

# International GAAP Differences: The Impact on Foreign Analysts

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*The Accounting Review* (2008) 83 (3): 593–628.

<https://doi.org/10.2308/accr.2008.83.3.593>

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This paper investigates the relation between differences in accounting standards across countries and foreign analyst following and forecast accuracy. We develop two measures of differences in generally accepted accounting principles (GAAP) for 1,176 country-pairs. We then examine the impact of these measures of accounting differences on foreign analysts. In so doing, we utilize a unique database that identifies the location of financial analysts around the world, creating a sample that covers 6,888 foreign analysts making a total of 43,968 forecasts for 6,169 firms from 49 countries during 1998–2004. We find that the extent to which GAAP differs between two countries is negatively related to both foreign analyst following and forecast accuracy. Our results suggest that GAAP differences are associated with economic costs for financial analysts.

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**Print ISSN:** 0001-4826 **Online ISSN:** 1558-7967

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