IFRS for SMEs in developing and developed economies: Early evidence from Albania and the UK

Sonila Gkorou

A thesis submitted for the degree of Doctor of Philosophy

Brunel Business School
College of Business, Arts and Social Sciences
Brunel University London

July 2018

Dedicated to Byron and Danae

Table of Contents

List of Tables

List of Figures

Table of Abbreviations

ACCA	Association of Chartered Certified Accountants
ASB	Accounting Standards Board
ASC	Accounting Standards Committee
ASSC	Accounting Standards Steering Committee
DP	Discussion Paper
EC	European Commission
ED	Exposure Draft
EEC	European Economic Community
EFRAG	European Financial Reporting Advisory Group
EU	European Union
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FRSSE	Financial Reporting Standard for Smaller Entities
GAAP	Generally Accepted Accounting Principles
HMRC	Her Majesty's Revenue and Customs
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IFRS	International Financial Reporting Standard
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-Sized Entities
IMF	International Monetary Found
IACAA	Institute of Authorised Chartered Auditors of Albania
INSTAT	Albanian Institute of Statistics
NAC	National Accounting Council
NAS	National Accounting Standards
NINAS	New Improved National Accounting Standards
PBE	Public Benefit Entities
SMEs	Small and Medium-Sized Entities
SSAP	Statements of Standard Accounting Practice
SORP	Statement of Recommended Practice
UK	United Kingdom

Acknowledgments

I would like to express my very great appreciation to my supervisors, Dr Jill Collis and Professor Robin Jarvis, for giving me the opportunity to pursue my doctoral degree and for their invaluable help, encouragement, inspiration, support, empathy and patience throughout the process. Their excellent supervision, guidance, expertise and valuable advice were constant until completion.

I would like to acknowledge the great opportunity given by the Association of Chartered Certified Accountants (UK) to distribute my questionnaire to their members. I would also like to offer my special thanks to Professor Jorgji Bollano and to Professor Hannu Ojala for their help and guidance.

I am indebted to all interviewees in both countries and to the questionnaire respondents in the UK who contributed their valuable time to participate in this study. This thesis would have not been feasible without their help and collaboration.

My special thanks go to my friends and colleagues for their help and support throughout this study. I would also like to express my deep gratitude to my family, especially my parents, for their loving and unconditional support. Lastly, I would like to express my sincere love and affection to my children, Byron and Danae, for providing me with the highest motivation to set goals and achieve them.

Abstract

This thesis examines the motives upon the adaption of the *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs) applicable to non-publicly accountable entities in Albania, as an example of a developing country, and in the UK, as an example of a developed one. It also examines and investigates the impact of such decision for eligible entities, preparers and users of financial information in both countries.

Semi-structured interviews with key stakeholders were conducted in Albania consisting of representatives of the national standard setter and the Ministry of Finance, accountants, auditors and lenders. The interview data consisted of 30 interviews which were analysed thematically. In the UK, a thematic analysis of the minutes of the national standard setter's meetings, comment letters on the public consultation on the future of UK GAAP, and the tax authority's blog, together with an interview with a representative of the tax authority. In addition, maximum likelihood statistical analysis was performed on the data collected from an online survey of 509 UK members of the ACCA using the adapted IFRS for SMEs.

The results in both countries reveal coercive, normative and mimetic pressures affecting the decision of adapting the IFRS for SMEs for non-public accountable entities in Albania and the UK. Larger entities in both countries find the application of the standard simpler and less costly than the smaller ones. There are differences in the way the profession perceives the costs and benefits in Albania and the UK. However, even at this early stage, benefits for eligible entities have been identified in both countries. Finally, the results provide evidence of increased agency costs for the users of financial reporting in both countries.

To the author's knowledge, this is the first study investigating the impact of using international financial reporting for non-publicly accountable entities after the implementation of the adapted IFRS for SMEs in the context of developing and developed countries. The study contributes to the emerging literature by extending our knowledge of reasons and motivations that influence the decision to use the standard as the basis for financial reporting in both developing and developed economies and the impact of this decision on the reporting entities, preparers and users. The results should be of interest to national regulators in both countries and in other developing and developed economies planning to use the IFRS for SMEs. They will also be of interest to the IASB.

Chapter 1. Introduction

1.1 Background to the study

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) is designed by the International Accounting Standards Board (IASB) to meet the needs of non-publicly accountable entities in any developing or developed country (IAS Plus, 2009). This thesis examines the motives upon the adaption of the IFRS for SMEs applicable for non-publicly accountable entities in Albania, as an example of a developing country, and in the UK, as an example of a developed one. It also examines and investigates the costs and benefits occurring during the implementation of the standard in both countries.

Albania is a small continental European country planning to join the European Union. It went through Ottoman's Empire military occupation (1478-1912) (Chekrezi, 1919) and after the World War II succumbed to a communist central economy regime until 1991 (Duka, 2007). Double-entry bookkeeping started being used by the end of the 19th century, but it was concentrated only in state accounting (Haxhi, 2013). The accounting profession had no development under communism and code-law jurisdiction (Haxhi and Ziu, 2006). The Albanian Stock Exchange was established after the fall of communism, during the transition period, in 1996, but still not operating (TSE, 2017). The efforts of the country towards the European Union membership were accompanied by radical changes in both accounting regulation and profession. Hence, since 2006 foreign companies operating in Albania and quoted on foreign stock exchange markets, banks and financial institutions should apply full IFRSs (NAC, 2014). The rest of the entities were obligated to apply National Accounting Standards (NAS) (NAC, 2014).

On the other hand, the UK is the country where the industrial revolution started in the 18th century and it is one of the first countries where large enterprises were organised as corporations, ownership interests were traded on stock market – which operates since 1698 and nowadays is one of the most important financial institutions in the world – and ownership was separated from managerial control (Bryer, 1993; Napier, 2010; McCartney and Arnold, 2012). Double-entry bookkeeping has been used since the 16th century (Edwards, 1989) with a great influence from strong accounting profession organisations operating under a common-law jurisdiction (Parker, 2000; Napier, 2010). The UK has been a member of what became the European Union (EU) since 1972 and, like all other Member States, is obliged to incorporate the requirements of the relevant Directives issued by the European Parliament and Council (Collis, Jarvis and Skerratt, 2017). Hence, in 2005 EU-adopted International Financial Reporting Standards (IFRSs) were required for listed group companies 2005, while other reporting entities continued to use national accounting standards (Collis, Holt and Hussey, 2017). These included the Financial Reporting Standard for Smaller Entities (FRSSE), which could be used by non-publicly accountable companies that qualify as "small" under the Companies Act 2006 (Collis, Holt and Hussey, 2017).

The IFRS for SMEs was first issued by the IASB in 2009 and an updated and revised version was issued in 2015 (IFRS Foundation, 2018). It is designed to meet the needs and capabilities of SMEs, which account for over 95% of companies around the world (IAS Plus, 2009). Jurisdictions adopting it can decide which of their non-publicly accountable entities should use it. Therefore, the standard does not provide a definition of the term "SME" used in the title, but explicitly states that it cannot be used by listed entities or financial institutions. Nevertheless, the adapted version of IFRS for SMEs in both Albania and the UK (New Improved National Accounting Standards (NINAS) and Financial Reporting Standard 102 (FRS 102) respectively) can only be used by non-publicly accountable entities. Therefore, this thesis focuses on non-publicly accountable entities in these two countries and the term "SMEs" is used to refer to the non-publicly accountable entities.

As the offices for national statistics in both countries do not provide figures for the economic performance of non-publicly accountable entities, this study uses data on SMEs as a proxy to illustrate the importance of non-publicly accountable entities to the economies of Albania and the UK. However, it should be stated that the figures provided for SMEs also include general partnerships and sole proprietorships. Latest statistics in Albania and the UK show that the percentage of SMEs operating in each country accordingly exceeds 99% of the total entities (99.9% in Albania and 99.3% in the UK) (INSTAT, 2016; BEIS, 2017). Considering these figures, SMEs play a very important role in the economies of both countries. Specifically, 81% of all employees in Albania are employed by SMEs, almost 78% of the turnover and 75% of all investments in the country are generated from these entities (INSTAT, 2016). Furthermore, 60% of all private sector employment and 51% of total private sector turnover in the UK is realised by SMEs (BEIS, 2017).

The IFRS for SMEs is a single, self-contained standard designed to meet the needs of non-publicly accountable entities which publish general purpose financial statements for external users (IASB, 2009a). It was developed over a period of five years and is based on full IFRSs with significant adjustments and simplifications made after considering the costs and benefits to the entities within its scope. Specifically, some of the accounting treatments permitted under full IFRSs have been removed, such as earnings per share and segment reporting. Furthermore, topics and disclosure requirements which are not relevant to non-publicly accountable entities have been eliminated, such as the revaluation model for property, plant and equipment and intangible assets (Deloitte, 2010). In addition, the requirements for recognition and measurement have been simplified and their volume has been reduced by more than 90% compared to full IFRSs (Deloitte, 2010).

Currently, there are 86 jurisdictions where the IFRS for SMEs is either permitted or required and 11 jurisdictions where the standard is under consideration (IFRS Foundation, 2018). Albania is one of the jurisdictions considering adopting the standard (IFRS Foundation, 2016). However, before the adoption the country is going through an adaption stage where the National Accounting Council (NAC) in collaboration with the World Bank has reviewed the National Accounting Standards (NAS) and has aligned them with the IFRS for SMEs to meet the needs of the non-publicly accountable entities operating in the Albanian business environment (IFRS Foundation, 2016). These new improved NAS (NINAS) have been implemented as mandatory since 1 January 2015 (NAC, 2014). In the UK, the Financial Reporting Council (FRC) withdrew all the previous national accounting standards and from 1 January 2016 all Financial Reporting Standards (FRSs) have been based on EU-adopted IFRS or adapted from the IFRS for SMEs. Significant modifications to the IFRS for SMEs were necessary because the standard has not been adopted for use in the EU and some amendments were necessary to ensure continued consistency between UK company law (which incorporates EU Directives) and the financial reporting framework (Collis et al., 2017). The adapted version of the IFRS for SMEs in the UK was issued as FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* in 2013. It became applicable from 1 January 2015 and can be used by any non-publicly accountable entity. Small entities can choose to use Section 1A of the standard (FRC, 2014).

1.2 Rationale for the study

Substantial attention has been paid by academics to simplified accounting standards for SMEs due to the increased complexity of accounting standards the last decades. Although there are several academic studies on SMEs' financial accounting and/or the application of the IFRS for SMEs in different jurisdictions (for example, Evans et al., 2005; Sian and Roberts, 2008; Di Pietra et al., 2008; Quagli and Paoloni, 2012), some were conducted before the IFRS for SMEs had been issued and this body of research is considered as limited (Mkasiwa, 2014).

Secondly, most prior research has focused on the possible application of the standard in different jurisdictions and the potential costs and benefits of its implementation for the entities eligible to use it. Hence, the majority of previous studies were conducted before the adoption or adaption of the standard in any of the research settings and many of the researchers acknowledge the fact that their results might change if the standard is implemented in those countries (for example, Zuelch and Burghardt, 2010; Litjens et al., 2012; Albu et al., 2013).

Thirdly, previous studies conducted in some of the countries which have proceeded with the adoption of the standard mainly focus on the difficulties faced by the profession during its implementation, ignoring the perceptions of other parties involved in the process and the motives behind the decision of adopting the IFRS for SMEs. Therefore, there is a need to obtain a better understanding of the actual costs and benefits which accompany the implementation the IFRS for SMEs for both entities and users. Nevertheless, prior research suggests that many developed countries adopted an unfavourable stance towards the IFRS for SMEs, while many emergent economies took a more positive attitude, hoping to improve financial reporting quality and attract foreign investment (Quagli and Paoloni, 2012; Kaya and Koch, 2015). Therefore, there is a need to obtain a better understanding of the factors that influenced the decisions to adapt the IFRS for SMEs in Albania and the UK as examples of developing and developed countries respectively (Albu et al., 2013; Chand et al., 2015).

This study contributes to the literature by extending the sample and the results of previous research. It provides evidence on the factors that influence the decision to adapt international financial reporting for non-publicly accountable entities and on the impact that such a decision has on the accountancy profession, eligible entities, tax authorities and lenders in both developing and developed countries. In addition, the findings will be of interest to national regulators and standard setters in both Albania and the UK and other countries, both developing and developed, especially the ones interested in simplifying financial accounting requirements of SMEs. Furthermore, the findings will be of interest to the IASB, since differences between developed and developing countries may call for a different approach to be followed.

1.3 Aims and objectives

This study is undertaken during the use of the adapted IFRS for SMEs for non-publicly accountable entities in Albania and the UK. The purpose is to provide insights on the reasons that the national standard setters in both countries proceeded with the alignment of their national accounting standards with the IFRS for SMEs and on the costs and benefits deriving from such a decision in each country For the case of Albania, costs and benefits are examined from the views and perceptions of the standard setter, the regulator, the profession (accountants/auditors) and the lenders as users of the financial statements prepared using the new improved NAS. While for the case of the UK, costs and benefits are examined through the views and perceptions of accountants and auditors who prepare or audit accounts for non-publicly accountable entities using FRS 102.

The specific aims of the study are:

1. To examine the reasons for adapting the IFRS for SMEs in Albania and the UK
2. To investigate the challenges and the costs faced by the accountancy profession and the eligible entities in both countries
3. To investigate the benefits of the adaption for the accountancy profession and eligible entities in both countries
4. To investigate the impact of the adaption of the standard on tax authorities and lenders in both countries
5. To contribute to the global debate on the adoption/adaption of the IFRS for SMEs.

These aims form the basis of the following research questions:

1. What are the reasons for basing national accounting standards for non-publicly accountable entities on the IFRS for SMEs in Albania and the UK?
2. What is the impact of the adapted IFRS for SMEs on the accountancy profession and non-publicly accountable entities in Albania and the UK?
3. What is the impact of the adapted IFRS for SMEs on the tax authorities and lenders in Albania and the UK.

1.4 Structure of the remainder of the thesis

Chapter 2 presents an overview of the development of IFRS for SMEs together with a discussion of the evolution of accounting in Albania and the UK. This is followed by the third chapter which reviews the literature, identifies the gaps and develops the theoretical framework for the study and the associated hypotheses for the UK setting.

Chapter 4 describes and justifies the research design and methods used to address the research questions for this study. Interviews with key stakeholders and accountants are used in Albania, while a systematic qualitative analysis of minutes of meetings and comment letters, and a statistical analysis of a questionnaire survey of accountants are used in the UK. This chapter also includes a description and a discussion of the process of the research and justification of the methods chosen.

Chapter 5 presents and discusses the findings from the interviews with the key stakeholders and accountants in Albania. These findings contributed to the development of the questionnaire survey in the UK. The analysis of the UK data is presented and discussed in Chapter 6. This includes the findings from the qualitative analysis of minutes of meetings and comment letters, and the results from the statistical analysis of the survey data with accountants.

The final chapter draws conclusions that include the contribution of the research and the implications of the results. This last chapter also discusses the limitations of the study and offers recommendations for future research.

Chapter 2. IFRS for SMEs and Accounting Evolution in Albania and the UK

2.1 Introduction

This chapter begins with a discussion of the need for the IFRS for SMEs and the IASB's motives for developing such a standard. This is followed by a description of the development process, scope, objectives and main features of the standard, with a brief discussion of the experiences faced by stakeholders in countries where the standard has been adopted. The second and the third parts of the chapter describe the financial accounting and reporting history in Albania and the UK and provide information about non-publicly accountable entities operating in these two countries and their current financial reporting regulatory. The final section of the chapter draws conclusions on the main issues emerging from this part of the literature.

2.2 The IFRS for SMEs

2.2.1 Need for the IFRS for SMEs

As there are no available data on the number of non-publicly accountable entities worldwide, this study uses data on SMEs as a proxy to illustrate the importance of non-publicly accountable entities to the global economy. Taking into account the data provided for SMEs by The Organisation for Economic Co-operation and Development (OECD), SMEs play a significant role in the economy of every country. Considering data reported by this organisation in 2015 and presented in Table 2.1, more than 99% of the entities in different countries appear to be SMEs. It should be mentioned though that these data are based only on the numbers of employees (≤ 250) as they are reported from the national statistics of each country and there is no reference on the accountability of these entities, but this does not undervalue their very high percentage out of the total of entities in each of the countries presented. Furthermore, it has been recorded that SMEs have a great contribution to job creation (Gallaher et al., 1991; Neumark et al., 2008; Ayyagari et al., 2011) and they are also considered very innovative in relationship with products and processes (Edmiston, 2007; Johnson, 2007). Considering this contribution, many governments around the world focus on policies which will enhance and support SMEs growth and development. One of these policies is the simplification of financial reporting requirements which would less the burden of compliance with complex reporting standards applicable for public accountable entities (Devi, 2003).

Table 2.1 also demonstrates the percentages of the SMEs having international trade activities out of the total of entities dealing with international trade in the selected OECD countries in 2015. It shows that in most of the European countries presented, the majority of entities having international trade activities are SMEs. Nevertheless, it has been reported that entities having international trade activities are more in need of a common comparable accounting language (Eierle and Haller, 2009), hence in need of International Financial Reporting Standards. This need has also been identified due to the fact that many SMEs have decided to voluntarily adopt IFRSs and one of the most important factors affecting this decision is that these entities carry out international trade activities (André et al*.,* 2012).

Another significant factor signalling the need of SMEs for international financial reporting is their need for raising finance both domestically (in the countries they operate) and internationally. According to Bruns and Fletcher (2008) SMEs' owners prefer debt as the main method of raising finance to prevent dilution of control form their businesses. Conversely, Brewer (2007) argues that the financial information provided by SMEs is not considered trustworthy from the lenders' perspective and this raises an obstacle to their financing. Adding to this, findings from a study in Germany (Zuelch and Burghardt, 2010) show that German SMEs earn a better credit rating score and better loan deals from German banks if their financial information is provided in accordance with IFRS rather than with German GAAP.

Table 2.1 **SMEs and their international trade activities**

Country	SMEs (%)	International Trade Activities (%)
Austria	99.6	57.1
Canada	99.7	42.3
Czech Republic	99.8	43.5
Denmark	99.7	55.8
Estonia	99.7	81.4
Hungary	99.8	33.7
Italy	99.9	58.0
Latvia	99.7	70.5
Lithuania	99.7	46.3
Luxembourg	99.5	62.3
Norway	99.8	44.0
Poland	99.8	39.5
Portugal	99.9	75.2
Slovak Republic	99.1	24.9
Slovenia	99.7	45.4
Sweden	99.8	33.2
United States	99.4	24.8

Source: OECD (2015)

Furthermore, in 2007 it was reported that the use of full IFRSs was required for all companies independently of their accountability in 79 jurisdictions (IAS Plus, 2007). However, research from developing countries and studies focusing on small and medium non-publicly accountable entities reveal that full IFRSs are not suitable for use by such entities since they are designed for publicly accountable entities (Ram and Newberry, 2017). In addition, it was noticed that after the mandatory adoption of the full IFRSs for all publicly accountable entities of the EU, many of the Member States were discretely trying to align their national GAAPs with the IFRSs (IASB, 2007a). This fact would create problems of comparability of the information provided by these entities both within and across national boundaries. Thus, as the IASB (2007a, p. 10) states "Simply put, in Europe it makes more sense to have one set of accounting standards for SMEs based on IFRSs developed by the IASB rather than 28 different sets. The same is true globally.".

To sum up, the need for International Financial Reporting Standards for SMEs has been acknowledged due to their significance in the global economic development, their international trade and collaboration activities' needs and their needs for raising finance both domestically and internationally. Nevertheless, the IASB (2007a) perceived that few countries in the absence of a national GAAP require SMEs to comply with full IFRSs while it has been acknowledged that full IFRSs are far too complicated to be used from non-publicly accountable entities since they were developed to be used by entities operating in international capital markets (Devi, 2003; Epstein and Jermakowicz, 2007). Finally, a standard for non-publicly accountable entities based on the full IFRSs and developed by the IASB was considered to be more suitable for these entities internationally, rather than different versions of standards based on the full IFRSs and developed by different national standard setters. As a result of the above, the IASB developed the IFRS for SMEs applicable to this type of entities.

2.2.2 Development of the IFRS for SMEs

The IASB was established in 2001 as a standard setter with the main objective of developing a single set of global accounting standards which would offer transparent and comparable information provided by general purpose financial statements (IAS Plus, 2001). The project of developing accounting standards applicable to non-publicly accountable entities was carried forward from the former IASC agenda (IASB, 2009b). However, the discussions did not start until July 2003 (Ram and Newberry, 2017).

In September 2003, the IASB had a meeting with 40 national accounting standard setters from many parts of the world (IASB, 2009b). They were surveyed focusing on two main aims: to investigate what was being done in different jurisdictions to reduce financial reporting burden for SMEs and to reveal the perceptions of the standard setters on what would be done by the IASB for this matter (Pacter, 2004).

A total of 30 responses were received; 27 of the standard setters admitted having disclosure and presentation differences for SMEs in their national GAAP and 24 expressed the positive view that IASB should also provide recognition and measurement differences for these type of entities (Pacter, 2004). The reasons they gave mainly focused on the different groups of users and their different needs that the SMEs have in comparison to publicly accountable entities, the lack of accounting sophistication in SMEs and cost-benefit considerations (Pacter, 2004). Furthermore, 16 of the respondents suggested that if the IASB decides to develop a SME GAAP, it should be presented as a separate, stand-alone document (Pacter, 2004). Following this meeting, the IASB agreed to develop accounting standards for SMEs (Pacter, 2004) and established a working group which would advise the Board on alternatives and solutions to possible problems that might occur during the development process (EFRAG, 2007).

In June 2004, the IASB published the Discussion Paper (DP): *Preliminary Views on Accounting Standards for Small and Medium-sized Entities* which received 117 comments (IASB, 2004). The commentators strongly supported the idea that the IASB should develop standards for SMEs. The IASB's conceptual framework issued since 1989 stated that the primary objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions (IASB, 2003, para. 12) and noted that the needs of the external users of reporting enterprises whether in the public or private sector were mostly similar (IASB, 2003, para. 8). Hence, the IASB started developing the SMEs standard based on the full IFRSs.

Many of the commentators of the DP supported this top-down approach, while others debated that such a standard would not be suitable for the SMEs. Evans *et al.* (2005) opposed this stance arguing that the IASB's conceptual framework focus was on publicly accountable entities only, which reporting objectives, accountability and strategies differ from the SMEs' ones. Furthermore, they also referred to the fact that SMEs have little or no separation of ownership and control which is the focus of full IFRSs. Nevertheless, many of the commentators requested more emphasis on the stewardship purpose of SMEs' financial statements (Baskerville and Cordery, 2006), but Botosan et al. (2006) find the role of stewardship in financial reporting of the same importance for all users of financial reporting for all entities, public or private, and not a distinguishing factor. Schiebel (2007), on the other hand, criticises the IASB for not conducting global empirical research and that the responses in the DP have been dominated from the profession while the presence of external users is very limited. He also argues that although the framework of the IASB focuses on external users, the Board did not separate external users' comments from the others.

A series of discussion and meetings were carried out between June 2004 and February 2007. Specifically, a staff questionnaire on recognition and measurement issues was circulated in April 2005 and received 94 responses, while 43 roundtable meetings on focusing on the IFRS for SMEs took place until October 2005 (IASB, 2005b). The Board had also considered all the issues arising through 31 public Board meetings during this time. All these meetings and discussions led to the publication of the Exposure Draft (ED) for the IFRS for SMEs in February 2007. The ED received 162 comment letters (IASB, 2007b).

A major issue addressed by the commentators of the ED was the definition given to the term "SME" used in the title as "entity with no public accountability" (IASB, 2007c, p. 15, para. BC34). This definition did not employ any size or legal form criteria to identify which type of entities would fall within the scope of the IFRS for SMEs. Some of the commentators found the definition too broad, covering entities of all sizes, from the micro-entities to the large unlisted companies. Hence the financial information provided by the standard would have a wide range of users. However, Evans et al. (2005) argue that the needs of the users of financial information for SMEs differ at a great extent especially between the micro and the large entities. This leads to an implication regarding the ability of the standard to meet the needs of the users of the financial information of SMEs. Furthermore, more than 60% of the commentators demanded a stand-alone standard with no cross-references to full IFRSs (IASB, 2007b). Finally, although a wide range of users of SMEs financial information was identified in the ED (for example, lenders, credit rating agencies, customers, venture capitalists, development institutions, non-management owners) research showed that this list is far more limited (Haller and Eierle, 2007, IFAC, 2007).

In addition to the publication of the ED, the IASB conducted field testing of the ED with 116 non-publicly accountable entities in 20 countries. According to the IASB's press release in June 2007, the testing was aiming at evaluating the scope, impact and burden of the proposed standard and reveal aspects of the standard, which might need reconsideration. The target groups of the participants in the field testing were entities with less than 10 employees and entities with 10 to 50 employees. However, the breakdown of the participants consisted of 10% full IFRS reporters, 25% having less than 10 employees and the rest of entities having between 10 and 50 employees. In the IASB's meeting notes regarding the results of the field test (2008) it was reported that the overall impression of the participants on the ED was positive and most them reported either no, or one or two issues or problems. The most significant problematic area seemed to be the nature, the volume and the complexity of the required disclosures which were seen as too burdensome in terms of time and cost. At a country level, a field test conducted by ACCA in the UK (25 small entities) showed a positive view for the standard since the differences between the UK GAAP and the IFRS for SMEs were not considered major (ACCA, 2008). On the other hand, most of the 15 participants in the German field test opposed the standard as being too costly to apply (ASCG, 2008). Nevertheless, the fact that the standard was developed and tested focusing mainly on entities with 50 employees (IASB, 2007c), was contradictory to the fact that micro entities account for the majority of the SME population (Sian and Roberts, 2006). Hence, the standard was not considered suitable for micro-entities due to some measurement requirements which would only be applicable to larger entities (IFAC, 2007; Shearer, 2007; UNCTAD, 2007).

Other criticisms of the development process of the IFRS for SMEs focused on the scant research studies and investigation of SMEs' users' needs, the lack of explanation about the basis on which the full IFRS's modifications took place and the very poor participation of users and SMEs in the discussions (Evans et al., 2010). Furthermore, Ram and Newberry (2013) argue that the IASB experienced pressures from powerful groups, part of the regulatory structure, in order to achieve particular changes in the standard). In addition, although the IASB refers to "a strong international demand" from both developed and developing countries for the IFRS for SMEs (IASB, 2009b), the extent that emergent economies' needs and circumstances have been considered through the standard's development and its relevance to the entities operating in those economies is vague (Di Pietra et al., 2008).

Before being finalised and published and as a result of the comments received during the process, the standard's draft title was changed several times by the IASB as a tentative to better reflect its scope. Twice it was called "IFRS for non-publicly accountable entities" in 2004 and 2008 (IASB, 2005a; Ram and Newberry, 2017). It was again changed in May 2008 and called "IFRS for private entities" although the definition of "private entities" remained the same as the "SMEs" one (Pacter, 2009a). However, in 2009, the standard was published with its original title, IFRS for SMEs, which was considered comprehensive and positive although it is acknowledged that it is applicable to all non-publicly accountable entities (IASB, 2009b; Ram and Newberry, 2013).

2.2.3 Scope and objectives of the IFRS for SMEs

The IFRS for SMEs is to be used by entities which do not have public accountability and publish general purpose financial statements for external users such as lenders or other creditors, non-manager owners, suppliers and employees. Financial statements prepared only for owner-managers or tax authorities are not considered to be general purpose financial statements (IASB, 2009a, para. 11).

The IASB's definition of SMEs as the entities which do not have public accountability given in Section 1.3 of the standard, does not use size or legal form criteria to identify these entities. Particularly, it is the entity which has public accountability which is defined in this Section as "[…] if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)" (IASB, 2009a, para. 1.2-1.3), which leaves the rest of the entities to be non-publicly accountable. Based on this, the IFRS Foundation (2012) stated that "size is not a barrier" since the standard can be used from any entity which does not have public accountability. This approach though, is contradictory to the fact that jurisdictions around the world have developed their own definition of SMEs, and sometimes for different purposes, using legal form or quantitative criteria such as turnover, total assets and number of employees (Kozak, 2007). Hence, preparers and users of SMEs financial statements would be more familiar with definitions referring to quantitative criteria. However, IASB leaves the national regulators and standard setters to decide the cluster of entities that would be eligible to use the standard (IASB, 2007a, para. BC33). Nevertheless, the IFRS Foundation (2009b: para. BC70) clarified that the jurisdictions are free to use their own size criteria to identify the entities that would be required or permitted to use the standard.

In terms of the objectives of the financial statements prepared with the IFRS for SMEs, the IASB (2009b: para. 2.2-2.3) made it clear that they should provide information which would enhance the decision-making process of users who are not able to claim information tailored to their specific needs and they should also show the results of the stewardship and accountability of management for various resources included. However, this set of objectives received extended criticism of being constricted. Bertoni and De Rosa (2010) argue that the IASB has not considered the fact that SMEs financial reporting in many jurisdictions is tax-orientated. Nevertheless, Fulbier and Gassen (2010) question the focus of SMEs general purpose financial reporting and decision-usefulness objective while SMEs' financial statements most important users are tax-authorities and lenders. Furthermore, although empirical research studies (such as Evans et al., 2005; Sian and Roberts, 2006) have identified tax-authorities, owner-managers and lenders as the main users of small entities' financial statements, the IASB has clearly excluded them from the standard's financial statements objective.

2.2.4 Main features of the IFRS for SMEs

Although drawn from full IFRSs, many of the recognition and measurement principles in the IFRS for SMEs were simplified, some topics were omitted, and the extent of disclosure was reduced significantly. These decisions were made to reflect the needs of the users of SMEs' financial statements together with cost-benefit considerations (IASB, 2009b). The main simplifications were:

- Topics which are considered not relevant to SMEs have been omitted, such as earnings per share, interim financial reporting, segment reporting, insurance and non-current assets held for sale.
- The IFRS for SMEs allows the easier option of an accounting treatment policy while full IFRSs allow a range of such choices.

- The IFRS for SMEs' principles for recognising and measuring assets, liabilities, income and expenses have been simplified in comparison to the full IFRSs.
- Disclosure requirements have been substantially reduced.
- The language used is clear and easily translatable with detailed explanations

(Pacter, 2011; Deloitte, 2010)

Nevertheless, the IASB (2009c), with a Press Release for the publication of the standard, identifies the main benefits accompanying the adoption of the standard. According to this Press Release, the use of the IFRS for SMEs would:

- provide improved comparability for users of accounts
- enhance the overall confidence in the accounts of SMEs'
- reduce the significant costs involved of maintaining standards on national level, and
- provide a platform for growing businesses that are preparing to enter public capital markets, where application of full IFRSs is required.

Furthermore, the standard is a stand-alone document organised using accounting topics with no cross-references to full IFRSs. However, Toma (2011) argued that although it is a simplified version of the full IFRSs, the standard is not custom-made for the needs of SMEs and their stakeholders. Nevertheless, the Board has announced to undertake a review of the experiences of the SMEs with the standard every three years to identify and fix any issues raised (IASB, 2009b).

2.2.5 Adoption of the IFRS for SMEs

Currently the IFRS Foundation reports that out of a total of 166 jurisdictions, 86 of them require or permit the use of the IFRS for SMEs and 11 are considering the use of the standard (2018). These numbers have been gradually increased since the publication of the standard. According to Pacter (2009b, p. 13), out of 51 jurisdictions responding to the IFRS Foundation questioning the intention of requirement or permission of the use of the standard right after its publication, 19 of them were planning to require, 11 were planning to permit, 11 were planning either to require or permit and 10 have no such plans. Furthermore, a survey conducted with 33 national standard setters in 2011 revealed the method of adoption of the standard by certain jurisdictions and also the reasons for non-adoption (Pacter, 2011). According to this survey, 11 jurisdictions had adopted the standard, 8 of those with no modifications, 2 with some modifications, 6 of those required the use of the standard and 5 permitted (Pacter, 2011). Out of 22 non-adopters, only 5 responded that the standard is under consideration (Pacter, 2011). Pacter (2011) identified that the main reason for non-adoption seemed to be the fact that those jurisdictions already had a national GAAP for SMEs. Furthermore, some of the respondents revealed the fact that the standard is not suitable for the SMEs operating in their countries since their focus is more on tax-accounting.

In 2009, the European Commission published a consultation in the form of a questionnaire to seek opinions on the possibility of adopting the IFRS for SMEs for use by EU Member States. According to the summary of the responses by the European Commission (2010), the majority of the respondents opposed the standard. The opponents argued upon the complexity of the IFRS for SMEs, the high costs that would arise from its implementation for the SMEs, higher audit fees and possible problems with tax and dividend distribution rules. The supporters, on the other hand, claimed that SMEs having international trade activities and subsidiaries would benefit from international comparability of the financial statements which would enhance investments in their countries. Many of the supporters also suggested that the standard should be used by subsidiaries whose parent companies report under full IFRSs. However, as Canham (2010) points out, there are several conflicts between the IFRS for SMEs and the EU Accounting Directives, which makes the standard technically inapplicable in the EU. Furthermore, the summary report of the European Commission (2010) states that "the linkage between taxation and capital maintenance rules could make application of IFRS for SMEs more burdensome for some companies by duplicating reporting requirements" (p. 2). Hence, the European Commission decided that the use of the standard would not meet the twin objectives of simplification and reducing administrative burdens for non-publicly accountable entities, and it has not been adopted (Collis, Jarvis and Skerratt, 2017). However, Member States can use the IFRS for SMEs if it is modified to avoid conflicts with the Accounting Directive (European Commission, 2013).

Quagli and Paoloni (2012) analysed the comments to the questionnaire of the European Commission, found that the users of SMEs' financial statements were underrepresented as respondents compared to other groups such as the preparers. However, the results also show that the users are supporters of the standard, while the preparers oppose its use.

Since 2009 when the IFRS for SMEs was first issued, it has been taken up by 86 countries, the majority of which are developing economies (IFRS Foundation, 2018). Many researchers suggest that research should be conducted in those countries since it would be of a vast interest to national regulators, the IASB, the IMF and to the World Bank (Schiebel, 2007; Brown and Tarca, 2012). However, there seems to be lack of research in this area (Mkasiwa, 2014). This might be due to the fact that research might be published only domestically and in native language. Thus, there is no available integrated view on the use of the standard for both preparers and users of financial statements and the costs and benefits faced during its adoption. Some of the prior research in countries which have adopted the IFRS for SMEs focuses on the challenges faced by the accountants and auditors during the process of the standard's implementation, while other studies examine the views of users or the factors that affected the decisions of the national standard setters to implement the standard.

Specifically, some evidence comes from research in South Africa which started using the ED IFRS for SMEs in 2007 (for example Stainbank, 2008; Van Wyk and Rassouw, 2008; Schutte and Buys, 2011). After the publication of the standard, in 2009, Zimbabwe pursued its adoption and Maseko and Manyani (2011) give some evidence on preparers' views. Uyar and Gungormus (2013) investigate the case of Turkey, where the standard was adopted in 2013. Hussain et al. (2012) and Alver et al. (2014) provide some evidence for Fiji and Estonia adopting the IFRS for SMEs in 2011 and 2013 respectively. Furthermore, to the knowledge of the author, there has been no study on jurisdictions that have adapted the standard.

South Africa

Stainbank (2008) discusses the regulatory implications of the adoption of the standard in South Africa through a literature review focusing on differential reporting and the due process of the country's standard setter. Although there is no evidence provided for the process of implementation, she considers that the main reason for the adoption of the standard is that it will decrease burdens for SMEs since formerly all the entities, regardless of size and accountability, were required to report under full IFRSs. However, Van Wyk and Rassouw (2008) conducted a survey of 242 professional accountants in the country and revealed uncertainty from the accounting profession that this burden would be reduced. Their findings are supported by Sikhwari and Manda (2016) who reveal that the lack of accounting education, training and the difficulty of the entities to require additional resources to overcome these problems consist of the main problems during the implementation of the standard. However, their findings also show that the entities applying the IFRS for SMEs seem to have better access to finance from both lenders and the government. From the users' perspective, Schutte and Buys (2011) find a close relationship between SME owners who are not managers and the financial structure of the firm, with 60% of their sample receiving loans from those owners, indicating that the main users of SMEs' financial statements are investors and not lenders.

Brazil

The IFRS for SMEs was adopted for use in Brazil in 2010 and is mandatory for all non-publicly accountable entities, apart from micro entities. Riva and Salotti (2015) investigated the relationship between the disclosed accounting information provided by entities using the standard and the credit provided by the banks. Their analysis of 179 entities reveals that the relationship is weak and is not consistent over time. This was due to the fact that the majority of the entities seem to prefer to use internal sources rather than bank finance (Riva and Salotti, 2015). However, the research does not investigate the views of the owners and banks to identify the reasons of this preference.

Zimbabwe

Although there is no evidence of the factors that affected the adoption of the IFRS for SMEs in Zimbabwe, Maseko and Manyani (2011) surveyed 61 owner-managers of SMEs. Their results reveal that small companies do not maintain all the accounting records due to poor accounting knowledge and to avoid the cost of paying professional accountants. This fact changes as the entity grows. They also find that SMEs do not record the accounting information to measure their performance, but to be consistent with the tax rules. On the other hand, there is no evidence on the views of the tax authority or other users of these entities' financial reporting.

Turkey

There is no evidence on the reasons for the adoption of the IFRS for SMEs in Turkey in 2013. However, following the adoption, Uyar and Gungormus (2013) conducted a survey of 128 accountants who were using the standard. They found that the accountant's knowledge of the standard was higher if he or she had received training, had a higher level of education and was employed by one of the Big 4 firms. However, there is nothing mentioned for the costs of training of these accountants and the study also lacks evidence from the users' perspective.

Fiji

Findings from in-depth interviews with 10 accountants in Fiji suggest that accountants working in Big 4 firms have a better knowledge of the standard over accountants working in non-Big 4 firms due to significant funds they gain from their global network for training (Hussain et al., 2012). This implies that the cost of training for accountants working in other firms except Big 4 is higher. However, there is no justification given for this issue. On the other hand, there is no evidence provided for the factors that affected the decision to implement IFRS for SMEs in the country. Additionally, there is lack of evidence on the users' views.

Estonia

Estonia used to be a communist country and is an EU member country since May 2004. Alver *et al.* (2014, p. 253) through a document analysis and literature review, find the implementation of IFRSs and IFRS for SMEs "smooth and successful". According to the authors this is due to the fact that IFRS for SMEs followed the principles of full IFRSs which was already the base of their national standards since almost 20 years ago. However, the study lacks empirical evidence through the views of accountants and users of the financial information.

To broaden the context of this study, the following presents the accounting evolution in Albania and the UK. It also refers to the current legislation and the entities eligible to use the adapted version of the standard in both countries.

2.3 Accounting Evolution in Albania

Albania is a small country with 160,679 active enterprises by the end of 2016 (INSTAT, 2016). It is a European country but has not yet joined the EU. The social and political history of the country is reflected in its economic and accounting history. The accounting evolution in the country can be divided into the following historical periods:

- Accounting during the Ottoman Empire
- Accounting during the monarchy
- Accounting after World War II
- Accounting after the Communist Regime.

2.3.1 Accounting during the Ottoman Empire

Albania was occupied by the Ottoman Empire for almost 450 years (1478-1912) (Chekrezi, 1919). After such a long period of occupation, it is impossible for a nation and its people not to be influenced, more or less, in all aspects such as belief, language, social life, economy and accounting. The Ottoman Empire, since its foundation and until the end of XIX century, used an Ilkhanian state accounting method named Merdiban (Stairs Method) (Erkan, 2011). It was a tax-collecting record method where different taxes were written the one below the other with the total above them (Elitas *et al*, 2008). It was used to account the income and the expenditures of the state in the form of a register, while private accounting did not exist (Elitas *et al*, 2008). All those records, though, were written in "*siyakat*" writing system based on ancient Arabic numbers (Elitas *et al*, 2008). Double-entry accounting method, in the form that it had been adopted by France and later on influenced by German practices (Toraman *et al*, 2006a), was initially used in the Ottoman state in 1890s (Erkan, 2011).

Although the Ottoman Empire was a great influence for Albania, after almost four and a half centuries of occupation, the Albanian accounting history begins with the first accounting book in Albanian, written by Jani Vreto in 1889 (Haxhi and Ziu, 2006). It is a book of 158 pages titled “Radhuashkronje” (Accounting) and was written for the Albanian merchants and businessmen operating in Rumania. It was published in Bucharest by the author’s own company named “Dituri” (Knowledge). The author refers to the book as “the record of keeping data for giving and taking”. This book is of a great historical importance since the author states a definition of accounting in a very simple Albanian terminology:

> Accounting is the method of writing data for giving and taking in a book or a notebook. Specifically, accounting is a master method of writing the data so that someone knows where he stands. Accounting is precious to everyone who deals with giving and taking, but for the merchants it is something which they cannot do without. So, the merchant who records correct and clear accounts, besides of knowing where he stands and arrange his business and plans, he also is honoured as a trustful and fair person by society and his heirs may inherit these when he dies. (Vreto, 1889, p. 3)

Later in the book, the author presents a draft diary for the belongings and the cash transactions of a business. The currency he uses in this book is the ‘grosh’ (halfpenny), which is the currency used by the Ottoman Empire.

Furthermore, since the Ottoman state first began to use the double-entry bookkeeping method in the 1890s while Albania was still occupied, some documents have been found in the Albanian and the Turkish archives today, which prove the use of double-entry bookkeeping in Albania during that period (Haxhi, 2013). According to these archives, some balance sheets of Albanian and foreign companies operating in Albania prove that the double-entry bookkeeping method continued to be used even after Albania gained its independence.

2.3.2 Accounting during the monarchy

Albania gained its independence from the Ottoman Empire on November 1912 and became a monarchy. Double-entry bookkeeping was also used in state accounting, since the accountants who had been employed from the Ottoman Empire, were later on employed by the first Albanian government (Haxhi and Ziu, 2006). However, double-entry bookkeeping was perfected during the Albanian monarchy (1924-1939). This period is characterized by many agreements and collaborations between the Government of Tirana and different Italian financial groups, which were known to be using an advanced accounting system (Haxhi, 2013). Thus, the Italian financial groups had a great influence in both the Albanian private and state accounting systems.

Specifically, the first school for accounting in Albania was established in Vlora (The Merchandise School of Vlora) in 1924 (Haxhi, 2013). The National Merchandise Bank of Albania was established in 1925 and was given in concession to Italians (Haxhi and Ziu, 2006). Thus, Albania had its own currency, the Albanian gold franc. In July 31, 1928 the first Albanian accountancy law “On Property Management and General State Accounting”, approved by decree from King Zog I on May 28, 1929, issued the principles and the rules of bookkeeping for the Albanian state at that time (Shkoza, 1934). That law emphasised on the principles of double-entry bookkeeping and brought significant improvements in bookkeeping and financial reporting for government institutions as well as for private business units (Shkoza, 1934).

2.3.3 Accounting after World War II

After World War II, Albania was controlled by the Communist Party of Albania, which later on was called The Party of Labour of Albania (1944-1991) (Duka, 2007). During that period of central economy, there was no law adjusted to accounting, but there was a unique accounting plan approved by the Council of Ministers which used to define the basic rules for the Financial Statements, the list of the accounts and their operation (Haxhi, 2013). This unique plan was mandatory implemented by all sectors in the Albanian economy. However, there were adjusted accounting plans for different industries of the economy such as manufacture, agriculture, trade, construction, etc. and even more detailed adjustments within each sector of industry (Haxhi and Ziu, 2006). There were also special accounting plans for budgetary institutions, banks, agricultural cooperatives, etc (Haxhi and Ziu, 2006). Due to the politics of the State Party, during that time, everything was designed to serve the implementation of Party's directives and accounting could not be an exception from that (Haxhi, 2013). That was the reason that accounting in Albania during that period, was influenced by the accounting of Eastern European countries and the Soviet Union (Haxhi and Ziu, 2006).

In particular, accounting and its information were focused exclusively on management of the material values of state property (Haxhi and Ziu, 2006). Analytical accounting was very difficult and too detailed, up to the point it touched the principal of cost – benefit (Haxhi, 2013). There was not a clear separation or distinction between financial accounting and cost accounting. The management accounting was inexistent. Instead, financial and economic analysis of the activities of each and every enterprise were used (Haxhi and Ziu, 2006).

This accounting plan was firstly approved by the Council of Ministers of Albania in 1947. In 1965, the diplomatic relations between Albania and the Soviet Union were demolished and this led to some changes in the accounting plan (Haxhi and Ziu, 2006). Thus, the main purpose of the changes made in 1965 was to disengage the plan from the existing Russian influence. In 1979, further changes occurred in the accounting plan aiming towards a further centralization of the economic management and the accounting information provided (Haxhi, 2013).

According to Nobes and Parker (2000), there was no progression for the accountancy and audit profession during Communism. Bailey (1988, p. 12) describes the accountant in communist countries as a “bureaucrat and conservative” person. In communist Albania, the accountant was just a simple registrar or a simple “builder” (creator) of financial statements (Haxhi, 2006). He was rarely asked for his opinion on specialized economic problems, but, on the other hand, as far as responsibility matters were concerned, even in cases when the expected economic indicators did not occur, the accountant was one of the people to blame and often charged with deprivation of liberty sentences under an article in the criminal code called “sabotage in economy” (Haxhi, 2006, p. 27).

During the period of centralized financial reporting system, every element of property was reported in detail, through the balance sheet, to the dictator government (Haxhi and Ziu, 2006). However, according to Albanian academics, accounting professionals and documents of that time, this is one of the main reasons that double-entry bookkeeping evolved and perfected in its technical aspect, especially cost accounting for raw materials and production (Haxhi, 2013). This was one of the main reasons which enhanced the implementation of the General Accounting Plan in 1993 with low costs and less “pain”, after the fall of the Communist Regime (Haxhi, 2006, p.7). This proved that there was a strong continuity between the accounting techniques before and after Communism. In 1993, accounting was reorganized on the basis of the market economy, replacing the production accounting of the specified fields of the economy, which was the essential characteristic of the accounting system during the communist period. Thus, after the fall of communism and its centralized economy in 1991, the reform in accounting did not start from scratch (Haxhi, 2006).

2.3.4 Accounting and regulation post Communism

The period after communism is characterized by deep, rapid and radical political and economic changes which also led to changes in the area of accounting (Haxhi, 2006). The free market economy, the creation of private enterprises and the increasing role of management in decision-making required enhancements in the informative role of accounting (Haxhi and Ziu, 2006). Thus, accounting gained a new role alongside with its traditional role of providing information for property's management; it needed to be determinative for decision-making and management of entities (Haxhi, 2013). These changes, though, alongside with the new economic and political conditions created, needed to be followed by a plethora of reforms (Haxhi and Ziu, 2006).

During the transition period, many changes occurred simultaneously. Reforms were needed to meet two main targets:

- To reform the accounting regulation in order to meet the demands of the market and catch up with the European and global accounting harmonization.
- To organize and liberalise the accountancy profession by establishing organisations of Chartered Accountants and Certified Public Accountants.

(Haxhi, 2013)

In order to achieve the first goal and adjust accounting and financial statements with the new market economy conditions, some temporary rules were emergently settled, and some temporary guidelines were formulated (Haxhi, 2013). The first attempt on regulation was undertaken in January 1991 with the first law for accounting (NAC, 2014). This law was proved to have a lot of deficiencies and was replaced in 1993 by the law “On Accounting” issued by the first established National Council of Accounting (NAC, 2014). The Council decided that the new law should be based on the French accounting system, because traditionally Albanian accounting regulation was based on a codified law and the accounting specialists of that time were accustomed to working with fixed rules, hence its implementation would be easier and less costly (Haxhi and Ziu, 2006). This law was accompanied by the “General Accounting Plan” which consisted of the rules and the major principles of bookkeeping, the processing of the accounts and the financial statements’ design and templates (Haxhi, 2013). A few years later, the Council also approved the accounting plan for financial institutions and the accounting manual for banks (NAC, 2014). Apart from the fact that the French accounting system was closer to the codified general plan used during the centralized economy and its use would not entail enormous costs in staff retraining and software adaption, the adaption of the codified French accounting system would not only help to meet the new demands for companies’ financial data but would also continue to serve the needs of the authorities for fiscal policy and tax collection (Haxhi and Ziu, 2006). Nevertheless, as Ijiri (1975) defines, the objective of accounting is not only the bookkeeping system, but also the gathering of useful information to be used in the decision-making.

The realisation of the second goal is beyond the scope of this study. However, it is worth mentioning that both accounting professions evolved simultaneously with the evolution of the Accounting Law, starting with the law “For the Companies” in 1992 which defined the main rules for the accountants and auditors until the foundation of the Professional Accountants League in 2000, which subsequently became the Institute of Professional Accountants of Albania (NAC, 2014).

There has never been a functional capital market in Albania, however, the first attempt to establish it and to develop an appropriate regulation for its operation took place more than 20 years ago. The public, in general, began to learn the first concepts about private entities, shares, and shareholders only after the privatization of state companies in 1991 (TSE, 2017). It was this process which led to the need of creating a capital market and the development of the necessary regulatory framework. This was accomplished with the support and technical assistance of external consultants such as USAID[1] and the British "Know-How" Fund[2] (TSE, 2017). So, in 1995 the government approved the Law " On Investment Funds in Privatization Bonuses[3]", which established a foundational framework regulating the investment funds' activities (TSE, 2017). The Share Registration Centre was also established and was dealing with the electronic registration of all necessary data regarding any changes of ownership for private entities (TSE, 2017). A year later, the Albanian Parliament approved the Law no. 8080, dated 01.03.1996, "For Securities", paving the pathway for the creation of the Securities Commission in April 1996 which was followed by the establishment of Tirana's Stock Exchange in May 1996 (TSE, 2017). Similar to all ex-communist countries of Central and Eastern Europe, the main promoter and supporter for the creation of the Albanian stock market was the state (Claessens et al, 2000). However, a slightly different pattern was followed in Albania because Tirana's Stock Exchange was established under the administration of the Central Bank of Tirana. The Albanian government, in collaboration with the Bank of Albania and the Securities Commission, decided to consolidate the primary and secondary market treasury bills (TSE, 2017). In 2004, a detailed report regarding the development of the capital market in Albania was prepared by international consultants (GMA Capital Market Ltd.[4]) with the help of the World Bank under the project for "technical assistance in building financial institutions" (TSE, 2017). This report constituted the basis for further development of this area in the future. However, little or nothing was done to introduce new products or to develop and consolidate the existing ones. Tirana's Stock Exchange was supposed to play an active

[1] USAID is the lead U.S. Government agency which works towards ending global poverty and enable resilient, democratic societies to realize their potential.
[2] The British "Know How" Fund (KHF) is a programme of bilateral technical assistance provided by the UK Government for the countries of Central and Eastern Europe and Central Asia. It aims to support the process of transition towards a pluralist democracy system and a market economy in a way which promotes and gives recognition to the interests of all levels of society.
[3] It is a quota-based system to allocate prior state-owned companies' shares to their employees.
[4] GMA Capital Markets Limited (GMA) provides advice, assistance and training to institutions, banks or firms in emerging financial markets.

role in the privatization process since 1996 through the listing of companies and the further consolidation of the Treasury bond market. Nevertheless, Tirana's Stock Exchange, still, has no shares listed, neither from prior state-owned enterprises which were privatized, nor from private entities. The primary market of treasury bills stopped operating under Tirana's Stock Exchange since the 1st of August 1998 and is currently managed by the Monetary Operations Department of the Bank of Albania (TSE, 2017). There have been no secondary market treasury bills transactions carried out by Tirana's Stock Exchange since February 1999 whilst the privatization bonuses have never been traded in this Stock Exchange Market and never became object of trading anywhere. Eventually, the number of staff employed for the development of the stock exchange project has been reduced from 13 to 4 employees (TSE, 2017).

The potential for becoming an EU member state was recognised for Albania, along with other Western Balkan countries, in 2003 (European Commission, 2014). In April 2009, the EU issued a Stabilisation and Association Agreement with Albania and in the same month, the country submitted its application for EU membership (European Commission, 2014). In October 2013 the Commission recommended to grant an EU candidate status for Albania and reconfirmed its recommendation in June 2014 with a report to the Council reflecting the progress the country has made towards its European integration and in implementing the necessary reforms (European Commission, 2014). The next step for Albania now is the opening of accession negotiations. Trying to be closer to this goal, the country is implementing new reforms in every aspect, social, political, and economic.

Due to the new circumstances and conditions of an open economy to foreign capital, there was a need to introduce accounting standards reliable to accounting principles generally accepted in other market economies, aiming to meet the new requirements within the country and to ensure international comparability (Haxhi and Ziu, 2006). Furthermore, the concept of group accounting was totally unknown in a centralized economy like the Albania, hence a new form of accounting regulation was needed for group companies (Haxhi, 2013). As a result, in 2003, a new law on accounting and financial statements was issued in accordance with the International Accounting Standards (IAS) in order to improve the accounting regulation and to enhance the transparency and the reliability of the financial information provided (NAC, 2017). This was an attempt to adjust the information provided to the market needs and to enhance the protection of public and state interests. This strategy consisted by a review of the existing accounting regulation and the preparation of a new law on Accounting and Financial Statements (NAC, 2017). The new law "For Accounting and Financial Statements" of April 2004 and the changes made in 2006, were the embodiment of this strategy (Haxhi, 2013). This law was formulated in accordance with the International Accounting Standards, transforming the accounting regulations from a system based on General Accounting Plan to a system based on Accounting Standards (NAC, 2017). The new law mandates that the standards should be developed on a national level and in coherence with the International Accounting Standards and the International Financial Reporting Standards (NAC, 2017). Apart from that, the effort towards a membership in the EU was translated in the field of accounting as the adoption of full IFRSs for all foreign companies operating in Albania and quoted on stock exchange markets, banks and other financial institutions. In addition, this law defined the National Accounting Council as the independent authority for decision-making body in accounting (NAC, 2017).

By the end of 2006, the National Accounting Council had published 14 National Standards which became applicable in January 2008 (NAC, 2017). By 2009, the Council prepared the National Standard 15 which applies only to micro-entities and provides some relief from the high costs faced during the preparation of the accounting information while using the 14 standards (NAC, 2017). Thus, there were three levels of accounting standards in Albania:

- IFRSs for publicly accountable entities

- National Accounting Standards for non-publicly accountable entities
- A National accounting Standard for micro-entities.

(NAC, 2017)

In June 2013, the National Accounting Council of Albania declared that the adoption of the IFRS for SMEs was under consideration (IFRS Foundation, 2013). Furthermore, in July 2014, the IFRS Foundation announced the availability of the International Financial Reporting Standards translated in the Albanian language, together with a number of new and revised Standards issued by the IASB during 2011, 2012 and 2013 (Deloitte, 2014).

Finally, the National Accounting Council of Albania, after the publication of IFRS for SMEs and a series of meetings and consultations, proceeded with the comparison of IFRS for SMEs with the National Accounting Standards (NAC, 2017). This was achieved with the help of the World Bank and the project "Improvement of the corporate financial reporting" in 2012 (NAC, 2017). This improved the National Accounting Standards and brought them closer to the IFRS for SMEs and to the 4th and 7th Directives of the EU (Haxhi, 2013). These improved standards consist of three separate parts: the paragraphs (in accordance with the IFRS for SMEs), the basis for the conclusions and the application guidance (NAC, 2017). The New Improved National Accounting Standards (NINAS) were issued by the Minister of Finance in July 2014 and applicable from January 2015 (NAC, 2017). The Council considers that these standards should be used for 4-5 years and after that the Council will consider the full adoption of the IFRS for SMEs (NAC, 2014).

2.3.5 SMEs in Albania

There are no available statistics for non-publicly accountable entities in Albania, however the statistics provided for SMEs show that these entities are very important for the economy of Albania. According to the Albanian Institute of Statistics (2018) the results for year 2016 state that 99.9% of the active entities operating in Albania are SMEs with 41.5% of them belonging to the trade sector followed by 20% belonging to the services sector. These SMEs contribute to the country's economy by employing 81% of the total number of employed and 77.8% turnover (INSTAT, 2018). Furthermore, 74.9% of total investments in the country were realised from SMEs which accounted for 66.9% of the total value added (INSTAT, 2018). The Institute of Statistics also reports that 2.4% of the SMEs are involved in export activities constituting 62.1% of the total export value and 7.4% of the SMEs are involved in import activities constituting 82.5% of the total import value in the country (INSTAT, 2018). However, it should be stated here that the Institute of Statistics (2018) defines SMEs taking under consideration only the number of employees. Micro entities are defined as the entities having 1-9 employees (with two subgroups of 1-4 and 5-9 employees), small entities having 10-49 employees and medium-sized entities having 50-249 employees. On the other hand, the accounting legislation (Law No. 10042 Date 22/12/2008) defines SMEs according to the number of employees and either annual turnover or total assets as shown in Table 2.2.

Table 2.2 SMEs classification

Entity	Number of Employees	Annual Turnover (million Lek)	Total Assets (million Lek)
Micro	0-9	≤10	≤10
Small	10-49	≤50	≤50
Medium	50-250	≤250	≤250

Source: NAC (2018)

The tax authority in Albania uses a different definition that divides entities into two groups. Regardless of their legal status, for tax purposes entities are defined as small if their annual turnover does not exceed 8 million Lek and large entities if their annual turnover exceeds this amount.

Although there is a major confusion caused with the definitions of SMEs in Albania, this study focuses on non-publicly accountable entities using NINAS 1-14 for the preparation of their financial statements which are based on the IFRS for SMEs. The term "SMEs" for Albanian entities in this study is used taking this fact under consideration.

2.4 Accounting Evolution in the UK

The UK is a developed European country of 5.7 million businesses in 2017 (House of Commons, 2017). The UK has been a member of the EU since 1972 but is planning to leave on 29 March 2019. The UK has a great social and political and economic history and through colonialism has been a considerable influence for many countries around the world. The accounting evolution in the UK can be divided into three main historical periods:

- Accounting from feudalism to the 19th century
- Accounting during the 20th century
- Accounting in the 21st century.

2.4.1 Accounting from feudalism to the 19th century

The history of accounting in the UK goes back to the feudal age. The Domesday Book (1086) illustrates concepts of accountability, decision-making and control, through its land register character, since it helped King William to allocate the wealth of his tenants and to raise taxes (Godfrey and Hooper, 1996). In 1110, Henry I set up the "Exchequer", a simple and effective way to manage the royal financial administration. It was used to ensure the payment of the annual revenue to the King (Barratt, 2008). The "Exchequer" system, also known as the first medieval "charge and discharge" system, remained in use (with small changes) for almost six centuries and it is considered to be the predating of the double-entry bookkeeping (Jones, 2009).

At the beginning of the sixteenth century, Britain used to be a small and poor country and so was Scotland. However, during the 1780s, London had become the most profitable centre of Europe (Parker, 1994). Due to the growth of trade, double-entry bookkeeping became more widespread during the seventeenth century (Edwards, 1989), but it was widely known and used only from the late eighteenth century (Bryer, 2000). Apart from that, the Industrial Revolution (18th to 19th century) first started in the UK. That makes UK one of the first countries where large enterprises were organised as corporations, ownership interests were traded on stock markets and ownership was separated from managerial control (McCartney and Arnold, 2012, Napier, 2010, Bryer, 1992).

The first books on double-entry bookkeeping in Britain, often referred to as the “Italian method”, began to appear in the English language during the sixteenth century (Forrester, 1994). By the end of that century, there were business entities having the form of a corporation. They operated independently from their members and continued to exist even when their members changed. One of those entities was the East India Company (1600) (Forrester, 1994). This company operated as a joint stock entity and made a return of capital plus a surplus to its owners in the form of regular dividends, while it was raising capital on the emerging London stock market (Bryer, 2000). Nearly to 140 companies operated as “joint stock companies” in the 1690s, including The Bank of England which was chartered in 1694 (Napier, 2010). It was then that larger enterprises such as roads and canals constructions first appeared (Forrester, 1994). However, “towards the end of the eighteenth century, many of those companies were incorporated by acts of Parliament and adopted the ‘double-account’ method for their periodic financial reports” (Napier, 2010, p. 244). By the early eighteenth century, though, a speculative bubble (The South See Bubble) rocked the foundations of the UK economy and led to a vast amount of regulatory limitations for the creation of companies (the Royal Exchange and London Assurance Corporation Act 1720) (Dale, 2004).

There is no evidence of the double-entry bookkeeping usage in Scotland before the seventeenth century (Parker, 1994). The first book on accounting in Scotland was written by R. Colinson and published in 1683 (Mepham, 1994). After the Act of Union in 1707, between Scotland and England, the period of the "Scottish Enlightenment" began with a blossom in sciences, economics, philosophy and law (Smith, 2013). A number of important accounting texts were published during that period, such as: "A New Treatise of Arithmetic and Book-keeping", by A. Malcolm in 1718, "Book-keeping Methodiz'd", by J. Mair in 1746, "The Universal Accountant and Complete Merchant" and "The General Counting-House and Man of Business", by W. Gordon in 1760s, "An Introduction to Merchandize", by R. Hamilton in 1777-9, etc. (Mepham, 1994), and the period when they were written has been described as the "Scottish Ascendancy", due to the rapid growth of industry, and to the growth of capitalism in general, from 1740 till 1780 (Yamey, Edey and Thomson, 1963).

"Railway mania" is the dominating term in the existing literature considering the history of accounting in the UK during the nineteenth century. That is because railway companies "had a major influence in reshaping some of the legislative procedures in the Parliament, the development of the capital market, and the economy at large" (Glynn, 1994, p. 97). Since 1800s each one of the railway companies was set up by an Act of Parliament, because of the significant differences between the projects (Glynn, 1994) and for the protection of shareholders towards a corporate failure through limited liability (Napier, 2010). Despite the "laissez – faire"[5] domination at that time (Jones and Aiken, 1995), the Board of Trade Railway Department was set up in 1840 and the government passed the first regulations for the control of railways as a whole (Glynn, 1994). The Railway Regulation Act in 1844 and the Railway Clauses

[5] Encyclopaedia Britannica: "(French: "allow to do"), policy of minimum governmental interference in the economic affairs of individuals and society"

Consolidation Act one year later offered some regulation concerning the accountancy of the railway companies (Glynn, 1994). However, those Acts did not refer to exact rules for the presentation of the financial statements or for the recognition and measurements of the companies' belongings, which according to the accounting historians Arnold and McCartney (2003), left plenty of room for manipulations. George Hudson's empire (the 'Railway King') collapsed due to financial irregularities, false accounting, company assets embezzlement and payments of dividends out of capital (Arnold and McCartney, 2004). In 1868 the Parliament set up an Act (the Regulation of Railways Act) which obligated all railway companies to provide formed accounts, prescribed in its first schedule, every six months (Glynn, 1994). This Act was based on the double – account system and soon was adopted by other companies (Napier, 2010) although it still did not contain specific rules for the recognition, the measurement and the depreciation of funds and assets (Brief, 1976).

By the end of the nineteenth century, financial statements were seen as a matter concerning only the directors and the shareholders while creditors' protection was not so important for the regulatory bodies of the time (Jones and Aiken, 1995). However, the Companies Act 1900 provided some auditing regulations and a few disclosure rules (Jones and Aiken, 1995), but still there were no requirements concerning the form and content of the balance sheet, or recognition and measurement rules (Napier, 2010).

2.4.2 Accounting during the 20th century

There was a great increase to the quantity and the complexity of the Parliament Acts for accounting and finance during the twentieth century (Parker, 2000). The Companies Act 1907 made a clear differentiation between the "public" and the "private" company (Harris, 2013). During the First World War (1914 – 1918), the quality of balance sheets reduced, and the companies did not give any details in their financial statements about their position and activities and there were also a lot of cases where those statements were manipulated (Napier, 2010). However, it was then when management accounting was born (ICAEW, 2016)). Before the war, though, a new company form was created – the group of companies ("holding company"), but the Company Law did not include any act for group accounts (Edwards and Webb, 1984). After the war, the Company Law Amendment Committee was created as a result of the criticism of the quality of financial reporting, especially for the "holding companies" (Edwards and Webb, 1984). The Company Law Amendment Committee was the parliament's advisory until the 1960s (Parker, 2000). Some leading accountants of the time considered that investors should have access to the overall financial position of the companies they would invest in (Napier, 2010). Hence, despite of some reactions from the ICAEW, the Companies Act 1929 imposed companies to file the annual audited balance sheet as submitted to and approved by the shareholders (Edwards and Webb, 1984). That Act included also some recognition and measurement rules (Napier, 2010). These innovations, concerning the corporate reporting, stopped due to the Second World War, but the need for detailed information concerning the corporate accounting was one of the factors that influenced the improvement of the financial reporting in the years that follow (Edwards and Webb, 1984).

In December 1942, the ICAEW started giving directions on technical accounting issues, through the Taxation and Financial Committee, by a series of 'Recommendations on Accounting Principles' (Parker, 2000). In the beginning, the recommendations covered technical accounting areas such as the special war taxes, but later on they dealt with a variety of subjects concerning the financial reporting (Napier, 2010). Recommendations for the financial reporting were also provided by the new Company Law Amendment Committee, which was established by the British government in 1943 (The National Archives, Edwards, 1989), but those recommendations were almost the same as the ICAEW's ones (Parker, 2000). The Companies Acts 1947 and 1948, based on these recommendations, despite their shortcomings, have been described by Edey (1956, p. 360) as a "watershed in British company accounting". Those acts obliged the companies to provide notes to their financial statements and the group companies' parents to prepare group financial statements (Edwards, 1989). On the other hand, though, there were not any specifications on how those statements should be presented and there were not any instructions for recognition and measurement (Napier, 2010). The Companies Act 1948, though, remained the most important Act for almost 40 years, but it was modified in the coming years (Parker, 2000). The first amendment took place in 1967 and it brought the exception of the private company to an end hence all companies were obligated to follow the same accounting, disclosure and filing rules (Parker, 2000).

It was by the end of 1960s when the debates on historical cost first occurred and concepts such as current cost first appeared (Napier, 2010). Apart from that, a lot of financial scandals during that decade enforced the need for the standardisation of financial reporting (Burchell, Clubb and Hopwood, 1994). Those scandals were the subject of an article written by Professor Edward Stamp of the University of Edinburgh and published in "The Times" in 1969 (Leach, 1981). This article caused a lot of criticism and bitterness among professional leaders and it was the cause for the replacement of the Recommendations on Accounting Principles by Accounting Standards which afterwards were named Statements of Standard Accounting Practice (SSAPs) (Leach, 1981). As a result, by the end of 1969, the ICAEW issued a Statement of Intent and set up the Accounting Standards Steering Committee (ASSC) which took action in January 1970 to implement the statements intentions (Leach, 1981). The main purpose of the ASSC was to "narrow the areas of difference and variety in accounting practice by 'publishing authoritative statements on best practice which will wherever possible be definitive" (Leach, 1981, p. 212). The first accounting standard was issued in 1971 and in 1975 the ASSC changed its name into Accounting Standards Committee (ASC) (Leach, 1981). SAPSs were first opened to public comments by Exposure Drafts (ED) and afterwards issued (Napier, 2010).

The Companies Act 1976 made the obligations for maintenance and publication of financial statements more constricted (Parker, 2000). It also gave more power to the auditors and increased the directors' interests for disclosure (Parker, 2000).

In the meantime, the European Economic Community (EEC) (now called European Union), to which the UK became a member in 1972, was processing directives on the harmonisation of corporate financial reporting (Napier, 2010). With the Companies Act 1980 and 1981 the UK implemented the EU second and fourth Directive (Parker, 2000). These acts for the first time included standard formats for the balance sheet and profit and loss account and introduced accounting principles and measurement rules based upon the Directives (Napier, 2010). Apart from that, they reduced the disclosure requirements for the medium and small size companies (Parker, 2000).

The Companies Act 1985 gathered together all the previous acts amending the accounting and auditing provisions, while the Companies Act 1989 implemented the seventh and the eighth Directives of the EU (Parker, 2000).

In 1990, the ASC, after a lot of criticism for its dependence from the professional accountancy bodies, was replaced by the Accounting Standards Board (ASB) which adopted the SSAPs and had the authority to issue accounting standards (Parker, 2000, Napier, 2010). The new ASB was supported by the Financial Reporting Council (FRC) and it changed some of the SSAPs and replaced others by Financial Reporting Standards (FRSs) (Parker, 2000, Napier, 2010). Most of the standards were applicable to all companies, but companies that qualified as small under the Companies Act and other non-publicly accountable entities could choose to use the *Financial Reporting Standard for Smaller Entities* (FRSSE), which was a simplifications of UK standards in many areas (Parker, 2000). It relieved many companies from the complexity of the other financial reporting standards (Napier, 2010).

2.4.3 Accounting in the 21st century

The twenty-first century began with the creation of the International Accounting Standards Board (IASB) in 2001. Its aim is to "develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles" (IASB, 2014, p. 3). In 2002 the EU agreed to adopt the International Financial Reporting Standards (IFRS) beginning from 1st of January 2005 (IASB, 2014). As a result, the UK, as an EU member country, was obliged to and adopted IFRSs for all listed companies. This fact resulted in further changes in the UK's company law (Napier, 2010). Nevertheless, these events narrowed the role of ASB in introducing or revising UK standards to make them consistent with IFRSs (Napier, 2010). However, the ASB still had a very important role in the financial reporting of smaller entities introducing and amending standards for the UK GAAP and the FRSSE.

The UK was one of the founding members of IASC and a strong supporter of differential reporting, hence after the publication of the IFRS for SMEs by IASB, someone would expect that the standard would have been adopted. However, the FRC (the ASB's successor since 2012) did not adopt the standard. One of the main reasons is that certain features of the standard were in conflict with the Accounting Directives and for this reason the EU did not adopt the standard. Secondly, certain features of the IFRS for SMEs were considered inapplicable for the SMEs operating in the UK (IFRS Foundation, 2016). However, after a period of consultation, the Financial Reporting Council issued FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (2013) which was applicable from January 2015 (although early adoption was allowed). It is based on the IFRS for SMEs (FRC, 2013). The FRSSE remained in force until the end of December 2015 and was replaced by FRS 105, *The Financial Reporting Standard applicable to the Micro-entities Regime* (2015) which is applicable to micro-entities from January 2016. It is based on FRS 102 with significant simplifications to meet the legal requirements and needs of micro-entities.

Since 2016, UK GAAP has become a three-tier framework based on IFRS for publicly accountable entities and simplifications of IFRS for non-publicly accountable entities. EU adopted IFRSs and the new UK and Ireland GAAP (FRC, 2015). According to the FRC (2015):

- FRS 100, *Application of Financial Reporting Requirements* (2012), states that all publicly applicable entities should apply full IFRSs, as they have been adopted by the EU, for group accounts, but they also have the liberty to prepare their individual parent accounts by applying the new UK and Ireland GAAP, while all other entities may apply any of the two frameworks.
- FRS 101, *Reduced Disclosure Framework* (2012) allows subsidiaries to use EU adopted IFRSs, but with less disclosures.
- FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (2013) can be applied by any non-publicly accountable entity.
- FRS 105, *The Financial Reporting Standard applicable to Micro-entities Regime* (2015) can only be used by entities that do not exceed at least two of the criteria: Annual turnover £632,000, balance sheet total £312,000 and average number of employees 10.

2.4.4 SMEs in the UK

There are no available statistics for non-publicly accountable entities in the UK, however the statistics provided for SMEs show are very important for the economy of the UK. According to the Department of Business, Energy and Industrial Strategy (BEIS, 2017) the results for year 2017 state that 99.9% of the active entities operating in the UK are SMEs with approximately a fifth of them operating in construction sector followed by 15% operating in services sector and 10% in trade sector. These SMEs contribute to the country’s economy by employing 60% of the total number of the employed population in the private sector and 51% annual turnover of all private sector turnover (BEIS, 2017). Furthermore, HMRC (2017) reports that 29.4% of the total SMEs are involved in exports and 30.1% of the total imports in 2016 in the country have been realised by SMEs. However, it should be stated here that both BEIS and HMRC have defined SMEs for these analyses taking into account only the number of employees. Thus, for HMRC, micro entities are defined as the entities having 0-9 employees, small entities having 10-49 employees and medium-sized entities having 50-249 employees, while for BEIS, businesses having 0-49 employees are defined as small while medium-sized are the ones having 50-249 employees. On the other hand, according to Company Act 2006, from January 2016, a non-publicly accountable entity generally qualifies for a particular size category if it does not exceed two or more of the three size criteria shown in Table 2.3 in that financial year and the previous year.

Table 2.3 Size tests for accounting and auditing in the UK

Category	Average Employees	Turnover	Balance Sheet Total
Micro	10	£0.632m	£0.316m
Small	50	£10.2m	£5.1m
Medium	250	£36m	£18m

Source: Companies House (2016)

Furthermore, the European Commission (2005) has defined SMEs similarly to the UK Company's Act 2006, but they also included a definition for micro-entities as the businesses having less than 10 employees and annual turnover or balance sheet total not more than €2 million.

Although there are many different definitions for the SMEs in the UK, this study focuses on non-publicly accountable entities using FRS 102 for the preparation of their financial statements which are based on the IFRS for SMEs, regardless of their size. Thus, the term "SMEs" used under the UK's context in this study is used taking into consideration this fact.

2.5 Conclusions

Following the issuance of IFRSs for publicly applicable entities and the success of these standards globally, especially after their adoption by the EU in 2005, the IASB published the IFRS for SMEs in 2009 as a response to the demand for international financial reporting from SMEs around the world (IASB, 2009). The standard was issued after five years of development process through a series of meetings and consultations. The IASB states that the standard is applicable to all non-publicly accountable entities, then again, the Board leaves it up to the national governments to decide which entities will be eligible to use it.

Since its publication, the standard has been adopted in more than 80 countries, most of them developing economies, and its adoption is under consideration in more than 10 other jurisdictions (IASB, 2018). Before and after its issuance, the IFRS for SMEs and the IASB's process of its development, in many aspects, have been criticised in academic literature. However, the evidence provided by countries which have adopted the standard is limited and there is lack of coherency on the challenges and benefits for preparers and users of the financial statements during the standard's adoption.

Albania and the UK are two countries with different economic and political development. Reviewing the Albanian accounting history, it is clear that up to 2004, when the National Accounting Council was recognised by law as an independent body, Albania had been preserving a more obvious attendance of the state in the regulation of accounting. The UK, on the other hand, has placed greater emphasis on the voluntary preservations of the accounting standards by the professional bodies of accounting (Garrod and McLeay, 1996). Both countries are European, with Albania trying to join the EU and the UK trying to leave the Union after being a member country for almost half a century. Being an EU Member State at present, the UK has transposed the requirements of the EU Accounting Directive (2013/34/EU) into company law. Albania has also embodied the Accounting Directive in its legislation as part of the reforms undertaken towards the membership. However, due to conflicts between the Directive and the IFRS for SMEs, the European Commission did not adopt the standard for the Member States but made the adoption optional while the full IFRSs are being used mandatorily for all listed companies across the Union since 2005. Hence, in both countries, the EU adopted IFRSs are being used by publicly accountable entities.

IFRS for SMEs with some modifications for sake of consistency with the EU Directives and to “fit for purpose” for the entities operating in Albania and the UK accordingly, is being used by non-publicly accountable entities since the 1st of January 2015 in both countries. The adapted IFRS for SMEs is called NINAS for the case of Albania and FRS 102 for the UK. Furthermore, a new standard for micro-entities (No. 15 for Albania and FRS 105 for the UK) is also applicable in the same date for both countries, 1st of January 2016 for the entities that fulfil the criteria of being micro. Thus, both countries have a three-tier system in financial reporting for their companies, which is based on international financial reporting standards. However, the extend that governments and accounting standard setters of both countries have considered the views of accountants and users of SMEs’ financial statements parallel with the economic and political costs and benefits (Ball, 2006) to make this decision of mandatory appliance of the adapted version of the IFRS for SMEs, is subject for investigation in this study.

Finally, the discussion in this chapter about the development process of the IFRS for SMEs and the accounting evolution in Albania and the UK provided the context for this study. The next chapter reviews the academic literature on to the IFRS for SMEs with particular regard to the costs and benefits of its application.

Chapter 3. Literature Review

3.1 Introduction

Having provided a context for the study, this chapter presents a critical review of the literature, identifies the gaps, and develops a theoretical framework for the study. The chapter draws on prior research and other sources that have investigated the type of the reporting entity that the IFRS for SMEs was designed for, the costs and benefits of adoption and its suitability for developed and developing economies. This literature is discussed at country level, entity level and user level in the context of Albania and the UK and develops hypotheses in respect of the UK. The final section of this chapter provides the conclusions.

3.2 Theories on the adoption of the IFRS for SMEs

Following the IASB's declaration that the IFRS for SMEs was developed to help reduce the financial reporting costs for non-publicly accountable entities and to satisfy their users' needs (IFRS Foundation, 2012), researchers began to investigate the possible adoption of the standard in different jurisdictions before its publication. However, these studies were somewhat limited in number and rather fragmented, and after the standard was issued, the number of studies increased, especially those focusing on developing economies (Mkasiwa, 2014).

The IFRS Foundation (2012) states that the development of the IFRS for SMEs was based on two major pillars: users' needs and entities' adeptness. Hence, the possible adoption of the standard at both country and entity level, has been examined in prior literature from these two perspectives. Eventually, the main focus was driven towards the analysis of costs and benefits for all the stakeholders of SMEs' financial reporting information. However, the research conducted on costs and benefits is not framed by a particular theory. Nevertheless, it mainly focuses on the views of accountants and auditors regarding the possible adoption of the standard in both country and entity levels. Costs and benefits at entity level have been mostly investigated through empirical research (for example, Litjens et al., 2012; Husanin et al., 2012; Uyar and Gungormus, 2013; Albu et al., 2013). However, the majority of this research was conducted before the adoption or adaption of the standard and the identified results are ex ante and potential. Furthermore, some research has been conducted on country level regarding the cost and benefits of the possible adoption or adaption of the standard (for example, Stainbak, 2008; Quagli and Paoloni, 2012; Albu et al., 2013; Kaya and Koch, 2015).

The theories that have been used in the literature to investigate the factors that affect the possible adoption of the standard for entities within its scope are: the new-institutional theory ((DiMaggio and Powell, 1983), the decision-usefulness theory of accounting (Staubus, 1954; 1959), the agency theory (Jensen and Meckling, 1976) and the signalling theory (Spence, 1973). Sometimes these theories are used in a blending manner to explain the phenomena, depending on the approach of each study. However, the first three are considered to be the most prominent theories which explain the factors affecting the possible adoption of the standard in both country and entity level. The decision-usefulness theory (Staubus, 1954; 1959) and the agency theory (Jensen and Meckling, 1976) have been used to explain the uses and the users of SMEs' financial reporting information. The new-institutional theory (DiMaggio and Powell, 1983) has been used to explain the possibility of the standard's adoption at county level, while the signalling theory (Spence, 1973) has been used to explain the voluntary adoption of the standard at entity level. The latter, though, exceeds the focus of this research, hence the first three theories are the most suitable for meeting the objectives of this study.

New-institutional theory (DiMaggio and Powell, 1983) provides arguments that institutional pressures cause increases in the homogeneousness of organizational structures within institutional environs. Three are the types of pressure which lead the entities to adopt isomorph structures: coercive, mimetic and normative pressures. Coercive pressures derive from legal obligations or influence from different organizations upon which the entities might depend. Mimetic pressures come as a result of copying other successful forms in periods of high uncertainty. While normative pressures arise from similar attitudes and approaches from professional groups and associations through employment practices. The higher the dependency on the institutional environment, the uncertainty or the reliance on professionals, the higher the rate of institutional isomorphism. Scott (2001, cited in Judge et al., 2010) defines three levels of the institutional theory exploration: global institutions, governance structures and individuals or groups. Deriving from this, new-institutional theory (DiMaggio and Powell, 1983) is examined by a number of researchers in terms of the IFRS for SMEs' possible adoption from different countries' perspective (for example, Fulbier and Gassen, 2010; Barth et al., 2011; Koumanakos et al., 2012; Masca, 2012; Ram and Newberry, 2013; Albu et al., 2013; Kaya and Koch, 2015; Chand et al., 2015; Devi and Samujh, 2015).

The decision-usefulness theory is attributed to Staubus in 1959, who states that "the objective of accounting is to provide financial information regarding an enterprise for use in making decisions" (Staubus, 2000, p. 5). This theory is examined by a number of researchers with regard to the possible adoption of the IFRS for SMEs from a user perspective (for example, Zuelch and Bughartd, 2010; Barth et al., 2011; Strouhal, 2012; Tucker et al., 2012; Vander Bauwhede et al., 2015).

Agency theory is also examined by a number of researchers from the users of SMEs financial reporting information viewpoint (for example, Zuelch and Bughartd, 2010; Albu et al., 2011; Caneghem and Van Campenhout, 2012; Albu, 2013; Vander Bauwhede et al., 2015). The agency theory (Jensen and Meckling, 1976) with a focus on publicly accountable entities, establishes that the transparent, true and fair accounting reporting is the agency role-player between the shareholders (acting as principals) and the directors (acting as agents). According to the theory, the principals operate outside of the business and cannot validate the internal management's actions. Agents act as opportunists trying to maximise their wealth creating moral problems and making adverse choices which lead to agency costs, while the principals try to reduce or diminish these actions (Jensen and Meckling, 1976).

The possible adoption of the IFRS for SMEs at country level is discussed below. This is followed by the discussion of the possible adoption of the standard at entity level and the discussion on the users and the uses of the SMEs' financial reporting information.

3.3 Country level

Prior research suggests that the legal culture of the country and the form of legislation (for example, code-law or common-law) are significant factors affecting the decision to adopting the IFRS for SMEs. Quagli and Paoloni (2012) analyse the comments made by 81 preparers and 24 users of SMEs' financial statements from the European Commission's questionnaire on the public consultation of the standard, which took place between November 2009 and March 2010, observed a significant opposition towards the adoption of the standard from Latin countries (France, Luxembourg, Belgium, Spain, Italy, Portugal, and Greece) and from German-speaking countries (Germany and Austria), while Anglo–Nordic countries (UK, Netherlands, Denmark, Finland and Sweden) find the standard significantly suitable to be used by entities operating in their countries. The authors' explanation relies on the theory of cultural influence (Gray, 1988) supporting that Latin and German speaking countries are traditionally orientated towards a "legal value of financial statements" while the Anglo-Nordic ones "are traditionally orientated to a strong informative role of financial statements" (Quagli and Paoloni, 2012, p. 151). Although this seems to be applicable for the UK case, Albania does not belong in any of the above groups and this does not explain the motives for adapting the standard.

Nevertheless, Masca (2012), analysing the comments from 44 institutions to the same questionnaire on the public consultation for the IFRS for SMEs, results that the opinions expressed from institutions on IFRS for SMEs are very much influenced by the culture of the geographical area where they operate. According to the author, institutions belonging in countries with a common-law background regulation are more in favour of the standard than institutions operating in countries with a code-law background regulation (Masca, 2012). Again, although this seems to be the case for the UK, it does not apply in the Albanian context. As mentioned in the previous chapter, Albania is a country with a code-law background, and as a result should have not been in favour of the standard. However, Masca's (2012) results have been confirmed by research conducted in other countries with a code-law background regulation. For example, Bartunkova (2012) conducted a survey in the Czech Republic with either executives, accountants or the directors of 55 entities, trying to reveal their views on the possible adoption of the IFRS for SMEs. Her results show that the use of the IFRS for SMEs is not preferred in comparison to the existing national GAAP. That is because the standard lacks detailed regulation which is provided by the national accounting guidelines of the existing national GAAP. Furthermore, Bunea et al. (2012) analysing the results of a questionnaire with 190 accountants in Romania, found that more than half of the respondents (52.6%) believe that the Romanian national GAAP is too complex for SMEs. However, the preference towards IFRS for SMEs is not shown, but instead the respondents prefer a set of standards based on detailed rules (Bunea et al., 2012).

Kaya and Koch (2015) investigate the adoption of the IFRS for SMEs in 128 countries and find that the standard is more likely to be adopted if:

- The country lacks the resources to develop its own GAAP
- The country has required full IFRS for private firms, suggesting burdens are reduced for non-publicly accountable entities

- The governance institutions in the country are of relatively low quality (based on the World Bank index).

The results also show that, contrary to full IFRS, the IFRS for SMEs is mainly applied in developing non-EU countries. Only six of the countries studied require the use of IFRS for SMEs by non-publicly accountable entities, but 57 countries allow it to be used. The latter means that the decision is made at firm level, which is beneficial since the cost-benefit trade-offs of applying the standard are likely to differ across what is a heterogeneous group of non-publicly accountable entities.

The previously mentioned studies focus on the voluntary or mandatory adoption of the standard at country level. They did not examine the scenario of a jurisdiction deciding to adapt the IFRS for SMEs by making amendments to suit national needs. Adapting the standard instead of adopting it, would result in failure of accomplishing one of the IASB's objectives of harmonisation, which is the comparability of the financial information provided by entities across countries. To achieve this comparability, the standard's rules must be interpreted and applied consistently across countries. Notwithstanding, Zeff (2007) argues that comparability is not at all easy to understand even if someone considers the term within one country's borders, let alone internationally. Prior research on the comparability of the financial information provided by publicly accountable entities across the EU using IFRSs, results that financial statements are not necessarily comparable (for example Cole et al., 2009; 2012). That is because accounting practices are influenced by a complex set of multiple factors (Cole et al., 2009). In 2012, the authors distributed a survey to 426 individuals (auditors, analysts and other users) who use European IFRS financial statements and found that 67% of the respondents interpret comparability as uniformity, meaning that the companies use the same accounting methods (Cole et al., 2012). In this sense the respondents believe that comparability is being achieved for a single company over time and for the companies belonging in the same industry (Cole et al., 2012). However, judgements made by the preparers of the accounting information and interpretation differences are considered also significant factors which influence the comparability of the financial information provided by entities (Cole et al., 2012).

Despite the arguments upon the comparability of the financial information, Albu et al. (2013) uses institutional concepts to evaluate three possible decision scenarios through interviews conducted with SMEs' stakeholders in four emerging economies (Czech Republic, Hungary, Romania and Turkey). The scenarios included mandatory adoption of the IFRS for SMEs, voluntary adoption or use of the standard with specific modifications, hence adaption. Their results show that the preferred approach of implementation seems to be adaption, which is highly supported by preparers of statutory financial statements, professional bodies and regulators, but users prefer adoption of the standard without amendments. Preparers seem to support adaption, because apart from the simplifications offered from the IFRS for SMEs compared to the full IFRSs, national standard setter would also provide detailed guidelines for the standard. Professional bodies and regulators seem to support the adaption because in this way they do not lose their standard setting role. On the other hand, the users oppose adaption, showing that the standard meets their needs, which is one of the IASBs' main objectives (Albu et al., 2013). However, the particular research study has an ex-ante character and the results might change if the standard is implemented in these countries. For example, although the study by Albu et al. (2013) shows that the preferred scenario for Turkey is the adaption of the standard, in fact Turkey proceeded with adoption of the IFRS for SMEs with no amendments in 2013.

Finally, the adoption decision at country level has also been investigated regarding the potential benefits occurring. Apart from increased comparability of financial reporting, one of the most important potential benefits is the improvement of the national financial reporting model, especially for emerging economies (Albu et al., 2013). This would signal that the country is well-organised and well-regulated (Albu, et al., 2011; Albu et al., 2013; Kaya and Koch, 2015), which in turn would enhance the attraction for foreign investments. The increase of foreign investments would result in an increase of capital flow through better access to external founding (Kaya and Koch, 2015). Finally, the adoption or adaption of the IFRS for SMEs is expected to provide opportunities to the accounting profession and expand the contribution of the profession to the economic growth and development of the country (Albu et al., 2011; Albu et al., 2013). These benefits have been investigated to identify the main factors that influence the countries' decision to adopt or adapt the IFRS for SMEs through institutional factors such as global institutions, governance quality and groups of entities discussed below.

3.3.1 Global institutions

Evidence from research conducted focusing on the possible adoption of full IFRSs and the IFRS for SMEs at country level shows that the social legitimisation pressures play a significant role in different jurisdictions' decision to adopt the standard (Judge et al., 2010; Quagli and Paoloni, 2012; Masca, 2012; Baldarelli et al., 2012; Ram and Newberry, 2013). Particularly, Baldarelli et al. (2012) argue that if the European Commission decides to adopt the IFRS for SMEs for use in the EU in a mandatory form similar to the decision made over the full IFRSs for publicly accountable entities, the standard will replace the National Standards in Croatia despite the preference of the accountants, due to the effort that the country is making towards a membership in the EU. Furthermore, Samujh and Devi (2015) state that emergent economies experiencing pressures from foreign financial agencies, will be forced to embrace the standard "regardless of any unintended consequences or detrimental aspects" (Samujh and Devi, 2015, p. 48). Nevertheless, the development process of the standard itself, according to Ram and Newberry (2013), does not reflect the will of people and the only changes that occurred during that process and involved the will of people happened because of the pressures that the IASB experienced from powerful groups which are part of the regulatory structure.

In terms of benefits, one of the most important tools in finding and defining recourses for the maximisation of social prosperity is the use of international accounting standards (Leftwich, 1980; Kothari et al., 2010; Kaya and Koch, 2015) and this stands at both country and entity level. This is supported by prior research which advocates that in the long term both developed and developing countries would benefit from the adoption of IFRSs, because their use at entity level will enhance the countries' economic development and provide better lending conditions from global institutions such as the World Bank and the International Monetary Fund (IMF) (Tyrrall et al., 2007; Gordon et al., 2012; Quagli and Paoloni, 2012).

3.3.2 Governance quality

Fulbier and Gassen (2010) provide evidence that SMEs in the EU compile their financial accounting information according to the governance quality of the country they are operating in; the higher the governance quality of a country, the higher the quality of financial information reported by SMEs. From this point of view, countries with a high governance quality might be proponents of the standard, because this would enhance the SMEs' quality of financial information. However, Kaya and Koch (2015) reveal that counties with a high governance quality are not at all in favour of adopting the IFRS for SMEs due to high costs of swapping and compromise, while countries with a low governance quality would adopt the standard to attract loans from international organisations.

In terms of SMEs' access to finance, Hope et al. (2011), using global firm-level data, provide evidence that developing countries with week legal institutions tend to have strong agency problems between lenders and SMEs which lead to incredibility towards the financial information provided, comparing to developed countries with strong legal institutions for all firms. Thus, developing countries would benefit from the adoption of the IFRS for SMEs, since this would increase the quality of SMEs' financial reporting information and eventually lead to a higher level of credibility from lenders. Furthermore, the level of governance quality is not the same for all developing economies. Barth et al. (2011), through a statistical analysis on the financing status of SMEs in 18 emerging economies (Armenia, Bulgaria, Croatia, Czech Republic, Estonia, Republic of Macedonia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, Romania, Russia, Slovakia, Slovenia and Turkey), find that government quality does not have any effect on the SMEs' access to credit, but a good government quality helps SMEs reduce the cost of credit.

3.3.3 Groups of entities

The fact that some groups of by non-publicly accountable voluntarily adopt international financial standards has attracted the attention of researchers. Hence, Francis et al. (2008) and André et al. (2012) investigate the characteristics of large and medium-sized entities which voluntarily adopt full international accounting standards instead of their local GAAP. Furthermore, Allee and Yohn (2009) through an exploratory analysis in the US, conclude that some private small entities are motivated to produce high quality financial statements although they operate in an environment which is not regulated and the pressures from public equity markets are almost inexistent. Since institutional pressures might occur through individuals or groups (Scott, 2001), in this aspect, different groups of entities may impose pressures to obtain a reporting framework such as the IFRS for SMEs.

3.4 Entity level

Although IFRS for SMEs was designed to meet the needs and capabilities of users (IFRS Foundation, 2012), and hence based on decision-usefulness theory (Staubus, 1954; 1959), it was also based on cost benefit considerations (Pacter, 2009a). Therefore, the majority of studies investigating the possible adoption of the standard at entity level try to identify the costs and benefits for the private entities entitled to use it. Litjens et al. (2012) investigate the views of 382 accountants on the costs and benefits of the IFRS for SMEs and its possible adoption in the Netherlands in 2010. The results show that accountants significantly differentiate in the way they perceive the costs from the way they perceive the benefits. The authors argue that the accountants focus mainly on the costs of a possible implementation of the IFRS for SMEs. The focus on the costs alters the scope of the standard's adoption from the users' to the preparers' perceptions (Albu, 2013). Nevertheless, the majority of research undertaken on the possible adoption of the standard at entities' level focuses on costs and benefits which would be faced by entities from the preparers of financial reporting statements point of view (for example, Eierle and Haller, 2009; Bartunkova, 2012; Baldarelli et al., 2012; Eierle and Helduser, 2013; Albu et al., 2013; Uyar and Gungormus, 2013). Furthermore, apart from the costs and the benefits of the adoption of international financial reporting for SMEs, other determinants investigated in prior studies consist of the:

- Size of the entity
- Industry/sector of entity's operation
- International trade activities
- Accountant's knowledge and experience with full IFRSs

The following provides a critical review of prior literature on the determinants of the possible adoption of the IFRS for SMEs at entity level and develops the hypotheses of the present study in respect of the UK.

3.4.1 Size

Prior research discloses that the size of an entity plays a significant role in the possible adoption of the IFRS for SMEs in the context that larger entities find the standard more suitable to use than the smaller ones. This is due to the fact that larger entities, having better resources, can overcome the possible costs more efficiently than the smaller ones. Quagli and Paoloni (2012), find that preparers of statutory accounts for small and large entities strongly oppose the standard comparing to preparers of statutory accounts for medium-sized entities. The smaller entities consider the standard very difficult for application while the authors' explanation for the larger ones is that they might see a better option in using full IFRSs.

The size of private entities is one of the factors that determines their motivation to produce high quality financial statements (Allee and Yohn, 2009), meaning that the larger the entity, the higher the demand for international financial statements. Nevertheless, the latter is not an unknown phenomenon since some researchers (for example, Francis et al., 2008; André et al., 2012) investigated the characteristics of large and medium-sized entities which voluntarily adopted the full international accounting standards instead of their local GAAP. In this aspect, Francis et al. (2008) through an investigation of 3,722 small and medium-sized private firms from 56 countries in 1999, found that size is a very important proxy for private firms in their decision to use international accounting standards, since larger firms tend to disclose more information than smaller ones. This is in accordance with the findings of André et al. (2012) who investigated 287 private entities in the UK which were using full IFRSs for their financial reporting. Eierle and Helduser (2013) on the other hand, conducted a questionnaire survey with 322 directors in charge of annual accounts in 2010 in Germany and found no significance of the entity's size as a determinant for the need to prepare financial accounts under full IFRSs. However, one of the main points raised from the opponents of the standard during the EC's consultation paper on the IFRS for SMEs was the complexity of the standard for small entities (EC, 2010).

Prior studies focusing on larger entities also conclude that the benefits from a possible adoption of the IFRS for SMEs overweight the costs for these types of entities. Larger SMEs benefit from the comparability offered by the use of the standard because this improves their image and enhances their promotion (Neag et al., 2009). Besides, larger SMEs have the capability and the funds to overcome the additional costs which accompany the use of the standard in order to accomplish the goal of improving their image, while smaller SMEs are interested in simple accounting and reporting regulations and have no need for universality (Neag et al., 2009). In line with this, Bartunkova's (2012) results in the Czech Republic show that most of the questionnaire respondents, find the standard more suitable for large and medium-sized entities, while they consider it too complicated and costly to be used for small entities. Nevertheless, Maseko and Manyani (2011) conducted a survey with the participation of 100 SMEs in Zimbabwe and concluded that small SMEs do not record the accounting information for managerial purposes and they are not in need of sophisticated accounting standards, while as the company grows to a medium-sized or larger, this factor becomes more significant. On the contrary, Dang (2011) conducting a questionnaire survey with 152 SMEs' accountants in Vietnam in 2008, found no correlation between the size of the entity and the compliance with accounting standards. This statistical insignificance between the size of the entity and the use of the IFRS for SMEs has also been found by Baldarelli et al. in Croatia. The researchers conducted a survey with 20 accountants and resulted that the preference of the profession for the IFRS for SMEs versus the local GAAP does not depend on the size of the entity (Baldarelli et al., 2012). However, the rate of the response they received to their questionnaire is very low in order to generalise their findings.

Quite the opposite, investigating the possibility of adopting the IFRS for SMEs in regards with the potential aligned benefits, Eierle and Haller (2009) sent 410 questionnaires to the directors in charge of the annual reports of SMEs in Germany and found out that there is a significant relationship between the size of the entity and the need to use international accounting standards. However, their findings correspondingly showed that even the smaller entities, although in a lower proportion, have cross-border trade activities and knowledge of international financial reporting, which endorse possible benefits from the use of the IFRS for SMEs. These findings are also supported by the survey that Albu (2013) conducted with 194 Romanian accountants, which reveals that size is related with the scope of the IFRS for SMEs, indicating that the scope of the standard fits the larger SMEs while the smaller ones are left out of its scope. Her results are consistent with the findings of Francis et al. and André et al. and confirm that larger SMEs have more users, more diverse funding, higher use of financial statements and a wider cross-border trade. However, she also finds high significance (although lower) for the same characteristics regarding smaller SMEs (excluding micro-entities).

Finally, the results regarding the possible adoption the IFRS for SMEs for different sizes of entities in developing countries' research are contradictory regarding the potential costs and benefits and should be investigated. Hence, this study explores the challenges and benefits of the NINAS in Albania, through interviews with accountants and auditors for different clusters of entities. While the results from developed countries' research show that size is a significant determinant in the decision of non-publicly accountable entities to use international financial reporting; the larger the entity the higher the need for international financial reporting. Thus, this study suggests that accountants and auditors dealing with larger non-publicly accountable entities have a more positive attitude towards the use of the adapted IFRS for SMEs versus the old GAAP and the following hypotheses are proposed:

H1a: *Accountants/auditors dealing with large non-publicly accountable entities are more likely to have a positive attitude towards the adapted IFRS for SMEs*

H1b: *Accountants/auditors dealing with medium-sized non-publicly accountable entities are more likely to have a positive attitude towards the adapted IFRS for SMEs*

Furthermore, considering the fact that small non-publicly accountable entities in the UK can use Section 1A of the FRS 102 and that micro-entities in the UK are guided by FRS 105 (FRC, 2015), the following hypotheses are proposed:

H1c: *Accountants/auditors dealing with small non-publicly accountable entities are more likely to have a negative attitude towards the adapted IFRS for SMEs*

H1d: Accountants/auditors dealing with micro-entities are more likely to have a negative attitude towards the adapted IFRS for SMEs

3.4.2 Industry

The sector in which an entity operates (industry) seems to be a contradictory factor with regard to the possible adoption of the standard at entity level. Particularly, results from the survey conducted by Bunea et al. (2012) reveal that 60.5% of the respondents consider that size criteria, as a proxy for the possible adoption of the IFRS for SMEs, should depend on the characteristics of the sector where the entity operates. On the other hand, André et al. (2012) and Eierle and Helduser (2013) find no significance of industry in the decision of the SMEs to adopt international financial reporting standards, although the possibility of dissimilarities in the costs and benefits of the adoption due to industry competitive forces towards better disclosure rules and transparency is found to be high (André et al., 2012). Taking into account these contradictory results, this study investigates the possibility of any relationship between the different industries in which entities operate and the views of the accountants and auditors for the adapted IFRS for SMEs versus national GAAP by proposing the hypothesis:

H2: Accountants/auditors dealing with non-public accountable entities which operate in specific industries are more likely to have a positive attitude towards the adapted IFRS for SMEs

3.4.3 International trade

International trade is argued to be one of the main factors that affect the suitability of the international accounting standards for application and that is because entities having international trade activities are more in need of a common comparable accounting language (Eierle and Haller, 2009). Hence, SMEs operating locally with no interest in international trading would not benefit from the use of the IFRS for SMEs (Devi and Samujh, 2015). However, empirical research has shown that the majority of SMEs are very much involved in imports and/or exports. Eierle and Haller (2009), for example, find that the majority of the researched entities having cross-border activities are large. Nonetheless, they also find that 43.1% of the smaller cluster of those entities, consider exporting very important for their businesses. Furthermore, André et al., (2012) provide evidence of a significant positive relationship between internationally orientated SMEs in the UK and their voluntary adoption of international financial reporting standards. While considering the possible adoption of the IFRS for SMEs in the Czech Republic, Bartunkova's (2012) empirical research shows that medium-sized entities dealing with exports and imports will benefit from the use of IFRS for SMEs by attracting more customers and suppliers. Besides Litjens et al. (2012) confirm that SMEs with international orientation are expected to have lower compliance costs while using the standard. Drawing from these studies, the following hypothesis is proposed:

H3: *Accountants/auditors dealing with non-publicly accountable entities which have international trade activities are more likely to have a positive attitude towards the adapted IFRS for SMEs*

3.4.4 Accountant's knowledge and experience

Prior research suggest that the more familiar and experienced accountants and auditors are with full IFRSs, the more positive stance they take towards the adoption of the IFRS for SMEs. This is based on the argument that the level of knowledge of full IFRSs expresses the international orientation of accounting (Eierle and Haller, 2009). Klikovac (2006, cited in Baldarelli et al., 2012) provide evidence that the majority of the SMEs examined in Croatia favour the use of the standard after its publication due to the gained experience and knowledge they had with full IFRSs' implementation. Baldarelli et al. (2012) estimated the standard would fulfil their needs since it would allow an easy transfer to full IFRSs if the businesses grew. Nevertheless, the lack of experience in using full IFRSs, which are being used only for the consolidated financial statements of publicly traded companies in Rumania, is the reason that most of the accountants responding to a survey by Bunea et al. (2012) prefer regulations based on the European Directives and only a few of them favour the IFRS for SMEs. Finally, Kaya and Koch (2015) find that countries that allow or require SMEs to use full IFRSs are more likely to adopt the IFRS for SMEs. However, the knowledge and experience of full IFRSs differs within different size clusters of entities that the accountants and auditors are dealing with (Eierle and Haller, 2009). The above research underpins the following hypotheses:

H4a: Accountants/auditors having knowledge of full IFRSs are more likely to have a positive attitude towards the adapted IFRS for SMEs

Furthermore, considering the studies conducted in countries where the IFRS for SMEs has been adopted, some suggest that their results regarding the suitability of the standard for application at entity level, might have been different or might change if the accountant/auditor-respondents were more experienced with the use of the standard (for example: Maseko and Manyani, 2011; Hussain et al., 2012; Uyar and Gungormus, 2013; Sikhwari and Manda, 2016). As previously mentioned, non-publicly accountable entities in the UK were required to apply FRS 102 since January 2015, although it was available to early adopters from 2013. Taking this fact into account, this study suggests that the more experienced the accountants/auditors with the use of FRS 102 (the adapted IFRS for SMEs), consequently the more years they have been using it, then the more positive they are towards its use in comparison with the old UK GAAP. This leads to the following hypothesis proposed:

H4b: Accountants/auditors having used the standard for more than one year are more likely to have a positive attitude towards it

3.4.5 Costs

Interview data from with SMEs' stakeholders in the Czech Republic, Hungary, Romania and Turkey (Albu et al., 2013) identifies the most important costs of the IFRS for SMEs' possible adoption at entity level is the cost of accountants' training, upgrading (or replacing) the accounting software and paying external advisors. This confirms the findings of Husanin et al. (2012) who conducted interviews with accountants and auditors in Fiji after the adoption of the standard. Although the use of the standard in Fiji was mandatory, their evidence shows that many entities were not complying due to the extra cost (Husanin et al., 2012).

Compliance costs also feature in the European literature on this issue. Evans et al. (2005) argue that SMEs face higher costs in complying with changes in accounting regulation requirements than publicly accountable firms which benefit from the accounting economies of scale. Eierle and Haller (2009) support this view, since larger entities invest on their own employees' accounting expertise, while smaller entities lack of such expertise and rely on an external one with higher costs. Adding to these arguments, Litjens et al. (2012) state that the differences between the local GAAP and the IFRS for SMEs enhance the costs at entity level. Thus, for entities operating in countries were the differences between the existing national GAAP and the IFRS for SMEs are many, the costs of compliance in terms of time-consumption, challenges and complexity are higher in comparison with the compliance costs faced by entities operating in countries were those differences are few.

Thus, prior research identifies the potential costs related to the use of the standard at entity level as training costs for accountants, software costs, the cost of external expertise (Husanin et al., 2012; Albu et al., 2013) together with compliance (Evans et al., 2005; Eierle and Haller, 2009; Litjens et al., 2012). This underpins the following cost hypothesis:

H5: Accountants/auditors considering the costs of using the standard high are more likely to have a negative attitude towards it

3.4.6 Benefits

Evidence from Germany (Eierle and Haller; 2009; Eierle and Helduser, 2013) indicates that SMEs having a smaller number of owner-managers and belonging to an international business group are more likely to use full IFRSs than national GAAP. They suggest that these types of SMEs would benefit most from the IFRS for SMEs. Furthermore, Bartunkova (2012) in Czech Republic found that medium-sized entities having foreign entities as the majority of owners are more likely to use IFRS for SMEs to prepare their financial statements since it would facilitate the owners with the preparation of the consolidated statements. Pacter (2009a) states that the use of the IFRS for SMEs would benefit subsidiaries whose parents report under full IFRSs due to the reduced amount of disclosure requirements. Nevertheless, consolidated reporting of parent companies would also be simplified if their subsidiaries use IFRS for SMEs for their financial reporting instead of different national GAAPs (Pacter, 2009a). However, André et al. (2012) do not find any association between ownership structure and the decision of private companies in the UK to apply full IFRSs. This may be because the UK's FRS 101, *Reduced Disclosure Framework (2012)* allows subsidiaries in a listed group to apply the same accounting as in the group accounts, but with fewer disclosures. However, the IFRS for SMEs is likely to bring more benefits in jurisdictions where full IFRS or full national GAAP are required for non-publicly accountable entities, such as developing countries and transition economies (Collis, Holt and Hussey, 2017). Bartunkova (2012) also argues that not only would subsidiaries benefit in terms of simpler reporting, but the group would also benefit in terms of consistency between subsidiaries' reporting.

Another benefit deriving from the use of IFRSs at entity level is the elimination of obstacles to cross-border investment and collaborations (Brown, 2011). This is closely associated with the comparability, transparency and relevance offered by the use of IFRSs (Brown, 2011). Albu et al. (2013) find that the use of the IFRS for SMEs would increase the opportunity of doing business at a regional or international level for the entities eligible to use it. Thus, the use of the standard would aid joint ventures and partnerships at a regional or international level. Furthermore, due to the same features, the use of the standard would improve the image of the entity and this would enhance access to credit finance and would decrease cost of capital (Pacter, 2009b; Hussain et al., 2012; Litjens et al., 2012). Adding to this, Zuelch and Bughartd (2010) through a survey of 278 German banks examine whether the choice of the financial reporting system can influence the credit rating of an entity. They find a strong relationship and argue that credit rating is very important to SMEs since it can motivate them to move from national GAAP to IFRSs, signalling that they are better organised. Hence, the use of the standard is expected to support the international trade and improve the image of the business, leading to increased credibility in their financial reporting from credit rating agencies, lenders, customers and suppliers. As a result, entities expecting or experiencing these benefits would have a positive attitude towards the use of the IFRS for SMEs.

The IASB (2009) states that one of the IFRS for SMEs is that it provides a transition platform for growing entities which are about to enter the capital markets and would be required to use full IFRSs. Hence, some researchers argue that the firm's growth is one of the factors that influences the use of the IFRS for SMEs at entity level as part of a transition towards voluntary or mandatory use of full IFRSs (Baldarelli et al., 2012; Albu et al., 2013; Uyar and Gungormus, 2013). On the other hand, Samujh and Devi (2015) through a study based on prior research conducted in Asian countries, argue that the aim of the SMEs in developing countries is surviving rather than growing. Thus, the standard is not useful to them in this aspect. Nevertheless, these authors consider the standard very complex to be adopted by developing countries unless it is modified to meet the needs of smaller entities. This complexity would rather cause reduction to the SMEs' entrepreneurship activity (Samujh and Devi, 2015).

Summarising, according to prior research, the benefits of the IFRS for SMEs for entities eligible to use it, are considered to be: simpler reporting for listed companies' wholly-owned subsidiaries, easier transition to full IFRSs if desired or required, facilitation of international trade and partnerships, improved image, establishment of better opportunities in claiming capital from financial providers nationally and/or internationally and increased credibility to customers and suppliers (Pacter, 2009a; Albu et al., 2013; Uyar and Gungormus, 2013). This study suggests that these potential benefits would have a positive impact on the entities using the adapted IFRS for SMEs. Thus, the following hypothesis is proposed:

H6: Accountants/auditors considering the benefits of using the standard high are more likely to have a positive attitude towards it

3.5 Users and uses

The IASB's Conceptual Framework for Financial Reporting states that the objective of general-purpose financial reporting "is to provide information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt instruments and providing or settling loans and other forms of credit" (IASB, 2018, 1.2). Nevertheless, the need for accounting information becoming internationally comparable is subject to the users' needs which in their turn depend on the international exposure of the entity (Eierle and Haller, 2009). Consequently, the issue deriving from the literature related to the possible adoption of the IFRS for SMEs is the identification of the users of SMEs' financial information and their needs (Di Pietra et al., 2008; Litjens et al., 2012; Quagli and Paoloni, 2012; Albu et al., 2013; Albu, 2013).

Deaconu et al. (2012) analyse the comment letters to the IASB's ED IFRS for SMEs and identifies that the users of SMEs' financial information are the shareholders, banks, public authorities and managers. However, in accordance with the users of

SMEs financial information and their needs, the purpose of SMEs financial reporting is seen to be different in different countries, independently of their economic development. For example, Maingot and Zegbal (2006) in the context of Canadian SMEs, refer to 4 main purposes, starting from the most important: tax purposes, bank purposes, review and performance. This has also been reported by studies in different emergent economies (Albu et al., 2013 and Bunea et al, 2012 in the context of Romanian SMEs; Van Wyk and Rossouw, 2009 in the context of South African SMEs). However, Amoako (2013) in the context of SMEs operating in Ghana argues that the three main purposes of their financial reporting (in order of importance) are to keep track of receivables and payables, for planning and decision-making purposes, and for bank purposes. This differs from the findings of Zuelch and Burghardt (2010) and Eierle and Helduser (2013) in the context of German SMEs, which put bank purposes first. Very early research by Carsberg et al. (1985) in the UK suggests the following order: planning and decision-making purposes, tax purposes, bank purposes, and review and performance. Ten years later, Barker and Noonan (1996) report that in Ireland the order is similar: planning and decision-making purposes, bank purposes and tax purposes.

Nevertheless, prior research conducted on EU countries identifies debt financing as the primary source of financing for the SMEs operating in the union’s economic environment. This source of financing is considered to be much more important than venture capital (Vasilescu, 2014). Thomadakis (2017), researcher at the European Capital Markets Institute, also reports that bank lending is the most common source of external finance. His research was based on the European Investment Bank Group Survey 2016/2017, which gathers information from more than 12,500 SMEs across the union (Thomadakis, 2017). Hence, the most important users of the SMEs financial reporting in the EU appear to be the banks. This is also supported from a quantitative study conducted by Masca et al. (2010) in Romania between listed and unlisted entities. The authors found that the main user of the financial information provided by listed companies is represented by the existing and potential investors, while the main user of the financial information provided by unlisted entities is represented by credit lenders (Masca et al., 2010).

The majority of prior research in developing countries identifies tax authorities as the major user of the SMEs financial information (Van Wyk and Rossouw, 2009; Bunea et al, 2012; Albu et al., 2013), while most studies conducted in developed countries show that the most important user of SMEs' financial statements is the bank (Barker and Noonan, 1996; Zuelch and Burghardt, 2010; Masca et al., 2010; Eierle and Helduser, 2013). As a result, this thesis examines the adoption of the IFRS for SMEs from the perspective of the two main user groups: the tax authorities and banks/lenders.

3.5.1 Tax authorities

As already mentioned, tax authority in many jurisdictions is one of the main users of SMEs' financial reporting information, especially in developing economies. It has been argued that the relationship between accounting and taxation in this context, might influence the quality of financial reporting. Albu et al. (2013) in the context of SMEs operating in four emergent economies, report a tight relationship between SMEs' financial reporting and taxation in terms of the existence of many tax rules which are based on the accounting profit. Apart from this, the preparers of SMEs' financial statements in the examined countries seem to be more involved in tax accounting rather than in financial accounting (Albu et al., 2013). This fact drives the researchers into the conclusion that this relationship, between accounting and taxation, might damage the quality of financial reporting since the entities would look for ways to minimise their taxes. This is also supported by Chen et al. (2011) who analysed the data from the World Bank's Enterprise Survey and found that the informational role of accounting is significantly lessened when the firm's accounting is focused more on tax. However, even though financial statements would always be associated with taxation, other users of the financial information would benefit more if the statements represent economic reality rather than numbers which minimise tax liability (Aisbitt, 2002). Devi and Samujh (2015) argue that since the IFRS for SMEs was not designed for tax purposes, this would impose additional burden to the SMEs in developing countries because they would be required to produce additional reporting. This is confirmed by Bunea et al. (2012) who found that a significant number of respondents support the idea that a simplified international financial reporting for SMEs should include tax rules.

3.5.2 Lenders

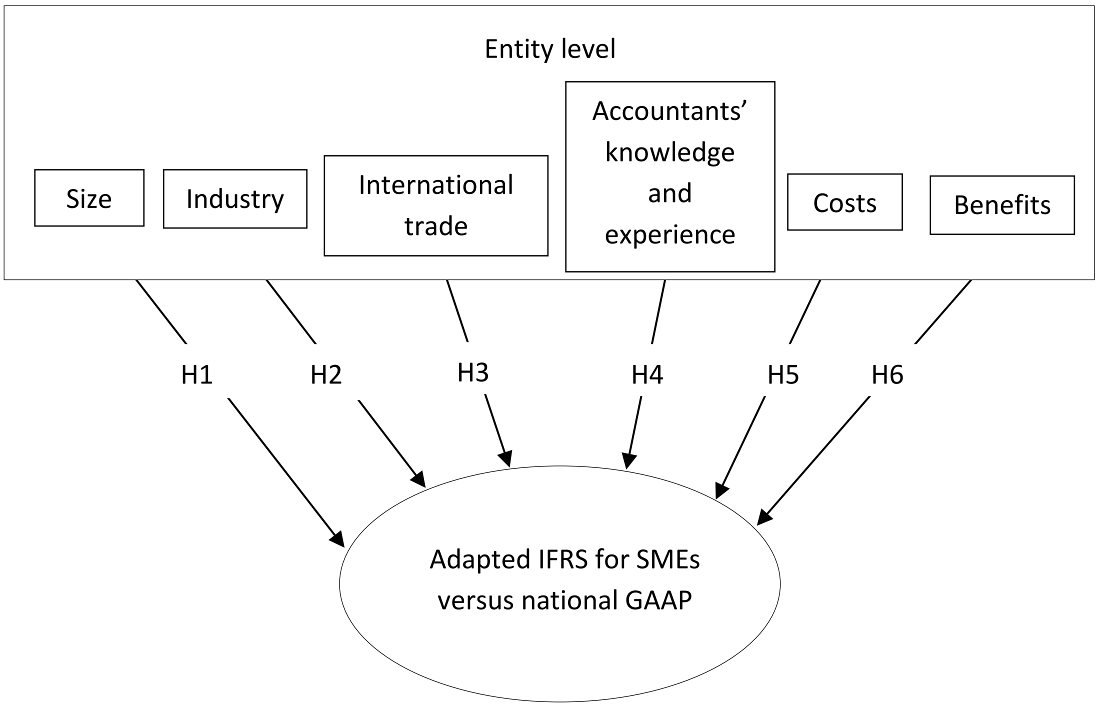
Financial statements are the keys to information for the banks (Zuelch and Bughartd, 2010). Haller and Loffelmann (2008) through interviews conducted with German bankers, provide evidence that the use of financial statements is the most important determinant for the banks' credit decisions. Additionally, Barth et al. (2011) depict that SMEs using international financial reporting, do not face as many obstacles as the ones which do not use international financial reporting for accessing loans from banks. Besides, they get longer duration loans with lower interest rates than other SMEs due to the transparent accounting information they provide. It is also observed that SMEs from countries having a better market potential ease their way to credit. Nevertheless, Van Caneghem and Van Campenhout (2012) analysing a wide sample of SMEs in Belgium, conclude that little or absent information quality impede the entities' usage of external funds. This is supported by the findings of Vander Bauwhede et al. (2015), who also analysed a wide sample of Belgium SMEs, and provide evidence that the higher the quality of SMEs financial reporting, the higher the trust of their creditors towards them.

On the other hand, due to the recent economic crisis, credit lenders require more trustful accounting information than they used to, hence they might be the most important proponents of the IFRS for SMEs (Albu et al., 2010). So, Goncharov and Zimmermann (2007) through an investigation of firms' behaviour towards earnings management in Russia, found that the quality of financial reports increases when banks force the firms to reveal more operations in their balance sheets.

Prior research also depicts that although the quality of information is very important for credit suppliers of SMEs, in its absence the suppliers have other tools of decision making. For example, Strouhal (2012) conducted interviews to obtain the views of representatives of Czech accounting profession on the possibility of implementation of full IFRSs or IFRS for SMEs in Czech Republic and revealed that apart from the strong relationship with taxation, both financial reporting and accountants level of knowledge are weak in the country and this is the reason that the users of financial statements do not trust the reported information, hence they neither require it nor use it. Albu et al. (2013) also support the fact that banks are not satisfied with the quality of the financial information provided from SMEs and use other ways to get the required information such as interviewing the accountant and the manager of the entity. Furthermore, Laing and Laing (2012) through a case study research, show that IFRS for SMEs is not applicable in Australian small family businesses, since the aim of those businesses is to run efficiently and effectively and refer to tax authorities, while the standard goes beyond the needs of those businesses management and control. The authors also argue that other users of small family businesses' financial statements, such as banks and other financial institutions, have their own specific requirements for the information they need, which are not related with the accounting standards. This is in agreement with the findings of Tucker et al. (2012) who through a literature review argued that for the case of SMEs, lenders request both quantitative and qualitative information directly from the entity and do not make use of financial statements unless they are audited. Nevertheless, Samujh and Devi (2015) argue that most SMEs are financed by internal banks thus there is no need for them to use international financial reporting. The authors also support the argument that and since the IFRS for SMEs is a simplification of full IFRSs, it fails to meet the needs of SMEs users. However, Albu et al. (2013) state that the use of financial statements for lenders does not relate only to credit decisions, but also to a number of macroeconomic statistics about the entities operating in a specific industry, district or country. Thus, not providing high quality financial statements to the lenders this benefit is lost.

Based on the review of the literature and the development of hypotheses in this chapter, Figure 3.1 summarises the theoretical framework for the study.

Figure 3.1 Theoretical framework



3.6 Conclusions

The potential adoption or adaption of IFRS for SMEs in many developed countries "has been associated with certain distrust" (Bohusova and Blaskova, 2011, p. 42). On the other hand, many emergent economies are positive towards the standard hoping to improve the quality of their financial reporting and attract foreign capital (Kaya and Koch, 2015). Nevertheless, Chand et al. (2015, p. 141) call for more evidence, stating that "it is important to consider whether IFRS for SMEs in general would meet the financial reporting requirements of different societies, particularly in developing economies". Furthermore, prior research investigating the possible factors which will affect the application of the IFRS for SMEs in different jurisdictions refers to individual countries or differences between EU or developing countries. Although the IASB developed the standard intending to be applicable in both developed and developing economies, to the knowledge of the author, there has been no study identifying the factors which affect the adaption of the IFRS for SMEs in both developing and developed countries.

It has also been argued that after the publication of IFRS for SMEs, the majority of studies were conducted before the adoption or adaption of the standard in the respective researched jurisdictions. Therefore, prior research focusses on the potential impact that the adoption of the standard would have on the eligible entities in different jurisdictions and has an ex ante character. Furthermore, the studies conducted in some countries which have adopted the standard mainly focus on the challenges faced by the profession and ignore the impact of the standard on the economy at country or entity level. Moreover, some researchers acknowledge that their results might change after the adoption of the standard in their countries (for example, Zuelch and Burghardt, 2010; Litjens et al., 2012; Albu et al., 2013).

In order to fill these gaps, this study investigates the adaption of the IFRS for SMEs in Albania, as an example of a developing country, and the UK, as an example of a developed one, through analysis at country, entity and users level. A theoretical framework has been developed with the aim of answering the research questions:

- What are the reasons for basing national accounting standards for non-publicly accountable entities on the IFRS for SMEs in Albania and the UK?

- What is the impact of the adapted IFRS for SMEs on the accountancy profession and non-publicly accountable entities in Albania and the UK?
- What is the impact of the adapted IFRS for SMEs on the tax authorities and lenders in Albania and the UK?

Having reviewed the literature and set out the theoretical framework that underpin this research, the next chapter describes how the study has been designed to address the research questions and test the hypotheses.

Chapter 4. Methodology

4.1 Introduction

This chapter presents the research design and describes the methods employed to address the research questions. The research design incorporates a mixed methods approach consisting of in-depth interviews with key stakeholders, analysis of the minutes of meetings and comment letters to consultations and a questionnaire survey of accountants and auditors in business and in practice. Discussion also expands on the methods adopted for selecting the samples and for collecting and analysing the data in both countries. Ethical issues for this study are also discussed in this chapter, while the final section draws conclusions.

4.2 Overview of the research design

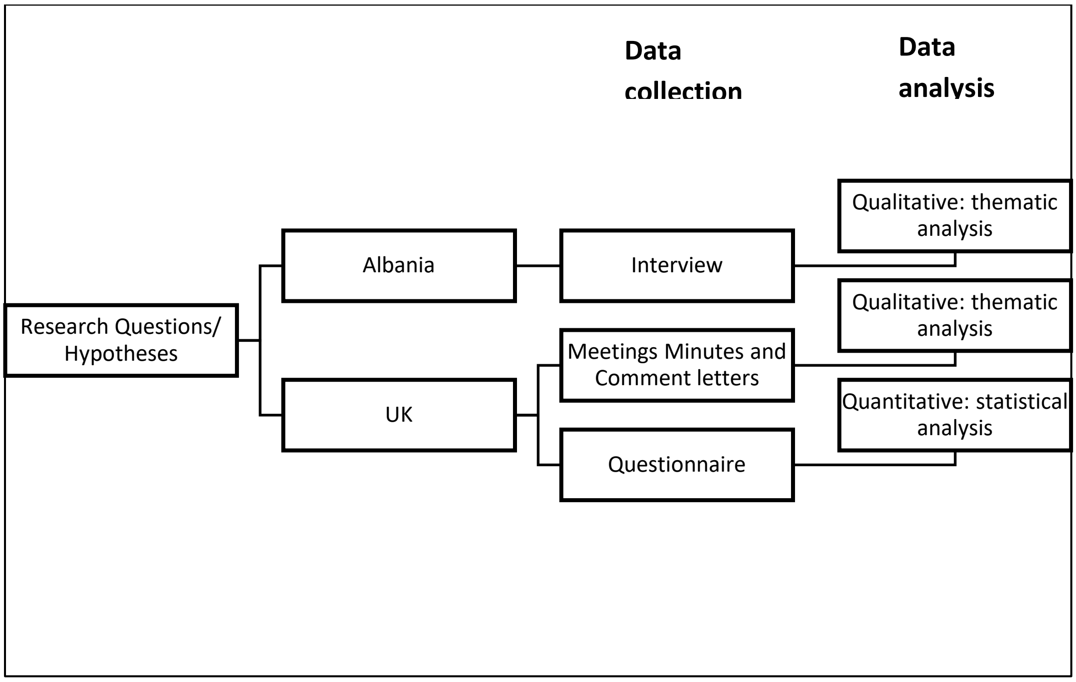
Scientific research should be underpinned by a philosophical framework or research paradigm. Research paradigms find their roots in several philosophical assumptions which facilitate researchers' observing and understanding of social phenomena (Babbie, 2016).

Originally this study was designed under a positivist paradigm. A survey of accountants in both countries was planned, preceded by interviews with key stakeholders to identify any new issues not covered in the literature. This would enhance the development and the piloting of the questionnaire for the accountants. However, while having a pre-testing interview with a representative of the Albanian National Accounting Council (Standard Setter), it was revealed that this approach would not be feasible in Albania. This was due to the fact that a survey questionnaire with accountants in Albania had already been attempted by a representative of the World Bank with no success in achieving a considerable sample of valid data. Therefore, the present study had to adopt a pragmatic approach and rely solely on interviews in Albania but continue as planned with a questionnaire survey in the UK. Although this does not restrict the investigation of the research questions addressed by this study, it does rule out a quantitative approach during the comparison of the two countries.

Pragmatism represents a middle ground philosophical approach (McKerchar, 2008). Pragmatists find the available methods, techniques and procedures to use in relationship with the needs and purposes of the research (Creswell, 2009). Onwuegbuzie and Leech (2005) highlight the advantages of being a pragmatic researcher. Among others, the authors point out that being a pragmatist enables flexibility in using a variety of investigative techniques to address many research questions that might arise and furthermore “have the opportunity to combine the macro and micro levels of a research issue" (Onwuegbuzie and Leech, 2005, p. 383). Greene et al. (1989) investigate the purposes for using mixed-methods approach and suggest five designs: triangulation, complementarity, development, initiation and expansion (p. 259). According to the authors, triangulation allows the investigation of a particular phenomenon from multiple angles resulting in a more complete and accurate perception; complementarity occurs between methods when the results from one method are enhanced by the results of another method; development is when the results of one method provide primary evidence for the other method to be applied; initiation focuses on the discovery of inconsistencies between different methods’ results targeting in new areas of further analysis and research and lastly expansion is achieved when methods are being used under a specific plan to deal with different aspects of the study (Greene et al., 1989). The authors also suggest that a study using the expansion design can be enhanced by elements of other designs and become a multipurpose study.

This study adopts the expansion research design, as suggested by Green et al. (1989) incorporating features of the development design. Thus, in Albania, qualitative data from different stakeholders are collected and analysed under the scope of examining different options of the phenomenon under study and then are integrated at the interpretation phase aiming to a more complete picture of it. In the UK, qualitative data are firstly collected and analysed and the results, conjointly with the results from the Albanian data analysis, are used to provide primary evidence for the collection and analysis of the quantitative data. As shown in Figure 4.1, three data collection methods are carried out, in total, to obtain primary information from different sources in both countries.

Figure 4.1 Research design for the current study



The method of data collection in Albania involves semi-structured interviews with a sample from three different groups: (1) representatives of the standard setter and the Ministry of Finance, (2) accountants and auditors, and (3) lenders as users of the financial accounting information of non-publicly accountable private entities. The first data collection method in the UK is the collection of the ASB's minutes of meetings and of the comment letters sent to the FRC regarding the future of the UK GAAP. The second part is a self-completion questionnaire survey to ACCA members. With respect to data analysis method, thematic approach is employed for the interview data and the content analysis approach for the meetings minutes and the comment letters, while statistical analysis is applied for the data received out of the questionnaire survey. Analysing all sources of data separately enhanced the interpretation of the results in terms that the analysis of qualitative data exploited the interpretation of quantitative data analysis and vice versa.

Although some researchers argue that quantitative and qualitative methods should not be combined due to the fact that they are based upon two discrete paradigms, a plethora of others support this combination (Saunders et al., 2009; Robson, 2011; Bryman and Bell, 2015; Onwuegbuzie and Leech, 2005; McKerchar, 2008). Lee and Lings (2008) argue that “methods are independent of philosophical paradigms” (p.378); simply different methods facilitate answering different types of questions and different kind of information can be collected.

Besides the advantages offered by using a mixed-method approach, there also are some limitations identified. Such a research method is more costly in terms of time, effort and resources compared to a single method approach (Creswell, 2009) and requires expertise in both qualitative and quantitative methods (Hesse-Biber, 2014) especially when the research project is undertaken by only one researcher.

Taking into account the research conducted in accounting, Grafton, Lillis and Mahama (2011) conclude that mixed methods research lacks prototypes, and this is because accounting researchers face difficulties in satisfying opposing journal reviewers’ demands or views towards one method or the other. According to the authors, these difficulties lead the researchers in seeking to publish their component findings separately (Grafton et al., 2011). In this context the authors urge for the adoption of mixed methods in accounting literature stating that “the lack of use of such methods suggests missed opportunities” (Grafton et al., 2011, p. 18).

4.3 Methodology for the Albanian study

One of the purposes of this research is the investigation of the mandatory adaption of the IFRS for SMEs in Albania and how this adaption is perceived from various stakeholders of non-publicly accountable entities' financial reporting information. Apart from the fact that this adaption took place in the beginning of 2015 (very early stage of investigation) and the fact that a quantitative approach in Albania would not be successful, it was considered that semi-structured face-to-face interviews should be used. The use of semi-structured face-to-face interviews enhance the researcher with a certain flexibility of adjusting and explaining the questions in case the respondents show any kind of hesitancy in answering due to possible problems in understanding the meaning of the questions or because of sensitive information disclosure (Saunders et al., 2009; Collis and Hussey, 2014). Furthermore, this form of interviewing is broadly used in qualitative accounting research (Smith, 2003; Lee and Humphrey, 2006) although it is time-consuming and might suffer from interviewer's bias (Smith, 2003; Collis and Hussey, 2014). The questions for the interviews are developed based on the themes identified during the literature review process of the study. Some questions derive from related studies (for example: Bartunkova, 2012; Dang, 2011; Buena et al., 2012; Hussain et al., 2012; Albu et al., 2011; Albu et al., 2013; Ram and Newberry, 2013), but they are adjusted within the context of the current study. Furthermore, probes and prompts are added to the initial questions aiming in collecting further detailed information or possible clarifications to cover the issues investigated.

Given that the target groups of interviewees are preparers, users and regulators, separate interview questions are generated for each group. However, the main issues addressed are the same for all groups. The interview questions of the three groups of interviewees are provided in Appendix 1 in both Albanian and English.

Apart from the differences between the interviewed groups, the interview questions' structure consists of three main parts. Firstly, a guideline is provided which introduces the researcher, the ethics, the subject and the aims of the research. Secondly, the profile of the interviewee is acquired and lastly, the main interview questions follow divided in several sub-questions.

The interview questions initially are constructed in the English language and then translated in Albanian by the researcher of this study. The initial draft of these questions was first reviewed by the supervisors of this thesis. The feedback gained from both reviews led to some adjustments such as the order of the questions and some questions added or removed. After the translation in Albanian language was completed, the scripts were also reviewed and pre-tested by a representative of the standard setter in Albania, who has a great experience in the accounting field as a professional accountant, auditor and academic. Pre-testing resulted in several improvements of the interview questions in terms of wording and provided the first experience of a face-to-face interview for the researcher of this study.

4.3.1 Sampling method

Smith (2003) states that thematic analysis is very popular in accounting research while Braun and Clarke (2006) refer to this method as the "foundational method for qualitative analysis" (p. 78). In this thesis, thematic analysis is conducted to obtain information in order to "build theoretical models or to find solutions to real-world problems" (Guest et al., 2011, p. 17). Hence, in the beginning, interviewees are selected using purposive sampling. Maxwell (1997) defined this process as "particular settings, persons or events [which] are deliberately selected for the important information they can provide and cannot be gotten as well from other choices" (Maxwell, 1997, p. 87). For example, in order to reveal the reasons for the adaption of the IFRS for SMEs in Albania, the sample of interviewees needed to consist of participants who were directly involved with this decision. After the discussion with the representative of the standard setter during the pre-testing interview in Albania, a list with targeted interviewees was generated. Furthermore, at the end of each interview the participant was asked to provide some recommendation for other possible interviewees. This strategy was also applied for the preparers' and users' group.

4.3.2 Data collection method

Various methods were employed to make contact with possible interviewees such as calls, e-mails or researcher's own friends' and relatives' recommendations. However, it should be stated here that the recommendations from the standard setter representative made this process much easier and the interviewees much more acceptable to participate and to recommend others. However, there were cases when some interviewees had accepted the invitation at start, but later changed their mind or their professional obligations and heavy schedule prevented them from taking part in the interview.

All interviews were conducted face-to-face at either the interviewees' offices or as the Albanian tradition commands, at a coffee shop. The interviewees were informed for the purpose of the study and for the confidentiality and anonymity of the content of the interview. The interviews were conducted in Albanian and their duration varied from 30 to 50 minutes. All interviews were recorded with the consent of the interviewees. They were transcribed and sent to the interviewees for validation.

The interviews took place in January and February 2016 and a total of 30 interviews were conducted as suggested by Braun and Clarke (2013) who consider this number is sufficient for identifying patterns across the data. Furthermore, theoretical saturation (Corbin and Strauss, 2015) was achieved to the point where the interviewees were giving repetitive information and no more new themes were emerging. Table 4.2 provides details for the interviews undertaken.

Table 4.1: Breakdown of interviews in Albania

Interviewees	**No. of interviews**
Representative of the NAC (Standard Setter) present at the discussions for the adapting decision	1
Representative of Ministry of Finance present at the discussions for the adapting decision	1
Representatives of international banks focusing on non-publicly accountable entities	8
Accountants in business and in practice	15
Auditors from big international firms and smaller local firms	5
Total	**30**

4.3.3 Data analysis method

For the analysis of the Albanian interview data, this study adopted the thematic analysis approach. Among a plethora of methods for analysing qualitative data, thematic analysis method is a "method for identifying, analysing, and reporting patterns (themes) within data and it helps in organising and describing the qualitative data in detail" (Braun and Clarke, 2006, p. 82). Analysing qualitative data thematically is a systematic, ordered and logical way of analysis which is suitable for small or lager amount of data and leads to detailed descriptions, rich explanations and theorising (Saunders et al., 2009; Bryman and Bell, 2015). Specifically, Saunders et al. (2015) state that this method enables the researcher to "comprehend often large and disparate amounts of qualitative data, integrate related data drawn from different transcripts and notes, identify key themes or patterns from a data set for further exploration, produce a thematic description of these data, and/or develop and test explanations and theories based on apparent thematic patterns or relationships, draw and verify conclusions" (Saunders et al., 2009, p. 579).

Following the recommendations of Saunders et al. (2009), Braun and Clarke (2013) and Collis and Hussey (2014) the analysis of the interview data collected from various stakeholder groups of the Albanian non-publicly accountable entities' financial reporting information is analysed in six steps. First of all, data are transcribed and read many times in order to enable familiarisation. Secondly, similar meaning data are coded and labelled in groups using the software package NVivo 11. Some of the codes derived from literature, others from terms used by the interviewees and others are identified by the researcher through familiarisation, focusing always in this thesis purpose and objectives. Thirdly, codes were incorporated into themes; secondary level at first, and then linked to the main themes. The fourth step involved the refining of the themes and identification of patterns. Lastly, interpretation and explanation occurred. It should be stated here, that data were analysed in Albanian and only in the last stage the quotations used were translated in English by the researcher of this thesis.

4.4 Methodology for the UK study

In order to fulfil the other objective of this study which is to reveal the reasons for the adaption of the IFRS for SMEs in the UK, initially the approach of conducting semi-structured interviews (as they were conducted in Albania) was adopted. The same main template of questions was used aiming in a better comparison between the two countries. However, some prompt questions were added to better fit the business environment of a developed country. The target group of interviewees consisted of a representative of the standard setter (FRC), a representative of the tax authority (HMRC) and lenders of private companies, as users of the non-publicly accountable entities' financial reporting information.

Several efforts were made via email to contact a representative of FRC for an interview, but they were not successful. One interview was conducted with a representative of HMRC who was involved in the process of adaption of the IFRS for

SMEs in the UK. The contact was made through another representative of HMRC during an ICAEW's conference in London on December 2015. The interview was conducted via phone in the beginning of January 2016. All the ethics procedures were followed. The interview had a duration of 15 minutes and was recorded and transcribed. The transcription was sent back to the interviewee for verification. During the interview, the interviewee referred several times to FRC's official site. Specifically, the interviewee stated that all the information required upon the subject was published in the FRC's site and the majority of the questions could be answered by reading the minutes from the ASB's meetings during that period. Following the interviewee's advice, the ASB's minutes of meetings were downloaded for the period February 2006 to December 2010. The starting day is the first day that the ASB first started to publish the minutes from its meetings. Furthermore, on August 2009, the Board published a consultation on the future of the UK GAAP and received comments from the public on the possible adoption of the IFRS for SMEs. These comments were downloaded and analysed to enhance the compilation of the questionnaire survey and its data interpretation. Nevertheless, the analysis of the comment letters will enhance the achievement of an integrated view of the perceptions and expectations of the accountants before and after the use of the adapted IFRS for SMEs. The interviewee also suggested a blog created by HMRC with concerns and problems faced during the first phase of FRS 102 implementation. It should be mentioned here that the interview with the HMRC's representative and the blog are the only data gathered on behalf of the users of non-publicly accountable entities' financial information in the UK, since all the efforts made to contact lenders of such entities turned out to be unsuccessful.

Another aim of this study is to identify the UK's accountants' and auditors' views and perceptions while using the adapted IFRS for SMEs (FRS 102). For this purpose, a questionnaire survey of ACCA members in the UK was conducted. The results of the analysis of the survey data are enriched by the findings from the analysis of the comment letters, the interview data from the HMRC's representative and the HMRC's blog.

4.4.1 Minutes of meetings and comment letters

Content analysis is a method which enhances both quantitative and qualitative approaches (Smith, 2003; Saunders et al., 2009; Bryman and Bell, 2015; Wilson, 2016). According to White and Marsh (2006) content analysis can be either conceptual (thematic) or relational. Thematic content analysis occurs when the key themes emerge from different sources of content such as letters, documents, media, blog posts etc., after being classified and coded (Saunders et al., 2009; Wilson, 2016). The results aim in describing the underlying messages (patterns) within the texts (Krippendorff, 2004; White and Marsh, 2006). Rational analysis on the other hand investigates the relationships between the themes emerging from the text creating concepts (Wilson, 2016). The latter has been criticised because of the flexibility it provides which jeopardises the reliability of the findings (Neuendorf, 2002). However, this disadvantage can be overcome by following sufficient rules of coding (Wilson, 2016). Both methods have been extensively used in accounting research (Smith, 2003).

According to Hsieh and Shannon (2016) three are the approaches of qualitative content analysis method: conventional, directed, or summative. The authors support that conventional analysis is used when the objective of the research is to describe a phenomenon, direct approach is used when there is a need to conceptually extend a theoretical framework and summative approach is used when the researcher seeks to understand the context of the words used in the text. Table 4.2 provides the main characteristics of these approaches and their coding procedures as defined by Hsieh and Shannon (2016).

Table 4.2: Main characteristics of content analysis coding

Content Analysis	Getting started	Defining Codes	Source of Codes
Conventional	Observation	During data analysis	Data
Direct	Theory	Before and during analysis	Theory or relevant research findings
Summative	Keywords	Before and during analysis	Interest of the researcher or review of literature

Source: Hsieh and Shannon (2016, p. 1286)

However, Knafi and Howard (1984) argue that it is the research purpose which determines the research design and analysis for a certain study. Therefore, this study adopted the thematic and direct content analysis to integrate with the statistical analysis of the survey questionnaire for a better understanding and coverage of the topic. Other studies for the IFRS for SMEs have used the same methodology of content analysis in collaboration with other methods such as questionnaire surveys or literature review, for example Van Wyk and Russouw, 2009, Albu et al., 2011, Masca, 2012, Ram and Newberry 2013, Alver et al., 2014.

Sampling method

The data (both meetings' minutes and the comment letters) were downloaded from the formal FRC's site during January 2016. As suggested by Collis and Hussey (2014) reading and rereading the data enabled the researcher to become familiar with the content. However, not all the information gathered was relevant to the purpose of this study. For example, some of the minutes of meetings had no reference on the future of the UK GAAP and they were omitted. This resulted in a smaller selected sample of 26 records of meetings to be analysed. Furthermore, 155 comment letters were downloaded from the FRC's site, but 20 of those were not used because the commentators did not respond to the questions of interest for this research. This resulted to 135 comment letters used for the analysis.

Data collection method

One of the most important issues while using content analysis is the trustworthiness of the process of data collection (Rourke and Anderson, 2004). Based on the information gained from the interview with the representative of HMRC, the data were collected out of the FRC official site. It consisted of 166 documents (comment letters and minutes of meetings) referring to the decision for adapting the IFRS for SMEs. The data are structured. For example, the minutes of meetings include a subtitle "The future of UK GAAP" if there were any discussions upon this topic and the commentators responded to the specific questions asked by the ASB using the corresponding number of the question.

Data analysis method

The sample of data was analysed using the software package NVivo 11. Initially, codes from the Albanian data were used to meet the purpose of comparison. Secondly, new codes emerged while reviewing the data and they were added to the first ones. At the third phase, codes were incorporated into themes leading to identification of certain patterns which were finally interpreted and explained. The latter helped in the construction of the questionnaire survey. It also helped in giving explanations of the results gained out of the statistical analysis of the survey data.

4.4.2 Questionnaire survey

One of the most dominant methods for data collection in accounting is the use of questionnaire survey (Smith, 2003; Van der Stede et al., 2005). Considering the internet's influence in every aspect of society, the way that research is conducted has also been affected (Solomon, 2001). This is due to the advantages that such a method offers, like cost and time reduction and avoidance of human errors in data entries (Solomon, 2001; Bryman and Bell, 2015). Collis and Hussey (2014) highlight that the advantages of using an online survey are the existent tools which allow the researcher to create the survey and send it via email to potential respondents and export the preliminary results to various software packages for analysis. Nevertheless, Evans and Mathur (2005) argue that this method offers speed and precision in data collection, fast distribution and response and immediate data entry and analysis. Despite the advantages that this method offers, others point out disadvantages such the lack of opportunity to clarify possible misunderstandings by the respondents (Oppenheim, 2000; Smith, 2003). However, Collis and Hussey (2014) argue that this can be overcome if the questionnaire has been tested with potential respondents before distribution. Another disadvantage of using an online survey is the presence of non-response bias, which however can be overcome by sending a reminder request to non-respondents (Collis and Hussey, 2014).

Following the advantages that the online questionnaire offers, this study adopted this method to obtain the views and perceptions of the UK's ACCA members using the FRS 102. The questionnaire was conducted using one of the surveys' web service provider called SmartSurvey. It was developed in accordance with the main issues that occurred during the review of the literature on IFRS for SMEs, the main issues revealed during the thematic analysis of the meetings' records held from the ASB and the comment letters sent to the ASB regarding the future of the UK GAAP and the main issues revealed from the analysis of the interviews conducted in Albania. Some questions were adopted or adapted from previous studies on the potential adoption or adaption of the IFRS for SMEs in different jurisdictions around the world for example Maseko and Manyani, 2011, Koumanarakos et al., 2012, Bunea et al., 2012, Litjens et al., 2012, Baldarelli et al., 2012, Uyar and Gungormus, 2013, Amoako, 2013, Eierle and Helduser, 2013, Chand et al., 2015. However, they were modified to fit the context and the purposes of this study.

The questionnaire is divided in four main parts. This study is interested only on the accountants and auditors that use of the adapted IFRS for SMEs in the UK (FRS 102) and as a result, the first part of the questionnaire aims to screen out the opinions of other accountants and auditors who do not use the particular standard. This part also aims to identify the status of the respondents regarding their working duties. Hence, the respondents are divided in two main groups; accountants working in a private company (accountants in business) or accountants and auditors in practice with private companies as clients (accountants/auditors in practice). This division enabled a better wording of the questions asked for each of the groups. The second and main part of the questionnaire focuses on getting information on these groups' views and perceptions on the costs and benefits during the use of FRS 102 and the profiles of the businesses eligible to use the standard (size, industry, international trade activities, and accountant's knowledge and experience with IFRSs). The third part contains two overall questions, same for all respondents, seeking their opinion on FRS 102 compared to the old UK GAAP and to the IFRS for SMEs. The fourth and last part asks the participants for their email details in case they are interested in the results of the study. The majority of the questions are closed ones, Linkert scaled and multiple choice targeting on the different views and perceptions of the participants. Only one of the questions is a ranking one. However, some of the questions used the choice `Other (Please state)' enabling the respondent to give a different choice from the already stated. The purpose of using such questions is to limit the time of the questionnaire's completion targeting to encourage replies from busy respondents (Collis and Hussey, 2014).

The questionnaire was originally constructed during summer 2016 and reviewed several times from both supervisors. After this stage, the questionnaire was assessed for validity. Five interviews were conducted consisting of one interview with an accountant working in a private firm, two interviews with auditors and two with accountants in practice having private companies as clients. The purpose of these interviews was to check the wording of the questions and the understanding of the participants, but most of all for getting feedback and comments upon the questions. These interviews leaded to further changes and improvements of the first version of the questionnaire. The latest was sent to the ACCA for distribution to their members. From their behalf, the ACCA reviewed and piloted the questionnaire to three of their experienced members and suggested some further clarifications for three of the questions leading to the last and final version of the questionnaire. The final version of the questionnaire accompanied by the invitation form is showed in Appendix 2. Furthermore, following Collis and Hussey's (2014) suggestion, multiple choice questions were pre-coded. Although the questionnaire was ready for distribution by November 2016, ACCA delayed the process due to their heavy schedule, until May 2017.

Sampling method

Selecting a representative sample of the population under investigation while conducting a statistical analysis is vital (Smith, 2003; Collis and Hussey, 2014; Bryman and Bell, 2015). This should always be aligned to the purpose and the scope of the study (Saunders et al., 2009). In this study, the unit of analysis is the UK entity eligible to use FRS 102 for the preparation of financial statements.

Since the standard should be applied by entities which are not required or elected to apply EU-adopted IFRSs, FRS 101 or FRSSE (before 01/01/2016) and FRS 105, this results to the fact that FRS 102 is applied by the majority of the UK's business entities (ICAEW, 2017). As a result, all the accountants and auditors preparing or auditing the accounts of these businesses under FRS 102 are the target population for this study. Therefore, the 43,100 professional accountants and auditors in the UK who are members of the ACCA, were considered to be a representative initial sample.

Data collection method

The email invitation for the participation to the online survey for this study was first launched on 2 May 2017. The email invitation from ACCA was sent to all 43,100 members in the UK and 408 responses were received plus approximately 1,000 "out of office" responses. A follow-up email was sent to non-respondents on 10 May 2017, and by 16 May when the survey closed, a total of 698 responses had been received. After excluding 120 partially completed questionnaires and out of scope response, the final number of useable responses was 509. It is not possible to calculate the percentage response rate because it is not known how many of 43,100 ACCA members in the UK are working in companies using FRS 102 or have clients using FRS 102.

The number of valid responses (509) is considered to be quite large compared to the number of responses received from previous studies which varies from 93-210 in different jurisdictions. This shows the high interest of the profession in the UK upon the subject of this study. This high interest is also reinforced from the fact that more than half the respondents (271) expressed interest in receiving a summary of the results of the study.

All the data gathered from the survey are categorical and distinct measured in a nominal scale, thus non-parametric tests are used. Nevertheless, the size of the sample seems to be sufficient to conduct further maximum likelihood statistical analysis as suggested by Long (1997, p. 54) who states that "It is risky to use ML [maximum likelihood] with samples smaller than 100, while samples more than 500 seem adequate".

Non-response bias

Rogelberg and Stanton (2007) believe that independently how high or low is the response rate, all researchers using surveys must conduct a non-response test to check for possible bias in their data. Since the exact number of non-respondents is not known, this study incorporates the "wave analysis" non-response test as suggested by Hawkins (1975) and cited in Rogelberg and Luong (1998). According to the authors, this analysis compares early and late responses, where early are identified as responses received before the reminder email send-out and late responses those received after it. This is based upon Oppenheim's (1966) suggestion that non-respondents are more likely to behave like late respondents.

Testing for the non-response bias, a dummy variable was created taking values of 1 for the valid responses received before the reminder email (300) and 0 for those received after the reminder email (209). As suggested by Collis and Hussey (2014), since the data are non-parametric, a Mann-Whitney U-test is conducted on the main characteristics of the sample which are the status of the accountant (working in a private company or having private companies as clients (ACCAT)) and their experience with the adapted IFRS for SMEs (EXPFRS102). As shown in Table 4.3, the absolute value of z-statistics is less than the critical value (1.96) which clearly indicates that the null hypothesis (H0: There is no difference between the first and second group of respondents) cannot be rejected. Thus, this study does not suffer from non-response bias.

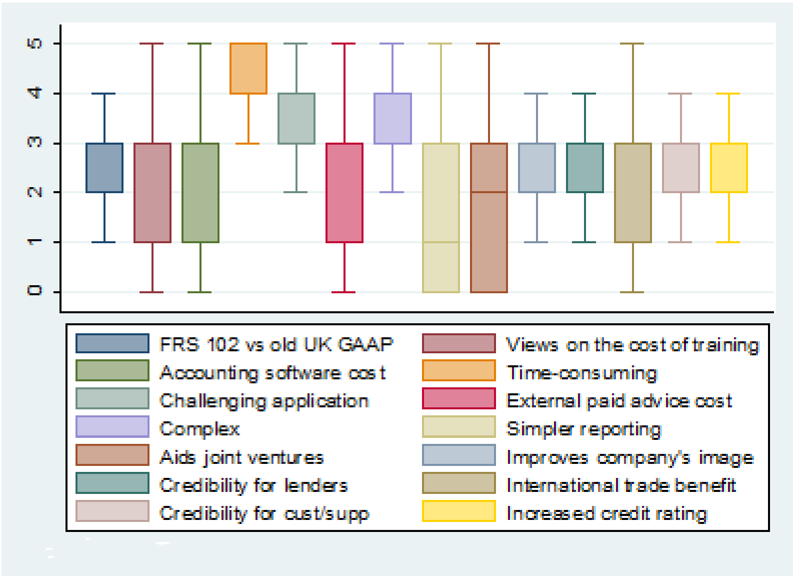
Table 4.3: Mann-Whitney U-test for non-response bias

Variable	First request	N	Sum of ranks	Expected	Mann-Whitney U	Z-Score	*P-Value*
	0	209	52749.50	53295			
ACCAT	1	300	77045.50	76500			
	Total	509			30804.50	-0.406	0.685
	0	209	54058.50	53295			
EXPFRS102	1	300	75736.50	76500			
	Total	*509*			30586.50	0.555	0.580

Response bias

Apart from the non-response test the data were also checked for possible outlier responses which might influence the statistical analysis and provide non-reliable results. It should be noted that an outlier response in closed categorical questions might occur from an unengaged respondent tending to give the same answer to all questions. Figure 4.2 shows the boxplots for the answers given to the main question, which relates to the application of FRS 102 as opposed to the old UK GAAP, and then to the questions that relate to the costs and benefits. The figure clearly shows that there are no outliers for the data collected for this study.

Figure 4.2: Box plots for data outliers



Data analysis method

As already stated, the questions of the survey were pre-coded, and the data collected from are mainly in quantitative form. The responses to the questions containing the "Other (Please state)" form, are coded or recoded to represent a new category, if not already existing, or merged to an already existent category. For example, answers obtained from this category from question 4 and 27 (Appendix 2) resulted in adding a new code category for "Construction/Real Estate" which was not given as an option, while the category "Law and Legal Services" is merged to the already existing "Professional Services" category. Furthermore, while reviewing missing data, all of them are substituted to non-missing ones since they fitted to a "Not at all" category. For example, if someone was not trained for applying FRS 102 or attended training provided with no cost, then the cost of training for this respondent is "not at all expensive". After this cleaning of the obtained data, statistical analysis is conducted using Stata 14 as the supporting software tool.

Descriptive statistics analysis of the obtained data is conducted to reveal and explain the main characteristics of the respondents in terms of frequencies, percentages, means and ranking. This is followed by Mann-Whitney U-tests to investigate the possible differences between the answers given by the accountants in business and the accountants in practice and between accountants and auditors. Correlation and regression analysis are than performed in order to assist the explanation of the relationships between the variables. Since all the variables obtained (including the dependent one) are categorical, maximum likelihood regression models are employed for the analysis. Specifically, two maximum likelihood regression models are used to examine the probabilities of the given responses regarding FRS 102 in comparison with the previous UK GAAP and in comparison with the IFRS for SMEs correspondently. The first is the Stereotype Logistic Regression Model and the second is the Binary Logit Regression Model. The results are also further investigated and enriched using Odds Ratio analysis and Multinomial Logistic analysis.

Table 4.4: Brant test of parallel regression assumption

	Chi^2	**$P > Chi^2$**	**DF**
All	88.88	0.000	42

Note: A significant test statistic provides evidence that the parallel regression assumption has been violated.

Given the ordered categorical nature of the dependent variable, the Ordinal Logistic Regression Model (McKelvey and Zavoina, 1975) was initially considered for the analysis. However, the test on the parallel regression assumption (proportional-odds assumption), as shown in Table 4.4, result in rejecting the hypothesis of β-as equality. Thus, the assumption is violated and as Long and Freese (2014) recommend "When the hypothesis is rejected, consider alternative models that do not impose the constraint of parallel regressions" (p. 331). Stereotype Logistic Regression Model is one of them. The model was proposed by Anderson in 1984. He suggested the model to be used for categorical dependent variables when the subject is asked to assess or judge something (Anderson, 1984) and this argument perfectly fits the structure of the obtained data for this study. Another reason for using the specific model is that the categories of the responses obtained for the dependent variable are not relevantly ordered, meaning that "worse" or "better" categories are not less or more correspondently, than the "about the same" category while "much worse" is definitely less than "worse" and "much better" is more than "better". However, the respondent chooses the category based on certain stereotypes that characterise him/her (Anderson, 1984). Furthermore, the model has been found to provide a better option and more sufficient results than other models for categorical data of this form (Liu, 2014; Long and Freese, 2014). According to Anderson (1984) the model can be written as:

$$logit[\pi(j,J)] = \ln\left(\frac{\pi(Y = j|x_1, x_2, \dots, x_\rho)}{\pi(Y = J|x_1, x_2, \dots, x_\rho)}\right) = \alpha_j - \varphi_j(\beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_\rho X_\rho)$$

Where j = 1,2,…,J-1, J is the reference category (in this case the last one but in this study the third one), Y is the categorical dependent variable, α the intercepts, β the coefficients for the independent variables X and ϕ the constraints satisfying the condition $1 = \varphi_1 > \varphi_2 > \cdots > \varphi_{J-1} > \varphi_J = 0$. Further details of the variables and the model are provided during the analysis in chapter 6.

The probability of the respondents answering “yes” (=1) or “no” (=0) when asked if the adoption of the IFRS for SMEs would be more useful than the modified version of it (FRS 102) as affected by the dependent variables is explored using the Binary Logistic Regression Model which can be written as:

$$Pr(y = 1|x) = \frac{\exp(\alpha + \beta x)}{1 + \exp(\alpha + \beta x)}$$

Where y is the dependent variable taking values of 1 or 0, α intercepts and β the coefficients for the independent variables x. Furthermore, the model assumes that errors ε are logistically distributed with a variance: $Var(\varepsilon) = \pi^2/3$ (Agresti, 2002; Long and Freese, 2014). Taking into account the outcome of the dependent variable, this model is considered superior and more sufficient than other models (Press and Wilson, 1978; Agresti, 2002; Jaeger, 2007). Further details of the model and the variables is provided in the analysis chapter 6.

4.5 Ethical issues

Moral issues and principles framing a proper code of conduct are extensively discussed in the relevant literature (for example Smith, 2003; Saunders et al., 2009; Collis and Hussey, 2014; Bryman and Bell, 2015; Babbie, 2016). The code refers to the rights of the subjects researched and others who might be affected indirectly by the conducted research. Certain focus should be given on preventing any harm to the participants, whose participation should be entirely voluntary, by providing anonymity and confidentiality.

This research study has been undertaken in full harmony with the policies of research ethics of Brunel University London. The research ethics approval was obtained from the University in December 2015. To ensure the anonymity of the individuals interviewed in this research study, codes such as Accountant 1, Auditor 1, Representative of Standard Setter, Representative of Ministry of Finance etc. have replaced their names. Each interviewee was informed since the beginning of the interview for the voluntary nature of the process and for the right to withdraw or change their statements at any time. The content of the interviews has been kept in confidentiality and only parts of the discussions have been revealed for the needs of the study. Email addresses of the participants in the survey are kept safe and are used only for sending them the results of the study.

4.6 Conclusions

This chapter described the research methodology adopted for this thesis. A mixed-methods approach is adopted to fulfil the aims and the objectives of this study. Qualitative and quantitative data are collected and analysed correspondently, and the results have been combined during the interpretation phase in the following to chapters.

A total of 30 semi-structured interviews is conducted to investigate the reasons for the adaption of the IFRS for SMEs, the views of the profession and the users' perceptions upon this adaption in Albania. All the interview data are analysed thematically. Through several stages of coding, concepts and main themes are generated and linked with outcomes from previous studies.

A content thematic analysis is conducted using meetings' minutes and comment letters sent to the call from the FRC upon the future of the UK GAAP to discover the main issues concerning the adaption of IFRS for SMEs in the UK and the reasons surrounding it. Same methods of coding and concepts are used to uncover the main themes to be further investigated with the use of a questionnaire survey.

The questionnaire survey is undertaken with accountants and auditors in business and in practice, members of the ACCA, who use FRS 102 in the UK. A total of 509 usable responses are received showing the great interest of the profession on this subject. Maximum likelihood regressions are carried out with the survey data to investigate the relationships between the variables through statistical analysis.

The following chapter provides details and discussion of the Albanian data analysis. It is then followed by the chapter on the UK data analysis.

Chapter 5. Albania: Analysis and Discussion

5.1 Introduction

This chapter presents the findings from the analysis of the interviews with key stakeholders in Albania. The interviewees include the national standard setter (NAC), accountants in business, accountants and auditors in practices, banks and the tax authority (Ministry of Finance) as users of non-publicly accountable entities' financial information in Albania. A systematic thematic analysis of the interview data reveals a number of themes and highlights the differences and similarities in the views and perceptions of the key stakeholders in Albania. The themes emerging from the analysis are discussed at country, entity and user level and in order of importance to the interviewees.

5.2 Country level

Albania is a country with a code-law background regulation. As such, according to the arguments and evidence from the literature (for example, Bartunkova, 2012; Bunea et al., 2012; Masca, 2012; Quagli and Paoloni, 2012; Kaya and Koch, 2015;), Albania should not have been in favour of the IFRS for SMEs. Moreover, the NAC had already developed national accounting standards based on the full IFRSs before the decision to base them on an adapted version of the IFRS for SMEs. However, all the interviewees who had participated in the meetings and round tables confirmed that the decision to adapt the IFRS for SMEs was preceded by a long process of discussions that took almost two years. They also confirmed that the final decision to move to the new NINAS, based on the IFRS for SMEs, was unanimous. This supports the findings of Albu et al. (2013) that the preferred approach for the implementation of the IFRS for SMEs in developing economies is the adaption of the standard. Albu et al. (2013) also find that it is the professional bodies and the regulators who mostly prefer the adaption instead of the full adoption because in this way they do not lose their role in developing national standards. However, this study reveals that this was not the only influence on the adaption/adoption decision in Albania. Another important factor in the debate was that NAC and the professional bodies had already spent a considerable amount of time and effort in developing their own simplification of full IFRS, and by adopting the IFRS for SMEs would mean that all this hard work would have been of no value. They had also prepared detailed guidelines and examples which accompanied the standard which they could adjust accordingly and not compile completely new ones. Furthermore, the accountants and auditors, who had been using the existing NAS, had become familiar with its perceptions and methods. Therefore, the new standard needed to be close to the existing NAS in order to avoid possible misinterpretations and extra costs. Nevertheless, some of the sections of the IFRS for SMEs were considered incompatible with the business environment of Albania, so they needed to be omitted. Finally, the new standard would have to be introduced within a specific time frame due to the time limits set since the funding of the project and this time frame was very narrow in order to introduce a new standard to the public and to develop new guidelines. These points are captured by the representative from NAS in the following quotation.

> *"Unanimously we voted for the adaption. First of all, it had been 5 years since we had launched the old standards and it did not seem appropriate to give up a material which is familiar to the public and introduce something new. So, we considered to keep the same terminology and format, and make proper improvements. Secondly, we decided that not all the 34 paragraphs (sections) of the IFRS for SMEs were applicable to the Albanian business environment. Going through the paragraphs one by one we decided that 6 of them are completely irrelevant for the Albanian business environment. That is approximately 15% -16% of the whole material which was excluded and is not considered a small amount. A third reason was that we did not have much time ahead. We had a restricted deadline. Although, it might seem like a full adoption would be quicker, this is not true. We did not have any guiding material for the IFRS for SMEs prepared, while for the already existing NAS we had prepared guiding material and market illustrations. Hence, through the adaption, we would*

> *only need to adjust this material. The fourth argument in favour of the adaption is a sort of "a personal positive evaluation". We wouldn't like to throw in a basket all our hard work during the years and adopt something done by others. I do not call this patriotism or nationalism, absolutely not, but this is respect payed to the institution. We had all worked very hard to just through away the old NAS, when making a few changes, we would make it more consistent with IFRS for SMEs."* [Representative of the Standard Setter]

The following discusses the views and perceptions of the interviewees on the factors that affected the decision to adapt the IFRS for SMEs in Albania. Three institutional factors emerged during the analysis:

- Global institutions
- Governance quality
- National institutions and big accountancy firms

5.2.1 Global institutions

For many years the World Bank, as part of its work to support creation of open and transparent financial systems in developing economies, has been one of the most important promoters of IFRSs (IFRS Foundation, 2017). Interviews reveal that Albania is one of the countries which received donations, financial support and even accounting professionals' support to change the NAS into an adapted version of the IFRS for SMEs. This support and the agreement that the World Bank had with the Ministry of Finance in Albania, gave this global institution an authoritative role in the decision of adapting the IFRS for SMEs in Albania. It is interesting to mention that the discussion upon the IFRS for SMEs in Albania did not initially start by considering or not the use of the standard. The use of international financial reporting in Albania was already agreed within the agreement for financial support. However, it was considered that the use of full IFRSs for all entities would be burdensome for the majority of the entities operating in Albania, hence the use of the IFRS for SMEs was the default choice. The series of meetings and round tables that followed did not discuss other options but the adoption or the adaption of the standard. The meetings were led by the NAC but financed by the World Bank. Representatives of national and international institutions attended most of the meetings and they were also joined by representatives of the Ministry of Finance and academics. These findings confirm the argument of Samujh and Devi (2015) that developing economies might be forced to adopt or adapt the IFRS for SMEs as a result of the pressures from foreign financial agencies. The following interviewees' comments illustrate this matter well.

> *"The IFRS for SMEs was not discussed. It was a decision taken by default in a unilateral manner. On the other hand, the decision to align with the IFRS for SMEs, was discussed and debated for more than one year. We were given two options, either to adopt the standard as it is, or to improve our domestic standards to the level that they meet the IFRS for SMEs requirements."* [Representative of Standard Setter]

> *"The "choice" of the international standards is the outcome of several factors. I can reassure you that our tradition and the recognition of our own professional culture in this field was not one of the main factors. On the contrary, this factor has been completely abused. The main factor which drove us towards international standards is the relatively great influence we had from the international financial institutions, particularly the World Bank. To be honest, the most important factor is the temptation that the regulatory authorities, particularly the Ministry of Finance in Albania has been facing when receiving donations by these institutions for implementing certain projects."* [Accountant 7]

> *"There have been consultations and meetings with domestic field experts and international experts. I would say that these meetings were organized, dictated, directed and financed by the World Bank. So, in a way, the authoritarian role was played by World Bank and the Ministry Finance, which had somehow agreed with the World Bank,*

> *because of the role this institution had by funding the project".* [Accountant 11]

> *"We live in a small country. I wouldn't like to call it an emergent economy, but a developing country which will continue to develop. We have had consultations. The greatest assistance, or better say, all the assistance has been given by the International Monetary Fund and the World Bank. We are not the only country participating in those projects. Various other countries are also participating. It has been quite some time now that we were offered this technical assistance. The World Bank had also sent here a consultant who helped us a lot with the analysis of the NAS, their adaptation with the IFRS for SMEs and the embedment of the European Accounting Directives to the new NINAS."* [Representative of the Ministry of Finance]

5.2.2 Governance quality

It has been argued that the quality of the financial information provided by SMEs is higher if the country in which the SMEs are operating, has a high governance quality (Fulbier and Gassen, 2010). The interviews reveal that the governance quality in Albania is quite low. However, one of the most important requirements for Albania to join the EU, is to increase the level of governance quality. It is very interesting that the efforts towards the EU membership and an increased level of governance quality are being oriented towards a mimetic attitude of good and proved recipes acquired from developed countries, specifically from the UK and Germany due to the English language influence and the economic, financial and academic relationships between Albania and these countries. The following quotations capture these points.

> *"We are making an effort towards the EU membership. Hence all the factors influencing the governance quality are oriented towards the EU standards and the EC guidance. To achieve this goal of high governance quality we based our legislation on the Anglo-Saxon policies. This also stands for both the accounting regulation and the fiscal legislation. In other words, we are trying to convert our legislation towards liberal markets. To achieve this, we are making our laws more and more similar to the Anglo-Saxon policies which are very*

> *successful. This is the reason that accounting and in particular accounting standards, are quietly targeted towards those policies*." [Representative of the Ministry of Finance]

> *"The changes in regulation and specifically in the accounting one, come from a sort of manifested inappropriate customisation with the Anglo-Saxon policies. I would say that these changes come from a sort of trend which occurs among small developing countries which adopt the role of the spectator who applauds the great actors. Last but not least, the changes come as a need to grow or better as a need to signal growth. Other very important factors influencing the direction of changes in the regulation are the indisputably expansion and domination of the English language in the Albanian environment, the economic links with other countries and the links between the Albanian universities and European ones."* [Accountant 7]

It has also been argued that a good governance quality would reduce the agency costs between lenders and SMEs (Hope et al., 2011) or would help the SMEs reduce their cost of credit (Barth et al., 2011) enhancing the businesses' development and resulting in growth for the economy of the country as a whole. Thus, countries with low governance quality would benefit from the adoption of the IFRS for SMEs, since the use of the standard would increase the quality of financial reporting information provided by the entities eligible to use it, which in turn would increase the credibility of that information from lenders. Nevertheless, these were benefits identified by IASB in the Press Release which accompanied the publication of the IFRS for SMEs in 2009 (see IASB, 2009c). However, it is very interesting to mention that although the credibility of the financial information provided by the Albanian SMEs to lenders has increased, lenders do not dedicate this increase to the use of the adapted IFRS for SMEs, but to the austere legal regulations and high fiscal penalties which force the entities to report more accurate information. Lender 7 comments on this.

> *"The credibility towards the financial statements is increasing. The entities provide a more formal and accurate information, but this is not the outcome from the use of international financial reporting. It is the result of the pressure and new regulatory reforms of the state*

> *and the tax authority. The need to collect more taxes and to decrease the country's high debt, has resulted in the compilation of harsher laws and higher penalties which sometimes reach even to imprisonment. All these reforms and somewhat the fear from the penalties have forced the businesses towards a more formal and accurate information."* [Lender 7]

5.2.3 National institutions and Big 4 accountancy firms

Besides global institutions and governance quality, the new institutional theory also refers to pressures imposed from individuals or groups (Scot, 2001). However, it is interesting to mention that contrary to the findings of Allee and Yohn (2009) there was no motivation from groups of small private firms in Albania to produce high quality financial information, thus the pressures towards international financial reporting did not come from groups of entities demanding high quality financial reporting. On the other hand, though, the pressures towards the adaption of the IFRS for SMEs in Albania came from the profession. Particularly they came from one of the biggest professional national institutions and some Big 4 accountancy firms which were involved in the discussions and the consultations. It does not come as a surprise that Big 4 accounting and auditing firms are in favour of international financial reporting, because they are already experienced with the use of full IFRSs. This has been identified through the findings of prior research, for example Klikovac (2006), Eierle and Haller (2009), Kaya and Koch (2015). However, the new factor involved here is that apart from the above, these firms were employed as consultants to help the drafting of the new standard. Thus, for these firms, there was also an immediate financial benefit involved. The representative of NAC and Auditor 1 illustrate these points well.

> *"So, the major reason for going towards the IFRS for SMEs is a combination of a professional external pressure and a professional internal pressure. Both of these pressures decided and agreed that full IFRSs are not appropriate for the core Albanian business environment, for the majority of businesses, nearly 95%. Therefore,*

> *we should stick with the IFRS for SMEs."* [Representative of the Standard Setter]
>
> *"It was a long process led by the National Accounting Council. This council was helped by the World Bank and some other donators. They also employed consultants for the standards to be drafted. The firm where I work, was one of those consultants."* [Auditor 1]

Furthermore, the interviews reveal that the extent of the participation and involvement of national accounting institutions and accounting associations in the discussions upon the adoption or adaption of the IFRS for SMEs varied quite significantly. Some institutions were invited, hence promoted, to be part of these discussions more often than others. This differentiation was not due to any professional differentiation, but it was due to the fact that the founders and directors of these institutions had historically been highly involved and the ones who shaped the accounting regulation in Albania during the years. Accountant 7 summarises this.

> *"The main parties involved in the decision were the Ministry of Finance and the NAC. I would say these two became the engine and played the most important role. However, a great role to some extent was played by the IACAA [Institute of Authorised Chartered Auditors of Albania] followed by the accounting associations. The IACAA played a greater role first of all because of their position, better say, because of the advantageous access that they were given to participate in such projects. This given advantage did not come as a result of any special professional merit. I think it was given because of their institutional background. Not to forget that the IACAA's leaders and heads are historically the people that have mostly influenced accounting in our country. Hence, this institution has been involved more than any other in national level. They have been strongly committed to the process and high influencers in the decision-making process."* [Accountant 7]

Last but not least, it is interesting to mention that business-entities' representatives were rarely invited and involved in the discussions upon the adoption or adaption of the IFRS for SMEs. Considering the fact that there was no public consultation in the matter, the poor participation and involvement of business-entities' representatives means that the decision to change the existing NAS and adapt the IFRS for SMEs in Albania, does not take into account the will of people. Hence, the changes to the standard were made by powerful groups which are part of the regulatory structure. This finding is in accordance with the findings of Ram and Newberry (2013) who argue that even the IASB did not take into account the will of people while developing the IFRS for SMEs, but the only changes and modifications happened due to the pressures that the Board experienced from such analogous groups. This is how the Representative of the Ministry of Finance commented on this subject.

> *"It is true that business representatives were rarely part of the discussions. However, all the parties involved were interested to find the best possible way to receive the IFRS for SMEs in order not to increase the burden of the entities and their costs. In other words, we needed to find a rational solution which would not affect the costs of the businesses in a very high extant, but simultaneously would meet the requirements of the market."* [Representative of the Ministry of Finance]

Lastly, it is interesting to mention that at country level, at this early stage, the most important evidenced benefit is the achievement of the uniformity of the financial information provided by the entities applying the adapted IFRS for SMEs. Nevertheless, this is one of the benefits expected by the IASB (see IASB, 2009a). Another benefit is related with the disclosure of this information. The NINAS requires more notes in the financial statements and this makes the information provided more transparent. This finding is in accordance with the findings of Albu et al. (2013) that the use of the standard would improve the national financial reporting model in developing countries. On the other hand, other benefits such as the attraction of foreign investments and better access to external funding have not yet been observed, but they do remain as future targets if the use of the standard would be accompanied by reforms in tax regulation, bureaucracy reduction and stability in all economic areas. The following quotations illustrate these issues.

"Financial statements for all companies are readable now. They make sense. The accounting treatments are more or less the same and they resemble the accounting treatments of that part of the world that we want to follow." [Auditor 1]

"Considering the benefits, I cannot see a positive impact in attracting foreign investments in the near future. Only the use of international standards does not bring this. There are other things that need to be resolved so as to attract foreign investments, such as taxation policies, the bureaucracy, the issues of property, land, etc. etc. However, the standardisation of financial reporting information for all entities at countries level has been achieved. In other words, financial statements of all entities have the same format. This is a great achievement considering the fact that some years ago, you could not find two statements of the same kind having the same format. Furthermore, the NINAS require much more details in the notes of the financial statements, aiming to increase the disclosure of the information provided." [Representative of Standard Setter]

"I believe that overall the economy of the country is going to benefit. Starting from the groups of entities, by diminishing the informality and increasing the transparency of financial reporting for the public and for other entities they would achieve a fair competition which would help their businesses grow. This would have a very positive impact in the economy of the country as a whole. At this early stage we have achieved the goal of formality." [Representative of the Ministry of Finance]

5.3 Entity level

Prior research investigates the factors that affect the adoption of the IFRS for SMEs at entity level through the views and perceptions of accountants and auditors in many jurisdictions. This section examines the perceptions and the views of the Albanian accountants in business and in practice and auditors, while using the adapted IFRS for SMEs. Six themes emerge from the analysis at entity level:

- Size of the entity
- Industry sector
- International trade
- Accountant's/Auditor's knowledge and experience of IFRSs
- Costs
- Benefits

5.3.1 Size

As mentioned in Chapter 2, there are many definitions for the term "SMEs" in Albania. The interviews reveal that all these different definitions cause problems in the way entities report their financial information. For example, according to the accounting legislation micro-entities (≤ 10 million Lek annual turnover) are required to report under NINAS 15 and prepare the balance sheet, the profit and loss statement and the notes, while according to the tax legislation entities having 8-10 million Lek annual turnover are not considered micro entities and they should report the whole set of statements as required by NINAS 2 (Statement of Financial Position, Statement of Financial Performance, Statement of Cash Flow, Statement of Equity Changes, Notes) (KKK, 2014). Thus, their burden is increased. Furthermore, entities with an annual turnover 2-8 million Lek do not prepare financial statements with NINAS 15, because this is not required from the tax authority, while it is required from the accounting legislation. Adding to the problem, the National Registration Centre for Businesses requires from entities with an annual turnover of more than 8 million Lek to file all the financial statements in accordance with NINAS 2. Thus, there is lack of uniformity in the regulation which brings confusion to the entities, resulting in a variety of implications such as extra burden for some micro entities having to apply the full version of NINAS instead of their own simplified standard. One of the accountants illustrates this issue well:

> *"There is a kind of cacophony in what is considered small and medium entity when using fiscal criteria, accounting criteria and economic*

> *criteria. If we refer to the European Commission criteria, then all the entities in Albania are either small or medium. If we refer to the fiscal criteria, some micro-entities are considered small when they should not. The same thing if we use economic criteria. This has created many problems. Since there is no clear classification, no one precisely knows what to use. This has created a sort of anarchy for both entities and the profession.*" [Accountant 5]

The representative of the Ministry of Finance, on the other hand, seems aware of this problem and confirms that the issue is currently under consideration to find a solution. However, there is a conflict created between the initiative to embody the fourth EU accounting directive in the regulation, the region's regulation on the clusters of the businesses and the objective to uphold the transparency of the financial information reported without duplicating businesses' costs.

> *"We are aware that under the current legal framework, a business with 10 million turnover per year and 2-3 employees is required to apply the full NINAS facing more costs than it should. We have identified this as a very weak point of the reform that we have started, but this is evidenced by us and we are working towards a solution. We have already created a working group that is working for the reclassification of businesses as very small, small, medium and large, but we need to consider the 4th EU directive and the legislation from the region. The region has classified the entities differently from the EU. Thus, on the one hand we have to adjust our regulation with the EU directives and on the other hand we have to less the burden of the businesses without violating transparency and without duplicating their costs. This is a weak point of our legislation, but as a developing country, these kinds of mistake are only to be expected. However, we are considering how to correct them."* [Representative of the Ministry of Finance]

The representative also stated that this problem had been identified before the issuance of the NINAS by the analysis conducted from the World Bank, but still remains unsolved and the solution will take time. These comments highlight an intricate problem which might occur in other emerging economies planning to adopt or adapt the IFRS for SMEs. On the other hand, the interviewees argue that if the harmonisation of the legislation would have taken place before the implementation of the NINAS, the increased costs and the confusion faced by a certain cluster of entities, would have been avoided. Furthermore, the prevalent opinion expressed by the accountants and auditors during the course of the interviews was that it is much easier and less costly for larger entities to apply the adapted IFRS for SME than it is for the smaller ones. One of the auditors working in an international auditing firm comments as follows:

> *"Larger SMEs have adequate resources, dedicated and trained staff. Staff that are able to read and to fully understand the standard's requirements. Staff that are able to adopt the required methods of measurement and treatment. Adding to this, the complexity of large entities' business activities is better fitted with international financial reporting. While small companies are depending on outsource accountants, or better say, accountants who are experienced only with micro-entities accounting. Such accountants do not have the opportunity to be properly updated, do not have the time needed to be fully informed, do not have the right knowledge of international financial reporting and most of all, do not even need this kind of knowledge."* [Auditor 1]

These findings support Albu's (2013) observations that the scope of the IFRS for SMEs fits better the larger SMEs rather than the smaller ones. Nevertheless, Bartunkova (2012) found similar evidence on the possibility of implementing the standard in the Czech Republic where most of her survey respondents find the standard more suitable for large and medium-sized entities, while they consider it too complicated and costly to be used from small entities. Nevertheless, one of the points raised by the opponents of the IFRS for SMEs in the EC's consultation paper was the complexity of the standard for small companies (EC, 2010). Furthermore, the size of the business is also related with the quality of the accounting information that entities provide to the users of this information. Auditor 1 continues his argument highlighting this point:

> *"Small businesses do not feel the need to provide a proper, good quality reporting. Only when they face the need of getting a loan or credit, or when they want to create joint ventures, or sell the business, or purchase a business, they realise that they were mistaken for not preserving a proper, good quality financial reporting system."* [Auditor 1]

This finding is in accordance with the findings of Allee and Yohn (2009) that the size of the entity is one of the main factors which influences the quality of their financial reporting. Adding to this, the interviews reveal that it is also the level of education and the intelligence of the owner(s) which plays a significant role on the quality of the financial information. All the interviewed accountants and auditors revealed that the larger the business and the higher the level of the education for the owner(s), the better the quality of the financial information provided. This factor is also related to the managerial and decision-making purpose of financial reporting. According to the interviewees, the larger the entity the higher the need for a good quality financial reporting for managerial and decision-making purposes. While the majority of smaller entities are interested only in meeting the requirements of tax accounting. Accountant 11 comments on this:

> *"In general, large SMEs joined quickly the concept of using the NINAS, because the education level of their owners is usually high, and they understand the importance of using this new standard, while for smaller SMEs the implementation seems to be problematic, because the owner does not always seem to understand. The owner is not at all interested if you recorded something correctly or not. They are only interested in the minimum law required recordings so as to avoid penalties from the tax-authorities. There is no concept of using financial statements for managerial purposes for these entities."* [Accountant 11]

This argument is also in accordance with the opinions of half of the interviewed lenders when they were asked for the credibility of the financial reporting information that they receive from different clusters of entities. They state that the accounting information provided by larger entities is far more credible and reliable than the information received from smaller clusters of entities. In other words, the larger the size of the entity, the more the decision-making process is based on the financial information. While for smaller clusters of entities, the decision-making process is grounded in the non-financial information. Lender 7 raised this point:

> *"Imagine the size of the business as a curve line graph. The highest you go in the curve line, the more reliable the financial information is. Moving towards the bottom line, the less reliable the financial information is. It is in these cases that the non-financial information becomes highly important for decision making. "*[Lender 7]

This evidence supports the findings of Maseko and Manyani (2011) that small entities do not record the accounting information for managerial purposes while medium-sized or larger entities do so. However, three of the lenders do not consider the size of the entity a proxy for their lending decisions. They consider the level of credibility of the financial information same for all clusters of entities and base their decisions on the non-financial information rather than on the financial one. This is illustrated by the following comment made by Lender 8.

> *"The level of financial information credibility is the same for all companies. Historically in Albania all companies, large or small have been manipulating their financial statements. All of them have been hiding income. Hence, all of them are of the one same category."* [Lender 8]

From this point of view, it was surprisingly interesting that all the lenders interviewed revealed that they conduct their own audit to the financial information they require from their potential clients, using cross-checking methods and non-financial information, apart from one of them who supported the fact that independently of the size of the business, the required financial information from the potential client should be accompanied by the auditor's report. According to Lender 3, this factor secures the credibility of the financial information provided.

> *"As for the credibility of the financial information, we require all the financial information provided by all our potential clients to be accompanied by an auditor's report. The reason is that at any point, for any legal issues that might occur, it is the auditor who will take the responsibility. Hence, we demand audited statements from all sizes of businesses. Large businesses are more structured they already have their accounts audited, so the information is more reliable. On the other hand, for smaller entities, there is always room for doubts. However, the auditor's report provides us with confidence for the financial information we receive*." [Lender 3]

However, it is surprising that some of the interviewees argue that auditing in Albania is undervalued. Auditors seem to be practising more the role of the accountant rather than their own role. The majority of the stakeholders do not seem to trust or include audit reports in their decision-making processes. That is why most of the lenders perform their own audit for the financial information provided by potential clients. Thus, the role of the auditor seems to be more typical rather than essential. Accountant 8 illustrates this issue well.

> *"As far as the auditors are concerned, I have the impression that due to the deformation that has occurred to the Albanian legislation, they manifest their talent more as accountants, rather than as auditors. They are serving the accounting services market. Audit in Albania is not of great value to decision-makers. And I mean this! It remains a formality and nothing more."* [Accountant 8]

5.3.2 Industry

It is very interesting that none of the interviewees referred to any difficulties faced while using the standard in relationship with the sector where the entity belongs. They all referred to several problems occurring, but those problems were no related with the standard's requirements or methods for different industries. They were very much related with the problems caused by the tax-accounting regulation and the way that certain expenses are or are not being recognised. Here are a couple of examples:

> *"The only problem we have with the standard is part of the compliance with the fiscal issues. This is what we call the Achilles' heel. I am more than willing to apply the standard as required, but the tax authorities do not recognize some of the methods used in accordance with the standard. I am facing this problem constantly."* [Accountant 15]

> *"There is a big issue with expenses. Some of the expenses are recognised as such by the standard, but not by the tax authority. Tax authority claims that those are not expenses and we should not extract them from the gross profit. This is double work for us because we need to compile different statements for the tax authorities."* [Accountant 13]

On the other hand, the sector where the entity operates is quite important to the lenders. According to them, the credibility of the financial information provided, depends to a high extent on the sector where the entity belongs. It is important to mention that the lenders who differentiate the SMEs by size are the ones also progressing to further differentiation of the entities by industry. Having as a basis the industry where the entity operates, the financial information becomes more or less important than the non-financial information. In other words, the healthier the industry, the more credible the financial information. While, the more problematic the industry, the more unreliable the financial information. Lender 1 raised this point.

> *"Let's take for example the construction sector which is the most problematic sector at the moment. It remains inactive. So, if we receive a balance sheet from an entity operating in the construction sector, although at a first glance it might seem good with regard to the accounts, we still rely on the analysis of the sector. This is because we know very well how this industry operates at the moment, despite the fact that the figures in the balance sheet might show a completely different situation and might indicate the potential to lend this business. In this case it is the sector analysis weighting higher importance, no matter how large this business is."* [Lender 1]

The rest of the lenders continue to consider the level of credibility of the financial information the same for all sectors of entities' operation as they do for all sizes of entities. So does Lender 3 with the exception that the financial information should be accompanied by an auditor's report.

5.3.3 International trade

It is surprisingly interesting that the only interviewees referring to international business activities of their clients were the ones referring to the cases of the entities voluntary adopting full IFRSs. Hence, the use of the adapted IFRS for SMEs does not seem to benefit entities having or planning to have international trade activities or partnerships, because they are still required to use full IFRSs for these purposes. However, these findings are in agreement with the findings of Andre et al., (2012) about the strong relationship between the internationally orientated SMEs and their voluntary adoption of full IFRSs. Nevertheless, Eierle and Haller (2009) had found a strong connection between the international activities of SMEs and their need to use internationally comparable accounting information. On the other hand, it is interesting to notice that in both cases in which the interviewees refer to, the entities were already using the adapted IFRS for SMEs but needed to comply with the full IFRSs because their partners require their use either for issues of comparability or for reasons of credibility. On the other hand, this requirement might have been superfluous, because both auditors referring to these cases, agreed that it was very easy for them to adjust the statements from the ones required by the NINAS to those required by full IFRSs. This finding though satisfies the IASB's expected benefits that the standard offers a platform for businesses to apply full IFRSs (IASB, 2009c). Here is the comment from Auditor 5.

> *"There was only one thing I had to do. I adjusted my client's financial statements which I had prepared using the NINAS to fit with the requirements of full IFRSs. To be honest, I just needed to change the formatting of them in a more concise way. Hence, I cannot consider it as double work."* [Auditor 5]

5.3.4 Accountant's knowledge and experience

Previous studies show that the knowledge and experience of the accountant or auditor with full IFRSs is one of the factors that determines the support of the profession towards the IFRS for SMEs (Baldarelli et al, 2012; Kaya and Koch, 2015). The findings of this study support this, since all the interviewed auditors and accountants who were familiar with the use of full IFRSs, reveal that this knowledge and experience was the most important factor which helped them understand and use the NINAS very quickly. Furthermore, the interviewed accountants and auditors experienced with the use of full IFRSs are the ones that preferred the full adoption of the IFRS for SMEs rather than its adaption. It is interesting that these accountants and auditors, while participating in the discussions upon the full adoption or adaption of the IFRS for SMEs, although they personally were in favour of the full adoption, they still voted adaption. The explanation to this might be the respect they had for the hard work done by the Standard Setter to compile the old NAS. Auditor 1, who is a member of this group, put it like this:

> *"The truth is that I personally wanted the full adoption of the IFRS for SMEs. In my opinion we are a small country and we have to follow the best foreign practice. We do not have the capability to issue our own, completely comprehensive, legislation or to pursue the business environment development by creating our own legislation. Of course, there have been some good efforts towards this, especially in accounting. I cannot deny that many things have been achieved in accounting comparing to other areas, but again, the rest of the world is even more advanced, and the European business environment is very progressive. So, I am in favour of adopting everything that is being issued by the IASB, but on the other hand I do acknowledge the previous good efforts."* [Auditor 1]

The fact that the old NAS was based on the full IFRSs does already certify some knowledge of international financial reporting for all the Albanian accountants and auditors. Thus, the preference of all the interviewed practitioners towards the NINAS versus the NAS, does not seem to be a coincidence. However, it is the way that the standard is being applied and the quality of the information provided by its application which is the concern of all the interviewees. These issues are discussed below.

5.3.5 Costs

Prior research has identified the costs related to the adoption of the IFRS for SMEs at entities' level, for example Evans et al. (2005), Husanin et al. (2012), Litjens et al. (2012), Albu et al. (2013). These costs consist of accountants' training costs, the replacement (or updating) of the accounting software, the costs of paying external advisors and the costs of complying with changes in the accounting regulation.

It is surprisingly interesting that, contrary to the findings of Husanin et al. (2012) and Albu et al. (2013), none of the 20 accountants and auditors interviewed found the training costs significant. In Albania training is being provided by two professional associations. The training costs usually fall only on the personal costs of the accountants and auditors. The entities refuse to carry these costs, because the accountants are expected to be fully informed and trained to provide their services. For the active members of these associations, training is obligatory, and the cost is included in their membership fee. So, there is no extra cost of training for the new standard. However, some of the accountants who are not members of these associations stated that they voluntarily joined one of the training programmes and considered the cost to be at least affordable if not negligible in addition to the information they gained which they consider a valuable asset for their personal professional development. Thus, this cost is seen as a personal investment. Few of the accountants reveal that they had no time to join these courses, although they always receive invitations to join. However, they stated that they had done their own reading for the standard, which, nevertheless, is accompanied by detailed guidance and illustrations which enhanced their understanding.

> *"Training is carried out by the Institute of Certified Accountants and the Institute of Chartered Accountants. It is usually accommodated at some universities and is always characterised by substantial participation of accountants and auditors, because it is in the interest of our job."* [Accountant 1]

> *"Training for us is obligatory at least twice a year. We do not pay for training, because we have a membership fee which covers the cost of training."* [Auditor 5]

> *"I paid for my training. It was my own personal cost. The company didn't even consider the matter. If you need training, it is your own problem. You should fund yourself and be prepared for the job you are hired to do."* [Accountant 12]

> *"I paid for it myself. It was a personal cost. I wanted to get familiar with the changes. I am enjoying the benefits of the investment I made. Compared to this, I do not consider it as a significant cost. Absolutely not."* [Accountant 6]

Contrary to the findings of Husanin et al. (2012) and Albu et al. (2013), the cost of updating the accounting software does not seem to be significant for the interviewed practitioners. The fact that the NINAS is perceived as a revised version of the NAS, gives the opportunity to the providers of accounting software to offer the changes as updates of the old software. In this sense, updates are quite cheaper than a new software, unless some entities have never used an accounting software and need to buy a new one. In the latter case the cost is considered quite significant, but this factor is considered to be rare and nevertheless, it would be a one-off cost. Some of the interviewees also refer to a differentiation in the cost of buying a new accounting software, meaning that the cost varies depending on the features that the software package has to offer. Hence the more sophisticated the programme is, the higher is its price. Apart from that, some of the accountants in practise reveal that their provider software company had offered a significant discount to the cost of the updates or to the cost of the new software, in exchange of being introduced to new customers. It is also very important that the particular cost can also be recognised as an expense in the profit and loss account and will reduce the payable tax amount. Here are some of the comments illustrating these matters:

> *"We have been using accounting software programs for old NAS. The NINAS are just an evolvement of NAS. We just needed to update the software and that cost was not considered significant."* [Accountant 1]

> *"The cost depends on how much you want to improve your accounting software. There is the simple version offering you standard minimal procedures and then you need to process the data manually, but you can also have the most advanced version which compiles the financial statements by itself. Both are quite expensive you have never used them, meaning if you buy them brand new. But if you just need to update them, the cost falls dramatically and is not considered significant"* [Accountant 2]

> *"The company did not buy a new system; they did some updates to the already existing. We paid an extra cost apart from the yearly cost of maintenance. So, we paid a supplement cost for all the required updates. However, it was not a substantial cost for the company, and it was affordable."* [Accountant 3]

> *"The only cost we had as an accounting firm, was to update the already existing software. Generally, this cost falls on the accountants and experts either accounting firms' owners or sole practitioners. However, as in our case, usually the providers of those programmes, knowing that you can recommend their software to a number of your clients, in other words, knowing that you can bring them clients, reduce the price of the package or the update for us. Nevertheless, the update is not a considerable cost. Approximately the highest cost of the update might be up to 10% of the total cost buying a new package. Plus, and this is very important, we can add it to our expenses as a company or as a sole practitioner."* [Accountant 14]

It is interesting that none of the 15 accountants and 5 auditors report any costs relating to the use of external experts. Although all had occasionally used the help of external experts, this help was provided free of charge, because it is either considered a friendly advice or because it is not considered as extra consultancy but something within the responsibilities of the entity's auditor. This fact is also confirmed from the interviewed auditors. They state that generally they do not charge any extra costs for providing additional advice, unless the advice has been formally requested from large entities which apply full IFRSs, or unless they find a way to persuade the client company that this advice is not included in their audit fees and responsibilities. Nevertheless, it is not by accident that all the interviewees reveal that first of all they turn to their colleagues in need of help and advice, while the internet, professional bodies and the standard setter follow in order of priority. Accountant 11 and Auditor 1 comment on these issues.

> *"In fact, many times we ask the advice of the external auditor of the company for different issues related to the new standard. He always provides help with no extra charges, because he feels that this is a part of his duties. We do not use him as an external consultant, and this is not an extra cost for the business."* [Accountant 11]

> *"Usually, when companies or colleagues ask us for advice, if it is something small, we help them in a friendly way, free of charge. We live and work in a small country. We need good relationships to survive. However, if the issue is big or the question comes from a large company and the advice is required in a more formal way, then we call it consultancy and it comes with a cost. Usually such demand comes from entities required to use full IFRSs, not from those using the NINAS. Nevertheless, these costs are not so common for the Albanian entities. If you are asking me on any additional costs, we charge for audit this year due to extra consultancy, the answer is that theoretically the cost of audit should have been slightly higher, but unfortunately this does not happen. It is not the same as in the UK or other developed countries where the auditor can charge for extra hours and issue an additional invoice for the client. Some auditors try to do this by persuading their client companies that their advices on the new standard are considered consultations. But this is done only for 15% of all companies. The rest of the companies are not charged for the extra advice."* [Auditor 1]

The interviewees disclose that the cost of preserving compliance had already been paid during the transition from general accounting plan to full IFRSs, for the entities eligible to use them' and to the NAS for the rest of the entities. The transition cost from general accounting plan to full IFRSs is perceived as being very high by all the accountants and auditors interviewed, while the transition from general accounting plan to the NAS was not considered high, because of the nature of the measurement and the accounting treatments required. In other words, since the NAS was based on full IFRSs and the NINAS is based on the IFRS for SMEs, which is a simplification of full IFRSs, the costs of perceiving compliance are not considered significant. However, the costs of obtaining compliance are dramatically increased in cases were the accountant, due to lack of regulation, has not been following the same methods of accounting measurement and recognition through the whole life of the business and needs to make retrospective adjustments to meet the standard's requirements.

On the other hand, it is the cost of evaluating the new information which is considered to be a significant cost affecting the accountants and auditors. As stated by the interviewees, there is a huge amount of information available to them. This information comes from many sources such as the Standard Setter, the professional bodies, training, internet, journals, magazines, conferences and colleagues. All this information is considered time-consuming to be evaluated. However, this cost is related to the knowledge and experience of the accountant or the auditor, in terms that the more experienced and knowledgeable they are, the easier and the faster this information is being evaluated. However, the interviewees find this cost increasing to a very high degree in relationship with the tax accounting regulation which tends to change quite frequently. Adding to the problem, there are some significant conflicts between the tax regulation and the standard which make the evaluation of the information even more time-consuming. However, this issue is discussed later in this chapter. This is how some of the interviewees pointed at these matters:

"The adoption of full IFRSs came with a high significant cost for large companies obligated to use them. That is because full IFRSs are more complicated, we needed extra consultations and guidance because many times we could not find the information needed. We really needed to work very hard. It lasted for at least three years. Even nowadays we continue to face such costs with full IFRSs. On the other hand, the adoption of NAS, unfortunately, was not communicated as a significant cost. Unfortunately for us, the profession, but fortunately for the entities. The transition to NAS and NINAS was communicated as a usual ordinary help. So, these costs were a burden only for the profession. No entity paid for such costs. However, this is not necessarily bad." [Auditor 1]

"Losing the old practices and moving from the General Accounting Plan to the NAS was a personal cost of time while making efforts to read and learn in order to be consistent with the new regulation. As for the NINAS, there are some changes made to the evaluation methods which make them more precise. But this is not at all a cost. The cost of compliance appears to be significant in case you are going to be employed in a company where the previous accountant had his own method of evaluation. You would need to find out what policies have been followed and if those policies have been followed through all the life of the business. It is not a surprise that for different periods of time you might find the inventory valuated once with LIFO, once with FIFO or using the average method. Then you are obliged to make all the retrospective adjustments as needed. So, there is a cost of time you should spend with regard to returning to a unique accounting policy that should be followed with consistency." [Accountant 1]

"The flux and the amount of information has changed during the last decade. It is very much reliable and easy to access. Ten years ago, it was very difficult to find any information and even if you could, you would not know how reliable it was. However, it depends in your experience and knowledge how fast you understand and digest that information. If there is something you do not understand yourself, then you consult with a colleague. The problem exists with the information provided by the tax authority. The regulation changes dramatically fast. There is no stability. Besides many times you cannot understand the requirements because they are in conflict with the standard." [Accountant 9]

5.3.6 Benefits

The most important benefit at entity level from the use of the adapted IFRS for SMEs is the increased level of transparency of the financial information. All the accountants and auditors interviewed mentioned that transparency has increased due to the increased disclosure requirements of the NINAS. Auditor 1 illustrates this issue well.

> *"Both the use of full IFRSs and the IFRS for SMEs might be beneficiary in terms of enhancing the comparability across companies, but I believe that their main goal is to achieve transparency. Their use offers transparency to those who read those financial statements, for example banks or foreign investors. This has been partly achieved since the NINAS require additional disclosures within the financial statements' notes. The financial statements compiled with the NINAS include an increased number of disclosures, many more disclosures than the financial statements used only for tax purposes."* [Auditor 1]

Nevertheless, all the interviewees supported the argument that the use of the adapted IFRS for SMEs is expected to bring more benefits in the future for the entities eligible to use it. According to them, the expectation is that it will increase the credibility of these entities financial information from lenders, it will aid to partnerships both nationally and internationally, it will reduce their costs of finance and it will increase the quality of decision-making for all their stakeholders, both internally and externally.

Another very important benefit deriving from the use of the NINAS is the new value added to the knowledge of accountants and auditors, especially the old school ones. The NINAS gave them the opportunity to learn and use new terms and new practices of accounting which they were not familiar with. Furthermore, the interviewees reveal that use of the NINAS has also reduced the time that the accountants or auditors needed for preparation when approached by new clients. They say that the financial statements prepared under the NINAS provide a better and more detailed information about the businesses and they can focus only on the parts that the client needs them the most. Here are a couple of comments from interviewees.

> *"There are benefits for the accountants, because a considerable proportion of the members in our association are dealing with new concepts which they had not encountered before. The old school practitioners in Albania, those that were educated 15 years ago in economic schools, were not familiar with concepts such as accounting risk management, time value of money, different regimes of depreciation, different provisioning techniques. Thus, all of them benefit from the use of the NINAS by gaining this new knowledge."* [Accountant 13]

> *"The use of the NINAS offers more detailed financial statements. This helps me as a practitioner to be more informed when I have to meet a potential client. I read client's financial statements and focus on the points that they might need me the most."* [Auditor 4]

The literature suggests that subsidiaries of foreign entities would benefit from the use of IFRS for SMEs (for example Pacter, 2009a; Pacter, 2009b; Bartunkova, 2012; Bohusova and Blaskova, 2012). Non-publicly accountable entities operating in Albania and being part of international business groups, use full IFRSs to facilitate their foreign owners with the preparation of consolidated statements. Bartunkova (2012) finds that these entities are more likely to turn to the IFRS for SMEs due to the simplifications that the standard offers in comparison to full IFRSs. However, this is not happening with subsidiaries in Albania. One reason is that those entities have been familiar with the application of full IFRSs. Furthermore, given the fact that there are some differences in accounting treatments and measurements between full IFRSs and the IFRS for SMEs and even more differences between full IFRSs and the NINAS, they chose to continue the application of full IFRSs. Even though the level of simplification is considered quite high with the NINAS, they find that the differences would affect their reporting and subsequently the consolidated group financial statements. This supports the findings of Eierle and Haller (2009) and Eierle and Helduser (2013) that these types of entity are more likely to adopt full IFRSs rather than the national GAAP. On the other hand, it is very interesting to mention that potential foreign partners are not aware of the financial system being used domestically. They are not aware that NINAS are the adapted version of the IFRS for SMEs. Still consistent though with the findings of Eierle and Haller (2009) and Eierle and Helduser (2013), even when the foreign partners become aware of the situation, they still require their Albanian partners to report under full IFRSs. Auditor 1 and Accountant 12 have been facing these issues:

> *"One of my client companies is a subsidiary of a foreign company. They are using full IFRSs for their financial reporting. They used to say that this was a great burden for them, and they were delighted when we moved to adapting the IFRS for SMEs. However, when I showed them the differences which exist in accounting policies, they told me: 'No. We better bear with the burden of full IFRSs.' This was because various treatments would derail many of their Balance Sheet accounts. For example, they used to capitalize borrowing costs. The IFRS for SMEs and the NINAS do not support the capitalization of borrowing costs and this would create big comparability and compliance issues to a five year already implemented policy. Hence, they would need to go back and change all their business history. So, they said: 'We better stick with the full IFRSs. We know it is burdensome due to many required disclosures, but at least we are not going to change our accounting policies."* [Auditor 1]

> *"The company I work for was negotiating with a foreign one over a joint venture project. During the negotiations, the foreign company required the financial statements of our company in compliance with full IFRSs. They did not know that we are already working with international standards. They thought that we are slowcoaches using our own strange standards. When I told them that we are applying the NINAS which is the adapted version of the IFRS for SMEs, they seemed very surprised. However, they remained unobtrusive and we needed to compile our financial statements using full IFRSs."* [Accountant 12]

However, it is worth mentioning that Accountant 12 also supported that it was very easy to adjust the financial statements produced under the NINAS to the ones complying with full IFRSs. This supports the IASB's statement that the IFRS for SMEs would be a benefit for the entities growing to apply full IFRSs by offering them a transition platform (IASB, 2009c). Conversely, although the use of full IFRSs for non-publicly accountable entities is optional, it is interesting that from all accountants and auditors interviewed, only Accountant 12 referred to the above case where the non-publicly accountable entity had voluntary changed financial reporting from the NINAS to the full IFRSs.

Furthermore, none of the interviewees supported the arguments of Samujh and Devi (2015) that the IFRS for SMEs might decrease the economic growth of SMEs due to the burden of requirements, and cause reduction to entrepreneurship activity. Nevertheless, they all agree that the NINAS is very much comprehensive and closer to the needs of the Albanian SMEs than the General Accounting Plan used to be or even the NAS. According to them, it is the burden of requirements from the tax law which negatively affects entrepreneurship activities for these entities and not the use of the NINAS. Accountant 10 illustrates this issue well.

> *"I may say that this new version of the standard is more suitable for our economic environment. The old one was not so adequate. This standard is more precise. We are given detailed guidance and illustrations and we know exactly what to do. The problem stands with the tax-accounting. New tax laws are issued ceaselessly, bombing us with new requirements. There is no stability. This is creating a great burden for us and for our clients' business activities."* [Accountant 10]

5.4 Users and uses

All the accountants and auditors interviewed considered that the main purpose of entities providing financial information, is the legal obligation they have towards the tax authority. Furthermore, eighteen out of the total number of this category of interviewees (20) refer to the purpose of financial information for credit use as second, while only two of them refer to the managerial purpose. Thus, the most important user of the financial information of SMEs in Albania is the tax authority, followed by lenders and to a very poor extent by managers. This supports the findings of Maingot and Zegbal (2006) in Canada, Van Wyk and Rossouw (2009) in South Africa, Bunea et al. (2012) and Albu et al. (2013) in Romania. The following discusses the adaption of the IFRS for SMEs in Albania and the impact for the two most important groups of users: the tax authority and lenders.

5.4.1 Tax authority

The link between accounting and taxation in Albania seems to be very high, since all the interviewees agree that the State is the predominant user of the financial information provided from private entities. As a result, tax-accounting in Albania attracts significantly a higher rate of interest than financial accounting. However, the problem relies in the fact that tax-accounting rules and laws are based in the General Accounting Plan, while financial reporting requires the use of international standards. This problem generates conflicts between tax-accounting and the standard's treatments methods and requirements, which lead the accountants in either keeping two sets of accounts (one for credit (or managerial) purposes and the other for the tax-authority) or completely ignore the requirements of the standard and stick only with the fiscal requirements. These conflicts damage the quality of financial reporting, because in order to avoid penalties, some accountants tend to digress from the standard aiming to satisfy the fiscal laws. Some of the interviewees comment on this matter:

> *"The entities welcome and rush to implement the part of the standard that only interests them. The rest of it, the one that creates problems with the tax-authority, is being ignored. They stay strict to the fiscal requirements and pay no attention to the standard's requirements. Unfortunately, this is what is happening. This is the reality!"* [Representative of the Standard Setter]

> *"There is a trend to distort financial reporting as required from the standard and adapt it to the fiscal demands and requirements. This is*

> *a great deformation. Professional associations and the Standard Setter have repeatedly ascertained this issue. Often, the state administration distorts and requires, let's say sometimes very intensely and in a very short time, things that are not parallel with the logic, the ethics and the requirements of the accounting standards."* [Accountant 8]

> *"The differences between tax regulation and the standard's requirements force me or other colleagues neglect or even manipulate the standard's requirements and stick with the tax laws in order to avoid penalties. The majority of accountants keep double accounts and this, unfortunately, has become a common practice."* [Accountant 6]

These findings provide evidence to support Chen et al. (2011) and Albu et al. (2013) that accountants in developing countries are more involved in tax-accounting rather than in financial accounting and this might damage the quality of financial reporting. Furthermore, the burden that most accountants face in having to prepare two sets of accounts confirms Devi and Samujh's (2015) argument that since the focus of the IFRS for SMEs is not to serve tax purposes, the entities in developing countries would be forced to produce additional reporting.

On the other hand, the Ministry of Finance is aware of these problems, but there are no solutions as yet. No effort has been put towards the harmonisation of the tax regulation and the NINAS expanding the gap between both regulations.

> *"We actually have noticed that there is confusion at a certain extent. We are aware that this has been caused because of some differences between the tax/fiscal laws and the accounting standards. We have identified a sort of inconsistency and mismatch. We also know that the best practice has not yet been achieved. We understand that we have much more to do. However, it was not very long ago when we first started to discuss these major legal changes. May be the information that the entities have been receiving and imparting is not very effective or perhaps we have made some mistakes […]."* [Representative of the Ministry of Finance]

Some of the most common conflicts created because of the differences between the tax law and the standard are identified through the course of the interviews. These conflicts exist in relationship with the time recognition of a sale, the recognition of certain expenses or losses, fair value, the cumulative of translation adjustment, direct borrowing costs and all the provisions. Appendix 3 Includes some of the examples stated by the interviewees. Considering these issues, the interviewees were asked about the ways they find to overcome such problems. Their answers focused on three main points. One way is to stick with the standard's requirements and solve the disagreement with the tax-authority through the legal way. Another solution, as already mentioned, is by keeping different sets of accounts for different purposes. The last solution they find is to digress from the standard's requirements and focus on tax laws. Accountants 3 and 7 illustrate these issues as follows:

> *"For us, all the conflicts between the tax laws and the standard are being solved in courts. The irony, however, is that the fine must be paid immediately, before the decision of the court is finalised. These fines have become tremendously high with the new tax procedures and this affects the liquidity of your business. On the other hand, the court decision might take many years due to the inefficient judiciary process we have in this country."* [Accountant 3]
>
> *"All our accounting is focused on the fiscal one. All our work is concentrated toward the fiscal requirements. The whole project of reforming accounting regulation has been lost due to the need to be consistent with the rules of the tax authority. Hence, I deviate from the standard's requirements to meet the tax rules. Most of my colleagues keep double sets of accounts. I have found a better way to skip this burden. I try to follow the standard's requirements up to the point of my interest and then I deviate from the standard to conform to the fiscal law."* [Accountant 7]

On the other hand, all the interviewed accountants and auditors reveal that the demand for the harmonisation of the regulations is very high. This is not only because the harmonisation of the legislation would decrease the above-mentioned costs and eliminate the confusion, but also because this confusion is causing severe damage to the relationship between the accountants and their clients. Accountant 15 illustrates this issue well.

> *"This is a big burden for business and also for auditors and accountants. We face very difficult situations with our clients. The client tends to trust the accountant or auditor. The client is positive towards the professional advice that I give him. But our advices clash with the treatments required from the tax inspectors, which sometimes are extremely strange and out of the accounting logic and principles. So, the client, who is not a professional accountant, does not know who and what to believe. Who is wrong and who is right? Our position as experts is very difficult and delicate, because the trust my client has on me is being jeopardised and many times even damaged."* [Accountant 15]

Adding to these conflicts, as it was strongly noted through the interviews, the tax inspectors do not receive training for the NINAS. They do receive a compulsory training in accounting, but it is based on an introductory level. Their intensive training is based only on the tax legislation which is related to the General Accounting Plan. This fact creates other problematic issues. Tax-inspectors are neither familiar with the measurement and treatment methods required by the standard, nor with the existing differences between the tax regulation and the standard. The impact of this is the issuance of high penalties to the entities. Nevertheless, their lack of accounting knowledge encourages some of the accountants to proceed with the manipulation of the information provided by the financial statements. Here are some of the experiences that the accountants shared:

> *"Tax inspectors have no knowledge of accounting. Many times, I try to explain them the situation using t-accounts. They are useless."* [Accountant 5]

> *"I have not faced any challenges or difficulties while applying the standard, but it has been difficult to deal with the tax authority. The*

> *tax inspectors are not at all trained in this part. Of course, you produce your statements, but since the tax inspector is not familiar with the requirements of the standard, he causes problems. They are not specialised to understand the way you are applying the standard and its concepts. This might result in very high penalties"* [Accountant 1]

> *"If tax inspectors were familiar with the accounting standards, I reassure you that billions of Lek would have been collected in favour of the state. But the fact is that they do not even know how to read the financial statements or the accounts. This is the greatest misfortune. However, due to their ignorance on the matter, sometimes we use the standards as we wish and prefer. Sometimes we do not even apply the standard. Why? Because of their inability. It is their inability that gives us the space to cover up things."* [Accountant 13]

On the other hand, the Ministry of Finance is aware that the training provided to the tax-inspectors for accounting is not at the required level. However, the representative of the Ministry of Finance did not refer to any future plans on improving this matter.

> *"The Ministry, through its diversified departments, offers, let's say, some training related to accounting, but it is focused on the fiscal policies, and the relations between the entities and the state. However, we cannot say that this training stands at the appropriate level for the accounting standards. We must be honest. The role of the Ministry of Finance in considering the training that our inspectors receive for the accounting standards is not at the proper required level."* [Representative of the Ministry of Finance]

5.4.2 Lenders

The interviewees reveal that lenders use financial and non-financial information for their lending decision. By financial information they mean the financial statements, while the non-financial information is every other method that they use to cross-check and verify the financial information. Such methods include visits to the company, interviews with the accountants, the managers, the employees and research through history of the company, its collateral, information from its competitors etc. All the lenders agree that the financial information is very important for their decision to lend capital to entities. However, if it is a medium or a large entity, five of the interviewed lenders do rely on the financial information provided at an extent of 70%, while the rest 30% of their decision is based on the non-financial information they gather. This turns out to be inversed when they consider lending to smaller entities. Thus, they rely 30% on the financial information and 70% on the non-financial one. Three of the lenders consider that both financial and non-financial information account for the same level of importance for their decision-making process. These findings support those of Albu et al. (2013) and Strouhal (2012) that banks are not satisfied with the quality of the financial information received from SMEs and use other ways to get the required information such as visiting the accountant and manager of the entity. Lenders 4 and 7 illustrate these issues:

> *"Financial information is very important. Let's say it constitutes 70% of the decision-making. I mean it gives me about 70% reliability to take the right decision for the potential customer. This information is also enriched by additional, other information. The bank complies a historic progression for the potential customer, complies a historic of the particular company in the banking system, pays visits to the customer's business etc. In other words, many criteria should be fulfilled to achieve a high level of decision-making. Some of them are very important. For example, the analysis of assets. Other information used might be the background of the shareholders or the owner(s). However, the financial information is more important than the non-financial one only when the entity is a medium or large-sized and the sector of its operation is healthy. This stands in a vice versa way if the entity is small or, independently of size, it operates in a problematic sector."* [Lender 4]

> *"Financial information is very important. However, let's hypothesise that the owner is a gambler, or someone told us that this year he has invested on a project or an industry which is at high risk to fail. In this case the additional non-financial information is more important. Of course, we check the stability over the years, since we analyse the financial statements of the past 3 years, but as you see, our decision*

> *cannot categorically be determined only by the financial information. This information is very important, but it does not stand on its own. In other words, there will be no credit given if the financial information is not good, but a good financial information does not always lead to credit. So, both financial and non-financial information are equally important."* [Lender 7]

All the lenders interviewed reveal that all the financial information is required directly from the entity. This fact places the lenders in the role of principals and the entities in the role of agents. Considering the fact that the lenders have a differentiated level of credibility towards the financial information provided by different clusters of entities or different industries they are faced with different levels of agency costs depending on the level of the investigation which should be conducted in relationship with the financial information that they have been provided with. One of the lenders comments on these issues.

> *"The lower the cluster of the company, the most important the non-financial information becomes, thus the more the costs to obtain that information. The higher the cluster of the company, the most important the financial information becomes, thus the lower the cost for the non-financial information. So generally, for large corporates, we base our decisions mostly on the financial information provided by them. That is because the information they produce exceeds the need for credit. They are the focus of tax-authorities, they have many stakeholders, they need the information for managerial purposes, they are being audited by Big4 firms etc. For smaller entities than corporates, the level of informality is very, very high. However larger SMEs also provide a good quality financial information, but the cost of obtaining the non-financial one is higher than the one for corporates. For smaller SMEs, the ones that are considered easier to manage, generally the ones that have only one owner or are family owned, the cost to obtain non-financial information is very high, because we cannot rely on the financial one. We know that the only purpose of these entities is the profit of the owner(s)."* [Lender 5]

Contrary to the findings of Zuelch and Bughartd (2010) and Barth et al. (2011) this study finds no evidence that the voluntary adoption of full IFRSs by private entities occurs as an effort to signal better organisation. Furthermore, nor would these entities face less obstacles than the others and benefit from longer duration loans with lower interest rates. It is surprisingly interesting, though, that a voluntary adoption of the full IFRSs by entities which are not required to apply them, would have the opposite effect for the lenders in Albania. They argue that if they come across such cases, it would not increase the level of credibility for the entity's financial reporting information, but it would result in further and more detailed investigation upon the reasons which motivated the particular entity to proceed with this voluntary adoption. In other words, the voluntary adoption of full IFRSs instead of signalling better organisation would raise suspicions to the lenders. Lender 7 illustrates this as follows.

> *"I would need to check this entity's history. What is the reason for compiling these financial statements? Is this because there is a foreign owner involved? Is this company a subsidiary of an international company required to use these standards? Or is it because the owner is much illumined and decided to use full IFRSs? I need to find out the reasons relying behind this, because everything that stands out of the context might create problems. I need to be sure. There is something that does not fit. When the majority of the entities are using the NINAS, I need to find out the reason that this entity is not. I will use the non-financial investigation to find those reasons. In other words, this investigation is an inseparable part for all companies."* [Lender 7]

5.5 Conclusions

The analysis of the interview data from Albania and discussion of the findings in the context of the literature provides evidence to support some of the previous studies. It also contributes to the extension of the literature.

At a country level, three are the most important factors influencing the decision to use IFRS for SMEs in Albania: the pressures from global institutions, the pressures to increase the low governance quality and the pressures from national institutions and Big 4 accountancy firms. This finds its roots in the new-institutional theory of isomorphism (DiMaggio and Powell, 1983). As the findings reveal, coercive pressures come from a great influence from foreign international institutions especially from the World Bank which is the most important investor of the project. Furthermore, being a developing country and going through many reforms of transition aiming at the EU membership and at a higher level of governance quality, Albania is going through a period of high uncertainty. Hence, by copying other successful forms, like the international financial reporting standards, confirms the mimetic pressures. Normative pressures come from national institutions and big accountancy firms. This level of professionals is very experienced with the use of international financial reporting and prefer the same requirements for all clusters of entities.

On the other hand, the decision for the adaption of the IFRS for SMEs in Albania, was based in four main factors: the respect for the Standard Setter's work in compiling the old NAS, the familiarity of the profession with the old NAS's requirements, the incompatibility of some sections of the IFRS for SMEs for with the Albanian business environment and a short time-frame deadline for the new standard's implementation. The adaption versus the adoption decision for the IFRS for SMEs seems to be the right one, because the implementation of the standard did not face many difficulties by the profession. The use and knowledge of the old NAS which was based on the full IFRSs, certainly helped towards this direction. Furthermore, in terms of benefits at country level, at this early stage, the most important achievement is the uniformity of the financial information provided by non-publicly accountable entities. Nevertheless, this information is considered to be more transparent with the use of the adapted IFRS for SMEs, because there is an increase in the disclosure requirements. Thus, in general, the national financial reporting model has improved.

At entity level, the costs associated with the application of the adapted IFRS for SMEs do not seem to be substantial. The interviewees do not find the costs of training, accounting software, external paid advice and compliance significant. However, the cost of evaluating information seems to be considerable especially when this information involves changes in the tax regulation which usually, as revealed, are in dysphonia with the requirements of the standard. In terms of the benefits, the interviewees have observed increase in the transparency of the financial information reported but have not yet experienced better lending conditions or increase in partnerships. However, they have identified the easier transition to full IFRSs if required and an increase in their own knowledge concerning the international financial reporting measurements and treatments methods.

On the other hand, the size of the entity seems to be a proxy for the quality of the financial information provided. Nevertheless, the findings reveal that larger entities find the application of the adapted IFRS for SMEs easier and less costly than the smaller entities. However, the existence of different quantitative criteria for the clusters of the businesses, require some of the very small business to carry the burden of providing a far more detailed financial information than the one which fits their size. Furthermore, the quality of the financial information provided, also depends on the education level of the owner(s) of the business. The study does not find any significance of the industry or the international trade activities of the entities in regard to the application of the adapted IFRS for SMEs, while the accountants' knowledge and experience with full IFRSs is a determinant factor influencing the application of the standard at entities' level. Thus, the more experienced and the best the knowledge of the accountants with full IFRSs, the easier and less time consuming the application of the adapted IFRS for SMEs.

A close relationship is evidenced between accounting and tax accounting. However, the existence of conflicts between the two legislations force the prepares to keep two sets of accounts for different purposes or to digress from the standard in order to satisfy tax laws, damaging the quality of the financial information provided. This is also reinforced by the lack of accounting training for the tax inspectors. However, the main user of the accounting information is the tax authority. Lenders consider the financial information important, but they also use non-financial information to verify it. Their costs during the verifications vary according to the size and the sector that the business is operating.

The next chapter presents the findings and results relating to the UK data. This is followed by Chapter 7 which draws the conclusions of the study.

Chapter 6. The UK: Analysis and Discussion

6.1 Introduction

This chapter presents and discusses the results and findings from the analysis of the UK data in four main sections. The first section presents the results of the survey of accountants in May 2017. This is followed by three detailed sections of discussion at country, entity and user level. The section on the country level focuses on the analysis of the minutes of ASB meetings from February 2006 to December 2010 and the comment letters sent in response to the consultation on the future of UK GAAP in August 2009. This section reveals the intentions behind the decision to use the IFRS for SMEs as the basis for FRS 102. The section on the entity level examines the views of the commentators before the implementation of the FRS 102 and discusses the results from the survey after the implementation. The section on the users and the uses of the financial reports of non-publicly accountable entities is discussed in the context of the results from the survey, findings from an interview with a representative from HMRC, and views expressed in the HMRC's blog. The final section of the chapter draws conclusions from the UK study.

6.2 Survey results

6.2.1 Key characteristics of the sample

One of the objectives of this study is to investigate the views and perceptions of the accountants and auditors who use the adapted IFRS for SMEs (FRS 102). Their views were collected through an on-line questionnaire circulated amongst ACCA members in the UK during May 2017. Table 6.1 shows that the majority of the 509 respondents were accountants in practice with private company clients, followed by accountants working in private companies (accountants in business) and auditors of private companies.

Table 6.1: Breakdown of respondents

Respondents	No. of responses	Percentage of responses
Accountants in practice	236	46.37
Accountants in business	175	34.38
Auditors	98	19.25
Total	**509**	**100**

Further analysis (not tabulated) shows that most of the accountants in practice in the sample are sole practitioners (139), followed by 86 in mid-tier accountancy firms and 11 in large practices. None of them works in a Big 4 firm. The majority of the auditors in the sample are occupied in mid-tier accountancy firms (56), followed by sole practitioners (18), Big 4 firms (16) and large accountancy firms (8).

The following describes the sample according to the characteristics of the entities were the accountants and auditors use the adapted IFRS for SMEs. This is tailed by the description of the accountants' and auditors' characteristics.

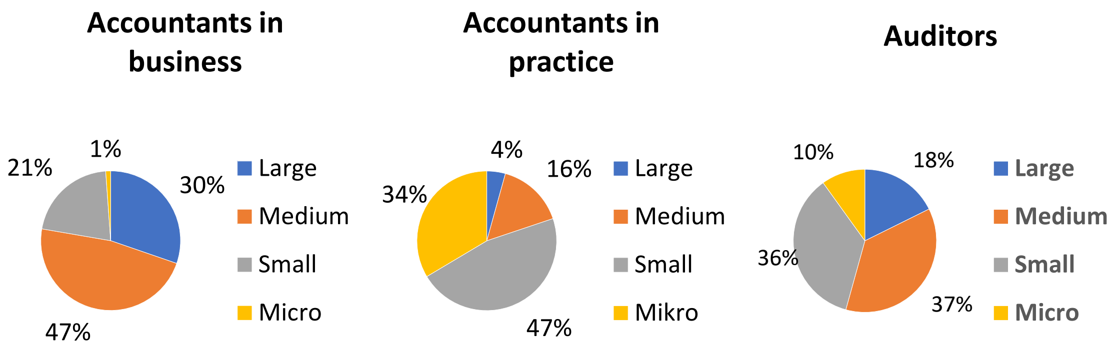
Characteristics of the entities

At the beginning of the questionnaire, the respondents are asked questions about the type of entities in which they have been experiencing the use of the FRS 102. The questions are asked in terms of the size of the businesses, the industry/sector of businesses' operation, subsidiaries or not of other companies and having or not international trade activities.

Figure 6.1 illustrates the sizes of the businesses in which the correspondent groups of the professionals in the sample have experienced the use of the FRS 102. The graphs clearly show that most accountants in business are being occupied in medium-sized private companies, followed by large and small private companies.

Only 1% of them are occupied in micro-entities. Accountants in practice, on the other hand, have experienced the use of the standard mostly with small entities, followed by micro-entities and medium-sized ones. Only 4% of them are using the standard for large entities. Auditors seem to have experienced the use of the FRS 102 at almost the same percentage for both small and medium-sized entities, followed by a smaller percentage of large and micro ones.

Figure 6.1: Experience according to the size of private companies



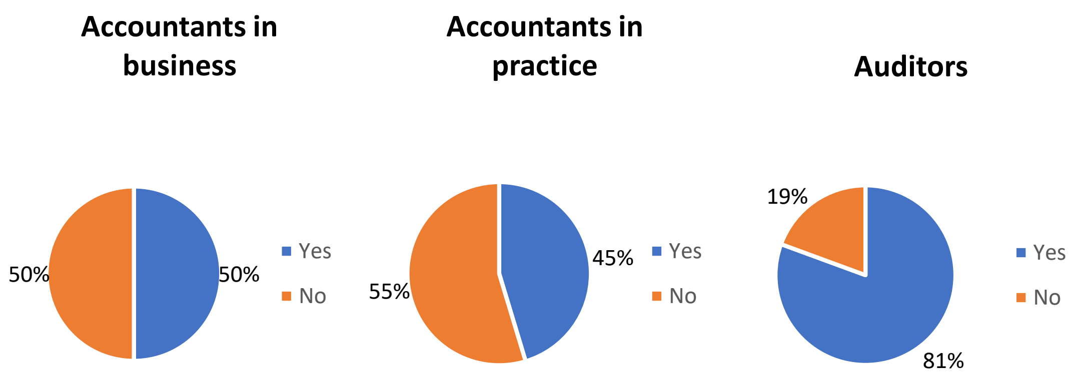
With regard to the sector where the businesses operate, overall the most represented industry in the sample is “Wholesale/Retail” followed by “Professional services”, “Manufacturing/Engineering” and “Charities and other Private Benefit Entities (PBEs)”. “Financial and insurance activities” are mostly represented within the sample of accountants in business, followed by “Manufacturing/Engineering”, “Construction/Real Estate” and “Professional services”. While for the subsample of the accountants in practice the most represented industry is “Professional services”. This is followed by “IT/Communications”, “Wholesale/Retail” and “Manufacturing/Engineering”. The most represented industries for the auditors in the sample are “Manufacturing/Engineering” and “Wholesale/Retail” with the same percentage of 58.16%, followed by “Charities and other PBEs”. The breakdown of represented industries in the sample is presented in Table 6.2.

Table 6.2: Experience according to the industry/sector of operation

Industry	Accountants in business (%)	Accountants in practice (%)	Auditors (%)	Full sample (%)
Academic/Education	5.71	12.28	29.59	13.36
Agriculture, forestry and fishing	-	19.92	11.22	11.39
Charities and other PBE	7.43	38.14	51.02	30.06
Construction/Real estate	10.86	9.75	8.16	9.82
Energy and utilities	5.71	6.36	7.14	6.29
Financial and insurance activities	17.14	32.20	36.73	27.90
Healthcare/Pharmaceutical	3.43	24.58	22.45	16.90
High tech	2.29	18.64	12.24	11.79
IT/Communications	4.00	64.41	30.61	37.13
Leisure/Tourism	5.14	36.44	24.50	23.38
Manufacturing/Engineering	14.86	55.51	58.16	42.04
Professional Services	10.86	72.03	31.63	43.22
Transportation/Distribution	1.71	35.59	22.45	21.41
Wholesale/Retail	0.57	62.71	58.16	44.01

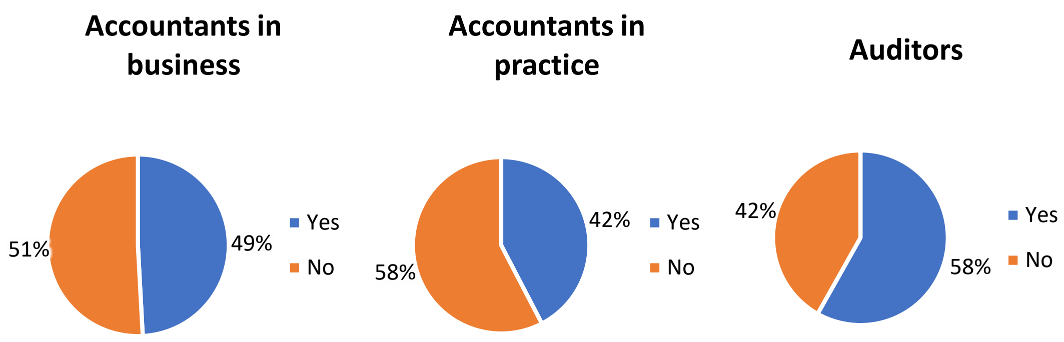
All accountants and auditors are asked if the business they work in or any of their private entity clients are subsidiaries of other businesses. The rate of their response is presented in Figure 6.2 and shows that half (50%) of the accountants in business prepare accounts under FRS 102 for their companies which are subsidiaries of other entities, while less than half of the accountants in practice have experienced the application of the standard for subsidiaries. More than 80% of the auditors have audited accounts for subsidiaries which have been prepared under the FRS 102.

Figure 6.2: Experience of FRS 102 for subsidiary companies



Respondents were also asked if any of their client entities or the business they work in, have any international trade activities. As shown in Figure 6.3, approximately half of the respondents from the accountants in business have experienced preparing or auditing accounts for businesses operating beyond the UK border. This percentage is smaller for the accountants in practice, but higher for the auditors in the sample.

Figure 6.3: Experience of FRS 102 for entities with international trade activities

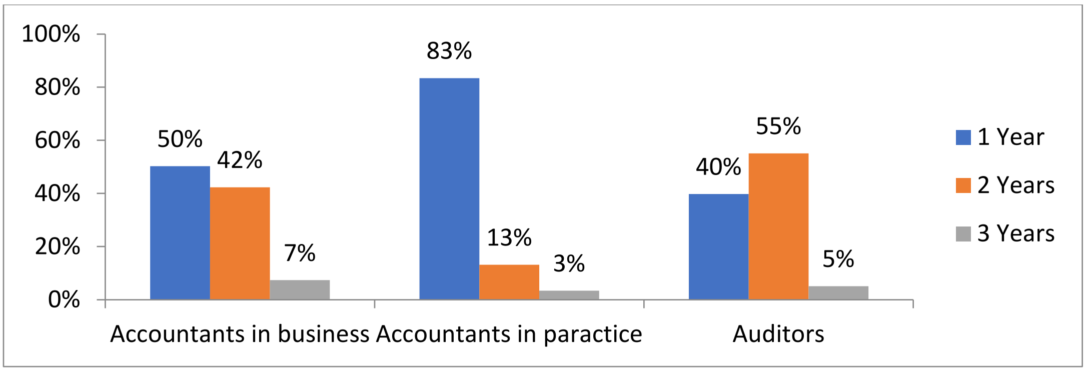


Characteristics of the accountants/auditors

After being asked about the characteristics of the businesses where they have experienced the use of the adapted IFRS for SMEs, the respondents are also asked about some of their own professional characteristics. These questions focus on the number of years that they have been using the FRS 102, on their experience with IFRSs, having or not received any training for FRS 102 and on audit issues that might have arisen over the compliance with the standard.

Figure 6.4 presents the percentages of the respondents according to the years that they have been using the standard. Most of the accountants from both groups have been using the standard for one year, hence since it became mandatory. However, many of them have been using the standard as early adopters for two or three years. The percentage of the accountants in business, as early adopters, is higher than those of the accountants in practice. The explanation can be based on the argument which the representative of the HMRC provided through the interview conducted on January 2016. The interviewee considered the gained experience with FRS 102 to be limited towards the size of the businesses, since it was based only on the early adopters and they tend to be mainly large entities. Based on this argument, since the majority of accountants in business prepare accounts for large and medium-sized entities, while the majority of accountants in practice have mostly small and micro-entities as clients (Figure 6.1), the accountants in business represent a higher percentage of early adopters than accountants in practice. On the other hand, the majority of the auditors in the sample, although having mostly small and medium-sized entities as clients, seem to have experienced the use of the standard as early adopters.

Figure 6.4 Length of experience using FRS 102



Previous experience with international financial reporting standards is presented in Figure 6.5. The graphs show that the majority of the respondents did not have any experience with full IFRSs. Only 9% of the accountants in practice stated that they had prepared financial statements under EU-adopted IFRS requirements, while the percentage for the accountants in business is higher (27%). Furthermore, 36% of the auditors in the sample have experienced auditing financial statements prepared under EU-adopted IFRSs. Although the percentages of the respondents which have experienced the use of full IFRSs does not seem to be very high in the sample, the majority believe that the use of FRS 102 will facilitate transition to full IFRSs if it becomes necessary or desirable in the future (Table 6.3).

Figure 6.5: Respondents' experience of IFRS

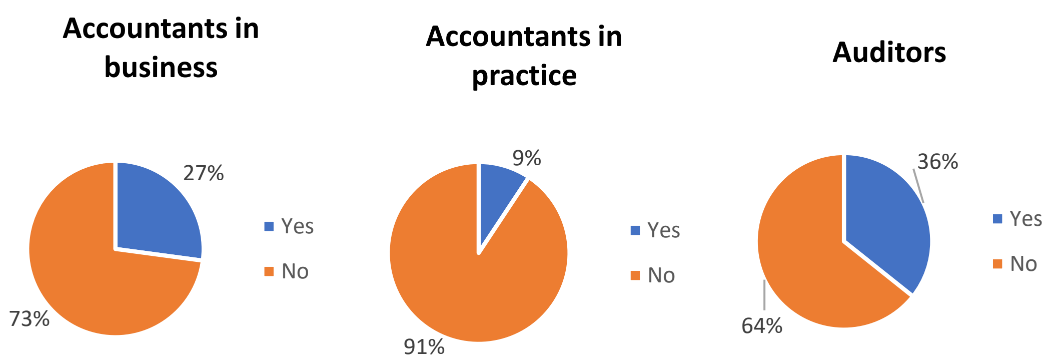
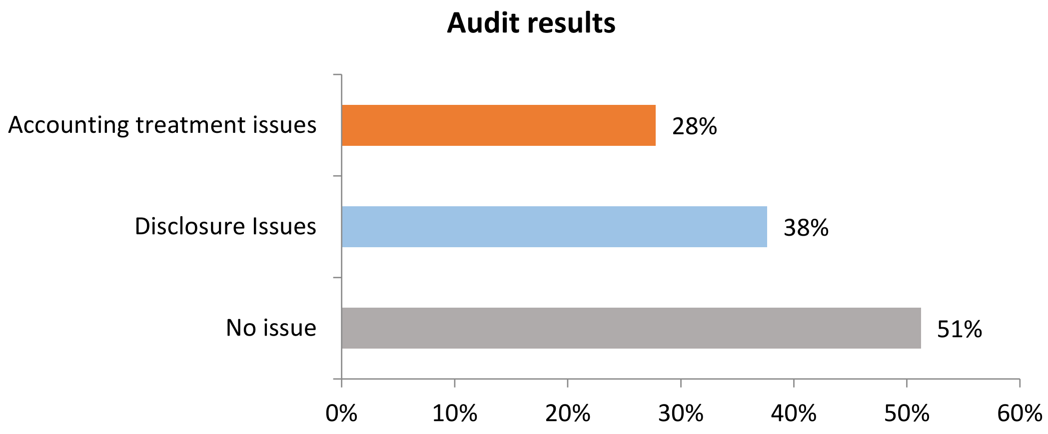


Table 6.3: The use of FRS 102 will facilitate transition to full IFRSs

Accountants in business		Accountants in practice		Auditors	
Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)
74.29	25.71	70.59	29.41	54.84	45.16

When accountants in business are asked if the accounts of the entity where they work are being audited, 91.5% of them gave a positive answer. According to the sample, only a small percentage (8.5%) of entities, which consists of small and micro-entities state that their accounts are not being audited. Most of the respondents reported no issues raised by the auditors. The others referred mostly to either disclosure issues, accounting treatment issues or both which reveals a difficulty in complying with the new requirements (Figure 6.6).

Figure 6.6: Reported audit issues over compliance with the FRS 102



6.2.2 Univariate analysis

As discussed in Chapter 4, due to violation of the proportional odds assumption this study is using the Stereotype Logistic Regression model rather than the Ordered Logistic Regression model. Table 6.4 shows the variables in the analysis, together with the expected sign based on the hypothesis stated in Chapter 3.

Table 6.4: Description of the variables included in the analysis

Variable	Definition and measurement	Hypothesis	Expected sign
DEPENDENT VARIABLE			
FRS102	The accountants'/auditors' views and perceptions on FRS 102 versus old UK GAAP. (1 = much worse, 2 = worse, 3 = about the same, 4 = better, 5 = much better)		
EXPLORATORY VARIABLES			
SIZE	LARGE (1 = yes, 0 = no) MEDIUM (1 = yes, 0 = no) SMALL (1 = yes, 0 = no) MICRO (1 = yes, 0 = no)	H1a H1b H1c H1d	+ + - -
INDUSTRY	IND_1: Academic/Education IND_2: Agriculture, forestry and fishing IND_3: Charities and other PBEs IND_4: Energy and utilities IND_5: Financial and insurance activities IND_6: Healthcare/Pharmaceutical IND_7: High Tec IND_8: IT/Communications IND_9: Leisure/Tourism IND_10: Manufacturing/Engineering IND_11: Professional Services IND_12: Transportation/Distribution IND_13: Wholesale/Retail IND_14: Construction/Real estate (1= yes, 0 = no)	H2	+/-
INTERNATIONAL TRADE	If the company has international trade activities (INTTRADE:1= yes, 0 = no)	H3	+
EXPERIENCE	Years of experience with FRS 102 (EXPFRS102: 1 year, 2 years, 3 years)	H4a	+
	If the respondent has used IFRSs (IFRSEXP:1= yes, 0 = no)	H4b	+
COSTS	External advice (EXTADVCOST: 1= not at all, 5 = very) Training (TRAINCOST: 1= not at all, 5 = very) Accounting software (ITCOST: 1= not at all, 5 = very) Time-consuming (TIMECOST: 1= strongly disagree, 5 = strongly agree) Challenging (CHALLENGE: 1= strongly disagree, 5 = strongly agree) Complexity (COMPLEX: 1= strongly disagree, 5 = strongly agree)	H5	-

Variable	Definition and measurement	Hypothesis	Expected sign
BENEFITS	Simpler reporting for subsidiaries (SIMPLEREP: 1= strongly disagree, 5 = strongly agree) Facilitates transition to full IFRSs (GOIFRS: (1 = yes, 0 = no) Aids joint ventures (JOVENBEN: 1= strongly disagree, 5 = strongly agree) Improves image (IMAGEBEN: 1= strongly disagree, 5 = strongly agree) Support in international trade activities (INTTRADEBEN: 1= strongly disagree, 5 = strongly agree) Increased credibility for lenders (LENDBENEF: 1= strongly disagree, 5 = strongly agree) Increased credibility for customers and suppliers (CUSTSUPBEN: 1= strongly disagree, 5 = strongly agree) Increased credibility for credit rating agencies (CRABENEF: 1= strongly disagree, 5 = strongly agree)	H6	+

Ordinal variables are examined through descriptive statistics (mean, median and standard deviation). The results are presented in Table 6.5. Due to the different experiences while using the standard in terms of the entities' characteristics and each accountant's or auditor's knowledge and experience, all three groups of the respondents may have different views and perceptions about the FRS 102 while they compare it with the old UK GAAP. Specifically, the means and the medians for the costs in the full sample are higher than those of the benefits. The table also shows that this stands for the both groups of accountants and for the group of auditors. Although this is in accordance with the findings of Litjents et al. (2012) in Netherlands, who found that the accountants differentiate on the way they perceive the costs of a possible implementation of the IFRS for SMEs from the benefits, Mann-Whitney U-tests have been performed to compare the means of the ordinal variables' scores which are used in the multivariate analysis. The tests have been performed for the groups of "Accountants in Business" versus the "Accountants in

Practice" and for the groups of "Accountants" versus "Auditors". The results of the tests are presented in Table 6.6.

Considering the accountants in business and those in practice, (Table 6.6) the p-value linked with the Mann-Whitney U-test on each cost indicator is significant (p<0.05) indicating the different perceptions that the accountants in each group have about the perceived costs while applying the standard. Considering the three first costs, the reason might be that the accountants in practice personally cover for such costs, while for the accountants in business these costs might be paid by their employers. Considering the three last costs, the reason might be that each accountant perceives these costs differently according to their personal knowledge and experience. For example, some accountants might be more experienced and have a better knowledge of international financial reporting and may find these costs to be relatively low, while others less experienced may find these costs relatively high. On the other hand, the p-value associated with benefit indicators is not significant (p>0.05) apart from the image and the credibility variables. The differences in these benefits may accrue according to the respondents' experiences. However, they seem to share the same views on the other benefits of the standard such as providing simpler reporting for subsidiaries, aiding joint ventures and supporting the international trade activities.

Table 6.6 also presents the Mann-Whitney U-test results in order to compare the ordinal variables between the group of accountants and the group of auditors. The purpose is to reveal any differences in the views and perceptions of the accountants versus the auditors in the sample. The test shows that the p-value for all the cost variables is insignificant (p>0.05) apart from the external advice cost. The explanation for the difference in the way that accountants and auditors perceive the cost of paid external advice might be the fact that usually it is the auditors who provide the advice to the accountants. Hence, the accountants might believe that the cost of paying an auditor, in order to receive advice, is high, while simultaneously the auditor might believe that the same cost is either low or fair. The test results also indicate that there is no difference between the perceptions of accountants and auditors considering the benefits of using FRS 102 apart from the benefit of providing simpler reporting for subsidiaries. The reason might be the differences in the knowledge and experiences that each of the respondents have with financial reporting for subsidiaries.

Furthermore, the Spearman correlation matrix between the dependent variable and independent variables and correlations between independent variables is presented in Table 6.7. The results show that none of the coefficients are highly correlated with the others, hence it is unlikely that the results are affected by problems of multicollinearity. Nevertheless, correlations show that all the independent variables are significantly correlated with the dependent one at 0.05 level, apart from some of the industries. Considering the size of the business, all signs were expected apart from the measurement of the medium-sized entity, which in accordance with previous studies (see, Quagli and Paoloni, 2012 and Albu, 2013) was expected to be positively correlated. All the industries apart from “Financial and Insurance” (IND_5) seem to be negatively correlated with the dependent variable, while costs and benefits are significantly correlated at their expected sign. On the other hand, the experience of the accountant with IFRSs was expected to be positively correlated with the dependent variable (see Albu et al. 2013 and Kaya and Koch, 2015), while it is negatively correlated. This negative relationship might be due to the differences in recognition and measurement methods between the adapted IFRS for SMEs and the full IFRSs.

Table 6.5: Descriptive Statistics – Ordinal Variables

Variable	Measurements	Full sample (n=509)			Accountants in business (n=175)			Accountants in practice (n=236)			Auditors (n=98)		
		Mean	**Median**	**Std Dev**	**Mean**	**Median**	**Std Dev**	**Mean**	**Median**	**St Dev**	**Mean**	**Median**	**Std Dev**
COSTS	External advice cost	1.754	1	1.352	2.549	3	1.545	1.297	1	0.983	1.439	1	1.094
	Cost of training	2.308	3	1.487	1.971	1	1.324	2.466	3	1.489	2.531	3	1.657
	Cost of accounting software	1.802	1	1.464	1.337	1	0.980	2.089	1	1.575	1.939	1	1.698
	Time-consuming	4.012	4	0.887	3.869	4	0.928	4.076	4	0.867	4.112	4	0.836
	Challenging	3.861	4	0.848	3.657	4	0.882	3.962	4	0.816	3.980	4	0.799
	Complexity	3.723	4	0.982	3.531	4	0.975	3.877	4	0.935	3.694	4	1.049
BENEFITS	Simpler reporting for subsidiaries	1.593	1	1.645	1.520	1	1.667	1.292	1	1.553	2.449	3	1.541
	Aids joint ventures	1.668	2	1.516	1.663	2	1.541	1.623	2	1.475	1.786	3	1.575
	Improves image	2.361	2	1.053	2.509	3	1.033	2.203	2	1.048	2.480	3	1.057
	Support in international trade activities	2.267	3	1.357	2.326	3	1.365	2.165	3	1.366	2.408	3	1.315
	Increased credibility for lenders	2.595	3	1.144	2.891	3	1.162	2.441	2	1.092	2.439	2	1.140
	Increased credibility for customers and suppliers	2.515	3	1.130	2.783	3	1.184	2.339	2	1.085	2.459	2	1.057
	Increased credibility for credit rating agencies	2.507	3	1.182	2.76	3	1.245	2.364	2	1.131	2.398	2	1.119

Table 6.6: Mann-Whitney U-test – Ordinal Variables

Variable	**Measurement**	**Mann-Whitney U-test Accountants in business and in practice**		**Mann-Whitney U-test Accountants and auditors**	
		Z-stat	***P*-value**	**Z-stat**	***P*-value**
COSTS	External advice cost	9.320	0.000	2.462	0.014
	Cost of training	-3.343	0.001	-1.598	0.110
	Cost of accounting software	-4.436	0.000	-0.232	0.817
	Time-consuming	-2.456	0.014	-1.229	0.219
	Challenging	-3.556	0.000	-1.573	0.116
	Complexity	-3.742	0.000	0.134	0.893
BENEFITS	Simpler reporting for subsidiaries	1.338	0.181	-5.756	0.000
	Aids joint ventures	0.081	0.935	-0.866	0.386
	Improves image	3.381	0.001	-1.284	0.199
	Support in international trade activities	1.499	0.134	-1.083	0.279
	Increased credibility for lenders	4.651	0.000	1.750	0.080
	Increased credibility for customers and suppliers	4.573	0.000	0.819	0.413
	Increased credibility for credit rating agencies	4.088	0.000	1.363	0.173

Table 6.7: Spearman correlation

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
FRS102 (1)	1																			
LARGE (2)	0.20*	1																		
MEDIUM (3)	-0.04*	0.02	1																	
SMALL (4)	-0.22*	-0.26*	-0.17*	1																
MICRO (5)	-0.24*	-0.21*	-0.17*	0.43*	1															
IND_1 (6)	-0.02	0.02	0.19*	0.13*	0.10*	1														
IND_2 (7)	-0.18*	-0.06	-0.01	0.19*	0.21*	0.08	1													
IND_3 (8)	-0.16*	0.04	0.10*	0.30*	0.18*	0.25*	0.17*	1												
IND_4 (9)	-0.00*	0.17*	0.01	-0.08	0.00	0.04	0.03	-0.03	1											
IND_5 (10)	0.03	0.01	0.06	0.20*	0.13*	0.13*	0.14*	0.17*	0.04	1										
IND_6 (11)	-0.10*	0.04	0.10*	0.17*	0.20*	0.12*	0.15*	0.16*	0.03	0.12*	1									
IND_7 (12)	-0.13*	-0.04	0.09*	0.23*	0.18*	0.14*	0.25*	0.16*	0.03	0.17*	0.31*	1								
IND_8 (13)	-0.16*	-0.14*	-0.09*	0.43*	0.47*	0.14*	0.19*	0.21*	0.02	0.18*	0.24*	0.27*	1							
IND_9 (14)	-0.14*	-0.13*	0.04	0.24*	0.30*	0.18*	0.24*	0.23*	0.01	0.16*	0.20*	0.23*	0.33*	1						
IND_10 (15)	-0.13*	0.06	0.13*	0.32*	0.32*	0.11*	0.23*	0.24*	0.01	0.06	0.20*	0.23*	0.30*	0.23*	1					
IND_11 (16)	-0.22*	-0.14*	-0.12*	0.41*	0.51*	0.09*	0.27*	0.25*	0.00	0.15*	0.20*	0.21*	0.50*	0.31*	0.25*	1				
IND_12 (17)	-0.13*	-0.03	0.05	0.28*	0.33*	0.10*	0.24*	0.19*	0.02	0.17*	0.24*	0.21*	0.38*	0.28*	0.40*	0.32*	1			
IND_13 (18)	-0.19*	-0.04	0.07	0.38*	0.33*	0.08	0.21*	0.20*	-0.03	0.09*	0.23*	0.28*	0.46*	0.31*	0.34*	0.38*	0.36*	1		
IND_14 (19)	-0.10*	-0.00	-0.04	-0.07	-0.02	-0.11*	-0.01	-0.07	-0.06	-0.16*	-0.08	-0.04	-0.13*	-0.12*	-0.12*	-0.14*	-0.08	-0.20*	1	
INTTRADE (20)	-0.03*	-0.17*	-0.12*	0.00	0.06	-0.02	-0.04	-0.03	-0.06	-0.10*	-0.11*	-0.16*	-0.07	-0.05	-0.26*	-0.02	-0.11*	-0.14*	0.10*	1

Table 6.7: **Spearman correlation *(Continued)***

Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
EXPFRS102 (21)	0.25*	0.30*	0.11*	-0.17*	-0.30*	0.03	-0.12*	-0.01	0.02	0.07	-0.00	-0.05	-0.19*	-0.06	-0.04	-0.24*	-0.12*	-0.08	-0.06	-0.14*
IFRSEXP (22)	-0.15*	-0.27*	-0.14*	0.14*	0.20*	-0.04	0.07	0.05	-0.09*	-0.09	0.02	0.00	0.16*	0.07	0.05	0.15*	0.12*	0.06	0.05	0.10*
EXTADVCOST (23)	-0.01*	0.09*	0.02	-0.33*	-0.26*	-0.05	-0.05	-0.11*	-0.04	-0.05	-0.09*	-0.02	-0.18*	-0.08	-0.20*	-0.23*	-0.18*	-0.16*	0.04	-0.02
TRAINCOST (24)	-0.13*	0.00	-0.03	0.12*	0.16*	0.03	0.09	0.07	-0.03	0.07	0.10*	0.14*	0.10*	0.13*	0.13*	0.17*	0.05	0.10*	0.02	-0.03
ITCOST (25)	-0.16*	-0.09*	-0.08	0.15*	0.20*	0.01	0.14*	0.08	-0.01	0.00	0.08	0.03	0.20*	0.20*	0.14*	0.18*	0.17*	0.11*	0.08	-0.04
TIMECOST (26)	-0.40*	0.04	0.15*	0.06	0.03	0.06	0.05	0.15*	-0.02	-0.01	0.06	0.03	0.05	0.08	0.09*	0.10*	0.08	0.10*	0.10*	-0.09*
CHALLENGE (27)	-0.40*	-0.00	0.09*	0.11*	0.10*	0.01	0.09*	0.13*	-0.03	0.00	0.02	0.01	0.10*	0.12*	0.09*	0.08	0.06	0.07	0.09*	-0.08
COMPLEX (28)	-0.46*	-0.09	-0.01	0.13*	0.12*	-0.04	0.12*	0.14*	0.02	0.02	0.06	0.06	0.06	0.12*	0.08	0.13*	0.08	0.08	0.12*	-0.04
SIMPLEREP (29)	0.21*	0.30*	0.27*	0.04	-0.13*	0.03	-0.01	0.08	0.09*	0.14*	0.09*	0.08	-0.05	0.01	0.16*	-0.05	0.06	0.06	-0.09*	-0.16*
JOVENBEN (30)	0.14*	0.07	-0.02	-0.00	0.01	0.01	-0.00	-0.08	0.06	0.07	-0.06	-0.06	0.06	0.03	0.04	-0.04	0.01	0.05	0.04	-0.09*
IMAGEBEN (31)	0.40*	0.12*	-0.03	-0.08	-0.14*	-0.04	-0.11*	-0.12*	0.04	-0.01	-0.07	-0.06	-0.04	-0.17*	-0.07	-0.12*	-0.09	-0.03	-0.01	-0.00
INTTRADEBEN (32)	0.29*	0.07	0.05	-0.03	-0.07	-0.01	-0.10*	-0.10*	0.05	0.07	-0.02	-0.06	0.04	-0.02	-0.01	-0.08	-0.03	0.03	-0.03	-0.14*
LENDBENEF (33)	0.48*	-0.00	-0.08	-0.14*	-0.17*	-0.09*	-0.14*	-0.21*	-0.03	-0.00	-0.11*	-0.18*	-0.11*	-0.17*	-0.18*	-0.13*	-0.13*	-0.15*	-0.03	0.04
CUSTSUPBEN (34)	0.48*	0.05	-0.03	-0.15*	-0.17*	-0.04	-0.13*	-0.19*	0.02	0.03	-0.10*	-0.16*	-0.10*	-0.17*	-0.12*	-0.15*	-0.11*	-0.14*	-0.03	0.01
CRABENEF (35)	0.45*	0.01	-0.06	-0.12*	-0.13*	-0.01	-0.09*	-0.16*	0.02	0.00	-0.11*	-0.15*	-0.08	-0.17*	-0.12*	-0.11*	-0.10*	-0.14*	-0.02	0.02

Table 6.7 **Spearman correlation *(Continued)***

Variable	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
EXPFRS102 (21)	1														
IFRSEXP (22)	-0.23*	1													
EXTADVCOST (23)	0.08	-0.01	1												
TRAINCOST (24)	-0.06	0.03	0.16*	1											
ITCOST (25)	-0.07	0.02	0.09	0.37*	1										
TIMECOST (26)	-0.09	0.03	0.06	0.08	0.11*	1									
CHALLENGE (27)	-0.04	-0.02	0.03	0.10*	0.15*	0.66*	1								
COMPLEX (28)	-0.14*	0.02	0.02	0.14*	0.20*	0.39*	0.49*	1							
SIMPLEREP (29)	0.22*	-0.17*	-0.05	-0.00	-0.09*	-0.04	0.00	-0.14*	1						
JOVENBEN (30)	0.08	-0.15*	0.09*	0.13*	0.11*	-0.06	-0.03	-0.01	0.05	1					
IMAGEBEN (31)	0.09*	-0.04	-0.00	-0.07	-0.12*	-0.20*	-0.13*	-0.22*	0.10*	0.21*	1				
INTTRADEBEN (32)	0.08	-0.12*	-0.02	0.05	-0.07	-0.09*	-0.05	-0.11*	0.11*	0.44*	0.52*	1			
LENDBENEF (33)	0.10*	-0.06	0.00	-0.12*	-0.14*	-0.28*	-0.18*	-0.23*	0.03	0.13*	0.56*	0.36*	1		
CUSTSUPBEN (34)	0.12*	-0.09*	0.01	-0.09*	-0.14*	-0.26*	-0.19*	-0.23*	0.07	0.20*	0.59*	0.45*	0.48*	1	
CRABENEF (35)	0.05	-0.06	0.04	-0.09*	-0.11*	-0.21*	-0.16*	-0.20*	0.01	0.20*	0.58*	0.41*	0.29*	0.49*	1

Note: $^*p \leq 0.05$

The last univariate test is related to the perceptions of the accountants and auditors while ranking the users of the statutory financial statements prepared under FRS 102. All the respondents were asked to rank the users in order of importance (from 1 = "Most important" to 7 = "Least important"). The overall and the by group views of the respondents to these questions are given and discussed in section 6.5 of this chapter, however Table 6.8 presents the likelihood-ratio chi-square test performed for each given response category to establish whether the probability of observing the response depends on the category of the respondent. In other words, the purpose of this test is to reveal any differences in the views and perceptions of the accountants and auditors in their ranking of the importance of the user groups. The test shows that the accountants in business seem to have significantly different perceptions from the accountants in business ($p < 0.05$) while they rank the groups of users, apart from the group of major suppliers ($p > 0.05$. The reason for the differences in the views of the accountants might be due to the different experiences that they have in relationship with the users of the financial reporting information. On the other hand, accountants and auditors do not seem to have significantly different perceptions in ranking the groups of users.

Table 6.8: Likelihood-ratio chi-square test for ranking the users

Rank (n=509)	User group	Accountants in business and in practice		Accountants and Auditors	
		Chi^2-stat	*P*-value	Chi^2-stat	*P*-value
1	Investors	48.211	0.000	5.589	0.471
2	Lenders	31.370	0.000	11.584	0.072
3	Management	36.820	0.000	7.205	0.302
4	HMRC	15.879	0.014	4.918	0.554
5	Major customers	28.290	0.000	5.677	0.460
6	Major suppliers	5.018	0.542	4.352	0.629
7	Employees	18.017	0.006	2.902	0.821

6.2.3 Multivariate analysis – FRS 102 versus old UK GAAP

By the end of the questionnaire, the respondents were asked an overall question on how they find the FRS 102 in comparison with the previous UK GAAP. They had to choose one of the following responses: 1 =" Much worse", 2 =" Worse", 3 =" About the same", 4 =" Better", 5 =" Much better" or an alternative option "Don't know". The breakdown of the answers to this question is given in Figure 6.7. All the respondents had a view upon this subject and none of them selected the alternative "Don't know" option. The figure shows that 38% of the respondents find no significant differences between the new standard and the old UK GAAP. However, the majority of the respondents (62%) do find the new standard different than the old UK GAAP and the percentages of the respondents who consider the standard "Worse" and "Much worse" than the old UK GAAP are overall higher than those who consider it "Better" or "Much better".

In terms of the groups of the respondents, the Figure 6.8 shows that 40% the accountants in practice consider the new standard worse than the old UK GAAP. On the other hand, the majority of accountants in business seem to be more positive since they believe that the FRS 102 is about the same (45%) or better (24%) than the old UK GAAP. Many auditors (33%) find the new standard about the same as the old one, but they tend to be more negative than the accountants in business since approximately 29% of them believe that the adapted IFRS for SMEs is worse than the old UK GAAP.

Figure 6.7: Overall perceptions of FRS 102 versus old UK GAAP

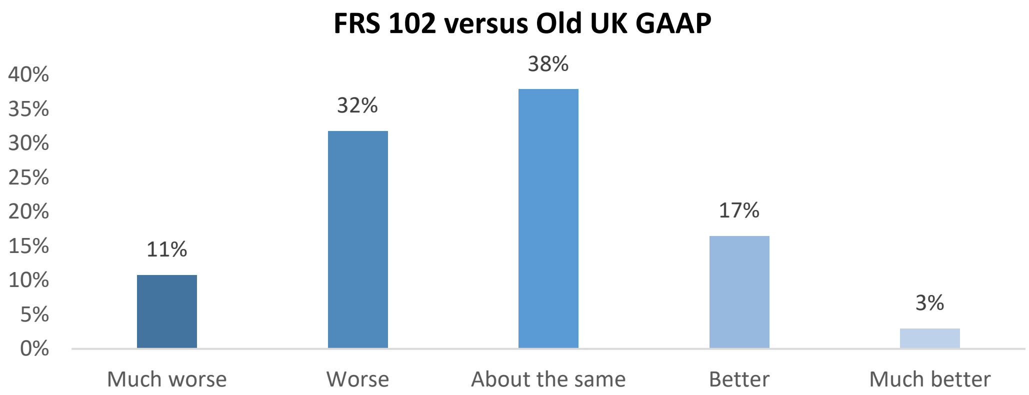
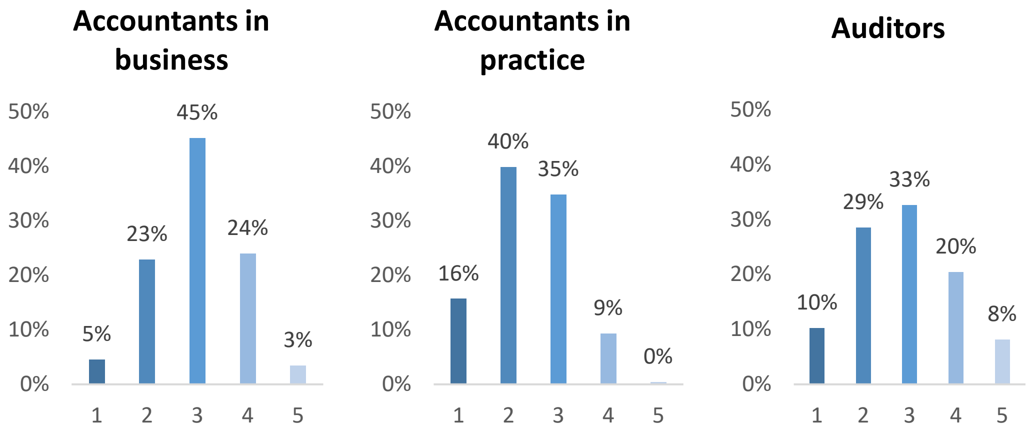


Figure 6.8: Perceptions of FRS 102 versus old UK GAAP by respondent group



Furthermore, Table 6.9 shows the parameter estimates and the standard errors of the regression analysis performed using the stereotype logistic model to investigate the factors that influenced the respondents in choosing one of the above options. For purposes of identification, category 3 (“About the same”) is treated as the baseline category because the other categories record either the negative or the positive views of the respondents. Phis correspond to the estimated weights for each scale category and category 3 serves as a referent. Thetas correspond to the intercepts of the rest of the categories. The estimates for phis suggest that the log-odds ratios are ordinal since they monotonically increase or decrease from the base category. The estimated standard errors relative to the parameter estimates are small and so there is evidence suggesting that the categories are distinguishable from one another. Furthermore, phis give information about the "distance" between the categories. Hence, the difference between the baseline category (3) and categories 2 ("Worse") and 4 ("Better") is almost the same (0.48 and 0.49) equally distinguishing from the "About the same" option. However, the difference between "Much worse" and "Worse" is twice as higher (0.52) than the difference between "Better" and "Much better" (0.27). This shows that the respondents tend to differentiate more for the negative side of the response, rather than for the positive.

Table 6.9: Results of Stereotype Logistic Regression

Variable	Measurement	Coefficient	Std. Error
Size of business	Large	0.9894**	0.407
	Medium	-0.5558	0.388
	Small	-0.8254*	0.474
	Micro	-0.2412	0.374
Industry	Academic/Education	0.0662	0.411
	Agriculture, Forestry and Fishing	-0.6689	0.473
	Charities and other Public Benefit Entities	-0.1849	0.333
	Energy and Utilities	-1.0688	0.676
	Financial and Insurance activities	0.4053	0.356
	Healthcare/Pharmaceutical	-0.2356	0.409
	High Tec	-0.2137	0.467
	IT/Communications	0.1499	0.384
	Leisure/Tourism	0.3561	0.355
	Manufacturing/Engineering	-0.0443	0.372
	Professional Services	-0.3916	0.373
	Transportation/Distribution	0.0443	0.366
	Wholesale/Retail	-0.5863	0.380
	Construction/Real Estate	-0.7772	0.511
International trade	International trade activities	0.1434	0.298
Experience	FRS 102 (2 years)	0.4509	0.342
	FRS 102 (3 years)	2.1725**	0.878
	IFRS	1.1416	0.934
Costs	Views on the cost of training	-0.0852	0.108
	Views on total cost of accounting software	-0.0911	0.116
	Retrospective application was time-consuming	-0.3148**	0.254
	Retrospective application was challenging	-0.8266***	0.276
	Views on external paid advice	-0.2112*	0.124
	Complexity in terms of recognition and measurement methods	-0.8516***	0.221

Variable	Measurement	Coefficient	Std. Error
Benefits	Simpler reporting for subsidiaries	0.3760***	0.117
	Facilitates transition to full IFRSs	1.1416	0.934
	Aids joint ventures	0.0585	0.111
	Improves company's image	0.3649*	0.212
	Supports company's international trade activities	0.1051	0.132
	Increases the credibility of financial statements for lenders	0.6284**	0.255
	Increases the credibility of financial statements for customers and suppliers	-0.0881	0.256
	Increases the credibility of financial statements for credit rating agencies	0.3884	0.254
	phi1_1		
	Constant	1.0000	.
	phi1_2		
	Constant	0.4788***	0.070
	phi1_4		
	Constant	-0.4880***	0.126
	phi1_5		
	Constant	-0.7611***	0.288
	theta1		
	Constant	-7.4296***	1.634
	theta2		
	Constant	-2.6047***	0.816
	theta4		
	Constant	0.5647	0.580
	theta5		
	Constant	-0.9098	0.925
	Observations	509	
	Wald chi2	109.4135	
	P > chi2	0.0000	

Notes: Base outcome = 3 (“About the same”)
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Nonetheless, the results from the regression show that the most significant factors influencing the decision of the respondents to choose a certain category alternatively to the baseline category are the size of the business, the experience of the accountant and the costs and benefits of using the standard. Specifically, the views of the respondents seem to be positively influenced with the standard if they are accountants or auditors using the FRS 102 for large entities, if they have been using the standard for 3 years, if they find financial reporting for subsidiaries simpler than before, if they believe that the use of the standard increases the image of the business and the credibility of financial statements for lenders. On the other hand, their views seem to be negatively influenced if they are accountants or auditors using the FRS 102 for small entities, if they find the retrospective application of the rules of the standard challenging, time-consuming, the recognition and measurement methods complex and the cost of external paid advice high. The sector of the business operation does not seem to significantly influence the perceptions of the respondents, however some of the industries seem to have a positive effect while others have a negative one. Furthermore, the international trade activities of the entities and the knowledge and experience of the respondents with full IFRSs do not seem to significantly influence the perceptions of the respondents for the standard although they have a positive effect. As a result, there is evidence to support research hypotheses H1, H4, H5 and H6. While there is no evidence to support research hypotheses H2 and H3. Therefore, other entities' characteristics such as industry and international trade activities are found to have little effect on the accountants' and auditors' perceptions for the adapted IFRS for SMEs while comparing it with the old UK GAAP.

Further odds ratio analysis is being performed in order to investigate the odds for a respondent to have either a positive or a negative attitude towards the new standard while comparing it with the old UK GAAP. In other words, this analysis shows the likelihood of a respondent to distinguish between the categories for each one of the independent variables while the rest remain constant.

Size

Table 6.10 presents an extract of the odds ratio analysis performed for the size variables. The coefficients of variable LARGE and SMALL are all significant ($p<0.01$, or $p<0.05$, or $p<0.1$) while only two of the coefficients of variable MEDIUM are significant and tabulated. Variable MICRO is not presented because none of the coefficients was significant. However, since micro-entities in the UK are required to use FRS 105 and not FRS 102, this insignificance was expected.

Considering variable LARGE, the coefficient estimates of 0.9894 gives the log-odds ratio for responding in category 3 ("About the same") versus category 1 ("Much worse"). The associated odds ratio is 2.690. This implies that holding all the other variables constant, the odds for a respondent who deals with large entities, to score middle on FRS 102 saying that it is about the same as the old UK GAAP, is about 2.7 times higher than that of someone scoring lowest on the scale. Hence, an accountant dealing with large entities is more likely to find the standard about the same as the old UK GAAP rather than much worse or worse. Nevertheless, a respondent who deals with large entities, is more likely to find the standard "Much better" (0.5 times) or "Better" (0.6 times) than the old UK GAAP rather than "About the same". Hence, the accountants and auditors dealing with large entities are more likely to be positive towards the use of the adapted IFRS for SMEs while comparing it with the old UK GAAP. This provides evidence to support hypothesis H1a.

Holding all the other variables constant, the odds of the respondents who deal with medium-sized entities to select "About the same" versus "Much better" are 1.5 times higher, while the odds of the same respondents to select "Worse" rather than "Much better" are twice as high. Thus, the accountants and auditors dealing with medium-sized entities are more likely to be negative towards the use of the FRS 102 while comparing it to the old UK GAAP. Hence, there is no evidence to support research hypothesis H1b.

On the other hand, the odds of the respondents dealing with small entities to select the "About the same" option versus any other lower option are negatively associated with the middle category. This means that the accountants and auditors who prepare or audit financial statements for small entities are more likely to choose category 1 (0.4 times) or 2 (0.7 times) instead of category 3 and more likely to choose category 3 rather than any of the categories 4 or 5 (1.5 and 1.8 times respectively). Hence, their attitude towards the new standard is more negative while compared to the old UK GAAP which provides evidence to support research hypothesis H1c.

Table 6.10: Odds ratio analysis for size

Category	Coefficient	Z-score	*P*-value	Odds Ratio
		Variable: LARGE		
3 vs 1	0.9894	2.433	0.015	2.690
3 vs 2	0.4737	2.471	0.013	1.606
3 vs 4	-0.4829	-2.110	0.035	0.617
3 vs 5	-0.7531	-1.711	0.087	0.471
		Variable: MEDIUM		
2 vs 5	0.6891	1.717	0.086	1.992
3 vs 5	0.4230	1.827	0.068	1.527
		Variable: SMALL		
3 vs 1	-0.8254	-1.742	0.082	0.438
3 vs 2	-0.3952	-1.717	0.086	0.674
3 vs 4	0.4028	1.912	0.056	1.496
3 vs 5	0.6282	2.083	0.037	1.874

Industry

This study finds no significance of industry in the respondents' perceptions for the FRS 102 while compared to the old UK GAAP. However, three of the coefficients of "Energy and Utilities" and "Wholesale/Retail" are found to be significant (Table 6.11) in the way the respondents choose one of the options over another when all the other factors remain constant. Specifically, respondents dealing with “Energy and Utilities” sector and “Wholesale/Retail” seem to significantly choose the options “Much worse”, “Worse” and “About the same” option against the “Much better” option. Thus, accountants and auditors using the FRS 102 for entities operating in “Energy and Utilities” and “Wholesale/Retail” are more likely to be negative towards the new standard while comparing it with the old UK GAAP and this provides evidence to support research hypothesis H2 that the views and perceptions of the respondents are industry specific.

Table 6.11: Odds ratio analysis for industry

Category	Coefficient	Z-score	*P*-value	Odds Ratio
Variable: IND_4 (Energy and Utilities)				
5 vs 1	-1.8824	-1.706	0.088	0.152
5 vs 2	-1.3252	-1.750	0.080	0.266
5 vs 3	0.8135	-1.690	0.091	0.443
Variable: IND_13 (Wholesale/Retail)				
5 vs 1	-1.0325	-1.661	0.097	0.356
5 vs 2	-0.7269	-1.664	0.096	0.483
5 vs 3	-0.4462	-1.648	0.099	0.640

International trade

International trade activities of an entity are not found to be a significant factor influencing the views and perceptions of the respondents on the FRS 102 while it is being compared to the old UK GAAP. Half of the respondents (Figure 6.3) have been using the standard to prepare financial statements for entities which have international trade activities, however, this factor does not seem to significantly influence their views. Since this factor is related to the benefits of an entity reporting under IFRSs, the explanation might be that the respondents may have not yet experienced any increase in the businesses’ cross border activities related to the use of the adapted IFRS for SMEs. Thus, there is no evidence to support research hypothesis H3.

Respondents' experience of IFRSs

Since only a small percentage from each group of the respondents in the sample have knowledge and experience with full IFRSs (Figure 6.5), this study finds no significance of this factor in the likelihood of the respondents selecting one category of response instead of another while comparing the FRS 102 with the old UK GAAP. However, the findings support the argument that the respondents having previous knowledge and experience with full IFRSs would have a positive attitude towards the standard even though this factor does not significantly influence their perceptions. Thus, there is no evidence to support hypothesis H4a.

On the other hand, though, it is the experience of the respondents using FRS 102, which plays a significant role in their decision of choosing one of the higher categories versus the base one (Table 6.12). As it can be observed through the odds ratio analysis, if all the other variables remain constant, the more experienced the respondents are with the new standard (3 years), the higher the likelihood for them to consider the standard "Better" or "Much better" than the old UK GAAP. Hence, there is evidence to support research hypothesis H4b since the higher the experience of the respondent with the new standard the more positive the attitude towards it in comparison with the old UK GAAP.

Table 6.12: Odds ratio analysis on the experience with FRS 102

Category	Coefficient	Z-score	*P*-value	Odds Ratio
		Variable: 3.EXPFRS102		
3 vs 1	2.1725	2.473	0.013	8.780
3 vs 2	1.0401	2.277	0.023	2.829
3 vs 4	-1.0603	-2.533	0.011	0.346
3 vs 5	-1.6536	-2.614	0.009	0.191

Costs

Considering the results of the regression (Table 6.9) there are four significant cost factors affecting the choice of the specific category for the respondents: the challenge they faced through the retrospective application of the standard, the complexity in terms of recognition and measurement methods, the time they consumed to apply the standard’s requirements and cost of external paid advice. Table 6.13 shows that the respondents who find the retrospective application of the new standard challenging are more likely to choose the category “Worse” and “Much worse” (0.7 and 0.4 times respectively) instead of the “About the same” category while comparing the new and old UK GAAP. This also stands for the respondents who found the FRS 102 complex in terms of recognition and measurement methods (0.7 and 0.4 times respectively) and for the respondents who found the application of the standard time-consuming (0.9 and 0.7 respectively). Furthermore, a significant likelihood ($p<0.1$) has been found for the respondents who consider the cost of external paid advice high. They tend to significantly choose the lowest option (“Much worse”) instead of the other categories (1.12, 1.23 and 1.37 times respectively). This shows a negative attitude of the respondents towards the adapted IFRS for SMEs related to the external paid advice cost.

On the other hand, the cost of training and the cost of updating or replacing the accounting software do not seem to play a significant role on the perceptions of the respondents while comparing FRS 102 to the old UK GAAP. This is because these costs are not considered to be high by the respondents. Specifically, overall 74% of the accountants and auditors in the sample received training for the FRS 102. More than half of them (52%) characterise the cost to be either reasonable, not at all or not very expensive. Furthermore, only 11% of the respondents who received training covered the cost personally, but more than half (55%) consider the cost reasonable. Considering the cost of replacing or updating the accounting software, overall 52% of the respondents needed to either replace or update the accounting software for the FRS 102 (75% update and 25% replace). Nevertheless, 68% of the respondents who needed to update the accounting software and 80% of those who needed to replace it characterise the cost as not at all expensive.

Table 6.13: Odds ratio analysis on the costs

Category	Coefficient	Z-score	*P*-value	Odds Ratio
		Variable: CHALLENGE		
3 vs 1	-0.8266	-2.996	0.003	0.438
3 vs 2	-0.3957	-2.699	0.007	0.673
3 vs 4	0.4034	2.960	0.003	1.497
3 vs 5	0.6292	2.765	0.006	1.876
		Variable: COMPLEX		
3 vs 1	-0.8516	-3.860	0.000	0.427
3 vs 2	-0.4077	-3.455	0.001	0.665
3 vs 4	0.4156	4.003	0.000	1.515
3 vs 5	0.6482	2.959	0.003	1.912
		Variable: TIMECOST		
3 vs 1	-0.3148	-2.238	0.015	0.730
3 vs 2	-0.1507	-2.255	0.026	0.860
3 vs 4	0.1536	2.224	0.010	1.166
3 vs 5	0.2396	2.037	0.005	1.271
		Variable: EXTRADVCOST		
1 vs 2	0.1101	1.733	0.083	1.116
1 vs 3	0.2112	1.705	0.088	1.235
1 vs 4	0.3143	1.668	0.095	1.369

Benefits

Regarding the results of the regression (Table 6.9) there are three significant benefit factors affecting the choice of the specific category for the respondents: if they believe that the standard offers simpler reporting for subsidiaries, if they believe that the use of the standard increases the credibility of the financial statements for lenders and if they believe that the use of the standard improves the companies' image. Specifically, if the respondent believes that the use of the standard has made financial reporting for subsidiaries simpler, then, as shown in Table 6.14, all the probabilities of selecting a particular category against the base one, are highly significant ($p < 0.01$). Thus, according to their experience with subsidiaries financial reporting, the respondents differentiate between the categories. Particularly, the respondents are more likely to select the higher categories 4 and 5 (0.8 and 0.75 times respectively) instead of the base category. The positive attitude of the respondents is also showed in the odds of choosing the base category instead of the negative ones.

Another significant factor in the decision of the respondents to select a certain category over another is the increase of the credibility in financial statements for lenders. Specifically, Table 6.14 shows that at 5% level of significance, while keeping the rest of the variables constant, the respondents who believe that the use of FRS 102 increases the credibility of financial statements for lenders are more likely to say that the new standard is “Better” or “Much better” than the old UK GAAP (0.7 and 0.6 times respectively). They also show the positive attitude in being more likely to choose the base category instead of the lower ones.

Furthermore, as shown in Table 6.14, there is a tendency of the respondents who believe that the use of the new standard improves the image of the company, to select higher categories rather than lower ones. Particularly, the odds for a respondent who believes that the standard increases the image of the business to select “Better” or “Much better” are 0.8 and 0.76 respectively.

Table 6.14: Odds ratio analysis on the benefits

Category	Coefficient	Z-score	*P*-value	Odds Ratio
		Variable: SIMPLEREP		
3 vs 1	0.3760	3.208	0.001	1.456
3 vs 2	0.1800	3.088	0.002	1.197
3 vs 4	-0.1835	-3.262	0.001	0.832
3 vs 5	-0.2862	-3.054	0.002	0.751
		Variable: LENDBENEF		
3 vs 1	0.6284	2.468	0.014	1.875
3 vs 2	0.3008	2.592	0.010	1.351
3 vs 4	-0.3067	-2.115	0.034	0.736
3 vs 5	-0.4783	-1.925	0.054	0.620
		Variable: IMAGEBEN		
3 vs 1	0.3649	1.723	0.085	1.440
3 vs 2	0.1747	1.768	0.077	1.191
3 vs 4	-0.1781	-1.739	0.082	0.837
3 vs 5	-0.2778	-1.827	0.068	0.757

Other benefit factors like the easiest transition to full IFRSs, the aid to joint ventures and the increase of the credibility of the financial statements for customers, suppliers and credit agencies do not seem to be significant factors influencing the views and perceptions of the respondents while comparing the FRS 102 with the old UK GAAP. Nevertheless, given the fact that the accountants and auditors in the sample who have knowledge and experience with full IFRSs are not highly represented, only 16% of all respondents expressed their views on whether the use of the standard would make the transition to full IFRSs easier. Although, 66% of them believe that the standard facilitates easier transition to full IFRSs, the number of respondents remains very low considering the total. Furthermore, regarding the benefit of aiding joint ventures, 68% of the respondents neither agrees nor disagrees that the use of the adapted IFRS for SMEs aids joint ventures, hence this factor does not have a significant influence in their views and perceptions. This also stands for the increase in the credibility of the financial information for customers, suppliers and credit rating agencies, for which the majority of the respondents have neutral views.

6.2.4 Robustness test

In line with Kaya and Koch (2015) and given the outcomes of the dependent variable, this study also applies the multinomial logistic regression analysis. This model assumes that the categorical outcomes of the dependent variable (FRS102) are not ordered. Furthermore, the model is also considered in cases that the parallel regressions' assumption has been violated (Long and Freese, 2014). Table 6.15 presents the results of the regression using the same sample and the same base category as the stereotype logistic model.

The results of the multinomial logistic regression show that the coefficients of the statistically significant independent variables from the stereotype logistic model remain statistically significant with the expected sign for all the categories of the dependent variable. Furthermore, the odds ratio analysis (untabulated) supports the findings of the odds ratio analysis performed for the stereotype logistic model.

However, the results from this model support some additional significant factors influencing the views and the perceptions of the respondents on FRS 102 in comparison with the old UK GAAP. Particularly, "Finance and insurance activities" industry factor, the two years of experience with the FRS 102 and the increased credibility for credit rating agencies significantly influence the views and the perceptions of the respondents in considering the standard much better than the old UK GAAP.

Table 6.15: Results of Multinomial Logistic Regression

Variable	Measurement	'Much worse'=1		'Worse'=2		'Better'=4		'Much better'=5	
		Coeff.	Std. Error	Coeff.	Std. Error	Coef.	Std. Error	Coef.	Std. Error
Size of business	Large	-0.2761	0.708	0.2376	0.364	1.1496***	0.443	2.5650***	0.928
	Medium	0.9228*	0.526	0.7121**	0.304	0.4073	0.374	0.5428	1.259
	Small	1.3678**	0.660	0.7885**	0.380	0.1329	0.456	0.0482	0.791
	Micro	-0.3860	0.501	0.1265	0.352	-0.8099*	0.492	-1.6877	2.035
Industry	Academic/Education	-0.1078	0.562	-0.6632*	0.402	-0.6610	0.526	1.0733	1.773
	Agriculture, Forestry and Fishing	0.4621	0.640	0.3297	0.391	-0.7688	0.937	-9.4617*	5.754
	Charities and other Public Benefit Entities	-0.0405	0.500	-0.5627	0.323	-0.6618	0.445	-1.6890	1.354
	Construction/Real Estate	0.8427	0.635	0.0443	0.431	-0.5613	0.716	-14.9669***	1.216
	Energy and Utilities	1.7540**	0.717	0.0713*	0.550	-0.4159**	0.699	-1.1779	1.697
	Financial and Insurance activities	-0.3489	0.599	0.3564	0.293	0.4005	0.413	2.6373**	1.134
	Healthcare/Pharmaceutical	0.4749	0.622	0.5498	0.409	-0.0536	0.505	0.9197	1.875
	High Tec	-0.0467	0.557	-0.5012	0.421	-0.4647	0.612	-13.4549***	3.963
	IT/Communications	0.2142	0.526	0.1823	0.361	0.7406	0.498	1.5599	1.069
	Leisure/Tourism	-0.6498	0.479	-0.3436	0.339	0.2944	0.457	-1.2487	1.380
	Manufacturing/Engineering	-0.3793	0.582	0.0286	0.339	-0.1554	0.404	0.3377	1.174
	Professional Services	0.2389	0.593	-0.0405	0.352	-0.6361	0.424	1.3664	2.663
	Transportation/Distribution	-0.3258	0.522	-0.4297	0.354	-0.2394	0.504	-16.4444***	1.298
	Wholesale/Retail	1.3421***	0.487	0.9584***	0.320	-0.6828***	0.426	-0.6123***	0.989
International trade	International trade activities	-0.0973	0.437	-0.3841	0.283	0.0679	0.368	0.0159	0.915
Experience	FRS 102 (2 years)	-0.3433	0.549	0.0609	0.297	0.1015	0.369	17.3380***	5.620
	FRS 102 (3 years)	-1.8678	1.243	-1.4252	1.178	1.0827*	0.596	18.3550***	5.001
	IFRS	0.7050	0.931	0.4919	0.770	0.4586	0.725	-0.4500	2.568
Costs	Views on the cost of training	0.2341	0.179	0.0996	0.095	0.1697	0.125	0.0523	0.353
	Views on total cost of accounting software	-0.1112	0.155	-0.1706*	0.099	-0.1601	0.138	0.8528	0.564
	Retrospective application was time-consuming	0.0027	0.469	0.2363	0.208	0.1498	0.234	-1.8370***	0.620
	Retrospective application was challenging	0.9782**	0.404	0.6793***	0.219	-0.4476*	0.249	0.4686	0.746
	Views on external paid advice	0.2434*	0.205	0.0191*	0.109	-0.0663	0.134	-0.2784	0.360
	Complexity in terms of recognition and measurement methods	1.1238***	0.404	0.6986***	0.159	-0.2125	0.180	-0.1753	0.561

Variable	Measurement	'Much worse'=1		'Worse'=2		'Better'=4		'Much better'=5	
		Coeff.	Std. Error	Coeff.	Std. Error	Coef.	Std. Error	Coef.	Std. Error
Benefits	Simpler reporting for subsidiaries	-0.5057^{***}	0.182	-0.2015^{**}	0.089	0.1749	0.110	0.1403	0.391
	Facilitates transition to full IFRSs	0.0054	1.236	-0.1857	0.898	1.0327	0.882	1.0938	1.943
	Aids joint ventures	-0.0908	0.184	0.0537	0.105	-0.0252	0.121	0.3978	0.341
	Improves company's image	-0.7638^{*}	0.298	-0.1307	0.163	0.0898	0.195	-0.2138	0.604
	Supports company's international trade activities	0.1421	0.212	-0.1090	0.125	0.1906	0.168	0.4479	0.739
	Increases the credibility of financial statements for lenders	-0.6971^{**}	0.324	-0.0372	0.200	0.7634^{**}	0.342	-0.0836	0.710
	Increases the credibility of financial statements for customers and suppliers	-0.2063	0.353	-0.1168	0.204	-0.3019	0.332	-1.2593^{**}	0.519
	Increases the credibility of financial statements for credit rating agencies	0.0300	0.370	-0.1985	0.207	0.0817	0.275	2.1719^{**}	0.938
	Constant	-8.4788^{***}	2.228	-5.8219^{***}	1.010	-2.5552	1.390	-21.7724^{**}	9.007
	Observations	509							
	Wald chi2	2725.39							
	P > chi2	0.0000							

Notes: Base outcome = ("About the same")
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

6.2.5 Additional Analysis – IFRS for SMEs versus FRS 102

At the end of the questionnaire, the respondents were asked a second overall question. The purpose of this question was to identify the views of the respondents considering the full adoption of the IFRS for SMEs as issued by the IASB instead of its adaption (FRS 102). The overall percentages of the answers to this question are presented in Figure 6.9. The figure shows that approximately 21% of all the respondents had no view on this question. This might be due to the fact that they might have no knowledge of the IFRS for SMEs as issued by the IASB. However, the majority of the respondents stated their perception (approximately 80%) and more than 40% of them seem to support the idea that the IFRS for SMEs would have been more useful if it was adopted rather than adapted.

Figure 6.9: Adoption versus adaption

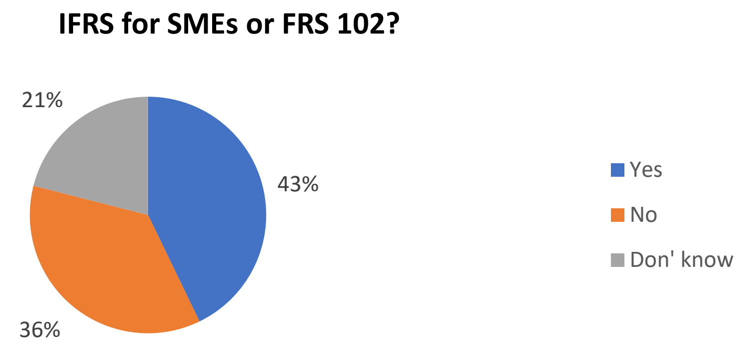


Figure 6.10 presents the views on adoption versus adaption for each of the groups of respondents in the sample. As it can be observed from the figure, the perceptions of the accountants in business seem to be divided between full adoption and adaption with a small prevalence for the adaption (42% adoption and 43% adaption), while 15% of the respondents from this group could not give a definitive answer. On the other hand, the majority of the accountants in practice (44%) and the auditors (41%) who had a view on the adoption versus the adaption of the IFRS for SMEs, are more in favour of the adoption. The percentages of the respondents who did not have a view on this matter are 23% for the accountants in practice and 29% for the auditors.

Figure 6.10: Adoption versus adaption by groups

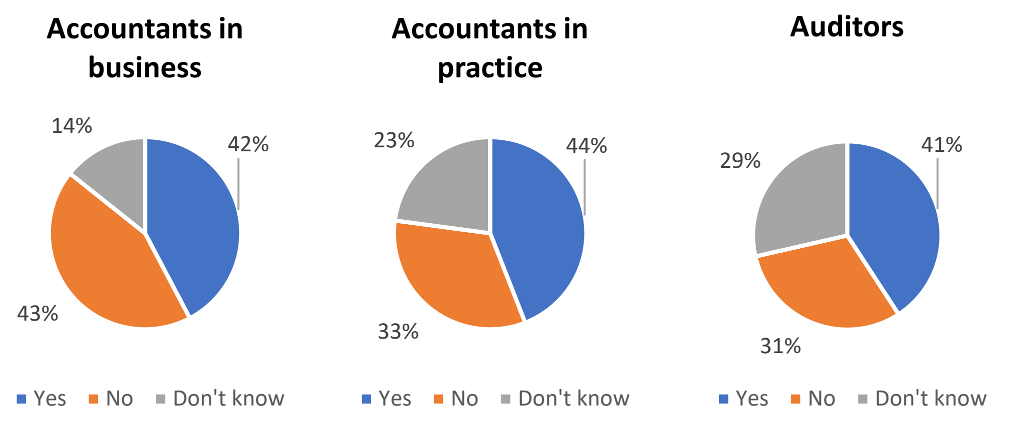


Table 6.16 shows the parameter estimates and the standard errors of the regression analysis performed using the binary regression model to explore how each of the entities' and the respondents' characteristics influenced the outcome of preferring IFRS for SMEs instead of FRS 102 or vice versa. The table also includes the odds ratio analysis results. Both analyses are performed for the total of 291 respondents who answered the question with either "Yes" or "No" (184 and 107 accordingly). The respondents who gave the option "Don't know" as an answer are excluded from the analysis. Furthermore, the costs and benefits independent variables were excluded from these analyses because they are related only with the FRS 102 in comparison to the old UK GAAP. However, although the number of responses to this question is higher than 100, it should be noted that the results of this regression analysis should be interpreted with cautiousness because it does not exceed 500 observations.

Considering the size of the business, the regression analysis results show that all the respondents oppose IFRS for SMEs in favour of FRS 102. However, only the coefficient related to the respondents dealing with micro-entities is found to be significant. The odds ratio analysis for this factor shows that if an accountant is dealing with micro-entities, the odds of rejecting the adoption of the IFRS for SMEs in favour its adaption are approximately 0.5 higher than if the same accountant deals with other sizes of businesses, considering that all the other variables remain constant.

In terms of industry, the only significant coefficient is the “Charities and other PBEs” coefficient. Hence an accountant or an auditor dealing with charities and other PBEs accounting is more likely to favour the adaption versus the adaption with an odds ratio of 0.8. Furthermore, taking into account the fact that the IFRS for SMEs is not developed to cover the stipulations of this specific industry and the comments made from this industry in the comment letters analysed, this result was expected.

The experience of the accountant or auditor with the FRS 102 seems to be a very important factor in the decision of the respondent to oppose or not the full adoption of the IFRS for SMEs over FRS 102. Specifically, the more experienced the accountants or the auditors are with the FRS 102, the higher the odds for them to prefer the adaption versus the adoption. Furthermore, the experience of the accountant or auditor with full IFRSs does not seem to play a significant role in their decision of adoption versus adaption. However, the accountants or auditors who are experienced with the application or the use of the full IFRSs are more positive towards the adoption rather than the adaption of the IFRS for SMEs.

Overall, an accountant or auditor who deals with micro-entities and entities which operate in the “Charities and other PBEs” sector and who has at least two years of experience with the FRS 102, is more likely to prefer the adapted IFRS for SMEs rather than the standard as issued by the IASB. The other factors do not affect the decision for the respondents. On the other hand, the factors influencing the adoption versus the adaption of the IFRS for SMEs are not significant. However, it is interesting to mention that “Energy and Utilities” and “Wholesale/Retail” which are significant factors in negatively influencing the views and perceptions of the respondents while comparing the new and the old UK GAAP, have a positive coefficient each indicating that the respondents dealing with these industries are more in favour of the adoption of the IFRS for SMEs rather than its adaption (FRS 102).

Table 6.16: Results for Binary Regression Model

Variable	Measurement	Coefficient	Std. Error	Odds Ratio
Size	Large	-0.5782	0.328	0.561
	Medium	-0.3579	0.305	0.699
	Small	-0.1836	0.360	0.832
	Micro	-0.7983*	0.349	0.450
Industry	Academic/Education	0.5112	0.452	1.667
	Agriculture, forestry and fishing	-0.2047	0.456	0.815
	Charities and other PBEs	-0.1894**	0.331	0.827
	Energy and utilities	0.2012	0.561	1.223
	Financial and insurance activities	-0.0108	0.309	0.989
	Healthcare/Pharmaceutical	0.1050	0.402	1.111
	High Tec	-0.3471	0.446	0.707
	IT/Communications	-0.0677	0.360	0.935
	Leisure/Tourism	-0.3091	0.333	0.734
	Manufacturing/Engineering	-0.0130	0.321	0.987
	Professional Services	-0.1278	0.358	0.880
	Transportation/Distribution	-0.1392	0.362	0.870
	Wholesale/Retail	0.4796	0.332	1.615
	Construction/Real estate	-0.4821	0.444	0.618
International	International trade activities	-0.2663	0.279	0.766
Experience	FRS102 (2 years)	-0.2024*	0.302	0.817
	FRS102 (3 years)	-0.2982**	0.604	0.842
	IFRS	0.2239	0.315	1.251
	Constant	1.4911***	0.388	4.442
	Observations	291		
	Wald chi2	34.26		
	P > chi2	0.0043		

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

6.3 Country level

On January 2012 the FRC published a revised summary of frequently asked questions on the future of the financial reporting in the UK and the Republic of Ireland. It is being confirmed within this summary that the ASB has been consulting and discussing on the future of UK GAAP since 2004. This year coincides with the year that the IASB started developing the IFRS for SMEs as a simplification of full IFRSs. However, it was not until February 2006 that the ASB started to publish the minutes of its meetings. As described in Chapter 4, the sample consists of 26 minutes of meetings for the analysis.

Furthermore, on August 2009, the ASB also published a Consultation Paper on the future of the UK GAAP and proposed a 3-tier scheme plan for all UK entities' financial reporting based on their accountability (FRC, 2010). The request for comments upon the proposal for the future of UK GAAP consisted of 16 questions. These questions focused on 3 main topics. First, they aimed on assembling opinions about the tiers of the financial reporting system for the publicly and non-publicly accountable entities and the use of either the IFRSs or the IFRS for SMEs considering possible costs and benefits (Questions 1-7 and 15). Second, they required the views of the commentators on the future of the FRESSE and the Statements of Recommended Practices (SORPs) not excluding the possibility of developing a stand-alone public benefit entity standard (Questions 8-14). Last, the questionnaire focused on the commentators' perceptions about the proposed adoption dates (Question 16).

For the purpose of this thesis, the analysis concentrates on the expressed support or otherwise for the replacement of the existing UK GAAP with the IFRS for SMEs for companies falling within Tier 2 group and the answers given to Questions 6 and 15 which stated:

> *"Question 6: Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments you think should be made, as well as the reason for recommending these amendments."* (ASB, 2009, p.3)

> *"Question 15: If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?"* (ASB, 2009, p.5)

The ASB received 155 comment letters to this call. As stated in Chapter 4, twenty comment letters are excluded from the analysis because the respondents did not answer the questions of interest for this study. The detailed breakdown of the commentators, sorted from the most represented sector of their entity's operation to the least represented, is presented in Appendix 4. However, at a brief description, the most highly represented groups are accountants/auditors alongside with their professional institutions and public benefit entities (PBEs). Education, investing companies, lenders, financial advisors and real estate companies also show an interest in commenting on the future of the UK GAAP, while entities operating in other industries are poorly represented. Apart from the representatives of different entities, there were also twelve individuals who expressed their personal views on the future of the UK GAAP, seven lenders and a comment letter from HMRC.

The UK is a developed country with the available resources and expertise capable to produce its own standards. As already discussed in Chapter 2, the evolution of the economy and accounting in the country during the centuries, aids this argument. The minutes from the meetings held during 2006, reveal that the Board's future role would have been concentrated on the convergence of the UK standards with the IFRSs and on its communication strategy. The convergence with the IFRSs had been decided due to the business evolution and the use of differently structured transactions which were not supported by the already existing standards. Thus, the decision was based on the need for evolution in accounting and subsequently the standards which support it. By that time the Board was considering arguments for and against the change to the thresholds of FRSSE and for the mandatory application of full IFRSs. Particularly for the FRSSE, it was being considered if its threshold applicability would increase to include medium-sized entities. The solution of upgrading the FRSSE comes in agreement with the findings of Kaya and Koch (2015) who argue that countries with a high governance quality are not in favour of adopting the IFRS for SMEs because they already have their own GAAP and the adoption of a new standard would cause high costs of swapping and compromise. However, the ASB did not proceed neither with the development of a new standard nor with the amendment or the extension of the FRSSE in order to be applicable for Tier 2 type of entities but proceeded with the adaption of the IFRS for SMEs.

It is interesting to mention that out of the sample of analysed minutes, apart from the members of the Board, the meetings have occasionally been attended by representatives of the international standard-setter body, national institutions and Big4 accountancy firms. For example, HM Treasury has twenty-three participations, followed by BIS with nine participations, IASB with six, HMRC with four and finally ACCA, KPMG and Deloitte with one participation each. It should be noted though that during the procedures of the meetings, the ASB had a series of public consultations through press notices and calls for comments.

The following discusses the factors that affected the decision to adapt the IFRS for SMEs in the UK as they emerged during the minutes of the meetings and the comment letters analysis. Two institutional factors were identified during this analysis and they consist of:

- The relationship ASB – IASB
- Professional institutions and groups of entities

6.3.1 The relationship ASB – IASB

The UK has been one of the countries involved in the establishment of the IASC which was based in London and remained one of the main collaborators of the IASB after the latter took over from IASC in 2001 (Collis et al., 2017). Thus, the ASB's support towards the IASB's projects seems logical and expected. The relationship between the ASB and the IASB has been identified through the analysis of both minutes of meetings and the comment letters, not only because the IASB was represented in some of the discussions upon the future of the UK GAAP, but also because of some coincidences identified in some of the published affairs of the Board and because of some comments made from the commentators in the ASB's call for comments on the future of the UK GAAP.

In 2006, the Board received responses on the sought views regarding the future application of financial reporting requirements for UK companies. According to the minutes of the meetings, the Board had four tentative proposals which included: whether all public quoted and publicly accountable entities should be required to apply the full IFRSs, the possible extension of the FRSSE to cover the medium-sized entities, the financial reporting requirements for the UK subsidiaries of other companies which apply the full IFRSs and the treatment of entities that did not fall within the already mentioned groups. It is very interesting to mention that in the minutes of the meeting held on February 2006, the word "FRSSE" is followed by the phrase "(or an international equivalent)" (ASB, 2006a, p. 2) which shows an intention of the board towards the IASB's project on SMEs before even the publication of the ED for the standard.

Nevertheless, the meetings' notes for the received responses, report that there was a broad support from the public for a two-tier approach, "with the lower level potentially to be based on the IASB's SME project" (ASB, 2006b, p. 4). This is interesting because it shows that apart from the ASB, the public also had a positive intention towards the IFRS for SMEs, before the publication of the IASB'S ED. The most interesting part though, is that although there were concerns expressed during this meeting on the level of complexity of the IASB's SMEs project, the discussion and the Board's review of the above proposals were postponed until the IASB's ED on the SME project was available. This procrastination clearly shows the Board's intention neither to develop a new standard applicable to the UK business environment, nor to amend the FRSSE, but to wait and see how the IASB's project would fit into the UK's legislation. Thus, the decision to use the IASB's standard had already been taken but depending on the complexity of the standard and how it would fit in the business environment of the UK, the board would decide on either its adoption or adaption.

It is also interesting to mention that up to May 2008 the ASB's section of the minutes of meetings which discusses the financial reporting in the UK is titled *"Strategy for Convergence with IFRS",* while after this date the title has been changed into *"The Future of UK GAAP".* This is in coincidence with the fact that approximately one year before (February 2007) the IASB had published the ED for the IFRS for SMEs and the final version of the standard was expected within a short time frame, hence the process of converging the already existing UK GAAP with the IFRSs was being reconsidered or upheld until the final issuance of the IFRS for SMEs.

Nevertheless, most of the minutes of meetings between February 2007 and 2008 included a section of discussion titled *"IASB's Project for Small and Medium-Sized Entities"*. This discussion on was focused on the progress of the standard and the implications for the UK entities. It is interesting to mention that a representative (or observer) of the IASB attended three out of the four meetings which included this discussion. According to the minutes of the meetings held during this period, the Board discusses the issues arising from the IASB's ED and the EC's proposals on the SMEs accounting. The Board had also published a consultation paper on the IASB's ED to investigate the perceptions of the public on the suitability of the standard for the UK entities. The minutes from those meetings report that the majority of the responses, in general, welcomed IASB's ED and considered the standard suitable for middle-tier entities, but not for micro-entities. As a result, another consultation paper was published regarding the replacement of the FRSSE by the IFRS for SMEs, changes that would be needed to the standard for the replacement and specific possible problems for preparers and users of financial statements. For a better understanding of the propositions, the Board decided to provide a clear comparison of the UK GAAP with the ED and the FRSSE with the ED, and clear “preliminary views on how an IFRS SME might be used in the UK” (ASB, 2007, p. 2). Thus, the Board was considering and proposing to replace the FRSSE with the IFRS for SMEs and called for comments about the adoption or the adaption of the standard.

Nevertheless, in early 2008, the Board received and discussed a progress report on the IASB’s project of developing the standard. The report included a target date of issuance by June 2009 and the concern of the Board was whether the IASB’s timetable would be achieved. The Board, though, decided that if there would be further delays in the IASB’s project, it would keep open the question of proceeding to the next stage of its own project of converging the UK GAAP with the IFRSs before the issuance of the final IFRS for SMEs. This confirms that the Board had the capability and the capacity of proceeding with its own project, however this seemed to be a backup plan in case the IASB had a long delay in issuing the standard, although there was no deadline reported in the minutes of the meetings.

The IFRS for SMEs was issued in July 2009 and while on hold for its issuance and considering the comments received, the Board had been considering a three-tier structure of the financial reporting requirements for the UK entities. A consultation paper was published on August 2009 proposing this structure. This paper was also calling for views and perceptions about the adoption or adaption of the IFRS for SMEs for Tier 2 entities. The majority of the commentators (79 out of 135) agree with the Board’s recommendation of using the IFRS for SMEs for Tier 2 entities. However, some opponents express their concern about some “powerful political forces” influencing the IASB with a scope of derailing the project of international reporting and as a result they suggest no changes to the current UK GAAP. Here is a comment from The Hundred Group of Financial Directors regarding this issue:

> *"We support international accounting convergence, but we are mindful that the IASB's convergence project is still some way from fruition and that there are some powerful political influences at play that could yet derail the entire project. Accordingly, while we believe that it is appropriate for the Board to consider the potential options for the future, we are not convinced that now is the right time to commit to scrapping the existing body of UK GAAP."* [The Hundred Group]

Nevertheless, the arguments seem to be more intensive regarding the full adoption or the adaption of the standard. It is interesting to remark that the supporters of the adoption focus more on benefits such as comparability and easy transition to full IFRSs while the proponents of the adaption focus on the relationship between the ASB and the IASB. Specifically, it is very interesting that most of the adaption proponents (26 out of 46) suggest that the ASB should lobby the IASB to make the appropriate changes for the standard to be compatible with the needs of the UK's non-publicly accountable entities and apply those changes in international level. In other words, they argue that where problems or deficiencies are identified and have an impact on UK entities, the ASB should seek to influence the IASB to achieve the desired amendments at international level. They state that the ASB will continue to have an important role to play in the international standard setting in the future, since the UK is a developed economy and London Stock Exchange is one of the leading financial centres with global impact. They argue that these facts give the ASB the authority in seeking to influence the future direction of international accounting standards on behalf of its constituents. They also affirm that the Board should act towards this direction as soon as possible in order to ensure that current and future changes in the IASB's agenda for the IFRS for SMEs would also be acceptable to the UK stakeholders. Here are some comments related to this issue:

> *"We support global accounting standards and therefore would prefer that the ASB works together with the IASB to codify the exemptions into the IFRS for SMEs standard."* [Deutsche Bank]

> *"Nonetheless, the objective should be to influence the IASB at an early stage to ensure that future changes to the standard are acceptable to UK stakeholders."* [ICAEW]

> *"Where problems or deficiencies are identified which impact on UK entities, the ASB should seek to influence the IASB to achieve the desired amendments."* [AAT]

> *"Whatever the outcome of the current debate, we believe that the Board will have an important role to play in the future. As the UK remains one of the world's major economies and London one of the leading financial centres, the Board will have an important role to play in seeking to influence the future direction of international accounting standards on behalf of its constituents."* [The Hundred Group]

Other commentators, proponents of the adoption, express the concern that the ASB would proceed with the adaption of the standard rather than the full adoption to maintain its role as a standard setter. Albu et al. (2013) upkeep this argument in the context of standard setters and regulators in developing countries, however the commentators advocate this argument even for the ASB. The comment from the London Society of Chartered Accountants illustrates this issue well.

> *"We believe that the Board's proposed approach of issuing a new UK FRS should be a signal that the Board intends to retain the right to set UK accounting standards and that it will not necessarily be bound to adopt the IFRS for SMEs in full, including all future revisions thereto. The future of the Accounting Standards Board itself is an issue that may merit public consultation."* [LSCA]

On the other hand, commentators supporting the adaption encourage the Board to make changes to the standard according to the legal and regulatory environment of the UK and the Republic of Ireland and provide additional detailed guidance for the standard, although the Board might not consider this appropriate for the IASB's material. Furthermore, other proponents advocate for changes to the IFRS for SMEs through their support for the ASB to retain its role as the UK standard setter. They believe that the Board should continue to be responsible for standard-setting in the UK although indirectly, in other words by making changes to the IASB's project to make the standard adaptable for the needs of the UK's users and preparers. Nevertheless, they believe that the ASB is the appropriate body to balance the costs and benefits for the UK companies that would be impacted by the changes in the accounting regime. Here are some of the comments regarding these issues:

> *"The Board may have a concern that providing interpretative guidance in relation to phrases used in the IASB document would be inappropriate, but AC considers that any guidance provided by the Board would apply only in the context of the legal and regulatory environment that operates in Ireland and the UK and consequently could be presented as being jurisdiction specific and effectively application guidance for UK and Irish GAAP. The benefit of taking this approach would be to increase significantly the consistent application of the Tiered approach to UK and Irish GAAP."* [Chartered Accountants Ireland]

> *"At the same time, in our view the Board must remain active and retain responsibility for the maintenance and appropriateness of UK GAAP for both profit-making entities and the public benefit sector, albeit with a much reduced role in direct standard setting. In particular, the Board should not give up its right to set UK standards, including changing the IFRS for SMEs were this deemed necessary in the future to reflect the needs of UK users and preparers."* [ICAEW]

> *"We also support the ASB's intention to retain the responsibility for future changes to UK GAAP, rather than ceding this to the IASB."* [KPMG LLP]

However, after the publication of the standard, the discussions in the meetings focus on the detected inconsistences between the IFRS for SMEs and the Accounting Directives and whether the standard could be fully adopted for the middle tier of the

UK GAAP. In August 2009, the Board published another consultation paper upon these issues and reported that the comments received supported the development of a standard based on the IFRS for SMEs and applicable for entities which were not publicly accountable. Thus, the public showed support for the adaption of the standard. According to that period's meetings the 4th and the 7th Directives did not appear to present an insuperable barrier in order to adopt the IFRS for SMEs with no modifications. However, it is interesting to mention that the Board's suggestion for the barriers to be removed, was that the Directives should be amended properly to be consistent with the standard. This again shows the strong support of the ASB to the IASB and its project on SMEs. Nevertheless, some of the commentators urge the ASB to continue supporting the IASB and persuade the EC to amend the Directives. Here is a comment from the Association for Financial Markets in Europe:

> *"We therefore urge the ASB to continue to support the standard setting efforts of the IASB and to lobby for European adoption of IFRS in full without amendment."* [AFME]

In March 2010, the ASB agreed the adaption of the IFRS for SMEs. The changes to the standard, after its review, were agreed to be based on three main principles. It was agreed that the Board would proceed with only the minimum possible required changes, while any of these changes would be considered regarding the maximum consistency with EU-adopted IFRSs and the exemptions provided by the company law in order to avoid incorporation of costly and unnecessary changes (ASB, 2010a). A month later, the Board tentatively agreed that the FRSSE should continue to apply for Tier 3 entities and be revised after the end of the transition period for Tier 2 entities which would mandatorily apply the new standard based on the IFRS for SMEs. In other words, the timing for the review of FRSSE would be subject to the European proposals for micro-entities, the experience of Tier 2 entities with the new standard and the IASB's plans for updating the IFRS for SMEs. With regard to the compatibility of the IFRS for SMEs with the EU Accounting Directives, the Board continues to maintain its initial position that the EC should be encouraged to amend the Directives where appropriate in order for the incompatibilities to be removed (ASB, 2010b). However, on May 2010, the Board agreed to consider some amendments to the IFRS for SMEs including the ones necessary to ensure compliance with the Accounting Directives.

All the amendments to the IFRS for SMEs where approved during summer 2010 and consisted of some UK specific amendments, amendments to address the incompatibilities with the Directives and amendments to remove options not permitted by the EU law. Deriving from these changes made to the standard, the Board agreed to call the UK version of the IFRS for SMEs ‘FRS for Medium-sized Entities (FRSME)’, but this was subject to further arguments in the forthcoming meetings. Furthermore, the target day for the implementation was set to be the 1st of July 2013. Finally, the ASB issued its Exposure Draft on the future of the UK GAAP in October 2010.

6.3.2 Professional institutions and groups of entities

The analysis of the comment letters reveals a great dominance of support for the use of IFRS for SMEs versus the already existent UK GAAP or any other possible alternative approach for Tier 2 type of entities (79 for IFRS for SMEs, 28 for existing UK GAAP, 29 for an alternative standard). Observed by sector of operation (Appendix 4), it is obvious from the amount of the responses that the accountancy and audit profession alongside with their professional institutions, strongly support the use of the IFRS for SMEs (21 out of 35 and 10 out of 10), followed by investing companies (7 out of 10) and lenders (5 out of 7). The main opponents of the standard seem to be the companies operating in the public benefit sector and charities (18 out of 30) which prefer a stand-alone Public Benefit Entity Standard for their accounts rather than the use of the IFRS for SMEs with some amendments to be applicable for the nature of their businesses.

On the other hand, the opponents of the IFRS for SMEs are divided in two main groups. The first group supports the already existing UK GAAP and the second group favours an alternative standard, where the alternative stands for a completely new standard designed for the needs of the UK's Tier 2 entities and their business environment. However, the opponents are the minority of the commentators. Thus, the pressure for the use of the IFRS for SMEs derives from the accountancy profession, investing companies and lenders.

The high percentage of the groups of entities supporting the use of the IFRS for SMEs is in accordance with the findings of Quagli and Paoloni (2012) who advocate that the IFRS for SMEs would be suitable to be used by entities operating in countries such as the UK given the fact that the standard is developed considering the users' needs and traditionally the role of the financial statements in the country is focused towards the information that the statements provide. Furthermore, the fact that the professional institutions unanimously back the use of the IFRS for SMEs supports the findings of Masca (2012) who argues that the institutions operating in a common law background regulation country are proponents of the standard (Masca, 2012). However, the following discussion, reveals that these are not the only reasons that certain groups of entities apply pressure towards the use of the IFRS for SMEs.

Considering the comments, the reasons for the pressure derive from the argument that the standard is shorter than the existent UK GAAP, is well written in plain English and more manageable for the target population of its scope. In the commentators' views, the already existent UK GAAP is complex and its partial convergence with full IFRSs since 2005, has left it with lack of cohesiveness. Given the suite of the UK GAAP standards, they argue that the UK GAAP has become an unsustainable mix of some standards fully converged with EU adopted IFRSs, some partially converged, and others not converged at all, resulting in three different regimes of financial reporting in the UK. This has caused businesses, accountants, users and auditors to face lack of comparability and understandability. Under the commentators' views, maintaining the existent UK GAAP does not seem to be a viable option because it will add to the problem. Accountants, users and auditors would have to be familiar with all these regimes and face the burden of being kept up to date as the regimes separately develop. Thus, the commentators suggest that the use of the IFRS for SMEs is the solution to overcome these problems.

Furthermore, considering the advantages of an IFRS-based UK GAAP in terms of comparability, the knowledge of accountants based and trained under one regime and the benefits of a cohesive accounting framework across all UK entities, the adoption of IFRS for SMEs as the new UK GAAP for Tier 2 entities represents the best way forward for the proponents of the standard. Additionally, it was noted that if some Tier 2 companies aim to join the junior or senior listed markets, applying the new standard would take them one step closer to full IFRSs.

On the other hand, pressures from groups of entities have also been identified regarding the adoption or the adaption of the standard. Overall, ninety commentators answered Question 6 (Appendix 4). It is interesting to mention that their opinions differ with a light prevalence of “no”, where “no” stands for the use of the standard with amendments, hence adaption (46 versus 44). Besides, it is also interesting to mention that even some of the opponents of the standard commented on this question (11 in total). In other words, although they oppose the use of the IFRS for SMEs and prefer the already existent UK GAAP or a completely new GAAP for the UK’s business environment, they still share their views for the adoption or adaption of the standard in case the ASB proceeds with its implementation independently from their perceptions.

The commentators justify their opinion over the full adoption of the IFRS for SMEs through four main points. Firstly, it is believed that the IFRS for SMEs, as a stand-alone document, provides the right cost/benefit balance for the majority of entities which adequate for Tier 2 category. Secondly, if the recognition and measurement requirements of the standard were amended for the UK environment, it would undermine the benefits of adopting it. The commentators favourably agree to the full adoption of the standard because amendments would have the potential of reducing comparability, cause unnecessary confusion and increase the complexity of audit reports due to the mandatory requirements of referring to the framework used for the preparation of the financial statements. Finally, as a matter of policy, the adoption proponents argue that the IFRS for SMEs should be also be fully adopted by all national bodies around the world, if the advantages of consistent and comparable reporting are to be available for entities operating on an international basis. Under this perception, the need for individual national bodies to maintain and update the standard, which could otherwise evolve over time into significant divergence between national bodies, would be avoided. Hence, the suggestion is that any desired changes to the IFRS for SMEs need to be addressed by adoption globally through the IASB.

Others contradict the above views and their opinion is that the reasons for establishing a more unified accounting system within the UK need not include international comparability at all levels. Their argument is based on the consideration that for smaller UK entities the need to immediately compare results with entities in other jurisdictions is of a limited value and the ability to do so is not a sufficient reason to accept all aspects of the IFRS for SMEs without any changes. Nevertheless, some of the commentators introduce the idea of having national variants on standards proposed by the IASB, because this will avoid additional costs for the national standard-setters, preparers, and users.

A few other concerns are expressed on the bases of the benefits and reliefs offered by the existing UK GAAP for subsidiaries, such as: the relief from preparing consolidated accounts or cash-flow statements, the benefit of claiming exemptions from related parties and the exemptions for financial instruments disclosures. Furthermore, the existing UK GAAP also entitles parent companies to omit the presentation of their profit and loss account when it is included within the groups' consolidated financial statements. Relating to these issues, the commentators argue that if the IFRS for SMEs is adopted, then the reliefs and benefits are going to be lost or diluted, hence a certain amendment of the standard would be needed to retain them. Others argue that there is no need to amend the standard to retain those reliefs since they could be retained through the operation of company law. In other words, in the opinion of the commentators, the law should determine what accounts should be prepared and accounting standards should provide the tools to determine how these accounts are prepared.

The representatives from the public benefit and the charity sector support the adoption of the IFRS for SMEs only if there would be an additional stand-alone standard for the publicly accountable entities which fall in Tier 2 group alongside with the IFRS for SMEs. While the opponents of the full adoption seem to express a desire for an amended IFRS for SMEs to fit the nature of their businesses.

6.4 Entity level

This section provides a discussion of the factors affecting the views and the perceptions of the profession regarding the FRS 102 in comparison with the old UK GAAP and the IFRS for SMEs as published by the IASB. It also discusses the findings related to these factors from the comment letter analysis to provide a comparison of the views and perceptions of the public before the adaption of the IFRS for SMEs with the views and perception of the accountants while using the new standard. Six are the factors discussed in this section:

- Size
- Industry
- International trade activities
- Accountant's knowledge and experience with IFRSs

- Costs
- Benefits

6.4.1 Size

Considering the comments before the adaption of the IFRS for SMEs, the commentators strongly support the argument that Tier 2 non-publicly accountable entities should use the standard independently from their size. This is because the level of disclosures for the entities should be determined by the level of their accountability and not by their size. However, some of the commentators suggest that size criteria should be included in the definitions of publicly and non-publicly accountable entities allowing exclusion or inclusion of entities in a certain tier. This would avoid extra costs for small and mid-cap quoted companies which fall under the definition of public accountability but the use of full IFRSs is considered to be unnecessarily complicated for them.

Furthermore, some of the commentators, proponents of the old UK GAAP, argue that the IFRS for SMEs is not at all beneficial for small UK owner-managed businesses which do not participate in overseas markets. They also add that these types of entities do not have the proper skilled staff to implement this standard and therefore they would have to face increased costs by employing external advisers.

After the adaption of the IFRS for SMEs, this study finds that the size of the entity is a significant factor affecting the perceptions of the profession while comparing the new standard with the old UK GAAP. Specifically, accountants and auditors dealing with large businesses are positive towards the new standard and more likely to consider it better or much better than the old UK GAAP. While accountants and auditors dealing with medium-sized and small entities are negative and more likely to find the standard worse or much worse than the old UK GAAP. This finding is in accordance with the findings of Francis et al. (2008), Eierle and Haller (2009) and

André et al. (2012) that larger firms are more in favour of international financial reporting. Nevertheless, this finding supports the findings of the EC consultation on the IFRS for SMEs in 2010, where opponents of the standard argue on the complexity of the standard for smaller clusters of entities (EC, 2010).

Considering the adoption or the adaption of the standard, the views of the commentators before the implementation were divided with a slight dominance of the adaption proponents. However, after the implementation of the adapted version of the IFRS for SMEs, this study finds that all sizes of entities oppose the full adoption of the standard and prefer the adapted version. The explanation for this might be that the amendments made to the standard, especially the UK specific ones, make the FRS 102 more favourable to the respondents than the IASB's IFRS for SMEs.

6.4.2 Industry

André et al. (2012) and Eierle and Helduser (2013) find no significance of industry related to the decision of entities to adopt international financial reporting. This study also finds no significance of the factor industry influencing the views and perceptions of the accountants and auditors with regard to the comparison between the FRS 102 and the old UK GAAP. However, accountants dealing with entities operating in "Energy and Utilities" and "Wholesale/Retail" industries seem to be significantly more negative towards the new standard while comparing it with the old one. The explanation might be that certain industries may face dissimilarities in the costs and benefits while applying the FRS 102.

Furthermore, as observed through the comment letters analysis, the strongest opponents of the IFRS for SMEs before the standard's adaption in the UK consist of public benefit entities. They argue that all it would be needed to achieve global standing in their sector is the issuance of a stand-alone Public Benefit Standard rather than the IFRS for SMEs. This study finds that this industry remains significantly the strongest opponent of the full adoption of the IFRS for SMEs. The explanation is that the IFRS for SMEs was not designed to meet the stipulations of this specific industry, hence the adapted UK version is more suitable for the entities operating in this sector rather than the standard as issued by the IASB.

6.4.3 International trade

Commentators before the issuance of the adapted IFRS for SMEs, argue that non-public accountable entities having international trade activities would benefit from the standard's adoption. This is in accordance with the findings of Eierle and Haller (2009), EC consultation paper (2010) and André et al. (2012) who argue that entities having cross-border activities are more in need of a common accounting language. However, this study finds no significance of the international trade activities factor influencing the views and perceptions of the accountants and auditors while comparing the FRS 102 with the old UK GAAP. Furthermore, the study finds no significance of this factor in affecting the views and perceptions of the profession regarding the full adoption or the adaption of the standard. Nevertheless, a negative relationship between entities having cross-border activities has been identified regarding the full adoption of the standard but this is after they have already been using its adapted version. The explanation for the insignificance of this factor might be that the entities might be having international trade activities since the time they were using the old UK GAAP. In other words, the accountants and auditors in the sample may not consider that the change in the accounting regime has any influence in the cross-border activities of the entities.

6.4.4 Accountants' knowledge and experience

It is very interesting that according to the comments sent to the ASB in August 2009 on the future of the UK GAAP, there is a specific problem arising from the knowledge and experience of the accountants and auditors with IFRSs. The commentators argue that while the majority of the businesses were preparing accounts under the old UK

GAAP, pressures from Big 4 accountancy firms had ensured that the training of accountancy students was heavily focused on the requirements of IFRSs. As a result, in most audit or accountants' teams, the more senior members had little knowledge of IFRSs, while the more junior members, although gaining experience mainly in using UK GAAP, were basing their decisions and judgements on their more detailed theoretical knowledge of a different system. Thus, adopting or adapting international financial reporting might bring both senior and junior members of the teams to base their decisions and judgements upon the same theoretical system. On the other hand, though, both senior and junior members would need training and time to gain the required experience which would enhance them in making the appropriate decisions.

However, after the mandatory application of the FRS 102, this study finds no significance of the knowledge and experience of the accountant with IFRSs influencing the views and perceptions of the respondents while comparing the new standard to the old UK GAAP. Furthermore, this factor is also not found significant regarding the preference of the respondents for the adoption or the adaption of the IFRS for SMEs. These results are contrary to the results of Eierle and Haller (2009) who find that the knowledge and experience of the accountancy profession in Germany with IFRSs is a significant factor influencing the international orientation of accounting for certain entities. However, this study identifies that if the accountant or auditor has obtained knowledge and experience with IFRSs, then, they are more positive towards the adoption rather than the adaption of the standard although not significantly.

It is very interesting though that the experience of the accountants and auditors with the FRS 102 is one of the significant determinants which affects their views while comparing the FRS 102 with the old UK GAAP and with the IFRS for SMEs. Specifically, the more experienced the accountant or auditor is with the new standard the better they believe it is in comparison with the old UK GAAP. Nevertheless, the more experienced they are with the FRS 102, the more negative they are towards the full adoption of the IFRS for SMEs.

6.4.5 Costs

Surprisingly, out of a total of ninety commentators interested to give their view on the adoption or the adaption of the standard, only (approximately) half of them (46) provided an answer for Question 15, which refers to the costs and benefits that their company, subsidiary, parent company or sector would face from the proposed changes to the accounting regime. Five of the commentators to this question are users of the financial information (four lenders and HMRC). The breakdown of the commentators to this question is presented in Appendix 4.

In terms of cost, the commentators believe that there will be some general transitional costs to the businesses, the preparers, the users and the auditors. However, their consideration is that most of those costs, independently from the standard's adoption or adaption, are going to be one-off costs rather than costs which will lead to an increase in the ongoing cost of reporting. Such costs include costs of compliance with the new requirements, advisors' fees, staff training costs, costs associated with the update or replacement of the accounting software and additional staff costs for converting the charts of accounts, budgets and management reporting. With respect to the level of these costs, their views vary. Some of the respondents fear considerable costs during the transition process and possible on-going other costs, while others believe that the costs are likely to be significant during the transition process and in the long term, they will be outweighed from the benefits of replacing the extant UK financial reporting standards.

Regarding the costs related to subsidiaries, there appears to be a concern for those with parents incorporated in jurisdictions that might not have adopted international financial reporting standards and would have to produce two sets of accounts. On the other hand, parent companies using full IFRSs are concerned about the adjustments they should make to consolidated statements because of the identified differences between full IFRSs and the IFRS for SMEs.

Furthermore, charities and other public benefit entities express their concern for the possible increase they might face in administration costs which will occur during the transition process. They argue that the increase in such costs might cause some scepticism to the public regarding their not-for-profit function.

After the implementation of the adapted IFRS for SMEs and its use for at least one year, this study finds that the challenges that the profession faced during the retrospective application of the standard's requirements, the complexity in terms of measurement and recognition methods and the time they consumed to apply these changes play a significant role in the accountants'/auditors' views and perception for the adapted standard while comparing it with the old UK GAAP. Specifically, due to these costs, the respondents are negative towards the new standard and are significantly more likely to consider it worse or much worse than the previous one. The explanation might rely on the argument of Evans et al. (2005) that non-publicly accountable entities find the costs of complying with new accounting regulation very high compared to the public accountable entities.

On the other hand, Litjens et al. (2012) argue that compliance costs, such as challenge and complexity, are higher for entities operating in countries where there are many differences between the local GAAP and the IFRS for SMEs. Bearing in mind the comments on the future of the UK GAAP that the old GAAP had become complex and was lacking cohesiveness, the differences between it and the FRS 102 may have been perceived as many from the profession resulting in high compliance costs which make the accountants and auditors negative towards the new standard while comparing it with the old one.

Furthermore, this study finds that the cost of external paid advice significantly influences the views and perceptions of the profession while comparing the old UK GAAP with the FRS 102. Specifically, the respondents who consider this cost high, are negative towards the new standard and they are more likely to consider it much worse than the old one. On the other hand, the cost of training and the cost of replacing or updating the accounting software are not considered high by the respondents and do not influence significantly the views and perceptions of the profession for the new standard.

6.4.6 Benefits

In view of the benefits, before the adaption of the IFRS for SMEs, the commentators seem to expect improved comparability and enhanced understanding for the financial reports through greater consistency. This is expected to assist in building investors' and creditors' confidence. Others believe that despite the differences compared to full IFRSs, the IFRS for SMEs will bring the UK's accounting standards in line with the concepts of international financial reporting standards, establishing a higher quality of accounting between the constituents of the UK financial reporting environment. Nevertheless, parent companies and subsidiaries find potential for less GAAP differences between group accounts and statutory accounts which might generate savings in audit fees. They also believe that whether the standard is adopted globally, it would create potential for economies of scale and assist in the offshoring of production of statutory accounts. Furthermore, some of the commentators argue that the use of the standard would make the move between tiers of financial reporting straightforward and less costly for entities intending to become listed or for entities becoming wholly owned by listed companies.

The representatives of the accountants in these comments affirm that after the one-off transitional costs, their need to learn and apply the standard will be reduced resulting to greater reliability and less cost. They also depict the fact that the use of IFRS for SMEs will bring an end to the situation where most businesses use the UK

GAAP while the professional bodies' training is almost entirely IFRS-based. However, a small part of these commentators argues that the only benefit from the use of the standard is that they find the already existent UK GAAP clearly not sustainable to be retained.

However, after the adaption of the IFRS for SMEs, the only factors that influence the views and perceptions of the profession regarding the FRS 102 in comparison with the old UK GAAP are that they believe that the standard offers simpler reporting for subsidiaries, increases the credibility of the financial information for lenders and improves the image of the business. Specifically, the accountants and auditors who believe that financial reporting for subsidiaries has become simpler with the use of FRS 102, are positive towards the standard and they are more likely to consider it better or much better than the old UK GAAP. This finding is in consistence with the findings of Eierle and Haller (2009), EC's consultation paper (2010) and Eierle and Helduser (2013) that subsidiaries are proponents of the IFRS for SMEs and they would benefit from the use of the standard. Similarly, the accountants and auditors who believe that the use of the standard has increased the credibility of the financial information provided to lenders and has improved the businesses' image, are also positive towards the adapted IFRS for SMEs and are more likely to find the standard better or much better than the previous one. This is consistent with the findings of Pacter (2009a), EC's consultation paper and Litjens et al. (2012).

On the other hand, the benefits of easier transition to full IFRSs, aiding joint ventures and the increase of the credibility of the financial reporting information for customers, suppliers and credit agencies are not found to significantly influence the views and perceptions of the respondents while rating the adapted IFRS for SMEs in comparison with the old UK GAAP. The reason might be that the respondents might have not yet experienced such benefits for the period that they are using the new standard.

6.5 Users and uses

The respondents of the survey were asked to rank the users of the statutory financial statements prepared under FRS 102 according to their views and perceptions from the most important to the less important. Table 6.17 presents the ranking for each group of the respondents and the overall ranking for the total sample. The table shows that accountants in business and auditors agree that the most important users of the financial information are investors followed by lenders, but they seem to disagree while ranking the rest of the users. On the other hand, accountants in practice rank the management as the most important user followed by investors. Furthermore, accountants in practice seem to completely disagree with the auditors' ranking, while they agree with the accountants in business regarding the rank of the HMRC as the fourth most important user and employees as the last. The overall ranking, though, agrees with the accountants in business views. Thus, overall, the most important user of the financial information prepared under FRS 102 appear to be investors, followed by lenders. Management purposes come third, followed by tax purposes, while customers, suppliers and employees reside in the last three places of ranking.

These findings are different from those of Zuelch and Burghardt (2010) and Eierle and Helduser (2013) in Germany and from Masca et al. (2010) in Romania who found lenders as the most important group of users. Regarding the UK studies upon this subject, Carsberg et al. (1985) resulted that management is the most important user followed by HMRC and lenders and Barker and Noonan (1996) in Ireland found that management is followed by lenders and HMRC. However, the latter two studies are more than ten years old and both the business environment and the accounting regulation in the country were different by the time that these studies were conducted.

Table 6.17: Respondents' ranking of the users

Rank	All respondents (n=509)	Accountants in business (n=175)	Accountants in practice (n=236)	Auditors (n=98)
1	Investors	Investors	Management	Investors
2	Lenders	Lenders	Investors	Lenders
3	Management	Management	Lenders	HMRC
4	HMRC	HMRC	HMRC	Management
5	Major customers	Major customers	Major suppliers	Major suppliers
6	Major suppliers	Major suppliers	Major customers	Employees
7	Employees	Employees	Employees	Major customers

Considering the comment letters sent to the ASB in 2009 regarding the future of the UK GAAP, the users of financial accounting information are very poorly represented amongst the respondents (7 lenders and HMRC). Most of the lenders (5) and HMRC support the use of the IFRS for SMEs instead of the old UK GAAP. Furthermore, two of the lenders and HMRC are proponents of the full adoption, while 3 lenders support the adaption (Appendix 4).

In terms of costs, the users express their concern about the cost of obtaining the specific knowledge to understand the new information and the cost of the time needed to gain this knowledge. At the same time, they expect that their benefits will largely derive from the comparability and the credibility provided by the financial information reported. It is also interesting that the comment letter from HMRC referred to different accounting regimes used by entities to produce different financial statements for different purposes. In other words, the comment referred to the phenomena that some businesses calculate the accounting regime that would produce the best results for different users. Here is an extract from HMRC's comment:

> *"We support the overall objective of the proposal in producing a single and clear basis for all GAAP in the UK. We note that there will still be differences between the regimes proposed, but other than for disclosures, these should be minimised. In particular, we see major benefits for businesses (singly and as an economy) of the proposals: […] An end to some businesses calculating which regime produces the best results (for example for its lenders or for its tax liability)."* [HMRC]

It is interesting though, that while HMRC is a proponent of the adoption of the standard, other commentators criticize the unclearness of the impact that the adoption of the IFRS for SMEs would have to the businesses regarding tax implications. Furthermore, some of the them point out the concern that there is no guidance in the IFRS for SMEs regarding how to account for the deferred tax arising on assets and liabilities and they propose that the tax accounting requirements of the IFRS for SMEs, as adapted for use in the UK, to be based on the requirements of full IFRSs (IAS 12). However, the representative of the HMRC interviewed revealed that the tax legislation has been reviewed and amended properly in accordance with the new standard beforehand in order to avoid possible inconsistences:

> *"There are differences between old UK GAAP and FRS 102, but we have reviewed the tax legislation and we did that right at the beginning and there are a few amendments in the tax legislation but that is because FRS 102 is broadly based on IFRS and the legislation has got to be fit for purpose."* [Representative of HMRC]

However, it is very interesting that after the adaption of the IFRS for SMEs, the representative of the HMRC during the interview revealed that they have been facing challenges while reviewing accounts prepared under FRS 102. Those challenges have been identified and published in a blog/article by a member of the Commissioners' Advisory Accountant's Team for HMRC. The role of this team, among others, is to give advice to tax specialists on whether the accounts submitted to HMRC in support of a tax return are in accordance with the standard. According to this blog, the main issues identified are disclosure issues, transition accounting issues and tax computation (Ring, 2016). The author argues that disclosure in companies' accounts is very important for HMRC to issue the correct tax liability, because the difference of a change in accounting estimate or accounting policy can impact the year that the tax liability arises. Furthermore, not clear disclosures are problematic for companies, tax agents and HMRC, because more questions will need to be asked which increase the costs for HMRC and might also result in extra costs for the companies (Ring, 2016). Here is how the interviewee illustrates this matter:

> *"HMRC is a user of the accounts. We review those as part of our work. We do not prepare accounts or audit accounts though there were challenges in so far as it is a mandatory adoption of FRS102. So, our customers have obviously had to apply it and I mentioned that Alison Ring, who is the Commissioner's Advising Accountant from HMRC has written a blog/article on the difficulties in the accounts not giving*

> *enough information to allow us to understand what the transitional adjustments are. Also, the article mentions that there is a high potential for error in the way that the transitional adjustments are taxed and if there is insufficient disclosure in the accounts it just means HMRC are likely to have to ask more questions of customers".* [Representative of HMRC]

Furthermore, it is interesting to mention that the Commissioners' Advisory Accountant's Team have identified that sometimes companies provide the minimum required information with no detailed information attached. Here is an example that Ring (2016) discusses in her blog:

> *"We have found that sometimes companies have complied with the minimum requirements of the standards to the extent that they have provided a reconciliation, but the description and detail does not give the useful information to help the user understand what it is that has changed, how and the effect of the changes. There is, technically, a note called a "reconciliation", but it is not a reconciliation in a meaningful sense*". [Ring, 2016]

Adding to this, the interviewee revealed that the standard lacks detailed guidance at some points such as the choice of a certain accounting policy and this brings a disadvantage compared to the old UK GAAP. However, FRS 102 has other advantages such as the reduced number of pages and is less complex compared to the old UK GAAP. Nevertheless, the interviewee confirms that from the HMRC's perspective the period of using the standard is still short and there might be room for improvements. Here is how the interviewee expresses some thoughts about the FRS 102 compared to the old UK GAAP:

> *"On a personal level I prefer FRS 102 and because it's shorter, and that all the standards are all in the one book and I think it's easier than the old UKGAAP and however there are, let's say some ideas which lack of detailed guidance which used to be in old UKGAAP whereas in IFRS, but on balance I think I would prefer FRS 102. I think where there is a lack*

> *of guidance the standard sets out how you should develop an accounting policy and there is a reference to IFRS but there is still an element of choice in how to develop an accounting policy and it comes down ultimately to the judgement of the preparers of the financial statements and again from the HMRC's perspective we are still at an early stage and there is room for improvement."* [Representative of HMRC]

Lastly, the interviewee also revealed that HMRC's employees and tax agents have been trained on the requirements of the FRS 102 both internally and externally. The HMRC had organised internal training programmes for accountants and non-accounting staff and additional training was provided for the accountants externally through professional development programmes. Apart from training, they also use online published materials from professional bodies and the FRC in order to remain up to date with the standard. Here is how the interviewee illustrates this matter:

> *"The training was internally. It was at HMRC and I was heavily involved in the training programme for accountants and non-accounting staff within HMRC. We also had external training for the accountants, but there were CPD (Continuing Professional Development) events. We also use the accountancy manuals on FRS 102 and articles and read in the accounting press and online from CCH and to the institutes such as the ICAEW the English accountants' body. In their financial reporting faculty, they produce help sheets and so we reference those as well as those FRC staff education notes on various topics for FRS 102."* [Representative of HMRC]

6.6 Conclusions

This chapter has presented the results of the survey of accountants and auditors in the UK and the findings from the analysis of minutes of ASB meetings, consultation comment letters on the future of UK GAAP, the HMRC's blog and an interview with a representative from HMRC. Some of the findings in this chapter support the literature reviewed in Chapter 3 and others extend the literature.

At country level, the meetings' minutes and the comment letters analyses reveal that two are the most important factors influencing the decision to use the IFRS for SMEs in the UK: the pressures from the relationship between the ASB and the IASB and the pressures from professional institutions and groups of entities. These factors are identified by the new-institutional theory of isomorphism (DiMaggio and Powell, 1983). Given the fact that the relationship between the national and the international standard setter goes back since the establishment of the latter, the findings reveal that the close relationship between both Boards creates a coercive pressure to the ASB to support the IASB's projects including the IFRS for SMEs. Normative pressures come from professional institutions and groups of entities which consider the old UK GAAP outdated and believe that the use of the international financial reporting for non-publicly accountable entities would benefit both the profession and the entities. Furthermore, given the fact that the old UK GAAP was considered outdated from both the UK constituents and the ASB and the fact that the its partial convergence with the IFRSs had made it complex and less cohesive, created high uncertainty for both the profession and entities. Thus, replacing the old UK GAAP with the IFRS for SMEs which is developed by the international standard setter confirms the mimetic pressures.

On the other hand, although at first the aim was to fully adopt the standard as developed by the IASB, the decision for the adaption was based in two main factors. Firstly, UK specific amendments were applied to the standard to make it more suitable for the UK's business environment. Secondly, given the fact that the UK is still an EU member state, the standard needed to be consistent with the EU Accounting Directives and options not permitted by the EU law should be removed. Nevertheless, the decision for the adaption seems to be highly supported by the profession since after the use of the new standard the findings of this study reveal that accountants and auditors strongly reject the full adoption of the standard as developed by the IASB.

At entity level, before the implementation of the FRS 102, commentators strongly support the use of the standard by Tier 2 entities, however some of them suggest that small and mid-cap listed companies although publicly accountable be allowed to report under the IFRS for SMEs rather than full IFRSs. Furthermore, the standard is not considered beneficial for micro-entities. On the other hand, the full adoption of the IFRS for SMEs has been strongly opposed by commentators of public benefit entities since it is not developed taking into account the not-for-profit industry particulars. However, the commentators seem to find the full adoption of the IFRS for SMEs beneficiary for entities having cross-border activities. Another benefit expected from the adoption of the standard, identified through the comments, is that the use of the standard will close the gap between the differences of the profession mainly trained on IFRSs while required to apply UK GAAP. In other words, both junior and senior members of accountancy or audit groups would gain experience and knowledge based on the same accounting system and that would enhance their decisions and judgements. Furthermore, the use of the IFRS for SMEs is expected to improve the quality of accounting for all UK constituents. They believe that the comparability and the consistency of the financial information provided would increase and that is expected to assist in building entities' confidence to investors and lenders. They also believe that financial reporting for subsidiaries and their parent companies would be simpler and that the standard would make the entities' move between tiers less costly if desired or applicable. In terms of costs, the majority of the commentators consider them transitional one-off costs witch in the long term will be outweighed from the expected benefits.

On the other hand, after the use of the adapted IFRS for SMEs, the survey data analysis results that the main factors which affect the opinions of the respondents in considering the new standard much worse, worse, about the same, better or much better than the old UK GAAP are: the size of the business, the experience with the new standard, some costs and some benefits. Specifically, the findings reveal that accountants and auditors who: deal with large non-publicly accountable entities, have used the standard for three years, consider the financial reporting for subsidiaries simpler, believe that the use of the standard has improved the entities' image and has increased the credibility of the financial information provided to lenders, are more likely to be positive and consider the adapted IFRS for SMEs better or much better than the old UK GAAP. On the other hand, accountants and auditors who: deal with small entities, consider the cost of external paid advice high and the retrospective application of the standard challenging, time-consuming and complex, are more likely to be negative and consider the adapted IFRS for SMEs worse or much worse than the old UK GAAP. Surprisingly, the study also finds that the accountants or auditors dealing with medium-sized entities and entities operating in "Energy and Utilities" and "Wholesale/Retail" industries are also more likely to be negative towards the new standard. However, the study finds no significance of the international trade activities of the entity, the costs of training, the costs of updating or replacing the accounting software and the knowledge and experience of the accountants or auditors with full IFRSs, affecting the views and the perceptions of the profession upon the new standard while comparing it with the old UK GAAP.

Furthermore, considering the full adoption or the adaption of the IFRS for SMEs, the study results in three main factors affecting it: size, industry and experience with FRS 102. Specifically, accountants and auditors dealing with micro-entities, entities operating in the "Charities and other PBEs" industry and have at least two years of experience with FRS 102 are more likely to oppose the adoption of the IFRS for SMEs and support the FRS 102. Other factors such as the experience with full IFRSs and the international trade activities are not found to significantly affect the views and the perceptions of the profession upon the full adoption or the adaption of the IFRS for SMEs.

At user level, the results identify investors as the most important user group of the financial information provided by entities using FRS 102, followed by lenders, management and HMRC. Major customers, major suppliers and employees are rated in the lower levels of users. Furthermore, before the implementation of the FRS 102, lenders express their concern on the costs of obtaining the knowledge to use the accounting information prepared under the new regime. However, they support the use of the IFRS for SMEs for Tier 2 entities because they expect to benefit from the comparability and the credibility of the financial information provided to them. HMRC also supported the use of the IFRS for SMEs because the use of the international financial reporting for all entities in the UK would prevent the entities to produce financial statements under different regimes for different purposes of use.

Furthermore, before the implementation of the adapted IFRS for SMEs, HMRC’s employees and tax agents have been trained on the requirements of the new standard and the tax legislation has been reviewed and properly amended to avoid any inconsistencies. However, inconsistences have been identified due to poor and problematic disclosures provided with the entities reporting and due to lack of detailed guidance at some points of the standard. This is not surprising considering the fact that the respondents of the survey find the application of the standard challenging and complex. Nevertheless, underpinning the HMRC’s identifications, the study also reveals that audit reports have spotted accounting treatments and disclosure issues in the entities’ financial statements.

The next chapter presents the overall conclusions that can be drawn from the study, including its theoretical contribution, practical implications and recommendations. It also considers the limitations of the study which inspire suggestions for future research.

Chapter 7. Conclusions

7.1 Introduction

This study addresses significant gaps in the literature since most of prior research was conducted before the IFRS for SMEs had been issued and mainly focused on the possible application of the standard in different jurisdictions and the potential costs and benefits of its implementation for the entities eligible to use it. Furthermore, prior research conducted in countries which have adopted the standard mainly focused on the challenges faced by the profession during the stage of the standard's implementation not taking into account the motives behind the adoption decision or the impact on the eligible entities and users of those entities financial information.

This final chapter starts by discussing the findings and results of this study in the context of the three research questions addressed:

- What are the reasons for basing national accounting standards for non-publicly accountable entities on the IFRS for SMEs in Albania and the UK?
- What is the impact of the adapted IFRS for SMEs on the accountancy profession and non-publicly accountable entities in Albania and the UK?
- What is the impact of the adapted IFRS for SMEs on the tax authorities and lenders in Albania and the UK?

In addition, the chapter highlights the contribution of the study, discusses the implications and makes recommendations for the accountancy profession and regulators. The final section points out the limitations of the study which lead to suggestions for future research.

7.2 Reasons for basing standards for non-publicly accountable entities on the IFRS for SMEs

Using the perspective of new institutional theory (DiMaggio and Powell, 1983), the study reveals that the reasons for basing national accounting standards for non-publicly accountable entities on the IFRS for SMEs in Albania and the UK as being the result of coercive, normative and mimetic pressures.

7.2.1 Coercive pressure

In Albania, the source of coercive pressure is the World Bank. Under their project of supporting the creation of open and transparent financial systems in developing countries, the World Bank has been one of the most important promoters of the IFRS for SMEs in Albania, through donations, and financial and professional support. Although the national standard setter had developed accounting standards based on full IFRSs for non-publicly accountable entities, the dependency on financial support from the World Bank led to its replacement with an adapted version of the IFRS for SMEs. The adaption decision was also because the accountancy profession was already familiar with the old national accounting standards and adapting the IFRS for SMEs would avoid misinterpretations and additional costs. Furthermore, the old standards were accompanied with detailed guidelines and examples which, by adapting the IFRS for SMEs, would need only small amendments. It was also judged that some sections of the IFRS for SMEs were not compatible with the Albanian business environment and needed to be omitted. Finally, there was a tight time limitation set by the funder of the project in relationship with the introduction of the new standard. Thus, amending the existing one and the guidelines that accompanied it was considered quicker than the full adoption of the IFRS for SMEs and the production of new guidelines and illustrations.

In the UK, the study reveals that coercive pressure stemmed from the close relationship between the UK's ASB and the IASB. Being one of the original supporters of the establishment of the International Accounting Standards Committee (the IASB's predecessor) and working closely for many years in developing international accounting standards, the findings support the argument that the ASB has an obligation to support the IASB's projects. This creates the pressure to adopt the IFRS for SMEs. However, due to some conflicts with the EU Accounting Directive, and because of some UK business specific requirements, a number of modifications were made. Hence, the UK adapted rather than adopted the standard.

7.2.2 Normative pressure

Normative pressure in Albania came from the accountancy profession, in particular from a big national institution (the IACAA) and Big 4 accountancy firms. These professionals appear to be very experienced with the use of full IFRSs and prefer the use of the same financial reporting requirements for all entities. Furthermore, unlike other institutions and the public, the IACAA and Big 4 accountancy firms were invited and participated in the discussions more than others and they influenced the decision-making process. Nevertheless, some of the Big 4 accountancy firms were employed by the funder of the project as consultants for drafting the new standard. This gave them an additional reason to support the adaption of the IFRS for SMEs.

In the UK, normative pressure came from professional institutions and groups of entities which find the IFRS for SMEs shorter than the old UK GAAP and more manageable for non-publicly accountable entities. They also consider the old UK GAAP confusing and incoherent and suggest that the use of the IFRS for SMEs would benefit the profession in terms of obtaining international financial reporting knowledge and use it for all clusters of entities and the entities in terms of providing cohesive accounting information under one single accounting regime.

7.2.3 Mimetic pressure

According to DiMaggio and Powell (1983) periods of high uncertainty lead to copying other successful 'recipes' resulting in mimetic pressures. In this sense, Albania is a country going through many reforms of transition aiming at improving the governance quality which, amongst other factors, will lead the country towards the coveted EU membership. However, being a small developing economy with a low level of governance quality creates high uncertainty and leads to copy developed countries rather than produce effective reforms of their own.

In the UK, on the other hand, periods of high uncertainty are created because the old UK GAAP was considered outdated, complex and lacking cohesion for both the profession and the entities. Hence, copying a standard developed by the IASB builds the confidence of the constituents.

7.3 Impact on the accountancy profession and non-publicly accountable entities

This study provides the first empirical evidence of the actual impact of the adapted IFRS for SMEs on the accountancy profession and non-publicly accountable entities in Albania and the UK.

7.3.1 Impact in Albania

Larger non-publicly accountable entities in Albania find the application of the adapted IFRS for SMEs simpler and less costly than the smaller entities. An additional burden is created for micro-entities since the size tests for financial reporting purposes differ from those for tax purposes. Due to these inconsistences, these entities are required to report under full national accounting standards instead of using their own simplified standard. Furthermore, some of the micro-entities do not prepare financial statements as required by the accounting legislation, because the tax regulation does not require them to do so. Although these problems were known before the implementation of the new standard, they have not yet been addressed. If the differences in the size tests had been removed beforehand, these problems could have been avoided. This fact might be of interest to other jurisdictions which consider adopting or adapting the IFRS for SMEs. Hence, the co-ordination of the regulations remains a demand from both the profession and the entities. The findings from this study suggest that the sooner that this takes place, the sooner the extra burden will be lifted for the entities affected.

The quality of the financial information provided by entities permitted to use the adapted IFRS for SMEs very much depends on the size of the entity. The larger the entity, the higher the quality of the financial information reported. This fact finds its roots in the decision-usefulness theory (Staubus, 1959) since, as the findings of this study reveal, larger entities are more interested in producing high quality financial statements which would help them in their decision-making processes, while smaller ones comply with the least requirements for tax purposes. Besides, this study reveals that the quality of the financial information provided also depends on the education level of the owner(s) of the business. In other words, the higher the level of the owner(s) education, the higher the need to use the financial information for decision-making, thus the higher the need for high quality financial reporting.

From the profession's point of view the study finds that the accountants' knowledge and experience with full IFRSs is a factor that influences the application of the standard. Thus, the more experienced and knowledgeable the accountants are with full IFRSs, the easier and less time consuming the application of the adapted IFRS for SMEs. On the other hand, this study reveals that the role of the auditor is underestimated in Albania. Auditors are practising more the role of the accountant rather than their own role. Furthermore, auditors' reports appear to be a formality, and this is also confirmed by lenders, who proceed with their own validations for the financial information provided to them by potential clients, rather than rely on the audit reports provided by those potential clients' auditors.

The study finds that the costs associated with the application of the adapted IFRS for SMEs are not substantial for either the accountancy profession or the eligible entities. The accountants and auditors do not find the costs of training, accounting software, external paid advice and compliance significant.

Training is a personal cost for the accountants and auditors. Even for the accountants in business it is not borne by the companies that they are employed. For the members of the professional associations, the cost of training is included in their membership fees, while for the rest of the accountants and auditors the cost was considered fair or not expensive comparing to the knowledge obtained. The cost of accounting software is not considered high for the entities which already had accounting software. That is because they would just need to update the existent software and the cost of updating is much lower than the cost of replacing or buying a new accounting software. However, the cost of buying a new accounting software varies according to how sophisticated the product is. They may start with a lower cost which increases with the features added to the programme. The profession, on the other hand, finds this cost fair and not substantial because they get further discounts from the providers in order to introduce them new clients. Nevertheless, this cost is considered a one-off cost for both entities and the profession, besides it is recognised as an expense and reduces the amount of the taxable profit. External paid advice does not seem to be a concept for the Albanian profession or for the entities eligible to use the adapted IFRS for SMEs. Although they do use external advice, it is either requested within friendly relationships or included on the audit fees with no extra charge. Lastly, the main reason is that the profession did not find the compliance costs substantial is that the adapted IFRS for SMEs was perceived as an improvement of the already existent national standards and not as a new standard. Hence, the differences with the previous standards are not observed as extensive.

On the other hand, the cost of evaluating information is found substantial by the profession. This cost is highly related to the knowledge and experience of the accountant, however it is found to dramatically increase due to rapid and repeated changes to the tax regulation which usually, as revealed, are in dysphonia with the requirements of the standard. Nevertheless, this study finds that the main purpose of entities providing financial information in Albania, is the legal obligation they have towards the tax authority. Hence, a close relationship has been identified between financial accounting and tax accounting. However, the study reveals the existence of conflicts between the two legislations which lead the prepares in keeping different sets of accounts for different purposes, in taking the legal way to solve the conflicts with the tax authority or in deviating from the standard to satisfy tax laws. The first two lead to additional burden and extra costs for the entities and the profession, while the latter leads to damaging the quality of the financial information provided. Furthermore, this study finds that the differences between financial accounting regulation and tax regulation sometimes damage the relationship between accountants/auditors and the entities.

In terms of the benefits, increase in the transparency of the financial information reported has been observed due to the increased disclosure requirements of the adapted IFRS for SMEs for the entities eligible to use it and easier transition to full IFRSs if required or desired. Furthermore, the profession benefits from the knowledge they have obtained with international financial reporting measurement and treatment methods.

7.3.2 Impact in the UK

The results for the UK support the argument that large non-publicly accountable entities are more in favour of the adapted IFRS for SMEs than the old UK GAAP. Considering the quality of the financial information reported by the entities eligible to use the adapted IFRS for SMEs, the study finds that the use of the new standard has improved the image of the companies and the credibility of the information provided to lenders. Furthermore, the use of the new standard has benefited the financial reporting for subsidiaries since the accountants and auditors find it simpler than before. On the other hand, smaller clusters of entities and entities operating in "Energy and Utilities" and "Wholesale/Retail" industries consider the new standard worse or much worse than the old UK GAAP. The latter might be a signal to the national standard setter for more detailed guidelines or further simplifications and/or options added to the new standard to make it more applicable for smaller clusters of entities and to industry specifics. The study's findings also support the argument that the cost of external paid advice is considered a substantial cost for the eligible entities, while the cost of training and the cost of updating or replacing the accounting software are not considered to be extensive.

From the profession's point of view, the study finds that the accountants and auditors find the retrospective application of the standard challenging, time-consuming and complex. However, this study's findings support the argument that early adopters are more in favour of the standard. In other words, the more the accountants and auditors use the standard the more positive they become towards it. Thus, the more experienced they become with the use of the adapted IFRS for SMEs, the more they favour it in comparison to the old UK GAAP.

7.4 Impact on the tax authorities and lenders

This study also provides the first empirical evidence of the actual impact of the adapted IFRS for SMEs on the tax authority and lenders in Albania and the UK.

7.4.1 Impact in Albania

The findings of this study reveal a difference between the accounting regulation and the tax regulation in Albania. Specifically, accounting regulation is based on international financial reporting standards while the tax regulation is based on the general accounting plan. Furthermore, adding to the problem the study reveals that the tax inspectors are very poorly trained in accounting issues and most of all they lack training for the requirements of the standard. These facts do not have an impact only on the profession, the entities and the quality of the financial information reported, they also lead to low governance quality and a distrust towards the tax authority and the tax inspectors. Although these problems have been identified, there is no effort made to narrow the gap between both regulations and to train the tax inspectors on the standard's requirements.

Regarding the lenders, this study reveals that they consider the financial information important, but they also use non-financial information to verify it. The low governance quality and the differences between financial accounting regulation and tax regulation increase the distrust of the lenders for the financial information reported by non-publicly accountable entities. Furthermore, the study reveals that the agency costs for lenders vary according to the size and the sector that the business is operating. In other words, the smaller the entity or the more problematic the sector of its operation, the higher the costs of verifying the financial information provided using the non-financial one. Lastly, a very interesting finding is that voluntary adoption of the full IFRSs for entities which are not required to use them, instead of decreasing the agency costs for lenders would increase them because it would raise doubts for the motives of the voluntary adoption.

7.4.2 Impact in the UK

This study reveals that tax authority staff in the UK have been trained on the requirements of the new standard before its implementation. Furthermore, the tax legislation has been reviewed and properly amended beforehand to avoid any inconsistencies. However, the findings support the argument that inconsistences have still been identified. This is due to poor and problematic disclosures provided from the entities' reporting and due to lack of detailed guidance at some points of the standard. These inconsistences have also been supported by the survey findings since the application of the standard appears challenging and complex for the profession. Nevertheless, this study also reveals that audit reports have spotted accounting treatments and disclosure issues in the entities' financial statements. These inconsistences increase the agency costs for tax authority since they would need to ask questions to the companies for particular treatments performed or disclosed.

Regarding the lenders, this study reveals that before the implementation of the standard, they were concerned about the costs they would face to obtain the appropriate knowledge to understand the new information in terms of training and time. However, they were expecting a decrease in the agency costs because of the comparability and the credibility that international financial reporting has to offer. Taking into account that the profession, through the obtained experience so far with the use of the adapted IFRS for SMEs, considers that the use of the standard has improved the image of the entities and has increased the credibility of the lenders for the financial information provided them, the agency costs for lenders should have decreased.

7.5 Contribution of the study

This study provides several contributions to the existing literature on non-publicly accountable entities financial reporting. First, it extends our knowledge of the reasons and motivations which influence developing and developed countries' decision to use international financial reporting for non-publicly accountable entities. Although prior research provides valuable insights on the reasons and the motives that impulse different jurisdictions to incorporate international financial reporting in their accounting regulations (for example Quagli and Paoloni, 2012; Masca, 2012, Albu et al., 2013; Kaya and Koch, 2015), these studies were conducted before the adoption or adaption of the standard in any of those countries and has an ex ante character. Furthermore, many researchers point out the fact that there is a need for research in countries which have already adopted the IFRS for SMEs (for example Schiebel, 2007; Brown and Tarca, 2012; Albu et al., 2013; Kaya and Koch, 2015). However, the research conducted in countries which have already adopted the IFRS for SMEs focuses on the challenges faced by the accountants and auditors during the process of the standard's implementation or on the users' views (for example, Stainbank, 2008; Van Wyk and Rassouw, 2008; Schutte and Buys, 2011; Manyani, 2011; Uyar and Gungormus, 2013; Hissain et al., 2012; Alver et al., 2014) while they provide no evidence on the factors that influenced the decision of the countries to adopt the IFRS for SMEs.

Second, the results of this study extend our knowledge on costs and benefits related to the IFRS for SMEs adaption for the profession and the eligible entities in relationship to their characteristics for developing and developed countries. Although prior research provides some evidence on the costs and benefits related to the adoption of the IFRS for SMEs for either the profession or the eligible entities (for example Eierle and Haller, 2009; Litjens et al., 2012; Bohusova and Blaskova, 2012; Albu, 2013; Eierle and Helduser, 2013), these studies have been conducted before the implementation of the standard and the costs and benefits identified are considered potential. Furthermore, although the research that has been conducted in countries that have already adopted the standard provides some evidence on the costs and benefits for entities or the profession, this evidence is not integrated for all parties involved: entities, prepares and users.

Third, the results of this study extend our knowledge on costs and benefits related to the IFRS for SMEs adaption for the tax authorities and lenders in developing and developed countries. Prior research conducted in developing countries identifies tax authority as the main user of non-publicly accountable entities financial reporting information and investigates the implications for entities and the profession (for example Chen et al., 2011; Bunea et al., 2012; Albu et al., 2013; Kaya and Koch, 2015). However, these studies have been conducted before the adoption/adaption of the IFRS for SMEs in those countries. On the other hand, prior research conducted in developed countries, identifies banks as the main users of the financial reporting information provided by non-publicly accountable entities in developed countries and investigates the costs and benefits for both entities and lenders (for example Haller and Loffermann, 2008; Zuelch and Bughartd, 2010; Eierle and Helduser, 2013; Vander Bauwhede et al., 2015), but again these studies have an ex ante character since they were conducted before the adoption or adaption of the IFRS for SMEs in those countries. Considering the research conducted in countries which have already adopted the IFRS for SMEs, their findings focus only on the entities' perspective ignoring the costs and benefits from the users' perspective.

Fourth, to the best of the researcher's knowledge, there has been no prior research on the adaption of the IFRS for SMEs in either developing or developed countries. Moreover, there has been no attempt to compare the implications of the adaption at country, entity or user level between developing and developed countries.

7.6 Implications and recommendations

The findings from this study have a number of implications for the regulators in Albania and the UK and other developing and developed countries planning to adopt or adapt the IFRS for SMEs. The differences and similarities between the developing and developed countries revealed by this study may be of particular interest to the IASB.

First, the study reveals the existence of conflicts in the financial reporting information required for different clusters of entities by different regulatory institutions in Albania. Furthermore, strong conflicts have also been identified between the financial accounting regulation and the tax regulation. Furthermore, the findings reveal that the tax regulation and tax requirements change dramatically fast and most of the time the changes remain in dysphonia with the accounting regulation. These conflicts support a call for harmonisation of the regulation in the country to avoid additional burdens and costs for entities, preparers and users of the financial statements compiled under the adapted IFRS for SMEs.

Second, this study demonstrates that entities operating in specific industries in the UK find it more difficult to comply with the new requirements of the adapted IFRS for SMEs. Thus, further guidance, simplifications and/or options to address industry specifics may be necessary.

Third, this study reveals some challenges faced by the profession in the UK while using the new standard. These difficulties have also been identified by auditors and the tax authority. Thus, detailed guidance may be granted to avoid inconsistences.

Lastly, the findings of this study support the argument that larger entities find the application of the standard easier and less costly than the smaller ones in both countries. Therefore, further guidance, simplifications and/or options may be needed from both national standard setters to make the standard more applicable to lower clusters of entities. Furthermore, since such differences between the clusters of the entities related to the application of the standard have also been identified by prior research in different countries, this fact suggests a call for further guidelines and simplifications from the IASB.

7.7 Limitations and suggestions for future research

This research study has several limitations, but these offer potential avenues for further research. First, the study was designed to conduct a survey with the profession in both countries, but this was not feasible in Albania and that prevented the comparison of the results between the countries. Second, several efforts made in the UK to conduct interviews with representatives of the standard setter and lenders to enhance the findings from the minutes of the meetings and the comment letters analyses, resulted in no success. Furthermore, this fact caused a limitation of not being able to identify how the lenders in the UK use the financial reporting information provided by non-publicly accountable entities and the costs and benefits they face. Third, the fact that the ASB started publishing the minutes of its meetings in 2006 while the discussions upon the future of the UK GAAP had started since 2004, prevented the analysis of the initial factors influencing the decision to amend the UK GAAP. Fourth, although the questionnaire survey was sent to 43,100 ACCA members in the UK, it was not possible to calculate the percentage response rate, because the number of the ACCA members using the adapted IFRS for SMEs is not known. Fifth, the findings of this study are an early evidence for both countries and results may change over time. Lastly, the study focuses on only one developing and one developed country, therefore, the results may not be generalisable to all developing and developed countries.

Based on the above limitations, some suggestions for further research are: a more quantitative approach in Albania to allow testing and generalisation of the findings of this study, a more qualitative approach in the UK by face-to-face interviews with regulators in the UK in order to enrich the findings of this study and face-to-face interviews with lenders to closely examine their views on the new standard. Furthermore, further research is suggested for more countries which have adopted or adapted the IFRS for SMEs.

References

ACCA (2008) *International Financial Reporting Standards for Small and Medium Sized Entities: Review of field testing results carried out by ACCA in UK in early 2008*. London: The Association of Chartered Certified Accountants

Agresti, A., (2002) *Categorical Data Analysis.* 2nd ed. New Jersey: John Wiley and Sons

Aisbitt, S. (2002) Tax and Accounting Rules: Some Recent Development. *European Business Review*, 14 (2), pp. 92-97

Albu, C.N. (2013) How relevant is size for setting?, *Accounting and Management Information Systems,* 12 (3), pp. 424-439

Albu, C.N., Albu, N. and Fakete, S. (2010) The context of the possible IFRS for SMEs implementation in Romania. An exploratory study, *Accounting and Management Information Systems*, 9 (1), pp. 45-71

Albu, C.N, Albu, N., Pali-Pista, S.F., Girbina, M.M., Selimoglu, S.K., Kovacs, D.M., Lukacs, J., Mohl, G., Mullerova, L., Pasekova, M., Arsy, A.P., Sipahi, B., and Strouhal, J. (2013) Implementation of IFRS for SMEs in Emerging Economies: Stakeholder Perceptions in the Czech Republic, Hungary, Romania and Turkey. *Journal of International Financial Management and Accounting*, 24 (2), pp. 141-175

Albu, N., Albu, C.N., Buena, S., Calu, D.A., Girbina, M.M. (2011) A story about IAS/IFRS implementation in Romania. *Journal of Accounting in Emerging Economies,* 1 (1), pp. 76-100

Allee, K.D. and Yohn, T.L. (2009) The demand for financial statements in an unregulated environment: An examination of the production and use of financial statements by privately held small businesses*, The Accounting Review*, 84 (1), pp. 1-25

Alver, L., Alver, J. and Talpas, L. (2014) Implementation of IFRSs and IFRS for SMEs: the case of Estonia. *Accounting and Management Information Systems*, 13 (2), pp. 236-258

Amoako, G.K. (2013) Accounting Practices of SMEs: A Case Study of Kumasi Metropolis in Ghana*, International Journal of Business and Management*, 8, (24), pp. 73-83

Anderson, J. A. (1984) Regression and Ordered Categorical Variables. *Journal of the Royal Statistical Society. Series B (Methodological),* 46(1), pp. 1-30.

André, P., Walton, P. and Yang, D. (2012*)* Voluntary adoption of IFRS: a study of determinants for UK unlisted firms. *Compatabilités et Innovation,* France, Available at: https://hal.archives-ouvertes.fr/hal-00935013 (Accessed: 27 March 2016)

ASB (2006a) 'Item 2: The Future Role of the Board'. *Minutes of a meeting of the Accounting Standards Board held on 9 February 2006,* Aldwych, London.

ASB (2006b) 'Item 6.2: Strategy for convergence'. *Minutes of a meeting of the Accounting Standards Board held on 14 September 2006,* Aldwych, London

ASB (2007) 'Item 4: IASB Exposure Draft of an IFRS for Small and Medium-sized Entities'. *Minutes of a meeting of the Accounting Standards Board held on 1 March 2007,* Aldwych, London

ASB (2009) Consultation Paper – Policy Proposal: The Future of UK GAAP, Available at: https://www.frc.org.uk/getattachment/3de5195d-b651-42f0-94c1-c22ee532d64b/;.aspx

ASB (2010a) 'Item 3.2: Future of UK GAAP'. *Minutes of a meeting of the Accounting Standards Board held on 18 March 2010,* Aldwych, London

ASB (2010b) 'Item 5: The Future of UK GAAP'. 'Item 6: Compatibility of the IFRS for SMEs and the EU Accounting Directives'. *Minutes of a meeting of the Accounting Standards Board held on 22 April 2010,* Aldwych, London

ASCG (2008) *Report on the field tests in Germany regarding ED-IFRS for SMEs*. Berlin: Accounting Standards Committee of Germany

Arnold, A, J. and McCartney, S. (2003) It may be earlier than you think: evidence, myths and informed debate in accounting history. *Critical Perspectives on Accounting,* 14, pp. 227-253.

Arnold, A. J. and McCartney, S. M. (2004) *George Hudson: The rise and fall of the Railway King,* London: Hambledon

Ayyagari, M., Demirguc-Kunt, A. and Maksimovic, V. (2011) *Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth* (Policy Research Working Paper No. 5631). Washington, DC: The World Bank

Babbie, E. (2016) *The Practice of Social Research.* 14th ed. Boston: Cengage Learning

Bailey, D. (1988) *Accounting in Socialist Countries,* London: Routledge

Baldarelli, M.G., Demartini, P., Mosnja-Skare, L., Paoloni, P. (2012) Accounting harmonization for SMEs in Europe: Some remarks on IFRS for SMEs and empirical evidences*, Economic Research – Ekonomska Istrazivanja*, 25 (1), pp. 1-26

Barker, P. and Noonan, C. (1996) *Small Company Compliance with Accounting Standards: The Irish Situation.* Dublin: City University Business School

Barratt, N. (2008) 'The impact of the loss of Normandy on the English Exchequer: The Pipe Roll evidence'. In: Paul A. Brand, *Sean Cunningham Foundations of Medieval Scholarship: Records Edited in Honour of David Crook*, Borthwick Publications, pp. 133-134

Barth, J.R., Lin, D. and Yost, K. (2011) Small and Medium Enterprise Financing in Transition Economies. *International Atlantic Economic Society*, 39 (1), pp. 19-38

Bartunkova, L. (2012) Are Companies in the Czech Republic Ready to Implement IFRS for SMEs?. *Acta Universitatis Agriculturae et Silvisulturae Mendelianae Brunensis*, LX (7), pp. 39-44

Baskerville, R. F. and Cordery, C. J. (2006) *Small GAAP: a large jump for the IASB*. Paper presented at the Tenth Annual Conference for Financial Reporting and Business Communication. Retrieved March 16, 2017, from http://hdl.handle.net/10036/15992 (Accessed: 7 November 2017)

BEIS (2017) *Business Population Estimates for the UK and the Regions.* Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663235/bpe_2017_statistical_release.pdf (Accessed: 18 May 2018)

Bertoni, M. and De Rosa, B. (2010) *The Evolution of Financial Reporting for Private Entities in the European Union*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1536065 (Accessed: 13 February 2018)

Bohusova, H. and Blaskova, V. (2012) In what ways are countries which have already adopted IFRS for SMEs different. *Acta Universatis Agriculturae et Silviculturae Mendelianae Brunensis,* 60 (2), pp. 37-43

Botosan, C. A., Ashbaugh-Skaife, H., Beatty, A. L., Davis-Friday, P. Y., Hopkins, P. E., Nelson, K. K., et al. (2006) Financial Accounting and Reporting Standards for Private Entities. *Accounting Horizons,* 20 (2), pp. 179-194

Braun, V. and Clarke, V. (2006) Using thematic analysis in psychology. *Qualtitative Research in Psychology,* 3(2), pp. 77-101

Braun, V. and Clarke, V. (2013) *Successful qualitative research: A practical guide for beginners.* London: SAGE

Brewer, E. I. (2007) On Lending to Small Firms. *Journal of Small Business Management, 45*(1), 42-46

Brief, R. P. (1976) *The late nineteenth-century debate over depreciation, capital and income,* (ed.). New York: Arno Press

Brown, P. (2011) International Financial Reporting Standards: what are the benefits?. *Accounting and Business Research,* 41 (3), pp. 269-285

Brown, P. and Tarca, A. (2012) Ten Years of IFRS: Practitioners' Comments and Suggestions for Research. *Australian Accounting Review,* 22 (4), pp. 319-330

Bruns, V. and Fletcher, M. (2008) 'Banks' risk assessment of Swedish SMEs. *Venture Capital, 10*(2), pp. 171-194

Bryer, R.A. (1993) The late nineteenth – century revolution in financial reporting: Accounting for the rise of investor or managerial capitalism?. *Accounting Organizations and Society*, 18 (7 – 8), pp. 649 -690

Bryer, R.A. (2000a) The history of accounting and the transition to capitalism in England. Part one: Theory. *Accounting Organizations and Society*, 25 (2), pp. 131-162

Bryer, R.A. (2000b) The history of accounting and the transition to capitalism in England. Part two: Evidence. *Accounting Organizations and Society*, 25 (4-5), pp. 327 -381

Bryman, A. and Bell, E. (2015) *Business Research Methods.* 4th ed. Oxford: Oxford University Press

Bunea, S., Sacarin, M. and Minu, M. (2012) Romanian professional accountants' perception on the differential financial reporting for small and medium-sized enterprises. *Accounting and Management Information Systems*, 11 (1), pp. 27-43

Burchell, S., Clubb, C. and Hopwood, A. G. (1994) 'Accounting in its social context: Towards a history of value added in the United Kingdom'. In Parker, R. H. and Yamey, B. S. *Accounting History: Some British Contributions,* Oxford: Clarendon Press, pp. 539-582

Canham, C. (2010). EU supports IFRS for SMEs option. *Accounting Organizations and Society,* 22(5), pp. 221-235

Carsberg, B.V., Page, M.J., Sindhall, A.J., Waring, I.D. (1985) 'Small company financial reporting'. In: Research studies in accounting, Prentice Hall / ICAEW, Engelwood Cliffs.

Chand, P., Patel, A. and White, M. (2015) Adopting International Financial Reporting Standards for Small and Medium-sized Enterprises. *Australian Accounting Review*, 25 (2), pp. 107-118

Chekrezi, C. (1919) *Albania Past and Present.* Canada: The Macmillan Company

Chen, F., Hope, O.K., Li, O., Wang, X., (2011) Financial reporting quality and investment efficiency of private firms in emerging markets. *The Accounting Review*, 86, pp. 1255-1288

Claessens, S., Djankov, S. and Klingebiel, D. (2000) Stock Markets in Transition Economies*, Social Science Research Network*, Financial Sector Discussion Paper No. 5, The World Bank

Cole, V., Branson, J. and Breesch, D. (2009) How to measure the comparability of financial statements? *International Journal of Managerial and Financial Accounting,* 1(4), pp. 379-397

Cole, V., Branson, J. and Breesch, D. (2012) The uniformity-flexibility dilemma when comparing financial statements, *International Journal of Accounting and Information Management,* 20(2), pp. 114-141.

Collis, J. and Hussey, R. (2014) *Business Research: a practical guide for undergraduate and postgraduate students.* 4th ed. Basingstoke: Palgrave Macmillan Higher Education

Collis, J., Holt, A. and Hussey, R. (2017) *Business Accounting: An Introduction to Financial and Management Accounting*. 3rd ed. London: Palgrave Macmillan

Collis, J. Jarvis, R. and Skerratt, L. (2017) The role and current status of IFRS in the completion of national accounting rules: Evidence from the UK. *Accounting in Europe,* 14(1-2), pp. 235-247

Companies House (2016) *Changes in accounting standards and regulation, 29 February*. Available at: https://companieshouse.blog.gov.uk/2016/02/29/changes-to-accounting-standards-and-regulations/ (Accessed: 10 July 2018)

Corbin, J. M. and Strauss, A. L. (2015) *Basics of qualitative research : techniques and procedures for developing grounded theory.* 4th ed. London: SAGE

Creswell, J. W. (2009) *Research design : qualitative, quantitative, and mixed method approaches.* 3rd ed. Thousand Oaks, California: SAGE

Creswell, J. W. (2013) *Qualitative Inquiry and Research Design: Choosing among five approaches.* 3rd ed. Los Angeles: SAGE

Dale, R. (2004) *The first crash: Lessons from the South Sea Bubble.* Princeton: Princeton University Press

Dang, D.S. (2011) Compliance with accounting standards by SMEs in transitional economies: evidence from Vietnam. *Journal of Applied Accounting Research*, 12 (2), pp.96-107

Deaconu, A., Buiga, A. and Strouhal, J. (2012) SMEs Financial Reporting: Attitudes towards IFRS for SMEs, *Studia UBB, Oeconomica*, 57 (1), pp. 101-122

Deloitte (2010) *IFRS for SMEs in your pocket.* Available at: https://www.iasplus.com/en/publications/global/guides/ifrs-for-smes-in-your-pocket (Accessed: 3 March 2016)

Deloitte (2014) *Albania.* Available at: http://www.iasplus.com/en/jurisdictions/europe/albania (Accessed: 5 March 2017)

Devi, S. S. (2003) *A Framework for Differential Reporting: a Response to ISAR'S Accounting and Financial Reporting Guidelines for Small and Medium sized Enterprises.* Kuala Lumpur: Confederation of Asian and Pacific Accountants (CAPA)

Devi, S.S. and Samujh, R.H. (2015) The political economy of Convergence: The case of IFRS for SMEs. *Australian Accounting Review*, 25 (2), pp. 124-138

Di Pietra, R., Evans, L., Chevy, J., Cisi, M., Eierle, B., and Jarvis, R. (2008) Comment on the IASB's Exposure Draft 'IFRS for Small and Medium-Sized Entities. *Accounting in Europe*, 5 (1), pp. 27-47

Duka, V. (2007) *Historia e Shqiperise 1912 – 2000 (The History of Albania 1912 – 2000).* Tirana: Kristalina-KH

Edey, H.C. and Panitpakdi, P. (1956) 'British Company Accounting and the Law 1844 – 1900'. In: Littleton, A. C. and Yamey, B. S. *Studies in the History of Accounting,* Sweet and Maxwell, pp. 356 - 379

Edmiston, K. (2007) The Role of Small and Large Businesses in Economic Development. *Economic Review, Second Quarter*, pp. 73-97

Edwards, J. R. (1989) *A history of financial accounting.* London: Routledge Library Editions

Edwards, J. R. and Webb, K.M. (1984) The development of group accounting in the United Kingdom to 1933. *Accounting Historians Journal*, 11 (1), pp. 31-61

EFRAG (2007) *IASB Project Summary – IFRS for SMEs.* Available at: http://old.efrag.org/files/ProjectDocuments/Other%20projects/Project%20Summaries/IASB%20Project%20Summary%20-%20IFRS%20for%20SMEs%20-%20September%202007.pdf (Accessed: 12 December 16)

Eierle, B. and Haller, A. (2009) Does Size Influence the Suitability of the IFRS for Small and Medium-Sized Entities? – Empirical Evidence from Germany. *Accounting in Europe*, 6 (2), pp. 195-230

Eierle, B. and Helduser, C. (2013) *What drives SMEs need to provide internationally comparable accounting information? Empirical evidence from Germany*. Working paper, Available at: https://noppa.aalto.fi/noppa/kurssi/22l200/lisatty4203/22L200_what_drives_smes_need_to_provide_internationally_comparable_accounting_information____empirical_evidence_from_germany.pdf (Accessed: 12 November 2016)

Elitas, C., Guvemli, O., Aydemir, O., Erkan, M., Ozcan, U., Oguz, M. (2008) *Accounting method used by Ottomans for 500 years: Stairs (Merdiban) method*, Ankara, Turkey: Turkish Republic Ministry of Finance Strategy Development Unit

Epstein, B. J. and Jermakowicz, E. K. (2007) International Standards for Small and Medium-Sized Entities. *CPA Journal, 77*(10), pp. 38-40

Erkan, M. (2011) Accounting Education in Ottoman State. *International Journal of Business and Social Science*, 2(13), pp. 210-214

European Commission (2005) *The new SME definition: User guide and model declaration*. Available at: https://www.eusmecentre.org.cn/sites/default/files/files/news/SME%20Definition.pdf (Accessed: 6 July 2016)

European Commission (2010) *Summary Report of the Responses Received to the Commission's Consultation on the International Financial Reporting Standard for Small and Medium-sized Entities.* Available at: http://ec.europa.eu/internal_market/accounting/docs/ifrs/2010-05-31_ifrs_sme_consultation_summary_en.pdf (Accessed: 5 May 2018)

European Commission (2013) *Financial Reporting Obligations for Limited Liability Companies (Accounting Directive)*. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32013L0034 (Accessed: 12 April 2018)

European Commission (2014) *EU Candidate Status for Albania,* Memo, Brussels, June 2014

Evans, L. (2010) Reporting for SMEs: European Research Contributions. *Paper presented at the EAA 22nd Annual Congress*.

Evans, L., Gebhardt, G., Hoogendoorn, M., Marton, J., Pietra, R. D., Mora, A., et al. (2005) Problems and Opportunities of an International Financial Reporting Standard for Small and Medium-sized Entities. The EAA FRSC's Comment on the IASB's Discussion Paper. *Accounting in Europe*, 2(1), 23-45

Evans, J. R. and Mathur, A. (2005) The value of online surveys. *Internet Research,* 15(2), pp. 195-219.

Forrester, D. A.R. (1994) 'Early canal company accounts: financial and accounting aspects of the forth and Clyde navigation'. In: Parker, R. H. and Yamey, B. S. *Accounting History: Some British Contributions,* Oxford: Clarendon Press, pp. 297 – 323

Francis, J. R., Inder K. K., Xiumin M., Pereira, R. (2008) The role of firm specific incentives and country factors in explaining voluntary IAS adoptions: Evidence from private firms. *European Accounting Review*, 17, pp. 331-360

FRC (2012) *The Future of Financial Reporting in the UK and Republic of Ireland – Revised Frequently Asked Questions*, Available at: https://www.frc.org.uk/getattachment/4298c6d3-bd8a-4cf9-bf25-

d667d4b83050/Frequently-Asked-Questions;.aspx (Accessed: 7 February 2018)

FRC (2015) *Overview of the financial reporting framework.* Available at: https://www.frc.org.uk/getattachment/baa79d97-8bf1-49e3-af14-f0dfd7f1fdfc/Overview-WEB-READY.pdf (Accessed: 5 May 2018)

Fulbier, R. U. and Gassen, J. (2010) *IFRS for European Small and Medium-Sized Entities?: A Theoretical and Empirical Analysis* (Research Report). Bayreuth-Germany: Institute of Financial Accounting and Auditing

Gallagher, C. C., Thomason, J. C. and Daly, M. J. (1991) The growth of UK companies and their contribution to job generation, 1985–1987. *Small Business Economics, 3*(4), pp. 269-286

Garrod, N. and McLeay, S. (1996) 'The accounting implications of political and economic reform in central Europe'. In: Garrod, N., McLeay, S. *Accounting in Transition: The implications of political and economic reform in Central Europe,* Routledge, pp. 1-11

Glynn, J. J. (1994) 'The development of British railway accounting: 1800 – 1911'. In: Parker, R. H. and Yamey, B. S. *Accounting History: Some British Contributions,* Oxford: Clarendon Press, pp. 328-341

Godfrey, A. and Hooper, K. (1996) Accountability and decision-making in feudal England: Domesday Book revisited. *Accounting History (1749-3374*), 1 (1), pp. 35-54

Goncharov, I. and Zimmermann, J. (2007) The supply of and demand for accounting information. The case of bank financing in Russia. *Economics of Transition*, 15 (2), pp. 257-283

Gordon, L.A., Loeb, M.P. and Zhu, W., (2012) The impact of IFRS adoption on foreign direct investment. *Journal of Accounting and Public Policy*, 31 (4), pp. 374-398

Grafton, J., Lillis, A. M. and Mahama, H. (2011) Mixed methods research in accounting. *Qualitative Research in Accounting and Management,* 8(1), pp. 5-21

Gray, S. (1988) Towards a Theory of Cultural on the Development of Accounting Influence Systems Internationally. *Abacus*, 24 (1), pp. 1-15.

Greene, J., Caracelli, V. and Graham, W. (1989) Toward a Conceptual Framework for Mixed-Method Evaluations Designs. *Educational Evaluation and Policy Analysis,* 11(3), pp. 255-274

Guest, G., MacQueen, K. M. and Namey, E. E. (2011) *Applied Thematc Analysis.* London: SAGE

Haller, A. and Eierle, B. (2007) *Final Report of the Survey on the ED-IFRS for SMEs among German SME.* Berlin: Accounting Standards Committee of Germany

Haller, A. and Loffelmann, J.V. (2008) *Financial reporting from the perspective of banks as a major user group of financial statements. Empirical results and implications for the further development of an international financial reporting standard for private entities,* ASCG – Accounting Standards Committee of Germany

Hammersley, M. (1996) 'The relationship between qualitative and quantitative research: Paradigm loyalty versus methodological eclecticism'. In: J. T. E. Richardson, ed. *Handbook of Reearch Methods for Psychology and the Social Sciences.* Leicester: BPS Books

Harris, R. (2013) The private origins of the private company: Britain 1862 – 1907. *Oxford Journal of Legal Studies*, 33 (2), pp. 339-378

Haxhi, L. (2013) Përsosja e kontabilitetit në vendin tonë në 100 vitet e fundit (The improvement of accounting in our country in the last 100 years). *Science session: Development requires changes*, Tirana: November 2012, pp. 22-27

Haxhi, L. and Ziu, M. (2006) Evulimi i standarteve te kontabilitetit deri ne formen qe kemi sot (The evolution of the Accounting Financial Statements until today). *National Conference for the Accounting Financial Statements*, Tirana: December 2006, pp. 7-15

Hesse-Biber, S. (2014) *Mixed Methods Research : Merging Theory with Practice.* New York: The Guilford Press

HMRC (2017) UK trade in goods statistics by business characteristics 2016, Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/660280/IDBR_OTS_2016.pdf (Accessed: 9 February 2018)

Hope, O.K., Wayne, T. and Vyas, D. (2011) Financial credibility, ownership, and financing constraints in private firms. *Journal of International Business Studies*, 42 (7), pp. 935-957

Hopwood, A.G. (1992) Accounting calculation and the shifting sphere of the economic*, European Accounting Review*, 2, pp. 125-143

Hsieh, H. and Shannon, S. E. (2016) Three Approaches to Qualitative Content Analysis. *Qualitative Health Research,* 15(9), pp. 1277-1288

Hussain, F.F., Chand, P.V. and Rani, P. (2012) The impact of IFRS for SMEs on the accounting profession: Evidence form Fiji. *Accounting and Taxation*, 4 (2), pp. 107-118

IASB (2003) *Framework for the Preparation of Financial Statements*. Available at: https://application.wiley-vch.de/books/sample/3527507396_c01.pdf (Accessed: 15 February 2018)

IASB. (2004) *Discussion Paper: Preliminary Views on Accounting Standards for Small and Medium-sized Entities*. London: International Accounting Standards Board

IASB (2005a) *Accounting standards for non-publicly accountable entities.* IASB Update*,* February, pp. 1-6

IASB (2005b) *Staff questionnaire*, Available at: http://www.ifrs.org/Current-Projects/IASB-Projects/Small-and-Medium-sized-Entities/Pages/SME-Questionnaire.aspx (Accessed: 11 May 2018)

IASB (2007a) *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) Latest revision: September 2007.* Available at: http://old.efrag.org/files/ProjectDocuments/Other%20projects/Project%20Summaries/IASB%20Project%20Summary%20-%20IFRS%20for%20SMEs%20-%20September%202007.pdf (Accessed: 6 November 2017)

IASB (2007b) *Basis for Conclusions on Exposure Draft IFRS for Small and Medium -sized Entities.* London: International Accounting Standards Board

IASB (2007c) *Exposure draft on the proposed IFRS for small and medium-sized Entities.* Available at: http://www.ifrs.org/Current-Projects/IASB-Projects/Small-and-Medium-sized-Entities/Exposure-Drafts-and-Comment-Letters/Pages/Exposure-Drafts-and-Comment-Letters.aspx (Accessed: 12 March 2018)

IASB (2009a) *IFRS for SMEs Standard, Basis for Conclusions.* Available at: https://ec.economistas.es/wp-content/uploads/sites/5/2011/02/IFRSforSMEsBasisforConclusions.pdf (Accessed: 5 February 2018)

IASB (2009b) *Project History.* Available at: http://archive.ifrs.org/IFRS-for-SMEs/history/Pages/History.aspx (Accessed: 5 February 2018)

IASB (2009c) *Press Release.* Available at: http://archive.ifrs.org/search/Pages/results.aspx?k=press%20release%202009 (Accessed: 5 January 2017)

IASB (2014) *Who we are.* Available at: http://www.ifrs.org/The-organisation/Documents/WhoWeAre_JAN-2014_ENG.PDF (Accessed: 10 April 2018)

IAS Plus (2001) *About IASB.* Available at: https://www.iasplus.com/en/resources/ifrsf/iasb-ifrs-ic/iasb (Accessed: 20 March 2018)

IAS Plus (2007) *Our table of use of IFRSs by jurisdiction is expanded*. Available at: https://www.iasplus.com/en/news/2007/October/news3711 (Accessed: 4 April 2018)

IAS Plus (2009) *IFRS for SMEs.* Available at: https://www.iasplus.com/en-ca/standards/part-i-ifrs/general-accounting/ifrs-for-smes (Accessed: 20 May 2018)

ICAEW (2016) *Accounting History.* Available at: http://www.icaew.com/en/library/subject-gateways/accounting-history/resources/timeline/1914-1938 (Accessed: 5 June 2016)

ICAEW (2017) *FRS 102 – The Financial Reporting Standard.* Available at: https://www.icaew.com/technical/financial-reporting/new-uk-gaap/frs-102-the-financial-reporting-standard (Accessed: 8 September 2017)

IFAC (2007) *Comment letter on the IASB's Exposure Draft of Financial Reporting Standards for Small and Medium-sized Entities*. Available at: http://archive.ifrs.org/search/Pages/results.aspx?k=IFAC%20Comment%20letter%20on%20the%20IASB%27s%20Exposure%20Draft%20of%20Financial%20Reporting%20Standards%20for%20Small%20and%20Medium-sized%20Entities (Accessed: 12 April 2018)

IFRS Foundation (2010) *The Conceptual Framework for Financial Reporting*. Available at: https://dart.deloitte.com/USDART/resource/7036afd8-3f7e-11e6-95db-2d5b01548a21 (Accessed: 9 May 2018)

IFRS Foundation (2012) *A guide to the IFRS for SMEs*. Available at: http://www.ifrs.org/IFRS-for-SMEs/Documents/AGuidetotheIFRStoSMEs_March2012.pdf (Accessed: 12 May 2018)

IFRS Foundation (2013) *Albania – IFRS profile*. Available at: http://www.ifrs.org/Use-around-the-world/Documents/Jurisdiction-profiles/Albania-IFRS-Profile.pdf (Accessed: 7 September 2016)

IFRS Foundation (2016) *Albania.* Available at: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/albania/ (Accessed: 15 June 2018)

IFRS Foundation (2016) *United Kingdom*. Available at: https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/united-kingdom-ifrs-profile.pdf (Accessed: 4 May 2018)

IFRS Foundation (2017) *Press Release: IFRS Foundation and World Bank deepen cooperation to support developing economies in their use of reporting standards.* Available at: http://archive.ifrs.org/Alerts/PressRelease/Documents/2017/IFRS-Foundation-WB-press-release.pdf (Accessed: 12 April 2018)

IFRS Foundation (2018) *Analysis of the IFRS profiles for the IFRS for SMEs Standard*. Available at: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis (Accessed: 2 June 2018)

Iliri, Y. (1975) Theory of accounting measurement. Studies in Accounting Research, *American Accounting Association*, 10

INSTAT (2016) *Albania in figures 2016.* Available at: http://www.instat.gov.al/media/3583/abania-in-figures-2016-finale-alketa.pdf (Accessed: 18 May 2018)

INSTAT (2018) *Statistics on small and medium enterprises, 2016*. Available at: http://www.instat.gov.al/en/themes/industry-trade-and-services/structural-business-statistics/publication/2018/statistics-on-small-and-medium-enterprises-2016/ (Accessed: 28 April 2018)

Jaeger, T. F. (2007) Categorical data analysis: Away from ANOVAs (transformation or not) and towards logit mixed models. *Journal of Memory and Language,* 59(4), pp. 434-446

Jensen, M.C. and Meckling, W.H. (1976) Theory of the Firm: Managerial Behaviour, Agency Costs and the Ownership Structure. *Journal of Financial Economics*, 3, pp. 305-360

Jick, D. (2007) 'Mixing Qualitative and Quantitative Methods: Triangulation in Action'. In: P. Johnson and M. Clark, eds. *Business and Management.* London: SAGE, pp. 43-52

Johnson, P. (2007) *The Economics of Small Firms: An introduction*. Abingdon: Routledge

Jones, M. J. (2009) Origins of medieval Exchequer accounting. *Accounting, business and financial history (1466-4275),* 19 (3), pp. 259-285

Jones, S. and Aiken, M. (1995) British companies legislation and social and political evolution during the nineteenth century. *Academic Press Limited*, 27 (1), pp. 61 -82

Judge, W., Shaomin, L. and Pinsker, R. (2010) National adoption of International Financial Reporting Standards: An Institutional perspective. *Corporate Governance: An Institutional Review*, 18 (3), pp. 161-174

Kaya, D. and Koch, M. (2015) Countries' adoption of the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) – Early empirical evidence. *Accounting and Business Research*, 45 (1), pp. 93-120

Knafi, K. A. and Howard, M. J. (1984) Interpreting and reporting qualitative research. *Research in Nursing and Health,* 7(1), pp. 17-24

Kothari, S.P, Ramanna, K. and Skinner, D.J. (2010) Implications for GAAP from an analysis of positive research in accounting*, Journal of Accounting and Economics*, 50 (2-3), pp. 245-286

Kozak, M. (2007) *Micro, Small, and Medium Enterprises: A Collection of Published Data*. Washington, DC: International Finance Corporation (IFC)

Krippendorff, K. (2004) *Content analysis: An introduction to its methodology.* 2nd ed. Thousand Oaks: SAGE

Laing, G.K. and Laing, K.T. (2012) The Relevance of International Financial Reporting Standards for Small and Medium-sized Entities: An Australian Case Study. *International Journal of Accounting and Financial Reporting*, 2 (1), pp. 75-82

Leach, R. and Stamp, E. (1981) *British Accounting Standards: The First 10 Years,* Cambridge: Woodhead - Foulkner

Lee, B. and Humphrey, C. (2006) More than a numbers game: qualitative research in accounting. *Management Decision,* 44(2), pp. 180-197

Lee, N. and Lings, I. (2008) *Doing Business Research: A guide to theory and practice.* London: SAGE

Leftwich, R. (1980) Market failure fallacies and accounting information*. Journal of Accounting and Economics*, 2 (3), pp. 193-211

Litjens, R., Bissessur, S., Langendijk, H., Vergoossen, R. (2012) How do preparers perceive costs and benefits of IFRS for SMEs? Empirical evidence from the Netherlands. *Accounting in Europe*, 9 (2), pp. 227-250

Liu, X. (2014) Fitting Stereotype Logistic Regression Models for Ordinal Response Variables in Educational Research (Stata). *Jounal of Modern Applied Statistical Methods,* 13(2), pp. 528-543

Long, J. S. (1997) *Regression Models for Categorical and Limited Dependent Variables.* Thousand Oaks: SAGE

Long, J. S. and Freese, J. (2014) *Regression Models for Categorical Dependent Variables Using Stata.* 3rd ed. Texas: Stata Press Publication

Maingot, M. and Zegbal, D. (2006) Financial Reporting of Small Business Entities in Canada. *Journal of Small Business Management*, 44 (4), pp. 513-530

Masca, E., Moldovan-Telselios, C. and Batrancea, L.M. (2010) Financial information presented under IFRS for SMEs in Romania. *Applied Economics, Business and Development,* ISSN: 1790-5109, ISBN: 978-960-474-184-7, pp. 192-197

Masca, E. (2012) Influence of Cultural Factors in Adoption of the IFRS for SMEs, *Procedia Economics and Finance*, 3, pp. 567 - 575

Maseko, N. and Manyani, O. (2011) *Accounting practices of SMEs in Zimbabwe: An investigative study of record keeping for performance measurement (A case study of Bindura). Journal of Accounting and Taxation*, 3 (8), pp. 171-181

Maxwell, J. (1997) Designing a qualitative study. In: l. Bickman and D. J. Rog, eds. *Handbook of applied social research methods.* Thousand Oaks, CA: SAGE, pp. 69-100

McCartney S. and Arnold A.J. (2012) Financial capitalism, incorporation and the emergence of financial reporting information. *Accounting, Auditing and Accountability Journal*, 25 (8), pp. 1290 – 1316

McKerchar, M. (2008) Philosophical Paradigms, Inquiry Strategies and Knowledge Claims: Applying the Principles of Research Design and Conduct to Taxation. *eJournal of Tax Research,* 6(1), pp. 12-56

Mepham, M. J. (1994) 'The Scottish Enlightenment and the development of accounting'. In: Parker, R. H. and Yamey, B. S. *Accounting History: Some British Contributions,* Oxford: Clarendon Press, pp. 268 – 284

Mkasiwa, T.A. (2014) SMEs' Financial and Differential Reporting – A Review of Publications. *International Journal of Accounting and Financial Reporting*, 4 (2), pp. 82-103

NAC (2014) *The Law for Accounting.* Available at: http://www.kkk.gov.al/faqe.php?id=3andl2=118andgj=sh (Accessed: 16 Oct 2016)

Napier, C. (2010) 'The history of financial reporting in the United Kingdom'. In: Previts, G., Walton, P. and Wolnizer, P. (eds.) *A Global History of Accounting, Financial Reporting and Public Policy*. Bingley: Emerald, pp. 243-273

Neag, R., Masca, E. and Pascan, I. (2009) Actual Aspects Regarding the IFRS for SMEs – Opinions, Debates and Future Developments. *Annales Universitatis Apulensis: Series Oeconomica*, 11 (1), pp. 32-42

Neuendorf, K. A. (2002) *The content analysis guidebook.* Thousand Oaks: Sage

Neumark, D., Wall, B. and Zhang, J. (2008) *Do small businesses create more jobs? New Evidence from the National Establishment Time Series*. Cambridge: National Bureau of Economic Research, Inc.

Nobes, C. and Parker, R. (2000) *Comparative International Accounting,* 6th ed., England: Pearson Education Ltd.

OECD (2015), *SDBS Structural Business Statistics (ISIC Rev. 4) Number of SMEs and large firms*. Available at:

http://stats.oecd.org/Index.aspx?DataSetCode=SSIS_BSC_ISIC4 (Accessed: 10 May 2018)

Onwuegbuzie, A. and Leech, N. (2005) On Becoming a Pragmatic Researcher: The Importance of Combining Quantitative and Qualitative Research Methodologies. *International Journal of Social Research Methodology,* 8(5), pp. 375-387

Oppenheim, A. N. (1966) *Questionnaire Design and Attitude Measurement.* London: Heinemann Educational Books Ltd.

Oppenheim, A. N. (2000) *Questionnaire Design, Interviewing and Attitude.* New ed. London: Continuum

Pacter, P. (2004) *Financial Reporting – SMEs – Will the GAAP widen for SMEs?.* Available at: https://www.accountancydaily.co/financial-reporting-smes-will-gaap-widen-smes (Accessed: 10 January 2018)

Pacter, P. (2009a) An IFRS for private entities. *International Journal of Disclosure and Governance*, 6 (1), pp. 4–20

Pacter, P. (2009b). *IFRS for Small and Medium-Sized Entities (SMEs)*. Paper presented at the AICPA/IASC Foundation Conference IFRS in North America 2009: The U.S. Perspective, New York

Pacter, P. (2011, September 16). *Implementing the IFRS for SMEs.* Paper presented at the World Standards Setters Meeting, London.

Parker, L. D. (2003) Qualitative Research in Accounting and Management: the Emerging Agenda. *Qualitative Research in Accounting and Management,* Volume 2, pp. 15-30

Parker, R. H. (1994) 'Importing and exporting accounting: The British experience'. In: Parker, R. H. and Yamey, B. S. *Accounting History: Some British Contributions,* Oxford: Clarendon Press, pp. 590-610

Parker, R. H. (2000) 'Financial reporting in the United Kingdom'. In: Nobes, C., Parker, R. *Comparative International Accounting.* 6th edn. Essex: Pearson Education Limited

Press, S. J. and Wilson, S. (1978) Choosing between Logistic Regression and Discriminant Analysis. *Journal of the American Statistical Association,* 73(364), pp. 699-705

Quagli, A. and Paoloni, P. (2012) How is the IFRS for SMEs accepted in the European context? An analysis of the homogeneity among European countries, users and preparers in the European commission questionnaire. *Advances in Accounting, Incorporating Advances in International Accounting*, 28 (1), pp. 147-156

Ram, R. and Newberry, S. (2013) IFRS for SMEs: The IASB's Due Process. *Australian Accounting Review*, 23 (1), pp. 3-17

Ram, R. and Newberry, S. (2017) Agenda Entrance Complexity in International Accounting Standard Setting: The Case of IFRS for SMEs*. A Journal of Accounting, Finance and Business Studies*, 53 (4), pp. 485-512

Riahi-Belkaoui, A. (2004) *Accounting Theory.* 5th ed. London: Thomson Learning

Ring, A. (2016) New UK GAAP and tax. *ICAEW Communities: Talk Accountancy*. Available at: https://ion.icaew.com/talkaccountancy/f/talk-accountancy---forum/4746/new-uk-gaap-and-tax (Accessed: 11 June 2016)

Riva, E.D. and Salotti, B.M. (2015) Adoption of the International Accounting Standard by Small and Medium-Sized Entities and its Effects on Credit Granting. *Revista Contabilidade and Finanças*, *26*(69), 304-316

Robson, C. (2011) *Real world research.* 3rd ed. Chichester: Wiley and Sons Ltd.

Rogelberg, S. G. and Luong, A. (1998) Nonresponse to Mailed Surveys: A Review and Guide. *Current Directions in Psychological Science,* 7(2), pp. 60-65

Rogelberg, S. G. and Stanton, J. M. (2007) Introduction: Understanding and Dealing With Organizational Survey Nonresponse. *Organizational Research Methods,* 10(2), pp. 195-209

Rourke, L. and Anderson, T. (2004) Validity in quantitative content analysis. *Educational Technology Research and Development,* Volume 52, pp. 5-18

Samujh, H. and Devi, S.S. (2015) Implementing IFRS for SMEs: Challenges for Developing Economies. *International Journal of Management and Sustainability*, 4 (3), pp. 39-59

Saunders, M., Lewis, P. and Thornhill, A. (2009) *Research methods for business students.* 5th ed. Harlow: Pearson Education Limited

Schiebel, A. (2007) Is There a Solid Empirical Foundation for the IASB's Draft IFRS for SMEs?. Available at SSRN: https://ssrn.com/abstract=994684 or http://dx.doi.org/10.2139/ssrn.994684 (Accessed: 7 February 2018)

Schutte, D. and Buys, P. (2011) A comparative evaluation of South African SME financial statements against the IFRS requirements. *Journal of Accounting and Taxation, 3*(1), 8-22

Shearer, B. (2007) Decision time for private company GAAP?. *Accountancymagazine.com,* January, pp. 78-79

Shkoza, H. (1934) *Financa e Shqipnis (1839-1934) (The Finance of Albania from 1839 to 1934)*, Albania: Nikaj

Sian, S. and Roberts, C. (2006) *Micro-Entity Financial Reporting: Perspectives of Preparers and Users.* New York: International Federation of Accountants

Sian, S. and Roberts, C. (2008) *Micro-Entity Financial Reporting: Some Empirical Evidence on the Perspectives of Preparers and Users*. New York: International Federation of Accountants

Sikhwari, R. and Manda, D. C. (2016) An assessment of the challenges of adopting and implementing IFRSS for SMEs in South Africa. *Problems and Perspectives in Management,* 14 (2), pp. 212-221

Smith, C. (2013) The Scottish Enlightenment and Scottish Independence*. Economic Affairs*, 33, pp. 334–347

Smith, M. (2003) *Research Methods in Accounting.* London: SAGE Publications Ltd.

Solomon, D. J. (2001) Conducting web-based surveys. *Practical assessment research and evaluation ,* 7(19), pp. 112-132

Spence, M. (1973) Job Market Signalling. *The Quarterly Journal of Economics, 87*(3), 355-374.

Stainbank, L. (2008) The development of financial reporting for SMEs in South Africa: Implications of recent and impending changes. *African Journal of Accounting, Economics, Finance and Booking Research*, 3 (3), pp. 1-17

Staubus, G. (1959) The Residual Equity Point of View in Accounting. *The Accounting Review, 34*(1), 3-13. Retrieved from http://www.jstor.org/stable/241135

Staubus, G. (2000) *The decision usefulness theory of accounting: A limited history*. Rudledge Publishing Inc, New York

Strouhal, J. (2012) Applicability of IFRS for SMEs in the Czech Republic. *Economics and Management*, 17 (2), pp. 452-458

Thomadakis, A. (2017) Developing EU Capital Markets for SMEs: Mission impossible?. *ECMI Commentary,* 46, pp. 1-7

Toma, F. (2011) The Future of Micro-Entity Financial Reporting. *OTOC – EFAA Conference*

Toraman, C., Ögreten, A. and Yilmaz, S. (2006) From the First Corporate Accounting Practices in the Ottoman Empire: Eregli Coal Company and Accounting Book Records XIXth Century, *The eleventh World Congress of Accounting Historians,* Nantes, July 2006

TSE (2017) *History and Development.* Available at: https://www.tse.com.al/history/ (Accessed: 20 May 2018)

Tucker, J., Misirlioglu, U. I., Gonis, E., Yukselturk, O. (2012) *The Use of Financial Information by Capital Providers,* Centre for Global Finance, Working Paper Series (ISSN 2041-1596), Paper Number: 02, University of West England, Bristol Business School, Centre of Global Science

Tyrrall, D., Woodward, D. and Rakhimbekova, A. (2007) The Relevance of International Financial Reporting Standards to a developing country: Evidence from Kazakhstan. *International Journal of Accounting*, 42 (1), pp. 82-110

UNCTAD (2007) *Comment letter on the Exposure Draft of A Proposed International Financial Reporting Standard for Small and Medium-sized Entities*. Available at: http://archive.ifrs.org/search/Pages/results.aspx?k=IFAC%20Comment%20letter%20on%20the%20IASB%27s%20Exposure%20Draft%20of%20Financial%20Reporting%20Standards%20for%20Small%20and%20Medium-sized%20Entities (Accessed: 12 April 2018)

Uyar, A. and Gungormus, A.H. (2013) Perceptions and knowledge of accounting professionals on IFRS for SMEs: Evidence from Turkey. *Research in Accounting Regulation*, 25 (1), pp. 77-87

Van Caneghem, T. and Van Campenhout, G. (2012) Quantity and quality of information and SME financial structure. *Small Business Economics*, 39, pp. 341-358

Vander Bauwhede, H., De Meyere, M., and Van Cauwenberge, P. (2015) Financial reporting quality and the cost of debt of SMEs. *Small Business Economics*, 45, pp. 149-164.

Van der Stede, W., Young, S. M. and Chen, C. X. (2005) Assessing the quality of evidence in empirical management accounting research: The case of survey studies. *Accounting, Organizations and Society,* 30(7-8), pp. 655-684

Van Wyk, H. and Rossouw, J. (2009) IFRS for SMEs in South Africa: a giant leap for accounting, but too big for smaller entities in general*. Meditari Accountancy Research*, 17 (1), pp. 99-116

Vasilescu, L. (2014) Accessing Finance for Innovative EU SMEs Key Drivers and Challenges. *Economic Review: Journal of Economics and Business,* 12 (2), pp. 35-47

Vreto J. (1889) *Radhueshkronje (Accounting)*, Bucharest: Dituri

White, M. D. and Marsh, E. E. (2006) Content analysis: A flexible methodology. *Library Trends,* 55(1), pp. 22-45

Wilson, V. (2016) Research Methods: Content Analysis. *Evidence Based Library and Information Practice,* 11(1), pp. 41-43

Yamey, B. S., Edey, H. C. and Thomson, H. W. (1963) *Accounting in England and Scotland: 1543 – 1800,* London: Sweet and Maxwell

Zeff, S. A. (2007) Some obstacles to global financial reporting comparability and convergence at a high level of quality, *The British Accounting Review,* 39, pp. 290-302

Zuelch, H. and Burghardt, S. (2010) The granting of loans by German banks to SMEs against the background of international financial reporting. *Journal of Applied Accounting Research*, 11 (1), pp. 43-57

Appendices

Appendix 1

Interview questions in Albanian

Universiteti Brunel i Londres

Sonila Gkorou

Studim Doctorature me teme:

Standartet Nderkompetare te Kontabilitetit per Njesite e Vogla dhe te Mesme per ekonomite ne zhvillim dhe te zhvilluara: Evindence e heret nga Shqiperia dhe Anglia

Intervista me përfaqësuesit e Ministrisë së Financave dhe Keshillit te Kontabilitetit në Shqipëri

- Nje interviste me perfaqesues se Ministrise se Financave
- Nje interviste me perfaqesues se Keshillit Kombetar te Kontabilitetit

Informacioni i pjesemarresit

Faleminderit qe rate dakord për t'u intervistuar si pjesë e këtij studimi mbi **implementimin e Standarteve te reja Kombetare te Kontabilitetit për NVM-të në Shqipëri**.

Intervista do zgjasi rreth 30-45 minuta dhe pjesëmarrja juaj është **vullnetare**. Me lejen tuaj, intervista do **regjistrohet** pasi kjo do të zvogëlojë nevojën për të marrë shënime të hollësishme dhe për të përmirësuar analizat. Një kopje e transkriptit të intervistimit do ju dergohet për miratim.

Citimet qe do te perdoren ne raporitn hulumtues për të ilustruar gjetjet do jene **anonime**, por transkripti i plotë I intervistes nuk do të publikohet. Nëse nuk më eshte dhënë leje, **as emri juaj as emri i organizatës tuaj do të jetë i lidhur me ndonjë nga informatat që ju ofroni**. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe mbahen ne vend the sigurt. Pasi përfundimit te ketij studimi, këto shënime do shuhen.

Ju jam shumë mirënjohëse për mundesine dhe kohën tuaj për të marrë pjesë në studim. Do të jetë kenaqesia ime të ju dërgoj një përmbledhje të rezultateve të mia në kohën e duhur.

1. Cili është sfondi juaj akademik?
2. Sa vite ushtroni profesionin e kontabilistit?
3. A ushtroni ndonje rol tjeter?
4. Cilat ishin arsyet kryesore për konvergjencën me SNRF për NVM-të me Standarted Kombetare te Kontabilitetit?
5. A mund të më thoni diçka në lidhje me procesin qe u ndoq per marrjen e vendimit të konvergjences se Standarteve Kombetare te Kontabilitetit me SNRF për NVM-të?
6. A ofruat (ose dhate) ndonjë trajnim dhe / ose udhëzime mbi zbatimin e Standarteve te reja te Kontabilitetit?
7. Më tregoni përvojat tuaja mbi zbatimit e standardeve te reja deri më tani.
8. Cilat mendoni se janë përfitimet kryesore te zbatimit të standardeve të reja?
9. A kane ndonje mangesi standardet e reja?
10. Dëshironi tju dergoj një përmbledhje të gjetjeve të mia në fund të studimit?

Ju faleminderit shumë për Kohen qe me dhate.
Unë do tju dërgoj një kopje të transkriptit të intervistimit për miratim tuaj në kohën e duhur. As emri juaj dhe as ai i organizatës suaj do të jetë i lidhur me ndonjë nga informatat që ju ofruat nëse nuk me keni dhene leje tjeter. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe do të shkatërrohen në fund të studimit.

Universiteti Brunel i Londres

Sonila Gkorou

Studim Doctorature me teme:

Standartet Nderkompetare te Kontabilitetit per Njesite e Vogla dhe te Mesme per ekonomite ne zhvillim dhe te zhvilluara: Evindence e heret nga Shqiperia dhe Anglia

Intervista me kontabiliste ne Shqiperi

- Intervista me kontabiliste qe punojen ne firma Big 4
- Intervista me kontabiliste qe punojne ne firma te medha jo Big 4
- Intervista me kontabiliste te pavarur qe punojne me NVM
- Intervista me kontabiliste qe punoje ne NVM

Informacioni i pjesemarresit

Faleminderit qe rate dakord për t'u intervistuar si pjesë e këtij studimi mbi **implementimin e Standarteve te reja Kombetare te Kontabilitetit për NVM-të në Shqipëri**.

Intervista do zgjasi rreth 30-45 minuta dhe pjesëmarrja juaj është **vullnetare**. Me lejen tuaj, intervista do **regjistrohet** pasi kjo do të zvogëlojë nevojën për të marrë shënime të hollësishme dhe për të përmirësuar analizat. Një kopje e transkriptit të intervistimit do ju dergohet për miratim.

Citimet qe do te perdoren ne raporitn hulumtues për të ilustruar gjetjet do jene **anonime**, por transkripti i plotë I intervistes nuk do të publikohet. Nëse nuk më eshte dhënë leje, **as emri juaj as emri i organizatës tuaj do të jetë i lidhur me ndonjë nga informatat që ju ofroni**. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe mbahen ne vend the sigurt. Pasi përfundimit te ketij studimi, këto shënime do shuhen.

Ju jam shumë mirënjohëse për mundesine dhe kohën tuaj për të marrë pjesë në studim. Do të jetë kenaqesia ime të ju dërgoj një përmbledhje të rezultateve të mia në kohën e duhur.

1. Cili është sfondi juaj akademik?
2. Sa vite ushtroni profesionin e kontabilistit?
3. A ushtroni ndonje rol tjeter pervec atij te kontabilistit?
4. Perafersisht sa nga klientet tuaj kane:
   a) 0-9 te punesuar
   b) 10-50 te punesuar
   c) 51-250 te punesuar
5. A pergatisni pasqyrat financiare për ndonjë nga klientët tuaj duke përdorur SNRF?
6. Sa vite keni qe punoni me NVM-te?
7. A keni qenë i përfshirë (keni marre pjese) në ndonjë konsultim per hartimin e ketyre standarteve?
8. Çfarë burimesh informacioni keni përdorur për të mësuar në lidhje me standardet e reja?
9. Më flisni për përvojat tuaja gjate të zbatimit të standardeve të reja.
10. A ka ndonjë ndryshim në mënyrën se si trajtoni tatimet sipas standardeve të reja?
11. Nga përvoja juaj deri tani, a preferoni versionin e vjetër e SKK apo të riUN?
12. Dëshironi tju dergoj një përmbledhje të gjetjeve të mia në fund të studimit?

Ju faleminderit shumë për Kohen qe me dhate.
Unë do tju dërgoj një kopje të transkriptit të intervistimit për miratim tuaj në kohën e duhur. As emri juaj dhe as ai i organizatës suaj do të jetë i lidhur me ndonjë nga informatat që ju ofruat nëse nuk me keni dhene leje tjeter. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe do të shkatërrohen në fund të studimit.

Universiteti Brunel i Londres

Sonila Gkorou

Studim Doctorature me teme:

Standartet Nderkompetare te Kontabilitetit per Njesite e Vogla dhe te Mesme per ekonomite ne zhvillim dhe te zhvilluara: Evindence e heret nga Shqiperia dhe Anglia

Intervista me huadhenesit ne Shqiperi

- Intervista me banka

Informacioni i pjesemarresit

Faleminderit qe rate dakord për t'u intervistuar si pjesë e këtij studimi mbi **implementimin e Standarteve te reja Kombetare te Kontabilitetit për NVM-të në Shqipëri**.

Intervista do zgjasi rreth 30-45 minuta dhe pjesëmarrja juaj është **vullnetare**. Me lejen tuaj, intervista do **regjistrohet** pasi kjo do të zvogëlojë nevojën për të marrë shënime të hollësishme dhe për të përmirësuar analizat. Një kopje e transkriptit të intervistimit do ju dergohet për miratim.

Citimet qe do te perdoren ne raporitn hulumtues për të ilustruar gjetjet do jene **anonime**, por transkripti i plotë I intervistes nuk do të publikohet. Nëse nuk më eshte dhënë leje, **as emri juaj as emri i organizatës tuaj do të jetë i lidhur me ndonjë nga informatat që ju ofroni**. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe mbahen ne vend the sigurt. Pasi përfundimit te ketij studimi, këto shënime do shuhen.

Ju jam shumë mirënjohëse për mundesine dhe kohën tuaj për të marrë pjesë në studim. Do të jetë kenaqesia ime të ju dërgoj një përmbledhje të rezultateve të mia në kohën e duhur.

1. Çfarë percaktoni ju si NVM?
2. Mund të më jepni një vlerësim të përqindjes së NVM klientëve tuaj ?
3. Mund të më jepni një vlerësim të përqindjes së kreditimit që ofron banka juaj për keta klientë?
4. Kush I merr keto vendime?
5. Si merren keto vendime?
6. A merren ne konsiderate standartet e kontabilitetit qe te merren keto vendime?

Tani do te doja te perqendrohemi te NPV e medha.

7. Çfarë informacioni jo-financiar perdorni zakonisht për te marre vendimin e dhenies hua te keto ndermarrje?
    a) Si e gjeni kete informacion?
    b) Si e perdorni kete informacion?
8. Çfarë informacioni financiar perdorni zakonisht për te marre vendimin e dhenies hua te keto ndermarrje?
    a) A perdorni pasqyrat e tyre financiare? Nqse po, cilat pasqyra financiare?
    b) Si i gjeni?
    c) Sa I rendesishem eshe ky informacion financiar per vendimin e huadhenies?
    d) A plotësoni informacionin nga pasqyrat financiare me informacion tjeter financiar? Nëse po, çfarë dhe si mund të merrni atë?
9. Ne clloj informacioni (financiar apo jo) bazohet me teper vendimi juaj I huadhenjes dhe pse?

Tani do te doja te perqendrohemi te NPV e vogla.

10. Çfarë informacioni jo-financiar perdorni zakonisht për te marre vendimin e dhenies hua te keto ndermarrje?
    a) Si e gjeni kete informacion?
    b) Si e perdorni kete informacion?
11. Çfarë informacioni financiar perdorni zakonisht për te marre vendimin e dhenies hua te keto ndermarrje?
    a) A perdorni pasqyrat e tyre financiare? Nqse po, cilat pasqyra financiare?
    b) Si i gjeni?
    c) Sa I rendesishem eshe ky informacion financiar per vendimin e huadhenies?
    d) A plotësoni informacionin nga pasqyrat financiare me informacion tjeter financiar? Nëse po, çfarë dhe si mund të merrni atë?
12. Ne clloj informacioni (financiar apo jo) bazohet me teper vendimi juaj I huadhenjes dhe pse?
13. A e konsideroni nivelin e besueshmërisë mbi informacionin financiar të raportuar nga të dy grupet të kompanive njesoj?
14. A e konsideroni nivelin e besueshmërisë për informacionin financiar raportuar të njëjte për të gjithë sektorët e operimit të ketyre ndermarrjeve?
15. A mendoni se cilësia e informacionit financiar ka ndryshuar që nga perdorimi I Standarteve te reja te kontabilitetit?
16. Dëshironi tju dergoj një përmbledhje të gjetjeve të mia në fund të studimit?

Ju faleminderit shumë për Kohen qe me dhate.
Unë do tju dërgoj një kopje të transkriptit të intervistimit për miratim tuaj në kohën e duhur.
As emri juaj dhe as ai i organizatës suaj do të jetë i lidhur me ndonjë nga informatat që ju

ofruat nëse nuk me keni dhene leje tjeter. Detajet e kontaktit tuaj do të trajtohen në fshehtësi të plotë dhe do të shkatërrohen në fund të studimit.

Interview questions in English

Brunel University of London

Sonila Gkorou

PhD Study

IFRS for SMEs in developing and developed economies: Early evidence from Albania and the UK

Interviews with representatives of Ministry of Finance and Standard Setter in Albania
• Interview with a representative of the Ministry of Finance • Interview with a representative of the National Accounting Board

Participant information

Thank you for agreeing to be interviewed as part of this study on **the implementation of the IFRS for SMEs in Albania.**

The interview will approximately 30-45 minutes and your participation is **voluntary**. With your permission, I will **record** the interview as this will reduce the need to take detailed notes and improve the analysis. I will provide a copy of the interview transcript for your approval.

I may use **anonymous** quotations in the research report to illustrate the findings, but the full interview transcript will not be published. Unless you have given me permission otherwise, **neither your name nor the name of your organization will be associated with any of the information you provide**. Your contact details will be treated in the strictest confidence and kept securely. Once the study has been completed, I will delete these records.

I am very grateful to you for kindly giving up your time to take part in the study. I will be happy to send you a summary of my results in due course.

I'd like to start by asking you something about yourself

1. What is your academic background?
2. What is your professional background?
3. Do you hold any other roles?

I'd now like to focus on the NINAS

4. What were the main reasons for convergence with the IFRS for SMEs?
5. Can you tell me something about the process involved in reaching the decision to converge the old NAS with the IFRS for SMEs?
6. Did you provide any training and/or guidelines on the implementation of the new NAS?
7. Tell me about your experiences of implementing the new standard so far.
8. What do you think are the main benefits of the new standard?
9. Does the new standard have any disadvantages?
10. Would you like to receive a summary of my findings at the end of the study?

Thank you very much for giving me so much of your time.

I will send you a copy of the interview transcript for your approval in due course.

Neither your name nor that of your organization will be associated with any of the information you provide unless you have given permission otherwise.

Brunel University of London

Sonila Gkorou

PhD Study

IFRS for SMEs in developing and developed economies: Early evidence from Albania and the UK

Interviews with accountants in Albania

- Interviews with accountants/auditors working in Big 4 firms
- Interviews with accountants/auditors working in Non-Big 4 firms
- Interviews with accountants in business
- Interviews with accountants in practice

Participant information

Thank you for agreeing to be interviewed as part of this study on **the implementation of the IFRS for SMEs in Albania.**

The interview will approximately 30-45 minutes and your participation is **voluntary**. With your permission, I will **record** the interview as this will reduce the need to take detailed notes and improve the analysis. I will provide a copy of the interview transcript for your approval.

I may use **anonymous** quotations in the research report to illustrate the findings, but the full interview transcript will not be published. Unless you have given me permission otherwise, **neither your name nor the name of your organization will be associated with any of the information you provide**. Your contact details will be treated in the strictest confidence and kept securely. Once the study has been completed, I will delete these records.

I am very grateful to you for kindly giving up your time to take part in the study. I will be happy to send you a summary of my results in due course.

I'd like to start by asking you something about yourself

1. What is your academic background?
2. How many years have you been working as an accountant?
3. Do you hold any other roles?
4. Approximately how many of your clients have:
   a) 0-9 employees
   b) 10-50 employees
   c) 51-250 employees
5. Do you prepare financial statements for any of your clients using IFRS?
6. How many years have you been working with non-publicly accountable entities?

I'd now like to focus on the new NAS

7. Were you involved in any consultation on the development of the new standard?
8. What sources of information did you use to learn about the new standard?
9. Tell me about your experiences of implementing the new standard.
10. Is there any difference in the way you deal with taxation under the new standard?
11. From your experience so far, do you prefer the old version of the NAS or the new standard?
12. Would you like to receive a summary of my findings at the end of the study)

Thank you very much for giving me so much of your time.

I will send you a copy of the interview transcript for your approval in due course.

Neither your name nor that of your organization will be associated with any of the information you provide unless you have given permission otherwise.

Brunel University of London

Sonila Gkorou

PhD Study

IFRS for SMEs in developing and developed economies: Early evidence from Albania and the UK

Interviews with lenders in Albania
• Interviews with banks

Participant information

Thank you for agreeing to be interviewed as part of this study on **the implementation of the IFRS for SMEs in Albania.**

The interview will approximately 30-45 minutes and your participation is **voluntary**. With your permission, I will **record** the interview as this will reduce the need to take detailed notes and improve the analysis. I will provide a copy of the interview transcript for your approval.

I may use **anonymous** quotations in the research report to illustrate the findings, but the full interview transcript will not be published. Unless you have given me permission otherwise, **neither your name nor the name of your organization will be associated with any of the information you provide**. Your contact details will be treated in the strictest confidence and kept securely. Once the study has been completed, I will delete these records.

I am very grateful to you for kindly giving up your time to take part in the study. I will be happy to send you a summary of my results in due course.

I'd like to start by asking about the SMEs customers you have.

1. What type of entity do you define as a SMEs?
2. Can you give me an estimate of the proportion of your non-publicly accountable customers?
3. Can you give me an estimate of the proportion of the lending you provide to your SME's customers?

I'd like to focus now on lending decisions

4. Who makes lending decisions?
5. How are these decisions made?
6. Do you take accounting standards in consideration to make your lending decisions?

I'd like to focus now on the big SMEs.

7. What **non-financial** information do you generally use for your lending decision to these entities?
    a) How do you obtain it?
    b) How do you use it?
8. What **financial** information do you generally use for your lending decision to these entities?
    a) Do you use their financial statements? If so, which financial statements?
    b) How do you obtain them?
    c) How important is this financial information in your lending decision?
    d) Do you supplement the information from the financial statements with other financial information? If so, what and how do you obtain it?
9. In what kind of information (financial or non-financial) is your lending decision mostly based on and why?

I'd like to focus now on the small SMEs.

10. What **non-financial** information do you generally use for your lending decision to these entities?
    a) How do you obtain it?
    b) How do you use it?
11. What **financial** information do you generally use for your lending decision to these entities?
    a) Do you use their financial statements? If so, which financial statements?
    b) How do you obtain them?
    c) How important is this financial information in your lending decision?
    d) Do you supplement the information from the financial statements with other financial information? If so, what and how do you obtain it?
12. In what kind of information (financial or non-financial) is your lending decision mostly based on and why?

Now I'd like to focus on the reliability of the financial information that you use.

13. Do you consider the level of reliability on the financial information reported by both clusters of companies the same?
14. Do you consider the level of reliability on the financial information reported the same for all sectors of their operation?
15. Do you think the quality of information has changed since the new NAS?
16. Would you like to receive a summary of my findings at the end of the study?

Thank you very much for giving me so much of your time.

I will send you a copy of the interview transcript for your approval in due course.

Neither your name nor that of your organization will be associated with any of the information you provide unless you have given permission otherwise.

Your contact details will be treated in the strictest confidence and will be destroyed at the end of the study.

Appendix 2

Invitation

FRS 102 Implementation

Dear member

ACCA are currently working with Brunel University London on research into the implementation of FRS 102. Little is known about the costs and benefits of this new standard and this study will help us learn more.

We are keen to hear the views of **members who prepare or audit the accounts of private limited companies using FRS 102**.

If you do this, we would be very grateful if you would participate in a **short online survey**. Your contribution is critical to the project and we do hope you will be able to help.

The survey will take about 10-15 minutes to complete and will be open until 15 May 2017.

Please click to take part or the link below

The questionnaire is being hosted by Brunel University London, and all responses will be anonymous. Your details will not be shared with Brunel. And the information you give will be treated in the strictest confidence. If you have any queries please email us at … .

The results will be available in a report that will be published later this year. If you would like to receive a copy, you will be given the chance to opt-in during the survey.

Many thanks for your support,

ACCA and Brunel University London

Questionnaire

Q1. Are you an accountant who prepares or audits financial statements under FRS 102, *Financial Reporting Standard applicable in the UK and Ireland*?

(a) Yes (1)

(b) No (0).

Q2. Are you:

* *If the following options do not fit your current role or circumstances, please select one of the options which most closely fits a role where you have made use of FRS 102. Then please continue the survey questions with that role in mind.*

(a) An accountant working in a private company (1)

(b) An accountant in practice with private company clients (2)

(c) An auditor in practice with private company clients (3)

<u>Questions for accountants in business</u>

Q3. Are you an accountant working in:

(a) A large private company (4)

(b) A medium-sized private company (3)

(c) A small private company (2)

(d) A micro-company (1)

Q4. Please indicate the industry sector of the company's main activities.

Academic / Education
Agriculture, forestry and fishing
Charities and other public benefit entities
Energy and utilities
Financial and insurance activities
Healthcare / Pharmaceutical
High Tech
IT / Communications
Leisure / Tourism
Manufacturing / Engineering
Professional services
Transportation / Distribution
Wholesale/Retail
Other (Please state _________)

Q5. Is the company a subsidiary of another entity?

(a) Yes (1)
(b) No (0) (Go to Q7)

Q6. Please indicate the extent of your agreement with the following statement:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
The use of FRS 102 facilitates simpler reporting due to the reduced disclosure framework.	☐	☐	☐	☐	☐

Q7. How long have you been using FRS 102?

(a) 1 year (1)

(b) 2 years (2)

(c) 3 years (3)

Q8. Does the company have any international trade activities?

(a) Yes (1)
(b) No (0)

Q9. Are the statutory financial statements of the company audited?

(a) Yes (1)

(b) No (0)

Q10. Did the auditors raise any issues over compliance with FRS 102?

(a) Disclosure issues (1)

(b) Accounting treatment (2)

(c) Other (3) (Please state __________)

(d) None

Q11. Have you ever prepared financial statements for this company or another company under EU-adopted IFRSs?

(a) Yes (1)
(b) No (0)

Q12. Do you think that the use of FRS 102 will facilitate transition to IFRSs if it becomes necessary or desirable in the future?

(a) Yes (1)
(b) No (0)

Q13. Please rank the following potential users of the statutory financial statements under FRS 102 in order of importance (1 = most important, 7 = least important):

(a) Employees
(b) Investors
(c) Lenders
(d) HM Revenue and Customs
(e) Major customers
(f) Major suppliers
(g) Management

Q14. Have you received training in the application of FRS 102?

(a) Yes (1)
(b) No (0)

Q15. Who paid for the FRS 102 training?

(a) You (1)
(b) Your company (2)
(c) Other (3) (Please state __________)

Q16. Please give your view on the cost of the FRS 102 training:

Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
☐	☐	☐	☐	☐	☐

Q17. Did you need to replace or update existing accounting software to use FRS 102?

(a) Yes (1)
(b) No (0)

Q18. Please give your views on the software costs:

	Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
(a) The cost of replacing the accounting software was:	☐	☐	☐	☐	☐	☐
(b) The cost of updating the accounting software was:	☐	☐	☐	☐	☐	☐

Q19. Please indicate the extent of your agreement with the following statements:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
(a) The retrospective application of the rules of FRS 102 was time-consuming.	☐	☐	☐	☐	☐
(b) The retrospective application of the rules of FRS 102 was challenging.	☐	☐	☐	☐	☐

Q20. Have you ever paid for external advice on applying FRS 102?

(a) Yes (1)
(b) No (0)

Q21. Please give your view on the cost of external paid advice:

Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
☐	☐	☐	☐	☐	☐

Q22. Please indicate the extent of your agreement with the following statements:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5	Don't know 0
(a) FRS 102 is complex in terms of recognition and measurement methods.	☐	☐	☐	☐	☐	☐
(b) The use of FRS 102 aids joint ventures.	☐	☐	☐	☐	☐	☐
(c) The use of FRS 102 improves the company's image.	☐	☐	☐	☐	☐	☐
(d) The use of FRS 102 supports the company's international trade activities.	☐	☐	☐	☐	☐	☐

Q23. Please indicate the extent of your agreement with the following statements:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5	Don't know 0
(a) The use of FRS 102 increases the credibility of the statutory financial statements for lenders.	☐	☐	☐	☐	☐	☐
(b) The use of FRS 102 increases the credibility of the statutory financial statements for major customers and suppliers.	☐	☐	☐	☐	☐	☐
(c) The use of FRS 102 increases the credibility of the statutory financial statements for credit rating agencies.	☐	☐	☐	☐	☐	☐

<u>Questions for accountants and auditors in practice</u>

Q24. Are you an accountant in practice or an auditor working in:

(a) One of the Big 4 accounting firms (4)
(b) A large accounting firm that is not one of the Big 4 (3)
(c) A mid-tier firm (2)
(d) A sole practitioner / self-employed with clients that are mainly private companies (1)

Q25. How long have you been preparing or auditing accounts under FRS 102?

(a) 1 year (1)
(b) 2 years (2)
(c) 3 years (3)

Q26. Do you prepare or audit accounts under FRS 102 for clients in the following size groups?

(a) Large private companies (4)

(b) Medium private companies (3)

(c) Small private companies (2)

(d) Micro-companies (1)

Q27. Do you prepare or audit accounts under FRS 102 for clients in the following industry sectors?

Academic / Education
Agriculture, forestry and fishing
Charities and other public benefit entities
Energy and utilities
Financial and insurance activities
Healthcare / Pharmaceutical
High Tech
IT / Communications
Leisure / Tourism
Manufacturing / Engineering
Professional services
Transportation / Distribution
Wholesale/Retail
Other (Please state __________)

Q28. Are any of your clients that use FRS 102 subsidiaries of other entities?

(a) Yes (1)
(b) No (0)

Q29. Please indicate the extent of your agreement with the following statement:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
The use of FRS 102 facilitates simpler reporting for subsidiaries due to the reduced disclosure framework.	☐	☐	☐	☐	☐

Q30. Do any of your clients that use FRS 102 have international trade activities?

(a) Yes (1)
(b) No (0)

Q31. Have you ever prepared or audited financial statements under EU-adopted IFRSs?

(a) Yes (1)
(b) No (0)

Q32. Do you think that your clients' use of FRS 102 will facilitate transition to full IFRSs if it becomes necessary or desirable in the future?

(a) Yes (1)
(b) No (0)

Q33. Please rank the following potential users of the statutory financial statements under FRS 102 in order of importance (1 = most important, 7 = least important):

(a) Employees
(b) Investors
(c) Lenders
(d) HM Revenue and Customs
(e) Major customers
(f) Major suppliers
(g) Management

Q34. Have you received training in the application of FRS 102?

(a) Yes (1)
(b) No (0)

Q35. Who paid for the FRS 102 training?

(a) You (1)
(b) Your firm (2)
(c) Other (Please state __________) (3)

Q36. Please give your view on the cost of FRS 102 training:

Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
☐	☐	☐	☐	☐	☐

Q37. Did you need to replace or update existing accounting software to use FRS 102?

(a) Yes (1)
(b) No (0)

Q38. Please give your views on the software costs:

	Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
(a) The cost of replacing the accounting software was:	☐	☐	☐	☐	☐	☐
(b) The cost of updating the accounting software was:	☐	☐	☐	☐	☐	☐

Q39. Please indicate the extent of your agreement with the following statements:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
(a) The retrospective application of the rules of FRS 102 was time-consuming.	☐	☐	☐	☐	☐
(b) The retrospective application of the rules of FRS 102 was challenging.	☐	☐	☐	☐	☐

Q40. Have you ever paid for external advice on applying FRS 102?

(a) Yes (1)
(b) No (0)

Q41. Please give your view on the cost of external paid advice:

Not at all expensive 1	Not very expensive 2	Reasonable 3	Fairly expensive 4	Very expensive 5	Don't know 0
☐	☐	☐	☐	☐	☐

Q42. Have you given external advice to any of your clients or colleagues on the application of FRS 102?

(a) Yes (1)
(b) No (0)

Q43. Please indicate the extent of your agreement with the following statements:

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5	Don't know 0
(a) FRS 102 is complex in terms of recognition and measurement methods.	☐	☐	☐	☐	☐	☐
(b) The use of FRS 102 aids joint ventures.	☐	☐	☐	☐	☐	☐
(c) The use of FRS 102 improves the company's image.	☐	☐	☐	☐	☐	☐
(d) The use of FRS 102 supports the company's international trade activities.	☐	☐	☐	☐	☐	☐

Q44. Please indicate the extent of your agreement with the following statements?

	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5	Don't know 0
(a) The use of FRS 102 increases the credibility of the statutory financial statements for lenders.	☐	☐	☐	☐	☐	☐
(b) The use of FRS 102 increases the credibility of the statutory financial statements for major customers and suppliers.	☐	☐	☐	☐	☐	☐
(c) The use of FRS 102 increases the credibility of the statutory financial statements for credit rating agencies.	☐	☐	☐	☐	☐	☐

<u>Questions for all respondents</u>

Q45. Overall, how do you find FRS 102 in comparison with the previous UK GAAP?

Much worse 1	Worse 2	About the same 3	Better 4	Much better 5	Don't know 0
☐	☐	☐	☐	☐	☐

Q46. Do you think FRS 102 would be more useful if it was identical to the IFRS for SMEs rather than the current modifications of the IFRS for SMEs?

(a) Yes (1)
(b) No (0)
(c) Don't know

Q47. Would you like to receive a summary of the research results?

(a) Yes (Please provide your email address, which will be kept securely and only be used for this purpose: ________________________________)
(b) No

This is the end of the survey.
Thank you very much for your participation.

Appendix 3

"I have read the tax law about income line by line. There is nothing about my problem. There is no legal support. According to the standard the revenue (sale) is recognized when I produce the invoice and the client signs it. This is called selling according to the standard. The tax law recognises the sale the moment it leaves your inventory. My problem relies on selling and installation. For example, if I sell only one air conditioner, the process of placement is fast. Meaning that from the moment you take the air conditioner to your client, he signs your invoice and it is a sale. In this case the specific weight of the installation process as a cost is very small compared to the specific weight of the good you sold. In this case it recognized immediately as a sale. But, what happens with the cases where the specific weight of the installation process and the secondary materials apart from the basic equipment has a great value by itself? In this case you get the signature from your client only when you have completed all the procedures of installation. This problem is completely unresolved. No one shows you a legal solution. Everyone tells you tricks. I am not interested in tricks. That is not the solution. They say keep the equipment in the truck accompanied with a note receipt that the merchandise has not arrived at the destination because I keep it in my truck. What am I going to do when I would have to take the big equipment which I need to issue from the warehouse? It is worth hundreds of thousands of euros. This is a big problem. If only one spies on me and tells the tax authority that I am taking out merchandise, they will be here within seconds! I cannot produce a sales tax invoice. I cannot produce an invoice of internal movements, since my movement is not between warehouses, but from my business to another business. I have asked experts. No one gives you a proper solution based on laws. They give you opinions. There is no legal support." [Accountant 4]

"The financial statements are compiled in accordance with the NINAS. When you arrive to the point of the accounting profit before tax, then this profit must be adjusted to the changes required by the tax legislation. In Albania we continue until this day to have two sets of accounts, because if until recently the income tax rate was at 10%, due to the unfair interference in the accounting treatments of the tax

regulation, in practice the taxable profit rises so much that the Albanian businesses pay on average from 25% to 30% of that profit. In other words, you recognise by the standard an expense or a loss. Tax authority says it is not. So, if the real profit is let's say 10, the taxable profit goes up to 20. Here we go to a 100% increase." [Accountant 9]

"The standard allows you to assess the market value of the materials you have in stock. I can have a material ten-year-old in my inventory. Back then it was worth 5 Lek. Today it cannot be sold not even for 1 Lek. The standard allows you to value your stock at 1 Lek, while the tax law does not. No, says the tax inspector, because then you appear to me with losses. There are plenty of such cases." [Accountant 12]

"Tax authority makes a valuation of a sold building, at a cost of the area, for example if our profit is 90 euros, they calculate 90 euros. They calculate 90 euros now and do not rely on the past receipts as stated in the standard. It takes you at least 3 years to build this object. During those 3 years I receive euros or dollars. But, as you know, during those 3 years, the exchange rate changes. So, for me the profit for the client in Lek is around 500 million according to my converts during the years. The tax authority converts if with today's rate. They do not understand that I have to pass the exchange rate difference into the loss account. If you do that, they do not recognise it. But we are talking for millions of moneys. This client here for example, his account remains open for about 40 million." [Accountant 5]

"For example, one of the fundamental differences is that of the borrowing cost. It is not being capitalized any more. Direct borrowing is a current cost, a current expense. This is opposite to the tax requirements, while it fits the interests of the entity. In this case the accountants empathise with the standard. They have adopted this approach and expect the National Accounting Council (the standard setter) to issue a guideline, so as the tax authorities would accept this change." [Accountant 11]

"The concept for Provisions regarding the provision for the condition of goods being too long in the inventory, is not understood by the tax inspectors. They cannot understand how you use the method of calculating the provisions. Additionally, the allowance for doubtful debts, for the part of customers who had liabilities carried through the

years and not getting paid, is another issue with which we face difficulties with tax inspectors. These phenomena create problems with to clients, because the owner thinks that he has a bad debt, but he will have to go to court to recognize it as a loss and until then the tax authority recognizes it as a taxable amount. But even if you get that court decision, they say it should be calculated as an unknown expense and should be taxed again. This part is a great burden for the business and we cannot overcome it. The owner is already in pain. He has a bad debt which will never be liquidated for various reasons (for example due to client's bankruptcy) and they add other problems by demanding taxes on this amount. He knows he has lost once and paying taxes on the amount he has already lost is a double loss. This point remains a kink." [Accountant 1]

"We have a case with an accounting treatment in a particular industry. Let's say a bank or an oil company. For this accounting treatment we have taken several experts' opinions, and all more or less agree with our way of treating the issue. This treatment is not accepted by the tax administration and the penalties are very high. You are free to go to courts, but the issue will be dragged for who knows how many years." [Accountant 15]

Appendix 4

Breakdown of commentators

Industry	Number of Commentators	Supporting Existing UK GAAP	Supporting IFRS for SMEs	Supporting a Different Standard	IFRS for SMEs' Adoption	IFRS for SMEs' Adaption	Costs/Benefits of IFRS for SMEs' Implementation
Accountancy/Audit	35	1	21	1	13	8	9
Public Benefit/Charities	30	3	5	18	5	6	8
Individuals	12	8	1	2		1	1
Education	10		5	5	5	2	1
Investing	10	2	7	1		4	4
Professional Institutions	10		10		6	4	4
Banks/Credit Unions	7	2	5		2	3	4
Financial Advisors	8	3	4		4	4	1
Real Estate	6	2	3			2	1
Energy and Utilities	3	1	2		1	1	1
Food	3	1	2			3	2
Oil and Gas	2		2		1	1	1
Technology	3	1	2		1	2	2
Co-operatives	3	1	1	1		2	3
Insurance	2		2		1	1	1
Publishing	2	2					
Telecommunication	2	1	1		1	1	1
Aerospace and Defence	1			1			
Funding	1			1			
Tobacco	1		1			1	1
Tax	1		1		1		1
Manufacture	1		1		1		
Leisure/Tourism	1		1		1		
Automobile	1		1		1		
Total	**155**	**28**	**79**	**29**	**44**	**46**	**46**

Note: individuals consist of: 2 financial managers in small charity entities, 3 accountants in practice, 1 director of an investment company, 1 professor of charity studies, 2 accountants working in small charities, 1 professional pension trustee, 1 internal audit manager and 1 anonymous individual