School of Accounting

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An Accounting Classification Based on IFRS Practices

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An accounting classification based on IFRS practices

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Abstract

The earliest paper on international classification of accounting systems is one hundred years old. For about 15 years from the late 1960s, many papers on the subject were published. One feature of several classifications is the split of countries into two groups: ‘Anglo’ and continental European. This feature has subsequently been extensively debated in the literature. The classifications were drawn up before the harmonisation efforts of the International Accounting Standards Committee and the European Union had had any effect. This paper prepares a classification based on the accounting policy choices made by the largest listed companies of eight countries in 2008/9. All the companies were using International Financial Reporting Standards (IFRS). The classification of the eight countries by their IFRS practices shows the same two-groups as a classification of national practices drawn up in 1980, despite 30 years of harmonisation.
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Introduction

Classification is a fundamental part of many disciplines. For example, the Mendeleev chart and the Linnaean classification are central to chemistry and biology, respectively. Classifications can also be found in the study of languages,\(^1\) law,\(^2\) economics\(^3\) and politics.\(^4\)

In accounting, classifications of countries can be traced back at least as far as 1911, and they became a major feature of the accounting literature for some years from the late 1960s (see below). Many classifications show ‘Anglo’ countries together and certain continental European countries together.

This paper asks whether a two-group classification (such as that in Figure 1) can still be discerned in the IFRS practices of large listed companies. IFRS offers considerable scope for companies to choose accounting policies, and therefore it allows national profiles of IFRS practice to emerge. For five major countries (Australia, France, Germany, Spain and the UK), these profiles have been reported in the literature (Kvaal and Nobes, 2010).

This paper contributes in two ways. First, it uncovers national profiles of IFRS practices for a further three countries not previously studied in this way (Italy, the Netherlands and Sweden). Then, for the eight countries, a classification of the national profiles is made, revealing that a former two-group classification based on 1980 practices is still relevant. All the eight countries use IFRS, and seven of them are in the EU. That is, after 30 years of harmonisation led by the IASC/B\(^5\) and by the

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1 For example, Bloomfield (1935).
2 For example, David and Brierley (1985).
3 For example, Neuberger and Duffy (1976).
4 For example, Shils (1966).
5 The International Accounting Standards Committee and its successor, the International Accounting Standards Board.
EU, international differences are clearly visible and countries form the same
groupings as they did decades ago, including an Anglo group that contains Australia
(not in the EU) and the UK (in the EU). This paper does not suggest that no
harmonisation has occurred. However, it contributes further evidence that accounting
differences are very deep-seated and resistant to harmonisation over long periods.

**Literature review**

Hatfield (1911) considers the accounting systems of France, Germany, the UK
and the US. He puts France and Germany together, leading to a three-group
classification. Mueller (1967) has four groups, based on proposed major background
influences on accounting. He puts the US and the UK in one of the groups (in which
accounting is seen as an independent discipline). Seidler (1967), Mueller (1968), and
AAA (1977) also examine the influences on accounting that might cause country
groupings. Later studies use data on accounting rules or practices to create
classifications. Such papers include da Costa *et al.* (1978), Frank (1979), Nair and
Frank (1980), Nobes (1983), Doupnik and Salter (1993) and d’Arcy (2001), as
discussed further below.

Gray (1988) and Roberts (1995) note that these classifications can be split
between extrinsic (based on influences on accounting) and intrinsic (based on
accounting itself). Sometimes, the intrinsic classifications are based on an uneasy
mixture of rules and practices, or are based on inaccurate data on rules or practices

One sustained debate has been about whether the two-group classification
(Anglo versus continental European) can be substantiated. Against such a
favour are Mueller (1967), Nobes (1983), and Doupnik and Salter (1993). A
summary of reasons suggested for why those against a two-group classification do not find it is as follows: they concentrate on non-representative accounting (i.e. on the consolidated statements of a few large companies in continental Europe), or they concentrate on the regulatory system rather than on accounting practices, or they use erroneous data.

A note on the Netherlands is needed because it has created problems for classifiers. Da Costa et al. (1978) find that the Netherlands is unusual and cannot be classified. Frank (1979) puts the Netherlands in a US group, but Nair and Frank (1980) using a sub-set of the same data put the Netherlands in a UK group. Figure 1 (from Nobes, 1983) shows the Netherlands as an outlier of the Anglo group. Parker (1991, p.229) describes Dutch accounting as ‘sui generis’. D’Arcy (2001), using more recent data, shows the Netherlands in a continental group but outside its core. It is therefore difficult to create a clear hypothesis concerning the position of the Netherlands.

In practice, much empirical literature on other accounting topics starts from the point that there is a two-group classification, in many cases based on the similar common law/code law split (e.g. Guenther and Young, 2000; Hung, 2000; Ali and Hwang, 2000; Ball et al., 2000; Hope, 2003; Barniv et al., 2005). The Netherlands is usually included with continental Europe in such studies.

Nobes (2008) asks whether the old classifications are still relevant in the IFRS world, concluding that they could be for several reasons. First, most accounting in

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6 Cairns (1997) illustrates his argument by reference to a few large German companies, which were certainly moving away from traditional German practices by the middle of the 1990s. However, this only related to those few companies and only to their consolidated statements.

7 Nobes (2003) suggests that this is the case in Alexander and Archer (2000).

8 Nobes (1981 and 2004) examines this in detail.

9 For example, in the EU, IFRS is only compulsory for the consolidated statements of listed companies. In Italy, for instance, this is a few hundred companies out of hundreds of thousands. In some EU countries, IFRS is allowed for other purposes, but is not yet majority practice.
most countries continues to be based on national rules. Also, other characteristics can be used for the classification (e.g. whether countries mandate, allow or ban IFRS for unconsolidated financial statements). One other suggestion was made, which is investigated in this paper: are there national versions of IFRS practice that can be put into groups?

Kvaal and Nobes (2010, hereafter K&N) show that, for five major stock markets (Australia, France, Germany, Spain and the UK), the IFRS practices of large listed companies continue pre-IFRS national traditions. This is possible because of flexibility within IFRS. The result is the existence of distinct national profiles of IFRS practices. K&N studied 2005/6 financial statements, but Nobes and Kvaal (2010) confirm the persistence of these national profiles through to 2008/9.

**Hypothesis and choice of countries**

This paper investigates whether the old two-group classification (as in Figure 1) can still be seen even in the recent IFRS practices of large listed companies. If there is scope for pre-IFRS practice to affect choices of IFRS policies (Nobes, 2006; K&N) and if EU harmonisation of accounting had worked well, then one might no longer expect to see EU countries on different sides of a two-group classification of the predominant IFRS practices of their companies. One might certainly expect the UK to be grouped with other EU countries rather than with Australia. However, there are important national forces that might survive both EU and IFRS attempts at harmonisation. Nobes (1998) analyses the deep-seated effects on accounting of different financing, tax and legal systems. For example, it is suggested that a country that has few listed companies whose ownership is widespread will not need financial reporting that focuses on helping users to predict cash flows and will, instead, tend to
align financial reporting with tax calculations. Ball (2006, p.15) notes, concerning IFRS practice, that:

the incentives of preparers (managers) and enforcers (auditors, courts, regulators, boards, block shareholders, politicians, analysts, rating agencies, the press) remain primarily local.

We, therefore, hypothesise that the two-group classification of Figure 1 will still be found in the 2008/9 accounting policy choices made by companies using IFRS.

The method of choosing the countries for investigation here begins with the 14 countries of Figure 1. K&N investigated the IFRS practices of companies in the five IFRS-using countries with the largest stock markets. All of these are in Figure 1. Of the other countries in that figure, we cannot yet add Canada, Japan and the USA for this study of IFRS practices because there is no IFRS data. We propose to add the next three largest IFRS-using capital markets of Figure 1: Italy, the Netherlands and Sweden.\textsuperscript{10} By doing this, we ensure that all seven of the “families” of Figure 1 are represented. The only IFRS-using countries of Figure 1 that are excluded from this study are Belgium and Ireland, which have few\textsuperscript{11} listed companies of the same size as those examined here for the other countries.

Our study, then, includes eight countries. Of these, seven (i.e. all but Australia) are in the European Union (including the largest four of the original six EU members, plus the UK which joined in 1973, Spain which joined in 1986, and Sweden which joined in 1995). All seven had implemented the main EU accounting

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\textsuperscript{10} By market capitalisation; see World Federation of Stock Exchanges at www.world-exchanges.org/statistics.

\textsuperscript{11} There are only 12 Belgian companies and 2 Irish companies of matching size (see the section on ‘Data and methodology’ below).
harmonisation measures (the Fourth and Seventh Directives on company law) by 1995.\textsuperscript{12}

The use of the largest companies and of 2008/9 data should provide the strongest test for the hypothesis, for the following reasons. Our expectation is that the largest companies are the most likely to be affected by international influences and therefore the least likely to conform to national traditions. Also, Nobes and Kvaal (2010) show that the influence of nationality on IFRS practices had slightly decreased from 2005/6 (mostly a transition year) to 2008/9. So, if there is a two-group classification for the largest companies in 2008/9, we are confident that it would be found for the generality of companies and for 2005/6.

\textbf{Data and methodology}

K\&N studied company choices on all 16 of the IFRS policy options for which they concluded that the choice was observable. This included nine presentation topics and seven measurement topics. K\&N note that some topics are more important than others, but that they all contribute towards answering the question whether pre-IFRS national practices continue under IFRS and whether IFRS practice on any topic is significantly different across countries. K\&N do not add the topics together, so weighting is not an issue.

By contrast, for classification, the issue of weighting is important. It is discussed by Nobes (1981) and by d’Arcy (2004). It can be argued that measurement topics are more important than presentation topics. It is proposed here to delete three presentation topics from K\&N’s list: (i) whether a balance sheet shows an increasing or a decreasing liquidity order, (ii) whether an income statement includes a line for ‘operating profit’, and (iii) the position of dividends received in a cash flow statement.

\textsuperscript{12} Spain implemented with a law of 1989, Italy in 1991 and Sweden in 1995.
The remaining 13 policy topics are shown in Table 1; the first six relating to presentation, and the next seven to measurement. However, we check for robustness by adding some of these topics back, as explained later.

The issue of weighting still remains. All the classification studies use equal weightings because of the difficulty of justifying any other approach. Nevertheless, it is obvious, in previous papers, that some topics are much less important than others. Here, an attempt has been made to exclude the least important topics, so equal weighting is more defensible.

Nair and Frank (1980) usefully separate measurement practices from disclosure practices. This is more problematic here because it reduces the number of topics in each of the two categories to fewer than regarded as suitable for separate statistical tests. However, we investigate the results of separating measurement from disclosure under “Robustness” below.

For the five countries studied by K&N, we use the data collected by Nobes and Kvaal (2010) from the 2008/9 financial statements of the largest listed companies. For the three countries added here, we again choose the largest listed companies by taking all the companies in the Financial Times ‘Europe 500’ at 31.3.2009. This means 29 Italian companies, 18 Dutch and 26 Swedish. Two Italian companies are then deleted because one uses US GAAP and another is a subsidiary. For the remaining total of 71 companies from the three countries, we hand pick data on the IFRS options from the financial reports for the year ended 31 December 2008 or nearest after.

In all, the sample is 261 IFRS financial statements. Table 2 shows the composition of the sample companies by country and sector. Some of the companies in our sample are in financial sectors. We follow K&N by including such companies
but only for certain policy topics. For example, we exclude financial companies from our data on cash flow statements because these companies have different rules from others. Table 1 shows which topics are excluded for financial companies.

The sectoral distribution recorded in Table 2 shows a broad spread of industries for all the countries. K&N asked whether the dominance of particular sectors might affect the profile of policy choices in particular countries. Apart from the sector-specific practices of financial companies, they found no effect of sectoral mix on national profiles of IFRS practices. As noted above, we exclude financial companies for those topics for which idiosyncratic practices are apparent.

Frank (1979) and Nair and Frank (1980) use principal component analysis (factor analysis) in order to reveal groupings of countries that have similar accounting according to a database of accounting rules and practices. The results were checked by using multi-dimensional scaling. D’Arcy (2001) uses a different database and applies cluster analysis and produces dendrograms. She also uses multi-dimensional scaling. All three approaches will be used in this paper. Gordon (1981) gives a good overview of these various techniques.

**Results**

*IFRS choices*

Table 3 shows, by country, the percentages of companies that chose particular IFRS options. Inspection reveals wide variation among the countries. Long-running traditions continue, such as: (i) the use of a by-nature income statement in Italy and Spain (topic 2), (ii) the willingness to depart from historical cost in the Netherlands (topics 7, 8 and 9), (iii) the use of the weighted average method for inventory costing in Germany, Italy and Spain (topic 11), and (iv) the use of proportional consolidation in France and Spain (topic 13). As explained earlier, K&N show, for five of the
countries, that the differences between these national patterns are highly statistically significant.

For most of the 13 topics, data is available for all companies studied. However, there is very limited data\textsuperscript{13} for some countries on one topic: the measurement of investment properties (topic 8 in Tables 1 and 3). Therefore, for some purposes below, we report on results using only the remaining 12 topics. We discuss the issue further below under “Robustness”.

*Principal component analysis*

Principal component analysis (sometimes called ‘factor analysis’) processes the data in order to look for ‘components’ that are selections of practices with different weights that best explain the variance between the objects of study (in this case, countries). Kim and Mueller (1978) and Hutcheson and Sofroniou (1999) set out the procedures.\textsuperscript{14} Having identified the principal components, the approach then focuses on those that explain the greatest variance. In particular, it is common to select those that have eigenvalues\textsuperscript{15} greater than one. In this case, three such components were identified, explaining 85\% of the variance.\textsuperscript{16} As an example, component 2 (on which Australia and the UK load highly) contains several of the choices of Table 1: a focus on net assets, the use of the SORIE (including for actuarial gains and losses), the use of fair value, and the lack of use of proportional consolidation.

\textsuperscript{13} For example, only 3 Swedish and 4 Dutch companies disclosed an accounting policy on this issue.

\textsuperscript{14} For a useful explanation, see, also http://www.faculty.chass.ncsu.edu/garson/PA765/factor.htm (accessed 4 April 2010).

\textsuperscript{15} Eigenvalues are a set of scalars associated with a linear system of equations (i.e. a matrix equation). They are also known as quadratic roots, characteristic values, proper values or latent roots.

\textsuperscript{16} This is for 12 topics; 84\% for 13 topics.
Then, each country is assigned to the component on which it loads the greatest.\footnote{After varimax rotation.} Table 4 shows the component scores for the countries (using 12 topics). As may be seen, there are two groups: ‘continental’ countries exhibit component 1, ‘Anglo’ countries component 2, with Sweden as an outlier. The UK is nearer to the continental group than Australia is. Germany is the nearest continental country to the Anglo group.

Sampling adequacy is checked by a Kaiser-Meyer-Olkin measure which can take values of 0 to 1. In this case, the score is 0.74, which is fairly good (Hutcheson and Sofroniou, 1999).

**Cluster analysis**

Nobes (1983) and d’Arcy (2001) use cluster analysis. Following d’Arcy, we use the method of average linkage between groups. The process first identifies the congruence in policies between each pair of countries. It identifies the most similar pair, in this case Germany and France. It then fuses these two together as a single unit and looks for the next nearest pairing. The result\footnote{For the 13-topic solution. A similar picture emerges for the 12-topic solution.} is shown as Figure 2. The vertical branching lines rise as each new country is added, showing increasing dissimilarity. In this case, Italy, the Netherlands and Spain are gradually added to Germany and France. Meanwhile, Australia and the UK form their own pair. Lastly, Sweden joins the fused continental group.

**Multidimensional scaling**

Both Frank (1979) and d’Arcy (2001) check their results with multidimensional scaling. This method represents data as a configuration of points in two dimensions. It does not automatically produce clusters but gives a graphical representation of the distances between the countries: ‘When the data have not been
forced into clusters, the observer can assess better whether clusters exist.’ (Cormack, 1971, p.340).

Figure 3 shows the result for the ‘modern’ non-metrical solution using two dimensions (Gordon, 1981, ch. 5). Again the two-group classification is clear, with Germany and the Netherlands nearer than other continentals to the Anglo group. Very similar pictures result from the ‘classical’ metric solution. According to the Mardia measure of goodness of fit, 93.0% of the variation is explained\(^{19}\) by the two dimensions.

Robustness

The above three classification methods were run again after adding back the presentation issues relating to the income statement and balance sheet that had been excluded on grounds of limited importance (see previous section). The basic conclusions were the same.

We also tried three further robustness checks. As reported above, we tried eliminating topic 8 because there was little data on it for some countries. There was little effect; various footnotes record the small differences in statistics for 12 topics as opposed to 13 topics. Secondly, we ran the models using only the seven “measurement” topics of Table 3. Here, again, the results show Australia and the UK together. This time, the Netherlands and Sweden are also shown together, driven partly by their high scores for the use of fair value on topic 8 which rests on data from very few companies. We also tried running all the models without Sweden, which shows some outlier features. This did not alter the classification of the remaining seven countries.

\(^{19}\) For the classical solution with 13 topics; 93.9% for 12 topics.
Synthesis

The three statistical techniques come to the same conclusion. The IFRS practices of very large companies show a two-group classification: Anglo and continental European. The Netherlands is not in the Anglo group, although its practices do stand out on certain issues. Dutch, German and Swedish practices are the nearest continental ones to the Anglo group. Australian practices are furthest from the continental group.

Conclusions

Using somewhat informal data, based largely on the practices of companies in 1980, Nobes (1983) proposed a classification of the accounting systems of 14 countries (shown here as Figure 1). The first split of countries was into two groups. That classification was drawn up before any of the EU’s Directives on accounting had been implemented and before any company in any of the countries considered here had adopted IFRS.

We ask whether it is possible to discern the same classification after 30 years of harmonisation efforts by the EU and the IASC/B. Of the 14 countries of Figure 1, we remove the three not yet using IFRS, then take those with the eight largest capital markets; meaning that only two small IFRS-using countries are excluded. We then put hand-picked data on 2008/9 IFRS policy choices into a series of statistical classification techniques.

The data used here relate to accounting itself rather than to influences on accounting (e.g. as in Mueller, 1967 and 1968) or to regulatory systems (e.g. as in Alexander and Archer, 2000). The data measure accounting practices rather than

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20 The measures in Nobes (1983) were not based directly on a formal sample of company practices but on rules and observed general practices in the country concerned.
accounting rules (d’Arcy, 2001) or a mixture of rules and practices (da Costa et al., 1978; Frank, 1979; Nair and Frank, 1980).

All the statistical techniques lead to the same conclusion: Anglo and continental European groups can be discerned in the IFRS practices of very large companies. We explain earlier why this is likely to be the case, a fortiori, in earlier periods or for smaller companies. We conclude that our findings add to the evidence that accounting practices flow from deep-seated and long-lasting national influences. Therefore, the practices are resistant even to sustained attempts at international harmonisation. The Netherlands is shown here in the continental group (though not centrally), and it had always been difficult to classify. As shown in the 1980 classification of Figure 1, Sweden is in the continental group, but noticeably different from the rest.

Some limitations of our study are that we look at only the largest listed companies and only for the latest year available when the data was collected. However, as explained, we believe that this represents the toughest test. Other researchers could extend the study and add more countries. We admit that equal weighting of topics is arbitrary, although we have eliminated cosmetic topics. It might be possible for other researchers to gather data on other important accounting topics that are less easy to measure (e.g. the tendency to make impairments or to capitalise development costs).

We do not suggest that there has been no harmonisation in 30 years. On major topics, IFRS practice is more standardised than previous international practices were, e.g. LIFO has been banned, all subsidiaries are consolidated, and finance leases are capitalised. However, for many topics, national patterns have continued, and groupings of countries are still in place. As mentioned, we have excluded data on
several cosmetic issues that also show these patterns and groupings. We believe that the patterns would also exist for important topics that cannot easily be measured.
References


Figure 1. A suggested classification of accounting ‘systems’ in some developed western countries in 1980

Notes:  
1 This is an abbreviated term for corporate financial reporting. 
2 These terms, borrowed from biology, should be interpreted merely as loose labels. 
3 The terms at these and other branching points are merely labels to be used as shorthand to try to capture some of the attributes of the members of the accounting systems below them. This classification has been prepared by a UK researcher and may contain usage of terms that will mislead those from other cultures.

Table 1  IFRS policy options

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1*</td>
<td>(a) balance sheet shows assets = credits</td>
<td>(b) focusing on net assets</td>
</tr>
<tr>
<td>2*</td>
<td>(a) income statement by function</td>
<td>(b) by nature</td>
</tr>
<tr>
<td>3*</td>
<td>(a) equity accounting profit in ‘operating’ below</td>
<td>(b)</td>
</tr>
<tr>
<td>4</td>
<td>(a) Statement of Changes in Equity</td>
<td>(b) SORIE, excluding owner transactions</td>
</tr>
<tr>
<td>5*</td>
<td>(a) direct operating cash flows</td>
<td>(b) indirect</td>
</tr>
<tr>
<td>6*</td>
<td>(a) interest paid as operating cash flow as financing</td>
<td>(b)</td>
</tr>
<tr>
<td>7</td>
<td>(a) only cost for PPE</td>
<td>(b) some fair value</td>
</tr>
<tr>
<td>8</td>
<td>(a) investment property at cost</td>
<td>(b) at fair value</td>
</tr>
<tr>
<td>9*</td>
<td>(a) some financial assets designated at fair value not</td>
<td>(b)</td>
</tr>
<tr>
<td>10</td>
<td>(a) capitalisation of interest on construction</td>
<td>(b) expensing</td>
</tr>
<tr>
<td>11*</td>
<td>(a) FIFO for inventory cost</td>
<td>(b) weighted average</td>
</tr>
<tr>
<td>12</td>
<td>(a) actuarial gains/losses to SORIE corridor, or to income in full</td>
<td>(b)</td>
</tr>
<tr>
<td>13</td>
<td>(a) proportional consolidation of joint ventures</td>
<td>(b) only equity method</td>
</tr>
</tbody>
</table>

* = Non-financial companies only.
**Table 2 Country and sector* distribution**

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>UK</th>
<th>Germany</th>
<th>France</th>
<th>Spain</th>
<th>NL</th>
<th>Italy</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Oil and gas</td>
<td>3</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>1 Basic materials</td>
<td>5</td>
<td>10</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2 Industrials</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>3 Consumer goods</td>
<td>1</td>
<td>9</td>
<td>6</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>4 Health care</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>5 Consumer services</td>
<td>6</td>
<td>22</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>6 Telecommunications</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>7 Utilities</td>
<td>1</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>8 Financials</td>
<td>16</td>
<td>21</td>
<td>7</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>9 Technology</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40</strong></td>
<td><strong>85</strong></td>
<td><strong>30</strong></td>
<td><strong>34</strong></td>
<td><strong>28</strong></td>
<td><strong>17</strong></td>
<td><strong>27</strong></td>
<td><strong>26</strong></td>
</tr>
</tbody>
</table>

* Sectors according to Industry Classification Benchmark.

**Table 3 Policy choices (percentages of companies by country), 2008/9**

<table>
<thead>
<tr>
<th></th>
<th>Aus</th>
<th>UK</th>
<th>Ger</th>
<th>Fra</th>
<th>Spa</th>
<th>NL</th>
<th>Ita</th>
<th>Swe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (b) focussing on net assets</td>
<td>100.0</td>
<td>85.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>14.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>2 (a) income statement by function</td>
<td>58.3</td>
<td>82.1</td>
<td>82.6</td>
<td>62.1</td>
<td>4.8</td>
<td>50.0</td>
<td>7.1</td>
<td>95.0</td>
</tr>
<tr>
<td>3 (a) equity profit in ‘operating’</td>
<td>68.8</td>
<td>42.6</td>
<td>22.7</td>
<td>10.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>93.3</td>
</tr>
<tr>
<td>4 (b) SORIE only</td>
<td>67.5</td>
<td>90.6</td>
<td>36.7</td>
<td>14.7</td>
<td>32.1</td>
<td>41.1</td>
<td>18.8</td>
<td>23.1</td>
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<td>100.0</td>
<td>100.0</td>
<td>87.5</td>
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<td>65.1</td>
<td>68.2</td>
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<td>11.1</td>
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<td>70.8</td>
<td>5.3</td>
<td>14.3</td>
<td>13.3</td>
<td>75.0</td>
<td>5.6</td>
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<td>9 (a) some fair value designation</td>
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<td>17.4</td>
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<td>19.0</td>
<td>75.0</td>
<td>12.5</td>
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<td>57.7</td>
<td>41.7</td>
<td>44.4</td>
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<td>50.0</td>
<td>88.2</td>
<td>41.7</td>
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<td>86.4</td>
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<td>63.2</td>
<td>31.3</td>
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<td>20.0</td>
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<td>91.3</td>
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Table 4  Component scores by country

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<th>Component 3</th>
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<td>0.6978</td>
<td>-0.1803</td>
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<td>0.2548</td>
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<td>-0.0551</td>
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<td>Ita</td>
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<td>-0.0173</td>
<td>-0.0342</td>
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Figure 2  Dendrogram of two-cluster solution
Figure 3 Multidimensional scaling of two dimensions