

# **Impact of Cultural Dimensions on Accounting Practices in Sri Lanka: Study of Accounting Professionals' Perspective**

<sup>1</sup>Nanayakkara D. R. N. A. M. and <sup>2</sup>De Silva P. O.

<sup>1,2</sup> Department of Management, Uva Wellassa University, Sri Lanka

<sup>1</sup>[enm15033@std.uwu.ac.lk](mailto:enm15033@std.uwu.ac.lk), <sup>2</sup>[pethmidesilva@gmail.com](mailto:pethmidesilva@gmail.com)

## **Abstract**

The accounting harmonization process entails increasing the compatibility of accounting practices while minimizing variance. This process of ordering various accounting practices is vulnerable to a variety of powers, including political, cultural, and legal. Sri Lanka, as a multifaceted and multicultural country, is particularly affected by this issue. However, there is a paucity of research on the cultural trajectories that influence accounting practices in the Sri Lankan context. As a result, the research looks into the impact of the cultural variables on accounting practices in Sri Lanka. The study takes a quantitative approach by distributing 150 questionnaires to accounting professionals using a convenience sampling method. The study articulates Hofstede's cultural dimensions such as power distance, individualism vs. collectivism, uncertainty avoidance, masculinity vs. femininity, long term vs. short term, indulgence vs. restraints, and secrecy vs. transparency in accounting practices, as well as Gray's accounting practices such as professionalism vs. statutory control, uniformity vs. flexibility, conservatism vs. optimism, and secrecy. The study then employs Exploratory Factor Analysis (EFA), Principal Component Analysis (PCA), and Varimax extraction to determine the influence of cultural variables on accounting practices. The extracted factors are accommodated in the multiple regression model to ascertain the impact of cultural dimensions and accounting practices. The current findings emphasize that power distance and individualism are the most dominant cultural dimensions in the given context, resulting in uniform and secretive accounting practices. As a result, the study develops a model tailored to the Sri Lankan context which incorporates the dimensions of Hofstede and Gray. The study demonstrates that a thorough understanding of cultural influences is critical to the success of the process of accounting standard adoption.

**Keywords:** *Cultural dimensions, accounting practices, accounting professionals*

## **Introduction**

Accounting has been assisting humans in the advancement of civilization for many years. Kolenik (2013) defined accounting as an information system that uses financial data to facilitate social, environmental, economic, and, most importantly, regulatory purposes. Accounting, as a business language, provides financial information about the entity, displaying in monetary terms the economic resources under management's control. The art of recording, classifying, and summarizing monetary transactions and events, as well as interpreting the results thereof, is defined herein, and such a process is relevant to the users and the context (American Institute of Certified Public Accountants, 1966; Elliot et al., 1993). Similarly, Elliott and Elliott (2007) emphasized accounting as an art form for communicating business performance and position to a diverse group of stakeholders. Because accounting is presented as the business language, a consistent reporting framework at the international level is required, given that all forms of capital include financial, manufactured, relationships, intellectual, human, and natural capital flow between countries with varying economic, regulatory, and market structures (de Lima, 2016).

According to Steenkamp (2001), national culture is a critical factor that underpins systematic differences in managerial behavior. Steenkamp also revealed how cultural elements influence people's thought processes, behavior, and dispositions. Accounting researchers have generally attempted to explain managerial behavior and a variety of accounting phenomena by incorporating cross-national differences in societal values (culture). Similarly, Hofstede (1984, p.82) defined culture as a "collective programming that differentiates one societal group from another." Later, he expanded his research to examine how culture influences accounting practices, claiming that "culture has crystallized in the society it developed and has become a tangible product of that society."

House et al., (2004) elucidated that culture has a significant influence on the development of various accounting policies and practices. Furthermore, studies have shown that cultural elements affect the business environment regardless of the country in which it operates, and thus cultures shape accounting practices across nations (Chanchani and Willett, 2004; Gray, 1988; Karabinar et al., 2012). So, Skotarczyk (2011) claimed that these cultural differences result in multiple reporting frameworks further emphasizing that the existence of multiple reporting frameworks act as a barrier across national borders. Despite the fact that cultural differences have shaped accounting differences, increased communication costs and globalization have created a demand for a set of internationally comparable reporting frameworks (Skotarczyk, 2011). Consequently, International Accounting Standards play an important role in the entire accounting process. As a result, it is critical to investigate how cultural elements and factors influence the adoption of International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board.

Mueller et al. (1994), on the other hand, emphasized that nations have different financial accounting developments and patterns, just as they have different histories, political systems, and values. Since, the culture has such a strong influence on human behavior and social values, its impact on accounting practices cannot be disregarded with haste. Herein, Hofstede (1980) proposed four cultural dimensions that have an impact on the business environment of the country in which they operate, and used them to position the countries based on their degree of compliance (greater extent to lesser extent). The four cultural dimensions are depicted as; power distance, uncertainty avoidance, individualism, and masculinity. Similarly, Gray (1988) integrated Hofstede's cultural dimensions into accounting values in order to reflect the differences in accounting practices across countries. The Gray's dimensions can be articulated as professionalism, uniformity, conservatism, and secrecy. Despite these distinctions, accounting remains committed to its primary goal of compiling high-quality financial reports to meet the needs of economic decision-makers (IASB, 2008).

Doupnik and Tsakumis (2004) pinpointed that shared cultural values entertained by particular country result in shared accounting values, which influence the nation's financial reporting system. For instance, Carvalho and Salotti (2012) study in Brazil revealed that accounting professional's conservatism and cultural trend to avoid risk (uncertainty avoidance) and bureaucratic culture (high power distance) result in no improvement in accounting process after adopting IFRSs despite the fact that they were originally developed in countries with low aversion to uncertainty and distance from power. Furthermore, a study conducted in China by Xu (2014) discovered that Chinese culture does not facilitate accounting professionals' judgments. Then Gray (1988) conjectured that cultural elements should align with the accounting practices.

Therefore, these studies emphasize the importance of understanding cultural differences in the accounting harmonization process, which is defined as the process of increasing the level of agreement between countries in the application of accounting frameworks (Buchanan, 2003). Consequently, this creates a knowledge gap that must be filled in the context of Sri Lanka, which has adopted the international reporting framework but remains underutilized and underdeveloped due to a lack of culturally-harmonized studies. Accordingly, the chapters that follow are meant to provide

existing literature on cultural differences and the accounting harmonization process, followed by a description of the research design and hypothesis. Eventually, the study will analyze and interpret how cultural dimensions are represented in accounting practice in Sri Lanka. As a result, the following research questions will be addressed in the study:

- From the perspective of accounting practitioners, what are the cultural dimensions that have an impact on financial reporting in Sri Lanka?
- From the perspective of accounting practitioners, how much do they influence the financial reporting environment in Sri Lanka?
- Which cultural design is best for smooth execution of accounting practices implementation in Sri Lanka?

## **Literature Review**

Hofstede (1984) proposed a single-dimensional structure called individualism and collectivism, in which cultures are classified as individual or collective based on their degree of freedom. Individualism is defined as a culture that values individualistic behaviour and a high level of autonomy, whereas collectivism values group behaviour and a low level of dependency. Triandis, Bontempo, Villareal, Asai, and Lucca's (1988) study, which used Hofstede's cultural dimensions, supported this unidimensional cultural model. However, recent research (Triandis, 1995; Triandis & Gelfand, 1998) has shifted the emphasis to bidimensional cultural dimensions. Schwartz (1990, 1994) criticized the dichotomy of values between individualism and collectivism, identifying values that benefit both cultural interests. He classified cultures into seven categories: conservatism, intellectual autonomy, affective autonomy, mastery, hierarchy, egalitarian commitment, and harmony. For example, Gray (1988) investigated the relationship between accounting values and Hofstede's cultural dimensions, and correlates cultural values with accounting values to provide a solid foundation for accounting-cultural research. Given the emphasis of this study on Hofstede and Gray's models, it is necessary to conceptualize the model in relation to the Sri Lankan context.

### **Hofstede Cultural Dimensions**

In a groundbreaking study, Hofstede (1984) defined culture as a collective programming of mindset that is used to distinguish one group from another. The study examined the cultural dimensions of 60 IBM Corporation subsidiaries operating in 40 countries. As a result, the following differences were summarized in the study: First and foremost, the large vs. small power distance explains how far society is willing to accept unequal distribution of institutional and organizational power. Small power distance societies strive for equal power distribution, whereas large power distance societies rely heavily on hierarchical order. Second, strong vs. weak uncertainty avoidance: which describes how individuals react to uncertain and unknown situations. In uncertain avoidance cultures, stricter rules and regulations are followed. Weak uncertain avoidance cultures, on the other hand, adhere to more relaxed principles. Individualism vs. collectivism: This dimension emphasizes people's preferences for self-care. Individualism, on the other hand, denotes a lack of social bonds and a higher level of autonomy, whereas collectivism denotes social relationships in which individuals rely on social ties. Finally, masculinity vs. femininity: Masculinity emphasizes masculine values such as achievement, aggression, assertiveness, and material advancement, whereas femininity emphasizes modesty, cooperation, caring, and quality enhancement.

Later, these four cultural elements were expanded to six dimensions, including long-term pragmatic orientation vs. short-term normative orientation, where pragmatic approaches educate to prepare for the future, and a sixth dimension: indulgence vs. restraints, which explains how individuals try to control their impulses and desires, with strong controls referred to as restrained (Hofstede, 2011)

## **Accounting Practice According to Gray (1988)**

Gray (1988) developed four perspectives that predict differences in accounting practices across countries based on their cultural dimensions, departing from Hofstede's cultural elements. Accounting systems and professional accounting practices are ingrained in the culture, according to de Lima (2016). Therefore, accounting practices have an impact on professional accounting practices as a cultural subsystem. For instance, in the arena of high uncertainty avoidance, Gray (1988, p 9-11) claimed that accounting rules and regulations are rigid and detailed. Accordingly, the value system of professional accountants is derived from the societal value system.

Gray (1988) defined accounting values as follows: 1) Professionalism versus Statutory Control – the extent to which professionals can use their professional judgment and maintain a self-regulatory system in contrast to regulatory controls. 2) Uniformity vs. Flexibility – it is preferable to impose a set of uniform accounting practices over a set of flexible accounting practices. 3) Conservatism vs. Optimism: Preference for a conservative approach to dealing with uncertainty rather than a more risky approach. 4) Confidentiality vs. Transparency: preferring to keep information private and impose disclosure restrictions over a transparent and publicly accountable reporting strategy. Table I below depicts the relationship between Hofstede's cultural dimensions and Gray's accounting values;

**Table I: Relationship between Gray's Accounting Values and Hofstede's**

| Gray's Accounting Practices | Hofstede's Cultural Dimensions |               |             |                       |
|-----------------------------|--------------------------------|---------------|-------------|-----------------------|
|                             | Power Distance                 | Individualism | Masculinity | Uncertainty Avoidance |
| Professionalism             | -                              | +             | 0           | -                     |
| Uniformity                  | +                              | -             | 0           | +                     |
| Conservatism                | 0                              | -             | -           | +                     |
| Secrecy                     | +                              | -             | -           | +                     |

Source ; Carvalho and Salotti (2012)

## **Cultural influence on accounting practices**

Zarzeski (1996) examines how accounting practices differ across cultures in depth. To begin, accounting standards were defined as a set of rules embedded in a particular culture. Consequently, the study suggested that rules evolve over time to account for cross-national business relationships. Extrinsic factors such as differing national laws, economic positions, and political climates are used to foster business relationships. Accounting practices are heavily influenced by the culture with which they are associated, when one considers the circular process of business. Oluku and Ojeka (2011) proposed two accounting models that took both accounting practices and cultural differences into account. The first is the Anglo-American Model, which emphasizes true and fair financial statements because businesses are funded through capital market transactions; the second is the Continental European Model, which emphasizes government funding and less on true and fair financial statements. Anglo-American countries have set the modern direction of international accounting standards.

Chanchani and Willett (2004) attempted to operationalize Gray's (1988) accounting values model by incorporating survey data from accountants in New Zealand and India, and the findings revealed that professionalism and uniformity were the most common elements, followed by secrecy. Similarly, a study of Turkish accountants revealed that professionalism, uniformity, and secrecy were the most outstanding Gray's accounting values. According to Jaggi (1975), the cultural environment of a country can have a significant impact on the financial reporting practices of firms. Aside from the

impact of national culture on national accounting systems, Hofstede's cultural dimensions are thought to influence financial reporting policy (Jaggi & Low, 2000).

A study in Brazil conducted by Carvalho and Salotti (2012) found that significant impact of cultural dimensions on accounting practices. The conservative accounting practices of accounting operators are followed by cultural dimensions namely; distance from power and aversion to uncertainty. Because the countries where these accounting practices and standards were originally conceived have a distance from power and aversion to uncertainty, the study was unable to conclude that the adoption of international accounting standards leads to advancement in the accounting process. The aforesaid studies affirmed that the concept of responsibility is primarily influenced by national culture, implying that stakeholders' orientations in one society may exert pressures on businesses and demand them to engage in economic activities Ringov and Zollo (2007, p. 467).

Kolennik (2013), on the other hand, argued that national cultural value does not seem to have a significant impact on financial disclosures. Tsakumis (2007) found no significant differences in accountants' secrecy and conservatism between the UK and Greece in his comparative study. In a study involving Canada, the United Kingdom, the United States, France, Germany, and Japan, Jagi et al. (2000) found that national cultural values had no bearing on financial disclosures. Furthermore, a study conducted in Iran by Noravesh et al. (2007) found no link between uncertainty avoidance and secrecy, uniformity and individualism, or professionalism and individualism. As a result, the findings contradicted Gray's hypothesis.

In essence, there is no agreement among the national cultural dimensions that influence accountants' values. Since Lanka Accounting Standards (LKAS) and interpretations are adapted from International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations. It is necessary to study the cultural influence in the Sri Lankan context. Simply, the joint agreement between the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the International Accounting Standard Body (IASB) to harmonize the accounting process has necessitated a study of Sri Lanka's cultural dimensions and accounting values.

## **Research Methodology**

### **Research Design**

A quantitative study is designed to investigate accounting professionals' perceptions of cultural influence on accounting practices and values. As a result, the study decided to collect data from Chartered Accountants. The convenience-snowball sampling method is then used to reach 150 chartered accountants working in various business sectors. Darabi and Salmani (2012), Joshi, Bremser, and Al-Ajmi (2008), and Ghio and Verona (2018) used convenience sampling to determine practitioners' attitudes toward the accounting harmonization process. In order to collect the information about accountants' perceptions, a self-administered questionnaire adapted from Chanchani and Willett (2004) and replicated by Almeida and Lisboa (2011); Karabinar et al. (2012) is used. Hofstede's (2008) Value Survey Model (VSM) 08 is used to determine national cultural dimensions.

The following variables are taken into account in this study: 1) Distance from Power (DIP) as derived from Respectability, Consultation, and Contradiction; 2) Masculinity (MASC) centered on Acknowledgement of performance, Pleasant work, Standing safe zone and Promotions; 3) Aversion to Uncertainty (UNA) as measured by nervousness, health status, confidence, and rules; 4) Individualism (IND) derived from adequate leisure time, job security, interesting job, and respectable job; 5) Professionalism (PROF) in terms of defined depreciation rules, financial statement structure,

consistent policies, and accounting methods: 6 ) Uniformity (UNIF) in terms of equal measurement, valuation method, and financial statement details: 7 ) Conservatism (CON) is measured by self-regulation, financial performance evaluation, and ethical behavior: 8 ) Secrecy (SEC) served by the availability of financial statements, quantity and the availability of information, and the managerial predictions.

As a result, the collected data is analyzed using SPSS statistical software, which employed the Exploratory Factor Analysis (EFA) model. Principal Component Analysis and Varimax Extraction are used to extract the factors. The extracted factors were then used in a regression analysis.

## Results and Discussion

### Sample Profile

The analysis of 150 respondents revealed a high proportion of male respondents, with a percentage of 60.67 and the majority of these chartered accountants were between the ages of 31 and 40, accounting for 61.4% of the total. According to the analysis of working experience, majority of them (75.3%) had less than ten years of experience. Furthermore, 24.7% had 11-20 years of experience. More than half of those who responded were graduates. There were 25.3% master's degree holders and 22 postgraduates in the sample, representing a percentage of 14.7%.

### Reliability test

Cronbach's alpha value was utilized accordingly for the reliability test. As recommended by most of the literature that Cronbach's alpha should exceed the 0.70 level, the reliability of the measurements was achieved (Nunnally, 1978) by achieving an acceptable Cronbach's alpha level of 0.770. Eight factors were used to test the Cronbach's alpha reliability of the study. Following Table II illustrated the results of Cronbach's alpha value.

**Table II: Cronbach's alpha reliability test**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|----------------------------------------------|------------|
| 0.749            | 0.705                                        | 08         |

*Source: Based on the analyzed data*

### Descriptive analysis of variables

**Table III: Descriptive statistics of the factors**

| FACTORS        |      |      |      |       |       |      |       |      |
|----------------|------|------|------|-------|-------|------|-------|------|
| Statistics     | DIP  | MASC | IND  | UNA   | CON   | SEC  | PROF  | UNIF |
| Mean           | 3.47 | 3.68 | 3.71 | 2.25  | 3.74  | 2.75 | 2.27  | 2.76 |
| Std. deviation | 0.11 | 0.14 | 0.12 | 0.08  | 0.08  | 0.10 | 0.10  | 0.10 |
| Variance       | 0.01 | 0.02 | 0.01 | 0.007 | 0.007 | 0.01 | 0.01  | 0.01 |
| Minimum        | 3.75 | 3.75 | 4.00 | 4.00  | 2.50  | 4.00 | -2.65 | 2.75 |
| Maximum        | 3.25 | 3.00 | 3.25 | 2.00  | 3.25  | 2.50 | 1.75  | 2.50 |

*Source: Based on analyzed data*

According to the table III, the mean values of DIP, MASC, IND and UNA factors were respectively 3.47, 3.68, 3.71, and 2.25. These values implied that DIP, MASC, IND are almost in agree category. Furthermore, CON, SEC, PROF, and UNIF factors means values were respectively 3.74, 2.75, 2.27,

and 2.76. When considering mean value of factor CON, it also falls to almost agree category, since its value is in between  $3.5 \leq X < 5$ . Other two factors called SEC and UNIF that are in the category of  $2.5 \leq X < 3.5$ , can be considered as moderately agreed.

In addition to that standard deviation provides how data set has scattered around the mean. According to the table III value of standard deviation for DIP, MASC, IND, UNA, CON, SEC, PROF, and UNIF were 0.11, 0.14, 0.12, 0.08, 0.08, 0.10, 0.10, and 0.10 respectively. Thereby implying that data set is not highly deviated from the mean.

### **KMO and Bartlett's test**

**Table IV: KMO and Bartlett's test**

|                                                  |             |
|--------------------------------------------------|-------------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | <b>.563</b> |
| Bartlett's Test of Sphericity Approx. Chi-Square | 831.019     |
| Df                                               | 6           |
| Sig .                                            | .000        |

*Source: Based on analyzed data*

The KMO and Bartlett's test determines the sample size's adequacy. The KMO value, which ranges from 0 to 1, establishes the acceptance criteria as a score greater than 0.5. As a result, with a KMO of 0.563, the study sample size is determined to be adequate. Furthermore, the Sphericity of Bartlett's test determines the significance of the study and then reflects the suitability of the collected responses to continue the study. The result of Bartlett's Test of Sphericity must be less than 0.05. So, the results of this study show Bartlett's Test of Sphericity 0.000, indicating that the study's rule of validity was met.

### **Factor Extraction**

Table V presents the factor loadings which reflect the significant cultural dimension that effect on accounting practices.

**Table V: Factor Extraction**

| Factors | Extraction   |
|---------|--------------|
| DIP     | <b>0.761</b> |
| MASC    | <b>0.647</b> |
| IND     | <b>0.909</b> |
| UNA     | <b>0.046</b> |

*Source: Based on analyzed data*

According to the above table the most significant factor is individualism (IND) since it shows the highest component value of 0.909.

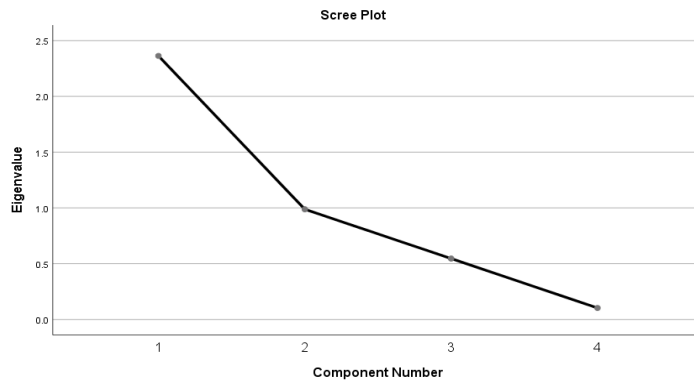
**Table VI: Extraction Sums of Squared Loadings**

| Total        | % of Variance | Cumulative % | Total        | % of Variance | Cumulative % |
|--------------|---------------|--------------|--------------|---------------|--------------|
| <b>2.363</b> | 59.069        | 59.069       | <b>2.363</b> | 59.069        | 59.069       |

*Source: Based on analyzed data*

Table VI denotes how well the data set has been fixed to the factoring framework. The total percentage of variance accumulated by the factors is 59.069%.

The scree plot below exhibit four cultural dimensions and their respective Eigen values.



**Figure I: Scree Plot of Factor** (Source: Based on analyzed data)

The analysis of screeplot revealed that there's a factor lies above eigenvalue; DIP and it's determined to be the most variable factor.

**Table VII: Factor Loading**

| Variable | Factor 1 |
|----------|----------|
| IND      | 0.953    |
| DIP      | 0.872    |
| MASC     | 0.804    |
| UNIF     |          |

*Source: Based on analyzed data*

The above table has extracted mainly three factors; IND, DIP and MASC. Hence, Sri Lankan Cultural dimensions are influenced by IND, DIP and MASC.

### Multicollinearity

The multicollinearity effect explains the high correlation between independent variables. To perform regression analysis, the results must be free of multicollinearity. As a result, the Variance Inflation Factor (VIF), which measures multicollinearity, should be between 0.1 and 10.

**Table VIII: Muticollinearity of the independent variables**

| Model   | VIF   |
|---------|-------|
| 1. MASC | 2.038 |
| IND     | 2.026 |
| UNA     | 1.010 |
| 2. DIP  | 3.260 |
| IND     | 3.154 |
| UNA     | 1.070 |
| 3. DIP  | 1.297 |
| MASC    | 1.262 |
| UNA     | 1.037 |

|               |       |
|---------------|-------|
| <b>4. DIP</b> | 3.397 |
| <b>MASC</b>   | 2.257 |
| <b>IND</b>    | 5.449 |

Source: Based on analyzed data

As stated in above table, the VIF values are less than 10 and all the tolerance values are more than 0.1. As a result there is no multicollinearity problem in regression results.

## Multiple Regression

Multiple regression model is designed to ascertain the relationship between Hofstede's cultural dimensions and Gray's accounting values based on the factors extracted from exploratory factor analysis.

The econometric model utilized in the study based on theory is presented below.

Conservatism = f (Individualism; Masculinity, Distance from Power)

Secrecy = f (Individualism; Masculinity, Distance from Power)

Professionalism = f (Individualism; Masculinity, Distance from Power)

Uniformity = f (Individualism; Masculinity, Distance from Power)

Accordingly, multiple regression analysis has been performed

- **Conservatism = f (Individualism; Masculinity, Distance from Power)**

**Table IX: Coefficient of the variable**

| <b>Model</b> | <b>B</b> | <b>Std. Error</b> | <b>p-value</b> |
|--------------|----------|-------------------|----------------|
| Constant     | 3.238    | 0.277             | 0.000          |
| DIP          | 0.063    | 0.119             | 0.000          |
| MASC         | -0.064   | 0.072             | 0.378          |
| IND          | 0.033    | 0.133             |                |

Source: Based on Analyzed Data

Herein the conservatism function can be developed as;

Conservatism = 3.238 + 0.063 (Distance from power) + -0.064 (Masculinity) + 0.033 (Individualism)

According to the coefficient analysis, Distance from power shows high coefficient value and high significant value, so it represents the impact between cultural dimension DIP and the accounting practices (CON). Hence DIP is positively impactful for the CON.

Conservatism = f {Distance from power}

- **Secrecy = f (Individualism; Masculinity, Distance from Power)**

**Table X: Coefficient of secrecy**

| <b>Model</b> | <b>B</b> | <b>Std. Error</b> | <b>p-value</b> |
|--------------|----------|-------------------|----------------|
|--------------|----------|-------------------|----------------|

|          |        |       |       |
|----------|--------|-------|-------|
| Constant | 1.667  | 0.302 | 0.000 |
| DIP      | -0.350 | 0.130 | 0.008 |
| MASC     | -0.197 | 0.079 | 0.014 |
| IND      | 0.521  | 0.145 | 0.000 |

Source: Based on Analyzed Data

Herein the secrecy function can be developed as;

$$\text{Secrecy} = 1.667 + -0.350 (\text{Distance from power}) + -0.197 (\text{Masculinity}) + 0.521 (\text{Individualism})$$

This econometrics model also measures the coefficient values in order to determine the cultural dimensions impact on accounting practices considering the accounting values namely secrecy, and cultural dimensions namely CON, MASC, and PROF.

The coefficient value of CON and MASC dimensions were negatively impactful for the secrecy and PROF was positively impactful for the secrecy.

$$\text{Secrecy} = f \{ \text{Individualism, Masculinity, Distance from Power} \}$$

- **Professionalism = f (Individualism; Masculinity, Distance from Power)**

**Table XI: Coefficient of professionalism**

| Model    | B      | Std. Error | p-value |
|----------|--------|------------|---------|
| Constant | 0.841  | 0.251      | 0.001   |
| DIP      | 0.653  | 0.108      | 0.000   |
| MASC     | -0.083 | 0.066      | 0.212   |
| IND      | 0.544  | 0.121      | 0.000   |

Source: Based on Analyzed Data

Herein the professionalism function can be derived as;

$$\text{Professionalism} = 0.841 + 0.653 (\text{Distance from power}) + -0.083 (\text{Masculinity}) + 0.544 (\text{Individualism})$$

The coefficients derived to determine cultural dimensions influence on professionalism have been presented above. The results show that two dimensions such as DIP, and IND have high impacts on the professionalism whereas DIP presents a negative impact.

$$\text{Professionalism} = f \{ \text{Distance from Power, Individualism} \}$$

- **Uniformity = f (Individualism; Masculinity, Distance from Power)**

**Table XII: Coefficient of Uniformity**

| Model    | B      | Std. Error | p-value |
|----------|--------|------------|---------|
| Constant | 2.040  | 0.313      | 0.000   |
| DIP      | -0.316 | 0.135      | 0.020   |
| MASC     | -0.170 | 0.082      | 0.040   |
| IND      | 0.329  | 0.150      | 0.030   |

Source: Based on Analyzed Data

Herein the professionalism function can be derived as;

Uniformity =  $2.040 + -0.316 (\text{Distance from power}) + -0.170 (\text{Masculinity}) + 0.329 (\text{Individualism})$

According to the coefficient values of uniformity the all three values have been influenced. Furthermore, DIP and MASC have been negatively impacted and IND has been positively impacted on the uniformity.

Uniformity = f {Individualism, Masculinity, Distance from Power}

Therefore, the findings of the regression model can be organized as;

Conservatism = f {Distance from power}

Secrecy = f {(Individualism, Masculinity, Distance from Power)}

Professionalism = f {Distance from Power, Individualism}

Uniformity = f {Individualism, Masculinity, Distance from Power}

Thereafter, the result of hypothesis testing can be summarized as below;

**Table XIII: Summery of Hypothesis**

|            | <b>Hypothesis</b>                                                                             | <b>Accepted/Rejected</b> |
|------------|-----------------------------------------------------------------------------------------------|--------------------------|
| <b>H1:</b> | There is a significant relationship between Hofstede cultural dimensions and conservatism.    | Rejected                 |
| <b>H2:</b> | There is a significant relationship between Hofstede cultural dimensions and secrecy.         | Accepted                 |
| <b>H3:</b> | There is a significant relationship between Hofstede cultural dimensions and professionalism. | Accepted                 |
| <b>H4:</b> | There is a significant relationship between Hofstede cultural dimensions and uniformity.      | Accepted                 |

*Source: Based on Analyzed Data*

## **Discussion and Analysis**

Firstly, the exploratory factor analysis was used to identify three factors that have a significant influence on accounting practices in the Sri Lankan context: individualism, power distance, and masculinity. According to Carvalho and Salotti, cultural dimensions have a significant impact on accounting practices in Brazil (2012). Accounting practitioners are conservative, with an aversion to uncertainty and distance from power being the cultural dimensions that have the most influence on accounting practice.

Furthermore, from the perspective of accounting professionals, this study summarized how cultural dimensions in Sri Lanka influence accounting practices and accounting values. As a result, the findings of the study support Zarzeski's (1996) conclusion that accounting practices are heavily influenced by the culture with which they are associated. Furthermore, Oluku and Ojeka's (2011) two models that take accounting practices and cultural differences into account can be used to categorize the Sri Lanka context. According to the findings, Sri Lanka has Anglo-American characteristics because cultural factors have shaped the direction of international accounting standards currently practiced.

Kolennik (2013), on the other hand, found that national cultural values do not appear to have a significant influence on financial disclosures.

## Conclusion

The study, used Hofstede's Valued Survey Model 08 (VSM 08) to capture the cultural dimensions and a questionnaire developed by Chanchani and Willett (2004) and replicated by Almeida and Lisboa (2011) and Karabinar et al. (2012) to capture accountants' perceptions on accounting values and practices. By investigating the perceptions of 150 chartered accountants regarding the influence of cultural dimensions on accounting values and practices. The study concluded that there is a significant relationship between Sri Lankan cultural dimensions and accounting values and practices. Accordingly, the following model was created for the Sri Lankan context:

**Table XIV: Suggested model for Sri Lankan context**

| Accounting practices   | Cultural Dimensions                                  |                                                       |                                                       |
|------------------------|------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
|                        | Individualism                                        | Masculinity                                           | Distance from Power                                   |
| <b>Conservatism</b>    | -                                                    | -                                                     | Positive Impact<br>( $\beta = 0.063$ , $P = 0.000$ )  |
| <b>Secrecy</b>         | Negative Impact<br>( $\beta = 0.521$ , $P = 0.000$ ) | Negative Impact<br>( $\beta = -0.197$ , $P = 0.014$ ) | Positive Impact<br>( $\beta = -0.350$ , $P = 0.008$ ) |
| <b>Professionalism</b> | Positive Impact<br>( $\beta = 0.544$ , $P = 0.000$ ) | -                                                     | Positive Impact<br>( $\beta = 0.653$ , $P = 0.000$ )  |
| <b>Uniformity</b>      | Positive Impact<br>( $\beta = 0.329$ , $P = 0.030$ ) | Negative Impact<br>( $\beta = -0.170$ , $P = 0.040$ ) | Negative Impact<br>( $\beta = -0.316$ , $P = 0.020$ ) |

*Source: Based on Analyzed Data*

Since most existing studies have focused on established capital markets, this study adds to the literature by referring to cultural dimensions and accounting practices in developing countries. As a result, in a developing country, the findings can be applied to the development of policies and strategies. Furthermore, the study delves into the specialized accounting framework that focuses on cultural differences in a globally accepted platform that adheres to the principle-based accounting system.

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