
This book is Marton’s doctoral dissertation at Göteborg University. The dissertation is empirical and broadly concerned with two main research issues: how Swedish accounting information is used by analysts and whether international differences in accounting affect Swedish companies and the analysts who follow them. Accounting researchers interested in international financial reporting and harmonization are the main audience for this book. The dissertation won the 1999 Outstanding Dissertation Award given by the American Accounting Association’s International Accounting Section.

Historically, Swedish accounting was designed to enhance national macroeconomic goals, and it shared many of the features of accounting in continental Europe. However, it is now moving toward the fair presentation/full disclosure model of accounting associated with Anglo-American countries and the International Accounting Standards Committee. Swedish multinationals are world-class companies known for their innovative disclosures. Thus, their accounting and reporting practices are interesting to study.

The book consists of an introduction, 10 chapters, and a list of references. The Introduction and Chapter 1 provide an overview and the motivation for the research. Chapter 2 discusses prior research and develops the dissertation’s theoretical framework, while Chapter 3 justifies the research approaches used. The Introduction and first three chapters constitute one-third of the book. As with most dissertations, much of this is background material, designed as much to demonstrate the researcher’s knowledge of the subject as to enlighten the reader. Anyone familiar with international financial reporting can safely skim this part of the book. Chapter 4 describes the data sources, while Chapter 5 contains the details of data-gathering and descriptive statistics of the data. The empirical analyses are in Chapters 6, 7, 8, and 9. Chapter 10 concludes the book with a summary and a discussion of implications and potential future research.

The book explores a variety of issues, using three complementary approaches. (1) Interviews. Fifteen non-Swedish financial analysts who follow Swedish companies were interviewed. The analysts are from the US, UK, and Germany. Additionally, eight representatives from five of the largest Swedish companies were interviewed. (The companies are Astra, Electrolux, Ericsson, SKF, and Volvo.) These representatives work in the financial reporting or investor relations departments of their respective companies. (2) Reports. Ten analysts’ reports covering the five companies noted above were examined. The annual reports of these same five companies were also examined. (3) Value relevance. Share prices/returns of “A-listed” companies on the Stockholm Stock Exchange (approximately 100 to 150 per year) covering 1983 to 1995 were used to assess the value relevance of Swedish accounting information.

Given the many issues addressed in this research study, it is not possible to list them all. However, the following appear to be some of the most important findings.

- International diversity in accounting affects both Swedish corporate reporting and analysts’ assessments of Swedish companies. Diversity is seen as having a greater
impact on users than on companies. Nevertheless, the problems associated with accounting diversity have been largely solved in practice.

- Harmonization is viewed as desirable by both companies and analysts.
- The value relevance of Swedish accounting information increased as it harmonized toward the fair presentation model.
- Analysts stress different parts of Swedish annual reports, depending on the analyst’s nationality.
- Analysts express a desire for US GAAP/IAS reconciliations not so much because they actually use the reconciled amounts but because they do not trust Swedish accounting as much as US GAAP/IAS. The reconciliation is viewed as an “insurance policy” against the potential for poor quality in the Swedish accounting system. Still, analysts’ reports show that adjustments are made based on the reconciliation information.
- Accounting costs are only a small part of the overall costs of a foreign listing, and they play a minor role in deciding where to list. Potential legal costs of a US listing are seen as significantly more important than the accounting costs.

The results based on Marton’s three-pronged research approach mostly reinforce one another, thus supporting his overall conclusions. As a result, I view it as a strength of the study, even if he seems to strain to develop a unifying theory (in Chapter 3) to justify this approach. This strategy emphasizing breadth also sacrifices some depth. Only 15 financial analysts were interviewed and only five Swedish multinationals were represented in the interviews of company representatives. The small sample sizes in both cases limit generalizability. The findings described above should be read with this in mind. The same is true of the part of the study that focuses on reports. Here, only 10 analysts’ reports and annual reports of five companies were examined. Since I anticipate that Marton will carve up his dissertation for journal publications, these parts will need to be expanded. Only the value relevance portion of the study has a large enough sample size to qualify as a stand-alone piece of research. It uses the standard methodology of the literature and is generally well done. However, in discussing these results, Marton notes potential confounding events and raises other issues that complicate his interpretation. I would have liked to see these points tied down better.

The criticisms expressed in the previous paragraph are tempered by the realization that the three approaches were not meant to be individual studies, but complementary parts of a whole package. The study is well done overall. I recommend the book for accounting researchers (especially doctoral students) interested in international financial reporting and harmonization.

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