

IFRS in Developed Economies, Economies in Transition, and Developing Economies

A Research Proposal

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Abstract

This document presents a research proposal to explore the question of how IFRS adoption and implementation affects nations of three major economic stages: developed economies, economies in transition, and developing economies. Background research presented highlights the lack of comparability between current studies available, making a coherent discussion impossible. In order to change this reality, the project will look to create a common basis upon which to base future studies so that evidence may be comparable; the basis will largely center on being able to compare countries with similar economic stages, as explained by the question. The proposal includes a basic narrative, comprised of an introduction, background information, methods, expected results, and conclusion, a budget, and related references.

Introduction

International financial reporting standards (IFRS) strive to create greater efficiency and transparency in international financial markets in order to foster more trust and long-term stability in the global economy.¹ Currently over 100 nations around the world have adopted IFRS in an attempt to reap the benefits claimed by IFRS Foundation, the not-for profit organization charged with developing, maintaining, and adjusting these standards. However, industry leaders, international financial institutions, and academics have all begun investigating into the actual results of IFRS adoption and implementation across the world, yielding a wide array of results. With this new abundance of information available to companies and political leaders, there lacks a cohesive way to analyze the different studies, as each researching team approached their work through different analysis, computation, and presentation, making cross-comparison highly difficult for those lacking highly advanced knowledge in the field. Thus, this project looks to answer the question: “How does International Financial Reporting Standards (IFRS) adoption affect countries of the three main economic development stages: developed economies, economies in transition, and developing economies?”

Background/Related Work and Motivation

Within IFRS research, a relevant amount of work has been completed, and even more is currently being conducted and edited for publishing. In my own search, I discussed my research mentor’s working papers within IFRS research as it relates to China and various Chinese corporations specifically², thus inspiring me to look into the research conducted into examining other countries. Several studies have been published regarding the effects upon specific countries, including Kazakhstan³, Brazil and South Africa⁴, and France, the UK, and Germany⁵. However, a coherent way to compare these studies to examine potential benefit on a larger scale was non-existent. As more and more nations look to adopt IFRS or converge their own standards (example: United States Generally Accepted Accounting Principle aka U.S. GAAP) with those of IFRS without mandatory adoption, it seems important that political leaders, business executives, academics, and investors have an idea of possible outcomes and results based upon what has happened in other nations.

With relation to examining how IFRS adoption has been implemented, focusing on the stages of economic development is a key way to group together nations that will not exclude their own

¹ “IFRS – Home,” *IFRS Foundation*, accessed 27 October 2017, <http://www.ifrs.org/>.

² Zining Li, “Mandatory IFRS Adoption and Earnings Management: Evidence from China,” 2017.

³ Oksana Kim, *The Effects and Implications of Kazakhstan’s Adoption of International Financial Reporting Standards: A Resource Dependence Perspective*, Stuttgart, Germany: Ibidem-Verlag, 2017.

⁴ Gregor Hagemann, *Financial Reporting Quality in Emerging Economics: Empirical Evidence from Brazil and South Africa*, Frankfurt, Germany: Peter Lang, 2017.

⁵ Christian Reisloh, *Influence of National Culture on IFRS Practice: An Empirical Study in France, Germany, and the United Kingdom*, Frankfurt, Germany: Peter Lang, 2011.

<https://ebookcentral.proquest.com/lib/lmu/detail.action?docID=1054885> (accessed 14 October 2017).

political, historical, and cultural particularities. This distinction is important as it reflects basic economic country conditions.⁶ These conditions provide broad insight into the types of industries and companies operating in these nations, and I also found that there are subgroups defined by geographical location or on ad hoc criteria.⁷ By taking this as a note that geography has a major influence potentially on economic status, I found that organizing my research on this universal point formed a key component of my question.

With this background in mind, I have outlined my methods and expected results from this research project below, as well as providing a conclusion to summarize my efforts.

Methods

In order to answer my research question, I will complete my work through 4 major steps, as outlined below, and will provide more detail as to each specific step following the list:

- 1. Gather all available studies relating to IFRS adoption and implementation effects.**
- 2. Examine the research methods and questions of each study in order to find common thread throughout larger group of studies.**
- 3. Formulate a common standard on which to input the data and conclusions taken from each study so that their results might yield comparable statistics and data.**
- 4. Generate a document that outlines procedures taken to achieve this compilation, as well as tables indicating results, categorized by 3 economic types: developed economies, economies in transition, and developing economies.**

Step 1 → I will take the course of a year to compile studies that have been released and published, as well as monitoring the release and publication of other studies in order to collect as much data as possible. This will require assistance in numbers, and thus I would like to add two research assistants to complete this project, the costs for which are outlined in the attached proposed budget.

Step 2 → This goes more in-depth and individually may vary based upon each study. I will read and outline the key points of each, noting the formulas used and what specifically was measured in terms of IFRS adoption impacts. Although this step will also require significant time dedication, it is one of the most important in my opinion as it will provide the necessary scope and highlight any particular trends among researchers that I can and should take into account when completing the third step.

Step 3 → Upon completion of the second step, this part of the process will go much more quickly than the steps leading to this point. I will examine the continuities and threads of commonality to generate a standard upon which I can evaluate and compile sources. This will require more analysis and diagramming, and I would use the help and points of view of my

⁶ "Country Classification: Data Sources, Country Classifications, and Aggregation Method," *United Nations*, accessed 28 October 2017, http://www.un.org/en/development/desa/policy/wesp/wesp_current/2014wesp_country_classification.pdf.

⁷ Ibid.

research assistants to help uncover the small notes that might prove to be highly useful in understanding future research.

Step 4 → This serves as the “final” step (not including editing, publishing, etc.) within my project as I create the document that compiles my results and provides an explanation for the results shown so that those who don’t necessarily have the specific understanding of IFRS in every tiny detail will be able to follow the general trends and gain a greater understanding of the issue. Clarity is the goal, first and foremost, and my research assistants will be active participants in formatting the document, assessing which data should be published within the work, and cross-checking results with original data, in order to maintain clear records and references.

Though these are an initial idea of the methods I will use, they are subject to change as developments that are unforeseen occur; for example, enough data may not be publicly available or published for many years, IFRS standards could undergo a drastic change altering the validity of currently available data, or there might not be a legitimate basis or common thread by which to compare studies that can be created. In the case that data is not available, I would postpone the project to accommodate for a waiting period; however, this is an extreme measure and would only be carried out with specific recommendations and knowledge about the state of IFRS research at that time. If IFRS changes dramatically, I will reevaluate the scope of my project to create a common basis right off the bat for other researchers to use in their work rather than waiting for new data to be released. There is always the possibility that creating a common basis between IFRS research is not possible; in that case, I will revise my question to exploring why one cannot be effectively created with current research available.

Expected Results

There are two major results I anticipate seeing from this project, with more specific detailed explanations relating to each outcome following, as outlined below:

- 1. Data specific results with relation to each type of economic development stage that follow expected trends in terms of broad generalization.**
- 2. Compiled document serves as unique resource to be used by future researchers as template for how to conduct research that allows for cross-comparison more effectively.**

The data specific results anticipated are generally related to current conclusions reached by previously conducted studies. However, by categorizing and analyzing this data and future data under the lens of economic development stage, I believe 4 major trends will emerge, as outlined below:

1. Developed economies → IFRS adoption does not greatly impact the accountability of companies, management, and employees, nor does it change overall profit margins.
2. Economies in transition → IFRS adoption has a larger effect on accountability practices from all parties in company, as well as changing investment capital through

- the increase of funds from world lenders (ex: World Bank) that require IFRS before lending.
3. Developing economies → IFRS adoption has a larger effect on accountability, industry presence and opportunity, and investment capital reporting, while boosting credibility of national enforcement of implementation on businesses to actually follow standards.
 4. IFRS adoption and implementation will not have a major effect on companies that have already decided to converge or adopt the standards on their own as they have already placed necessary checks in place to monitor effective reporting.

Each of these are merely expectations of what the compilation and analysis of data will reveal, and of course these are subject to change. However, based upon current references used as the principal foundation of research for this project, it can be expected to see these results presented through the data findings represented in my project.

As for the document itself as a resource, it has the unique scope of approaching IFRS adoption research from the perspective of economic development, and as it looks to examine studies conducted on many nations of different economic stages, it will provide general information for a wider audience. Additionally, I expect that it will contribute positively as a singular place to look for more detailed and country-specific evidence through the references used. By placing it within a broad scope of 3 major categories, users can get a picture of global effects as well as find sources to discuss nations on a more individual level.

Conclusion

To summarize the information I have presented above, the exploration and condensation of IFRS research into a comparable format is important in that it allows for all nations to be included into the discussion of IFRS implementation. It does not exclude or place nations on different scales of comparison because it does not group based on geography, industry, history, etc. Rather, by compiling and analyzing research from many different sources into a common basis by which to compare the various studies, I will then be able to answer the question of how IFRS adoption impacts nations of different economic development stages, namely developed economies, economies in transition, and developing economies. In conclusion, I offer this project proposal as sufficient information in order to consider my project for more funding and investigation. Not only will this serve as a way to unite the array of studies and research currently available, but provide comprehensive information to make the adoption of IFRS less daunting.

Proposed Budget

ITEM	AMOUNT	EXPLANATION
Research Assistant 1	\$ 10,000	Need help to complete project based on volume of data to be collected and compiled, therefore two small salaries for research assistants
Research Assistant 2	10,000	
Office Space	120,000	Important to have dedicated space to meet and work
Time Worked	500,000	Time spent working on project rather than being a full-time employee
Technology	10,000	Computers, hard drives, additional cloud space, data analysis software (Nvivo)
Journals	3,000	Subscriptions to academic journals where many studies published in order to fully compile data sources
Reserve Fund	25,000	Reserved for emergency and unforeseen expenses
TOTAL	\$ 678,000	

References

This page illustrates both the references used in the construction of this research proposal as well as those references and sources compiled in the process of creating the annotated bibliography. Although not all cited explicitly within this proposal, it should be noted that the initial collection of these sources has all helped in formulating the project presented.

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