, and summarized the research methodologies employed to test the theory by looking at: country level tests; studies testing all four hypotheses; studies testing one hypotheses only, and; testing at an individual level only (rather than a collective level).

Eddie (1990) provided the first empirical test of Gray's framework, testing all four hypotheses. The research methodology to test the theory constructed an index of *accounting values* for thirteen Asian-pacific countries and then correlated them with Hofstede's cultural dimensions. Encouragingly, the predicted signs of association were conformed, however, the accounting value constructs and their method of measurement were not rigorous and had no independent validation, and as such these findings were quickly dismissed. Salter & Niswander (1995) used regression analysis to test Gray's hypotheses holding Hofstede's cultural dimensions as the independent variables. Based on data from twenty-nine countries, Salter & Niswander (1995) found that while Gray's (1988) model has a significant explanatory power in terms of differential financial reporting practices, it is relatively weak in explaining professional and regulatory structures from a cultural base.

Sudarwan & Fogarty (1996) independently developed their own measure of cultural values abandoning the Hofstede (1980) index score. Their research methodology used structural equation modeling to test Gray's hypotheses against a longitudinal

study of a single country, Indonesia. The results of the study demonstrated a significant positive relationship between power distance and conservatism, indicating that change in power distance is related to the change in accounting values in the Indonesian context. According to results, individualism was found to be significantly positively associated with professionalism and conservatism in accounting practice. Finally, secrecy was found to be significantly negatively associated with individualism, suggesting that a decreasing level of individualism is associated with the increasing trend of secrecy of accounting practice. Overall, the results of the study support only four of the Gray's 13 hypotheses, suggesting a general lack of support for the framework.

Moving away from testing all hypotheses Gray & Vint (1995) tested only one dimension of Gray's (1988) hypothesis; that of secrecy. The attitudes of local partners of an international accounting firm were surveyed to understand secrecy with respect to disclosure practices. The results covered 27 countries and using regression, Gray & Vint (1995) found correlations that supported Gray's (1988) original hypotheses with respect to secrecy. Zarzeski (1996) looked at not only culture

being a determinant of accounting practice, but also the demands of international owners of the firm. The results of her study provide evidence for Gray's theory of cultural influence upon accounting. Specifically, Zarzeski (1996) found that the secretive nature of a culture relates to the level of accounting disclosure practices. In her study, Zarzeski (1996) also found evidence that firms disclose differently (different accounting practices) in their host country depending upon the internationality of the firm.

Wingate (1997) also looked at a single dimension and examined the influence of culture on amount of disclosure. Using independent data on financial disclosure as the dependent variable, and Hofstede's (1980) index score as the independent variable for all 39 countries, she found that, contrary to Gray's (1988) hypotheses, Power Distance is not significantly related to disclosure. Using the same independent data on financial disclosure as Wingate (1997), Jaggi & Low (2000) looked at the issue of culture, accounting disclosure and another environmental factor, the legal system, using data from three code law countries and three common law countries. For the common law countries, non of the cultural variables were significant. For the code law countries, all of the

cultural variables were significant but only one dimension acted along Gray's (1988) hypothesized direction.

Jaggi & Low (2000) concluded not only that Gray's (1988) hypotheses with regard to single dimension of secrecy versus transparency was not valid, but also that the Hofstede culture indices, originally developed in the 1970's, may be outdated. Also, because the Hofstede culture indices were obtained from only one company, IBM, they may not reflect the diversity of attitudes within each of the 39 countries. The findings put forward by Jaggi & Low (2000) suggest that "culture" has little or no influence on the disclosure levels once legal system is considered (Doupnik & Tsakumis, 2004; Heidhues & Patel, 2011; Zainol, Norhayate & David, 2011).

However, Hope (2003) carried the Jaggi & Low (2000) study across all 39 countries for a three-year period (1993 to 1995). Using a larger sample he gets mixed results across Gray's (1988) hypotheses, but triumphantly declares that "it is too early to write off culture as explanatory variable for annual report disclosure levels" (Hope, 2003:23). According to Borker (2012), an International Financial Reporting Standard (IFRS) favourable profile based on Gray's

accounting value dimensions can be used to adjust for country cultural profiles at variance with the IFRS profile. This suggest that culture has a positive effect on accounting rules.

### **Power Distance**

Power distance was defined as degree to which a culture's people are separated by power, authority and prestige (see Chanchani and Willett (2004). A high power distance points to high acceptance of unequal power distribution. According to Hofstede (1980; 1991; 2004) as a cultural dimension, power distance is the degree to which inequalities are accepted in a society. Once again, it is a continuum, with high power distance at one end and low power distance at the other. In low power distance cultures, managers exhibit less control over subordinates, and subordinates are expected to gather information and act independently. In high power distance cultures, centralized organizations generally are used to reinforce strict obedience and develop a concentration of power (Hofstede, 2004). Those in high power distance cultures are more likely to depend on superiors to make decisions (Lim, 2004). High power distance subordinates also expect a clear differentiation between themselves and their superiors, often reflected in

communication patterns and other organization behaviours (Te' eni, 2001). This could have significant effects on the use of *accounting processes* and on investment decisions, as it creates a differential emphasis on levels of decision making.

Little research has been attempted in the area of individual power distance orientation, although there is certainly individual variation within cultures on this dimension, as with the other dimensions. Moustafa et al. (2008) propose that individuals who accept the inequalities in society are hierachophilic ("friendly to hierarchy"), needing more power distance between individuals, while those that do not accept inequalities are hierachophobic ("fearful of hierarchy"), needing less power distance between individuals. In this way, we can distinguish the individual level acceptance of inequalities from the societal level dimension. Such distinctions are important, as the hierachophilic managers will tend to maintain a status difference between themselves and their subordinates. On the other hand, hierachophobic managers will tend to reduce such status.

Each different cultural or individuals preference has the potential to affect the use of *accounting information* in making investment decisions. For

example, hierarchophilic managers in the U.S. may tell their staff to consider damaged returned items as inventory rather than as a return against sales, because it will reduce the sales figures for which they are responsible. The accounting implication is that, returning damaged returned items to the inventory account increases inventory, even though the goods are unavailable for resale. In turn, an overstated inventory balance could impact on ratios and decisions made by investors that rely on the value of the inventory account (Moustafa et al., 2008). With respect to the interaction between power distance and its impact on accounting framework: it is therefore assumed that:

H<sub>1</sub>: *Individuals in high power distance cultures are more likely to base their accounting frameworks or practices on directions from superiors rather than the accounting and financial documents.*

### **Individualism and Collectivism**

Individualism and its opposite, collectivism, was posited by Hall (1959) and further developed by Hofstede (1980) and Triandis (1995) as a societal dimension. It represents a continuum ranging from high individualism at one end to low individualism (now called collectivism) at the other. Definitions of individualistic

societies include the idea of individual goals being more important than group goals (Hofstede, 1980, 1991, 2004; Triandis, 1995), an independent view of the self (Markus & Kitayama, 1991), and individuals in those societies being fairly direct in their communication (Singelis & Brown, 1995). These factors combine to create a low context environment (Hall, 1976). Collectivistic societies, on the other hand, place more value in group goals (Hofstede, 1980, 1991, 2004; Triandis, 1995), have an interdependent view of the self (Markus & Kitayama, 1991), and often embed the meaning of their communications within the message (Singelis & Brown, 1995). These factors combine to create a high context environment (Hall, 1976). Therefore, individualism has been found to create a differential emphasis on goal achievement, dependence of the individual, and communication context, making it a crucial dimension to consider in relation to accounting practices.

Within each society, whether it is generally more individualistic or more collectivistic, there is a range of individuals that are more idiocentric (more individualistic in their individual orientation) than the mean and others who are more allocentric (more collectivistic in their individual orientation) than



the mean (Triandis, 1995). Every society has members ranging from very idiocentric to very allocentric, no matter the overall tendency of the culture within a country. This individual difference toward idiocentric or allocentric behaviour must also be considered in studies on cross-cultural effects (Moustafa, 2008). With respect to the interaction between individualism, collectivism and accounting practices it is assumed that:

H<sub>2</sub>: *Individuals within cultures that are more individualistic in their orientation will consider accounting practice norms to be those promulgated by the government or that are generally accepted accounting practice in his or her society.*

H<sub>3</sub>: *Individuals within cultures that are more collectivistic in their orientation will depend on their personal knowledge of the individuals performing the task (ingroup versus outgroup) in determining whether accounting practices meet their requirements.*

Culture may be defined as 'the collective programming of the mind which distinguishes the members of one human group from another (Hofstede, 1980:25). 'Each human group shares its own societal norms, consisting of common characteristics, such as a

value system which is adopted by the majority of constituents' (Fisher, 2005:66). Values are defined by Hofstede (1980:19) as 'a broad tendency to prefer certain states of affairs over others'. It is these definitions that have been widely adopted in accounting research to develop a cultural framework to investigate international accounting differences.

### **Theoretical Framework**

This study draws on Hofstede (1980) theory to ascertain the relationship between accounting frameworks and cross-cultural effects on accounting disclosure practices. The Hofstede model posits that some cultural dimensions (e.g. power distance, individualism, collectivism, uncertainty avoidance) characterise accounting systems. These cultural dimensions can be used to describe general similarities and differences in cultures around the world. The importance of Hofstede dimensions of national culture in accounting is the national culture's influences on the nature of accounting practices. It is claimed in the literature that the dimensions such as individualism and power distance are significant for accounting (Gray,1988; Perera, Cummings & Chua,2012). For example, Gray (1988) argues that individualism affects accounting

in terms of disclosure practices and income measurement rules.

Using measures of each of the cultural values for a group of countries, Hofstede classifies them into different cultural areas. The Anglo cultural area, for instance, is characterized by high individualism, low uncertainty avoidance and power distance. As the opposite, the less developed Latin cultural area (e.g. Nigeria, Mexico, Ecuador) is described by low individualism, high uncertainty avoidance and power distance. Thus, Hofstede model provides that:

*Nature of accounting practices = F(individualism, power distance, uncertainty avoidance)*

Using the Hofstede framework, we tested whether power distance, individualism and collectivism can explain accounting disclosure practices in Nigeria. Therefore,  $AFRM = f(PODS, INDV, COLV)$  where:

AFRM: accounting framework  
PODS: power distance  
COLV: collectivism

## Methods

The attitudes of local partners of accounting firms in Nigeria were surveyed to understand cultural effects on accounting disclosure practices in Nigeria. The reason for adopting the survey research design is that the researcher wants to cover as many audit firms as

possible and data were collected at a particular point in time; therefore, to be specific, the researchers were involved in a cross-sectional survey research design.

The research population comprised the 916 audit firms registered in Nigeria. The sample size is 278 audit firms. The reason for taking a sample size of 278 audit firms is to ensure robustness of the study and representativeness of the sample. The sample was arrived at by using the Yamani statistical formula as follows:

$$n = N / 1 + N(e)^2$$

Where n = sample size sought

N = population

e = error limit (0.05 on the basis of 95% confidence level)

The sample size is therefore:

$$n = 916 / 1 + 916(0.05)^2 = 278$$

The simple random sampling technique was adopted in this study. The reason for the choice of this technique is that the population of study is homogeneous and each of the audit firms sampled has equal chance of being selected. The next step in the sampling was to number the audit firms in the population in the adequate range of 001 to 916. After which, a computer package (Excel) was programmed to select 278 random numbers within the specified

ranges. The numbers thus generated were used to choose the audit firms included in the study sample.

Using Regression, Hofstede's 3 cultural dimensions (power distance, collectivism and individualism) were tested using data collected from Nigeria and were also estimated using the Ordinary Least Square (OLS). The result of this test was compared with findings of similar researches conducted in other countries for a cross-cultural analysis. In this study, latent constructs estimated as linear functions of direct measurable variables refer to power distance, individualism, collectivism and accounting framework. All indicators were measured on a 5-point scale from 1: "Strongly Disagree" to 5: "Strongly Agree".

### Measurement of variables

For the full model and the testing of the hypothesis, the variables (power distance – PODS, collectivism – COLV, and individualism – INDV) were used as the independent variables. These independent variables cannot be measured directly. Power distance, which we also regard to as hierarchy, is measured by questions showing the emotional dependence on powerful people (see attached questionnaire). Collectivists relate an individual to an in-group such

as family (Fiske, 1992; Hofstede, 1980; Markus & Kitayama, 1991). The construct of collectivism can also be defined by several attributes (see appendix 1).

Individualistic people are autonomous and independent from groups. Their personal goals are more important than the goals of their group (Chanchani & Willett, 2004). Individualism is measured by some attributes (see attached questionnaire). On the other hand, the dependent variable (accounting practice/framework) was measured by adopting Gray (1988) accounting values dimension (uniformity, secrecy, conservatism and professionalism).

### Model specification

The model to be regressed in this study was developed as follows:

$$AFRM = F (PODS, INDV, COLV)$$

With the linear expression of the model being:

$$AFRM = \beta_0 + \beta_1 PODS + \beta_2 INDV + \beta_3 COLV + U_t$$

$\beta_0$ ,  $\beta_1$ ,  $\beta_2$  and  $\beta_3$  are parameters to be estimated. The apriori expectation is to follow the line of:  $\beta_1 > 0$ ,  $\beta_2 > 0$ , and  $\beta_3 > 0$

Where,

AFRM: accounting framework

PODS: power distance

INDV: individualism

COLV: collectivism

$U_t$ : error term

**Results and Discussion**

The result of the statistical estimate of the Ordinary Least Square (OLS) is presented in the table below:

Dependent Variable: AFRM				
Method: Least Squares				
Included observations: 278				
Independent Variables	Coefficient	Standard Error	T-Ratio	Prob
Constant	4.7741	2.3040	2.0721	.043
PODS	.14100	.12004	1.1746	.245
COLV	.51462	.10610	4.8506	.000
INDV	-.049115	.11795	-4.1642	.679

Source: Ordinary Least Squares regression results

R-Squared = .392

R-Bar-Squared = .359

F-stat.- F(3,56)= 12.01

DW-statistic = 1.8

AFRM = -25.23+.141 PODS + .515 COLV -.049 INDV

(2.07) (1.17) (4.84) (-0.416)

N.B. the t-values are in parenthesis

A close examination of the ordinary least squares regression indicates that the coefficient of determination (R-square) stood at 0.39 indicating that 39% of the systematic variations in the development of accounting framework is explained by the variations in the control variables. However, the adjusted R-square stood at 0.36 which is also quite low. The F-statistic of 12.01 as a measure of the overall goodness of fit is greater than the critical  $F_{0.05}$  value of 3.33. This implies that the error of prediction is minimized,

and that a significant linear relationship exists between the nominal (AFRM) and explanatory variables (PODS, COLV, INDV). Generally, it gives credence to the goodness of fit.

The t-ratio analysis indicative of the individual statistical significance of the explanatory variables shows that the variable COLV is significant given that the calculated (4.85) is greater than the t-theoretical (2.00) at 5% level and is also positively related to the development of accounting framework. This implies that

cultures where emphasis is placed on participatory process, group goals and collectivism will be favourable to the development of accounting framework. The result is consistent with the apriori expectations. The Pearson correlation coefficient of 0.61 (appendix 2) also reveals that collectivism is positively correlated with the development of accounting framework. In the light of the above, we fail to reject the alternative hypothesis which indicates a positive relationship between collectivism and the development of accounting framework.

Also, the results reveal that PODS is positively related to the development of accounting framework. This is in consonance with the apriori expectation. The implication therefore, is that in societies where power distance is internalized as a part of its culture, the development of accounting framework is likely to be centralized and determined by positional or organizational hierarchy at the expense of those at the bottom of the power pyramid. This is an indicator that accounting framework would evolve in such societies at an opportunity cost of subordinates' contribution. The Pearson correlation coefficient of 0.35 (appendix 2) also reveals that power dimension is positively

correlated with the development of accounting framework. However, the result fails the test of significance given that its t-calculated (1.17) is less than the t-theoretical (2.0) at 5% significance level. Consequently, the relationship could be attributed to chance. In the light of the above, we fail to reject the alternative hypothesis of the existence of a positive relationship between power dimension and accounting framework. However, considerably caution must be exercised in attempting policy simulation since the variable failed the test of significance.

The results also reveal that the variable INDV is negatively related to the development of accounting framework. This is not in consonance with the apriori expectation. This implies that in cultures where individualism and independent view is rewarded and encouraged rather than collectivism, would most likely be inimical to the development of accounting framework. The Pearson correlation coefficient of -0.18 (appendix 2) also reveals that individualism is negatively correlated with the development of accounting framework. However, the result also fails the test of significance given that its t-calculated (0.416) is less than the t-theoretical (2.00) at 5 percent significance level. Consequently,

the relationship could be attributed to chance and probable factors. In the light of the above, we fail to reject the alternative hypothesis of the existence of negative relationship between individualism and the development of accounting framework. However, considerably caution must also be exercised in attempting policy simulation since the variable failed the test of significance. The DW-statistic of 1.8 shows that the existence of stochastic dependence between successive units of the stochastic error term is unlikely; thus, we should be more confident that the estimated coefficients obtained in the study are unbiased.

### **Discussion of Findings**

Eddie (1990) while testing Gray's framework found a positive relationship between accounting value and his four hypotheses on culture after he correlated them with Hofstede's cultural dimensions. The findings of Eddie revealed that accounting values are very much influenced with cultural influence. Likewise in this study, it was found that, culture is positively related to accounting framework, therefore one should expect some level of biasness in the different standards of accounting worldwide since every country has its own different culture.

Also, Sudarwan & Fogarty (1996)

found a significant positive relationship between power distance and conservatism, implying that change in power distance was related to the changes in accounting values. They also found out that individualism was significantly positively related with professionalism and conservation in accounting practice. The findings of Sudarwan & Fogarty (1996) was also a revelation of the role that culture plays in accounting values. They agreed that a change in power distance will definitely lead to a change in accounting values. This submission is in agreement with the findings in this study; where power distance is positively related to the development of accounting values and thereby implying that all over the world, Nigeria inclusive, where this hypothesis was conducted, power distance as one of the cultural dimensions posited by Hofstede (1980) will definitely influence accounting values and the setting and development of accounting frameworks.

However, some research results are not in agreement with the findings in this study. For example, Hofstede's (1980) index score as the independent variable for 39 countries, which revealed that contrary to Gray's (1988) hypotheses power distance is not

significantly related to accounting disclosure. This as opposed to the findings in this work that power distance is related positively to the development of accounting framework was as a result of the fact that those at the bottom of the power pyramid may not be included in the disclosure which may be at their own expense or it could also be that during her hypothetical testing, her result failed the significance test, so she concluded that power distance is not positively related to accounting practice.

In the same vein, Jaggi & Low (2000) found out that “culture” has little or no influence in the disclosure levels once legal system is considered. They used data from three code law countries and three common law countries. They found out that for the common law countries, none of the cultural variables were significant but for the code law countries, all of the cultural variables were significant and that only one dimension acted along Gray’s (1988) hypothesized direction. This as is oppose to the findings of this study was as a result of the fact that Jaggi & Low (2000) may have thought that Hofstede cultural dimensions, originally developed in the 1970’s may have been outdated. However, Hope (2003) carried the Jaggi & Low (2000) study across

39 countries using Gray’s (1988) hypotheses, declared triumphantly that it was too early to begin to write off culture as an explanatory variable for annual report disclosure levels.

### **Conclusion**

Studies on cultural effect are quite revealing. In relation to accounting, we found that culture positively impact on accounting practice. Citing Eddie (1990), culture is positively related to accounting framework, therefore, one should expect some level of biasness in the different standards of accounting worldwide, since every country has her own different culture. Therefore, we can conclude that, the rate at which a country adopts an accounting standard is a function of societal culture and that the four societal constructs by Hofstede (1980) have great influence in shaping accounting values which in turn influence greatly the setting, development and acceptance of uniform accounting standards, for example, the International Financial Reporting Standards (IFRS). One of the ways this study has contributed to knowledge is been one of the few studies that adopted the behavioural factors in addressing studies relating to accounting disclosures.

Based on the findings in this research work, the following

recommendations were made.

- (1). Caution should be exercised in attempting policy simulation between power distance and accounting framework since the variable failed the test of significance.
- (2). Since Pearson correlation coefficient revealed that individualism is negatively correlated with the development of accounting framework, and also since the result failed the significance test, considerable caution must be exercised in trying to simulate policy between individualism and accounting frameworks.
- (3). In harmonization of accounting standards towards ensuring

uniformity in accounting practice worldwide, there is need to consider cultural values related to collectivism and power distance. However, going by the findings in this study, cultural dimensions in respect to individualism need not be given much attention, like collectivism dimension, when developing or adopting accounting standards, for example, the International Financial Reporting Standards (IFRS), since it was found not to be significantly associated with accounting framework, but positively associated.

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## APPENDICES

### Appendix 1

#### Questionnaire

#### PART A: Personal data

1. Your level in this organization (place or tick (√) on the level which is closest to your current level in this organization).
  - (a) Managing partner \_\_\_\_\_
  - (b) Audit trainee \_\_\_\_\_
  - (c) Others (please specify) \_\_\_\_\_
2. Your age last birthday \_\_\_\_\_
3. Your sex (place or '√'): Male \_\_\_\_\_ Female \_\_\_\_\_
4. Highest qualification attained (place or '√'):
  - (a) Secondary school or less \_\_\_\_\_

- (b) Diploma \_\_\_\_\_
- (c) Bachelor’s degree \_\_\_\_\_
- (d) Master’s degree \_\_\_\_\_
- (e) Doctorate degree \_\_\_\_\_
- (f) Others (please specify) \_\_\_\_\_

5 How many years have you worked in your present job position? \_\_\_\_\_

6. How many years have your worked for this audit firm? \_\_\_\_\_

7. How many years have you worked in other audit firms besides this audit firm you are currently employed? \_\_\_\_\_

**PART B: Power distance**

Kindly tick on one of the multiple choice answers that agrees most with your opinion in each of the following questions; the response categories are:

- |                   |          |           |       |                |
|-------------------|----------|-----------|-------|----------------|
| 1                 | 2        | 3         | 4     | 5              |
| Strongly disagree | Disagree | Undecided | Agree | Strongly agree |

1. People in lower levels in the hierarchy should carry out the requests of senior people without question. .	1	2	3	4	5
2. A hierarchy of authority is the best form of organization.					
3. i think that the boss is always right because he or she is the boss.					
4. When I don’t agree with my boss, I always keep quiet.					

**PART C: Individualism**

- |  | 1                        | 2                        | 3                        | 4                        | 5                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 5. I prefer to work alone than in teams.                           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. If you want something done right, you've got to do it yourself. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. I prefer to be self-reliant rather than depend on others.       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**PART D: Collectivism**

- |  | 1                        | 2                        | 3                        | 4                        | 5                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 8. I think it is important to meet colleagues in official meeting to transfer information. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. I help my colleagues in stressful situations even when it is not my task.               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. I identify with the goals of my company.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11.. My family plays an important role in my life.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**PART E: Accounting Practice/Framework**

- |  | 1                        | 2                        | 3                        | 4                        | 5                        |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 12. The authority and enforcement of accounting practice (uniformity) at a country level (sub-culture) relates to the level of accounting disclosure practice. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

13. Secretive nature of your country’s culture relates to the level of accounting disclosure practice.
14. The tendency to resist change (conservatism) in accounting practice at your country level (sub-culture) relates to the level of accounting disclosure practice.
15. The skill or qualities (professionalism) required in accounting practice at your country level (sub-culture) relates to the level of accounting disclosure practice.

**Appendix 2**

Estimated PEARSON Correlation Matrix of Variables

```

*****
      ACCFRAM      COLLEC      POWDI      INDIVI
ACCFRAM      1.0000      .61101      .34612      -.18503
COLLEC       .61101      1.0000      .37255      -.21246
POWDI        .34612      .37255      1.0000      -.17389
INDIVI       -.18503     -.21246     -.17389      1.0000
*****
    
```