



University of Antwerp
Faculty of Business
and Economics

What influences the implementation of IFRS for SMEs? The Brazilian Case

Discussant Ann Jorissen

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Purpose of the research- Research Question

- . Increase the evidence on the challenges that exist to implement IFRS for SMEs in emerging economies**
- . The authors respond with a single country study – Brazil**
 - Country characteristic low level of enforcement
- . Data collection is through a survey send to accountants and accounting firms**
- . Main conclusion – education is the biggest challenge for implementing IFRS for SMEs in Brazil and not the “complexity” of the standards**

Comments and Suggestions (1)

. Country context

Due to the low degree of enforcement, the adoption of IFRS for SME by companies is in fact similar to a type of a voluntary firm adoption.

Prior research provides evidence that firm-level incentives are very important in a firm's decision to voluntarily implement IFRS

So it could be that in firms in the sample, IFRS is adopted because of incentives – getting access to credit and therefore IFRS is adopted – as a result accountants involved need to become knowledgeable.

There could be endogeneity going on between implementation and knowledge, in the sense that there is simultaneity between the variables driven by exogenous decision to adopt IFRS – so one captures associations, but no information on causality

Comments and Suggestions (2)

Who answered the survey? The paper cites “survey send to accountants and accounting firm” and “responses from accountants, directors, and other senior staff involved in financial reporting according to IFRS for SMEs” and “the present paper contributes to a better understanding of how accounting professionals perceive IFRS”.

Are targeted then accountants working in firms and external accountants being members in accounting firms providing accounting services?

Opportunity for additional analyses

Making a distinction in your data between those two groups for the logit regressions would possibly provide additional insights

Comments and Suggestions (3)

. The classification in the paper?

e.g. does the category “partner/owner” include partners in Accounting firms, but also owners of Companies?

e.g. does the category “Accountants” include external accountants working in accounting firm as well as accountants working in a firm and preparing the FS for the firm

. Managerial/ non-managerial distinction?

Role of controller? Why managerial? Could be considered non-managerial, since it is usually a staff function in a company – so suggestion provide a definition of your classification into managerial/non-managerial in the paper – this helps to better understand the models 2 and 3 in Table 6 – managerial positions have less problems with the standards themselves

Comments and Suggestion (4)

Survey question 1 “Are you aware of the existence of IFRS for SMEs?”

How was it exactly asked in the Brazilian survey? Did you refer to IFRS for SMEs or to the CPC PME (Comitê de Pronunciamentos Contábeis, 2009) incorporate in the National Accounting Standard which are included in the law?

Even knowledgeable persons in a country often do not know the regulation as being IFRS for SMEs when it is included in national accounting standards

Survey question 2 - self-assessment of knowledge level

Did respondents get some additional information as to when knowledge was considered basic or intermediate? If not differences between those categories might not have been clear cut for respondents – see results of univariate statistics on those categories

Comments and Suggestions (5)

IFRS for SMEs(CPC) is to be applied in Brazil by large private firms, medium-sized private firms and small private firms

Do you have information on the size of companies referred to by the respondents?

Probably internal accountants answer with the size of their own company in mind, there might be differences with respect to the size of the companies the respondents have in mind. This might be an additional focus worth to explore if possible, if you have the data available on that aspect.

If respondents thought of implementation – let's assume they considered a “real” adoption by a firm and not a “label” adoption – low degree of enforcement in a country allows for non-adoption but also for “label”

Comments and suggestions (6)

Statistical suggestions

1. High correlations between the independent variables – did you check with VIF for multicollinearity?
2. You have multi-item measurements to capture ‘inconsistencies’, ‘inaccuracies’, ‘incomprehensibility’, ‘complexity’ – you mention you could have used Principal Component Analysis but then you lose the detail of the information. Did you check whether you captured through the survey data indeed different constructs in the minds of your respondents. Did you check whether the questions load indeed on different items – Cronbach Alpha - discriminant validity

Comments and Suggestion (7)

Literature review – citing prior studies that discuss the usefulness of IFRS for SMEs

When reflecting on the studies, it would be useful to bring into the discussion what the prior situation with respect to financial reporting in those countries was. E.g. in the EU private firm reporting is guided by the EU Directives, they require already a lot of information to be provided; E.g. Australia, These countries (EU, Australia, UK) have a different starting point than for example the local gaap requirements that exist before the IFRS for SME in some developing countries