

# **Introducing More IFRS Principles of Disclosures – Will the Poor Disclosers Improve?**

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## **Abstract**

The current paper evaluates the possible effects of introducing more principles of disclosures as part of the IASB Disclosure Initiative. Based on our analysis, we argue that introducing more principles of disclosure must be accompanied by a clarification of the role of the specific disclosure requirements in IFRS Standards. If principles of disclosure are expected to replace specific requirements this may will lead to a situation where compliance requirements become vague and not possible to enforce. The principles of disclosure target the best-in-class entities rather than clearly setting the minimum compliance level. In turn, this may lead to an unwarranted increase in flexibility for poor disclosers. We perform a literature review of academic research on how entities have complied with (specific) disclosure requirements in the past. The review shows a high levels of non-compliance and high volatility across entities, including poor disclosers being far below the average. Academic research suggests that the degree of compliance depends on entities' incentives for providing or withholding information in combination with the local conditions for primary users, auditors and regulators. Increased reliance on entities acting in 'good faith' when complying with disclosure requirements, in contexts with entities in high-incentive situations with low costs of non-compliance, is potentially risky in terms of how well the standards protect primary users from poor disclosers. More emphasis is needed on ensuring that the disclosure requirements are enforceable and auditable in order to secure a certain minimum level of disclosure.

**Keywords:** Disclosure, Accounting principles, IFRS, Compliance, Enforceability

# Introducing More IFRS Principles of Disclosures – Will the Poor Disclosers Improve?

## 1. Introduction

The International Accounting Standards Board (IASB) Disclosure Initiative was established in 2013 as ‘a broad-based initiative exploring how to make disclosures more effective in financial statements’ (IASB, 2017a, IN2, p. 4). The main trigger at the beginning was a perceived *disclosure overload*, i.e., preparers pointing at overly burdensome disclosure requirements and various stakeholders questioning whether all information in the financial statements is useful. Related to this was the problem that preparers often used boilerplate text because of ‘...a ‘checklist’ approach used by auditors or a need to meet the perceived ‘compliance’ requirements of regulators’ (IASB, 2012).

The actions proposed and executed so far focus on improving the effectiveness of disclosures for the primary users of financial statements. According to the Discussion Paper (DP) on Principles of Disclosure published by the IASB, solving the disclosure problem is about enhancing the communication of *relevant* information and avoiding communicating *irrelevant* information (IASB, 2017a, p. 13).<sup>1</sup> The DP suggests a greater use of disclosure principles and indicates that this might be followed by a reduction in the prescribed specific requirements, e.g. (IASB, 2017, 4.18, p. 41): ‘If a principle is included in a general disclosure standard, it might be possible to delete the specific requirements in the Standards described...’.

In addition to introducing more principles, another approach to reduce disclosure overload has been to focus on materiality,<sup>2</sup> and develop a Materiality Practice Statement (IASB, 2017b). A concrete outcome so far is the clarification of the specific disclosure requirements in International Financial Reporting Standards (IFRS) stating ‘shall be disclosed’. Entities, auditors and regulators might previously have perceived ‘shall be disclosed’ as a mandatory requirement to disclose whenever a particular requirement of a standard is applicable.<sup>3</sup> However, the revised version of International Accounting Standard (IAS 1, Presentation of Financial Statements) in 2014 clarifies that an entity does not have to disclose the ‘shall be disclosed’ information if that information would not be material (IAS 1, Presentation of Financial Statements, BC30C).

The purpose of this paper is to evaluate the effects of introducing more high-level principles of disclosure in IFRS Standards. This question is addressed in four steps: (1) *A critical review of the disclosure problem* as presented in the DP. Is communication of irrelevant information really a problem for the primary users? Why isn’t the problem analysed on the basis of the contexts of entities, auditors, regulators and primary users? (2) *A critical evaluation of the suggested solution to the disclosure problem* in the DP, i.e., to rely more on principles of disclosure. What is the role of enforceability and compliance? Can we rely on entities’ ‘good faith’? (3) *A literature review of prior research on disclosure compliance*, primarily with IFRS Standards. In the DP, the IASB makes several references to ‘compliance documents’ with a negative connotation. Is this because full compliance with specific disclosure requirements (‘all boxes ticked’) is presumed to prevail? What does the empirical literature show? (4) *A literature review covering specific areas where the IASB has tested principles-based standard-setting for disclosures* (business combinations, financial instruments, operating segments). The IASB

adopts a top-down approach in the DP. It will also make sense to investigate empirically what seems to work in practice with regard to the use of high-level principles.

The paper is organised as follows. This introduction is followed by a section that critically evaluates the disclosure problem as formulated by the IASB in the DP. Section 3 provides a critical evaluation of the principles-based solution with reference to the DP. The results of the literature review on disclosure requirement compliance are reported in Section 4, followed by concluding remarks in Section 5. The methodology applied in the literature review is described in Section 4.2.

## **2. A Critical Review of the Disclosure Problem**

In paragraph 1.5 of the DP, the disclosure problem is described in terms of three components: (1) information is only relevant if it is capable of making a difference in the decisions made by primary users. If financial statements do not provide enough relevant information, their users might make inappropriate investing or lending decisions; (2) too much irrelevant information is produced which is a problem for (a) users, in that relevant information might be overlooked, hard to find and difficult to understand, and (b) entities, as it adds unnecessary costs to the preparation of financial statements; (3) the provided information is ineffectively communicated, which may make financial statements hard to understand and time-consuming to analyse. Additionally users may overlook relevant information or fail to identify relationships between pieces of information in different parts of the financial statements.

No doubt companies will often find the costs of preparing financial statements as being too high (2b). This has been a major argument made by entities since before the launch of the Disclosure Initiative. However, with regard to points 2a and 3, the IASB takes on the role of the primary users and suggests that they have problems in finding and understanding the information. This is not a fair description. We believe the literature suggests that what is described as a problem for users in parts 2 and 3 of the disclosure problem is not an actual problem. Theoretically, the primary users of financial statements, and their advisers, have strong incentives to study all aspects of financial statements carefully, as the entity may communicate private information or withhold information (Dye, 1985, 2017). In the academic literature, the capital market tends to react positively to more disclosure (e.g., Barker et al., 2013). A recent empirical study finds that analysts are able to distinguish between complex language needed to convey information about the firm's business transactions from complex language due to managerial obfuscation (Bushee, Gow, & Taylor, 2017). There is also much survey evidence and anecdotal observations suggesting that primary users do not wish to receive less financial statement information. Harris & Morsfield (2012) find that investors and analysts who participate in roundtable discussions and interviews very often require data only found in financial statement footnotes. In a report from the CFA Institute in 2013 (CFA, 2013), 80% of the members responding, do not think the amount of information in financial reports constitute a problem. For example, in the area of impairment, surveys reported by EY (2010), FRC (2014a) and KPMG (2014) suggest that investors, analysts and lenders do use impairment information disclosed in financial statements for decision-making purposes. In addition, consider the following observation by Bischof, Daske, & Sextroh (2014) who studied analyst reports in banks together with these banks' conference calls from the first quarter 2008 until the fourth quarter 2010. They observed that analysts' interest in the banks' fair value

accounting practices varied dramatically between the highest quarter (fourth calendar quarter 2008, i.e., following the Lehman Brothers default), when many questions were asked during the conference calls, compared to the second calendar quarter of 2010 when almost no questions were asked. The example highlights that low use of, for example, fair value disclosures by analysts during a period does not imply irrelevance – it is just a result of the way professional users of information work – they use the information when it is relevant in their particular decision process.

What about part (1) of the disclosure problem, i.e., the financial statements do not provide enough relevant information? When Barker et al. (2013, p. 4) a few years ago commented on a similar description of the disclosure problem they stated that it does not include a ‘...principle setting out the *purpose* of disclosures, other than that they should be ‘relevant’...The purpose, and the consequential definition of relevance, is likely to be *context dependent*.’

Whether a piece of information is capable of making a difference in decisions made by primary users cannot be determined without considering the context. Paragraphs 1.6 and 1.7 in the DP describe causes of the disclosure problem, addressing, in particular, the judgement of entities and the behaviour of entities, auditors and regulators. Guided by the IFRS Standards, entities are expected to try to second-guess what information might be capable of influencing primary users’ decisions, however, entities have incentives to be more or less transparent. The description of the disclosure problem in 1.5 does not distinguish between contexts with preparer incentives supporting poor disclosers vs. contexts supporting high-quality disclosers. In turn, this may lead to too general solutions of the disclosure problem, only addressing, for example, the high-quality disclosers. Auditors and regulators will also, based on the IFRS Standards, try to second-guess what information might be capable of influencing primary users’ decisions. As acknowledged in paragraph 1.7 of the DP, they are known for using checklist approaches and materiality thresholds that may become detached from the definition of relevant information (information capable of making a difference in the decision made by the primary user). However, the enforcement context is also part of the disclosure problem rather than being just a cause of the problem.

In sum, the strong emphasis on the distinction between relevant and irrelevant information in 1.5 is not warranted given the available research evidence. Defining the disclosure problem based on this dichotomy may lead to poor disclosers classifying more information as irrelevant whereas the market would have considered it relevant. The judgement of what is relevant or irrelevant is made by the entity second-guessing what information the primary user will find relevant. The disclosed information based on this judgement does not directly reflect what a certain primary user, or the market as a whole, consider relevant or irrelevant.

### **3. A Suggested Solution to the Disclosure Problem**

One offered solution to the disclosure problem is to adopt a principles-based approach, where principles will guide entities to disclose relevant instead of irrelevant information, and to communicate effectively. Principles of disclosure may possibly also change the behaviour of auditors and regulators so that they stop causing the disclosure problem (cf., DP para. 1.8).

With regard to the applicability of a principles-based approach to disclosures, Barker et al. (2013) made a comprehensive literature review, summarised below (pp. 7–8).

‘Empirical research shows that principles-based standards work well in certain situations, in that they permit preparers to convey private information. On the other hand, in high-incentive situations, principles-based standards tend to perform poorly, especially in the absence of strong enforcement. This is troubling, since it is in high-incentive situations that financial reporting is most important...Empirical research indicates problems with principles-based accounting standards, while analytical research supports such an approach. It is important to note, however, that this research is mostly focused on measurement issues, not on disclosure. Arguably, principles-based regulation relating to disclosures is more difficult to achieve. It is harder to know whether a principle is followed properly relating to disclosures, as it is based more on qualitative judgement. Whether a certain note contains relevant information, and whether it is understandable for users is difficult to enforce and audit. Thus, having principles-based standards for disclosures is likely to be even more difficult than suggested by existing research.’

Barker et al. points at the difficulty of knowing whether a principle of disclosure is followed properly, making it difficult to enforce and audit. Why is this? It seems like one difference with the disclosure principles, compared to accounting principles regarding classification, recognition and measurement, is that there will always exist more than one way to communicate effectively (the disclosure outcome) whereas applying a principle of, for example, measurement to the specific circumstances of an entity should result in a particular measurement outcome which is compliant. This would imply that a principle of disclosure cannot be used to determine a specified minimum level of compliance, and therefore this principle will not be enforceable. If specific requirements are replaced with principles, this implies a risk of worse disclosures than today by the poor disclosers. When entities in high-incentive situations apply principles of disclosure in the way that best corresponds with their incentives, there will be a high likelihood of poor disclosure quality. This should also be seen in combination with the recently changed guidance on materiality judgements, suggesting that entities shall test (second-guess) more carefully what is material for the decisions of its primary users, which, in turn, is expected to lead to a lower level of disclosure with regard to the specific disclosure requirements listed in IFRS Standards.

*Compliance* is the word capturing that standards are applied as intended by the standard setter, and order to ensure compliance, the standards must be written in a way that make them practically enforceable, i.e., they might need legal backing depending on the local context and there is a need for monitoring and sanctions by auditors and regulators in case of non-compliance. There is much academic research to evidence the important role of enforcement mechanisms for achieving compliance and related positive user effects of adopting IFRS and other standards (e.g., Ball, Robin, & Wu, 2003; Hope, 2003; Daske, Hail, Leuz, & Verdi, 2008; Holthausen, 2009; Christensen, Hail, & Leuz, 2013). Lack of harmonised enforcement will lead to national differences in the application and enforcement of IFRS Standards (e.g., Brown & Tarca, 2005).

Although compliance and enforcement is outside the scope of the IASB, who sets the standards but do not exercise oversight, the issues of compliance and enforcement are indirectly put forward as main issues in the DP in terms of the very high ambitions in terms of making entities provide more relevant disclosures and more effective communication. According to paragraph 2.6 of the DP, the Board’s preliminary view is that it should develop a set of principles to help entities communicate information more effectively in the financial statements. Seven principles

are suggested (p. 21): the information provided should be (1) entity-specific (2) described as simply and directly as possible; (3) organised in a way that highlights important matters; (4) linked when relevant to other information in the financial statements; (5) not duplicated unnecessarily; (6) provided in a way that optimises comparability among entities and across reporting periods without compromising the usefulness of the information; and (7) provided in a format that is appropriate for that type of information.

If these principles are adhered to, common sense tells us that disclosures will improve, however, the preparer might acknowledge that the somewhat vague concept of ‘communicating effectively’ is explained by a number of other, mostly positively loaded, but rather vague terms that will require much judgement. For example, the trade-off between being entity-specific (1) and optimising comparability (6). This might still work if managers’ judgements are made ‘in good faith’ using a concept from Wüstemann & Wüstemann (2010), but investors and lenders need to be protected from those who do not make judgements in good faith. In line with this, some Board members ‘...observe that the principles would be difficult to enforce and audit, and therefore it would not be appropriate to include them in a Standard’ (IASB, 2017a, 2.13, p. 22).

There is a strong tendency in the DP to rely on entities’ ‘good faith’, i.e., a presumption that it is in everyone’s interest to improve the effectiveness of disclosures. Who can be against increased relevance? However, the ‘good faith’ assumption target the high-quality discloser, whereas the disclosure requirements also need to protect the primary users against a too poor disclosure level. Entities who are not in good faith may disclose very little when given a principle of disclosure and much flexibility to choose what to disclose (few specific requirements). It is not clear how greater reliance on principles of disclosure (and fewer specific requirements) will safeguard compliance with a minimum level of disclosure.

#### **4. Literature Review of Prior Research on Compliance with Disclosure Requirements**

##### *4.1. Rationales for the Review*

The literature review reported in this section comprises empirical studies on compliance with disclosure requirements. The first reason for making this review goes back to the reason for having mandatory disclosure requirements in accounting standards. Companies would provide disclosures even if they were not required to, and they do provide voluntary disclosures beyond regulation. However, imposing mandatory disclosure requirements is done to ensure that companies with incentives to avoid disclosure will still provide a minimum level of information, i.e. *comply with the mandatory disclosure requirements*. Uneven compliance will curtail the ability of international standards to reduce information costs and information risks (Ball, 2006).

Second, there seems to be a misunderstanding both in academic research and elsewhere that companies fully comply with regulated disclosures. Mazzi, André, Dionysiou, & Tsalavoutas (2017, p. 271) argue that prior research has focused predominantly on voluntary disclosures, incorrectly assuming compliance with the mandatory requirements. The Principles of Disclosure DP (IASB, 2017a) speaks in a negative way about companies merely complying with the disclosure requirements, implicitly assuming that companies are today only ‘ticking

the boxes’. But is this really the case – to what extent do companies applying IFRS comply with the disclosure requirements, even in terms of ‘ticking the boxes’?

Third, it is a common starting point for the IASB to assume that a principles-based approach will always be the best. This approach involves deductive, ‘top-down’ reasoning, where specific standard-setting solutions will be derived from more general principles. In the case of disclosures, we believe there is good reason to also consider a more inductive, ‘bottom-up’ approach, in terms of what actually works (or not) today with regard to IFRS disclosure requirements. Against this background, we will evaluate how recent IFRS standard-setting on disclosure have succeeded with regard to compliance with both specific disclosure requirements and high-level principles of disclosure.

Although the review has a specific focus on levels of compliance, it also aims to critically evaluate these studies with regard to employed research methodology and theoretical foundations which is supposed to be helpful in making future research propositions. We also believe that a critical review of empirical evidence on disclosures, and the drivers of compliance, may inform standard setters on decisions regarding how to further develop standards on disclosure requirements.

#### *4.2. Methodology Used to Select Papers*

The research papers for the literature review were selected in three steps. First, a search of titles, keywords and abstracts of academic articles was made for the combination of the words ‘disclosure’ and ‘compliance’ in the databases Proquest and ScienceDirect. Next, the identified papers were further checked in order to ensure that (1) they pertained to compliance with mandatory disclosure requirements within the area of accounting and standard-setting,<sup>4</sup> (2) the papers were empirical and not too old, i.e. published 1998 or later, (3) the ranking of the journal was sufficiently high. With regard to the latter issue, we noted that in many cases empirical studies on compliance are likely to be viewed by editors as making a too small contribution to the literature in order to be published in the top journals, which implies that our review cannot be restricted to these journals. At the same time, we wanted to secure a minimum level of research quality. Considering both these aspects, we chose to include papers from journals in the Academic Journal Guide 2015 at the ranking levels 2, 3 and 4.<sup>5</sup> The above steps generated 73 papers. In the third step, we made a complementary search in the database Google Scholar for the combination of the words ‘disclosure’, ‘compliance’, ‘accounting’ and ‘standards’. The search generated approximately 222,000 hits and the top 200 were compared with the already selected papers; eight additional papers were found that fulfilled the criteria. Thus, in total, 81 papers were collected for the review following the above procedure. In addition to these papers, references are made to earlier literature reviews, and to some relevant working papers and journal articles brought to our attention after the above search was completed (April 2017).

It is important to note that the measures of disclosure compliance referred to in the reviewed studies do not fully capture materiality considerations. Companies may be compliant even though they do not disclose an item, because there may be circumstances unknown to the user that makes that disclosure immaterial. On this note, though, there are some factors to consider before concluding that a company disclosing very little is just applying the materiality principle correctly rather than being a poor discloser in relation to the standard setter’s intention. First, materiality refers to what is relevant when *users*, not preparers, make decisions, which means that when there is ‘...clear evidence of activity that would be expected to generate disclosure

under IFRS' (Pope & McLeay, 2011, p. 249), both the user and the researcher have good reason to believe this is non-compliance rather than lack of materiality. Researchers also put much effort into determining whether an item is applicable or not to the entity (cf. Section 4.3.1). Second, the poor disclosers do not appear randomly, but there are systematic patterns with the regard to what makes companies comply more or less with the specific disclosure requirements.

The first part of the review (4.3) presents the measured levels of disclosure compliance in empirical studies made around the world, including a review of the index methodology applied. Second, we review results on the determinants of disclosure compliance (4.4). Finally, we examine some specific areas (business combinations, financial instruments, and operating segments) where principles of disclosure interact with specific disclosure requirements (4.5).

### *4.3. Disclosure Compliance Levels – Empirical Results and Methodology*

#### *4.3.1 Disclosure compliance levels around the world*

A large body of literature has investigated the level of compliance with national accounting standards or IAS/IFRS mandatory disclosures in different countries and regions around the world. As countries have different regulatory, political or institutional settings, this dimension is potentially relevant for understanding variation in levels of disclosure compliance and drivers of compliance.

A large number of the collected studies covers *developing/emerging-market countries*, which, in turn, may be divided into three categories: studies of (1) the *general level* of disclosure compliance in a country, (2) the level of disclosure compliance *in a specific area* in a country, and (3) studies of disclosure compliance (general or pertaining to a specific area) in *a number of countries sharing some similarities* (e.g., the same region, Islamic banks). The first group gathers studies dealing with the adoption of and compliance with IFRS (or national standards) disclosure requirements in Bahrain (Juhmani, 2017); Bangladesh (Akhtaruddin, 2005; Hasan, Karim, & Quayes, 2008); China (Gao, & Kling, 2012; Peng, Tondkar, van der Laan Smith, & Harless, 2008; Xiao, 1999); Egypt (Dahawy, Merino, & Conover, 2002; Abd-El salam & Weetman, 2003; Hassan, Giorgioni, & Romilly, 2006; Hassan, Romilly, Giorgioni, & Power, 2009; Samaha & Abdallah, 2012); Ghana (Assenso-Okofu, Ali, & Ahmed, 2011); Jordan (Al-Akra, Eddie, & Ali, 2010); Kenya (Bova & Pereira, 2012); Malaysia (Abdullah, Evans, Fraser, & Tsalavoutas, 2015; Che Azmi & English, 2016); Saudi Arabia (Naser & Nuseibeh, 2003); Turkey (Çürük, 2009; Mısırlıoğlu, Tucker, & Yükseltürk, 2013); and Zimbabwe (Chamisa, 2000). The second category includes studies of business combinations in China (Taplin, Zhao, & Brown (2014); financial instrument disclosures in Malaysia (Othman & Ameer, 2009); Egypt (Mokhtar & Mellet, 2013), Jordan (Tahat, Dunne, Fifield, & Power, 2016), and Malawi (Tauringana & Chithambo, 2016); presentation of financial statements (IAS 1) in Malaysia (Rahman & Hamdan (2017); income taxes in Egypt (Ebrahim & Fattah, 2015). The third category includes general disclosure compliance studies covering Bahrain, Oman, Kuwait, Saudi Arabia and United Arab Emirates (Al-Shammari, Brown, & Tarca, 2008); Bangladesh, India and Pakistan (Ali, Ahmed, & Henry, 2004); Malaysia, Philippines and Thailand (Taplin, Tower, & Hancock, 2002);<sup>6</sup> and one study of Islamic banks in Bahrain, Qatar, Jordan, Syria, Sudan, Yemen and Palestine (Sellami & Tahari, 2017). Summary information about all the above studies is presented in Panel A of Appendix 1.

Figure 1 below illustrates reported disclosure levels in studies of compliance in developing/emerging-market countries.

**{Insert Figure 1 about here}**

In Figure 1, the round dots represent the average IAS/IFRS disclosure compliance in emerging-market and developing countries or regions during 1996–2013, according to the 17 studies where such measures are available. The grey square dots represent the lower bound and the black diamond dots the higher bound. Overall, the compliance levels are low (65% is the average of all the 17 studies) and there is considerable variation in compliance over time and across countries. In the more recent studies, pertaining to IFRS post-2005, average compliance levels are higher in countries such as Bahrain (81% in 2010 according to Juhmani, 2017) and Malaysia (88% in 2008 according to Abdullah et al., 2015). However, in many countries the average compliance levels are still below 70%. For specific standards, the results may be even lower, e.g. 49% and 40% compliance with IFRS 7 requirements in Jordan 2007 (Tahat et al., 2016) and Malawi 2009 (Tauringana & Chithambo, 2016), respectively. The lower bound (poorest disclosers) are in many cases 10–20 percentage points below the average compliance level (46% is the average lower bound of all the 17 studies).

An overall analysis of the studies referred to suggests that countries with weak legal and institutional contexts find it difficult to establish the appropriate systems needed to ensure firms' compliance with disclosure requirements. The poor quality of corporate disclosure seems to be due to a combination of high compliance costs coupled with low non-compliance costs. The lack of qualified auditors and the insufficient number of qualified accountants make the compliance costs high. At the same time, the importance placed on social rather than economic considerations and limited development of stock markets mean that non-compliance costs are low. In a recent literature review, Samaha & Khelif (2016) conclude that companies do not comply with mandatory requirements unless stringent regulation is in place, which in turn would require more efficient enforcement institutions. Bova & Pereira (2012) observe that foreign ownership may play an important role for improving compliance.

The Principles of Disclosure DP (2017) does not separately address the challenges facing companies in developing/emerging-market countries. To what extent is the criticism against the use of checklists and box-ticking, referred to in the DP (1.7) targeting such entities? Although admittedly very crude as a measure, an average compliance rate of 65%, and an average lower bound level of 46%, suggest that there is quite a long way to go before a reasonable minimum level of compliance will be achieved. It may also be noted that the obstacles for improved compliance relates primarily to contextual factors. It may be questioned whether fewer specific requirements and greater reliance on principles, will lead to improved compliance, as the principles are, arguably, even more difficult to enforce and audit.

A large number of studies have also evaluated the degree of compliance with disclosure requirements mandated in *developed countries*. As in the preceding categorisation, the studies may be divided into three categories: studies of (1) the *general level* of disclosure compliance in a country, (2) the level of disclosure compliance *in a specific area* in a country or a region, and (3) studies of general disclosure compliance *in a number of countries sharing some*

*similarities* (e.g., the same industry, the same listing status). The first group comprises studies focusing on compliance with IFRS (or national GAAP) disclosure requirements in Australia (Palmer, 2008); Austria (Eierle, 2008); Germany (d'Arcy & Grabensberger, 2003; Glaum & Street, 2003); Greece (Tsalavoutas, 2011; Tsalavoutas & Dionysiou, 2014); New Zealand (Owusu-Ansah & Yeoh, 2005; Yeoh, 2005; Stent, Bradbury, & Hooks, 2013); UK (Mangena & Tauringana, 2007); and United States (Leuz, Triantis, & Wang, 2008; Holder, Karim, Lin, & Pinsker, 2016). Findings from this research line suggest that corporate compliance with regulatory disclosure requirements requires three components: high-quality financial accounting standards to be used as a benchmark together with high-quality audits and enforcement of regulation by strong regulatory bodies.

The second category, pertaining to specific areas, includes studies of *business combination and goodwill impairment test disclosures* in Europe (Glaum, Schmidt, Street, & Vogel, 2013; Mazzi et al., 2017), Australia (Carlin & Finch, 2010; 2011; Guthrie & Pang, 2013; Bepari, Rahman, & Taher, 2014; Bepari & Mollik, 2015), Singapore (Carlin, Finch, & Khairi, 2010); Netherlands and Sweden (Hartwig, 2015); studies of *financial instrument disclosures* in Italy (Maffei, Aria, Fiondella, Spanò, & Zagaria, 2014); Portugal (Lopes & Rodrigues, 2007); the UK (Woods & Marginson, 2004; Linsley & Shrivess, 2006); the US (Lu & Mande, 2014); and in European banks (Bischof, 2009); studies of *segment disclosures* in global IAS-adopter samples, primarily European (Street & Nichols, 2002; Prather-Kinsey & Meek, 2004)<sup>7</sup>; Germany (Franzen & Weißenberger, 2015); the US (Chen & Liao, 2014); studies of disclosure compliance in relation to *financial statement presentation disclosures* in the UK (Iatridis & Valahi, 2010); *share-based payment and executive compensation disclosures* in Australia (Bassett, Koh, & Tutticci, 2007); France (Goh, Joos, & Soonawalla, 2016); and the US (Robinson, Xue, & Yu, 2011); *contingent liabilities* in the US (Hennes, 2014); and *intangible assets* in Italy (Devalle, Rizatto, & Busso, 2016).

Finally, in the third category, there are a number of studies evaluating the extent to which disclosure requirements of IAS/IFRS or US GAAP are complied with, at a general level, from a transnational perspective (or at least, considering more one country). This category comprises studies with international samples (El-Gazzar, Finn, & Jacob, 1999; Street, Gray, & Bryant, 1999; Taylor & Jones, 1999; Street & Bryant, 2000; Street & Gray, 2002; Hope, 2003; Bradshaw & Miller, 2008; Hope, Kang, & Zang, 2007; Hodgdon, Tondkar, Harless, & Adhikari, 2008; Hodgdon, Tondkar, Adhikari, & Harless, 2009; European countries (Verriest, Gaeremynck, & Thornton, 2013);<sup>8</sup> and the UK and the Netherlands (Camfferman & Cooke, 2002). Setting aside the large differences regarding actual levels of compliance with disclosure requirements,<sup>9</sup> there are no unambiguous results for these studies taken together. Thus, we conclude that disclosure choices made by firms in the different countries are responsive to specific attributes of their environment. Consequently, there is a need to build models that include country-level factors (i.e. culture, legal, political and institutional systems) to better explain the level of compliance with mandatory disclosure requirements.

Figure 2 below shows observed disclosure compliance levels of studies of developed countries.

**{Insert Figure 2 about here}**

In Figure 2, the round dots represent the average IAS/IFRS disclosure compliance in developed countries during 1997–2011, according to the 19 studies where such measures are available. The grey square dots represent the lower bound and the black diamond dots the higher bound. Although higher than for emerging-market/developing countries, the compliance levels are relatively low (70% is the average of all the 19 studies). The variation in compliance over time and across countries is lower compared to the emerging-market/developing countries and the higher bound averages are higher. However, the lower bound (poorest disclosers) average compliance level is only 37%.

It should be noted that all the observations of compliance after 2006 refer to specific standards (e.g., IAS 36, IFRS 7), rather than IFRS compliance in general. The decrease in general studies of disclosure compliance is probably due to many journals with ABS-rankings of 2 or higher not considering such studies to make significant contributions to the literature. Going forward, the IASB may want to consider ways to secure that the outcomes of the Disclosure Initiative can be measured and monitored.

Outside academic research, regulators produce reports pertaining to compliance with disclosure requirements. In their yearly reports, they often refer to the need of improved disclosures, although they do not systematically measure the degree of disclosure (e.g., ESMA, 2017; 2016; 2015; 2014; FRC, 2013; 2014b; 2015). It is interesting to note in these reports that although the enforcers commit to concerns about disclosure overload, when it comes to the detailed issues they typically ask for more information rather than less.

#### *4.3.2 Measuring compliance: indices*

Many studies use an index to measure the level of corporate disclosure and compliance. The index is typically based on a self-constructed compliance checklist, but some rely on public disclosure scores, e.g., Gao & Kling (2012), Bova & Pereira (2012), and Hassan et al. (2006).

According to the literature, the disclosure indices can be constructed on the basis of weighted or unweighted scores, where the latter approach is most commonly used (Abd-Elsalam & Weetman, 2003; Akhtaruddin, 2005; Hasan et al., 2008; Al-Akra et al., 2010; Ali et al., 2004; Bova & Pereira, 2012; Bradshaw & Miller, 2008; Camfferman & Cooke, 2002; Che Azmi & English, 2016; Chen & Liao, 2014; Çürük, 2009; d’Arcy & Grabensberger, 2003; Ebrahim & Fattah, 2015; Eierle, 2008; El-Gazzar et al., 1999; Gao & Kling, 2012; Glaum & Street, 2003; Hope, 2003; Hope et al., 2007; Juhmani, 2017; Leuz et al., 2008; Lu & Mande, 2014; Mangena & Tauringana, 2007; Mısırhoğlu et al., 2013; Owusu-Ansah & Yeoh, 2005; Samaha & Abdallah, 2012; Sellami & Tahari, 2017; Stent et al., 2013; Street & Bryant, 2000; Street & Gray, 2002; Street et al., 1999; Taplin et al., 2002; Verriest et al., 2013; Williams & Tower, 1998). Proponents of the unweighted approach assert that each item of disclosure is equally important and focus on the overall disclosure, rather than on particular items.

The weighted approach allows for assigning varying relative importance to the information items, which reflects that users may be placing different weights on different items. There are a few studies adopting this approach: Hodgdon et al. (2008); Hodgdon et al. (2009); Naser & Nuseibeh (2003); Tsalavoutas, Evans, & Smith (2010), however, as the weighting will be subjective, all studies also provide an unweighted disclosure index and test the significance of the differences in the compliance scores identified, considering findings valid only when the results are significant under both methods.

Other authors have attempted to cover several dimensions of compliance by using more than one disclosure index. For example, Samaha & Abdallah (2012) use two disclosure index measures to assess the quality of two web-based corporate disclosures dimensions: content and presentation. Verriest et al. (2013) measure financial reporting quality around IFRS adoption by applying two different perspectives: transparency of IFRS restatements from local GAAP to IFRS, and compliance with specific IFRS Standards. In Magena & Tauringana (2007), three indices were calculated: overall disclosure compliance index, narrative disclosure compliance index and financial statements disclosure compliance index, whereas Taplin et al. (2002) use two indices, a compliance ratio and a discernibility index, to generate insights into patterns of non-disclosure. Similarly, Street & Gray (2002) determine two disclosure compliance scores with the aim of capturing both measurement and presentation issues. In their study about the convergence between Chinese national accounting standards and IFRS, Peng et al. (2008) use three different indices: a compliance index, a consistency index, and an index of comparability. Also Palmer (2008) uses different scores to measure the extent of disclosure (the amount of disclosure) and the quality of disclosure (the total informativeness awarded to each item disclosed).

Index-based disclosure studies provide quantified measures of compliance that can be used as a basis for evaluating the effectiveness of disclosure requirements IFRS Standards (e.g., figures 1 and 2). However, as indicated in the current section, there are methodological limitations and problems related to the use of indices. First, compliance indices indicate the actual level of compliance, but cannot explain the causes for it to be high or low. Although the indices are used as dependent variables in many studies (see Section 4.4), there is no agreement among researchers on what variables to control for, and consequently on the possible causes of different levels of compliance. Second, for studies measuring the degree of compliance with disclosure, it is difficult to interpret the results because of the lack of benchmarks. Quite often, the assessment of whether the value of a compliance index is high or low is based on the judgement of the researcher. Similarly, it is difficult to compare across different studies, because authors use very different samples (companies, industries, countries, etc.). Thirdly, most of the studies are empirical, with no (or very limited) theoretical foundation. As these studies are not driven by a theoretical framework, it is difficult to interpret their results. This lack of theory is also a limitation for the generalisation of the findings of these studies. Fourth, the use of indices to measure compliance is subject to reliability and validity problems. With regard to reliability, as the value of compliance indices depends on the information provided by the annual report of the companies constituting the sample, non-disclosure of information in the report is a problematic issue as it is extremely difficult to establish if a disclosure item is applicable or if the company has failed to disclose a relevant item in the annual report. Validity problems are concerned with the ability or inability of the indices to capture the actual extent of compliance with disclosure requirements. The use of several indices in a study can be seen as a research strategy to increase the reliability.

#### *4.4 Determinants of Compliance.*

There are numerous studies examining the association between the level of compliance with accounting standards and firm characteristics, country-level factors and national cultural features as hypothesised explanatory and/or control variables (El-Gazzar et al., 1999; Street & Bryant, 2000; Street & Gray, 2002; Glaum & Street, 2003; Ali et al., 2004; Hassan et al., 2006; Mangena & Tauringana, 2007; Al-Shammari et al., 2008; Hassan et al., 2009; Hodgdon et al.,

2009; Al-Akra et al., 2010; Iatridis & Valahi, 2010; Tsalavoutas, 2011; Samaha & Abdallah, 2012; Gao & Kling, 2012; Verriest et al., 2013; Mısırlıoğlu et al., 2013; Lu & Mande, 2014; Abdullah et al., 2015; Juhmani, 2017). Appendix 1 offers a description of the methods used in these studies. Linear and stepwise multivariate regression analyses are the most common procedures employed for determining what factors influence the extent of compliance. Some studies are based on logistic regression and others incorporate panel data estimation techniques to account for the dynamic effects of the factors under study. There are also researchers adopting a more qualitative approach, for example, Eierle (2008) and Stent et al. (2013) use content analysis to investigate what discretionary narrative disclosures reveal about firms' responses and attitudes to the adoption of IFRS disclosure requirements.

Prior research suggests that non-compliance with mandatory accounting standards does not appear randomly, but in a way consistent with the view that managers will respond to their environment and their economic incentives (DeFond & Jiambalvo, 1991). According to Barth & Schipper (2008), there are certain features of the financial reporting system (enforcement, litigation, auditing) that will be decisive for successful implementation of mandatory standards. If the risks related to non-compliance are low (e.g., low risk of litigation), and there is absence of strong public enforcement, the mechanisms related to environment and incentives are expected to become more important.

Financial reporting aims to reduce information asymmetries between management and investors, and between different types of investors (Healy & Palepu, 2001) and empirical studies have shown that a higher level of disclosure is often positively associated with capital market variables such as liquidity and the cost of capital (e.g., Leuz & Verrecchia, 2000; Mazzi et al., 2017). At the same time, managers may have reason to withhold information that may harm their reputation or help competitors (proprietary information). Prior research has identified many possible determinants of disclosure behaviour related to firm-specific characteristics (e.g., industry, growth, country of domicile, company size, company age, multinational-company status, international diversification, membership of certain trade or economic block, company's governmental links, market capitalization, share turnover, profitability, liquidity, leverage, new share issuance, listing status, international cross-listing, ownership structure, audit quality, and reference to IAS/IFRS in the accounting policies footnote). Relying on theoretical arguments related to agency costs, empirical support has been found for larger corporations being more likely to disclose more information to users of annual reports. Similarly, corporations that are listed on a stock exchange, domestically or internationally, are shown to have higher levels of disclosure, both with regard to mandatory and voluntary disclosures. With regard to other corporate characteristics (e.g., leverage, profitability, stock ownership dispersion, industry, country of domicile, type of auditor) the results in prior research have been more mixed (Glaum et al., 2013, p. 169). This mixed pattern can be seen also in recently published studies (see Appendix 1).

One group of variables that have been found to explain disclosure compliance are corporate governance variables, which can be viewed as proxies for agency-related mechanisms. For example, Verriest et al. (2013) find that companies with stronger corporate governance tend to comply more completely with the mandatory disclosure requirements. Various corporate governance characteristics are used in the empirical studies: the existence of an audit committee, the independence of the audit committee, the audit committee's financial expertise, the size of the audit committee, the size of the board and board's degree of independence,

CEO/chairman duality, the effectiveness of internal controls, the presence of block-holder ownership, foreign representation on the board, proportion of non-executive directors on the board and founding family members on the board. With regard to corporate governance variables, results generally seem to be quite conclusive, showing that corporate governance mechanisms are positively associated with compliance, although not all the studies coincide in exactly what mechanisms are more effective. Most prior studies tend to combine firm specific characteristics with corporate governance related mechanisms in order to investigate the disclosure and compliance choices made by firms.

Finally, besides studies considering firm-specific characteristics and corporate governance mechanisms, other research has suggested that cultural differences or other country-factor levels, as legal environment, may help explaining international differences in compliance with disclosures mandated by accounting standards. For example, cultural differences may explain why different stakeholders perceive the costs and benefits associated with financial statements accounting disclosures differently and how this influences the amount of information actually disclosed in different countries. For instance, Williams & Tower (1998) reports about the significance of cultural influence on small business managers' (Australian and Singaporean) attitudes towards accounting disclosure requirements. Likewise, in a study to assess the comprehensiveness of disclosure in the annual reports of United Kingdom and Dutch corporations, Camfferman & Cooke (2002) suggest that variability in the comprehensiveness of disclosure between the countries may depend on the cultural setting. Similarly, Taplin et al. (2002) analysed the levels of compliance with disclosure in four Asian countries with British colonial links and compared it with countries without such links. They conclude that British former colonies sharing the same cultural background had lower levels of non-disclosure than the rest. Also Eierle (2008) points out that cultural values have an important influence on the cost/benefit judgments of Austrian private limited companies when it comes to compliance with mandatory disclosures under the accounting standards. Dahawy et al. (2002) reach similar conclusions; Egyptian companies' decisions to implement or not to implement IASs were strongly affected by the cultural factors, as the studied companies complied with the IASs when they did not conflict with local culture, but deviated when conflicts existed.

Regarding other country-level factors, research has shown that the success in compliance with disclosure requirements is also dependent on the basic regulatory infrastructure of the adopting country (Taplin et al., 2002; Ali et al., 2004; Ali, 2005; Gao & Kling, 2012). Research has considered diverse regulatory mechanisms, being the most commonly considered in the recent accounting literature: country legal system, enforcement and similarity of local accounting standards to IFRS. As for the legal system, countries with English common law systems tend to have better economic development, stronger capital markets and better accounting standards than countries with code law systems. However, legal systems alone are unlikely to be a sufficient condition for corporate disclosure. It will be necessary to enforce the law. Where the enforcement of the law is strong, mandatory disclosure rules ensure better access to financial information. Finally those countries with domestic accounting standards closer to IFRS also show better disclosure levels.

#### *4.5 Compliance with Disclosure Requirements in Specific Areas*

Beyond the set of studies that focus on compliance with disclosure more generally, we find in the literature also papers that focus more deeply on one or more specific areas. To approach this part of our literature review, we have divided the current section into different subsections

based on the area approached by the studies considered. It is interesting to note that the highest number of papers is found for the area of business combinations and goodwill impairment, followed by financial instruments and risk reporting practices, and segment reporting. For each of these areas, we have summarised some main findings. Additionally, we have reviewed papers that tackle other areas of interest but with only one or two studies found. They are discussed in the last subsection.

Given the purpose of the paper as a whole, i.e., to evaluate the effects of introducing more high-level principles of disclosure in IFRS Standards, an important aspect concerns the extent to which principles of disclosure are used together with specific disclosure requirements in the IFRS Standards of the specific areas dealt with. This issue will be explicitly addressed in the subsections in order to get input on the question of whether principles of disclosures seem to ‘work’ in current accounting practice.

#### *4.5.1 Business combinations, goodwill and impairment test disclosures*

Most papers that focus on business combinations, goodwill disclosures and impairment test, tend to measure the level of disclosure compliance and then try to look for determinants that may explain why companies complied or not with the requirements.

With regard to business combinations, the IFRS Standard adopts the approach to first formulate two high-level principles (objectives) of disclosure, where the main one (IFRS 3, p. 59) requires the acquirer to disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination during the current reporting period or soon thereafter (the other principle, p. 60, pertains to financial effects of subsequent adjustments). Second, there are 23 specific requirements listed in paragraphs B64–B67 that the acquirer shall disclose (or provide reason for non-disclosure). Third, paragraph 63 prescribes that if complying with the specific requirements is not sufficient to meet the objectives, ‘...the acquirer shall disclose whatever additional information is necessary to meet those objectives.’

Regarding business combinations, we find two quite comprehensive studies; one focusing on China (Taplin et al., 2014) and one on Europe (Glaum et al., 2013). In the first paper, the authors stress the role of auditors and observe that the level of compliance is low even in companies audited by the Big 4, which makes the authors question if well-resourced international auditors uphold expected standards or rather succumb to local non-compliant practices. They do not look for determinants but limit the study to just describing compliance levels. In Glaum et al. (2013), the authors analyse a large sample of European companies applying IFRS with regard to compliance with business combinations and impairment testing. Their results show substantial non-compliance. At the company level, the authors identify the size of goodwill positions, prior experience with IFRS, type of auditor, the existence of audit committees, the issuance of equity shares or bonds in the reporting period or in the subsequent period, ownership structure and the financial services industry, as influential factors. At the country level, the strength of the enforcement system and the size of the national stock market are associated with compliance. The country factors do not only influence compliance directly but also moderate and mediate some of the company-level factors. Finally, national culture in the form of the strength of national traditions (‘conservation’) also influences compliance in combination with company-level factors. Both studies focus on compliance with specific requirements, not the disclosure objectives of IFRS 3.

As regards disclosures related to goodwill impairment tests, the relevant standard, IAS 36, does not provide an overall disclosure principle, but lists a large number of specific requirements related to impairment (including goodwill impairment) in paragraphs 126–137, including also a reference to an illustrative example of how to present some of the required disclosures. Many studies have focused specifically on whether companies comply with these specific requirements.

Carlin et al. (2010) analyse the degree of compliance of the 168 largest goodwill-intensive Singaporean/Australian firms with requirements included in IAS 36 regarding goodwill impairment testing for a three year period post-IFRS implementation (2005–2007). The authors conclude that the level of compliance is still poor across many facets of goodwill impairment testing disclosures including cash-generating unit (CGU) definition and goodwill allocation, and key input variables used in estimating CGU recoverable amounts. Their results lead them to question the quality of accounting information among goodwill-intensive firms in Singapore and the robustness of regulatory oversight institutions. Carlin & Finch (2010; 2011) adopt similar research approaches for corresponding samples of Australian firms 2006/2007 with similar results regarding weak compliance and insufficient levels of disclosure.

In a similar fashion, Bepari et al. (2014) measure the level of compliance regarding goodwill impairment testing for the period 2006–2009 for all firms included in the S&P/Australian Securities Exchange (ASX) 500 list as at 30<sup>th</sup> June and covering 17 different industrial sectors. They also add a determinants analysis trying to explain compliance behaviour. The authors show that compliance increases overtime and that audit quality and belonging to goodwill-intensive industries turn out to be determinants of firms' compliance. Firm size is associated with compliance levels when industry is controlled for and profitability is also positively associated with compliance. However, leverage does not seem to have any influence.

Building on the results reported by Bepari et al. (2014), Bepari & Mollik (2015) focus on audit quality differences by separating clients of Big-4 from non-Big-4 auditors and also take into account the potential effect of audit committee members' accounting and finance backgrounds. In this second study the sample is larger and covers the period 2006–2009 and the authors conclude that there are significant differences in compliance when comparing Big-4 and Non-Big 4 clients and that the accounting and finance background of the members of the audit committee (AC) has a positive influence on compliance with goodwill impairment testing disclosures. Based on their results, the authors claim the importance of developing institutional mechanisms such as high quality auditing or corporate governance measures (AC members' expertise) to encourage firms' compliance with IFRS requirements.

Other studies that review the level of compliance with goodwill reporting practices are Guthrie & Pang (2013) with a sample of 287 Australian listed firms for the period 2005–2010 and Hartwig (2015), with a sample of Swedish and Dutch companies listed on the Nasdaq OMX (NOMX) and the Euronext Amsterdam (EA) for the period 2005–2008. In both studies, the authors find an increase in compliance over time although they never reach full compliance. For the Australian sample, the authors show how companies tend to define the same or smaller number of cash-generating units (CGU) than reporting segments, suggesting that there may be some kind of CGU aggregation which would allow influencing the incidence of goodwill impairment, and, therefore, the financial position of the firm. The authors also refer at the end to the importance of audit attention as regards compliance with goodwill and impairment

testing requirements. The results for Swedish and Dutch companies, suggest that Swedish companies were more compliant than their Dutch counterparts in 2005, possibly because of a historically weak Dutch institutional oversight system. The author also looks for determinants of compliance and tries to find statistical significance for company-specific variables like size, leverage, future prospects and industry and some additional enforcement variables like accounting oversight and auditing. Results show that none of these variables seem to have a determinant role in the compliance of the companies analysed.

In a literature review by Carvalho, Rodrigues, & Ferreira (2016) of studies of goodwill disclosures and their impairment tests for the period 2002 to 2015, the authors state that there is a need for better enforcement mechanisms as a way to improve the level of compliance. They conclude that, based on their analysis of prior literature, information disclosed about goodwill is still incomplete and largely heterogeneous, indicating low levels of compliance. They also note that a significant number of disclosures on goodwill are just reproductions of the rules prescribed with no effort from the companies to additionally explain the entity-specific circumstances. The authors also state that, regarding the determinants, results are inconclusive as the analysis of the quality of compliance is often subjective and measures, samples and periods are often not comparable. Several conclusions can be drawn from the analysis of the literature regarding disclosure of goodwill, impairment testing and business combinations. A first one would be the low level of compliance found in the studies reported. Most studies confirm the poor levels of disclosure for the different dimensions analysed. A second one would be related to the determinants and the relevance of country-specific variables compared to company-specific ones. In our opinion, and adding to the conclusions of Carvalho et al. (2016), our review shows that, although results regarding determinants are not conclusive enough, we find some evidence that enforcement characteristics such as the strength of the enforcement process or the size of the national stock market are positively associated with compliance together with high-quality auditing and corporate governance measures. are positively related to the quantity and quality of compliance with goodwill and impairment testing disclosures. At a company level, audit quality, goodwill positions and belonging to goodwill-intensive industries, prior experience with IFRS, the existence of audit committees, the issuance of equity shares or bonds and ownership structure are found to be influential factors although evidence found is weaker than for country level ones.

None of the studies referred to above provide an answer to the question of whether the approach used in IFRS 3 (high-level principles supported by derived specific requirements) works better than the approach in IAS 36 (just a set of specific requirements). Substantial non-compliance is unfortunately reported under both approaches.

#### *4.5.2 Financial instruments and risk reporting practices*

IFRS 7 (Financial Instruments: Disclosures) is of particular interest for this paper as it is a principle-based standard solely focusing disclosures. Already in the beginning of the standard, a general disclosure principle is set (paragraph 7):

‘An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.’

Next, the Standard specifies a number of specific disclosure requirements in paragraphs 8–30. The Basis for Conclusions states (IFRS 7, BC 13):

‘In the Board’s view, entities could not satisfy the principle in paragraph 7 unless they disclose the information required by paragraphs 8–30’.

Thus, the Board has derived a number of specific disclosure requirements it believes follow from applying the principle, however, this does not mean that making these specific disclosures is sufficient for compliance. In contrast, throughout the BC the Board emphasises the need to comply with the principle in terms of making the appropriate links back to the financial statements, not merely providing particular items of information (e.g., BC 19, BC 24P).

A prior study by Woods & Marginson (2004) may serve as a good illustration of the rationale for having a principles-based disclosure standard in the area of financial instruments. Woods & Marginson assess the usefulness of disclosures related to derivatives and other financial instruments for UK banks under UK GAAP. Their results show that disclosures are not much useful as the numerical data is generally incomplete and not always comparable and the narrative disclosures are generic in nature. This is precisely the type of problem the overall principle of IFRS 7 is targeting – the information about financial instruments should be possible to relate to the primary financial statements. Has the principles-based approach for disclosures in IFRS 7 succeeded? This should be carefully evaluated as it represents a straightforward example of adopting a high-level principle of disclosure.

In the studies found regarding financial instruments and risk disclosure, authors describe, analyse or compare the level of compliance with the required information, and sometimes add to their analysis a search for possible determinants that may explain differences in compliance behaviour.

One example is the paper by Tahat et al. (2016) that investigates financial instruments disclosures under IFRS 7 as compared to those under IAS 30/32 for a sample of Jordanian companies. Their results show a relevant increase in compliance for the period analysed although not yet full compliance. In this sense the authors again claim that stringent enforcement measures are needed to ensure full compliance with accounting standards. In an earlier study, Othman & Ameer (2009) examines the application of IAS 32 in 2006/2007 by 429 Malaysian firms, using content analysis. They conclude that although a large number of the companies complied with the standard in terms of describing their financial risk management policy, there were systematic differences across the firms with regard to the specific disclosures in terms of level of detail (regarding both qualitative and quantitative information). The authors argue that there is a need for a more standardised risk reporting format in order to achieve greater financial transparency for investors. In the same area, we find the paper by Lopes & Rodrigues (2007) who analyse compliance with financial instruments according to IAS 32 and 39 for Portuguese firms and look for determinants. The study includes company-specific variables together with capital structure and corporate governance ones. Results show that the degree of disclosure is related to size, type of auditor, listing status and economic sector.

Studies dedicated to the analysis and understanding of compliance behaviour related to risk reporting are also quite often to be found in the literature. A first example of such papers is the work by Linsley & Shrivies (2006) where the authors explore risk disclosures for a sample of 79 UK firms using content analysis and also try to find determinants that explain compliance behaviour. Results show a significant positive relationship between the number of disclosures and size and the same for level of environmental risk as measured by Innovest EcoValue

Ratings. However, they do not find significance for company-specific variables like gearing ratio, asset cover, book-to-market value of equity and beta factor. The paper also discusses the nature of the risk disclosures made by the sample companies, specifically examining their time-orientation, whether they are monetarily quantified and if good or bad risk news are disclosed. It was uncommon to find monetary assessments of risk information, but companies did exhibit a willingness to disclose forward-looking risk information. Overall, the dominance of statements of general risk management policy, and a lack of coherence in the risk narratives, imply that there is a risk information gap and consequently that stakeholders are unable to adequately assess the risk profile of a company.

With a similar aim and also using content analysis, we find the paper by Maffei et al. (2014) where the authors assess the risk-related reporting practices of 66 Italian banks and verify whether bank-specific factors explain any differences. As stated by the authors, their purpose is to better understand how mandatory risk categories are disclosed and to provide a better understanding of the reasons why risk disclosures look less useful than they ought to be. Their results show that Italian banks comply with required risk disclosures but with high levels of discretion at the time of choosing the characteristics of the information provided. Also based on disclosures in the banking industry, we find the study by Bischof (2009) where the author analyses changes in disclosure levels and quality after IFRS 7 implementation in European banks. The author finds support for an increase in the level of compliance although differences across countries are found to be relevant providing evidence that national banking supervisors enforce and interpret IFRS 7 in different ways leading to heterogeneous disclosure practices. In a later study (Bischof, Daske, Elfers, & Hail, 2016) evidence shows that the success of regulation depends on the institutional fit between regulator and regulated firms and that having many regulators may lead to inconsistent implementation. The studies by Bischof (2009) and Bischof et al. (2016) are of particular interest as they point at the major effects of how regulators behave on entities' degree of disclosure compliance with mandatory standards. However, none of the studies refer to the principle-based nature of IFRS 7, but seem to focus exclusively on the specific requirements.

In another study on disclosures related to financial instruments, Lu & Mande (2014) examines whether banks comply with the FASB's standard Accounting Standards Update (ASU) 2010-06 requiring disaggregated fair value hierarchy information. Results show that 23 per cent of banks do not comply with ASU 2010-06 and that the non-compliant banks tend to be small, lack effective internal controls and are more likely to be audited by non-specialist auditors.

With a slightly different approach we find the study by Mokhtar & Mellett (2013) where the authors try to go beyond the analysis and description of compliance and incorporate to their study a variety of variables that may allow for the understanding of compliance behaviour among 105 Egyptian companies. The authors provide a strong theoretical case to pose their hypothesis for an expected relationship between corporate governance/enforcement variables and risk reporting. Their results show a low level of compliance with mandatory risk reporting requirements but find that competition, role duality, board size, ownership concentration and auditor type are key determinants of risk reporting practices in Egypt.

Finally, it is worth noting a more recent study by Tauringana & Chithambo (2016) where the authors investigate compliance with risk disclosure requirements following IFRS 7 by Malawian Stock Exchange-listed companies over a three-year period. Specifically, the paper

examines the extent and determinants of risk-disclosure compliance with IFRS 7. The authors employ a mixed-method approach (quantitative/qualitative). The quantitative approach employs the research index methodology and uses panel data regression analysis to examine the relationship between the proportion of non-executive directors (NEDs), size, gearing and profitability and the extent of risk disclosure compliance. The results are triangulated by the qualitative research approach in the form of personal interviews with company managers. The results indicate that over the three years, the extent of compliance with IFRS 7 is, on average, 40 per cent which is very low. The regression results suggest that NEDs, size and gearing are significantly and positively associated with the extent of risk disclosure compliance under IFRS 7. The results of qualitative approach are mixed since some support whilst others contradict the regression results.

In sum, the literature devoted to the analysis and understanding of financial instruments and risk reporting practices show us how the level of compliance remains to be low and that corporate governance/enforcement variables seem to have a key role in the increase and maintenance of higher levels of compliance. In this sense, and adding to what has been already said in the previous section regarding goodwill and impairment testing, we would conclude that corporate governance and enforcement mechanisms show to be in general much more determinant than company-specific variables at the time of understanding why some firms do comply or not with disclosure requirements. In addition, it is worth noting that some authors highlight the need for a more standardised risk reporting format additionally to homogeneous application and interpretation in order to achieve greater financial transparency for investors. This claim again would lead us to the need of strong and at the same time consistent enforcement procedures that guarantee informed decision making processes.

Let us now return to what can be learned from the introduction of IFRS 7 as a principles-based standard? The answer is that, according to our review, prior research has not focused on compliance with the principle, but on compliance with the specific requirements. One reason for this may be that it is very difficult to measure such compliance. However, if this is difficult for researchers it may perhaps be so for entities, auditors and regulators as well? A few years ago, ESMA published a report on compliance with IFRS 7 (ESMA, 2013) based on a study of 39 European financial institutions. The report was somewhat critical (ESMA, 2013, p. 4):

‘Overall ESMA found that disclosures specifically covered by requirements of IFRS 7 – *Financial Instruments: Disclosures* were generally provided and acknowledges the efforts made by financial institutions to improve the quality of their financial statements. Yet, ESMA observed a wide variability in the quality of the information provided and identified some cases where the information provided was not sufficient or not sufficiently structured to allow comparability among financial institutions. Some financial institutions provided disclosures that were not specific enough, lacked links between quantitative and narrative information, or provided disclosures that could not be reconciled to the primary financial statements. ESMA urges issuers to take a step back and consider the overall objectives of IFRS 7 against their specific circumstances when preparing disclosures.’

The final points made by ESMA are critical as the main point with the principle was to make entities link information in the notes to the primary financial statements so that the user can understand, for example, how the use of financial instruments contributes to how the bank earns its profits.

#### 4.5.3 Segment reporting

Segment reporting practices is another topic analysed in the literature, although not as intensely as goodwill impairment or risk reporting. There are some early studies in our literature review, but very few recent ones. One important reason for this is that the IFRS Standard, IFRS 8 (Operating Segments) has effectively removed all specific disclosure requirements and therefore it is very difficult for researchers to know whether an entity complies or not with the standard. The approach used in IFRS 8 is of particular interest for the issue of how high-level principles of disclosure influence disclosure behaviour.

IFRS 8 states a high-level disclosure principle (paragraph 1):

‘An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.’

There are a number of specific requirements in terms of income statement line items etc. to be reported and there is also implementation guidance with the suggested format of a table to be disclosed (IFRS 8, IG3). However, almost all of the specific requirements are directly dependent on whether the chief operating decision maker (CODM) regularly receives the information. This provides management with much flexibility with regard to what to disclose and this is not primarily an issue of materiality but, arguably, heavily related to management incentives. It makes sense that if the CODM does not use the information, it is not relevant for the entity to report this information, but whether the information is used by the CODM or not is not possible to observe. As a consequence, the disclosure principle effectively removes the specific requirements and, in turn, decreases comparability across entities.

André, Filip, & Moldovan (2016) investigated 270 multi-segment European firms applying IFRS 8 that report non-geographical segments. They measure the quantity of segment reporting as the number of segment-level line items disclosed in the note (where only the measure of profit or loss is mandatory to disclose and the rest depends on the chief operating decision maker). This lends the line-item disclosure quantity a voluntary character and gives rise to three possible groups of firms: *Box-tickers*; i.e., companies who disclose more or less the number of line items suggested by the standard, *Under-disclosers*; those that disclose fewer line items than mentioned in the standard, *Over-disclosers*; those that disclose more line items than suggested in the standard (p. 444). In addition to measuring disclosure quantity on the basis of the number of line items disclosed per segment, André et al. also measures disclosure quality on the basis of how diverse the segments are in terms of profitability, i.e., if the entity is willing to disclose the most and least profitable businesses this is more informative than if they aggregate businesses in order to hide low- or high-profitability businesses. André et al. find that under IFRS 8, more discretion can be exercised over the quality than the quantity of disclosures and that incentives played an important role in the sense that managers with proprietary concerns tended to solve this by (p. 443):

‘...either deviating from the suggested line-item disclosure in the standard, or, if following standard guidance, by decreasing segment reporting quality.’

These results suggest that when management is given much flexibility in relation to disclosure in combination with low enforceability, there will be high variation in disclosure quantity and quality in practice, to some extent related to the incentive patterns of management.

Before IFRS 8, the preceding standard (IAS 14) had specific requirements regarding what segment information to disclose. At one point, an improved version of the standard, IAS 14R, was adopted and a study by Street & Nichols (2002) analysed the impact of the IAS 14R for a global sample of companies trying to determine if the revised standard had resulted in a greater number of segments for some enterprises, in more meaningful and transparent geographic groupings, in companies reporting more items of information per segment or if there was an improved consistency of primary segment information with other parts of the annual report. Their results showed that the revised standard resulted in a significant increase in the number of items together with an increase in consistency. On a less positive note, the authors also showed that many companies continued to show vague geographic groupings. Additionally, they state that they had found several companies not fully complying with all the disclosure guidelines. In a similar fashion, and also analysing the impact of IAS 14R, we find the study by Prather-Kinsey & Meek (2004) where the authors also conclude that companies are responding to IAS 14R but not fully embracing it. In this case the authors add a determinant analysis and find that companies being audited by a Big-4 firm and, to a lesser extent, companies that are larger and listed on multiple stock exchanges, have greater compliance.

Another interesting example is that of Chen & Liao (2014) where the authors investigate the economic consequences of SFAS No 131 (the US standard corresponding to IFRS 8) by evaluating whether improved segment-disclosure quality is associated with the reduction of cost of debt. Their results show that firms can benefit from providing high-quality segment information as the level of segment-reporting quality is significantly and negatively related to bond yield spreads indicating that firms that provide more items of information enjoy lower cost of debt.

Finally, a more recent study by Franzen & Weißenberger (2015) assesses the changes in segment reporting practices of German listed companies after issuance of IFRS 8. They do not find significant differences in the companies' behaviour before and after adoption of the new standard. In fact, they state that while the number of reportable segments slightly increased, the amount of information disclosed for each reportable segment decreased.

We can see how, for the segment reporting analysis, research has not focused on country level determinants but more on company-specific ones, although conclusions would not be generalisable when the number of studies found is so low. However, it is interesting to mention that variables like size, audit quality and internationalisation may be relevant for disclosure and that, in line with previous areas analysed, the level of compliance is also found to be low.

#### *4.5.4 Studies regarding other areas of interest*

Once covered the areas that the literature has analysed more deeply regarding compliance with disclosure requirements, we summarise in this subsection a few of the studies that analyse other areas where the number of studies found in the literature is much lower (1 or 2 papers). We find for example studies dedicated to the analysis of compliance with disclosure regarding presentation of financial statements (Rahman & Hamdan, 2017), the voluntary adoption of IAS 1 (Iatridis & Valahi, 2010), income tax (Ebrahim & Fattah, 2015), contingent legal liabilities (Hennes, 2014), intangible assets (Devalle et al., 2016), stock option disclosures (Goh & Soonawalla, 2016; Bassett, Koh, & Tutticci, 2007), executive compensation (Robinson et al., 2011) and leases (Fitó, Arimany, Orgaz, & Moya, 2015) just to name some of them.

Rahman & Hamdan (2017) examined 105 Malaysian listed companies' degree of compliance with 105 disclosure items in IAS 1 (referred to as FRS 1 in Malaysia). They found the average compliance level to be 92%. The only significant explanatory variable is firm size. The authors assign the high level of compliance by with reference to IAS 1 leaving little room for companies to conceal any particular information. It may be noted that the principles-based requirements in, for example, paragraph 17 of IAS 1 were not among the 105 disclosure items evaluated.

Iatridis & Valahi (2010) focus on firms' voluntary compliance with the reporting requirements of IAS 1 before the official adoption of IASs. Their study shows that the decision-making process of firms is significantly influenced by the intention to improve key financial measures, such as leverage, profitability and growth. Consequently, firms would tend to adopt an accounting policy or regulation when they feel that adoption would favourably impact on their reported financial situation.

Ebrahim & Fattah (2015) investigate recognition and disclosure requirements for income tax accounting in Egypt. They relate the level of compliance to the regulatory environment and different socioeconomic variables including corporate governance factors. The authors design a deferred income tax disclosure index for a sample of 116 companies that have recognised deferred income taxes in the income statement during the year (2007). The average level of compliance with IAS 12, according to the index, is 83%. Their results suggest that compliance is associated with corporate-governance related factors (institutional ownership and foreign representation on the board) and having an audit firm with international affiliation (Big Four plus Mazars and Crowe Horwath International). In addition, the results indicate that government ownership has a negative effect on the compliance level. In sum, the authors argue that their results highlight the significance of having a high level of sophistication with regard to management, owners and auditor for achieving IFRS compliance in emerging economies.

The general conclusion of the papers in this residual category is that the compliance level is still low, with the exception of compliance with financial statements' presentation which the authors found to be quite high. As for the determinants analysed, they range from corporate governance (board characteristics and ownership structure) to company-specific ones. When we focus on company-specific variables, we observe that common company-specific variables are often not significant but, on the contrary, variables very close to the item analysed may be influential as it happens with interest expense in the case of assets or media coverage in the case of leases. However, these last results must be considered with caution as they are based on a very small set of papers that focus, each of them, on a separate area, with also different samples, periods and sometimes even regulations considered.

## **5. Concluding Remarks**

The current paper investigates the possible effects of introducing more principles of disclosures as part of the IASB Disclosure Initiative. Based on our analysis, we argue that introducing more principles of disclosure must be accompanied by a clarification of the role of the specific disclosure requirements in IFRS Standards. It is not clear whether the suggested increased reliance on principles of disclosures in the DP is expected to replace the need for specific disclosure requirements.

The literature review presented in Section 4 has pointed at significant levels of non-compliance both with regard to disclosures in general (Section 4.3) and specific areas (Section 4.4). In a review of IFRS-related research, Pope & McLeay (2011) commented on the fact that it is hard for researchers to measure the degree of compliance as the information reflects the application of principles rather than specific rules and the user does not have sufficient information to evaluate compliance with the principle in specific circumstances. In the case of disclosures, and as seen in Section 4, academic research tends to focus on compliance with the specific disclosure requirements rather than disclosure principles in, for example IFRS 3 or IFRS 7. The standard-setting approach for disclosures used in IFRS 3 and IFRS 7 is very appealing from a top-down perspective, i.e., the specific requirements are logically derived from the principles, so that complying with the specific requirements is a necessary but not sufficient way of satisfying the principle. However, research has not succeeded in measuring compliance with the principle, and the ESMA (2013) report suggests that entities and auditors focus on the specific requirements. The question is then whether principles of disclosure in, for example, IAS 1, IFRS 3, and IFRS 8 are enforceable and possible to audit? This is important with regard to the DP (IASB, 2017a) that proposes more principles-based disclosures. There is one area of disclosures, operating segments, where application of the disclosure principle has been studied by research, and where the results suggest high variation in the quantity and quality of disclosures. Entities tend to use their flexibility and the result is not only increased relevance as the information becomes very entity-specific, but also a considerable risk of abuse and deficient information for users.

All standards need to define compliant behaviour. Otherwise the standard will not be enforceable. Our findings in the literature review suggest that the negative tone used with regard to checklists and the concept of compliance in paragraph 1.7 is counter-productive. More reliance on principles and less reliance on specific requirements is not likely to solve the need for more relevant information and will most likely lead to lower disclosure quality among poor disclosers. Based on what seems to (not) work in practice, it seems like more emphasis should be put on how to make the disclosure requirements enforceable and possible to audit. The high-level principles of disclosure, as in IFRS 3 and IFRS 7, may be very useful, but in order to achieve compliance perhaps the way to achieve compliance is to design even more appropriate specific requirements that logically support the principles.

The Board points at the objective to develop principles of disclosure that will help entities to apply better judgement and communicating more effectively (DP, para. IN3), indicating that they are not doing this very well at the moment as stated most explicitly in paragraph 1.10 of the DP: ‘a set of disclosure principles could help to address the disclosure problem, however, to improve the effectiveness of disclosures in the financial statements, those principles need to be accompanied by a change in the behaviour of [entities, auditors and regulators]’. The IASB’s suggested solution to the disclosure problem pertains to improving the standards per se, not the context in which these standards are applied. This is understandable given what the Board can influence, but as pointed out earlier by Barker et al. (2013), the standards cannot be viewed in isolation, and what is perceived to be an improvement of a standard may not lead to the corresponding improvement in accounting practice due to various aspects of the context in which preparers apply the standards. We believe further consideration of the context is warranted also for the reason that the IASB’s actions (the principles of disclosures and the materiality guidance) so explicitly target the ‘best-in-class’ disclosers rather than setting

minimum requirements that would rely less on incentive-driven judgements and the entity's good intentions.<sup>10</sup> Enforcers must distinguish between compliance and non-compliance and thus the standard setter must consider this when designing the standard and formulating the requirements.

Even if disclosure requirements are only expressed in terms of high-level principles, enforcement will ultimately lead to specific interpretations for particular cases. In turn, following the specific interpretation will be necessary for being compliant. From this viewpoint, specific requirements in standards can be viewed as derivations from higher principles where the standard setter foresees the needs of the user rather than leaving this for interpretation by the enforcer. In addition, as the application of the principles will ultimately result in specific disclosures, a certain level of box-ticking will always be part of compliance and should not be described as negative per se. Especially in low-enforcement environments, lack of transformation of high-level principles to specific requirements through the mechanisms of enforcement may lead to a situation where disclosures will not be of sufficient quality.

We believe the view that high-level principles of disclosure may replace specific disclosure requirements may lead to a situation where compliance requirements become vague and not possible to enforce. Our literature review of academic research on how entities have complied with (specific) disclosure requirements in the past suggests that there is high variation among entities and that poor disclosers are typically far below the average. More emphasis is needed on ensuring that the disclosure requirements are enforceable and auditable in order to secure a certain minimum level of disclosure.

## Notes

<sup>1</sup> The POD project is one of the most important projects of the Disclosure Initiative (IASB, 2017a, p. 16). Some projects of more limited scope have already been completed within the Disclosure Initiative (2014 Amendments to IAS 1 to remove barriers to the exercise of judgement, and 2016 Amendments to IAS 7 to improve disclosures of liabilities from financing activities) and the project related to guidance on making materiality judgements is expected to be completed in June 2017 (the Materiality Practice Statement).

<sup>2</sup> According to the Conceptual Framework (2.11, emphasis added), materiality is ‘...an *entity-specific aspect of relevance* based on the nature or magnitude, or both, of the items to which the information relates in the context of an individual entity’s financial report.’

<sup>3</sup> The standard would only be applicable if the entity has items or activities covered by the standard, e.g. the entity makes share-based payments and therefore IFRS 2 (Share-based Payment) is applicable.

<sup>4</sup> Occasionally the classification of requirements as ‘mandatory’ were not clear-cut and a few papers with voluntary elements were included.

<sup>5</sup> The lowest level, level 2, is described by Chartered Association of Business Schools (2015, p. 7, as follows: ‘Journals in this category publish original research of an acceptable standard. A well regarded journal in its field, papers are fully refereed according to accepted standards and conventions. Citation impact factors are somewhat more modest in certain cases. Many excellent practitioner-oriented articles are published in 2-rated journals.’

<sup>6</sup> The study by Taplin et al. (2002) also report on disclosure compliance levels in Australia, Singapore and Hong Kong.

<sup>7</sup> The main part of the data (72%) in Street and Nichols (2002) is European, whereas 28% is from developing/emerging-market countries. Prather-Kinsey and Meek (2004) is primarily based on data from IAS-adopters in developed countries (about 10% of the observations are from developing/emerging-market countries).

<sup>8</sup> There are some observations from emerging/developing countries in these studies: less than 10% in Street et al. (2000), Bradshaw & Miller (2008), Hodgdon et al. (2008, 2009), and Taylor & Jones (1999); less than 20% in Hope et al. (2007) and Street & Bryan (2000); and less than 30% in Street and Gray (2002).

<sup>9</sup> The compliance level observations of emerging/developing countries from the transnational studies were included in Figure 1. The same procedure is followed with regard to developed countries in Figure 2. Please note, that there are observations pertaining to developing/emerging-market countries in some of the transnational studies of developed countries (see note 10).

<sup>10</sup> A good example of targeting ‘best-in-class’ disclosers is the use of the word ‘compliance’ in quotation marks in the IASB’s press release referred to earlier (IASB, 2012), suggesting that there is some minimum level of superficial compliance in the minds of the regulators which is quite different from what the entities would achieve if they applied the standards as intended by the standard setter.

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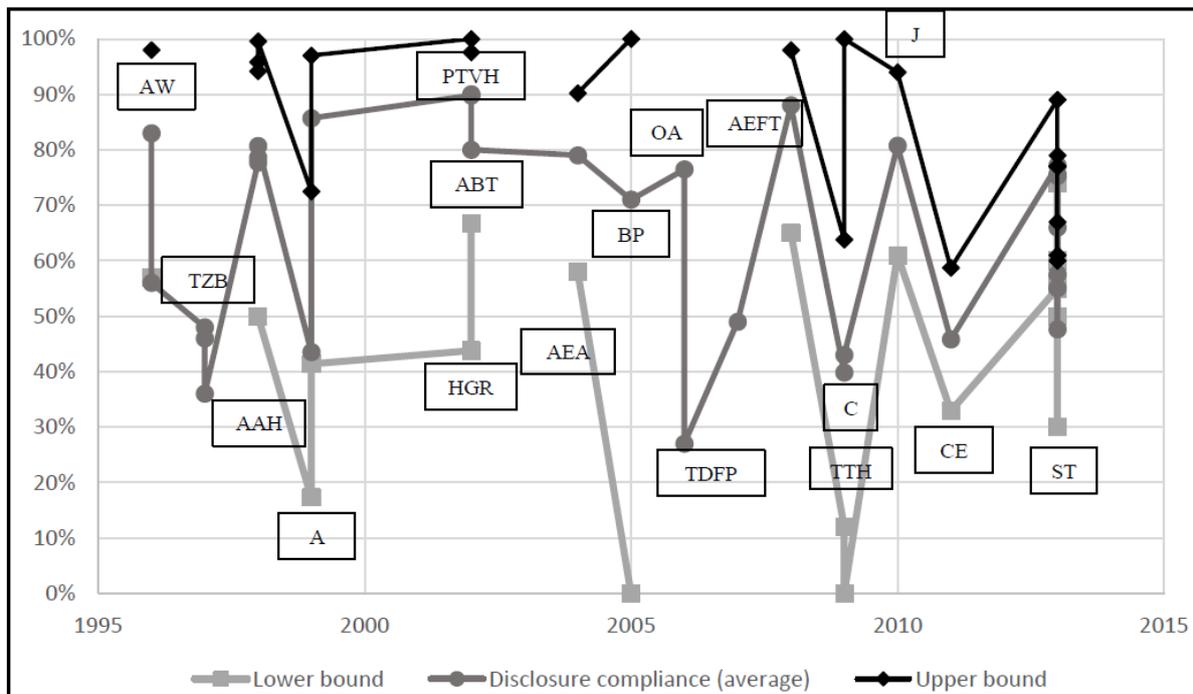
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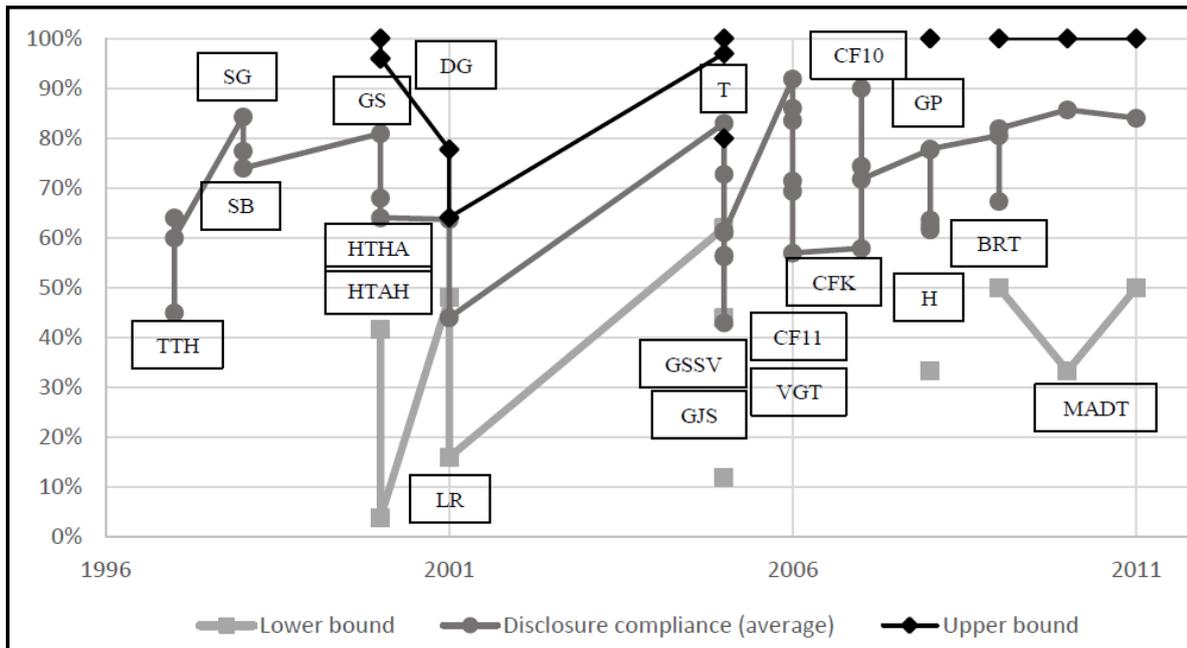
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**Figure 1: Compliance with IAS/IFRS disclosure requirements in 17 studies of emerging and developing countries during 1996-2013. Each dot represents a country/region covered by a study in a particular year.**

The figure shows the average, higher bound and lower bound compliance levels in all the reviewed general and specific studies of disclosure compliance with IAS/IFRS (including national regulation with corresponding requirements) in emerging-market and developing countries, to the extent these measures are available. The average disclosure compliance level of the 17 studies is 65%, whereas the lower bound average is 46% and the higher bound average is 85%. Indicative labels of the references behind the observations are provided. Detailed information about the studies is available in Appendix 1.

Sources: [TTH] Taplin, Tower, & Hancock (2002), [AW] Abd-Elsalam & Weetman (2003), [AAH] Ali, Ahmed, & Henry (2004), [A] Akhtaruddin (2005), [HGR] Hassan, Giorgioni, & Romilly (2006), [PTVH] Peng, Tondkar, van der Laan Smith, & Harless (2006), [ABT] Al-Shammari, Brown, & Tarca (2008), [OA] Othman & Ameer (2009), [AEA] Al-Akra, Eddie, & Ali (2010), [BP] Bova & Pereira (2012), [TZB] Taplin, Zhao, & Brown (2014), [AEFT] Abdullah, Evans, Fraser, & Tsalavoutas (2015), [TDFP] Tahat, Dunne, Fifield, & Power (2016), [CE] Che-Azmi & English (2016), [C] Chitambo (2016), [J] Juhmani (2017), [ST] Sellami & Tahari (2017).



**Figure 2: Compliance with IAS/IFRS disclosure requirements in 19 studies of developed countries during 1997-2011. Each dot represents a country/region covered by a study in a particular year.**

The figure shows the average, higher bound and lower bound compliance levels in all the reviewed general and specific studies of disclosure compliance with IAS/IFRS (including national regulation with corresponding requirements) in developed countries, to the extent these measures are available. The average disclosure compliance level of the 19 studies is 70%, whereas the lower bound average is 33% and the higher bound average is 93%. Indicative labels of the references behind the observations are provided. Detailed information about the studies is available in Appendix 1.

Sources: [SB] Street & Bryant (2000), [SG] Street & Gray (2002), [TTH] Taplin, Tower, & Hancock (2002), [DG] d’Arcy & Grabensberger (2003), [GS] Glaum & Street (2003), [LR] Lopes & Rodrigues (2007), [HTHA] Hodgdon, Tondkar, Harless, & Adhikari (2008), [HTAH] Hodgdon, Tondkar, Adhikari, & Harless (2009), [CF10] Carlin & Finch (2010), [CF11] Carlin & Finch (2011), [CFK] Carlin, Finch, & Khairi (2010), [T] Tsalavoutas (2011), [GSSV] Glaum, Schmidt, Street, & Vogel (2013), [GP] Guthrie & Pang (2013), [VGT] Verriest, Gaeremynck, & Thornton (2013), [BRT] Bepari, Rahman, & Taher (2014), [H] Hartwig (2015), [GJS] Goh, Joos, & Soonawalla (2016), [MADT] Mazzi, André, Dionysiou, & Tsalavoutas (2017).

## Appendix 1. Studies of Compliance with Disclosure Requirements

### Panel A: Developing/Emerging-Market Countries

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Abd-El salam & Weetman (2003)	The paper focuses on the application of IAS in the period immediately after mandatory adoption in Egypt. The paper covers circumstances in which some requirements were familiar because they were already reflected in long-established national laws, other requirements were not familiar but were translated into the local language, and some requirements were not familiar and were not available in an authoritative translation.	The method used applies a disclosure index measurement to a sample of listed company annual reports and evaluates relative compliance with IASs in relation to corporate characteristics. Control variables included on the basis of prior literature are size, profitability, type of business, audit firm, gearing, legal form, share trading, type of business, the presence of an IAS compliance note, the presence of a note of compliance with ISAs (International Standards on Auditing) and type of audit firm.	The sample consisted of 72 Egyptian, non-financial, listed companies.  Annual reports from 1995/1996.	Average firm score: 83% of the disclosure index (IAS).  Lower bound: 57% Upper bound: 98%	For less familiar requirements of IASs, the extent of compliance is related to the type of audit firm used and to the presence of a specific statement of compliance with IAS. A lower degree of compliance with less familiar IAS disclosure is observed consistently across a range of company characteristics. Consideration of agency theory and capital need theory would suggest a distinction in disclosure practices across different firm categories. The results were, therefore, counterintuitive to expectations when regulations were unfamiliar or unavailable in the native language, indicating that new variables have to be considered and additional theoretical explanations have to be found in future disclosure studies on emerging capital markets.
Abdullah et al. (2015)	This paper examines the effects of family control on IFRS mandatory disclosure levels, and the valuation implications of these disclosure levels for Malaysian companies.	A disclosure checklist was created based on requirements of 12 accounting standards. The final disclosure checklist consisted of 295 index items. Multivariate analyses using logistic regression. As independent variables, the authors use family control and various control variables based on prior empirical research.	221 companies listed in Bursa Malaysia. Annual reports from 2008. The sample was partitioned into firms with and without 'family controlled boards'	Average: 88% Lower bound: 65% Upper bound: 98%	The authors find that family control is related negatively to disclosure and that compliance levels are not value relevant. The findings suggest that agency theory predictions and theories linking common law legal systems to high quality financial reporting require refining in certain national contexts. The research also finds evidence on a link between high-quality corporate governance and better compliance. Finally, firm value did not related significantly to disclosure levels
Akhtaruddin (2005)	This study reports the results of an empirical investigation of the extent of mandatory disclosure in Bangladesh. It also reports the results of the association between mandatory disclosure and company-specific characteristics.	Multivariate regression between size, age, industry type, profitability and the extent of mandatory disclosure. Compliance with national standards is measured, but the listed companies are required to prepare financial statements in accordance with the approved IASs along with the disclosure provisions of the Companies Act and the stock exchanges.	94 listed companies in Bangladesh. Annual reports from 1999.	Average firm score: 44% of the disclosure index Lower bound: 17% Upper bound: 73%	The results indicate that companies in general have not responded adequately to the mandatory disclosure requirements of the regulatory bodies, which leads to the conclusion that prevailing regulations are ineffective monitors of disclosure compliance. Company age or status (whether a company is modern or traditional) were not found to be significant factors for mandatory disclosure; size measured by sales was positively associated, while the size of capital employed had a negative association; profitability was found to have a weakly significant positive effect on disclosure.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Al-Akra et al. (2010)	The paper empirically investigates the impact of privatisation, through the resulting disclosure regulation, governance reforms and ownership changes, on mandatory disclosure compliance with IAS/IFRS of Jordanian listed companies.	Unweighted disclosure index based on IAS/IFRS extant in each year. Also incorporates panel data estimation techniques to account for the dynamic effects of the factors under study. The authors employ multivariate regression to examine whether the factors under study are associated with the extent of mandatory disclosure of Jordanian listed companies. Company attributes considered are non-executive directors, audit committee, ownership structure, board size, firm size, leverage, profitability, auditing firm identity, liquidity, sector, listing and firm's age.	80 non-financial, listed Jordanian companies.	1996. Average firm score: 55% of the disclosure index (IAS). Lower bound: 41% Upper bound: 65%  2004. Average firm score: 79% of the disclosure index (IFRS). Lower bound: 58% Upper bound: 90%	The study finds that disclosure compliance with IAS/IFRS is significantly higher in 2004 than that in 1996. During this period, IFRS was introduced together with enforcement mechanisms. Before that, IFRS was recommended. Thus, there was a change from a state where the use of the IFRS was voluntary to one where the use of IFRS was statutorily required and non-compliance was illegal. The regression analyses suggest that the introduction of disclosure regulation and corporate governance reforms through the mandate of audit committees and the type of auditor have all significantly influenced the mandatory disclosure compliance. Ownership structure and the percentage of non-executive directors on the board were insignificant in influencing disclosure. Two company attributes appeared to influence disclosure: market capitalisation and long-term leverage.
Ali et al. (2004)	This paper empirically examines the level of compliance with disclosure requirements mandated by 15 national accounting standards for a sample of companies in South Asia, namely India, Pakistan and Bangladesh, and evaluates the corporate attributes which influence the degree of compliance with these standards.	This study measures the extent of compliance using a scoring system. A multivariate Ordinary Least Squares approach is used to determine which firm attributes are associated with national accounting standard compliance.	The sample size was 566 companies (Bangladesh: 118, India: 219, Pakistan: 229). Annual reports from 1998.	Averages (IAS): 78–84% Lower bound: ≈50% Upper bound: 94–100%	The results indicate significant variation in total disclosure compliance levels across countries (with companies in Pakistan showing the highest level of compliance) and different national accounting standards (compliance was higher for standards regarding depreciation, inventories and property, plant and equipment and the lowest was business combinations and leases).
Al-Shammari et al. (2008)	This study investigates the extent of compliance with IASs by companies in the Gulf Co-Operation Council (GCC) member states (Bahrain, Oman, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates).	Compliance with IASs is measured using a self-constructed compliance index. Multivariate analysis was used to investigate differences between countries in compliance levels as well as time trends and relationships between the level of compliance and company attributes.	A sample of 137 companies domiciled in GCC member states.	1996. Average firm score: 56% of the disclosure index (IAS) 1999. Average firm score: 69% of the disclosure index (IAS) 2002. Average firm score: 80% of the disclosure index (IAS)	Despite strong economic and cultural ties between the GCC states, there was significant between country variation in compliance and among companies based on size, leverage, internationality, and industry. The study provides evidence of de jure but not de facto harmonization in the region. Noncompliance reflected some ineffectiveness in the functions of external auditors and enforcement bodies, which may be of interest to countries that have adopted IASs recently.
Assenso-Okofe et al. (2011)	The paper examines the economic, political, and legal systems as well as the institutional factors that influence the accounting and disclosure practices in Ghana. The impact of IFRS on disclosure is also investigated, as Ghana has completed full adoption in 2007.	Longitudinal country case study	Ghana	Not applicable	The accounting and reporting practices are significantly influenced by legal, political, institutional, and economic factors. The regulatory environment is neither effective nor efficient due to the weak monitoring and enforcement of compliance.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
(Bova & Pereira, 2012)	The paper examines two issues related to country-level adoption of IFRS. First, what factors influence compliance following IFRS adoption in a weak enforcement environment? Second, does compliance improve a firm's information environment in a weak enforcement economy?	The measure of IFRS compliance is obtained from Kenya's Financial Reporting Awards for 2006. The disclosure measure is used as dependent variable in a regression analysis.	The data comprise 48 private and 30 publicly traded Kenyan companies. Annual reports from 2005.	Average firm score: 71% of the disclosure index (IFRS) for the public sample. Lower bound: 0% Upper bound: 100%	The authors find that while both private and public firms are required to adhere to IFRS, public, rather than private firms, exhibit greater IFRS compliance. Also, foreign ownership and share turnover are positively associated with IFRS compliance. Overall, the findings illustrate the importance of economic incentives in shaping IFRS compliance and the capital market benefits to being compliant with IFRS in a low enforcement country.
Chamisa (2000)	This article examines de facto compliance with the IASC standards by a sample of listed Zimbabwe companies.	A disclosure/measurement checklist was prepared based on 46 requirements of IASs 1 to 22.	Four published annual reports (1975, 1980, 1985, 1990) of each of 40 listed companies in Zimbabwe.	Not applicable.	Both the compliance level and the impact of the IAS standards on listed Zimbabwe firms' reporting practices appear to be significant. The principal conclusion is that the relevance of the IASC standards in developing countries depends on which ends or needs they are expected to serve, and the specific national environment in which the standards are to be applied.
Che Azmi & English (2016)	The study provides insights into the disclosure practices of large Malaysian publicly listed companies, comparing government linked companies (GLCs) and their non-GLC equivalents.	Unweighted disclosure index based on IFRS extant in each year.	18 Malaysian firms selected from Bursa Malaysia (9 GLC and 9 non-GLC). Annual reports from 2011.	Average firm score: 46% of the disclosure index (IFRS). Lower bound: 33% Upper bound: 59%	Results indicate that overall compliance is not predictable and differs widely between standards. Firms tend to routinely comply with 'Note 1' descriptive disclosures and with standard-specific disclosures that impact <i>current</i> year profitability and financial position. They routinely fail to provide details and explanations of undisclosed financial statement/off balance sheet items that impact <i>future</i> profitability and financial position, with IAS 17 <i>Leases</i> being an example of this. There is some evidence that GLCs demonstrate higher levels of standard-related compliance than do non-GLCs. The study finds no association between disclosure and auditor.
Çürük (2009)	The study examines Turkish companies' level of compliance with the disclosure requirements of the EU Fourth Directive over time (1986, 1987, 1991, 1992 and 1995), and assess whether companies' level of compliance had been influenced by their corporate characteristics, such as company size, listing status and industry type.	Regression analysis using the companies' compliance score on constructed disclosure scoring sheet as dependent variable and corporate characteristics as independent variables.	Annual reports of 61 Turkish companies (1995).	Average firm score: 73% of the mandatory disclosure index (EU Fourth Directive). Lower bound: 49% Upper bound: 85%	The results of this study established that Turkish companies' level of compliance with the disclosure requirements of the EU Fourth Directive were within the range of 30–85% over the years and increased significantly from one year to another throughout the selected period. A dramatic increase, however, occurred during the five-year interval (from 1987 to 1991) during which the Capital Market Board Communiqué C was enacted.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Dahawy et al. (2002)	The authors use Egypt's adoption of IAS in 1996 to examine conflicts between imported accounting standards and national cultural values.	Three case studies and interviews to study how five IASs (IAS 1, IAS 5, IAS 8, IAS 21, IAS 25) were adopted.	Case studies and interviews conducted in the late 1990s.	Not applicable.	The authors results indicate that the propensity of secrecy that is embedded in the Egyptian culture overrides the IAS requirements. As a result, the disclosures reported by the three companies were significantly lower than the IAS requirements.
Ebrahim & Fattah (2015)	The paper examines the corporate governance factors and the independent audit quality as determinants of compliance with IFRS recognition and disclosure requirements of income tax accounting in Egypt.	Compliance with IAS 12 is evaluated and regression models are used with various variables from the literature.	169 Egyptian firms in 2007 whereof 69 report deferred tax in the income statement	Disclosure index with five items (scores between 0 and 5). Mean: 3.35	The results show that corporate governance factors (institutional ownership and foreign representation on the board) and the perceived quality of the engaged auditor improve compliance with IFRS requirements. Companies with higher levels of institutional ownership and foreign representation on the board are more likely to engage an audit firm with international affiliation and comply with IFRS recognition and disclosure requirements. The results underline the significance of professional development and regulations of local audit industries in emerging countries for actual compliance with IFRS requirements.
Gao & Kling (2012)	The purpose of the article is to assess the effect of regulatory changes regarding corporate governance and the quality of external audits, on compliance with mandatory disclosure requirements in China.	The study uses a direct measure of disclosure compliance published by the Shenzhen Stock Exchange, where 1=insufficient, 2=sufficient, 3=good, 4=excellent.	All firms listed on the Shenzhen Stock Exchange during 2001–2007 (8,864 firm years).	2001. Average score: 2.47 (national standards)  2007. Average score: 2.65 (national standards)	Findings show that auditor opinion (and in particular non-clean audit opinions) increases compliance with mandatory disclosure requirements and that improved internal governance lead to higher compliance. The external governance environment, measured by the degree of institutional development, had a positive effect on firms' compliance with disclosure requirements.
Hasan et al. (2008)	This study investigates the effectiveness of changes in the regulatory environment on the quality of compliance to mandatory disclosure requirements in Bangladesh.	A Mandatory Disclosure Index (MDI) was developed, by including all information items whose disclosure was mandatory under the two regulatory regimes – the less regulated environment (1991) and the more regulated environment (1998).	86 matched pairs of companies under the less regulated (1991) and the more regulated (1998) environments in Bangladesh.	Not reported.	Statistical analysis of the MDI shows a significant improvement in the quality of compliance during the more regulated time period. The size of the firm, the qualification of its accounting staff and the reputation of its auditing firm have significant positive impact on the quality of compliance. The findings lend support to the conventional notion that well packaged and timed regulations can foster sustainable development in the overall reporting environment of a country.
Hassan et al. (2006)	This paper uses panel data analysis to investigate the extent and determinants of disclosure levels of non-financial firms listed on the Egyptian Stock Exchange. It distinguishes between private and public companies in terms of company characteristics and disclosure practices.	Multiple regression models. Disclosure compliance measured by check list developed by the Centre for International Financial Analysis and Research (CIFAR) in 1995. Independent variables are firm size, legal form, profitability, gearing and stock activity.	Sample consists of 77 non-financial listed Egypt firms during 1995–2002 (264 firm years).	Mean mandatory disclosure compliance: 89.8% Lower bound: 44% Upper bound: 100%	Results show gradual increases in disclosure levels, with a high compliance for mandatory disclosure, although the voluntary disclosure level was rather limited. Public business sector companies appear generally to disclose less information than private sector companies. Furthermore, more profitable companies disclose more information than less profitable ones. Results for firm size, gearing and stock activity are mixed.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Hassan et al. (2009)	This study examines the value of voluntary and mandatory disclosure in a market that applies IAS with limited penalties for non-compliance. The lack of enforcement creates an element of choice in the level of mandatory disclosure by companies.	The authors use panel-data analysis. The extent of financial disclosure for Egyptian nonfinancial listed companies is measured by a disclosure-index technique.	Sample consists of 80 nonfinancial, listed Egypt firms during 1995–2002 (272 firm years).	Mean mandatory disclosure compliance: 89.7%.	Empirical results show that, after controlling for factors such as asset size and profitability, mandatory disclosure has a highly significant but negative relationship with firm value. This result, although puzzling from a traditional perspective, is consistent with the predictions of analytical accounting models, which emphasize the complex interplay of factors determining disclosure effects.
Juhmani (2017)	The purpose of the paper is to examine the relation between corporate governance (CG) and IFRS disclosure one year before the issuance of the first CG Code in Bahrain. Three groups of CG mechanisms (i.e. board characteristics, audit committee characteristics and ownership structure) are related to the level of compliance with IFRS disclosures.	Unweighted disclosure ratios are calculated for each company and used as the dependent variable in the regression models. Independent variables: eight CG mechanisms and five other firm-specific attributes as control variables.	41 companies listed on Bahrain Stock Exchange. Annual reports from 2010.	Average firm score: 81% of the disclosure index (IFRS). Lower bound: 61% Upper bound: 94%	The results show that three of the CG mechanisms (i.e. board independence, audit committee independence, CEO duality) are associated with the level of IFRS disclosure. However, the results show that the other five CG mechanisms (i.e. board size, audit committee size, blocks holder ownership, managerial ownership, and government ownership) are not associated with the level of IFRS disclosure. In relation to the control variables, there is significant positive association between disclosure index and profitability, audit firm size and industry. Neither leverage nor company size are significant.
Mısırlıoğlu et al. (2013)	The study examines whether the mandatory adoption of IFRS by Turkish listed companies in 2005 was successful in practice and what role firm and country level factors played in the adoption.	Earlier financial reporting standards are compared with new (IFRS) to establish level of correspondence at the time of adoption. The authors hypothesize how firm-specific factors will affect the degree of change in both measurement and disclosures and conduct a multivariate analysis.	Sample of 106 firms drawn from the Istanbul Stock Exchange. Annual reports from 2005.	Around 80% of the items within the ten disclosure categories were not disclosed by the Turkish companies. Significant disclosure improvement for IAS 12, IAS 19, IAS 22, IAS 32. Very modest improvement for IAS 17, IAS 21, IAS 36, IAS 40.	Overall measurement change is positively associated with auditor prominence and gearing, and negatively associated with the degree of free float. With regard to disclosures, authors find that although there are some improvements, the vast majority of the disclosure items required by IFRS were not disclosed. Auditor type, size, and the degree of foreign ownership of shares exert a positive impact on the overall improvement in disclosures. Interview analysis reveals that the dominance of tax laws, the lack of enforcement, corporate governance issues, and inadequate management information systems were all significant constraints to the successful adoption of IFRS.
Mokhtar & Mellet (2013)	This study aims to measure the extent of mandatory and voluntary risk reporting and investigate the impact of competition, corporate governance and ownership structure on risk reporting practices in annual reports of Egyptian companies. A number of theoretical perspectives including proprietary cost, agency theory, stakeholder theory, political cost, signalling theory and legitimacy theory are used to derive research hypotheses and identify the potential determinants of risk reporting practices.	Disclosure index based on Egyptian Standard 25 (corresponding to IAS 32) was used to measure the level of mandatory risk reporting while content analysis (sentence approach) was used in coding voluntary risk reporting. Multiple regression analysis is used in evaluating the relationships between competition, corporate governance, ownership structure and risk reporting.	The annual reports of 105 listed Egyptian companies for 2007 were examined.	Mean mandatory disclosure: 21.57%. Lower bound: 5% Upper bound: 71%	The results indicate a low level of compliance with mandatory risk reporting requirements. A low extent of voluntary risk reporting with a tendency to report more backward-looking and qualitative risk disclosure compared to forward-looking and quantitative risk disclosure is indicated. Agency theory and proprietary cost provide explanations for the variation of risk reporting in corporate annual reports. It is suggested that competition, role duality, board size, ownership concentration and auditor type are key determinants of risk reporting practices in Egypt.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Naser & Nuseibeh (2003)	The study assesses the quality of information disclosed by a sample of nonfinancial Saudi companies listed on the Saudi Stock Exchange. The study also compares the extent of corporate disclosure before and after the creation of the Saudi Organization of Certified Public Accountants.	Corporate disclosure was put in three major areas: mandatory, voluntary closely associated with mandatory, and voluntary unrelated to mandatory. A disclosure index was constructed for each of these areas (unweighted and weighted).	79 companies listed on the Saudi Stock Exchange (1999).	Average firm score: 89% of the mandatory disclosure index (national standards). Lower bound: 42% Upper bound: 100%	The outcome of the analysis indicates relatively high compliance with the mandatory requirements. As for the voluntary disclosure, whether related or unrelated to mandatory disclosure, the analysis revealed that Saudi companies disclose information more than the minimum required by law. The analysis also showed that the creation of Saudi Organization of Certified Public Accountants has had little impact on corporate reporting in Saudi Arabia.
Othman & Ameer (2009)	The purpose of this paper is to investigate the market risk disclosure practices among Malaysian listed firms. Specifically, it aims to examine the level of compliance with FRS132 (corresponding to IAS 32) for financial periods beginning or after 2006.	The approach taken is content analysis and coding procedure.	Annual reports 2006/2007 for 429 listed Malaysian firms	Not applicable.	Although a large number of companies have shown compliance with FRS132 in relation to disclosing the financial risk management policy, there are systematic differences across companies in terms of level of details (i.e. qualitative and quantitative) disclosure. Interest rate disclosure was the most mentioned category and the credit risk was the least mentioned category of market risk. The results suggest that most Malaysian firms did not engage in hedging of any type of market risk over the reporting period of 2006-2007.
Peng et al. (2009)	In this empirical study authors examine whether China's efforts to converge domestic accounting standards with International Financial Reporting Standards (IFRS) over the past 15 years have resulted in the successful convergence of Chinese listed firms.	A checklist instrument (checklist) containing 77 measurement items based on IFRS 1-40 was developed to evaluate the extent of the convergence of Chinese firms' accounting practices with IFRS. The compliance index is defined as the percentage of specific regulations applicable to a firm with which that firm complied.	The study uses data from the 1999 and 2002 annual reports of 79 Chinese listed firms.	GAAP: 1999: 97.0% 2002: 96.9% IFRS: 1999: 69.0% (Low: 41%, High: 97%) 2002: 79.4% (Low: 67%, High: 98%).	The study finds improvement in both compliance with IFRS and in the consistency of the accounting methods used in annual reports prepared under Chinese GAAP and IFRS. Chinese listed firms' compliance with IFRS is significantly lower than their compliance with Chinese GAAP. The findings suggest that in China the convergence of accounting standards has been a conduit to the convergence of accounting practices.
Rahman & Hamdan (2017)	The purpose of this paper is to investigate Malaysian companies' compliance with mandatory accounting standards. Specifically, this study examines the efficacy of agency-related mechanisms on the degree of compliance with Financial Reporting Standards (FRS) 101 (corresponding to IAS 1)	The authors employ multiple regression analysis models to establish whether selected corporate governance (board characteristics and ownership structure) and company-specific characteristics (proxying for agency-related mechanisms) are related to the degree of disclosure compliance.	Data from a sample of 105 Malaysian companies listed on the ACE market in 2009	Mean compliance: 92.49%. Lower bound: 82.5% Upper bound: 100%	The results indicate that the overall disclosure compliance is high (92.5 percent). Furthermore, only firm size is positively associated with the degree of compliance. The other variables, those consisting of board independence, audit committee independence, CEO duality, the extent of outside block-holders' ownership and leverage, do not show any significant relationship with the degree of compliance. These results have important implications for policy makers because they suggest that whilst agency-related mechanisms may motivate compliance with mandatory standards, full compliance may be unattainable without regulations.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Samaha & Abdallah (2012)	The study aims to provide further evidence on the nature of web-based corporate disclosures (WCD) by Egyptian listed firms. Moreover, the study aims to assess the developments in WCD by Egyptian listed firms in light of the practices adopted by the top UK firms (FTSE 100). It also aims to provide evidence on the determinants of WCD.	The authors model possible agency relationships pertaining to firms who disseminate their corporate information by taking advantage of the opportunities that the Internet offers. The explanatory variables are grouped into: (1) firm characteristics (firm size, leverage, liquidity, growth prospects); (2) corporate governance characteristics (block-holder ownership, managerial ownership, board independence, CEO-Chair duality, external auditor, audit committees). The study uses two disclosure measures to assess the quality of two WCD dimensions: content and presentation.	99 Egyptian and 100 listed UK listed firms	Not applicable.	The findings from the comparative analysis revealed high divergence in WCD practices between Egypt, as a developing country with an emerging capital market, and the United Kingdom, as a developed country. WCD in Egypt is lagging very far behind the developed and technologically advanced countries such as the United Kingdom. The regression results revealed that managerial ownership, board independence, CEO-Chair duality, firm size and leverage are significant in driving the WCD level in Egypt. Factors explaining voluntary adoption of WCD in Egypt, as an example of a developing country, are different from those reported in the UK.
Samaha & Khlif (2016)	The purpose of this paper is to review a synthesis of theories and empirical studies dealing with the adoption of and compliance with IFRS in developing countries in an attempt to provide directions for future research.	Conceptual paper.	Not applicable.	Not applicable.	IFRS adoption in developing countries can be justified by two main theories which are: the economic theory of network and isomorphism. Relationship between corporate characteristics and the degree of compliance with IFRS, results are not conclusive the authors. Regarding the economic consequences of IFRS adoption, it seems that the evidence is still limited in developing countries especially with respect to the impact of IFRS adoption, on foreign direct investment, cost of equity capital and earnings management. Finally, regarding regulation, enforcement and compliance with IFRS, the authors find that research is very limited. It was evidenced in the very few research studies conducted, that global disclosure standards are optimal only if compliance is monitored and enforced by efficient institutions.
Sellami & Tahari (2017)	The purpose of this paper is to investigate the compliance level of Islamic banks with disclosure accounting standards in some Middle East and North African countries, and to analyse the factors associated with compliance.	An overall compliance disclosure index was created from a self-constructed compliance checklist for Islamic bank. A multivariate regression analysis is used to determine significant factors influencing the extent of this compliance.	38 Islamic banks operating in Bahrain, Qatar, Palestine, Yemen, Syria and Sudan. Annual reports from 2013.	Average (IFRS): 48–77% Lower bound: 30–74% Upper bound: 60–89%	Islamic banks, face the problem of complying with a dual regulatory consisting of a Western influenced regime, not especially suited to their nature, and, at the same time, the need to comply with Shari'a law. While compliance is an issue of a substantial importance, the IASB might also be conscious that Islamic banks claiming compliance may not in fact be complying with all of the requirements of IAS/IFRS. Despite the benefits that IFRS offer, applying their standards to Islamic banks can eliminate the essence of the Shari'a principle.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Tahat et al. (2016)	The main aim of this paper is to investigate Financial Instruments (FIs) disclosures provided by Jordanian listed companies under IFRS 7 as compared to those supplied under IAS 30/32.	A disclosure index checklist was constructed to measure FI information provided by the sample companies.	A sample of 82 Jordanian listed companies. Annual reports from 2006 and 2007.	The sample firms provided 47% of the disclosure index items after implementing IFRS7 as compared to 30% under IAS 30/32.	The study finds that a larger number of Jordanian listed companies provided a greater level of FI-related information after IFRS 7 was implemented. In addition, the industrial analysis of FI disclosure revealed that the highest level of disclosure was provided by firms in the banking sector over the two periods; these companies disclosed 44 per cent of FI-related items pre-IFRS 7 and 69 per cent of items post-IFRS 7. Moreover, the industrial analysis of FI disclosure pre-and post-implementation of IFRS 7 revealed specific aspects of usefulness. In particular, some components of FI disclosure (Balance Sheet and Fair Value) showed no significant differences within and across sectors post the implementation of IFRS 7, suggesting that the new standard may have enhanced the comparability of such information.
Taplin, et al. (2002)	This paper considers the issue of accounting regulation compliance through the examination of the disclosure/non-disclosure (discernibility) of accounting policies in Asia-Pacific companies' annual reports. This study examines compliance issues by focusing on two main questions: differences in types of disclosures and the extent of discernibility of disclosures.	Several compliance indices based on all universally applicable IAS/IFRS are used. The compliance ratio is computed as an aggregate value, split into measurement and disclosure categories. Moreover, a discernibility index is used to generate insights into patterns of non-disclosure.	Sixty annual reports (1997) from companies in Australia, Hong Kong, Malaysia, Philippines, Singapore, and Thailand	Averages (IAS): Australia: 64% Hong Kong: 60% Malaysia: 48% Philippines: 36% Singapore: 45% Thailand: 46%	The results show higher levels of compliance with disclosure issues than measurement issues. In terms of the Discernibility Index, companies in the four Asian countries with British colonial links had lower levels of non-disclosure than Philippines or Thailand entities. The more profitable companies also tended to have a higher proportion of discernible (disclosures) items for measurement issues. The levels of non-disclosure have very distinctive standard-by standard patterns.
Taplin, et al. (2014)	This empirical study investigates the compliance with the Accounting Standard for Enterprises No. 20-Business Combination, a mandatory reporting standard applicable to companies involved in business combinations (Chinese standard not fully comparable with IFRS 3). China has recently reformed its auditing sector, enabling private firms to provide auditing services.	Compliance measured for business combination disclosures. Sample split based on auditing firm	Annual reports for 344 Chinese listed companies in 2009.	The compliance measure ranged from 0 to 7. The average score was 2.98 (43%).	The results of the study show a low level of compliance by Chinese listed companies. While companies audited by Chinese domestic auditors have significantly lower compliance than companies audited by Big Four auditors on supplementary disclosure that is mandatory under the Chinese accounting standards, compliance remains low even after companies receive unqualified reports from these international auditors. There appears to be a lack of commitment, and possibly expertise, among Big Four auditors, in fully applying the reporting requirements of the business combination standard in a Chinese setting. This raises concerns about the independence of Chinese auditing in disclosing reliable information about business combinations.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Tauringana & Chithambo (2016)	The purpose of this paper is to investigate compliance with risk disclosure requirements under IFRS 7 by Malawian Stock Exchange-listed companies over a three-year period. Specifically, the paper examines the extent and determinants of risk disclosure compliance with IFRS 7.	The study uses a mixed-method approach. The quantitative approach employs the research index methodology and uses panel data regression analysis to examine the relationship between proportion of non-executive directors (NEDs), size, gearing and profitability and the extent of risk disclosure compliance. The results of the panel data regression analysis are triangulated by the qualitative research approach in the form of personal interviews with company managers.	13 listed Malawian companies during 2007–2009 (39 firm years)	Mean compliance: 39.83%. Lower bound: 12.07% Upper bound: 63.79%	The results indicate that over the three years, the extent of compliance with IFRS 7 is, on average, 40 per cent which is very low. The regression results suggest that NEDs, size and gearing are significantly and positively associated with the extent of risk disclosure compliance under IFRS 7. The results of qualitative approach are mixed since some support and whilst others contradict the regression results.
Xiao (1999)	The paper investigates compliance with corporate disclosure requirements placed upon Chinese listed companies. The purpose is to give a preliminary indication of the quality of corporate disclosures (both de jure and de facto) in China.	Descriptive paper.	13 Chinese companies drawn from Shanghai and Shenzhen Stock Exchanges	Not applicable.	The level of compliance appeared to be high largely because requirements are mandatory. In addition, companies voluntarily disclosed, among others, forecast earnings (largely influenced by traditional practice) and a report of the Supervisory Board (following foreign practice) although the most updated regulations have discouraged the former and made the latter compulsory. Compared with those in the planned economy, some current disclosure practices represent advances while others may be seen as deficiencies.

Panel B: Developed Countries

AUTHOR AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Bepari et al. (2014)	The study examines the impact of the 2008-2009 global financial crisis (GFC) on compliance with IAS 36 for goodwill impairment testing	A disclosure score is developed. Regression models where variation in the disclosure score is explained by the GFC factor together with goodwill intensity and various control variables.	Between 211 and 246 firms per year during 2006–2009. Sample from top 500 ASX (Australia).	Mean values [% with compliance score below 25%]: 2006: 57.0% [20.37%] 2007: 57.9% [17.41%] 2008: 63.6% [13.82%] 2009: 67.3% [8.98%]	Compliance was higher during the GFC compared to 2006–2007. Firms belonging to goodwill intensive industries show greater compliance levels. Audit quality is also a significant determinant of firms' compliance. Firm size is associated with the compliance levels when industry effects are not controlled for (when industry effects are controlled for, the effect of size disappears). Profitability is associated with compliance, however, firms' leverage ratio is not.
Bepari & Mollik (2015)	The purpose of this paper is to examine the effect of audit quality on firms' compliance with IFRS for goodwill impairment testing and disclosure.	Different univariate tests, multivariate regressions and fixed effect panel regressions have been used to examine the hypotheses. Differences in the compliance among the clients of Big-4 auditors and between the clients of Big-4 and non-Big-4 auditors are examined. This study also examines the effect of audit committee (AC) members' accounting and finance backgrounds on firms' compliance with IFRS for goodwill impairment testing and disclosure.	Australian sample including 911 firm-year observations for the period of 2006–2009.	Not applicable.	A statistically significant difference in compliance levels has been found between the clients of Big-4 and non-Big-4 auditors. The compliance levels of the clients of Big-4 auditors have also been found to be significantly different. The findings also suggest that AC members' accounting and finance backgrounds are positively associated with firms' compliance with IFRS for goodwill impairment testing and disclosure.
Bassett et al. (2007)	This study examines the role of corporate governance in employee stock option (ESO) disclosures following a revised standard under Australian GAAP in 2001.	The authors construct a disclosure index and perform multiple regression analysis using audit- and non-audit related corporate-governance measured and control variables from existing literature.	283 firms based on top 500 ASX-listed firms in 2003.	76.1% compliance (mean). 93% complied with 50% or more of the applicable mandatory disclosure requirements	Audit-related governance (Big-4 auditor) is associated with a greater level of compliance with mandatory disclosure requirements and a higher level of voluntary disclosure of ESO. None of the non-audit-related governance measures is associated with voluntary disclosures. Firms where the CEO also serves as chairman have lower levels of compliance with mandatory disclosure.
Bischof (2009)	With the endorsement of IFRS 7, which became effective in 2007, the European regulation of bank disclosures has substantially changed. Using a sample of 171 banks from 28 European countries, the effect of the standard's first-time adoption on disclosure quality is analysed. In addition, cross-country differences are evaluated with reference to national enforcement approaches.	Content analysis. Disclosure quality is measured both quantitatively, by the length of financial statements and risk reports, and qualitatively, through the analysis of the content of these reports. Financial data are taken from BvD BankScope, whereas data on disclosure policies are collected by hand from the original financial statements for the financial years 2006 and 2007. With regard to national enforcement approaches, supervisory practices in Denmark, Italy and the UK are used as representative examples, and a distinction is made between an interventionist and a non-interventionist approach.	A total of 171 banks from 28 different European countries. Overall, 342 financial statements were evaluated in detail.	Not applicable.	The findings suggest that disclosure quality has generally increased both in financial statements and in risk reports but that the focus of disclosures has shifted from market risk exposures to credit risk exposures. The effect of the first-time adoption strongly varies across countries. These variations can be explained by differences in the enforcement and interpretation of IFRS 7 by national banking supervision. The findings suggest that it is not only the content of IFRS 7 but also the enforcement of the standard that accounts for the increase in disclosure quality.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Bradshaw & Miller (2008)	The paper addresses two related questions. First, will non-US companies adopting US GAAP apply those principles in a consistent manner globally? Second, do regulatory oversight or capital market incentives affect the level of compliance.	Accounting method disclosure compliance is tested using both a changes approach and cross-sectional comparisons against matched samples.	A sample of 178 non-U.S. firms from 27 countries (2000) that have adopted US GAAP.	Average: 94%	The analysis indicates that properties of accounting outputs for US GAAP adopters converge substantially toward those of US firms (and away from the domestic matched firms), but that convergence is not complete. Results emphasize the crucial role of regulation, which has been relatively less emphasized in prior work. On the other hand, the authors find limited evidence that capital market incentives affect the implementation of accounting standards.
Camfferman & Cooke (2002)	This study adopts a comparative approach to assess the comprehensiveness of disclosure in the 1996 annual reports of United Kingdom (U.K.) and Dutch corporations. Although the two countries exhibit some similarities, there are important differences in legal systems, capital markets, and corporate governance mechanisms.	A disclosure index is calculated for the companies included in the sample. The disclosure index is used as dependant variable in a regression analysis, where the independent variables are total assets, gearing, current ratio, net income margin, and return on equity, industry and auditor type (Big 6 or not Big 6). A separate regression analysis was run for each country.	322 companies (161 companies for each country)	1996. UK EU Directives. Average: 59% Lower bound: 36% Upper bound: 77%  1996. NL. EU Directives Average: 54% Lower bound: 39% Upper bound: 77%	Based on this model, disclosure by U.K. companies is more comprehensive than by Dutch corporations and the difference is significant. Most of the key areas of disclosure are found to be more comprehensive in the U.K. than in The Netherlands. This is due to more stringent regulation in the U.K. than in The Netherlands where the approach is more flexible. The impact of size is the same for both countries, but other firm-specific characteristics have different effects. The authors suggest that variability in the comprehensiveness of disclosure between the countries may depend on the cultural setting.
Carlin & Finch (2010)	The purpose of this paper is to report the findings of a study designed to understand the extent of compliance with the goodwill accounting and reporting disclosure requirements under AASB 136 (corresponding to IAS 36) among a sample of goodwill intensive Australian firms over the first two years of their IFRS adoption.	Examining the goodwill reporting practices adopted by a sample of 50 large Australian listed firms, which disclosed the existence of goodwill in each of the first two years in which they produced financial statements pursuant to IFRS. The quality and technical accuracy of the goodwill disclosures produced by these organisations together with an assessment of evidence of variation in these over time provides an evidentiary basis for analysis.	50 large listed Australian firms (with reported goodwill). Annual reports for 2006 and 2007	Goodwill CGU allocation 2006: 43 out of 50 fully compliant.  Goodwill CGU allocation 2007: 45 out of 50 fully compliant.	The paper finds continued high levels of non-compliance with the goodwill accounting standard suggesting that a viable organisational option in the face of change is to fail to take steps to comply. This organisational response undermines the assumptions of consistency and comparability as key qualitative characteristics under IFRS.
Carlin & Finch (2011)	The purpose of this paper is to catalogue the practice of goodwill impairment testing in Australia and to provide evidence of the extent of compliance with respect to the disclosure requirements of IFRS.	Empirical archival approach with an emphasis on note-form disclosures in audited financial accounts. The disclosures regarding impairment testing methodologies along with key input variables for the estimation of recoverable amounts are catalogued and an assessment is made of the extent to which such disclosures confirm with the requirement of AASB 136 (corresponds with IAS 36).	Annual reports for 2006 for 200 large listed Australian firms (with reported goodwill).	Goodwill CGU allocation compliance: 164 out of 200 fully compliant.	The results provide evidence of systematic non-compliance with the disclosure requirements of the IFRS goodwill impairment testing regime on the part of large listed Australian firms. Insight is gained into the level of difficulty experienced by large, sophisticated and well-resourced organisations in confronting the challenges associated with changing their financial reporting practices at the time of mandatory adoption of IFRS in Australia.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Carlin et al. (2010)	The purpose of this paper is to contemplate the degree to which Singaporean firms comply with the highly technical disclosure requirements required under International Accounting Standards (IAS) IAS 36 specific to goodwill impairment testing.	The adoption of IAS in Singapore from 1 July 2004 introduced a highly technical standard (financial reporting standards – FRS 36) which has challenged many preparers. While it is generally accepted that accounting compliance may be suboptimal in transition periods as preparers accommodate change, it is assumed compliance quality improves with the passage of time.	Annual reports for the 168 largest listed Singaporean firms during 2005–2007 (504 firm years).	Goodwill CGU allocation compliance: 73 out of 168 fully compliant in 2005; 95 out of 168 fully compliant in 2006; 120 out of 125 fully compliant in 2007.	The paper reports distinctly poor compliance systemically over the three years across many facets of goodwill impairment testing disclosures including cash-generating unit (CGU) definition and goodwill allocation, and key input variables used in estimating CGU recoverable amounts. The results raise questions about the quality of accounting information among goodwill-intensive firms in Singapore and the robustness of regulatory oversight institutions operating within Singapore.
Chen & Liao (2014)	We investigate the economic consequences of SFAS No. 131 by evaluating whether improved segment-disclosure quality is associated with the reduction of cost of debt (as measured by bond yield spread).	Based on firms' compliance with the disclosure guidance by SFAS No. 131, a score is constructed that measures segment-reporting quality. The Compustat Segment database is used to measure segment-reporting quality as the degree to which a firm complies with SFAS No. 131 by computing the number of items of information provided by each firm for its reportable segments.	US data, 3,685 firm years during 2001–2008.	The measure of compliance (no. of line items from the standard that are reported per segment) ranges from 0 to 7. Mean: 6.0554 Lower bound: 1 Upper bound: 7	The results indicate that: (1) the level of a firm's compliance with SFAS No. 131 significantly and negatively relates to bond yield spreads, and (2) the time-series variation in the level of a firm's compliance with SFAS No. 131 associates significantly and positively with bond yield spreads. More specifically, the yield spreads decrease 17.065 bps per standard deviation increase in segment-reporting quality. Overall, the findings offer direct motivation for management to commit to high-quality segment reporting.
d'Arcy & Grabensberger (2003)	This study examines the quality of Neuer Markt quarterly reports by concentrating on the disclosure level of companies' reports for the third quarter of 1999, 2000, and 2001. Authors try to discover typical attributes of Neuer Markt companies that provide high or low level accounting information.	The authors compare disclosure indexes that measure the report's compliance with the NM Rules and Regulations as well as with IAS/IFRS and US GAAP interim reporting standards. Authors investigate the correlations between the disclosure level and certain criteria like market capitalization and the time of existence in the Neuer Markt.	47 Neuer Markt companies.	2001. US GAAP Average: 63% Lower bound: 48% Upper bound: 83%  2001. IAS Average: 64% Lower bound: 48% Upper bound: 78%	The results demonstrate that the level of disclosure has increased over time, partly in response to additional enforcement. An additional enforcement mechanism added in 2000 has especially improved reporting quality. This development are the continuous supervision of quarterly reports since the summer of 2000 and the introduction of standardized formats. Nevertheless, the lack of effective supervision for the German capital market continues to be a concern; there is no institution or mechanism that enforces compliance with accounting standards and pursues violations.
Devalle et al. (2016)	This research examines Italian listed groups and their compliance with mandatory disclosure on intangible assets according to IFRS.	Compliance with self-constructed disclosure index for intangible assets. Regression model. Different explanatory variables for compliance were analysed, such as size variables, performance variables, financial interest variables and market variables.	2010 financial statements under IFRS of 189 Italian listed groups	Mean: 73% (PC) 67% (Cooke) Lower bound: 47% (PC) 30% (Cooke) Upper bound: 94% (PC) 92% (Cooke)	Our findings reveal a low compliance with the intangible asset mandatory disclosure. Results show that the only significant variable for all Dscore indexes is revenue per employee (negative association) and this result is a distinctive feature of the Italian market where the role of the banking systems is more important than in other countries.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Eierle (2008)	This article explores the compliance with statutory filing requirements as well as the take-up level of available filing concessions and revealed preferences for filing options of a large sample of Austrian GmbHs qualifying as SMEs under Austrian legislation.	The filing practice of the selected companies was explored using content analysis based on a checklist.	158 small and 108 medium-sized firms. Annual reports from 2001.	Average: 87%	The study reveals that the take-up level of filing concessions differs strongly between small and medium-sized companies, suggesting that some medium-sized firms expect net benefits from voluntary disclosures, whereas small in general value costs arising from voluntary disclosures more highly than the benefits associated with them. The author points out that cultural values as well as the enforcement system in place have an important influence on cost/benefit judgments and the filing behaviour of private limited companies.
El-Gazzar et al. (1999)	This paper provides an analysis of why some international firms voluntarily comply with IAS/IFRS.	Non-parametric test are used to analyse the characteristics of IAS/IFRS firms in comparison to those of non-IAS/IFRS firms; and Logit regression models to test the relationship between a firm's compliance with IAS/IFRS and the hypothesized explanatory variables (percentage of foreign sales to total sales, number of foreign stock exchanges where firm is listed, the debt to equity ratio and a dummy variable representing membership in the European Union)	A sample of 87 companies that voluntarily adopted IAS/IFRS and a control sample of 87 matched firms not using IAS/IFRS	Not applicable.	Results indicate that the magnitude of a firm's foreign operations, its financing policy, membership of certain geographical and trade blocks in the European Union (EU), and multiple listing on foreign stock exchanges are significantly associated with multinationals' compliance with IAS/IFRS. The results support these hypotheses indicating that firms are motivated to voluntarily adopt IAS in order to enhance their exposure to foreign markets, to improve customer recognition, to secure foreign capital, and reduce political costs of doing business abroad.
Franzen & Weißenberger (2015)	The purpose of this paper is to assess the changes in segment reporting practices of German listed firms under the new segment reporting standard IFRS 8.	The authors compare hand-collected segment disclosures of German firms in the first IFRS 8 year with those reported in the last IAS 14R year.	82 firms in 2008 and 2009. The 82 firms sampled from the 160 firms listed on the German HDAX market.	Not applicable.	The authors do not find substantial changes in the segment disclosures of German firms under IFRS 8. While the number of reportable segments slightly increased, the amount of information disclosed for each reportable segment decreased. The same applies to geographic areas reported as secondary segments under IAS 14R compared to entity-wide disclosures under IFRS 8. Furthermore, even though more country-specific information was provided, many firms still disclosed only broad geographic areas. The findings indicate that the International Accounting Standards Board's (IASB) expectations regarding changes in segment reporting practices under IFRS 8 have only partially been met. The results also reveal some cases of segment reporting practice where compliance is at least questionable.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Glaum & Street (2003)	This research examines compliance with both International Accounting Standards (IAS/IFRS) and United States Generally Accepted Accounting Principles (US GAAP) for companies listed on Germany's New Market. This study provides the first systematic evidence regarding the enforcement of US GAAP outside the US.	One checklist focused on IAS/IFRS disclosures and other based on US GAAP disclosures. A multivariate regression analysis is used to determine significant factors influencing the extent of this compliance. Data for the dependent variable was derived from an unweighted compliance index. Independent variables: considered in this study were size, profit, multi-nationality, share's float, company's age, sales growth, the ratio between market value and book value of equity, auditor, reference to use of IAS/IFRS/GAAS, foreign or German firms and dual listing.	Based on a sample of 100 firms that apply IAS/IFRS and 100 that apply US GAAP.	2000. US GAAP Average: 87% Lower bound: 52% Upper bound: 99%  2000. IAS Average: 81% Lower bound: 42% Upper bound: 100%	The average compliance level is significantly lower for companies that apply IAS/IFRS as compared to companies applying US GAAP. This study provides the first systematic evidence regarding the enforcement of US GAAP outside the US, and accordingly not subject to Securities Exchange Commission (SEC) review. This finding lends some support to critics who, directly or indirectly, claim IAS/IFRS is a system that is weaker and less rigorously applied than US GAAP. The overall level of compliance with IAS/IFRS and US GAAP disclosures is positively related to firms being audited by Big 5 auditing firms and to cross-listings on US exchanges. Compliance is also associated with references to the use of International Standards of Auditing (ISA) or US GAAS in the audit opinion. Robustness checks show that several further factors (industry, country of origin, profitability, multi-nationality, ownership structure, firm age and growth) have no significant impact on the companies' disclosure practices.
Glaum et al. (2013)	In this study, the authors analyse compliance for a large sample of European companies mandatorily applying International Financial Reporting Standards (IFRS). Focusing on disclosures required by IFRS 3 Business Combinations and International Accounting Standard 36 Impairment of Assets.	Step-wise approach with regression models including country- and company-level variables.	357 large listed European firms' annual reports for 2005.	Average: 72.8% Lower bound: 12% Upper bound: 100%	The authors find substantial non-compliance. Compliance levels are determined jointly by company- and country-level variables, indicating that accounting traditions and other country-specific factors continue to play a role despite the use of common reporting standards under IFRS. At the company level, the authors identify the importance of goodwill positions, prior experience with IFRS, type of auditor, the existence of audit committees, the issuance of equity shares or bonds in the reporting period or in the subsequent period, ownership structure and the financial services industry as influential factors. At the country level, the strength of the enforcement system and the size of the national stock market are associated with compliance. Both factors not only directly influence compliance but also moderate and mediate some company-level factors. Finally, national culture in the form of the strength of national traditions ('conservation') also influences compliance, in combination with company-level factors.
Goh et al. (2016)	Using a sample of listed French firms in 2005, the year of mandatory IFRS adoption in the European Union (EU), the authors investigate the determinants of disclosure compliance of stock option expenses under IFRS 2, Share-based Payment. Stock options are a popular means of executive compensation in France relative to other EU countries.	Prior to 2005, French accounting standards and corporate governance regulations did not require recognition of option expense amounts and required minimal supplementary disclosures. There was also a perception that enforcement was imperfect, in particular with respect to IFRS 2. Given this setting, the authors explore what factors influence the willingness of firms to follow compulsory IFRS requirements in a weak regulatory setting.	Annual reports for 2005 for the SBF 250 French companies listed on the Euronext Paris Stock Exchange	Average compliance: 83%	We find that overall compliance with IFRS 2 disclosure requirements increases with U.S. and U.K. institutional ownership, U.S. cross-listing, provision of English language statements, and decreases with CEO and family ownership of the firm. We also investigate how stock market prices are affected by the recognition and disclosure of stock option expenses according to IFRS 2 in this regulatory setting and find that investors value option expenses positively, particularly when accompanied by high-disclosure compliance. Our findings have implications for other jurisdictions in the process of adopting or converging to IFRS.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Guthrie & Pang (2013)	An accounting standard for goodwill, AASB 136 Impairment of Assets was implemented in Australia in 2005 (corresponding to IAS 36). However, several issues of compliance with the Standard were noted in the initial adoption periods. This study examines goodwill reporting practices in Australia over the five-year period from 2005 to 2010. It explores the extent to which Australian listed entities complied with mandatory requirements in relation to impairment testing.	Regarding the allocation requirement of goodwill to CGU(s), compliance is assessed by reconciling the aggregate amount of goodwill being allocated to each CGU(s) defined and disclosed by the firm included in the sample, with its reported balance of goodwill in the same period. In addition, each CGU(s) must not be larger than a segment defined in accordance with the standard for segment reporting (AASB 136: para. 80b). Therefore, consistent with the approach adopted by Carlin and Finch (2010a, 2011), the number of total CGUs is compared with the number of business segments defined under AASB 114 (for reporting periods before 2010) or reportable segment defined under AASB 8 (for the reporting period ending in 2010).	287 Australian listed firms during the period 2005–2010.	Non-compliance with CGU-allocation requirements decreases from 33% down to 13% during the five-year period.	The authors find that compliance with the Standard's goodwill allocation requirements generally improved; however, there was still non-compliance for all reporting periods. Also, there was a tendency for firms to define the same or smaller numbers of cash-generating units (CGUs) than reporting segments. This suggests the existence of CGU aggregation, which may have the capacity to influence the incidence of goodwill impairment, and thereby the financial position of an entity. Coupled with non-compliance and a lack of audit attention, compliance issues surrounding goodwill impairment testing under AASB 136 still remain of concern to regulators. The findings are useful to academics, regulators and policymakers because they signal the (lack of) compliance with AASB 136.
Hartwig (2015)	This article investigates the extent to which companies listed on the Nasdaq OMX (NOMX) and the Euronext Amsterdam (EA), in their 2005 and 2008 annual reports, complied with the disclosure requirements in IAS 36 paragraph 134, as well as the factors that explain why some companies complied with the standard to a higher extent than did other ones.	Multivariate regression analysis of disclosure compliance. Sweden is thought of to have stronger accounting oversight than the Netherlands and this is used as a binary independent variable. The relationship between the dependent variable, that is, information disclosed in accordance with IAS 36 paragraph 134 in the annual reports in Swedish and Dutch listed companies, and the independent variables, that is, accounting oversight, auditing company, size, leverage, future prospects, industry and learning, is examined.	Annual reports from Swedish firms (165 in 2005 and 168 in 2008) and Dutch firms (61 in 2005 and 78 in 2008).	Disclosure compliance (mean) Sweden 2005: 56.2% Sweden 2008: 61.6% Netherlands 2005: 43.0% Netherlands 2008: 62.5%	The results reveal that Swedish companies were more compliant than their Dutch counterparts in 2005, possibly because of the (historically) weak Dutch institutional oversight system. The compliance level seems to have increased in both Swedish and Dutch companies over time, thus indicating learning. In 2008, there was no significant difference in compliance level between Sweden and the Netherlands. Size significantly affected the compliance level in Sweden only, and leverage affected the compliance level in the Netherlands only. Moreover, non-financial companies were more compliant in both countries. The independent variables auditing company and future prospects did not seem to have a significant effect on the compliance level.
Hennes (2014)	This study uses a sample of employment discrimination cases to provide evidence on the extent to which current contingent legal liability disclosures provide useful contingency evaluations.	Regression model where the question is whether the litigation contingency disclosures are related to the case outcome (dependent variable). The disclosure variables refer to information contained in the financial statement notes. For each disclosure, sentences were evaluated for any language that could potentially reflect managements' expectation of loss. The last 10-K disclosure before the lawsuit is resolved is examined to see if any components of the disclosure reflect management's assessment of the expected loss and could thus be used to form predictions regarding the case outcome (win/loss).	212 public US firms reporting pending lawsuits in their 10-Ks filed during the period 1996–2010.	Not applicable.	Consistent with legal concerns influencing reporting decisions, I find that current disclosure practices provide limited quantitative detail regarding the magnitude of the expected loss. However, the text of the disclosures does provide qualitative indicators of the probability of loss. I find evidence that statements about the inestimable nature of the loss and statements about the firm's willingness to consider a settlement are related to higher probabilities of loss and higher loss amounts. The author also finds evidence that statements regarding an existing accrual for losses and warnings about materiality reflect a higher likelihood of a nontrivial loss. These results emphasize firms' strong resistance to quantitative disclosures of legal contingencies but suggest that existing SFAS 5 disclosures do contain qualitative information useful for evaluating the loss contingency.

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Hodgdon et al. (2008)	The paper investigates the relationship between analysts' earnings forecast errors and firm compliance with the IAS disclosure requirements. Using a sample of non-US firms that claim to comply with IAS, the authors examine whether varying levels of disclosure compliance in 1999 and 2000 annual reports affect analysts' forecasts for the years ending December 2000 and 2001, respectively.	Firm compliance with the disclosure requirements of IAS is determined through an examination of annual reports for the years 1999 and 2000 and its compliance was evaluated using both a weighted and unweighted disclosure score. Model controls for the age of individual analysts' forecasts, firm size, lines of business, analyst following, US vs. non-US listing, international diversification, earning change and loss firms.	87 firms that claim to comply with IAS for the 2 years 1999 and 2000.	2000. IAS. Average: 68% Lower bound: 4% Upper bound: 96%	The study documents that forecast error is negatively related to IAS compliance. The findings suggest that compliance with the disclosure requirements of IAS reduces information asymmetry and enhances the ability of financial analysts to provide more accurate forecasts. The findings also support that the extent of compliance with accounting standards is as important as the standards themselves. The results of the study reinforce the importance of developing mechanisms (e.g., enforcement mechanisms, auditing, or corporate governance structures) to encourage compliance with IAS.
Hodgdon et al. (2009)	The study examines the determinants of IAS disclosure compliance and the impact of auditor choice (Big-5+2 auditor) on IAS compliance under the assumption of strict exogeneity of auditor choice.	Ordinary least squares regression on a pooled cross-sectional dataset on compliance. Compliance was measured using both a weighted and unweighted disclosure score. Authors control for firm size, profitability, leverage, degree of international diversification, and whether the firm has a US listing or was audited according to International Standards of Auditing.	87 firms that claim to comply with IAS for the 2 years 1999 and 2000.	2000. IAS. Average: 64% Lower bound: 4% Upper bound: 96%	Results reveal that compliance is positively related to auditor choice after controlling for firm size, profitability, leverage, degree of international diversification, and whether a firm has a US listing or was audited according to International Standards of Auditing. Authors also find that auditor choice is positively related to firm compliance when controlling for unmeasured, firm-specific effects. The results of the study reinforce the importance of developing institutional mechanisms (e.g., enforcement, auditing, or corporate governance structures) to encourage compliance with IAS.
Holder et al. (2016)	The paper studies the association between firms' Form 8-K reporting timeliness/compliance with required reporting deadlines and their internal control weaknesses.	The dependant variables measure the firm's internal control quality and the reporting lag. Model controls for firm size, sustainable earnings, growth opportunities, equity based performance, financial health, extreme sales growth, operation complexity, foreign transactions, restructuring, firm age and leverage. The model is estimated using pooled time series cross sectional regressions over a six years period.	118,808 observations on 8-K reports from US companies.	Not applicable	The study finds a strong and robust evidence of a negative relation between the likelihood of the firm reporting a material internal control weakness and the timeliness and compliance of the firms' 8-K filings. Authors also find distinguishing effects of weaknesses involving IT-related controls.
Hope (2003)	The paper investigates the relations between the accuracy of analysts' earnings forecasts and the level of annual report disclosure, and between forecast accuracy and the degree of enforcement of accounting standards.	Regression models, where the dependant variable, forecast accuracy is defined as: $-(\text{Actual EPS} - \text{Forecasted EPS})$ . Beginning-of-fiscal-year stock price and the independent variables are (1) enforcement (audit spending, insider trading laws, judicial efficiency, rule of law, and shareholder protection) and (2) variations in firm-level disclosures in an across-country setting.	890 observations drawn from CIFAR Disclosure Scores.	Not applicable.	Controlling for firm- and country-level factors, the study documents that the accuracy of analysts' earnings forecasts is positively associated with firm-level annual report disclosure quantity both in the United States and elsewhere. Also, enforcement is significantly and positively related to forecast accuracy. This result suggests that strong enforcement encourages managers to follow the accounting standards that are in place, hence reducing analysts' uncertainty about managers' accounting choices.

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Hope et al. (2007)	The paper examines whether current disclosure requirements affect foreign firms' decisions to list on a US exchange. The purpose of this study is to examine whether the US disclosure requirements for foreign registrants drive firms' listing choices and whether such choices have capital market consequences.	The authors use the 1995 disclosure index produced by the Center for International Financial Analysis and Research (CIFAR hereafter) to proxy for the extent of home country accounting disclosure.	6,198 firms from 36 countries	Not applicable.	The study documents that firms from a stronger investor protection environment are more likely to cross-list in the US. Results further suggest that cross-listed firms that come from a lower disclosure regime are less likely to register on an organized exchange and comply with US GAAP. Instead, they prefer to trade OTC as a pink sheet or to be placed directly to qualified institutional investors.
Iatridis & Valahi (2010)	This paper focuses on firms' voluntary compliance with IAS 1 before the official adoption of IASs. The paper seeks to identify the motives for the voluntary adoption of IAS 1 and investigates the relation to the provision of voluntary accounting disclosures, the increase in equity capital, managers' remuneration and firms' stock returns.	The research hypotheses are tested using the binary logistic regression. Various variables of the literature used as independent variables	262 UK firms listed on the LSE in 2004, whereof 153 were voluntary IAS 1 adopters.	Not applicable.	The study shows that the decision-making process of firms is significantly influenced by the intention to improve key financial measures, such as leverage, profitability and growth. Firms would tend to adopt an accounting policy or regulation when they feel that adoption would favourably impact on their financial situation. For example, the study indicates that firms voluntarily adopted IAS 1 before the official IAS adoption date in order to provide evidence of superior managerial ability and high quality reported accounting information. It is found that firms that perform well are more motivated to voluntarily abide by IAS 1.
Leuz et al. (2008)	The paper examines a sample of going-dark de-registrations where companies cease SEC reporting, but continue to trade publicly.	Probit models to identify characteristics associated with firms that go dark, relative to the control sample firms.	480 US de-registered firms	Not applicable.	This study presents evidence supporting two economic explanations (cost savings and agency conflicts) for why firms go dark. Going dark firms are smaller and have poorer stock market performance, higher leverage, and fewer growth opportunities. They also exhibit higher levels of distress and experience a decline in capital market interest. The authors argue that it is plausible that, for such firms, the cost savings from SEC de-registrations exceed the (presumably low) benefits of continued reporting. These claims and the cost savings explanation are not inconsistent with the fact that the market reaction to the going-dark decision is on average negative.
Linsley & Shrivs (2006)	The research objectives are to (i) test for a relationship between the number of risk disclosures and company size, (ii) test for a relationship between the number of risk disclosures and company risk level, and (iii) examine the sentence characteristics of the narrative disclosures. The sentence characteristics recorded comprise type of risk, time orientation of the risk disclosure, whether the size of the risk has been disclosed and if it represents good or bad risk news.	Content analysis of UK companies' annual reports	79 annual reports	Not applicable.	A significant association is found between the number of risk disclosures and company size. Similarly a significant association is found between the number of risk disclosures and level of environmental risk as measured by Innovest EcoValue <sup>21</sup> TM Ratings. However, no association is found between the number of risk disclosures and five other measures of risk: gearing ratio, asset cover, quiscore, book to market value of equity and beta factor. It was uncommon to find monetary assessments of risk information, but companies did exhibit a willingness to disclose forward-looking risk information. Overall the dominance of statements of general risk management policy and a lack of coherence in the risk narratives implies that a risk information gap exists and consequently stakeholders are unable to adequately assess the risk profile of a company.

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Lopes & Rodrigues (2007)	This paper studies the determinants of disclosure level in the accounting for financial instruments of Portuguese listed companies.	An index of disclosure based on IAS 32 and IAS 39 requirements is computed for each company. The regression analysis includes variables that capture intrinsic features of Portuguese companies and institutional regulatory context, such as capital structure and characteristics of the corporate governance structure, within contingency theory.	55 listed companies on the Portuguese Stock Exchange 2001	Average: 44% Lower bound: 16% Upper bound: 64%	No significant influence of corporate governance structure or of financing structure. The disclosure degree is significantly related to size, type of auditor, listing status and economic sector.
Lu & Mande (2014)	This study aims to examine whether banks are compliant with the FASB standard Accounting Standards Update (ASU) 2010-06 requiring disaggregated fair value hierarchy information. It also identifies institutional and firm-specific factors that are associated with compliance or non-compliance.	Using quarterly reports of banks for the first quarters of 2009 (pre- ASU 2010-06) and 2010 (post- ASU 2010-06), we hand-collect information on disclosures about fair values from the footnotes. Using a logistic regression with compliance/non-compliance as the dependent variable, we examine factors associated with compliance/non-compliance.	377 US banks studied for two years (2009 and 2010)	Average: 76.9%	Results show that 23 percent of banks do not comply with ASU 2010-06 and that the non-compliant banks tend to be small, lack effective internal controls and are more likely to be audited by non-specialist auditors. The findings suggest firms may need to increase training for internal personnel and hire high-quality auditors for ensuring compliance with fair value accounting rules. The authors also suggest that smaller firms may find compliance to be onerous and recommend additional research to examine whether smaller firms should be exempted from some or all of the fair value rules.
Maffei et al. (2014)	The purpose of this paper is to better understand how mandatory risk categories are disclosed and to provide a better understanding of the reasons why risk disclosure looks less useful than it ought to be.	We analyse how Italian banks provide risk information, by focusing on its characteristics to find out any differences between the notes to the financial statements and the public report, both prepared in compliance with the instructions of the Bank of Italy. We assess the risk-related reporting based on a content analysis of the two mandatory reports, and verify whether bank-specific factors explain any differences.	66 financial statements and public reports of Italian banks, all issued in the year 2011.	Not applicable.	Italian banks formally comply with the Bank of Italy's instructions, but there is discretion to choose the characteristics of the information provided. Despite different risk categories to disclose in each report, disclosure is quite uniform, although banks tend to provide denser information in the notes to the financial statements and the difference in the economic signs between the two reports decreases as the level of risk increases.

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Mangena & Taurigana (2007)	The paper examines the efficacy of agency related mechanisms on the degree of disclosure compliance with the ASB Statement on interim reports (non-mandatory report). The authors investigate potential underlying determinant factors of compliance. In particular, they predict compliance to be a function of agency-related mechanisms, proxied by company-specific and corporate governance characteristics. This approach is consistent with the UK approach to financial reporting, which encourages compliance with the spirit of good reporting rather than compliance with regulations.	An ordinary least square regression model to establish whether selected company-specific and corporate governance characteristics (proxying for agency-related mechanisms) are related to the degree of disclosure compliance. For each company three disclosure indices were calculated overall disclosure compliance index, narrative disclosure compliance index and financial statements disclosure compliance index. The company-specific characteristics examined in this study are multiple listing, company size, gearing, interim dividend and share issuance, new share issuance. The Corporate Governance Characteristics are: external auditor involvement, proportion of non-executive directors, institutional share ownership, audit committee characteristics.	259 UK non-financial companies listed on the London Stock Exchange	2002. National standards. Average: 74%	Results indicate that multiple listing, company size, interim dividend and new share issuance are positively associated with the degree of compliance. The authors also find that the degree of disclosure compliance is positively associated with auditor involvement, audit committee independence and audit committee financial expertise. These results have important implications for policy because they suggest that whilst agency-related mechanisms may motivate compliance with best practice non-mandatory statements, full compliance may be unattainable without regulations. Research helps accounting regulators to determine whether communication with investors is more effective when reporting standards are detailed and rigid or when managers are provided with broad guidelines and allowed discretion on what to report. In the event that further research on compliance with best practice statements confirms these findings, the ASB may wish to consider working with the UKLA to incorporate best practice statements into the listing requirements to attain full compliance.
Mazzi et al. (2017)	Theory suggests that increased levels of corporate disclosure lead to a decrease in cost of equity via the reduction of estimation risk. The study examines compliance levels with IFRS 3 Business Combinations and IAS 36 Impairments of Assets mandated goodwill-related disclosure and their association with firms' implied cost of equity capital (ICC).	First, the association between the level of disclosure compliance and the firms' ICC is examined. Next, the channel through which compliance is associated with ICC is questions and the authors investigate whether, and the extent to which, compliance levels have a differential association with ICC across sub-samples of companies that meet (or not) market expectations about the recognition of goodwill impairment losses. In our setting, differences across firm compliance with disclosure requirements reflect the trade-off between firm litigation costs resulting from non-disclosure and proprietary costs resulting from disclosure of the information required by IAS 36 and IFRS 3.	European sample consisting of 831 firm years during 2008–2011	Mean compliance of goodwill-related mandatory disclosures: 82.3% Lower bound: 33% Upper bound: 100%	Using a sample of European firms for the period 2008–2011, the study finds a median compliance level of about 83% and significant differences in compliance levels across firms and time. Non-compliance relates mostly to proprietary information and information that reveals managers' judgement and expectations. Overall, we find a statistically significant negative relationship between the ICC and compliance with mandated goodwill-related disclosure. Further, we split the sample between firms meeting (or not) market expectations about the recognition of a goodwill impairment loss in a given year to study whether variation in compliance levels mainly plays a confirmatory or a mediatory role. We find the latter: higher compliance levels matter only for the sub-sample of firms that do not meet market expectations regarding goodwill impairment. Finally, our results hold only in countries where enforcement is strong.

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Owusu-Ansah & Yeoh, (2005)	This article investigates the effect of the Financial Reporting Act of 1993 (FRA) on mandatory disclosure practices of companies on the New Zealand Exchange Limited. The FRA gave statutory backing to financial reporting standards in New Zealand and made non-compliance illegal. FRA changed the mechanism for enforcing compliance with FRSs from persuasion and professional requirement to a more stringent regulatory regime wherein non-compliance with FRSs is illegal. That is, it moved sanctions for non-compliance with FRSs legally enforceable government-monitored system.	Using both univariate statistics and multivariate regression analysis, the authors examine the association between (a) the levels of compliance with mandatory disclosure and (b) disclosure regulatory regimes that prevailed in New Zealand before and after the implementation of the FRA (unweighted indexes). Authors control for seven company-specific characteristics: company size, company age, liquidity, profitability, management equity holding, auditor-type, and industry-type.	50 public listed companies in New Zealand	1992. National standards. Average: 87% Lower bound: 78% Upper bound: 94%	The paper finds that mean corporate disclosure compliance levels in the periods after the enactment of the FRA are significantly higher than those in the periods before the enactment of the legislation. After controlling for the effects of other mandatory disclosure-related variables documented in prior studies, results reveal that the improvement in corporate disclosure compliance behaviours is the result of the implementation of the FRA.
Palmer (2008)	This study investigates two disclosure variables (Extent and Quality) in relation to compliance with paragraph 4.1 (b) of AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards	The dependent variable in the present study is the extent and quality of disclosures. Independent variables considered are: size, auditor size, industry, profitability and leverage. Both univariate and multivariate methods are used to test the hypotheses.	A sample of 150 Australian listed firms	Not applicable	The paper finds that the extent and quality of disclosure is influenced by firm size, leverage and auditor firm size, with the latter variable being the most significant. In general, the results suggest that many companies might have relied on sample disclosures provided by their auditors, perhaps limiting both quality and intent. The authors suggest that the ultimate usefulness of broad and imprecise standards might be questionable and that smaller companies might also require more guidance and assistance with their preparation for the adoption.
Prather-Kinsey & Meek (2004)	IAS 14R in 1997 substantially changed segment reporting requirements in response to numerous criticisms of the original standard. The objective of this study is to determine how IAS 14R affected the segment disclosure practices of companies claiming to comply with IAS.	Examine what items of information are disclosed under IAS 14 and IAS 14R? Has the number of business and geographic segments reported by companies changed with the implementation of IAS 14R? Are companies disclosing the items required by IAS 14R (compliance)? Companies' segment reporting practices related to size, country of domicile, industry, international listing status, and having a then-Big Five auditor?	International sample of IAS adopters 1997 (133 firms), 1998 (146 firms), 1999 (134 firms).	Not expressed as a single number.	IAS 14R has resulted in new disclosures, especially for business segments. No loss of information disclosed is detected for the items examined. The number of business and geographic segments reported marginally increased with the implementation of IAS 14R. There is substantial non-compliance with IAS 14R. Generally, one-third to one-quarter of the companies failed to disclose most items required for their primary basis of segmentation. Disclosure failures are even higher for the three items required for secondary segments. Even allowing that some items could be immaterial for a few companies, there is still poor disclosure compliance overall. The findings suggest that companies audited by a Big Five (now Big Four) firm and, to a lesser extent, companies that are larger, listed on multiple stock exchanges, and from Switzerland have greater compliance with IAS 14R than other companies in our study.

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Robinson et al. (2011)	The study investigates the economic forces that influence noncompliance with mandatory compensation disclosures and the effect of a subsequent focused enforcement action. SEC evaluations of compensation disclosures are utilised. The paper evaluates whether noncompliance is associated with excess CEO compensation, proprietary costs, or previous media attention.	Compliance with the SEC's new compensation disclosure rules is tested by using the critiques issued by the SEC in 2007 regarding firms' proxy statements published in early to mid-2007. An objective measure of overall disclosure compliance from SEC critiques is constructed. Regression models.	336 US firms subject to SEC critique.	Not applicable	We find no evidence supporting the contention that compensation disclosure defects are associated with proprietary costs. Furthermore, we are unable to document that the level of disclosure defects identified by the SEC is associated with a reduction in excess CEO compensation in the subsequent year.
Stent et al. (2013)	This study examines what annual report discretionary narrative reveal about the attitudes of governing bodies with regard to the importance and effects of IFRS adoption (considering the difference between early (voluntary) adopters and late adopters of IFRS in New Zealand.	Content analysis.	80 firms listed on the New Zealand Stock Exchange (40 early adopters and 40 late adopters)	Not applicable	Results reveal that the extent of such disclosures is limited in spite of material differences to financial statement information caused by IFRS adoption. To the extent that this reflects the importance that firms attach to IFRS adoption, these findings are contrary to prior literature suggesting that IFRS adoption is a significant event in accounting history with potential important consequences for capital markets and the quality of accounting information. Evaluative comments regarding the consequences of IFRS adoption are predominantly negative.
Street et al. (1999)	This article reports on an empirical study of the accounting policies and disclosures of a sample of major companies from around the world claiming to comply with IASs in 1996.	Researchers examined each annual report using a survey instrument and noted the measurement practice utilized and the disclosures provided. The survey instrument was based on a review of the text of the revised IASs and summaries prepared by the IASC regarding key modifications resulting from the Comparability Project.	49 large companies from 12 countries.	Not applicable.	Overall, the degree of compliance by companies claiming to comply with IASs is very mixed and somewhat selective. Important areas of noncompliance with the measurement and disclosure requirements of IASs have been highlighted. The extent of noncompliance discovered by this research supports IFAC's view that auditors are asserting that financial statements comply with IASs when the accounting policies footnotes and other notes show otherwise. The research suggests that while many companies may appear anxious to seek the international investment status that comes with the adoption of IASs they are not always willing to fulfil all of the requirements and obligations involved.
Street & Bryant (2000)	This research investigates the extent to which the disclosure requirements of the IASC are complied with or exceeded for companies claiming to use International Accounting Standards (IASs). Additionally, the research seeks to identify significant differences between those companies with U.S. listings, U.S. filings, and those with no U.S. listings or filings with regard to (1) compliance with IASC-required disclosures, and (2) level of disclosure (including both mandatory and voluntary items).	An unweighted disclosure index for compliance for each company was measured. Independent variables include size, listing status, leverage, profitability, industry, type of auditor, size of the equity market, degree of economic development, type of economy, activity on the equity market, dispersion of stock, ownership, and culture. Stepwise regression was used to determine which factors are associated with the overall level of disclosure.	A panel of four samples, in total 82 companies in 15 countries.	1998. IAS. Average (companies with US listings): 84% Average (companies without US listings): 77%	The findings reveal the overall level of disclosure is greater for companies with U.S. listings. Additionally, greater disclosure is associated with an accounting policies footnote that specifically states that the financial statements are prepared in accordance with IASs and an audit opinion that states that International Standards of Auditing (ISAs) were followed when conducting the audit. Further, the findings indicate the extent of compliance with IASs is greater for companies with U.S. listings or filings. A higher level of compliance is associated with an audit opinion that states the financial statements are in accordance with IASs and that ISAs were followed when conducting the audit. The research highlights the significance of the enforcement issue for the IASC as it seeks IOSCO endorsement.

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Street & Gray (2002)	The objective of the research is to examine the financial statements and footnotes of a worldwide sample of companies referring to the use of IAS to assess the extent of compliance and most importantly to provide evidence of the factors associated with compliance.	A multivariate regression analysis is used to determine significant factors influencing the extent of IAS compliance. As dependent variable, the authors use a checklist for IAS-required disclosures and measurement/presentation practices. Independent variables are listing status, company size, profitability, industry, reference to IAS in the accounting policies footnote, type of auditor, type of accounting standards, the type of audit standards, multinationality and size of the home stock market.	279 companies from 32 countries. Annual reports from 1998.	IAS. Average: 74%	The authors find a significant extent of non-compliance, especially in the case of disclosure requirements. As regards factors associated with compliance with IAS disclosure requirements, there is a significant positive association with a U.S. listing/filing and/or non-regional listing, being in the commerce and transportation industry, referring exclusively to the use of IAS, being audited by a Big 5+2 firm, and being domiciled in China or Switzerland. Additionally, there is a significant negative association with being domiciled in France, Germany, or other Western European countries. As regards compliance with IAS measurement and presentation standards, there is a significant positive association with exclusive reference to the use of IAS, being audited by a Big 5+2 firm, and being domiciled in China. Additionally, there is a significant negative association with being domiciled in France or Africa.
Street & Nichols (2003)	This study examines the impact and effectiveness of the revised standard IAS 14R by comparing pre-IAS 14R and post-IAS 14R line of business (LOB) and geographic disclosures.	Data from annual reports before and after the revised standard was applied. Various statistical tests of differences due to the change in standard and across firm groupings.	210 international firms adopting IAS in 1998.	Not applicable	The revision of IAS 14 is found to lead to a significant increase in the number of items disclosed for each primary and secondary segment. Still several companies claim to operate in only one LOB, and many companies continue to utilise broad, vague geographic groupings.
Taplin, et al. (2002)	This paper considers the issue of accounting regulation compliance through the examination of the disclosure/non-disclosure (discernibility) of accounting policies in Asia-Pacific companies' annual reports. This study examines compliance issues by focusing on two main questions: differences in types of disclosures and the extent of discernibility of disclosures.	Several compliance indices based on all universally applicable IAS/IFRS are used. The compliance ratio is computed as an aggregate value, split into measurement and disclosure categories. Moreover, a discernibility index is used to generate insights into patterns of non-disclosure.	Sixty annual reports (1997) from companies in Australia, Hong Kong, Malaysia, Philippines, Singapore, and Thailand	Averages (IAS): Australia: 64% Hong Kong: 60% Malaysia: 48% Philippines: 36% Singapore: 45% Thailand: 46%	The results show higher levels of compliance with disclosure issues than measurement issues. In terms of the Discernibility Index, companies in the four Asian countries with British colonial links had lower levels of non-disclosure than Philippines or Thailand entities. The more profitable companies also tended to have a higher proportion of discernible (disclosures) items for measurement issues. The levels of non-disclosure have very distinctive standard-by standard patterns.
Taylor & Jones (1999)	This study examined where and how companies that purport to be using International Accounting Standards (IAS) are referring to IAS in their financial statements.	Analysis of annual reports.	1996/1997 annual reports from 124 voluntary adopting IAS firms from around the world.	Not applicable.	Virtually all firms surveyed referred to IAS in the footnotes but referred to IAS in the audit report just under 50% of the time. The largest group of companies uses a combination of home-country and IAS standards. A significant number of firms report the use of IAS standards with exceptions. The majority of these firms do not discuss the dollar impact of those exceptions.

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Tsalavoutas (2011)	The present study examines compliance with all IFRS mandatory disclosure requirements in Greece during 2005, first year of IFRS implementation. This study hypothesizes that, in addition to the financial measures and other corporate characteristics that prior literature identifies as proxies for explaining compliance, a significant change in fundamental financial measures, because of the change in the accounting regime, may also explain compliance based on the premises of the relevant disclosure theories.	This study measures compliance with all IFRS mandatory disclosure requirements by using two different disclosure index methods and pointing out the different conclusions may be drawn as a result. Independent variables considered include size, gearing, profitability, liquidity, industry and audit firms size	153 Greek listed companies. Annual reports from 2005.	Average: 83% Lower bound: 62% Upper bound: 97%	The study evidence that companies having the following characteristics comply most with IFRS mandatory disclosures in 2005: those having a “Big 4” auditor; those exhibited more positive changes in their restated IFRS 2004 net profit figure; and those exhibited more negative changes in their restated IFRS 2004 shareholders' equity figure.
Tsalavoutas & Dionysiou (2014)	The purpose of this paper is to assess the valuation implications of mandatory disclosure requirements. Authors explore the importance of mandatory disclosures for valuation purposes.	The paper measures compliance with all IFRS mandatory disclosure requirements for a sample of firms. The paper subsequently explores whether the compliance scores (i.e. the mandatory disclosure levels) are value relevant and whether the value relevance of accounting numbers differs across high- and low-compliance / disclosure companies.	150 listed Greek firms. Annual reports from 2005.	Mean level of compliance is approximately 80 per cent (depending on the method for measuring disclosure levels).	The paper finds that the levels of mandatory disclosures are value relevant. Additionally, not only the relative value relevance (i.e. $R^2$ ) but also the valuation coefficient of net income of high-compliance companies is significantly higher than that of low-compliance companies.
Verriest, et al. (2013)	The paper investigates disclosure and compliance choices made by first-time IFRS adopters in a cross section of European firms and the association between corporate governance strength and EU listed firms' choices with respect to International Financial Reporting Standards (IFRS) adoption in 2005.	Regression models between financial reporting quality around IFRS adoption and corporate governance strength. Financial reporting quality is measured from two different perspectives: (1) transparency of IFRS restatements from local GAAP to IFRS and (2) compliance with specific IFRS. The governance strength is measured by aggregating variables such as board independence, board functioning and audit committee effectiveness.	The sample contains 223 firms in 15 countries. Annual reports from 2006.	IFRS. Average: 92%	Descriptive results suggest substantial heterogeneity across firms in reporting quality around IFRS adoption in Europe. With respect to specific governance mechanisms, results show that firms with better functioning boards, greater board independence and more effective audit committees provide higher quality information. Moreover, authors find a significant association between audit committee effectiveness and every single reporting quality item investigated.

AUTHORS AND YEAR	OBJECTIVE	METHOD	SAMPLE	DEGREE OF COMPLIANCE	CONCLUSIONS
Williams & Tower (1998)	This study examines societal (Australia and Singapore) values on two key issues of differential reporting, the preferred level of disclosure and perceived balance of costs relative to benefits of compliance. This paper reports the results of empirical tests that assess the significance of cultural influence on small business managers' attitudes toward accounting disclosure requirements in an international context.	Two perception variables are considered: Preferred level of Disclosure and Perceived Extent of Costs Versus Benefits related to disclosure. Interactive multiple regression analysis is used to ascertain the effect of power distance, uncertainty avoidance and individualism on the perceptions of the survey groups towards issues of differential reporting.	231 questionnaires to small business managers	Not applicable.	This study suggests that the differences in disclosure preferences of small business entities are, in part, culturally-based. Uncertainty avoidance and to some extent power distance were found to have a significant effect on small business managers.
Woods & Marginson (2004)	In 1998 the Accounting Standards Board (ASB) published FRS 13, 'Derivatives and other Financial Instruments: Disclosures'. This laid down the requirements for disclosures of an entity's policies, objectives and strategies in using financial instruments, their impact on its risk, performance and financial condition, and details of how risks are managed. FRS 13 became effective in March 1999, and this paper uses the 1999 annual reports of UK banks to evaluate the usefulness of disclosures from a user's perspective.	Content analysis is applied and word count used as proxy for disclosure quality. The 'reliability' and 'relevance' of the disclosures were assessed in combination. The two attributes were assessed by comparing the narrative and numerical disclosures for each bank, to test whether narrative statements of policies and objectives could be used to predict the scale and type of use of derivatives as evidenced in the numerical disclosures. For example, relevance and reliability would be undermined if a bank indicated that it only used derivatives for hedging purposes, but the numerical disclosures then included derivatives in the trading book.	The research analyses the disclosures in the 1999 annual reports of all nine UK banks in the FTSE100 on 23 March 1999	Not applicable.	The findings suggest that the narrative disclosures are generic in nature, the numerical data incomplete and not always comparable, and that it is difficult for the user to combine both narrative and numerical information in order to assess the banks' risk profile. Our overall conclusion is therefore that current UK financial reporting practices are of limited help to users wishing to assess the scale of an institution's financial risk exposure.
Yeoh (2005)	This paper reports a descriptive study of the compliance behaviour of New Zealand registered companies listed on the New Zealand Stock Exchange (NZX) with regard to required disclosures in their annual reports over a 3-year period, 1996–1998.	Compliance with reporting requirement is measured by using a researcher-created disclosure index consisting of 495 mandated information items.	The sample consists of 49 non-financial companies.	Compliance score ranges from a minimum level of 84.1% to a maximum level of 99.5%. Mean compliance scores during the studied period are 93.9% (1996), 94.3% (1997) and 94.5% (1998).	The overall results show a high degree of corporate compliance with the financial reporting requirements. However, the compliance rate is higher with respect to the Statements of Standard Accounting Practices (SSAPs) than to both the Financial Reporting Standards (FRSs), and listing rules of the stock market.