

Pride & Prejudice : the French Resistance to Anglo Saxon Standards

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United States		189
France	37	
United Kingdom	35	
Germany	34	
Netherlands	12	
Italy	8	
Spain	7	
Sweden	6	
Finland	4	
Denmark	2	
Belgium	3	
UK/Netherlands	2	
Belgium/Netherlands	1	
Ireland	1	
Luxembourg	1	
Total EU		153
Japan		82
China		15
Canada		13
Switzerland		12
South Korea		11
Australia		7
India		4
Brazil		3
Russia		3
Norway		2
Other countries (one each)		6
		<u>500</u>

Table 1.10 Share of the world's top 500 MNEs by revenues

Source: Fortune Global 500, 2004



Country	Exchange	Domestic listed companies	Market capitalization of domestic equities (\$bn)	Market capitalization as % of United Kingdom
<i>Europe</i>				
–	Euronext	980	2,286	84
France	Euronext (Paris list)	663	<1,560 ^a	<57 ^a
Germany	Deutsche Börse	651	1,120	41
Italy	Italian	269	708	26
Spain	Madrid, etc.	n/a	920	34
Switzerland	Swiss exchanges	278	798	29
United Kingdom	London	2,652	2,734	100
<i>North America</i>				
Canada	Toronto	3,646	1,239	45
United States	American	500	92	3
	NASDAQ	2,868	3,388	124
	New York	1,833	12,865	471
<i>Asia-Pacific</i>				
China	Hong Kong	1,095	895	33
Japan	Tokyo	2,301	3,394	124
Australia	Australian	1,570	721	26

Note: ^aThese are figures for all listed not only domestic.

Table 1.5 Major stock exchanges, June 2005

Source: World Federation of Exchanges; Euronext



Company	Country	Industry	Foreign Assets (US \$bn)	% that is foreign of			TNI
				Assets	Sales	Employees	
General Electric	US	Electrical	229	40	35	48	41
Vodafone	UK	Telecoms	208	89	79	85	84
Ford Motor	US	Motors	165	56	33	54	48
BP	UK	Oil	126	79	81	84	81
General Motors	US	Motors	108	29	26	29	28
Royal Dutch/Shell	NL/UK	Oil	94	65	64	59	63
Toyota Motor	Japan	Motors	79	48	57	32	46
Total Fina Elf	France	Oil	79	88	80	56	75
France Telecom	France	Telecoms	74	66	41	42	50
Exxon Mobil	US	Oil	61	64	70	61	65

Note: TNI = transnationality index, calculated as an average of the assets, sales and employees percentages.

Table 1.4 World's top ten multinationals ranked by foreign assets, 2002

Source: UNCTC (2004)



		Domestic	US-adjusted	Difference (% change)
Astra-Zeneca (UK)	2000	\$9,389m	\$29,707m	+216
	2001	\$9,586m	\$27,402m	+186
	2002	\$11,172m	\$30,183m	+190
	2003	\$13,178m	\$33,654m	+155
	2004	\$14,418m	\$35,314m	+145
British Airways (UK)	2000	£3,147m	£2,389m	-24
	2001	£3,215m	£2,334m	-27
	2002	£2,016m	£2,081m	+3
	2003	£2,058m	£1,637m	-20
	2004	£2,218m	£1,774m	-20
GlaxoSmithKline (UK)	2000	£7,517m	£44,995m	+499
	2001	£7,390m	£40,107m	+443
	2002	£6,581m	£34,992m	+432
	2003	£5,059m	£34,116m	+574
	2004	£5,925m	£34,042m	+475
Ericsson (Sweden)	2000	Skr91,686m	Skr109,217m	+19
	2001	Skr68,587m	Skr77,801m	+13
	2002	Skr76,607m	Skr83,203m	+9
	2003	Skr60,481m	Skr69,963m	+16
	2004	Skr77,299m	Skr84,369m	+9

Table 1.2 Examples of reconciliations of shareholders' funds to US accounting rules



Mazars 2005

- Mazars survey identifies specific French resistance to IFRS
- Resistance confined mostly to France
- Resistance comes from French banks, SMEs and accountants

President Chirac Intervenes

- He writes to President of EU Commission
- « IASB standards are not sensitive enough to European interests and could damage the EU economy »
- As a result EU suspends endorsement of IAS 32 & 39
- IASB accuses EU of « cherry picking »

Literature Review

- Beyakhlef (2005) – the French resist because of cost & unfamiliarity - especially some of the 40,000 smaller companies
- Evraert & des Robert (2007) – the French like a detailed set of rules not a set of uncertain principles
- Disle & Noël (2007) – Le referential IFRS n'est par la panacée unviverselle and they refer to Anglo Saxon imperialism

Literature (continued)

- Chiper (2005) French companies complain they have not had adequate training – IASB will need to provide more advice
- Benabdellah & Teller (2006) consider « juste valeur » will bring uncertainty & volatility into accounting without any more transparency
- Gélard (2006) claims French accountants like rules because they can satisfy sector differences with regard to fiscal considerations & IASB does not allow sector differences
- Askary (2006) cultural differences maybe determined by language, religion, attitudes, law, education, & politics

Law & Juste Valeur

- Fair value does not mean the same as juste valeur – the latter being more exact, certain & with a quasi-legal connotation
- Fair value prefers substance over form e.g. a leased vehicle or machine may be interpreted as an asset but French code law does not accept such goods as the property of the lessee
- Fair value means being comfortable with uncertainty

Enforcement

- Brown & Tarca (2005) – in respect of enforcement the future of the IASB is at stake because it is uncertain if there will be a consistent and uniform application of standards across different countries?

Religion

- Religions inculcate discipline, tradition & dogma into the minds of people
- Catholicism privileges form & rules
- Protestantism rejects authority and fragments into many churches which put the individual in a personal relationship with God

Social Organisation

- Marseille (2005) - France has traditionally protected defended its citizens from outside influences by tariffs, laws & restrictions
- New standards from outside can be seen as intrusive
- Roy (2005) claims French institutions (CCIP, PME, TPE) representing 39,000 SMEs have not welcomed ideas from outside

Politics & Attitudes

- The French according to the Economist (2008) have a bias for central authority & are conservative to change e.g. 36% of French agreed free markets were good compared to 71% Americans & 66% British
- Economist (2008) France excels at producing official reports & ignoring them

Findings

- The 1,000 large French companies were favourable to IFRS
- But not the smaller companies or banks
- For French banks the concept of « fair value » is not acceptable
- Our experts agreed that the French dislike volatility in reporting and the concept of prudence is paramount

Findings (continued)

- Language – not a problem for the Big 4 accounting firms but for the rest the lack of French interpretations is a difficulty
- English is less widely spoken in France than Germany & Holland
- The 18,000 French accountants working in smaller firms were thought to generally less positive about IAS
- Some division among accountants by age – younger accountants being more positive to change

Conclusion

- Why is French resistance important?
- It could lead to further « cherry picking », and/or non- enforcement, or dilution (IAS Lite) as other countries follow France
- Then we would have no international standard

How to persuade other countries to surrender tried & proved Accounting systems for IAS

- IASB must provide more non English interpretations
- IASB needs to show it is truly International & not overly Anglo Saxon in its board membership
- Acknowledge that culture & different law & professional structures make for difference

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