

statements form the rationale for taxation. But in other countries, financial statements are altered for tax purposes and presented to the government separately from the reports sent to stockholders. In most cases, for a tariff to be removable for tax purposes, it should also be used in the computation of financial statement income. Well-managed accounting companies attempt to reduce income for tax purposes.

Inflation The Countries experiencing persistently high rates of inflation found it necessary to take on accounting rules that needed the inflation adjustment of historical cost amounts. This was mainly true in Latin America, which has experienced inflation more than any other part of the world. Modifying accounting records for inflation leads to a write-up of assets and hence the related expenses. Adjusting income for inflation is mainly vital in those countries in which accounting and financial statements serve as the reason for taxation, or else the accounting companies will be paying taxes on fabricated profits.

Providers of Accounting and Financing The utmost providers of financing for business enterprises are family members, governments, banks, and shareholders. In those countries in which financing of accounting companies is controlled by families, banks, or the state, there will be little pressure for information disclosure and public accountability. Banks and the state will often be able to get the information needed for decision making from inside the company. As the accounting companies become more reliant on financing from the general residents through the public offering of shares of stock, there is greater demand for more information that is made available outside the accounting companies.

Political and Economic Ties Accounting is a technology that can be comparatively easily borrowed from or inflicted in another country. Accounting rules have been carried from one country to another through political and economic links. For example, Both France and England have conveyed their accounting and financial services frameworks to various countries around the world. British-style Accounting systems are found in countries as distant as Australia and Zimbabwe. French Accounting is widespread in the former French colonies of western Africa. More recently, the United States' economic ties have had an influence on accounting in Mexico, Canada, and Israel.

Correlation of Factors There is a high amount of correlation between the legal system, source of financing, and tax conformity. Common law countries are inclined to have greater numbers of domestic listed companies, depending more heavily on equity as a source of capital. Code law countries are tempted to link taxation to accounting statements and depend less on shareholders' financing.

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