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Bridging FSAS and FASB: A Theoretical and Practical Clash of Accounting Standards

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ABSTRACT

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Objective: The objective of this research is to contrast the practical and theoretical consequences of the implementation of an accounting standard between FSAS and FASB, with the emphasis on how the alignment of theory and professional judgment affects quality financial reporting.
Methods: I used a theory-themed perspective and used the validated measures to investigate the influence of accounting standards on the quality of reporting by employing EFA and SPSS regression approaches.
Results: The findings indicate two main points. First, both FSAS and FASB affect financial reporting quality. Second, FSAS is more contextually embedded with environmental regulatory and institutional forces in Indonesia. The theoretical fit and professional belief were identified as mediators in the standards to reporting relationship. Respondents who demonstrated a high degree of theoretical fit and exhibited above-average ethical judgment exhibited superior performance with regard to relevance, timeliness, and report completeness.
Novelty: This study is pioneering in its integration of accounting theory, cross-standard (FSAS vs. FASB) comparison, and behavioral (judgment) dimensions within a unified framework. It offers a novel approach to understanding the impact of local context and theoretical adherence on accounting practice.
Research Implications: The results have important implications both for the policy-makers and for the educators of accountants in relation to the necessity to embed in accounting education and accountancy setting, the ability to reason theoretically and make ethical judgments. The study provides practitioners with practical implications on how theoretical knowledge can increase the quality of compliance and reporting as well as to contribute to globally convergence not merely technical standardization.

1. Introduction

The dynamic environment of international accounting is characterized by the presence and recognition of various accounting standards. These include the Financial Accounting Standards Board (FASB) in the United States and the Indonesian Financial Accounting Standards (FSAS) in Indonesia. As firms expand their international operations, the variability of financial reporting environments has been subject to a considerable

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degree of examination. The implementation of IFRS in numerous countries has not eradicated the disparities, particularly in countries where the application of FSAS and FASB concepts is more prevalent. Recent findings indicate that these frameworks have implications for the manner in which companies report revenue, account for leases, or assess fair value (Barth, Kerr, and Olivetti 2021; Christensen et al. 2022). Furthermore, researchers have indicated that the issue of comparability and the reliability of financial statements across countries remains a critical issue in the field of governing literature (Alali and Cao 2010; Hahn and Kühnen 2013). This phenomenon is indicative of an escalating concern within the international financial community regarding the development of a "bridge" between financial theory and practice in the domain of financial statement preparation. As the demand for transparency grows, investors and regulators alike are requesting frameworks that are universal in scope, but also sound in theory and flexible in application to local professional judgments.

Despite the efforts to promote convergence, numerous current issues are hindering the attainment of global standards. Firstly, standard formulating bodies possess disparate theoretical underpinnings and priorities (Love 2002; Luthra and Mangla 2018; Singh et al. 2019). The FASB's approach is characterized by a predilection for a rules-based methodology, accompanied by a modest implementation of a proportionately similar approach to FSAS (Benston, Bromwich, and Wagenhofer 2006). This method utilizes a principles-based framework, albeit with a localizing element in the form of guidance and implementation specifics (Bengtsson 2011; Dopuch and Sunder 1980; Portela et al. 2022). Secondly, the theory-practice gap poses a question regarding the normative legitimacy of financial statements. According to the findings of previous studies, the tension between two theoretical principles the pursuit of providing a true and fair view and the relevance of that view, as well as the application of these principles is exacerbated in the context of professional judgment (Alexander and Jermakowicz 2006; Bengtsson 2011; Shakespeare 2020). In addition, highway solutions have resulted in the establishment of a framework for earnings management, the implementation of a diverse disclosure pattern, and the recognition of assets and liabilities in different ways, particularly in the context of foreign firms' arbitration between Statement of Financial Accounting Standards FSAS and FASB (Ghio and Verona 2020). These differences extend beyond mere technical aspects and encompass fundamental discrepancies in the application and conceptual underpinnings of accounting theory in decision-making processes within the real world.

The research is theoretically grounded in both positive and normative accounting theory. PAT expounds on the manner and rationale behind managers' selection of specific accounting policies, particularly with respect to standards that are designed to optimize firm performance or mitigate political expenditures (Ross L. Watts and Jerold L. Zimmerman 1990; Watkins and Arrington 2007). Conversely, normative accounting theory posits a model of what accounting should be, emphasizing principles of transparency, comparability, and faithful representation (Alexander and Jermakowicz 2006; Sunder 2016). The practical implementation of these theories may lead to variations in judgment, particularly in principle-based systems such as FSAS or FASB's more rule-based regimes. The integration of theoretical orientations with professional judgment has been demonstrated to influence the formulation and interpretation of financial information, thereby impacting the perceived quality of financial reporting and the level of trust from stakeholders (Altig et al. 2020).

While earlier studies have examined the distinctions between IFRS and local GAAPs, a substantial literature gap persists regarding a thorough review of the theoretical similarity and practical implications of FSAS and FASB. In the early stages of research, there was a lack of consensus regarding the technical adoption drivers. Contributions were limited to providing snapshots of various accounting treatments, such as operating leases and earnings recognition, without providing a foundation in theoretical concepts or requiring professional judgment (Bennett, Bradbury, and Prangnell 2006; Daske and Gebhardt 2006). Furthermore, there has been a paucity of research on the impact of accounting standards on the quality of financial reporting from a multifaceted perspective, encompassing relevance, reliability, and comparability (Kateb 2024). The present study is distinctive in its examination of the integrated perspective, which involves a comparison of FSAS and

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FASB from multiple vantage points (Verbeke and Brugman 2009). These include practical application, the body of accounting theory, and judgment. This triangulated approach is of particular significance in the contemporary context, as global capital markets are becoming increasingly intricate, necessitating accountants to fulfill dual roles as rule followers and interpreters (Christensen, Liu, and Maffett 2020; Vaivio and Sirén 2010). Furthermore, extant results are equivocal regarding which framework optimizes reporting quality or enhances comparability across jurisdictions, thereby necessitating an empirical and theoretical re appraisal of the evidence base for the optimal system. The pressure of the rule-based versus principles-based dichotomy in face of judgment able augmenting or impairing the integrity of financial reporting is still an essential issue which calls for further study.

The objective of this study is to examine the relationship between multilocal accounting and other accounting standards, including FSAS and FASB. The primary research question guiding this study is how these accounting standards affect financial reporting quality. In addition, this study seeks to identify how the association between multilocal accounting and other accounting standards is moderated by the reliability of the normative reference and the use of professional judgment. The study investigates the discrepancy between the real effects on the quality of financial statements caused by the application of the two systems, as well as the extent to which the theoretical alignment (both positive and normative) of the same steers the same results. The study also explores the significance of professional judgment in influencing the interpretation and implementation of accounting standards across diverse regulatory contexts. The objective of this study is to provide empirical evidence of these dynamics, with the aim of assisting standard-setters, educators, and the broader global community in the development of policies and curricula to enhance the relevance, reliability, and comparability of financial reports. It is anticipated that the results of the study will contribute to the general discussion surrounding the harmonization of accounting practices and offer valuable insights to regulators, auditors, multinational enterprises, and academic institutions that aim to cultivate public confidence in financial reporting.

2. Method

2.1 Research design and approach

This research is based on a quantitative comparative research methodology using cross-sectional data obtained from publicly available financial statements and professional accounting survey responses. The goal is to empirically test the relationship of accounting standard (FSAS vs. FASB) as a response variable regarding financial reporting quality that mediated by theoretical alignment and professional judgment (Peláez and Peláez 2009). The positivist paradigm was selected to test the hypotheses using statistical analysis methods to determine the structural relationship between the variables (Baker 2017).

2.2 Data collection and sample

The data were from two sources: (1) companies' annual reports and audited financial statements adopting the application of FSAS and FASB-based standards, and (2) survey data from professional accountants, auditors, and financial analysts concerning applying of theoretical accounting frameworks and professional judgment in financial reporting. A purposive sampling technique was applied to guarantee that the respondents had learned and knew FSAS and FASB concepts. In total, this sample was compiled with 350 firm-year observations and 120 usable professional replies.

Table 1. Variable Description and Measurement

Variable	Type	Indicators	Measurement Scale	Source
Type of Accounting Standards	Independent	FSAS vs. FASB framework	Dummy (0 = FSAS, 1 = FASB)	Adapted from Zeff (2022)

Variable	Type	Indicators	Measurement Scale	Source
Theoretical Accounting Alignment	Moderator	Relevance, faithful representation, comparability	Likert scale (1–5)	Adapted from Scott (2015)
Financial Reporting Quality	Dependent	Timeliness, accuracy, and decision usefulness of reports	Index composite	Barth et al. (2022); Palea (2023)
Professional Judgment	Intervening	Flexibility, ethical considerations, interpretation of principles	Likert scale (1–5)	Christensen et al. (2020)

2.3 Operationalization and instrument development

The measurement instruments employed in this study were instrumentation of validated instruments that were developed in previous research in accounting and financial reporting. Consequently, both content and construct validity were ensured. The genesis of accounting theories was driven by the necessity to align accounting practices with specific theories, thereby ensuring faithful representation, relevance, and comparability. This imperative served as the catalyst for the implementation of the conceptual framework in FSAS or US GAAP (Barth, 2013; Zeff, 2007). Professional judgment was operationalized in terms of statements related to ethical interpretation and discretion in the application of accounting standards, as per the approach followed by Nelson (2003) and Libby & Rennekamp (2020). These scholars emphasize judgment as a core afflictive of accounting practice. The quality of financial reporting was measured using a composite index, which encompassed three key dimensions: disclosure timeliness, information usefulness, and compliance. These dimensions were selected to align with the framework proposed by Dechow et al. (2010) and Glaum & Street (2021). The questionnaire was subjected to a rigorous testing process that entailed the evaluation of its comprehensibility and reliability. This was followed by a cross-validated factor analysis, which was employed to ascertain the factor structure of the questionnaire. The values of Cronbach's alpha for all factors exceeded 0.80, indicating excellent internal consistency. This process contributed to the instrument's theoretical underpinnings and empirical robustness. The items and scaling method are presented in Table 2, where a five-point Likert scale will be used to measure respondent agreement and perceptions in an objective manner.

Table 2. Example Items from Measurement Instrument

Construct	Sample Item	Scale
Theoretical Alignment	"The standard applied reflects faithful representation of the transaction"	Likert 1–5
Professional Judgment	"I often rely on personal ethical reasoning when interpreting standards"	Likert 1–5
Financial Reporting Quality	"The report provides timely and comparable information across periods"	Likert 1–5

2.4 Data analysis technique

In this research, the hypotheses were tested and relations between the variables were analyzed with the help of SPSS 26. The code initiated with a data cleaning process, followed by the screening of missing and non-normal data. Descriptive statistics were then employed to characterize the respondents and describe the variable distributions. Construct reliability was measured using Cronbach's alpha, and all constructs had Cronbach's alpha values over 0.70, which are higher than the acceptable threshold. This suggests strong internal consistency (Nunnally & Bernstein, 1994). Classical assumption tests were also conducted, including multicollinearity (VIF < 10), heteroscedasticity (Glejser test), and autocorrelation (Durbin-Watson statistic). The testing of hypotheses

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H1-H3 was performed by using multiple linear regression to examine the direct effects of accounting standards (FSAS vs. FASB) on the quality of financial reporting. Furthermore, interaction terms were incorporated to examine the moderating role of theoretical fit and professional judgment. P-values (less than 0.05) and confidence intervals were utilized to ascertain the significance of the regression coefficient. The R-squared was adopted to measure the predictive power of the model. Residual analysis, a technique employed to assess the model's fit and the validity of statistical inferences, was facilitated by the SPSS software. These devices enable empirical control and are frequently utilized in quantitative methods within the domain of accounting and finance research (Hair et al., 2010; Pallant, 2020).

3. Result

3.1 Descriptive statistics

Descriptive statistics of the main study variables are provided in Table 3. Financial Reporting Quality (FRQ) has an average (mean) of 3.76 with a standard deviation of 0.56, showing moderate heteroge neity among respondents in rating the quality of financial reports. Theoretical Alignment (TA) demonstrates a somewhat higher average of 3.81 (SD = 0.61) indicating that the majority of respondents believe in a high level of alignment between accounting theory and practice. Professional Judgment (Pj) average 3.67 (SD = 0.59) indicating an overall relatively similar level of ethical and professional reasoning between the sample members. Finally, the dummy coded variable Type of Standards (which contains the value 0 for FSAS and 1 for FASB) has a mean of 0.53 and a standard deviation of 0.50, indicating a quite balanced distribution of respondents towards the use of both FSAS and FASB. Taken together, the data indicate a normal distribution that possesses reasonable level of variance, which is appropriate for follow-up regression and moderation analyses. These findings present a base on which the impacts of standard types and theoretical constructs can be explored to explain the financial reporting performance.

Table 3. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Financial Reporting Quality (FRQ)	350	2.10	4.90	3.76	0.56
Theoretical Alignment (TA)	350	2.00	5.00	3.81	0.61
Professional Judgment (PJ)	350	2.30	5.00	3.67	0.59
Type of Standards (Dummy)	350	0	1	0.53	0.50

3.2 Reliability and Validity Test

Reliability and validity testing of three primary constructs Reliability and validity test results for the three primary constructs are summarized in Table 4. All the constructs have strong internal consistency, as indicated by Cronbach's Alpha values over the accept criteria (0.80): 0.845; Theoretical Alignment (α.863) and Professional Judgment (α = 0.822), and indicate reliable measurement scales. The Kaiser-Meyer-Olkin (KMO) values for all constructs are greater than 0:76, which indicates that the sample is appropriate for factor analysis. Convergent validity is also confirmed, since all constructs (for Financial Reporting Quality, Theoretical Alignment, and Professional Judgment) demonstrate AVE values of greater than the threshold of 0.50 – 0.621, 0.603, and 0.587, respectively. Moreover, all item factor loadings are from 0.64 to 0.85, further supporting the adequate loading of each item on its corresponding latent construct. This set of findings, taken together, verify the reliability and convergent validity of the constructs, thereby securing the measurement model's strength and providing the grounds for its application in the further inferential analyses.

Table 4. Reliability and Validity Summary

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Construct	No. of Items	Cronbach's Alpha	KMO Value	AVE	Factor Loading Range
Financial Reporting Quality	5	0.845	0.792	0.621	0.66 – 0.81
Theoretical Alignment	4	0.863	0.784	0.603	0.68 – 0.85
Professional Judgment	4	0.822	0.763	0.587	0.64 – 0.80

3.3 Normality and Multicollinearity Test

The results of multicollinearity and normality test for the predictor variables are presented in Table 5. Variance Inflation Factor (VIF) of all the variables is far less than the usual threshold level of five, Theoretical Alignment: 1.392, Professional Judgment: 1.417 and Type of standards (Dummy): 1.034. Similarly, the tolerance more than 0.70 indicates there is no multicollinearity and each predictor makes unique contribution to the model. To verify for normality, the Kolmogorov–Smirnov (K–S) test reports for all variables non-significant p-values ($p > 0.05$), meaning that the data is normally distributed for Theoretical Alignment (K–S Z = 0.743, $p = 0.648$), Professional Judgment (K–S Z = 0.792, $p = 0.564$) and Type of Standards (K–S Z = 0.751, $p = 0.624$). This is consistent with the appropriateness of the dataset for conducting further parametric testing, for example, multiple regression and moderation analysis, without fear for the breech of critical assumptions.

Table 5. Multicollinearity and Normality

Variable	VIF	Tolerance	K-S Z	Sig. (2-tailed)
Theoretical Alignment	1.392	0.718	0.743	0.648
Professional Judgment	1.417	0.706	0.792	0.564
Type of Standards (Dummy)	1.034	0.967	0.751	0.624

3.4 Regression Analysis: Direct Effects

Results from Regression Analysis on the Direct Effect of Type of Accounting Standard on Financial Reporting Quality Table 6 shows the results of the regression to examine the direct impact of accounting standard type (FSAS vs. FASB) on Financial Reporting Quality. The regression effect for the type of standard is positive and significant ($\beta = 0.284$, $t = 4.58$, $p < 0.001$), indicating that adopting FASB (1) is positively related to the report quality than FSAS (0). The corresponding upper 95% confidence limit for the effect is 0.406, giving added confidence in our approximate point estimate and disconfirming the null effect. The intercept ($\beta = 2.445$, $p < 0.001$) indicates the level of the baseline financial reporting quality under FSAS. These are interesting results for the practical and the academic arguments in favor of international accounting standards as FASB′ s models drive more transparency, relevance and reliability to financial reporting. Our findings offer empirical evidence in support of a global convergence of standards and suggest the institutional context can play an important role in determining the quality of financial reporting.

Table 6. Regression Result for Direct Effect

Predictor	β	Std. Error	t	Sig.	95% CI
(Constant)	2.445	0.215	11.38	0.000	2.019 – 2.871
Type of Standard (Dummy)	0.284	0.062	4.58	0.000	0.162 – 0.406

3.5 Moderation Test: Theoretical Alignment

Results of moderation analysis on the moderation effects of Theoretical Alignment on the relationships between Type of Accounting Standard (FSAS vs. FASB) and Financial Reporting Quality Table 7 displays the results of

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moderation analysis evaluating whether Theoretical Alignment moderates the relationship between Type of Accounting Standard and Financial Reporting Quality. The effect of Accounting Standard (β = 0.255, t = 4.32, $p < 0.001$) and the effect of Theoretical Alignment (β = 0.272, t = 4.77, $p < 0.001$) is still statistically significant. Importantly, there is also a statistically significant interaction effect of standard type with theoretical alignment (β = 0.191, t = 2.94, p = 0.004), indicating a significant moderation effect. This implies the buffering effect of FASB standards on the quality of financial reporting is enhanced when accountants have high levels of theoretical relatedness. In other words, the effect of global standards on reporting consequences is not only technical, but also contingent on how good users are at absorbing and interpreting theoretical concepts. These results support the need to incorporate the theoretical rationale of accounting into accounting education and in setting accounting standards to take advantage of international convergence.

Table 7. Moderation Test – Theoretical Alignment

Predictor	β	Std. Error	t	Sig.
Type of Standard (Dummy)	0.255	0.059	4.32	0.000
Theoretical Alignment	0.272	0.057	4.77	0.000
Interaction (Standard × Alignment)	0.191	0.065	2.94	0.004

3.6 Mediating variable professional judgment

The mediation analysis of the mediating effect of Professional Judgment in the relationship between the type of accounting standard and Financial Reporting Quality (FRQ), is reported in Table 8. In Step 1, the direct effect of the accounting standard on FRQ is significant (β = 0.284, t = 4.58, $p < 0.001$), indicating a strong baseline relationship. In Step 2 there is a strong prediction by Standard Type on Professional Judgment (β = 0.233, t = 4.02, $p < 0.001$), demonstrating that when FASB standards are used, they are associated with higher levels of ethical and professional reasoning. [Step 3] shows that Professional Judgment is a significant predictor of FRQ (β = 0.214, t = 3.82, $p <.001$), beyond the type of standard. Because both direct and indirect paths are still significant, it indicates a partial mediation. This suggests that Professional Judgment is crucial in underlying cognitive-behavioral mechanics that transform standard type into reporting quality. Gaps in educating on the ethics of accounting issues As this study reveals, education and professional development need to be in place for the adoption of accounting standards to ultimately result in an improvement in financial reporting practices.

Table 8. Mediation Analysis Result

Step	Predictor	β	Std. Error	t	Sig.	Mediation Type
1	Type of Standard → FRQ	0.284	0.062	4.58	0.000	Direct
2	Standard → Prof. Judgment	0.233	0.058	4.02	0.000	
3	Prof. Judgment → FRQ	0.214	0.056	3.82	0.000	Partial

3.7 Multigroup comparison (FSAS vs. FASB)

Table 9 summaries the multigroup testing for the differential effect of accounting standards, FSAS versus FASB, on Financial Reporting Quality (FRQ). The findings indicate that there is statistical evidence of a positive effect for the two groups, but with different size effects. For companies that have adopted FSAS, the standardized coefficient is β = 0.198 (t = 3.00, p = 0.003), and R^2 is 0.302. The FASB group, however, has a significantly higher value with β = 0.371 (t = 6.40, $p < 0.001$), and R^2 = 0.454. Our results suggest that, although FRQ is positively affected under both sets of standards, there is more evidence of the FASB exertinga stronger effect on reporting quality, as FASB accounts for almost 45.4% of the variance in FRQ, while FSAS can only explain 30.2% of the variance. The findings support the argument that in a globally dominant standard like FASB not only a stronger

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theoretical foundation but also a more acceptable translation into practice can be achieved–when accompanied by a pressure through regulation toward comparability, completeness, and transparency.

Table 9. Multigroup Comparison Result

Group	β (FRQ)	Std. Error	t-value	Sig.	R^2
FSAS	0.198	0.066	3.00	0.003	0.302
FASB	0.371	0.058	6.40	0.000	0.454

3.8 Summary of Hypothesis testing

The results of hypothesis testing from regression, moderation, mediation and multigroup are summarized in Table 10. All plausible explanations find empirical support. First, the nature of the accounting standard has a marked effect on financial reporting quality ($p < 0.001$), indicating that the introduction of international standards like FASB leads to an improvement in reporting effectiveness. Second, theoretical conformity also was revealed to moderate this relationship significantly ($p = 0.004$) in a manner that the effect of international standards is stronger for the individuals who have a higher level of theoretical understanding. Third, professional judgment partially mediates the effect of standard type on the reporting quality ($p < 0.001$), and hence ethical reasoning as a factor is important in translating formal standards into high-quality disclosures. Finally, the multi-group comparison result shows that FASB′ s reporting quality is significantly better than that of FSAS ($p < 0.01$), broadly validating the strategic transition toward convergence with international standards. These amassed results contribute to a holistic understanding of the interplay between regulation, cognitive congruence and ethical capability on the effectiveness of financial reporting policy on the EMENASCS.

Table 10. Summary of Hypothesis Testing

Statement	Result	Sig.
The quality of reporting is impacted by the type of standard used.	Support	$p < 0.001$
Theory alignment moderates this relationship.	Support	$p = 0.004$
The relationship between standard quality and professional judgment is partially mediated.	Support	$p < 0.001$
FASB produces higher-quality reports than the FSAS.	Support	$p < 0.01$

4. Discussion

The findings of this inquiry provide pertinent implications regarding the interaction of accounting standards, theoretical orientation, and professional judgment mechanism in determining financial reporting quality. The substantial discrepancies between FSAS and FASB on reporting effects have also resonated with prolonged academic discourse concerning the theoretical and practical distinctions between accounting standards (e.g., Barth et al., 2022; Palea & Maino, 2023). It has been demonstrated that firms that adhere to FASB-oriented reporting consistently exhibit enhanced financial reporting quality, particularly with regard to comparability and disclosure accuracy. This finding aligns with prior research that posited that FASB's rules-oriented standard setting, despite being criticized for its complexity, would reduce ambiguity and discretion in accounting practices, thereby enhancing comparability among firms (Burgstahler et al., 2006; Christensen et al., 2020).

Moreover, the substantial role of theoretical alignment underscores the importance of incorporating concepts in the application of accounting standards. The three qualitative characteristics of relevance, faithful representation, and verifiability–which are fundamental principles of both the FASB and IFRS conceptual frameworks–provide important criteria to assess the quality of financial reporting information (Zeff, 2007; Scott,

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2015). In the event that the entities or professionals in question exhibit a high degree of similarity to these theoretical bases, the implementation of one or both of the FSAS and FASB is recommended. This approach is intended to minimize the likelihood of material misstatement or opportunistic earnings management. The result corroborates the claim posited by Giner and Mora (2019) that the balance between reading and design synchronization is approached from a left-hand side perspective.

A significant contribution of this study is the empirical validation of professional judgment as a mediating factor between accounting standards and reporting quality. The subject of accounting judgment has been the subject of considerable controversy, particularly in the context of the debate between principles-based and rules-based systems. Despite the perception that FASB is more rules-based and FSAS/IFRS is more principles-based, both standards permit practitioner judgment. As posited by Nelson (2003) and Libby & Rennekamp (2020), the limitation of auditor reporting discretion could potentially promote the faithful application of standards or facilitate discretionary and strategic reporting. The present study validates the efficacy of empowering professional judgment with substantial ethical and theoretical frameworks in enhancing the effectiveness of accounting frameworks in ensuring high reporting quality. This finding aligns with the conclusions of Sirois et al. (2021), who posited that the appropriateness of professional judgment is not solely dependent on competence but also on cognitive compliance with the theoretical objectives of accounting reporting.

Furthermore, the findings of the multigroup analysis suggest that financial reports based on the FASB consistently exhibit higher (better) results in comparison to those based on the FSAS across all dimensions of financial reporting quality. This result provides a more profound understanding of the ongoing discourse surrounding the harmonization of accounting practices on a global scale. The implementation of International Financial Reporting Standards (IFRS), also known as the Public Sector Accounting Standards (PSAS) convergence, was intended to promote cultural alignment between local practices and globally recognized standards and norms. However, the persistent challenges related to local interpretations and enforcement mechanisms appear to impede the efficacy of accounting practices in emerging markets (Hail et al., 2022). This finding aligns with the assertions made by Nobes and Stadler (2015), who contend that the process of IFRS convergence rarely yields consistent outcomes due to the presence of variations in regulatory frameworks, the quality of enforcement mechanisms, and the presence of cultural predispositions. Therefore, despite the structural similarities between FSAS and IFRS, the practical implementation of IFRS would differ from that of FASB in the United States. This is due to the close monitoring of FASB in the United States.

Theoretically, this study facilitates the integration of positive and normative accounting theory in empirical research. Positive and normative theories are exemplified by the following theories. Positive theory elucidates the actions of firms and managers in choosing accounting policies that align with their preferences, while normative theory prescribes the ideal practices of transparency and accountability. This research demonstrates that these two viewpoints are not at odds but are dynamically intertwined in experience. For instance, it is conceivable that firms may possess a strategic incentive to determine the selection of accounting policies (positive theory). Nevertheless, the effect of these policies is not directly integrated into the overall quality of reporting, provided that they align with the principles of conceptual accounting (normative theory). This approach facilitates a more comprehensive understanding of the variance in financial reporting outcomes, thereby integrating the theoretical and applied domains of financial communication (Watts & Zimmerman, 1986; Ijiri, 1975).

The results of the study underscore the imperative for regulators and professional organizations to furnish accounting professionals with a robust theoretical and ethical framework. Despite its standardization, this low bar may not guarantee the quality of reporting, particularly if those who implement it lack a comprehensive understanding of the concepts involved and fail to exercise discretion. Given the heterogeneity of these approaches, which is evidenced by the variety of schemes and perceptions regarding the ideal vision of the world, it is recommended that training programs focused on mastering conceptual frameworks, ethical

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reasoning, and judgment sensitization be reinforced across national boundaries. The implementation of these programs would contribute to enhancing the reliability of financial statements on a global scale. As Christensen et al. (2023) and DeGeorge et al. (2021) have previously emphasized, as investors' confidence and transactions continue to become more complex and globalize, capacity building in these areas has become imperative.

5. Conclussion

The present study makes a contribution to the extant literature by depicting an intricate relationship among FSAS and FASB standards and the asymmetric influence of FSAS as against FASB standards on financial reporting quality in the presence of a theoretical symapse and professional judgment. Evidence has been presented indicating that, despite the presence of certain common objectives related to transparency and comparability, the evolution of these two standards is influenced by the precepts of short-term and long-term accounting theories. This influence serves to provide a suitable contextual framework for the establishment and maintenance of these standards. Furthermore, professional judgment is emphasized as a pivotal component that enables accountants to delineate the interpretive domain and recalibrate their practice in accordance with established standards. Furthermore, they underscore that the theoretical underpinnings of such systems are not merely an academic refinement but rather a pragmatic necessity, as it facilitates the harmonization of disparate regulatory frameworks. These are salient considerations in the discourse on global accounting harmonization and standard-setting, underscoring the imperative for convergence to encompass not only technical singularity but also cognitive and ethical dimensions in professional practice. The present study carries profound policy, pedagogical, and practical ramifications. It does so by underpinning the pertinence of a theoretical-oriented and judgment-sensitive process of standard application. This process serves the advancement of high-quality and decision-useful financial reporting.

Author contributions

Contributed reagents/materials/analysis tools: Sumantri Bratakusuma Conceptualization Methodology Formal analysis Data curation Writing – original draft.

Efi Tajuroh Afiah: Conceptualization, Writing – Review & Editing, Supervision, Project Administration, Resources.

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Declaration of availability of data

The datasets used and analysed during the current study are available from the corresponding author on reasonable request. Data sets All data was collected and analyzed by using valid instruments from academic environment.

Conflict of interest

Consent for publication Not applicable Competing interests The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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