Adoption of International Financial Reporting Standards in Greece: A critical approach

The thesis is submitted in partial fulfilment of the requirements for the award of the degree of Doctor of Philosophy in Accounting and Financial Management of the University of Portsmouth

by
ELISAVET MANTZARI

First Supervisor: Lisa Jack
Second Supervisor: Tony Hines

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Declaration

Whilst registered as a candidate for the above degree, I have not been registered for any other research award. The results and conclusions embodied in this thesis are the work of the named candidate and have not been submitted for any other academic award.
Acknowledgements

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While this thesis was being written, Europe was undergoing radical transformations and sparked different ways to think about the economy. Accounting plays a role in shaping ‘common sense’ assertions and has a wide impact on the economy, society and also in our everyday life. This conviction has strengthened the writing of this thesis and the idea that there is more to economy than accounting numbers and practices. In this light, the thesis is dedicated to those Greeks who resist the crisis, politically struggling against it and offer an alternative perspective.
Abstract

This thesis studies the way the profession, key actors and other users perceive the use of IFRSs in Greece. The focus is mainly on providing evidence of perceptions towards the transition and implementation process, the way financial statements are used, what challenges are encountered and the recognised benefits after the adoption of IFRSs. The thesis explores the views of actual users about the usefulness of financial reports relating to the impact of IFRSs in an economy with different institutional infrastructures and accounting tradition from the ‘Anglo-Saxon’ model. It provides a critical perspective on the understanding of actors’ experience and interpretation of accounting change and challenges unquestioned beliefs and taken-for-granted assumptions surrounding the adoption of IFRSs. Drawing on a historical and political economy analysis of (inter)national accounting standard-setting and practices the driving rationale behind actors’ views is investigated. Gramsci’s conceptual vocabulary is utilised in order to encourage a theoretical insight into the empirical material.

Empirical evidence has been gathered through interviews with key individuals in the implementation and establishment of IFRSs and secondary data, such as public statements, policies and the IASB’s exposure drafts and comments. The impact of IFRSs is evident in areas of measurement and disclosure while the user groups that make meaningful use of IFRSs’ financial information is narrow. The identified benefits of IFRSs in terms of the usefulness of financial information feature great similarity and consensus among local key actors. However, there are still challenges in the implementation and interpretation of IFRSs hindering the accomplishment of the IASB’s pronouncements in regard to the benefits of the standards. IFRSs convergence seems to improve over time. The state exerts significant influence over accounting practices and taxation considerations are generally considered as inhibiting compliance with IFRSs. It appears that there is a shift in the perceptions and beliefs of key individuals about the role of financial reporting in line with the neo-liberal shift in the rationale of IFRSs as promoted by standard-setters and dominant capital economies. The thesis challenges the position purported by standard setters that the adoption of IFRSs is a necessity driven by the natural forces of economic globalisation and that it results in improved decision usefulness of financial statements. There is more to financial reporting quality and comparability than imposing a common set of standards. Despite the inconsistencies in the application of IFRSs and the contradictions in actors’ views about the actual benefits of IFRSs, this has not led them to challenge the basic assumptions and hegemonic structures inherent in the domain of accounting and capital markets.
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<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
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<td>ASE</td>
<td>Athens Stock Exchange</td>
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<tr>
<td>CESR</td>
<td>Committee of the European Stock Exchanges</td>
</tr>
<tr>
<td>CBR</td>
<td>Code of Books and Records</td>
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<tr>
<td>CCCTB</td>
<td>Common Consolidated Corporate Tax Base</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>ECSC</td>
<td>European Coal and Steel Community</td>
</tr>
<tr>
<td>EEC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>EES</td>
<td>European Enforcers Sessions</td>
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<tr>
<td>ELTE</td>
<td>Epitropi Logistikis Typopoiisis kai Eleghon (Independent Oversight Board)</td>
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<tr>
<td>EMU</td>
<td>Economic and Monetary Union</td>
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<tr>
<td>ESMA</td>
<td>European Securities and Markets Authority</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FESE</td>
<td>Federation of European Securities Exchanges</td>
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<td>FVA</td>
<td>Fair Value Accounting</td>
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<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GGAP</td>
<td>General Greek Accounting Plan</td>
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<td>IAH</td>
<td>International Accounting Harmonisation</td>
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<td>IAS</td>
<td>International Accounting Standards</td>
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<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
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<tr>
<td>IFRSs</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organization of Securities Commissions</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SEC</td>
<td>Securities and Exchange Commission</td>
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<tr>
<td>TFV</td>
<td>True and Fair View</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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<td>WWI</td>
<td>World War One</td>
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<td>WWII</td>
<td>World War Two</td>
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Chapter 1: Introduction

1.1 Background

At the time of writing, the global capital markets are descending into the first Great depression of the 21st century (Shaikh, 2011). This is a crisis that has developed with remarkable speed, beginning in 2008 and spreading throughout the US and beyond to affect the entire international financial system. The on-going international recession has prompted politicians to voice concerns about the impact and efficiency of the structure of the current economic system and the institutions founded upon it; such as, financial reporting. Deficiencies arising from the integration of international economies, and the significance of commonly implemented international financial reporting standards, have reached an unanticipated magnitude. Current financial instability is stimulating vigorous debate regarding the contribution and role of international financial reporting regulations on the amplification of the crisis (e.g. Barth & Landsman, 2010; Ojo, 2010). The G-20\(^1\) policy agenda places particular emphasis on the role of international accounting as a factor strengthening the transparency of financial institutions; for example, they cite one of the objectives of the economic recovery plan as “to achieve a single set of high quality global accounting standards” (Ernst & Young, 2011, p.1), or raise concerns “about the slow progress achieved toward a single set of high quality accounting standards” (Mexico Summit Communiqué, 2012, par. 17). Although the current thesis does not focus on the role played by accounting in the current crisis, it does evidence the importance placed on the field of international accounting, its profoundly political nature and the inherent links between accounting and the macroeconomic and political environment in which it operates.

The thesis concentrates on the outcomes of the adoption and implementation of the International Financial Reporting Standards (IFRSs) developed by the International Accounting Standards Board (IASB), a private sector standard-setting body. The International Accounting Standards Committee (IASC), the predecessor to the IASB, was formed in 1973 and assumed a leading role and acquired growing authority in international standard-setting. The IASC focused on the development of a unified set of international

\(^1\) The G-20 is the main economic council of wealthy nations, established in 2009 and incorporating twenty major global economies that are growing in stature (http://www.g20.org/).
accounting standards to encourage convergence, the aim being to create a high-quality and comparable financial framework for use in most capital markets\(^2\) (Camfferman & Zeff, 2007).

Although the internationalisation of financial information is not a new phenomenon, attempts to harmonise international financial accounting standards, at the global and regional level, have been intensified over the last four decades. The international harmonisation\(^3\) of accounting practices was incentivised by the EU’s (European Union) decision to require all publicly listed EU companies to adopt IFRSs (Commission of the European Communities, Regulation 1606/2002); this signalled the first major attempt to achieve international financial reporting convergence. The internationalisation of financial reporting, and the adoption of IFRSs is one element of the systematic financial integration attempts taking place within the European Union and globally. This process is considered to have been stimulated by the phenomenon of ‘globalisation’,\(^4\) which has led to modifications of national accounting regulation systems (Flower & Ebbers, 2002). As of 2013, the European Union, and more than 100 other countries, either required or permitted the use of IFRSs, issued by the IASB or their local equivalents (Deloitte, 2012).

In this study, evidence of transformations in the standards of financial reporting within the EU is provided in reference to Greece. As the accounting harmonisation process is still underway, it must be considered on the basis of its interaction within the national contexts; this includes the political and economic regime, institutional frameworks, and cultural traditions. The conceptual framework of the IFRSs is based on ‘Anglo-Saxon’ or ‘Neo-liberal’ principles (Nobes & Parker, 2008; Zhang, 2011). The difference between the rationale underlying IFRSs and the various national financial reporting regimes adopting the IFRSs are considered to be hindrances to the appropriate application of the standards (Zeff, 2012).

\(^2\) The standards developed by the IASC were the International Accounting Standards (IASs). In the current study, the term IFRSs is used to refer to both the IFRSs and the IAS.

\(^3\) Harmonisation of accounting standards, as further discussed in chapter four, is used by academics in accounting to describe a process by which accounting practices became less diverse through the application of a single set of accounting standards (Choi & Muller, 1992; Tay & Parker, 1990). Tay and Parker (1990, p. 73) distinguish between harmonisation and standardisation, as the latter is seen as ‘a movement towards uniformity’.

\(^4\) Inverted commas are used to indicate a different meaning of a word than the one typically associated with it; as will be explained in the theoretical discussion in chapter two. Globalisation is a mainstream term used widely in the media and academia; it entails diverse philosophical and theoretical assumptions. In the current thesis, these different approaches are briefly discussed, and a specific understanding of the meaning of globalisation is suggested and adopted.
distorting the proclaimed benefits expected from IFRSs’ financial statements, such as comparability, representation faithfulness, relevance, neutrality and so on and so forth.

Research documents evidence of cross-country variations in reported accounting figures and lack of compliance with IFRSs, indicating that in the absence of sufficient evidence and assessment to determine the high quality of financial reports, the implementation of accounting standards only partially influences accounting practices; thus, inconsistencies persist (Kvaal & Nobes, 2012). The research to date raises serious questions about whether actual harmonisation or comparability of financial reporting worldwide has been achieved, or indeed, if it is an achievable objective (e.g. Sunder, 2010; Cascino & Gassen, 2012). Despite the limited evidence of the superiority of IFRSs over national accounting regulations or of more concrete conclusion about the benefits and beneficiaries of the adoption of IFRSs, the standards are widely diffused and implemented on a world-wide scale.

1.2 Motivations of the study

The discussion so far, shows that there is broad interest in international financial reporting, its economic and social consequences and its future. However, more research is needed in order to address the multi-faceted issues and perspectives with which it is entwined. This thesis seeks to question, first of all, the assumptions made by the majority of international accounting and, specifically, IFRSs-related researchers that financial reporting harmonisation is a necessary and inevitable development. Accounting harmonisation is seen, through a-historical accounts, as a natural outcome of ‘globalisation’ in line with the general interests of society. Studies on the realisation of the objectives of the IFRSs’ conceptual framework rely on the debatable postulations that mandatory adoption of IFRSs will improve the quality of reporting practices and information across countries (Armstrong et al., 2010). These studies rarely pay adequate attention to the role of the socio-economic, political and institutional contexts that shape accounting when considering their impact and appropriateness. Accounting policies are influenced by dominant elites and ruling ideologies; while accounting, in turn, affects the power and wealth distribution within classes and social groups. Both the role of accounting in preserving the status quo, and its ability to act as a force for social change, are major issues that have lacked serious theoretical and practical consideration.
The current project addresses also the call for further research to complement knowledge of the perspectives of actual users and key actors on the adoption and implementation of IFRSs, the benefits and the challenges they encountered during and after the transition to IFRSs (e.g. Pope & McLeay, 2011; Durocher & Gendron, 2011; Brüggemann et al., 2013). Policymakers have provided no empirical evidence of the actual needs and views of the users of financial reports when developing conceptual frameworks and standards (McCartney, 2004; Young, 2006). Extant research relating to the impact of IFRSs offers no conclusive evidence of their usefulness to users of financial reports; meanwhile there is an ongoing debate regarding the effectiveness of implementing high-quality financial reporting standards in ‘unfavourable’ economies with ‘inadequate institutional infrastructures’ such as Greece (Karampinis et al., 2011), the national context for this thesis.

There are a limited number of studies exploring users’ and other key actor’s views on the use and appropriateness of IFRSs in different EU countries (Dunne et al., 2008; Caramanis & Papadakis, 2008; Ballas & Tzovas, 2010; Ballas et al., 2010; Navarro-García, & Bastida, 2010; Albu et al., 2011; Cole et al., 2011; Tasios & Bekiaris, 2012; Vellam, 2012), the majority utilise surveys and questionnaires. As a result, research in this area fails to communicate theoretical issues in international financial reporting or provide theoretical understanding of what drives key actors’ perceptions. Another strand is offered by quantitative empirical studies that test the efficacy and impact of IFRSs on financial information delivery; these derive from the value-relevance school of thought, and include some studies conducted in Greece. Accounting literature regarding the effects of IFRSs applies measures that are often non-relevant to users of financial statements, as such studies rely on aggregate numbers from commercial databases (Brüggemann et al., 2013). It is questionable whether this type of data can sufficiently capture the information needs and expectations of the users and preparers of financial statements. Users of financial statements are rarely consulted when accounting practices, and changes to them, are prescribed, meaning their input in the process of setting accounting standards is low (Durocher et al., 2007; Georgiou, 2010). However, users do have specific needs, demands and perceptions of accounting practices, including specific interests and values which raise important questions worthy of consideration in light of the current debates on the role of IFRSs.

Similarly unappreciated are the ways in which the values and beliefs of individuals about IFRSs, both shape, and are shaped by relations of power, ideology and discourses within the political economic framework in which these standards are applied. Another strong
motivation for the current study is, thus, to gain a critical theoretical understanding of the processes involved in accounting harmonisation and also to provide a critical perspective of what drives users’ perceptions within the wider socio-economic context. Researchers, assuming that financial accounting should serve capital markets, have focused on examining the achievement of the IASB’s objectives, such as the provision of high quality and comparable financial information. The adoption of international accounting standards is touted as a prerequisite for international economic growth and financial stability, suggesting a new ideological aim (Arnold, 2012). In order to accomplish these aims and to improve the overall quality of financial statements in a global marketplace, IFRSs are necessarily promoted as benefiting society as a whole. They enable global investors to compare financial statements among different nations, leading to greater transparency and trustworthiness (IASB, 2010). Mainstream accounting research, as opposed to research that adopts a more critical and non-positivist stance, lacks the theoretical ability to analyse and rationalise the links between the principles and practice of accounting and the wider (inter)national economic environment that shapes accounting (Arnold, 2009a). This study, therefore, explores, among other issues, the extent of intellectual effort made by preparers and users to rationalise the gap between theory and practice.

1.3 Research issues and research questions

The driving force of the current study is the curiosity to understand whether key local actors perceive that **IFRSs are superior and more beneficial than the Greek financial reporting framework**. In order to explore this underlying question it investigates: ‘**what are key actors’ perceptions on the use of IFRSs**, ‘**what drives key actors’ perceptions on the adoption and implementation of IFRSs?**’ and ‘**does their experience match with the statements made by the IASB about the benefits of IFRSs?**’. If actors’ experience does not match with their expectations and the claims about the benefits of IFRSs, ‘**how do they make sense of the inconsistencies arising?**’

Initially, the aim of this work is to illustrate the wider institutional practice and governance of financial reporting and the transition to IFRSs as perceived at the micro level, by conducting interviews with local actors, namely key users and preparers. It asks: what does the adoption of IFRSs imply to users, preparers and the profession in Greece? The purpose of this is to discover what key individuals, in this context, think about the transition and implementation process, how they use financial statements, the challenges they have encountered, the benefits
they have recognised and whether the IFRSs adoption has affected their role. The current research project contributes to understanding the institutional and social positioning of financial accounting (Robson & Young, 2009; Vollmer et al., 2009), as well as to linking accounting research and practice (Ahrens & Chapman, 2006; Hopwood, 2007). Greece is an interesting case to study, as research and experience related to IFRSs adoption and application in institutional contexts that differ from the ‘Anglo-Saxon’ model are limited (Guerreiro et al., 2012). Equally limited is research that assumes a more ‘critical’ approach to the internationalisation of accounting in local contexts. By focusing on a single country it is possible to gain a deeper understanding of the institutional and historical context of a single (Greek) accounting system, which is essential to understanding the attitudes and behaviour of the accounting profession and the users of financial information. Greece is also an EU Member-state on the so-called ‘periphery’ of the EU; in contrast to the more economically advanced countries that constitute the ‘core’, such as Germany, France, Belgium, the UK, etc. Countries in the EU provide an interesting field of study as developments in regulation and accounting are determined by the EU policies. This makes the EU the locus of power conflicts between nations that have different levels of influence and wish to privilege their own interests. It is interesting to observe the implications of IFRSs at a micro-level, including the perceptions of users and preparers, in a country that is not a major player seeking dominance over other EU countries, but is rather struggling to strengthen its economic and political position.

The considerations above require that a broader framework be adopted, looking at the historical development of accounting within its political economy context, in order to illustrate the links between accounting at the micro-level and the macro-level economic and political context. By incorporating the backdrop of the wider political economy and by utilising a broader Marxist approach, the analysis moves beyond assumptions of market competition to arrive at new interpretations that reveal how contemporary accounting is supporting the priorities of capital not serving the public interest. Qualitative characteristics of financial reporting are promoted by standard-setters; so that, representational faithfulness, comparability and transparency can add to more ‘traditionalist’ or ‘positivist’ approaches to accounting research (e.g., Watts & Zimmerman, 1986; Solomons, 1991). Such approaches and claims often fail to acknowledge and interpret the social dynamics of accounting that render accounting politically capable of acting as a tool of capital accumulation, directed towards preserving and sustaining the existing dominant social structures and power
disparities (Boczko, 2000). Such a perspective also entails theoretical contributions to current critical accounting research that is broadly informed by postmodern perspectives and considers Marxist approaches obsolete or reductionist (see Cooper, 1997 for a discussion of the limitations of accounting research, based on postmodern theories and the relevance of Marxist theories today). The rise of post-structuralism, and with it postmodernism, has weakened the movement of the diachronic in the study of accounting, producing models of analysis that are atomistic or perspectival. Postmodern theoretical perspectives on accounting do not consider a class perspective, and undermine the importance of the dialectics between theory and praxis, as well as the necessity of emancipatory social change, given that such perspectives are usually based on a belief that social change is, if desirable at all, impossible.

1.4 Theoretical framework

Financial reporting is granted a macro-structural role, both shaping and reproducing the capitalist relations of production and the political economy; thus, a Marxist theoretical framework is adopted to address the objectives of this study. As Aristotle once said: ‘If you would understand anything, observe its beginning and its development’. Therefore, a part of the study deals with the development of international financial reporting and IFRSs, as an economic superstructure.

The history of the IASB is a history of attempts to align its core values with the interests of the most powerful economies and regulators, such as the EU and the US. ‘Globalisation’, as the driving force behind the internationalisation of accounting, rendering the harmonisation of financial accounting a necessity is challenged as a myth. Instead, the internationalisation of the economy and accounting is analysed as an element and development derivable from the basic characteristics of imperialism. Behind the forces that shape and drive these changes and dynamics lie power and class conflicts promoting private ownership, the domination of society by commodity production and the competitive pursuit of capital accumulation (Catchpowle et al., 2004). Hegemonic imperialist states and regions generate strategies to represent their capitalist interests within a frame of intra-imperialist conflicts. The expansion of international financial reporting standards in their current form reflect the neo-liberal restructurung of the economy at the EU and international level, which have been taking place since the 1970s in line with ‘globalisation’ or the ‘Washington consensus’.
The argument of ‘globalisation’ as a driving force behind the unifying of guidelines and reporting structures, is widely utilised to justify the enforcement and implementation of a single accounting set of standards based on neo-liberal precepts throughout Europe. To understand the relevance of these developments to the Greek political economy, the history of Greek capitalism and accounting regulations up to the present day are detailed. The Greek economy and society follows, with time lags, policies and economic restructurings that take place internationally, especially at the EU level. The country’s accession to the EU signalled a turning point in the Greek economy, but played a major role in institutional and other reforms in the country, including financial reporting. The role of the involvement of Greek capital in the imperialist EU block determined the fate of IFRSs’ adoption in the country.

Empirical findings from interviews with key local actors are interpreted and reconsidered based on Greece’s historical and institutional analysis of accounting, as well as internationally. Interviews with users, preparers, auditors and academics provide a rich account of interviewees’ experiences, knowledge and ideas about these complex developments. The interviewees’ experiences will provide an insight into the actual needs and perceptions of the transition to IFRSs and the impact of the standards in Greece. Interview accounts and other secondary material will be mobilised to provide a critical perspective of actors’ experience and their interpretation of accounting changes beyond the superficial (Alvesson, 2011). The way meaning is developed and constructed in relation to the causal mechanisms that operate independently from the action of individuals will be explored through the lens of theories and notions developed by Gramsci (1971). A theoretical frame of reference will assist the interpretation of the perceptions and beliefs of accounting preparers and other users and the identification of links between those values and the dominant ideologies inherent in accounting practice, as promoted by accounting institutions. Financial reporting can be seen as an apparatus that plays a hegemonic role in shaping and maintaining dominant ideologies, establishing a consensus within society by organising principles and values. The analysis of interview evidence is focused on exploring the motivations that underlie the adoption of IFRSs and explore the ideological implications of these motivations and the way international influences are considered from a national perspective.
1.5 Structure of the thesis

The thesis is structured as follows:

Chapter two provides a brief review of mainstream explanations of the phenomenon of globalisation, as well as a Marxist understanding of globalisation referring to the imperialist stage of capitalism, drawing on theories about the role of the state and accounting and their interaction with the market economies. An historic overview of the EU and international accounting standard setting provides examples to substantiate the validity of the analysis in this thesis. The antagonisms of key actors, namely the EU and the US economies, within the institutional arena of the IASB are also discussed.

Chapter three provides an historical account of the course of Greek capitalism, its development, crisis and restructurings, juxtaposed with the different manifestations of such shifts in local accounting and financial reporting regulations, Greek General Accounting Plan (GGAP), until the adoption of the IFRSs.

Chapter four provides a detailed literature review of international accounting research based on other national contexts, together with current studies investigating, particularly, IFRSs adoption in Greece. The different strands of research that utilise different methodologies and theoretical frameworks to study the impact of IFRSs and the differences between national accounting regulation and the IFRSs are discussed, gaps identified and the research objectives and questions stated.

In chapter five the research is located theoretically in the area of critical accounting, after briefly evaluating different research paradigms in accounting. The political economy and theoretical framework adopted and the Gramscian concepts utilised in the analysis of the findings are also presented. Accounting studies informed by a Gramscian approach are briefly discussed and the theoretical assumptions that proceed from this perspective are presented.

Chapter six proposes and justifies a methodology for the evaluation of the theoretical model detailed in the previous chapter. The chapter refers to the methodologies utilised in prior studies as appropriate and identifies the limitations and assumptions inherent in the research design of this thesis. The discussion raises issues regarding the way in which empirical evidence can be married with a critical theory approach and that empirical material can be mobilised to provide alternative interpretations.
Chapters seven to nine present the interview evidence and research findings of the study. Chapter seven deals with the perceptions of users and preparers regarding the transition and implementation process, users’ information needs and the impact of the adoption of IFRSs on their role and economic decision making. Interviewees’ perceptions also inform the debate on the forces of ‘globalisation’ and the economic necessity of a single market. The eighth chapter discusses the benefits enjoyed or assumed by the interviewees. Interviewees’ arguments to justify and support the necessity of IFRSs, feature a great similarity and consensus, regardless of challenges in the appropriate implementation of the standards and inconsistencies between the standard-setters normative objectives and practical experience. The final part of the research findings, chapter nine, presents evidence of the challenges the interviewees have encountered in the implementation and interpretation of IFRSs, as well as, the justifications provided for failure to meet the IASB’s pronouncements regarding the quality of the standards. Whether these contradictions and mismatches serve as a tool to challenge the IFRSs project, or the financial structure upon which financial accounting is founded are also considered.

Chapter ten contains a summary of the main findings and a discussion of the research objectives, theoretical framework and analysis described in chapters two and three with insights from the empirical evidence.

Finally, chapter eleven recaps the research objectives and the contribution made to theory and knowledge. The chapter concludes with a discussion of the main policy implications and suggestions for further research.
Chapter 2: Globalisation and the Internationalisation of Financial Reporting Standards

‘Capital no longer respects national borders. Investors seek diversification and investment opportunities on a global basis. Multinational corporations want to maintain one set of books across all of their international activities, while regulators and policymakers want a level playing field for financial reporting. In such a globalised environment it makes no sense to maintain national accounting standards. They introduce friction to global financial markets, confuse investors and add unnecessary cost to companies. That is why repeated G20 communique’s have supported the work of the IASB and called for a rapid move towards global accounting standards.’ [Hans Hoogervorst, IASB Chairman, 2012]

2.1 Introduction

The last four decades have seen financial reporting regulation and practice accelerate towards internationalisation. Within the countries of the European Union (EU) the development of a single market influenced and modified accounting practices, which had been traditionally governed and regulated by national states. Globally, financial reporting practices and regulations come under pressure, due to the integration of the financial markets and the rapid internationalisation of businesses and the audit industry (Hopwood, 1994). This has led to the development of new accounting regulation institutions to represent different interests, utilising configurations that pursue their own vested interests and rationales, as well as policy-making at a national and an international level. As explicitly stated in the opening quotations from officials representing international financial institutions, such developments are increasingly seen as the consequence of the widely claimed orthodoxy of our times: globalisation (Weiss, 2000).

Consequently, international financial reporting harmonisation, the diffusion of IFRSs and their interrelation with globalisation has become a recurrent theme in accounting research (Haller, 2002; Gallhofer & Haslam, 2006; Irvine & Lucas, 2006; Diaconu, 2007; Chand & Patel, 2008). Along with the evolution of financial accounting, any valid deliberation over
national and EU developments must include the influence of macro-level transformations on the international political economy and wider shifts in economic power.

In this chapter, globalisation is understood within the dominant political and economic context of capitalism; it is characterised as a process central to capitalist development and one derived from imperialism (Callinicos, 2009). The influences of globalisation on accounting research and practice are discussed in conjunction with the intervention and involvement of institutions, nation states, government agencies and corporations. The IASB’s functions demarcate the competitive arena wherein powerful and economically advanced states, actors from the corporate sphere and the accountancy profession, compete and regulate according to the rules formulated by the most powerful global economies. This leads us to understand that the expansion of international accounting, and the adoption of IFRSs, is not a technical development, but a process with inherent political and social dimensions that function beyond a purely economic rationale. The current structure and standard-setting procedures of the IASB, along with the prevailing concepts that underlie the IFRSs, reflect their interaction with macro-politics, economics, power relationships and other institutions.

The discussion that follows provides the macro-level political and economic context to Greece. Political and economic transformations in capitalist economies and regulatory bodies inform and shape the perceptions and views of key users and preparers of accounting information, the focus of the current study.

2.2 Defining globalisation, capitalism and neo-liberalism

The concept of globalisation emerged in the early 1990s after the collapse of the Eastern Bloc and the prevalent role of the US in the Cold War. The collapse of almost all the socialist regimes, and the former Eastern Bloc countries commitment to the Western capital market model, meant that the process of the internationalisation of capital became modified

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5 States can be subjective terms; there is no objective definition. In modern discourse advanced states are used to refer to countries that sustain relatively high rates of economic growth and have military might. Institutions, such as the IMF, develop certain criteria to evaluate the development of a country, like per capita income or gross domestic product (GDP). Other non-economic factors that are used to evaluate a country’s degree of development are given in the Human Development Index (HDI) (IMF, 2012).

6 The name applied to the former communist states of Eastern Europe and countries included in the Warsaw Pact (Hirsch et al., 2002, p.316).
and economic and social structures became globalised (Kouroundis, 2007). While the discussion around globalisation is not exhaustive, the term is frequently used as a substitute for a critical investigation of complex issues, concealing the processes that characterise world interconnectedness (El-Ojeili & Hayden, 2006).

There have been various attempts to define globalisation that can be characterised as economically, socially or politically-centred. A broad conceptualisation of the term is provided by Mann (2001), who understands globalisation as the extension of social relations on a global scale. The most distinctive definition given by the advocates of globalisation is Giddens (1990, p. 64) description of globalisation as 'the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa'. Concurrent with the intensification of globalisation, a de-territorialisation and re-territorialisation of political and economic power takes place in the form of the creation of sub-national, regional and supranational economic zones, governance mechanisms and the cultural complexities of societies (Held et al., 1999). Robertson (1992, p. 8) goes one step further and defines globalisation as a process that 'refers both to the compression of the world and the intensification of consciousness of the world as a whole', given that globalisation does not merely refer to the ‘objective process of increasing interconnectedness’ but also to subjective issues related, for example, to the density of the consciousness of the world as a single unit in terms of space. Basic constituents of globalisation theory relate density, velocity and diffusion (Held et al., 1999). The concept of globalisation has a spatial connotation, implying a process whereby there is a degree of interaction or interdependence between states and societies that extends worldwide (Harvey, 1989).

Studies on globalisation have considered at its manifestation in areas such as culture, politics, education, terrorism and religion. Although it is difficult to separate these dimensions, the present study aims to concentrate on the economic dimension of globalisation. The debates on economic globalisation often are bracketed with neo-liberalism, which is understood to be

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7 This is in line with McGrew and Held (2002, p. 1), who define globalisation as ‘the expanding scale, growing magnitude, speeding up and deepening impact of interregional flows and patterns of social interaction. It refers to a shift or transformation in the scale of human social organization that links distant communities and expands the reach of power relations across the world’s major regions and continents’.
a new phase of *capitalism* defining the *capitalist mode of production* (CMP)\(^8\). These key concepts are briefly discussed and put into a historical context. This is important for an analysis of the central deliberations of economic globalisation and its impact on financial reporting in this and subsequent chapters.

Broadly defined, capitalism is a socio-economic system in which the means of production and distribution of commodities for exchange are privately-owned (Buick & Crump, 1986). The main characteristics of a capitalist system are the maintenance of ownership of the means of production, distribution and exchange of wealth by a minority, the capitalist class or the bourgeoisie and their appropriation of wealth direct from producers, the working class. The motive for producing goods is not society’s need, but capitalism’s drive to profit, capital accumulation and expansion. The expansion of the system and substantial growth in the productive forces, eventually leads to an over-accumulation of capital, caused by the falling tendency of the rate of profit, and this is at the root of crises and (geopolitical) conflicts (Callinicos, 2003).

Ideologically, neo-liberalism is a revivification of the *laissez faire* liberal economic ideology stage of capitalism\(^9\) that dominated before the Great Depression of the 1930s (Harman, 2008). As liberalism was gradually abandoned as an ideology and practice, monopoly capitalism and its product, imperialism ascended after the Second World War. Reflecting the reality of capitalism in the growth period after WWII (World War II), a new orthodoxy followed liberal economic models based on Keynesian ideas that revised neoclassical economics. State intervention was seen as a basis for the repair of profitability and

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\(^8\) The mode of production is the approach to production in a given society. The CMP is different from all previous modes of production as it is characterised by the following elements: ‘a) appropriation of means of production from direct producers; b) inability of producers themselves to secure control of the means of production (sanctity of private property); and c) realisation of relations of distribution on the basis of products’ exchange value, expressed through money’ (Sakellaropoulos, 2009, p. 62).

\(^9\) Political economists, such as Adam Smith and David Ricardo attempted to explain the dynamics of the system and assumed that the ‘invisible’ hand of the pricing mechanism coordinates supply and demand in markets in a way that is automatically in the best interests of society. Karl Marx’s *Capital: A Critique of Political Economy* further developed previous analyses of the mechanism of commodity production. He observed that the capitalist mode of production emerges from a combination of productive relations and forces, along with mechanisms and laws of motion that derive from these productive forces and relations; the conflict of capital and labour (Marx, 1976). Contrary to mainstream economics, Marx argued that capitalist profit is generated by the worker’s surplus value, the ‘labour surplus’.

\(^10\) Supported by neoclassical economic theory, liberal ideology contended that free market economies operate efficiently, while any discrepancies emerge due to ‘unnatural monopolies’ that impede the free movement of prices and wages that coordinate supply and demand; state intervention is regarded as distorting the economy and is required only to defend private property and national defence.
accumulation by providing the infrastructure for capitalist production. Keynesianism, as an economic practice, proved incapable of providing solutions to the serious economic crisis of both capital over-accumulation, due to the falling rate of profit and the structure of the capitalist system (Mavroudeas & Papadatos, 2012) that erupted in the mid-1970s. The period between the 1929 crisis and the crisis of 1973 marks the ‘monopoly’ stage of capitalist development.

After 1973, attempts to restructure the capitalist system and improve its profit and accumulation performance gave rise to neo-liberalism.\footnote{Initially, these reforms were ideologically and politically concentrated on neo-liberal doctrines that took the form of ‘monetarism’ (propagated by Milton Friedman and the Chicago School of economists and was later revised by Friedrich Hayek) and globalisation.} Neo-liberalism should not be regarded as a stage of capitalism but rather as a trend of capitalist restructuring seeking to address the 1973 structural crisis. Neo-liberalism can be defined as a system of economic policies directed towards securing monetary and fiscal stability, legitimised by an ideology that maintains markets operate more efficiently when they are self-regulating (Callinicos, 2012). Neo-liberalism is based on neoclassical economic theory and encourages deregulation, privatisation and reductions in public expenditure on social services. This regime has not only allowed the ‘restoration of class power’, but has also led to the redistribution of wealth and income in favour of a ruling class minority (see Duménil & Lévy, 2004 cited in Callinicos, 2012, p. 17).

2.3 Economic globalisation: Myths and Realities

2.3.1. Key perspectives in defence of globalisation

Developments in international economy and politics and the promotion of neo-liberal policies have led to globalisation based in capitalist ideology (Barrett, 1991). Neo-liberal ideology is used by governments who reference globalisation as a rhetorical device when justifying policies that reduce the welfare state in reference to a notion of natural determinist necessity (Kouroundis, 2007). Bauman (1998) notes the way in which globalisation is regarded as a process ‘beyond the scope of human control’ or as the vindication of everything, arriving at the conclusion there is no alternative to global capitalism. This was summed up by Fukuyama
(1992), who famously claimed that there is no future other than liberal democracy and free market capitalism; capitalism is the positive endpoint of ideology, the end of history.

Advocates of globalisation promote the belief that increases in economic globalisation in recent decades will have a benevolent effect on countries seeking to increase their international competitiveness (see e.g. McGrew, 1997; Mittelman, 2000; Burbach, 2001). Another central tenet of globalisation has been the rise of multinational companies who are driven to constantly expand in search of higher profits, lower costs and new markets for their services and products. These multinational corporations, driven by global competition, organise production on an international scale, ignoring national borders (Dichen, 1998). The movement of capital across state boundaries has led to the emergence of international organisations and financial institutions, such as the World Bank, the International Monetary Fund (IMF), the World Trade Organisation (WTO) and the G-8,\(^\text{12}\) which act at the supranational level (Rosenau, 1997). The dominant discourse of globalisation argues that state-based regulation is no longer meaningful and so state sovereignty and power is compromised. The modification of the role and functions of the state mean that the state has ceased to serve as the fundamental agent of political power transfer and regulator of capital flows from the national to the international level (Beck, 2000; Lash & Urry, 1994; Ohmae, 1995).

However, a more sceptical approach to globalisation is expressed by academics and economists who have challenged the consensus that the globalisation thesis reflects a new mode of capitalism (Hirst & Thompson, 1999; Mann, 1993). They recognise the continuing importance of nation states, in particular the most powerful industrialised ones, and the role they play in the governance of international economic affairs (Arnold & Sikka, 2001). Nevertheless, they misinterpret the dialectic between capital and state, as they do not consider capital a social formation,\(^\text{13}\) but instead emphasise state relations or regional integrations.

\(^{12}\) The G-8 was replaced by the G-20 as the main economic council of wealthy nations, in 2009, to incorporate other major economies that were growing in stature.

\(^{13}\) According to Sakellaropoulos (2009, p. 62) social formation is a social entity that is geographically defined and consists of: ‘a) an economic structure in which different systems of production coexist, more correctly modes and forms of production, like the simple commodity production which does not belong to any specific MP; the more powerful among these dominate the others and define the general framework of economic functioning; b) an ideological structure within which are reflected the ideological perceptions corresponding with the different economic systems that exist in the economic infrastructure; and c) a judicial-political structure, which is formed in order to safeguard the interests of the dominant system of production and assure its reproduction.’
(Woods, 2000). Current economic developments and the activity of states are regarded as neutral social developments rather than conflicting social interests, in which the state provides grounding for the exercise of class politics and the dissemination of a dominant ideology (Sakellaropoulos, 2009).

2.3.2 The reality of imperialism

In order to rationalise the processes of the internationalisation of economy and the permeation of private capital and the nation state, the current study adopts a critical theoretical framework employing a Marxist theory of imperialism that sets modern imperialism within the historical development of the capitalist mode of production (Callinicos, 2005). In particular discussion is motivated by theories of imperialism as initially developed by Lenin in ‘Imperialism, the Highest level of Capitalism’ (1917) and other political and economist theorists, such as, Bukharin in his work ‘Imperialism and World Economy (1972). Imperialism, according to a classical Marxist analysis, is a special stage in the development of capitalism rather than a stage strategy or a trans-historical political form. However, the concept of the ‘international’ is not restricted to traditional concepts of imperialism, but is broadened to include and engage with ‘all conflicts over security, territory, resources and influence among states’ (Callinicos, 2007, p. 538). Seen from this perspective, the context of globalisation is more accurately attributed to imperialism as a historical and theoretical parameter within the capitalist system. It is, thus, surprising that the debate on globalisation that has dominated social sciences suffers from the absence of the analytic forms of capitalism and imperialism.

Capitalism in its monopoly/imperialist stage relates two conflicting tendencies; the internationalisation of production and the interpenetration of private capital and the nation state. Consequently, an integrated world economy leads to competition between capitals, taking the form of (geopolitical) conflicts among states (Callinicos, 2005). This historical moment of imperialism, when rivalries between states take place, is integrated into the wider processes of capital accumulation. So, aside from the economic aspect of imperialism, the political and military power that enables the global division of the financial markets among the most powerful capitalist states is of underlying importance.

\[14\] For a critical review of theories of imperialism see Brewer (2002)
The imperialist stage of capitalist development can be understood as marked by the following characteristics: the concentration of production and capital developed to create monopolies; the merging of banking and industrial capital and the creation of a financial oligarchy; the export of capital was distinguished by the export of commodities; the creation of ‘international capitalist monopolies which share the world among themselves’; and, the complete division of the world between the major capitalist powers (Lenin, 1917, p. 237). In short, it refers to the domination of economically advanced nations over less advanced ones in the interests of economic benefit (Marshall, 1994). Imperialism is the result of the capitalist system attempting to overcome its profitability crisis, while expansion outward enhances control over the global markets and offers a solution to this problem. Capitalist expansion leads to the centralisation and concentration of capital in monopolistic companies. Although remarkable changes have occurred over the last century, such as capitalist restructuring, the reinforcement of financial capital and the creation of new intergovernmental organisations, the social framework since Lenin has not changed regarding its fundamental elements (Sakellaropoulos, 2009). So, in the period between 1945-1991 the world was ideologically and geopolitically divided into the US and the Soviet Union blocs, while after 1991 global distribution of economic power shifted marked by the domination of the US. These changes do not represent a new stage in globalisation, or the emergence of a new mode of production, but rather a sub-period of imperialism in its modern phase. Imperialism today, does not necessarily mean the political subordination of sovereign states to dominant capitalist states but could be established, for example, through providing security for trade. These are the cases, for example of the EU and the US that exert pressure to other countries though the establishment of the WTO. Imperialism as a stage of capitalism in the late 20th and 21st centuries is constituted by the partitioning of advanced capitalism in competing cores of economic and political power, namely Western European countries, the US and East Asia. This division is a dimension of the period of the economic crisis of global capitalism in the late 1960s and 1970s that has never recovered with its manifestation again in the current financial crisis. In spite of the power asymmetry between these capitalist states, there are important conflicts of interest among them that could give lead to geopolitical rivalries. This position rejects Hardt’s and Negri’s arguments (as briefly discussed later) that geopolitical struggles are outdated or that the hegemonic role of the US serves the common interests of advanced capitalist countries in a neo-liberal globalisation. There are indeed criticisms to the orthodox Marxist theory of imperialism, yet imperialist power is not a
‘default position’ that comes from any particular hegemon, but stems from the capitalist system itself. In the next session the main arguments for the existence of a pacific globalisation will be challenged and deconstructed.

2.3.3 Deconstructing the arguments on globalisation

2.3.3.1 Globalisation as a benevolent phenomenon

While globalisation is frequently regarded as having emerged over the last thirty years, the world and the economy is no more globalised, and possibly less so, than it was in the period before WWI (World War One) (Bairoch, 2000). Globalisation enthusiasts cite evidence such as the growth in the volume of foreign trade and investment and the rise of ‘multinationals’ and their operations (Gerlter, 1997; UNCTAD, 2008). However, there is nothing new about the international character of capitalism or the uneven trans-nationalisation of the capitalist accumulation process, which has been characteristic of capitalism since its origins in the Middle Ages (Ricardo, 1995 in Harman 1996, Burbach & Robinson, 1999; Burnham, 2001). As Marx and Engels (1848, p. 12) observed in the Communist Manifesto:

‘The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere’.

The increasing internationalisation of economies and the formation of multinational enterprises are characteristic of modern capitalist transformations that have taken place in the imperialist chain, a hierarchy of more or less powerful nations, especially after the fall of the Eastern Bloc. However, true ‘multinational’ companies are not common, nor is the ‘internationalised economy’ ‘open’ and ‘integrated’ (Parker, 1998). ‘Globalised’ and multinational corporations are typically, national companies that operate internationally. While recognising the complexity of globalisation, Hu (1992: 113-115) argues that the actual number of ‘multinationals’ is smaller than assumed in research literature. Nevertheless, these

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15 According to Sakellaropoulos (2009, p. 66): ‘The imperialist chain includes all the national capitalist formations and its form is affected by intra-imperialist conflicts taking place within it. Inside the national formations re-groupments may occur’. Developed states divide the world into spheres of influence creating an imperialist chain in which all nation states participate, regardless of their levels of capitalist development or whether they have moved to an imperialist stage.
enterprises are forced to adapt to the condition and regulation of the national forms they are investing in (Sakellaropoulos, 2009). Although in many economic sectors there is an increase in the rate of internationalisation, the number of countries that participate in these procedures is limited. Empirical studies have highlighted that even the most internationalised firms concentrate the majority of their high value added and strategically important activities within their home states or regions, with the possible exception of transnational \(^{16}\) companies based in smaller advanced economies (Rugman & Verbeke, 2004). The most recent data from UNCTAD (United Nations Conference on Trade Development) shows that inward FDI (Foreign Direct Investment), as a percentage of gross fixed capital formation, between 2004 and 2010 averaged 10.6 per cent for developed countries and 11.4 per cent for the world as a whole (Budd, 2013). For the past five decades the world economy has remained a geographically divided class system, with the most significant changes in recent years being the decline of the North American economy and the growing importance of China. However, corporations based in Western countries still predominate in terms of capital exports and world trade (Fuchs, 2010). The world is undoubtedly becoming increasingly integrated at the production level; yet, claims of a single global economy appear to be far from real and the national organisation of capitalist economies has remained persistent (Wood, 2003).

2.3.3.2 The nation state and its relationship to the capitalist economic system

The most common argument expounded in globalisation literature is that globalisation entails the decline of the nation state and the emergence of a ‘borderless world’ (Cohen & Kennedy, 2000). The mobility and power of global finance, the proliferation of multinational companies, the emergence of powerful institutions of governance at supranational \(^{17}\) levels, and the growth of civil society, are seen as changes in interstate relations that will lead to the demise of the power and the efficacy of the modern nation state (Ohmae, 2000). Therefore, it

\(^{16}\) Transnational, in legal terms, refers to ‘the law which regulates actions that transcend national frontiers - national, international, or mixed- that applies to all persons, businesses, and governments that perform or have influence across state lines. Transnational law regulates actions or events that transcend national frontiers. It involves individuals, corporations, states, or other groups-not just the official relations between governments of states’ (West's Encyclopedia of American Law, 2010).

\(^{17}\) According to the Oxford Dictionary (2012), supranational refers to power or influence that overrides or transcends national boundaries, governments, or institutions, such as the EU and the WTO. ‘Supranationalism is a method of decision-making in political communities, wherein power is held by independently appointed officials, or by representatives elected by the legislatures or the populations of the member states. Member state governments still have power, but they must share this power with others. Moreover, because decisions are taken by majority votes, it is possible for a member-state to be forced by the other member-states to implement a decision’ (Definition available at: http://supranational.askdefine.com/).
is considered acceptable that globalisation is dependent on processes that result in nation states being connected and diffused through international activities developed at an international level (Beck, 2002). The position taken by Castells (2000) and Held (2000) is similar but suggests the end of the nation state, observing that the trend is towards a reconfiguration of power and governance. Hardt and Negri (2000, 2004) attempt to ground the decline of state power in the emergence of a new logic of power and control in conjunction with globalisation, i.e. Empire. The notion of Empire led to the permeation of capitalism worldwide, but it is also seen as leading to social emancipation. Nevertheless, Hardt and Negri’s question whether the sovereignty and structure of rule within the global capitalist order is not that different from existing views of globalisation (for a discussion of Hardt and Negri’s theories see for example, Buchanan & Pahuja (2004) and Callinicos, (2007)).

On the other hand, there are a number of significant challenges to the arguments supporting a shift towards the pluralisation of governance and the sharing of power, as sceptics highlight that nation states still play a vital and active role in national and international affairs (Therborn, 2000; Huber & Stephens, 2001; Legrain, 2002). Sceptics maintain that states continue to determine economic or social policy and remain central to the exercise of power (Hirst & Thompson, 2002).

In the context of a Marxist analysis, the position taken in this study is that the role and functions of the modern state, as a relationship and a specific type of social formation within the capitalist mode of production have undoubtedly been influenced by globalisation. However, there is no globalised economic, political and social structure; rather there is an imperialist chain, in which all capitalist nation states participate, regardless of the level of capitalist development within individual states. Nation states are a historical phenomenon wherein the capitalist mode of production is reproduced; from that perspective they preserve their role as a national social formation through repressive ideological, political and economic functions. The different facets of capitalism and contradictions inherent in the international of capital are the material outcomes of social class struggles and contradictions within countries (Ruigrok & Van Tulder, 1995). Nation states are not neutral, and setting them against a historical framework of the internationalisation of the economy states becomes a nodal point around which capitals cluster. The modern nation state safeguards and promotes
the long-term reproduction of the status quo, the position of the ruling classes and more specifically the interests of hegemonic factions\(^{18}\) (Sakellaropoulos, 2007).

The mutual interdependence of nation states and large fractions of capital, nevertheless, seem to break-down the boundaries between the state and capital; as the latter may turn to a direct use of personal influence to determine the way states operate. On the other hand, state bureaucracy may attempt to interfere in the internal management of particular companies. Meanwhile, since capitalist competition is increasingly regulated within national boundaries, capital spreads beyond state boundaries and at the same time depends as much as ever on the originating state (Harman, 1991).

Within the context of imperialism, uneven development between states is influenced by the competitive relationship of states with other capitals and states and the class struggle within each (Sakellaropoulos, 2004). Developmental level is responsible for differences in economic, political, cultural and military power and infrastructures, such as accounting regulations. More powerful nation-states are better positioned to impose their strategies and realise their objectives, and common features are shared by states at the same level of capitalist development. It is the transfer of pressure from one to the other that is the most important characteristic of imperialism, not globalisation (Sakellaropoulos, 2009). The diffusion of capital beyond national boundaries is increasing, but it takes place under the dominance of the most powerful imperialistic states and their bourgeoisies, with the American bourgeoisie leading in the aftermath of WWII (see Sakellaropoulos, 2007 for an analytical account of the theories of the state in the ‘globalised’ context).

\textit{2.3.3.3 Globalisation and supranational governance}

Increased intergovernmental interactions and networks are assumed to create new centres of political and economic power, which regulate supranational activity and exert powerful forces on nation states. There is no doubt that with the emergence of globalisation the expansion of the role of supra-national organisations has become heightened. There have been upgrades to older organisations, and new ones were also founded following the end of WWII, such as the GATT and the WTO. However, it is remarkable that a very small number

\(^{18}\) This does not imply that state structures and institutions are the direct outcome of the requirements of capital. Instead, these structures are reshaped in order to function in new ways that agree with the logic of capitalist exploitation (Harman, 2006).
of Western countries continue to control and influence decision-making; for instance, the procedures of the IMF and the World Bank. The choice of states, regarding which supranational institutions they will join depends on whether their vested interests will be promoted (Sakellaropoulos, 2004); this is particularly relevant to financial reporting, standard-setting and the case of the IASB.

Following on from the previous discussion, it is asserted that transnational organisations and corporations have dissociated themselves from their traditional relationships with nation states. This is considered the embryonic stage of a transnational governmental structure, and is at the service of multinational companies who impose control on the remaining nation states (Robinson & Harris, 2000). However, this is far from being accomplished, since corporations compete with each other in the same way that states do. At the same time, corporations remain dependent on national governments to a great degree, for the protection of their vested interests. The functionality of transnational organisations is characterised by this hermaphrodite situation (Kouroundis, 2007). Transnational organisations function as a terrain, where developed states and the economic interests connected with them discuss and regulate discrepancies under terms that favour the most powerful global economies (Callinicos, 2001).

Arguments about global governance, therefore, serve as an ideological veil cloaking the Western global dominance and imperialist deliberations that are driven by the economic elites and the developed world. According to Budd (2013), the current world order is far from trans-nationalised; it is rather an inter-imperialist order, modified by the relative supremacy - until now - of the US super-imperialism.

2.4 Financialisation: a new stage of capitalism?

Financialisation is widely discussed by economists to describe the globalisation of financial markets and the changes that occurred in the international political economy after the 1970s; it is also common among accounting researchers (see for example, Nölke & Perry, 2007; Arnold, 2009b; Zhang & Andrew, 2012; Arnold, 2012). Epstein (2005, p. 3 cited in Fine, 2007) defines financialisation as ‘the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’. Saad-Filho and Johnston (2004) suggest that neo-liberalism (and its international
replication through globalisation) has promoted extensive financialisation in advanced capitalist countries.

Capitalism, in its imperialist stage, is significantly dependent on finance with an extensive role in promoting capital accumulation. In recent decades, finance has broadened and penetrated commercial relations (Fine, 2007). Yet, contrary to the arguments of political economists, who equate financialisation with the political and economic dominance of finance capital over the industrial (Duménil & Lévy, 2004), financialisation could be better understood as a symptom of long-term challenges than as the result of capital over-accumulation and falling profitability levels (see for example, Brenner, 2006).

Although there was an important transformation in the structure and dynamic of modern capitalism, and a greater proportion of capital is channelled towards finance, financialisation acted partially as a ‘displacement of capital’ process (Callinicos, 2012). The decline in the proportion of surplus value in productive investment, as a result of the lack of profit rates, up to the 1970s levels, led to greater savings and the shift of capital into the financial sector in an attempt to invest surpluses more profitably (Harman, 1996). The financial sector offered higher gains than could otherwise be obtained through an investment in production. This development was not an entirely novel or permanent phase of capitalism, but in the USA and Europe (at least) it was a cause of the repression of wages through neo-liberal policies, deregulation, the market rule and the free movement of capital (Rude, 2005; Krippner, 2005).

2.5 Globalisation and its impact on the EU financial reporting developments

2.5.1 The role and purpose of the European Union

The debate on the role and the future of the EU has recently become intensive, due to the current economic crisis, which is shaking it to its foundations. The current crisis is so new that it arose during the composition of this thesis. The EU body is the result of the European

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19 Finance capital was traditionally conceptualised by Hilferding (1981), as the coordinating role played by banks with regard to industrial and other firms and the long-standing bonds with them that enabled banks to exert significant control over them. Contemporary financialisation, however, is different in qualitative terms, due to the proliferation of instruments and financial markets and the equivalent fictitious capital linked to real activities. Financialisation does not mean that banks dominate over industrial and commercial capital, as financialisation encompasses banks and companies that act increasingly independently of one another in terms of finding new sources of funding or profitability (Lapavitsas, 2012).
integration following geopolitical deliberations and France’s efforts to control the European area and the recovery of Germany following WWII. Under the threat of the Soviet Union and the historical context that gave rise to the Cold War, the continental ruling classes worked to safeguard its economic interests, rebuilding the European economies in opposition to the Eastern bloc and labour movements to seize power (Georgiou, 2010b).

The European Union traces its origins in the European Coal and Steel Community (ECSC) formed by six European states (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) to regulate steel production. The European Union was formally established under its current name by the Maastricht Treaty, signed in 1992, which lifted any barriers to the mobility of capital within Europe and led to the introduction of a single currency (the Euro) at the end of the century. Greece became the 10th member of the EU in 1981, and today the EU is a political and economic union of 28 member states. The EU, instead of a supranational governing body, consists of Commissioners assigned by national states. There is no real transfer of authority at the EU level, as important decisions on public sector policies (for example, Education, Health Care system or Justice) are still taken at a national level (Nugent, 2005). Instead, the economic function of the EU seems to transcend all others. Through political and institutional contracts among states, supranational organisations, such as the EU, endeavour to protect the free movement of investments and capital commodities (Sakellaropoulos, 2009). From the perspective of political economy, the fundamental purpose of the EU is to transcend national borders in order to reverse the tendency of the rate of profits to fall and to facilitate the dominance of core capitalist economies over peripheral ones (Mavroudeas, 2010). The EU attempts to take advantage of opportunities for capital accumulation through the integration of the market and a hybrid system of supranational institutions. A European single market facilitates ‘the containment to acceptable levels of intra-capitalist and intra-imperialist antagonisms and the enhanced imperialist dominance over other countries and regions’ (ibid., p. 15).

Dominant Member States, such as Germany, the UK, France and the Netherlands impose their dominance as a consequence of their economic contribution and role in the formation of the EU. Thus, an unbalanced relationship of interdependence is created, in which the structural power that arises from the overall functioning of the EU institutions plays a key role (Sakellaropoulos, 2004). The integration of the European guidelines and regulations into national law is achieved based on Ministerial decisions or Presidential Decrees, disregarding national parliaments. Even when a decision is being discussed by national parliaments,
regional outcomes have no practical significance once they are sanctioned by the European Parliament (Rometsch & Wessels, 1996). In this way an increasing number of the legal decisions taken by the European Parliament are not discussed at all in national parliaments.

The perceptions of the EU as a politically autonomous mechanism allows the governments of nation states to introduce their decisions as completely independent concluding that there are no alternative options. In this way policies that might otherwise cause social unrest if directly applied, are swiftly legitimised (Nugent, 2005). The enforcement of these decisions is not uniform as they can have many interpretations according to the different regulations in each state. Sometimes states do not comply with European directives or fail to find ways to integrate them into national laws. The economic-political milieu of the EU is based on the attempts of different national bourgeoisie classes to harmonise their divergent vested interests. Any attempts for further integration have encountered endogenous obstacles. The largest firms in European countries esteem their links with their national states and are concerned fear loss of ground to competitors in a truly transnational European state. Many large firms have significant investments in the US, which they do not want to jeopardise, since the Franco-German axis is constantly unstable (Mavroudeas, 2010).

2.5.2 Financial reporting diversity and EU accounting harmonisation efforts

Accounting and markets should not be seen, deterministically, as natural phenomena existing in a social vacuum. International integration of financial reporting is not merely a response to investors’ needs for transparency in an increasingly globalising capital market (Dye & Sunder, 2001) or a purely ‘technical exercise in order to establish high quality accounting standards and to engineer [international] convergence’ (Zeff, 2002, p. 43). There are dynamics affecting the transformation of financial reporting that obscure the historical development of institutional forms and influences of social, economic, and political power that have shaped the evolution of capitalist economies, financial markets and accounting practice (Arnold, 2009a). With the evolution of capitalism, financial accounting has adopted different forms that respond to social struggles and political pressures (Schor, 1992), and at the same time are shaped by transformations in the international political economy. The uneven development between states is influenced by interstate competition and class struggles within the states, which are responsible for differences in economic, political, cultural and military power. Competing for capital in international markets increases the
pressure for international convergence to mitigate accounting differences (Street & Gray, 2002).

2.5.2.1 Pre-IFRSs accounting harmonisation

Historically, accounting regulations in Europe trace their origins back to Napoleon’s Code the Commerce (‘Ordonnance de Commerce’) in the 17th century.\(^{20}\) The UK, as the most developed industrial country at that time, did not accept the French Law and adopted a different model from the continental accounting model. This led to the emergence of two distinct accounting traditions, the so called ‘Anglo-Saxon’ and the ‘Continental European’. Different European states have their own unique economic state policies. In accounting, this could mean, for example, systems dominated by taxation considerations and by closely defined statutory prescriptions in company law (such as, Germany and France), and systems which allow a greater freedom of choice of accounting method in order to meet the need to communicate relevant information to investors, such as, the UK, Ireland and the Netherlands (Nobes & Parker, 2008).

Global standardisation of accounting regulation is not a new idea, even though it became a recurrent theme in developed economies after WWII (Baxter, 1981). As previously mentioned the post-war period caused significant disruptions in the relations of capitalist reproduction. Successive policy and structural attempts to stimulate demand and growth were based on monetarism and later on neo-liberal economics (Mavroudeas, 2012). This conservative radical shift in the structure of the socio-economic system was characterised by the internationalisation of capital and the opening up of the economy, the reorientation of the financial system towards capital markets and radical reforms of the labour market. Accounting regulation harmonisation is linked to the creation of the EU and the enforcement of EU Directives. The EU’s founding Treaties European provided the requisite authority to develop laws to regulate accounting and auditing for the Member States\(^{21}\).

The first attempt to establish common financial reporting requirements within the EU was the introduction of the Fourth Directive on the annual accounts of individual companies (1978).

\(^{20}\) From 1807, Napoleon's trade law initiated the first phase of the international accounting harmonisation, while it provided the basis for trade laws in many countries of continental Europe, such as Belgium, Netherlands, Germany, Sweden and Greece (Gulin et al., 2000).

\(^{21}\) The Treaty of Rome, for example, presents the official motives for the harmonisation of accounting systems across Member States aiming at reaching an economic ’equal level playing field’ within the EU (Haller, 2002, p. 155).
and the Seventh Directive on consolidated accounts (1983), according to which the Member States were obliged to incorporate into their national law. The influence of national accounting rationales of the most developed economies was apparent in the content of the Fourth and Seventh Directives. The Fourth Directive was based on the Elmendorf Report (1968) driven by Germany’s uniform prescriptive principles for valuation and disclosure and tax-oriented approaches to accounting; i.e. the Continental approach (Zeff, 2011). However, it also included the general application of the true and fair view\textsuperscript{22} (TFV) provision to disclose company's financial position and financial results, as widely applied in Ireland and the UK; i.e. the Anglo-Saxon approach to accounting (Whittington, 2005). The history and content of the Directive is seen as reflecting the fundamental predicament afflicting the European accounting harmonisation process, due to the diversity of legal and institutional frameworks in different countries (Van Hulle, 1981 cited in Jermakowicz, 2004). Haller (2002) observes that the solution for bridging conflicting interests and views were the outcome of political imponderability and conceptually conflicting visions, and involved merging two different accounting approaches to deliver a mutually agreed compromise.

The implementation of the Directives into national accounting regulations provoked transformations to the legal accounting requirements and influenced the intent of financial statements, with varying significance among the Member States (Zambon & Saccon, 1993; Thorell & Whittington, 1994; Mora & Rees, 1998). Support for the introduction of a common set of accounting standards reflected a desire to deregulate and privatise the economy (Johnson & Kaplan, 1987). European accounting convergence facilitated acquisitions and take-overs, privileging the accounting information needs of equity investors, while capital market regulators benefited from the intensification of the amount of activity in capital markets (Nobes, 1991).

Accounting harmonisation entered a third phase with the emergence of International Accounting Standards (IAS). In 1994, the European Accountants’ Federation (FEE), and later in 1997 the EC, carried out research on the differences between the Directives and IAS and

\textsuperscript{22} The inclusion of a true and fair provision was the outcome of the entrance to the union of Denmark, Ireland and the UK (1973), since the principle that accounts should provide a true and fair view was a central element of accounting practice. The true and fair is a concept used in English law is a principle of fundamental importance in the UK GAAP, US GAAP and the IFRSs. According to the TFV, financial conditions and processes require the use of opinions and the exercise of management judgment that depends on assumptions and estimates about the course of future events (see Flint, 1982, p. 9; FRC, 2011). The latter was an outcome of the entrance to the union of Denmark, Ireland and the UK (1973), since the principle that accounts should provide a true and fair view was a central element of accounting practice.
concluded that all options taken, and with minor exception, EU Directives are consistent with the IAS and that there are only minor differences in the consolidation field (Thorell & Whittington, 1994). In 2002, the European Union agreed that from January 1st, 2005 International Financial Reporting Standards (IFRSs), would apply for the consolidated accounts of the EU listed companies. The widespread adoption of IFRSs resulted in a fundamental shift in the business environment and marked a crucial turning point. The IASB is one of the most remarkable cases of delegation of authority to set accounting standards to a private organisation over which the EU has no official control (Perry & Nölke, 2006). The IFRS Foundation claims to be ‘an independent, not-for-profit private sector organisation working in the public interest’ (IFRSF, 2013a). However, from a historical context, it seems that it tends to serve the interests of multinational corporations and is influenced by the corporate sphere, and the accounting profession, with particular nation states having a distinct role in these channels of influence (Van Hulle, 2004).

2.6 The emergence of the IASB and its ascendance in the era of globalisation

The IASC, the predecessor of the IASB, was an insignificant body during the 1970s that transformed to become an internationally recognised and influential accountant standard-setter in capital markets. It was established in 1973 to harmonise accounting standards globally, superseding the few national boards that had previously influenced the development of accounting practice. International mergers and acquisitions during the 1960s and the emergence of multinational companies arguably increased the demand for a common international language of accounting to serve capital markets. The IASC was set up primarily at the instigation of the British accountancy profession; begun by Henry Benson, a British chartered accountant, it was sponsored by the professional accountancy bodies and auditing firms in nine countries23 as a counterweight to the harmonising ambitions of the European Commission (Zeff, 2011). The British accountancy profession wanted to promote standards that would be more aligned with the Anglo-Saxon approach to accounting, to prevent the European Union from imposing continental European statutory control that would conflict with the more flexible relationship between corporate management and auditors in the UK (Hopwood, 1994, p. 243). The IASC’s standards were gradually revised to reflect the Anglo-

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23 These countries were Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the UK and the USA)
Saxon approach to financial reporting, while the traditional approach taken by countries of Continental Europe was utterly ignored. The IASs were seen as a ‘Trojan horse’, bringing UK accounting standards and practices; meanwhile, accounting bodies could benefit by participating in a joint international standard setting projects (Nobes, 1994).

The IASC Foundation is a private company located in the US state of Delaware, a place regarded as the world's most secret financial location (Diamond & Diamond, 2002). In 2001, it changed its name to the IASB as part of its restructuring and the new IASB assumed standard setting responsibilities. It also announced that the IAS would be henceforth known as the IFRSs. According to Whittington (2005, p. 153) the development of the IFRSs has arisen in response to demand from capital markets and not as a result of specific political initiatives by governments. According to the IASB’s proclamations, the main objectives of the Foundation are ‘to develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards’ (IFRSF, 2013a). Advocates acknowledged the benefits of privatisation and the implementation of neo-liberal economic models under the public discourse of globalisation, emphasising the need for comparable financial reporting (Zeff, 2011). Zeff (2011) argues that governments participated at a later stage when forced to take a position over the IFRSs.

The IASB’s success and political empowerment according to Martinez-Diaz (2005, p. 3), can be attributed to two focal junctures; the endorsement of IFRSs by international bodies, such as the European Commission, in 1997-2000 and the restructuring and endorsement of the IASB by the hegemonic securities market regulator, the US Securities and Exchange Commission (SEC). The establishment of the IFRSs was supported by and required the mobilisation of underlying capital market institutions, such as the OECD (Organisation for Economic Co-operation and Development), the countries involved in the GATT (General Agreement on Tariffs and Trade), the WTO and the UN (United Nations). In 1981, the World Bank, the UN, the OECD, and other market participants formed the IASC’s Consultative Group (Véron, 2007). The World Bank played an important role in persuading emerging economies to converge or adopt the IFRSs. It conducted Reports on the Observance of Standards and Codes (ROSC) recommending the adoption of IFRSs by public interest entities (Zeff, 2011). In 1990, the US Financial Accounting Standard Board (FASB) and the EU attended meetings of the IASC in an observational capacity (Véron, 2007).
The second reason for the IASB’s ascendance lies in the legitimacy it gained as an epistemic community, based on its specialised technical knowledge. It was able to convince companies and national regulators that it was capable of offering superior standards to other (inter)national financial reporting alternatives (Martinez-Diaz, 2005). The diffusion of IFRSs was promoted by governments and large international accounting firms on the grounds of its superior technical expertise, unrivalled quality of service and unique understanding of market needs (e.g., Daly & Schuler, 1998; Zeff, 2006). Another important factor in the expansion of IFRSs was the exercise of political force by the large audit firms (Big Four), who attempted to play a key role in the international political and economic system. IFRSs were a valuable tool for opening national markets and overcoming local resistance (Zeff, 2011).

Through the introduction of the IASB’s standards political and economic changes were codified and implemented in a rapid and unchallenged manner, due to its transnational private authority structure (Perry & Nölke, 2006). This was achieved through the hybrid system of intra-national institutions and states and the containment of intra-capitalist and intra-imperialist antagonism. Nonetheless, the IASB’s functions still serve as the arena wherein developed states and other actors from the corporate sphere and accountancy profession can compete and regulate according to rules set by the most powerful global economies. There are two major actors attempting to dominate international financial reporting; the European actors and state apparatuses through the EU capital constellation and the Anglo-Saxon actors and state apparatuses, like the SEC and the FASB. Both aim to play an important role in determining the future of global financial reporting, against a backdrop of persistent conflicts of interest among their states and the clear predominance of an American hegemony.

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24 The ‘Big Four’ are the largest international accountancy and professional services firms offering services such as auditing, assurance, advisory, tax, corporate finance, etc. The Big Four are Price Waterhouse Coopers (PwC), Deloitte, Ernst and Young and KPMG.
2.7 Imperialist Controversies and their impact on the accounting field: the US vs. the EU

2.7.1 The domination of the US

The increasing internationalisation of economies, state functions and the tendency towards the supranational integration of states has significantly determined the role and functionality of financial reporting regulations. The IASC’s role on the international financial regulation scene changed when in 1987 the US SEC, acting through the committees of International Organisation of Securities Commission (IOSCO) approached the IASC. Under increasing international and domestic pressures to liberalise their strict disclosure requirements, the SEC attempted to initiate discussions with the IASC in order to develop a foundation at an international level that would be accepted by the USA (Hopwood, 1994, p. 244). The proposal to endorse the IASC for use by standard-setters appears to be based on the fact that the regulatory burden related to financial reporting had increased, greatly affecting the international competition experienced by US companies and the stock markets (Flower, 1997). However, the IASC had to modify its standards to receive SEC’s support; the SEC played a hegemonic role, exerting influence on the international convergence of accounting (Hoarau, 1995). After discussions and negotiations the IASC and IOSCO agreed, in 1995, on the development of a set of accounting standards set by the IASC; meanwhile, the IOSCO decided to permit and recommend these standards to its members for capital raising purposes in international capital markets. A year later, in 1996, SEC made its first public statement regarding the key elements that the standards developed by the IASC should possess in order to be accepted for the preparation of financial statements in international listings. The concept of ‘high quality’ standards was first introduced as a general attribute and since then it has been widely used in discussions about standard-setting (Zeff, 2011). In 2000, IOSCO recommended that its members apply IAS to financial statements contained in international listings (Véron, 2007). This endorsement was decisive for the IAS’s wider acceptance and also signalled another attempt by IOSCO to emphasise its authority. The same year, a new statutory ‘Constitution’ was adopted by the IASC in a reform that created the new IASC Foundation, based in Delaware. In 2007, the SEC proposed that foreign companies listed on the American capital markets which use IFRSs would be allowed to access the US capital markets without having to reconcile their financial statements to US GAAP adopting “IFRSs as published by the IASB” (Zeff, 2011).
In February 2006, the FASB and the IASB signed a working agreement targeted towards achieving convergence between American and international financial reporting standards. In October 2002, the IASB and the FASB issued a Memorandum of Understanding (MoU) known as ‘The Norwalk Agreement’ aiming at beginning a process of mutual convergence of the IASB with the FASB, in order to make their two sets of standards more compatible. However, due to political lobbying and under the pressure of the current economic crisis on capital markets the future of IFRSs in the US is not clear, as the SEC which had intended to make a decision regarding the IFRSs during 2011, has postpone this decision (Tysiac, 2012).

It was not only the intervention of IOSCO and SEC, but also the involvement of ruling class and more advanced countries through G4+1. Between 1992 and 2001 a working group of national accounting standard-setters was established, comprising of four Anglo-Saxon standard setters from Canada, Australia, New Zealand, the UK and the US The one (+1) was an IASC representative attending as an observer. The G4+1 played a vital role in the restructuring of the IASC by motivating the Committee through it working group to proceed to a broad transformation with the aim to become a high quality international accounting standard-setter (Street, 2006). The G4 echoed a similar message as the US stock exchange regulator and pursued the idea of a single accounting standard-setting model that was acceptable to both national standard setters of advanced and powerful states and their capital market regulators. IASB’s structure, processes and priorities such as, adequate due process, a structure based on independent decision-making and the appropriate technical expertise are in line with the G4’s vision. The influence that the G4 and its members exerted on the IASB was evident until recently. For example, Sir David Tweedie, who served as the first Chair of the G4+1, was selected as the first Chair of the IASB and a representative of national standard-setters that were part of the G4+1 are entitled to hold a liaison seat on the Board. The G4 ceased its working group meeting after the formation of the International Accounting Standards Board (ibid.).

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25 This commitment was further reinforced in 2006 when the boards updated their joint work programme and set specific targets be reached by 2008 publishing the ‘A roadmap for convergence 2006-2008’. According to the latter, the term convergence is used to describe the elimination of differences between their respective standards through the development of high quality standards.
2.7.2 The intervention of the European Union

Important changes occurred on the European continent in the late 1980s, especially after the reunification of West and East Germany and the fall of the Soviet Union. These provided opportunities for the expansion of German capital into East Germany and other Eastern Europe areas. For the first time since WWII, large German companies sought access to foreign capital to gain a market share in international markets and surrendered to the commercial imperative to prepare financial statements based on internationally accepted accounting principles (Nobes, 2006).

Europe was shifting more towards the need for accounting standards attuned to the needs and requirements of international financial investors under the auspices of the Single Market. From the mid-1990s, the discussion about the need to develop the European internal capital market became more intense and the issue of setting comparable accounting practices to satisfy the information needs of investors became a key issue (Flower, 1997). With the increasing rise of equity capital markets, the US capital market’s volume and liquidity attracted companies from European countries. Even though European companies had been adopting US GAAP before the 1990s, after this time there was a surge in large companies adapting their financial reporting systems to the IAS and the US GAAP abandoning national accounting regulations. In 1993, the decision of Daimler-Benz to list on the New York Stock Exchange represented a sea change favouring the US GAAP. For large corporations, like Daimler-Benz, applying for a listing on the US stock market signified a reduced dependence on bank finance, and the opportunity to raise funds from equity markets and increase the marketability of their shares (Radebaugh et al., 1995). More importantly, however, it signalled the possibility that US GAAP would be adopted de facto as an internationally accepted accounting standard, with EU losing control over international developments and the opportunity to participate in cross border capital markets. This added strong political pressure from the EC and national regulatory bodies by European corporations and governments to harmonise accounting standards (Canibano & Mora, 2000) and was a significant factors in the EU’s decision to adopt IASB accounting regulations 2005 onwards (Dewing & Russell, 2004).

The EC adopted a more positive stance towards IASs as an alternative accounting framework to Company Law Directives, supporting the IASC and agreeing to become a member of the Commission’s Consultative Group and an observer on the Board. In 1990, an expert-based
Accounting Advisory Forum was composed, with the intention of fostering the debate on accounting issues, imposing greater influence on the national standard-setters and advising the EC (Flower, 1997). The EC started to have concerns regarding the acceptability of large European companies’ accounts that were prepared according to national legislation and based on EU accounting Directives. The Fourth and Seventh Company Law Directives incorporated by Member states were not investor-oriented financial reporting systems (EC, 1995, paragraph 1.4). The preparation of two sets of accounts, according to the Directives and the requirements of international companies was costly, complex for investors and increased the risk of large companies being drawn towards the US GAAP. Thus, in 1995, the European Commission announced a significant change to its policy on accounting harmonisation in the publication ‘Accounting Harmonisation: a new strategy vis-à-vis international harmonisation’. In 1998, Germany adopted rules that gradually allowed companies to move to the US GAAP or the IFRSs on a voluntary basis.

The 2001 Lamfalussy process altered the legislative and rule-making procedures for developing and enforcing EU financial rules. In order to improve accountability in regulation procedures, EU policy makers adopted the US (or UK) model of public consultations and systems that ensure transparency (Posner, 2010). Within this political context, the European authorities took a significant step during the Lisbon European Council (2000) towards achieving an integrated European capital and financial services market; the EU Council announced its revised strategy, that listed companies in the EU should be required to adopt IAS in their consolidated statements by 2005, to ‘ensure that securities can be traded on EU and international financial markets on the basis of a single set of financial reporting standards’ (EU Financial Reporting Strategy: The Way Forward 2000, Commission of the European Communities, paragraph 7 cited in Haller, 2002). The EU’s commitment to the IASB attracted the world’s attention and changed the former perception of IFRSs as merely voluntary standards (Camferman & Zeff, 2007).
2.8 Critical reflection on the impact of imperialist rivalries on the function of the IASB and the nature of its standards

2.8.1 ‘Americanisation’ of international financial reporting standards

The driving force behind the internationalisation of financial reporting and the predominance of the IFRSs was not a vague notion of globalisation. Many aspects of accounting regulations had been internationalised, but this internationalisation had class features, occurring as it did, under the hegemony of the most powerful national formations and their bourgeoisie. Precisely because there is no globalisation, different state orientations and strategies are evident, as are different nexuses of collaborations and disagreements between states. European and American regulators constructed strategies in order to ensure that IASB’s standards aligned to their own accounting and regulatory frameworks. Since mutual recognition of the IFRSs seemed to be unavoidable, they attempted to shape the IASB in order to reflect their accounting regulation bodies and to create safety valves through political pressures to eliminate undesired regulations not aligned to their standards.

The US increased its influence over the IASB through SEC considerations, and thereby succeeded in modifying IASB’s standard setting procedures and the content of the IFRSs. The EU made attempts to shape IFRSs and promote the EU agenda through the members of the trustees that lobby the IASB (Königsgruber, 2010). Efforts to control and become the major force behind the substantive development of global accounting standards through its connection to the IASB led to an unprecedented alteration of dominant accounting regulations within EU countries, in favour of accounting practice previously recognised as proceeding from US hegemony (Dewing & Russell, 2004). Hence, major functions of the state have been tailored to the needs of private organisations concerned with the success of capital markets. However, due to the EU’s class nature and the political struggles between capital forces within its powerful member states, framing comprehensive alternative principles for financial reporting was a challenge (Posner & Véron, 2010). This does not mean that the IASB is now a marionette in the hands of the US Institutions, whereby the IASB function as a structured and institutionalised context in which dominant capitalist powers cluster under a common scheme. They also provide a medium for compromise and negotiation on conflicts, enabling states to unite and impose their neo-liberal agenda on the majority of those who are excluded from or less represented in these deliberations. Until recently, US and EU imperialisms were the major protagonists in international financial
developments; however, new economic powers have emerged, such as China, with the potential to alter the dynamics of accounting standard setting. The following sections provide evidence in order to illustrate the influence of the EU and the US over the IASB, with the US taking prime position.

2.8.2 Impact on the IASB’s structure and standard setting processes

IASB imperatives rely on self-regulation, private authority and governance models used in the US and the UK. The IASB, as a private-sector body itself, cooperates with the private standard-setting institutions in Member states, while the EC bases the endorsement of standards on the recommendations of EFRAG which is also constructed as a private body. A neutral and independent transnational standard setting body also serves the interests of the bourgeoisie better, when compared to national regulations of accounting. There are significant compliance cost savings under a common set of international or local standards while private authorities, like the IASB, have the necessary flexibility to cope with volatile and dynamic business sectors (Perry & Nölke, 2005). Public inter-governmental regulations among international accountancy are generally slower as these bring political considerations based on the perspectives of democracy, accountability, fairness and the general welfare of society.

A key moment in these negotiations that established the US dominance over the IASB and shaped its structure and the content of the IFRSs came in 1999. As part of the IASB’s restructuring, a Strategy Working Party was appointed and a discussion paper with proposals issued. In contrast to most of the EC’s demands, the SEC emphasised values such as professionalism, independence and due process. It suggested a two-tiered model body based on the FASB’s structure, where powerful trustees select board members. Moreover, it proposed that its permanent members should include individuals from the most advanced economies and developed capital markets, while rotating seats would be offered for the smaller and emerging markets (Martinez-Díaz, 2005). The outcome was disappointing for the EU as SEC’s key demands prevailed. The organisational structures and practices of the IASB are identical to those of the FASB.

The structure and composition of the IASB and other crucial decision-making bodies, such as the IASC Foundation, the Trustees, and the IFRIC does not equally represent the economies and societies affected by the enforcement and implementation of standards set. The members of the Board are professional accountancy bodies, recognised by their governments, but
which are not regarded as representing governments. The Chairman and the members are a narrow band of users, i.e. large international firms and the Big Four accounting and auditing firm regulators, most of whom actively contribute to outcomes by drafting key documents in the process of accounting standard formulation (Kerwer, 2007).

The narrow composition of the IASB reflects the resource dependency relationship of the IASB; parties that provide financial resources are privileged within an international standard setting organisation (Kerwer, 2007). Although the IASB claims to be a non-profit organisation it is closely linked with large profit-making organisations that affect the IASB’s independence and the process of standard-setting (Brown, 2006). Most contributors are banks, audit/accountancy firms, large companies which use or have an interest in promoting international standards. According to the IASB Foundation funding is provided and shared by the most advanced economies in the world on a proportionate basis, using GDP as a determining measure (IFRSF, 2013b). Countries with a large GDP are expected to commit more to the IASB than countries with a low GDP, and thus, financial contributions can exert influence when there is financial pressure. As a result, it is possible that countries that have a lower GDP and financial contribution may be in a weaker position and have less influence over the IASB’s decisions.

The lack of formal control by all the countries who have adopted IFRSs and the lack of transparent and democratic control of standard development procedures has led to certain countries and parties being accorded a privileged right of participation and influence on decision-making (Larson, 2007). Currently, many reports dispute claims related to the independence of the IASB and the quality of IFRSs (Reason, 2009). The impact of a transnational system of elite governance without any responsibility to the general public and popular mandate has significant consequences on economic development and favours rules that increase poverty and inequality (Archibugi, 2004). The IFRSs Advisory Council, which was formed to provide a forum for the IASB to represent and consult a wide range of interested parties affected by the IASB’s work and the wider community, such as preparers, academics, auditors, regulators professional accounting bodies and investor groups, is not fulfilling its role (Zeff, 2011). The IASB’s lack of wider representation is confirmed by the rather weak role of the IFRSs Advisory Council.

As the IASB has no juridical or political authority it bases its legitimacy on its ‘expertise’ in the development of high quality and internationally acceptable financial reporting standards.
Similarly, IASB’s rhetoric of the ‘high quality’, ‘transparent’ and ‘comparable’ qualities of IFRSs is used as a strategic tool to gain legitimacy (see for example, Richardson & Eberlein, 2011). Support for the IFRSs adoption and development by accounting firms, financial institutions, business organisations, politicians, academics and the media is a development exclusively based on these qualities.

The IASB proclaims that it engages closely with global stakeholders; it also emphasises the existence of draft exposure and comment processes that enable stakeholders to participate democratically in the process of standard setting (Biondi & Suzuku, 2007). However, the lack of participation in the IASB beyond the business sector is considered ‘outstanding’ (Perry and Nölke, 2005). Moreover, although the IASB has issued exposure drafts addressing labour-related issues, such as employee benefits and share-based payments, there is an interesting absence of any association with trade unions further institutionalising the dominance of business interests. The limited contribution of these portions of society in new forms of accounting regulation can also be interpreted as the result of a shift in the social balance of forces that disadvantages the working classes.

Finally, the IASB’s accounting standard setting process, due process, is supposed to be designed to safeguard the IASB members from political influence. Nevertheless, the IASB has been criticised for being vulnerable to political influence, by succumbing to lobbying against accounting requirements that negatively affect key contributors’ financial interests (Nobes, 2008). The IASB has faced political intervention and intense lobbying from interest groups, such as the FASB, while the European Parliament, in a Working Document on the IFRSs highlighted the IASB’s lack of transparency, noting that it is not democratically controlled. Procedures and criteria regarding the development of its work plan and the choices of members were criticised as being unclear (Kerwer, 2007). Alali and Cao (2010) present anecdotal evidence that the due process used by the IASB to adopt some international standards may have been circumvented on some occasions, such as in the case of IAS 39 discussed later. Despite concerns, the European Parliament’s proposal to adopt IFRSs passed into law without serious questioning and with unexpected speed (Biondi & Suzuku, 2007). The EU had developed a new technique known as the ‘Comitology’ procedure;26 whereby,

26 ‘Comitology’ is a committee system which oversees the delegated acts implemented by the EC, through which the IASB’s standards could be endorsed and required by the EU publicly listed companies, without having to place each standard individually before the European Parliament and the Council for approval (Van
the Parliament has the authority to delay or veto an endorsement, but cannot endorse standards that the European Commission has not submitted for endorsement if ‘important’ should EU governments refuse to adopt them (Zeff, 2011). This was the case for example, with IFRIC 12 on service concession arrangements and IFRSs 9 on financial instruments.

European and international accounting regulation has now been transformed into a more market-based financial system, shifting towards the logic of capital markets and the use of valuation methods that satisfy investors’ needs, as will be discussed chapter four. IFRSs adopt a rational decision theoretic discourse to interpret decision-usefulness, as traced by Ravenscroft and Williams (2009) to the rise of neo-liberalism in the US and the UK and the increasing political and ideological influence of the positive economics movement originating from the University of Chicago. Although a user-needs approach to financial reporting is adopted the actual identity and needs are assumed and are not empirically justified (Young, 2006). The increasing importance of financial capital is also seen as the ‘Americanisation’ of accounting standards, as US standards are more appropriate to international accumulation, dominated by provisions related to financial capital and specifically fictitious capital (Panitch & Konings, 2009). According to Perry and Nölke (2006), IFRSs favour the financial over the productive sector, thereby supporting the interests of US-based financial intermediaries and audit networks.

2.8.3 Significance of nation states

The IASB, is composed of actors rooted in national contexts, it states that its members should be from among the most significant countries in terms of the status and development of the accountancy profession, or their importance to international markets (Camfferman & Zeff, 2007). Industrialised countries outnumber developing countries allowing the former to dominate the IASB’s agenda. The position of the Chairman of the IASB, is always given to an individual from an advanced industrialised country. Several former members of the FASB are now members of the IASB and vice versa. Membership is geographically dominated by the ‘Anglo-Saxons’, who form a solid bloc of votes leading eventually to, adoption of a

Hulle, 2008, for a critical discussion on the ‘Comitology’ device and the success and efficiency of the Comitology Committee see Thorell & Whittington, 1994).

Fictitious Capital was historically used by Marx in his critique of political economy to describe value, in the form of credit, speculation, shares, debt and different forms of money. Nowadays, it best describes any financial instrument other than the commodity of money and schemes of risk reduction and risk diversification (see Harvey, 1982)
financial reporting approach promoting neo-liberal economics. The IASB argues that its members’ nationality is unimportant as they are appointed on the basis of ability to offer independent expert knowledge and not as representatives of their countries (Kerwer, 2007). However, none of the functions of international institutions, such as the IASB, are intelligible unless understood against the background of states’ motivations to protect their own interests.

The importance of nation states is demonstrated by EU bodies and other financial institutions’ rejection of IASB guidance and the introduction of certain provisions of IAS 39 ‘Financial Instruments: Recognition and Measurement’ dealing with portfolio hedging and the fair-value option from the subsequent adoption of the standard. This was seen as an attempt to gain greater control over the standard-setting process and dominance over Anglo-Saxon accounting; a concern that was exacerbated by the relaxation of reconciliation requirements, the so-called Road Map28. French banks objected to the use of hedge accounting on important hedged positions, as requirements differed from domestic regulations set by the French Ministry of Finance and industry practices (Chand & Cummings, 2008). France’s President Jacques Chirac had to intervene in the debate and expressed his disapproval of the standard’s harmful consequences in a letter sent to the President of the EC, Romano Prodi (Véron, 2007); he feared it would create artificial financial volatility, compromising European interests (Whittington, 2008). After extensive negotiations between the EC and the IASB, in 2005, the latter decided not to amend its original proposal on hedge accounting, and so the EU applies a modified version of IAS 3929.

Debates over the implementation IAS 39 arose again in 2008, exacerbated by the economic crisis30. IAS 39 and also the IFRS 8 standard on operating segments (for a discussion on

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28 This was an essential condition to win over the SEC, in order to proceed with the convergence with the FASB (Whittington, 2008).

29 Another source of disagreement was the proposal on the application of the fair value principle; while it was welcomed by European Banks, the European Central Bank the Basel Committee and the EU Commission objected to and raised concerns about its appropriateness for measuring financial assets and liabilities, fearing it would have a negative potential impact on the banks and allow more scope for creative accounting. The two sides reached a resolution, and the IASB agreed to accommodate the ECB’s concern and amended IAS 39 limiting the use of the option to a few identifiable situations where fair value can be verified.

30 Many banks had loan assets, which were measured at fair value in conformity with IAS 39. There was a substantial reduction in the value of these loans when marked to market, forcing the banks to report major losses. Under the original IAS 39, if a company chose to measure its financial assets or liability at fair value through profit and loss, it was not allowed to subsequently reclassify and measure them at amortised cost. However, under US GAAP, reclassification was allowed. Unlike the US banks, European banks were adversely affected by the standard and this was exacerbated by the financial crisis. The EC recommended that the IASB issue a standard to authorise banks to reclassify their securities. The IASB eventually approved the amendment
IFRS 8 see Alali & Cao, 2010) were some examples where the IASB either ignored due process or had to compromise its independence under pressure from the EU or the US.

2.9 Conclusion

This chapter has detailed the wider political and economic context in which the current study is conducted. The myths and realities of globalisation as a driving force behind developments, such as the internationalisation and harmonisation of accounting standards was discussed. The globalisation of the world’s economy cannot occur in the absence of global capitalism. The internationalisation trend of the economy was presented as not benevolent and as apparent even before WWI, as a feature of the monopoly of capitalism/imperialism and the imposition of neo-liberal precepts. Within the context of imperialism, the uneven development between states, which is responsible for differences in economic, political, cultural and military power, means that the more powerful states have greater opportunities to impose their strategies and to realise their objectives. It is the transfer of pressure from hegemonic states to represent their capitalist interests that is the most important characteristic of imperialism and not globalisation. As such, the history of the internationalisation of financial reporting that took shape through the IASB was shown to be the history of powerful states, their associated supranational apparatuses and the intricate nexus of institutional and regulatory bodies, corporate agencies and accountancy firms. The IASB became the arena where developed states and other actors from the corporate sphere and accountancy profession competed and regulated, according to the rules set by the most powerful global economies; these antagonisms are reflected in the current structure and standard setting processes of the IASB, as well as being underlying concepts behind the IFRSs.

In the following chapter, the role of Greece in the imperialist chain, and the impact of the internationalisation of financial reporting regulation in relation to changes to the political and economic restructures of capital in Greece will be discussed. Greece and other ‘peripheral’ European states that participate in the EU are an interesting subject for case study, because the adoption and enforcement of IFRSs was imposed at a political level as part of the

of standards without following a due process that could take several months, while the EC endorsed the standards two days later allowing European banks to reclassify their financial instruments.
European integration deliberations, and the shift in accounting regulations has prompted a shift in the structure and rationale of such countries’ economies. The trends that characterise these changes in financial reporting standard setting are privatisation, deregulation, a shift towards market- and investor-oriented accounting and the predominance of finance capital with the growing pre-eminence of fair value accounting.
Chapter 3: The evolution of the capital market and financial reporting in Greece: a historical perspective

3.1 Introduction

In the previous chapter, the internationalisation of financial reporting and its consequences on EU financial reporting regulation and practice were placed within the theoretical framework of imperialism, as the higher stage of the current dominant political and economic context of capitalism. Key agents, such as the nation states, the market and (supra)national institutions have played a key role in this process. International accounting developments have been influenced and driven by power interrelationships between these agents, as well as the competition and conflict resulting from the hegemony of states. In addition, those actors from the corporate sphere and the accountancy profession that set the rules are from the most powerful global economies.

The themes that will gradually unfold in this chapter relate to the role of Greece in the imperialist chain, the relationship between accounting and the state, and the impact of international financial reporting regulation and restructuring of capital markets on the economic environment of Greece. An account of the turbulent capitalist development in Greece and the interrelation with the operation of the state through the theory of imperialism, and particularly the transition to globalisation are linked to the formation of accounting institutions and current internationalised accounting processes that shape financial reporting in Greece. The structural peculiarities of the organisation of accounting and the currently dominant raison d'être of financial reporting derive and are significantly shaped by the country's participation in the European imperialist bloc. The political and economic history of capitalism in Greece is a history of over-indebtedness, defaults and political and economic dependency on other developed Western countries. At the same time, however, it is characterised by the ambitions of the Greek bourgeoisie to gain a privileged position and become a partner in this imperialist bloc, often through the intervention of the state. Hence, there is a dialectical interrelationship between the history of the function of the modern capitalist state, the development of accounting and the particular historic circumstances of capitalist development.
The significance of the sociological and historical dimension in understanding the development of accounting has been recognised in academic literature as explaining the tensions between technical and objective rationality (Colignon & Covaleski, 1991). Setting a theoretical framework that recognises the power relations and other expressions of dominance, which entail the privileging of certain interests over others, should also facilitate our understanding and interpretation of the evidence presented in subsequent chapters, relative to established points of view, fundamental values and dominant institutions that are uncritically accepted.

3.2 Dependency theories and the position of Greece in the imperialist chain

3.2.1 Theories of dependency and their demise

Classical Marxist theories on imperialism, written in the middle of First World War including the works of Lenin (1917), Bukharin (1972) and Luxemburg (1963) drew different conclusions (for an overview of the theories and a critical discussion see Harman, 2009). However, their theoretical analyses directly linked militarist and colonialist policies with a new phase marked by the concentration and centralisation of capital leading to the emergence of large capitalist enterprises, monopolies (trusts, cartels, and joint-stock companies) targeting global competition. The nation state has a dynamic role in the international economic competitive arena.

In the two decades following the WWII, the great colonial empires declined, independent nation states emerged in former colonial countries and the capitalist market developed swiftly. The global economic system entered a period of thirty golden years of capitalist expansion. For the many countries that were either independent or former colonies, it soon became obvious that this new phase meant poverty for the majority, as political regimes were tied to the imperialist powers, primarily the US. A number of Marxist and radical non-Marxist intellectuals drew on Lenin's analysis to interpret this new situation, suggesting the different theories of dependency which offered the theoretical arsenal in a series of anti-imperialist and left movements worldwide (see Papadatos-Anagnostopoulos, 2009).
In general, dependency theories report that the world’s system is divided into the centre and a periphery, even though terminology may vary.\textsuperscript{31} Dependency theories support the view that companies and regulatory systems from developed countries are entering less developed states to integrate them into the capitalist system, perpetuating dependence through politics, economics, culture and so on (Frank, 1969, 1978; Amin, 1974, 1976, 1977; Wallerstein, 1979). Dependent countries provide natural resources and labour, leading to dependency, whilst attempts to resist result in economic sanctions and military force that is exercised by developed capitalism. Imperialism, in the sense of political and military dominance has a lesser role in dependency theories.

However, distinct from the colonialist period of capitalism, imperialist competition is impelled by the pursuit of dividing spheres of influence, to enable the expansion of capital. According to this view, the global economic system functions on the basis of the law of uneven and combined development constituting a pyramid of power hierarchy, with capitalist countries at different stages of development ranked differently (Brewer, 1990). Capitalist countries at different development stages are not divided by fixed and strict boundaries, but operate interdependently through unequal relations, meaning that they can also make moves towards becoming imperialist, through structural changes\textsuperscript{32}. However, dependency theories failed, at a general level, to address the increased industrialisation of the periphery after WWII, or the unevenness of capitalist development in the Third World. Hence, theories of sub-imperialism, which could not be satisfactorily explained by the dependency theories, attempted to explain the changes taking place in the post-war system (Rowthorn, 1971). These theories attempted to outline how specific capitalisms took their place in the pyramid of the imperialist-capitalist system by taking advantage of the onset of the internationalisation of capital in the context of the post-WWII boom period.

The concept of sub-imperialism describes the position of medium-level developed states that do not belong to the group of the most powerful countries and so have less influence on the global agenda. Nonetheless, sub-imperialist countries also develop expansionist strategies and policies in their region, along with the more powerful imperialist powers, enabling them to be at the centre of regional power. This situation, consequently, provides the objective

\textsuperscript{31} For example, other terms include the metropolis and the satellites (e.g. Frank, 1978).
\textsuperscript{32} Historical records since the midst of 20th century confirm that countries (like India or Brazil), that were not formerly assumed to be capitalist, have adopted economic and political reforms that have accomplished considerable economic development, and some of them have even become regional powers.
basis for rivalry between countries of similar status in the same region (Brewer, 1990). The dependence of a sub-imperialist country on imperialist countries is not secure, and those countries that reach the level of regional powers can develop relations with imperialist powers or choose to defy them and focus on their own interests.

3.2.2 The role of Greece in the imperialist chain

Greece, officially the Hellenic Republic, is a country in Southeast Europe with a population of around 11 million and GDP per capita of US dollars 25,836 in 2011 (OECD, 2011). Greece is among those societies that were late adopters of capitalism relative to the remainder of Western Europe; Greek capitalism is characterised by time-lags and peculiarities in relation to the stages of capitalism (Ioannides & Mavroudeas, 2000). In Marxist terms, the debate on the classification of Greek capitalism in the imperialist chain revolves around questions as to the meaning of imperialism, and whether imperialism simply describes the relationship between nation states or something more.

Pouliopoulos (1963) observed that ‘Greek capitalism was born already old’ and even though he was writing in the early 1930s his work is still relevant nowadays. Contrary to proponents of ‘dependency’ theories in Greece, Pouliopoulos argued that the Greek economy and society had entered a phase of great change, demonstrating that the assumed pre-capitalist forms of capital were not feudal remnants, but forms sustained by modern capital. The Greek capital did not collide with the foreign, nor did the latter oppress local capital; rather, Greek capital developed together with that of other imperialist powers, based on their common vested interests33 (Katsoridas, 1995).

The economic bonds of Greece with the developed capitalism were traditionally oriented towards Europe, mainly France and the UK. The US, later, attempted to shift the focus of these bonds and dependencies in their favour (Couloumbis, 1966). In the post-war period, and during the decades of the capitalist boom that followed, Greek capitalism attempted to take advantage of the internationalisation of capital, in diverse, but not always successful, ways. Greek capitalism is closely linked to the international dynamics of the capitalist system, based on accumulation; while the political and economic history of contemporary Greece, is

33 The Balkans (with the exception of Yugoslavia) were where the Cold War partition walls were created. Advanced capitalism could only influence the structure of state capitalism (Soviet Union) through pressures on military expenditure, while rivalry becomes an indirect economic antagonism, dynamically independent of the economic antagonism among the countries of the free world.
significantly influenced by foreign loans and interventions in the form of international finance. However, this should not be interpreted as Greece being a weak international imperialist centre, as argued by dependency theorists (see Liosis, 2012).

Indeed, during the 1960s, the inflow of foreign capital was directed to sectors where there was no Greek capital or where there was minimal involvement from these sources. During this period, construction capital played an imperialist role with the creation of large companies operating in the Middle East and Northern Africa (Mavroudeas, 2010). In sectors where the presence of Greek capital was significant, foreign capital co-operated with the local. Thus, no annihilation of Greek firms by foreign was observed; instead partnerships and mergers took place. The trend toward investment between the imperialist countries applied to Greek capital, as an important proportion of the funds invested by the Greek capitalists went abroad to EU countries and the US. Although Greek capitalism does not have the most dominant and powerful monopolies it makes political plans at a global level.\(^{34}\) Greek capital co-operates with foreign capital and through structural changes under bourgeois regimes opened up the country to international markets, merging together with other capitalisms (later forming the EEC) and demanding a better position in the imperialist chain.

The accession of Greece to the European economic integration process, and the EMU (Economic and Monetary Union) in 1999, meant that Greek capitalism was upgraded from a ‘second-generation, middle-range capitalism with limited imperialist abilities to a ‘partner’ in a first-class imperialist bloc’ with greater opportunities (especially in the area of the Balkans and Mediterranean) (ibid., pg. 2). After the Asian financial crisis in 1997, Greece attracted surplus financial capital due its enhanced creditworthiness as a member if the Eurozone, while the Greek bourgeoisie attempted to establish itself as a regional hegemonic power. Although Greece is economically and politically dependent on other developed economies, the Greek bourgeoisie invested significant funds in the Balkans, controlling their banking systems, and extending its economic influence into this important geopolitical region (Michael-Matsas, 2010; Magoulios et al., 2014). The Greek economy in 2010 was in 39th place worldwide in terms of size (OECD, 2010). It should be noted that, while European economic integration enhanced the influence of Greek capital in relation to other non-EU economies, the Greek bourgeoisie state powers maintain a motorised infantry and a substantial fleet of ships, at significant cost to the state budget. When its military power is not sufficient to protect its interests and to maintain its position as a regional power, the country can draw on American imperialist strength (NATO) and that of the EU.

\(^{34}\) The Greek bourgeoisie state powers maintain a motorised infantry and a substantial fleet of ships, at significant cost to the state budget. When its military power is not sufficient to protect its interests and to maintain its position as a regional power, the country can draw on American imperialist strength (NATO) and that of the EU.
capitals, Greece was considered a middle-range developed imperialist economy relative to the more developed Western European economies, the hard core of the EU (Mavroudeas, 2010).

3.3. Historical Review and Economic and Political Developments in Modern Greece: influence on accounting

3.3.1 Impact of Western capitalism and its institutions

Capitalist relations of production in Greece were established later than in other Western countries, however, the Greek economy was active in sectors that had close links with Western capitalism, such as maritime and merchandise (Ioannides & Mavroudeas, 2000). The history of accounting in Greece has similarly been determined by Western pressures, as Dedoulis and Caramanis (2006, p. 408) suggest in their study on the formation of the Greek audit profession in the aftermath of WWII. These pressures were ‘channelled through powerful foreign governments, agents of Anglo-Saxon accounting firms and supranational organisations upon emerging states, aiming at spreading Western institutions and modes of organisation’. However, they emphasise the state-corporatist mode of organisation that the auditing profession adopted to highlight the role of the state and other local factors influencing the course of accounting progression.

Appendix 1 provides a historical review of key features of the Greek economy and accounting for the period 1800s to 1974. The development of accounting in Greece following the structural economic crisis of the 1970s until today is discussed in the next session.

3.3.2 Period 1973 till 2005 (pre-IFRSs period)

The 1973 crisis of overproduction of capital and the fall of the military dictatorship put Greek capitalism in a difficult situation, due to the fall in profitability (Maniatis et al., 1999), the intensification of class struggle and the eruption of popular radicalism (Maniatis, 2005). In response to socio-political changes that intensified the pressure for the development of a welfare system and the amelioration of labour relations, bourgeois political parties, attempted to accommodate these pressures through partial reforms, rather than through direct confrontation. Clientele based networks were tied to political representatives in the parliamentary system and the bureaucratic mechanisms of the state, were closely associated with international and local capital (Michael-Matsas, 2010). After a significant time lag, in the post-dictatorship period, conservative Keynesian restructurings of capitalism took place in Greece, followed by the weakening of popular radicalism, a wave of nationalisations, an
advance of the state sector organisations and income redistribution, particularly after 1981 and the ascent to power of the Labour Party PASOK.\textsuperscript{35} However, progressive Keynesian policies were inadequate to prevent economic crisis, as Greece had an entirely different socio-economic environment to the rest of Europe. After the second election of PASOK in 1985 and the introduction of its stability programme a neoconservative turn was formally instituted, signalling a turning point in the opening of the Greek economy. This opening up included the integration of the country into a more active participation of Greek capital in the EEC (European Economic Community) (Mavroudeas, 2010). Neo-liberal economic policies will be enforced by the successive governments focusing on EMU requirements under the imperative of the Maastricht Treaty clauses, expansion of privatisation programmes and allowing for foreign capital investment opportunities.

Through the EU, the Greek capitalists participated in the sharing of global markets, while the vigour of the EU provided benefits for European monopolies, and the establishment of special monopolistic agreements and arrangements was beneficial to the development of the Greek capital. Especially since the introduction of the Euro, multinational corporations have dominated the Greek domestic market and competed with other European monopolies in the European market. Greece’s membership of the EU has been a major factor in institutional and other reforms in the country (Mouzelis, 1995). Indeed, all the major institutional reforms to the Greek capital markets have arguably been the outcome of harmonisation with EU directives projects, and, respectively, EU policy priorities have conditioned the Greek socio-political agenda. Successive Greek governments formally set out to implement their commitment to improving the economy’s flexibility and competitiveness; however, any progress in introducing reforms (e.g. reforms of the financial and banking system (L2076/96)), the organisation of the accounting profession itself, or the modernisation of corporate legislation and investment practices (L1969/91) have been the outcome of EU pressures (Ioakimidis, 2001).

The development of an external reporting framework addressed to an international public audience was an essential condition for the country’s entry into the EU. Although the first committee to establish a Greek General Accounting Plan (GGAP) was formed in 1954, the GGAP (in Greek Elliniko Geniko Logistiko Shedio) was established by Presidential Decree 113 in 1980 (PD 1123/1980) (Ballas, 1994). GGAP establishes the basis of the Greek

\footnote{Panhellenic Socialist Movement, Πανελλήνιο Σοσιαλιστικό Κίνημα [in Greek]}
accounting infrastructure. According to Law 1041/1980, it is a system of classification rules and accounting figures, designed to provide standardised and uniform financial statements for compulsory use by all entities at a national level. It includes a set of basic accounting rules, definition of accounting terms, model financial statements and detailed provisions for preparing annual financial statements and corporate and tax legislation (with certain exception on points of conflict). Given that the Greek Commercial Law was based on, and followed developments in France, the GGAP draws heavily on the French Plan Comptable, which was adopted with some additions and exclusions and tailored to the Greek institutional and business environment (Ballas, 1994). It took almost 30 years to implement the GGAP, and the project was completed and made public in 1981, approximately at the same time as the first application of the Fourth Directive. It brought Greek practice in line with the provisions of the EU Directives (a second edition was published incorporating changes, in 1987), and was part of a broader plan to modernise Greece (Ballas et al., 1998).

The key EU Directives that affected accounting in Greece were the Fourth (Company Law) Directive and the Seventh Directive. The Fourth Directive, which was transposed in 1986 (Presidential Decree 409/1986) and came into effect in 1992, specifies the True and Fair View as an overriding principle, making provisions concerning the presentation and content of annual accounts and the valuation methods used in respect of all limited liability companies. The Seventh Directive, which was transposed in 1987 (Presidential Decree 498/1987) and became effective in 1992, together with the Fourth Directive establishes standards on consolidation and other issues associated with multinational enterprises. The adoption and interpretation of the Directives was not an easy task, and the preparers of financial statements opted for the most conservative options, while Greek translation was sometimes in violation of the provision in the original text of the directive. Infringements of EU directives and accounting legislation were one of the outcomes of the differences between the financial reporting traditions underlying the Directives which represented a move towards the Anglo-Saxon accounting tradition, combined with state intervention driven by lobbying pressures from corporate interests (Caramanis & Dedoulis, 2011).

Following the adoption of the Fourth and Seventh Directives, the EU Council’s decision to require that all publicly listed European companies adopt the endorsed International Financial Reporting Standards from the fiscal year 2005 onwards, as part of the EU’s strategy for the creation of a single market, gave a new impetus to the accounting harmonisation process. Greece, as an EU member, was required to use IFRSs for all listed companies. However, it
later adopted accounting harmonisation with the enactment of Law 2992/2002, which required that publicly listed companies on the Athens Stock Exchange apply IFRSs, beginning in the calendar year 2003, two years earlier than in the majority of other EU member states (Government Gazette, Α’54/20-3-2002 Reference).

The early adoption of IFRSs is considered a ‘legitimation strategy’, employed by the government in order to reduce criticism from public institutions, improve company credibility and restore trust after the shock stock market downturn in 1999-2000 (Floropoulos, 2006). The so-called stock exchange theft, which was the result of an economic policy that drove savings to a stock market bubble was one of the consequences of the neo-liberal restructuring policies in the 2000s. Law 2992/02 never came into force (due to difficulties related to the lack of companies preparedness) but it was made optional, and, in line with EU requirements, Law 3229/2004 (an amendment to Law 2190/20), introduced the mandatory application of IFRSs from January, 2005. Eventually, the first set of annual financial accounting statements prepared according to IFRSs became available in March 2006. Legal provisions apply to every listed company while the accounting provisions of the law, as well as the rules of the Greek GAP only apply to those that have not adopted IFRSs. Where accounting practice is concerned, two markedly different accounting models are currently in use in Greece: IFRSs (the Anglo-Saxon model) and Greek accounting rules (law 2190/1920 and the GGAP), which draw on a deep-rooted, tax-oriented tradition. For some of the main differences between the GGAP and IFRS see Appendix 2.

At this point, it is essential to emphasise the role of the Greek state and its structural dependence on capitalism under specific economic, social and political dynamics, which evolved around the pursuit of capital accumulation. Due to nature of Greek capital, and as determined by its historical trajectory and geo-political position in the imperialist chain, its interests were represented by the state and were reliant on the state. Moreover, as the banking sector was mainly controlled by the state bureaucracy the latter acquired significant power reflected also in accounting regulation. The accounting structure applied was influenced by the country’s legal code and the system of raising income, the lack of a profession, the emphasis on the banking sector to raise capital rather than on the financial markets and the

36 Apart from the GGAP and the Law No. 2190/1920 on Limited Companies, accounting regulation is influenced by Art. 29 of the Commercial Code and all relevant laws that determine the preparation of financial statements as well as, the Directives regarding corporate law and legislative decrees.
weakness of both productive and finance capital, as discussed in chapter four. The change
and restructuring of the relationship between capital and the state, especially during the 1990s
was partially responsible for the liberalisation of the Greek auditing profession and audit
reforms. Resource allocation and value distribution was negotiated between private capitalists
and an extended state bureaucracy, hence the dominance of tax accounting and records,
which continues to influence accounting practice.

3.3.3 The IFRSs era

The political and legal endorsement of IFRSs into EU law is directly applicable in all
member states and transposes national law. The national representation in advisory and
working groups, let alone on the IASB board, is limited to non-existent (based on evidence
provided by a member of ELTE; the main Greek representative sent to international
accounting working groups). The country’s influence on the standard-setting and decision
process is assumed to be expressed through its representatives as a member of the European
Bloc, although as discussed above, it is the interests of the more economically dominant
European countries, and not Greece, that are privileged. Furthermore, the low participation of
Greece, at least, during the first period of IFRSs adoption, was confirmed by Jorissen et al.
(2010), who investigated the geographical and stakeholder diversity in different countries’
formal participation in the due process of international accounting standard-setting in a
longitudinal analysis over the period 2002-2006.

The state promoted the IFRSs as heralding a new era of economic purge, transparency of the
corporate sector and efficient administration, along with wider economic structural and
capitalist recovery attempts following the recession of 2000-2003. The state enforced a
number of conservative strategies, such as privatisation of state enterprises, deregulation of
the market, the limitation of state intervention and encouraged the internationalisation of
capital with entrance into regional economic blocs. Market liberalisation advanced, a small
number of state monopolies remained, public corporations were forced to modernise, and
market regulation was delegated to independent bodies (Spanou, 2008). In addition, the
financial system began transforming, shifting towards a market-based model emphasising
capital markets instead of the banking sector.

IFRSs adoption was used in public discourse, as a means of restoring public trust in
institutions and justifying capital restructurings. The General Secretary of the Ministry of
Economy and Finance 2001-2004, Georgios Zanias, attributed the stock market bubble crisis
at that time, to the international recession, ‘the excesses which were incorporated into the international capital markets and the accounting irregularities that served as an excuse’. Regarding the early adoption of IFRSs, which was never realised, he promoted the implementation of IFRSs as reflecting the economic image of enterprises, increasing international comparability and attracting the interests of foreign investors (Aggelis, 2003). Nikos Christodoulakis, Minister of Economy and Finance at the same period stated that the adoption of IAS will provide beneficial opportunities for listed companies and the Greek capital market while the standards were seen as part of the measures taken in order to enhance corporate transparency (Naftemporiki, 2002).

Later, during the wave of privatisations of Public Enterprises and Entities (in Greek DEKO) similar public announcements were made by governments, audit firms and the corporate sector with respect to the adoption and implementation of IFRSs by DEKO. Georgios Alogoskoufis, Minister of Economy and Finance from 2004 to 2009, together with the announcements of sweeping changes and privatisations in the field of DEKO, set as government priorities the improvement of the efficiency of the administration of the finances of state enterprises and the implementation of IFRSs (in.gr, 2007).

In order to support the transition to IFRSs and as a promoted solution to the scandals of the 2000s, the EU, following the example of the US, created an independent oversight system to report on accounting and audit practices. In 2003 (Law 3148/03), Greece instituted an independent oversight board (IOB), ELTE, which reports to the Minister of Finance and National Economy and is responsible for issues related to professional ethics, audit quality and guidance on the implementation of accounting standards and regulation. Caramanis (2010) employing a broad political economic framework, examined the establishment of ELTE and its operation, showing that local socio-political constrains might derail Europeanisation accounting reforms. Arrangements produced by the interaction of major local institutions, such as the state, the market and professional associations were occasional, fluid and inconsistent, postponing any required changes.

3.4. Conclusion

In summary, the historic development of capital market organisation in Greece in different periods has impacted on accounting measures. The Greek capital markets have undergone major transformations following the adoption of various EU directives and laws aimed at monitoring the markets. Greek capitalist accession into the EU dismantled previous
productive structures, and the Greek economy became a complement to the North European partners in the Eurozone. This did not transform Greece into a dependent economy but rather positioned it as a mid-range developed imperialist economy, relegated comparative to its more developed partners. Accounting and auditing reforms in the country were introduced and dictated initially by the US and later the UK governments, while harmonisation with the EU directives in the 1990s marked an institutional shift toward neo-liberal restructuring policies, securing capitalist production relations. The Greek state played an important role in subsidising capitalist accumulation in Greece, while the Greek private sector depends on government support and public expenditure. The influence of the state on accounting, and particularly, financial reporting regulation and practice dominates today.

After the 1999 stock market high and attendant bubble effect led to a devastating decline in the capital market, the state decided to go ahead with the early adoption of IFRSs in an attempt to restore investors’ loss of confidence as part of other corporate governance reforms in Greece. The early adoption of new standards never materialised due to a lack of preparedness or appropriate supporting infrastructure. The IFRSs were officially adopted from the financial year commencing on January 2005. The perceived benefits and disadvantages of the adoption of IFRSs by key actors in Greece are determined by the Greek economy’s role within the EU, international capitalist development, and the power relationships between external pressures and domestic priorities. As with other formal structures, the introduction of IFRSs can be argued to have undergone uneven development, due to the unique socio-political environment and pre-existing rationales and patterns of organisation (Diamandouros, 1994). Changes and reforms in accounting arose following crises that prompted capital market restructurings and privatisations based on normative justifications; such as notions of comparability and transparency for market developments.

These qualitative characteristics that underlie the conceptual framework behind the IFRSs, along with some of the factors that have impact on the implementation of the IFRSs by local actors and relevant IFRSs literature will be the focus of the next chapter.
Chapter 4: International Accounting Harmonisation: Literature Review

4.1 Introduction

The need to integrate markets, to allow the free mobility of capital, labour and enterprise between different countries, requires convergence of market infrastructures, including accounting. Although the internationalisation of financial information is not a new phenomenon, attempts to ‘harmonise’ international financial accounting standards, at a global or regional level, have been intensified over the last four decades by various accounting regulation and policy-making institutions, such as the IASB, the OECD and the EU; each representing different interests and configurations when pursuing their own concerns and rationales. These developments have influenced accounting and given a new impetus to the proliferation of International Accounting Harmonisation (IAH) research.

The transition to IFRSs by listed companies in Greece has provided an opportunity to investigate the process of accounting harmonisation and its effects on the reporting of financial information in different environments. The research literature, related to the harmonisation of international accounting is reviewed here, in order to identify characteristics that facilitate or hinder the harmonisation process. IFRSs adoption is in itself insufficient to ensure full compliance with standards, or the accomplishment of higher quality financial information. The way IFRSs are implemented, and their effects on financial reports are related to firm-specific, market and country factors, as well as, the nature and rationales that permeate standards. Thereafter, the literature focuses on studies based on other national contexts in order to apply and contextualise research to the Greek setting, together with current studies investigating, in particular, IFRSs adoption in Greece. Accounting harmonisation literature consists of a mixture of research strands that utilise different methodologies and theoretical frameworks to measure and explain differences between national accounting regulations and the IFRSs.

4.2 On harmonisation

According to Van Hulle (1997) harmonisation is not a synonym for uniformity, as accounting rules can take the form of minimum rules that allow options for states and/or for companies. Defining the concept of harmonisation is not an easy task, while neither the EU nor the IASB
have explicitly defined the term. In extant accounting literature, terms like harmonisation, comparability, uniformity, convergence, compliance, and standardisation have been defined in different ways and are occasionally used interchangeably.

Van der Tas (1988) and Tay and Parker (1990, 1992) make a distinction between standard level harmonisation as a process, which ultimately leads to harmonised accounting standards allowed by standard setters (de jure or formal harmonisation), and the accounting information level (de facto or material harmonisation), which is the harmonisation of actual accounting practices resulting from the application of the standards set by companies. Formal harmonisation refers to the legal or quasi-legal specification of the standards, while material harmonisation refers to the level of agreement exhibited in the actual financial reporting practice of companies (Fontes et al., 2005). De Jure harmonised accounting practices and the adoption of the same accounting standards, however, transactions can be reported and presented in different ways. De Franco et al. (2011) argue that harmonisation in accounting practice increases the comparability of accounting outcomes; since, on a theoretical basis, fully harmonised accounting practices result in similar economic events being accounted for similarly across firms and diverse economic events being accounted for differently.

For the purposes of the current study and for reasons of simplification, the term harmonisation is used to refer to the IASB’s project and the mandatory but also voluntary adoption of IFRSs to achieve higher quality and comparable financial reports, even though processes, degree of compliance and impact on the financial reporting practice may vary between countries.

Harmonisation of accounting standards does not necessarily assure that similar transactions are treated in the same manner by companies globally. Accounting research has focused on different aspects of the IAH process, as promoted mainly by the EU and the IASB. Baker and Barbu (2007) provided an extensive review of articles published in major English language accounting journals during the period from 1965 up to 2004, in order to trace thematic and methodological trends in international accounting harmonisation research. Comparative accounting studies have focused on investigating countries’ contextual factors to explain

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37 ‘Convergence’ is a term that gained prominence in the late 1990s replacing the term ‘harmonisation’, which was used during the first decades after the establishment of the IASC in the 1970s (Zeff, 2007). Convergence is used by the IASB and the FASB, as well as, other national standard setters to refer to the convergence of IFRSs and US GAAP project that was established with the Norwalk Agreement in 2002.
differences in accounting practices, the extent of harmonisation and study the effects of the accounting directives issued by the EU and the effects from the implementation of IFRSs.

4.3 Local environmental and institutional factors that affect accounting harmonisation

Global capitalist transformation has been uneven and its impact has been shaped by pre-existing social and political relations. National ruling classes and their states have never been passive adherents to global capitalism’s imperative. As that imperative spread in the late 19th century, capitalism both dismantled and re-erected the barriers built by states around their national economies. National forms of capitalism, and the institutional conditions on which economies depend, are represented by the localised international accounting standards, which are characteristic of the non-existence of a globalised economy. The evolution of financial reporting has been dictated by the rhythm of social needs and the internal economic developments in countries. Thus, accounting regulations and systems also differ between countries, and reflect the institutional characteristics of their political and economic systems.

Research in comparative accounting, within Europe, provides evidence of the diverse aspects of harmonisation, detecting significant areas of accounting differences in different national contexts (see for example, Van der Tas, 1988, 1992; Peller & Schwitter, 1991; Walton, 1992; Emenyonu & Gray, 1992; Nobes, 1993; Diggle & Nobes, 1994; Herrmann & Thomas, 1995; Archer et al., 1995; Evans & Nobes, 1998; Canibano & Mora, 2000; Aisbitt, 2001; Doupnik & Richter, 2003; Haller & Walton, 2003; Nobes, 2004). Among the factors that are identified as having influenced financial accounting are the capital market, state policies, the role of the accounting profession, the legal and taxation system, the political system (Choi & Mueller, 1992) and the standards setting processes (Belkaoui, 1989). There are also cultural studies that link culture to national accounting system’s characteristics (Hofstede, 1980; Gray, 1988; Perera, 1989; Fechner & Kilgore, 1994).38

38 Here, subjectivity in the choice of elements used to define cultural areas cannot be avoided, as, for instance, Nobes (1998) suggests that it might be better to see national culture as affecting or including the above factors (e.g. the legal system or the financing system) that then affect accounting. Traditional accounting systems may no longer demonstrate the current differences among EU countries, as they did in the past, as the harmonisation endeavours of accounting standards in the EU over the past four decades has resulted in accounting models coming closer, yet Europe continues to lack a uniform accounting model (Callao et al., 2009). The classification methods are heuristic due to their methodological pluralism, and can change along with the changing features of countries’ economic environment, however, they indicate the complexity of accounting systems and that accounting is rather a local discipline, although it tends to be orientated on international developments.
Contingency studies have focused on providing evidence regarding the systematic differences affecting accounting frameworks, sometimes building clusters and various classifications for accounting systems, based on their findings (e.g. Seidler, 1967; Nair & Frank, 1980). A typical distinction made based on the different European national accounting frameworks is that between the Anglo-Saxon and the Continental Europe group (Nobes & Parker, 2008). There are various classification attempts based on diverse criteria (see D’Arcy, 2001) that have created controversy, especially when the UK is compared and categorised with the US, suggesting an EU group including the UK and another US-influenced group (Alexander & Archer, 2000; Lewis & Salter, 2006). It is true that commonalities or distinctions in financial reporting approaches attributed to countries and groups can be blended or shared by various countries in different clusters. Although these classifications are sometimes based on factual foundations they are not always theoretically or empirically supported (D’Arcy, 2001). Boczko (2000) suggests a political economy of classification, offering an interesting critique of the functionalist assertions of mainstream accounting classifications based on the objectification and isolation of culture and society as this perspective ignores the fact that the priorities of capital produce society and culture. Rigid categorisations of accounting systems capture the superficial characteristics of national economies and societies focusing on the institutions of accounting and the markets rather than their underlying dynamics.

However, a review of the main differences in accounting traditions identified in mainstream accounting literature will provide a basic context in which to make sense of and develop the analysis and discussion of the findings in the current study as these categorisations were widely used by interviewees. These classifications are not adopted dogmatically in the sense of trying to position Greece in order to explain all aspects of Greek financial reporting; neither is there a commitment to simplistic notions of national difference and embeddedness when accounting in national cultures. Rather, they are employed in order to highlight some of the common fundamental idiosyncrasies that European capitalist economies and their institutions have developed, and which still influence accounting regulation and practice that impedes or interferes with the promotion of worldwide accounting harmonisation.

Power (2009), however, makes an interesting point by maintaining that accounting has never been a national affair, as the main elements of financial accounting have already been disseminated as part of a world system of accounting developed over centuries. This explains the substantial degree of similarity between different national accounting systems, long before accounting norms started being codified by standard-setting bodies in the mid-
twentieth century. Power argues that instead of approaching the rise of the internationalisation of accounting standards by taking the national as the primary unit of analysis, as well as, the opposing forces of international accounting and nationally embedded institutional and cultural constraints, research should take the world system as the primary unit of analysis. This means that the focus would be at the global level rather than the nation-state level. Reflecting on the dialectical relationship between the national and the international, this study contends that the line of accounting tradition is conceptualised, alongside capitalist development, as headed towards internationalism; however, the point of departure is national and so that is where analysis should begin. The international perspective is affected by national differentiations and fragmentations that have an impact on the entire world system.

Some of the key factors that are considered to lead to accounting diversity in European countries, based on Joos & Lang (1994), but in line with Nobes & Alexander (1994) and Radebough & Gray (1993), are the relative importance of the law, the provision of capital, and the link between tax and financial reporting. Although these environmental variations have been discussed and analysed prior to the adoption of IFRSs, they are still in focus on the debates regarding the harmonisation of financial reporting (e.g. see Kvaal and Nobes, 2012). In the following discussion, a rather basic categorisation of different approaches in accounting is provided, while the approach to accounting regulation and practice in Greece will also be located within this context. The factors of diversification will also emerge in the interviews as issues of concern or conflict in the transition to the IFRSs process, and will be used as points of reference by the interviewees’ to develop their arguments.

4.3.1 Relative importance of the law and the True and Fair View

The extent to which legal requirements influence accounting reporting depends on the relative importance and nature of the law in different countries. Historically, the UK and Germany are considered as at the two extremes, with France lying closer to Germany. In Anglo-Saxon countries, such as the UK, the law provides general principles that can be applied to numerous cases (Nobes, 1998) and the development of accounting standards is not dependent upon law. It is rather entrusted to the private sector and oriented towards protecting investors, while financial statements are required to present a ‘true and fair view’. In Continental countries, such as Germany and France, with a Roman legal tradition, regulation is highly codified and prescriptive, whilst financial reporting can be reduced to
compliance with detailed regulations set by the government (Joos & Lang, 1994). In code-law countries governments establish and enforce accounting standards in response to representation from political groups, such as trade unions, business association and banks; thus, the influences on accounting practices take place at national and firm-levels and are determined by the public sector. A stakeholder-oriented model requires looking at accounting income as a pie to be divided among groups, i.e. dividends to shareholders and taxes to the government. While pay-out preferences are influenced by these agents there is less demand for public disclosure. Conversely, in common law countries that are shareholder-oriented the desired properties of accounting income are determined in the equity market (Ball et al., 2000). La Porta et al. (1998) observe that, countries influenced by French civil law, among them Greece, provide more limited legal protection for creditors, shareholders and investors while the enforcement of the legislation remains inadequate. They also find that there is a strong link between the poor legal protection of investors and increased concentration of ownership. Greece as a code-law country is characterised by strong statutory control and influence in accounting regulations, conservatism, uniformity and uncertainty avoidance (Othman & Zeghal, 2006). Thus, accounting practitioners in Greece prefer to rely on prescriptive rules in order to reduce uncertainty and ambiguity. The Greek accounting framework, which is based on the Greek General Accounting Plan (GGAP), can be characterised as stakeholder-oriented, while emphasis is placed on financial reporting conformity with tax regulations. The Greek accounting system is also classified as following a prudent or conservative approach to asset valuation and liability recognition (Spathis & Georgakopoulou, 2007).

4.3.2 Providers of Capital

In capital markets, the demand for financial accounting is fundamentally linked to satisfying the information needs of those who provide capital. In countries like the UK, where there is an active stock exchange, and capital is provided by numerous small shareholders, there is an emphasis on disclosure and the public reporting of internal information and on the reporting of profits and income statements (Nobes & Parker, 2008). In Continental European countries, companies, even publicly listed ones, rely more on debt financing by a limited number of bank institutions with concentrated equity ownership, while the financial accounting system is associated with providing evidence of whether sufficient resources are maintained to repay debt. As a result, companies tend to focus more on conservative accounting and historical costs on the balance sheet (Gray, 1988).
The Greek banking system evolved in parallel with the development of the modern Greek state. The most remarkable economic characteristic of post-war Greece is the close collaboration of the banking system with the state and the concentration of finance capital. This could be partially explained by the stock market weakness and the lack of alternative sources of financing available to Greek companies (Spathis & Georgakopoulou, 2007). The reason behind the pivotal role of banks in financing the country’s economic expansion lies (as is the case with several other European countries) in the comprehensive framework of financial interventionism under Bretton Woods that took place after WWII and continued until the 1980s. Through this framework the banking sector was required to provide low-cost credit to support the development of the industrial sector (Karatzas, 2003).

The banking sector is the main source of funding providing capital, through loans, to the Greek business market; the stock market is second (Tzovas, 2006; Ballas et al., 2010). In the majority of Greek companies the ownership structure is based on high levels of ownership concentration and is often managed by those owners who occupy high positions within the organisational hierarchy (Makridakis et al., 1997; Sykianakis, 2004). There is no separation between managers and owners and companies can communicate information on their performance without having to rely on financial statements, which means that the stewardship function financial statements’ information is of limited use (Tzovas, 2006). As a consequence of the performance of companies being poor and markets being less developed compared to advanced Western European countries, raising funds from debt-oriented capital markets enhances the dominant role of bank credit in businesses (Baralexis, 2004).

Banks have developed close relationships with companies, in some cases they own part of the company’s share capital and since some companies were previously state owned, political intervention to obtain loans was a feature of bank lending (Ballas et al., 1998). Personal relationships between companies and banks resulted in companies not bearing the sometimes, serious consequences in cases of debt covenant violations (Tzovas, 2006). The credit criteria that guide the loan policies of banks are not merely economic, but are based on publicly reported financial statements, as banks require the provision of extra and more detailed information. Moreover, credit decisions are not always rational and objective in financial terms, for example they can be influenced by the relationship of trust (Papas, 1993). As the large state-controlled and privately owned banks in Greece do not always depend on objective and rational financial criteria in order to make economic and credit decisions
(Makridakis et al., 1997), the role and importance of financial information may gradually diminish.

The Athens Stock Exchange (ASE), which provides another source when raising finance, started to advance in the middle of the 1990s. The growth of ASE and its culmination in 1999 contributed decisively to the creation of the profession of financial analysts in Greece (Baralexis, 2004). The small size of Greek companies and their management and ownership structure, however, did not contribute to the more extensive growth of the ASE and there are still few companies listed on the stock exchange. Furthermore, most Greek companies are controlled by just a few major shareholders. In terms of financial reporting regulations, companies that are listed on the ASE are required to publish their quarterly financial statements and the format of the financial data in the reports of firms issuing new shares. As Ballas et al. (2008) note companies listed on the ASE appear to pay relatively high dividends, thereby decreasing the pressure for quality financial statements.

4.3.3 Influence of Taxation

The conflict between taxation and financial reporting, especially attempts to harmonise financial reporting standards internationally, is indicative of the fact that nation states have not lost power completely, and they are still able to exercise control over their own economic boundaries. Any attempts to eliminate obstacles with regard to cross-border business activities by enforcing, for example, a Common Consolidated Corporate Tax Base (CCCTB) for the activities of multinational companies operating in the EU have not been agreed by EU members. The conflict between the State and the Market and, eventually, between the national and international is illustrated in the conflict between the different purposes of accounting; its role is the provision of information that is relevant to control, stewardship and decision-making for interested parties. The primary goal of financial accounting according to IFRSs, as discussed later, is to provide useful information to capital providers and investors. The primary goal of the tax system, in contrast, is to serve the need for income taxation in order to finance public expenditure. Taxation policies are also regarded by governments as powerful instruments of political, economic and social authority (Alley & James, 2005).

In some countries the fiscal needs and the provision of comprehensive information to assist the government in organising the economy resulted in the influence of tax laws on financial statements that were traditionally strong. On the other hand, in countries with weaker links between financial reporting and taxation, companies are not required to prepare separate
accounts for tax purposes as financial statement income provides a basis for the calculation of taxable income (Othman & Zeghal, 2006). The link between taxation and financial accounting can provide incentives to report lower income in order to reduce taxes and lead to the use of more conservative measures and larger valuation multiples (Joos & Lang, 1994). The domination of tax regulations in Greece tends to create confusion, as there was a conflict between the Code of Books and Records (CBR) and the GGAP. The CBR, which is approved by Parliament, prevails over parts of the GGAP and amendments to Law 2190/20 established by presidential decrees; however, legislation passed through Parliament, should take precedence over presidential decrees. Companies, have, however, reported using tax laws as a guide, since failure to comply with them have resulted in hefty fines, contrary to their non-compliance with the Accounting Plan which had practically no effect (Ballas, 1994).

Despite the revised CBR being brought into line with the rules of the GGAP, which was addressable in an international audience and abides to the EC directives making its classifications of accounts compulsory for all companies (for both book-keeping for tax purposes and financial reporting), differences still persist. The state treats taxation and related book-keeping as an exclusively domestic concern (Ballas et al., 1998). In Greece, as in other countries, where the taxation charges are higher and more burdensome for companies of a smaller size, there are strong incentives to reduce taxes. In cases in which financial reporting and tax accounting have to conform, tax considerations may dominate (Spathis et al., 2003). Financial accounting information, hence, may not reflect underlying economic events when companies are attempting to reduce payments on taxes. Tzovas (2006) conducted a survey exploring the aspects that affect the accounting-policy decisions of industrial companies operating in Greece and found an indication that companies’ financial reporting policies may become a part of their tax-planning strategy aimed at reducing companies’ tax liability. Moreover, as financial accounts form the basis of tax accounts, the influence of tax regulations and the attempt of each government to insure tax revenues, mean that a number of valuation methods imposed by the Greek taxation law and other tax regulations override or are directly adopted in the Accounting Plan. The accounting standards applied in Greece are, therefore, a mixture of guidelines imposed by the GGAP, Company Law 2190/1920 and the Greek Tax Law (Karampinis & Hevas, 2011).

These environmental, cultural and standard-setting disparities became the focus of IFRSs-related research as scholars conducted studies on the transition and implementation of IFRSs and the impact, progress and difficulties it entails for companies in different contexts (e.g.,
Jermakowicz, 2004; Street & Larson, 2004; Vellam, 2004) and for local and international regulators (e.g., Haller & Eierle, 2004; Weißenberger et al., 2004; Shipper, 2005). Studies investigated financial reporting under IFRSs, addressing the convergence of the IFRSs and national accounting standards (Emenyonyu & Gray, 1996; Dumontier & Raffournier, 1998; El-Gazzar et al., 1999; Street & Bryant, 2000; Glaum & Street, 2003; Tarca, 2004; Cuijpers & Buijink, 2005). Factors and traditions, such as, the business, financial, accounting, auditing and regulatory culture are seen as impeding or interfering with the promotion of genuine worldwide comparability (Zeff, 2007). Inconsistency in the implementation of IFRSs, due to the different local environments may deteriorate the comparability of financial statements, compromising their reliability and credibility (Nobes, 2008). Indeed, Kvaal and Nobes (2012) support the view that, although the preservation of pre-IFRSs practices was expected to be a phenomenon of transition to IFRSs designed to minimise cost and disruption for preparers and users, the phenomenon persisted due to minimal policy changes after transition, and therefore national patterns of accounting continue, even after several years of IFRSs usage. Context specific factors also include the extent to which reporting practices are determined by companies’ and preparers’ reporting incentives (e.g. Burgstahler & Eames, 2006), as well as the degree of the quality of the country-level enforcement mechanisms (e.g. Brown & Tarca, 2007; Preiato et al., 2013).

It seems that the harmonisation of accounting regulations, accounting practice and de facto measurement is difficult to achieve, if not utopian, since it would require the convergence of other country-specific elements that differ significantly across countries. Within the context of the EU, this implies that the harmonisation of accounting has to be considered as part of the wider harmonisation of the structures of institutions, such as capital markets, fiscal systems or company law. The introduction of some standards and concepts in local accounting regulations are absent in some countries’ accounting framework (Callao & Jarne, 2010). According to a report by Ding et al. (2007), Greece is the country (among the 30 countries studied) with the highest number of accounting issues absent from local accounting standards but included in the IFRSs. In addition, the disclosure level imposed by GGAP is considered as insufficient, while Greece is the 10th most diverged country (out of 28) regarding differences in rules between GGAP and IFRSs. Although, there have been some changes and amendments to both regimes since the study began, significant differences still remain. Regarding the accountability problem, and due to the lack of a comparable structure for standards and of clear criteria for what the correct implementation of a standard is,
institutional remedies have been tried, such as, the establishment of ELTE. Although financial reporting enforcement is not solely dependent on the existence of enforcement mechanisms, this type of regulation significantly depends on regulatory capacity at the national level, wherever standards are sponsored by the IASB. Enforcement mechanisms may influence the anticipated quality of financial reporting (Hong Phu Dao, 2005; Ball, 2006; Daske et al., 2008).

4.4 Objectives of IFRSs

4.4.1 Principles-based vs. Rules-based financial reporting standards

IFRSs are described as principle-based instead of rules-based. Principle-based systems issue generic accounting standards based on fundamental understandings and concepts informing economic events that dominate other rules established in the standards. As a result, the IFRSs allow preparers to make accounting choices based on their professional judgement, as long as they do not contradict the principles established in the standards. This is in line with the true and fair principle and requirements for accountability that is fundamental to UK and US accounting and auditing.

The aims of developing the IFRSs are summarised in the IASB’s Foundation Constitution, which states its objective as:

“…to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world’s capital markets and other users of financial information make economic decisions” (IFRSF, 2012, para. 6 (a)).

These objectives are part of the IASB’s Conceptual Framework; a framework that assists the Board to review and develop existing standards, while also serving to describe the objectives and concepts that underlie the preparation and presentation of IFRSs-compliant financial statements. These objectives recognise the purpose and boundaries of financial reporting and guide representation, measurement and communication on accounting transactions and reports. Not all the accounting standard-setting bodies, globally, have developed a
Conceptual Framework. The earliest attempts to develop a conceptual framework in accounting literature were made in the US by Paton and Canning in the 1920s. Conceptual frameworks aimed at guiding the standard setting body and those affected by or interested in the standards (IASB 1989), rationalise accounting choices while providing a basis for setting principles-based standards that are more consistent and neutral, reducing lobbying and political interference (Solomon, 1991). However, the main reason for developing a conceptual framework for financial reporting has been a strategic move within the professional accounting standard setting bodies to establish their position and avoid extensive state intervention (Hines, 1989). Accounting research and debates over the role and the aims of the conceptual framework are on-going, in particular, since July 2013 when the IASB published a Discussion Paper entitled A Review of the Conceptual Framework for Financial Reporting, as part of renewed efforts on its Conceptual Framework project. The IASB is also aiming to issue a revised Framework late in 2015.

Standard setters, such as the G4+1 (the IASB included) have modelled their conceptual framework on that of the FASB (Lennard & Thompson, 1995; Monson, 2001), while the promulgation of a comprehensive framework intended to provide theoretical support for the process of standard-setting (Archer, 1993) is suggested as a need among private accounting standard-setting organisations in order to convey legitimacy to their policy-making activities (Dopuch & Sunder, 1980; Flower, 1997). Albeit some variations in detail, and the content of the current IASB’s Framework resemble that of the FASB’s framework, with the FASB being particularly influential in terms of ‘the bulk and style of exposition and argument’ (Whittington, 2008, p.143). In some countries, like Greece, accounting regulation was a state activity, while standards were rules-based, descriptive and lacked a conceptual framework. The Conceptual Framework, thus, is of great importance as the theoretical foundation of the IFRSs must be followed by all the countries that adopt it.

4.4.2 Users and decision-usefulness of financial reporting information

The IFRSs Constitution refers directly to public interest without providing an exact definition of what that comprises. On the other hand, the conceptual framework in its 2010 version

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39 The American FASB set up by the AICPA in 1973 proposed, and was the first to develop, a conceptual framework by publishing six concepts statements between 1978 and 1985 and later in 2000. The latter was a reaction to the crisis that emerged after some of the Big Audit firms raised concerns about the APB’s inability to resist pressures from special interests, especially preparers (see Zeff, 1984, p. 463-464).

explicitly states that the prevailing criterion for the IASB in promulgating its project of harmonisation was based on the premise that financial accounts should be directed towards a single purpose; the provision of useful information to decision-makers, particularly to investors in capital markets (IFRSF, 2012). The scope of target users was narrowed down by the Board in comparison to the Framework in 1989 (par. 9), which had purported that the primary users to be investors, lenders, suppliers and other creditors, customers, governments and their institutions, employees and the public. Within the conceptual framework, rational users were required to have forward-looking information to improve their ability to make decisions in the present based on their predictions of the future, and to monitor management performance and determine how effectively and efficiently management had utilised the entity’s resources. The decision-usefulness approach in relation to resource allocation decisions is usually contrasted with the stewardship role of financial statements, which despite maintaining the principle is not used explicitly.

Although the constitution indicates the existence of other users, it declares that it has a strong investor perspective favouring a very small group of users over public interest considerations, such as of financial reporting. The key assumptions about the role of financial reporting standards are that they should primarily serve the information needs of investors and other market participants when making economic decisions. These decisions are critical in the effective functioning of capital markets, while what is taken for granted is that the effective functioning of capital markets will contribute towards efficient capital and resource allocation, international financial stability and economic growth. The objectives do not strictly relate to accounting objectives, but have overarching capital market and macroeconomic aims. Whether these developments will contribute to the equal allocation of economic resources among countries and the public, which will benefit from acclaimed financial stability or growth is another question requiring more profound elaboration. What is more, at this particular juncture in the history of financial reporting, market participants using financial reports seem to have made, and then rather easily concealed, some remarkably poorly-informed decisions; meanwhile, debates and power struggles about the framework for financial reporting continued unabated. The conceptual framework seems to also be biased

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41 The current IASB Framework states that financial statements apart from providing financial information that is decision-useful reflect also the effects of the management’s stewardship and accountability for resources (paragraph 14).
towards promoting the interests of neo-liberal financiers, and offers appealing rhetoric for neo-liberal systems-shifts and free markets, hiding the adverse impacts of such changes in societies (Zhang et al., 2012).

The notion that accounting systems should produce useful information for rational decision-makers is well-established, although there is a failure to recognise and identify different user groups and potential conflicts between the information needs of different users. Young (2006, p. 596) stresses that a ‘rational decision’ is assumed to be context-free and similar ‘across time period, economic situations and decision makers’. While formerly, accounting practices were based on conventions such as conservatism and historical costs; today they are defined in terms of the ability of rational economic decision-makers to predict the impact of economic events on companies’ future cash flows, future profitability and future financial position. Users are conceptualised, in accordance with the assumptions of neoclassical economics, for instance, that they will indisputably opt for greater cash flow and wealth served as a basis for accounting standards, rather than decision usefulness being materialised as the outcome of reliable measurements. Users serve as rhetorical devices among standards setters, and they rarely interfere in the standard-setting processes. They are dismissed in cases where they are not embedded in prevailing normative discourse according to which economic transactions and company results should be evaluated in terms of their contribution to the efficiency, growth and profit maximisation of companies.

These assertions, thus, are rarely connected to evidence, and there is a lack of evidence of their decision making processes; as information needs are assumed and constructed (McCartney, 2004). The limited knowledge of financial statement users, and the focus on investors and creditors, results in a narrow conception of the objectives of accounting reports. That is, the quest for the identification of financial statement users and the development of appropriate standards should have as a starting point the questions of who is most affected by companies’ reported financials. The limited body of accounting literature provides empirical evidence of the characteristics of users, leading to the study of different user groups who use financial statements to ascertain what information is considered to be useful, and to assess whether IFRSs are more beneficial than the national GAAP, when making investment

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42 This is also true in the case of the Greek accounting standards prior to IFRS adoption. The aim of accounting, however, shifted (at least de jure) towards providing useful information for the business community, when the Fourth and Seventh European accounting Directives came into effect in 1992.
decisions (Abu-Nassar & Rutherford, 1996; Bartlett & Chandler, 1997; Barker, 1998; Mirshekary & Saudagaran, 2005; Berry & Robertson, 2006; Cole et al., 2009). Ballas et al., (2010) examined the relevance of IFRSs to emerging markets, with special reference to the case of Greece. Relying primarily on secondary sources, and a postal survey addressed to the finance managers of the top 100 Greek firms, they identified as the main users of financial statements shareholders, banks and creditors.

4.5 Fundamental qualitative characteristics of financial statements under the IFRSs

4.5.1 Proclaimed objectives of IFRSs

According to the Board’s constitution (IASB, 2010), for companies’ financial reports to be decision-useful a single set of high quality standards at a global level have the potential to eliminate the barriers to cross-border investing and to improve the reliability, comparability and transparency of financial reports. Further enhancing characteristics are timeliness, verifiability and comprehensibility. These stated objectives result in an assumed causal chain, according to which higher quality information is expected to generate positive economic consequences in capital markets, as it will contribute to the efficient allocation of funds and allow firms to achieve lower capital costs. This in turn, will ultimately improve competitiveness and promote economic growth and employment. These are, in summary, the benefits typically anticipated when adopting the IFRSs, and are in line with EU arguments (Regulation 1606/2002, Article 9b) and those used in other jurisdictions to support the development of national capital markets and the integration of capital markets (Brown, 2011).

In the Conceptual Framework of 2010 the term ‘faithful representation’ was replaced by the term ‘reliability’ as a qualitative characteristic of financial information. This shift represented a move away from previously accepted ideas of substance over form, prudence (conservatism) and verifiability, which had all been aspects of reliability in the 1989 framework (Zhang & Andrew, 2012). In order for financial information to be useful it should be both relevant and faithfully represented.

According to the IFRSs Framework:

‘Relevant financial information is capable of making a difference in the decisions made by users. Financial information is capable of making a difference in decisions if it has predictive
value, confirmatory value, or both. The predictive value and confirmatory value of financial information are interrelated.’ [F QC6-QC10]

Faithful representation is achieved when:

‘To be useful, financial information must not only be relevant, it must also represent faithfully the phenomena it purports to represent. This fundamental characteristic seeks to maximise the underlying characteristics of completeness, neutrality and freedom from error.’ [F QC12]

According to the IASB financial information that is relevant and faithfully represented can improve the confidence of capital providers and also contribute to the achievement of financial stability (Conceptual Framework, 2010).

Concepts like faithful representation but also, comparability and transparency, which portray assumed benefits, will be used repeatedly and replicated by key local actors and users of IFRSs financial statements in Greece. As will be discussed below, these ideas are not neutral nor were they randomly selected; they have a long history in modern accounting theory and practice, although there is debate over the degree to which these proclaimed objectives have been achieved.

4.5.2 The concepts of comparability and transparency

Comparability is the key principle when shifting towards the single set of financial reporting standards issued by the IASB; indeed, one of the very reasons for the existence of IFRSs as preparers is their ability to effectively communicate financial information to investors at the international level. The academic and professional communities periodically reference a uniform metric system in primitive societies to argue for the universal adoption of a single set of financial reporting standards (Sunder, 2010). In a similar way common weights and measures have helped to improve communication and transactions between different countries, IFRSs are alleged to narrow gaps in to enhance cross-national comparisons of companies’ financial performance. The questions that arise, then, are whether it is feasible to standardise financial reporting, and whether ‘accounting techniques cannot be reduced to questions of efficiency since they set out to quantify and compare things which, by their very nature, are neither quantifiable nor directly comparable’ (Perry & Nölke, 2006, p. 559).

Comparable financial reporting is one of the key attributes of IFRSs, invoked by companies to justify their adoption and implementation. As shown above, previous studies have focused
on the economic implications of the IFRSs adoption that result in enhancing, or otherwise, comparability. A wide range of papers have attempted to measure or develop models to illustrate the comparability of IFRSs financial statements per se (Callao et al., 2007; Bowrin, 2007; Barth et al., 2012; De Franco et al., 2011; Cairns et al., 2011; Cascino & Gassen, 2012). These methodologies vary and cannot be easily categorised together, nevertheless, even when they measure different aspects, the outcome is that any comparability is questionable. Taken together, accounting research to date has presented only a vague picture of the favourable effects of mandatory adoption of the IFRSs.

Historically, the importance of comparable accounting information has been emphasised in American accounting discourse. The president of the 7th Congress of Accountants in 1959, Jacob Kraayenhof, speaking of the implications of the founding of the European Common Market, argued for steps to be taken towards international ‘uniformity’ of accounting principles (Camfferman & Zeff, 2007). He drew attention to the increasing flow of capital, from America to Europe, bringing into focus the disparities between the accounting methods used by American parent companies and their overseas subsidiaries. Comparability of financial statements is only achieved by assuring that ‘like things look alike, and unlike things look different’ (Trueblood, 1966, p. 189 cited in Zeff, 2007, p. 290); however, although also held by the IASB, this view leaves scope for varying interpretations of ‘things’, ‘like’ and ‘unlike’.

An interesting issue then, involves providing a definition for comparability. Comparability is a situation of possible and diversity, accompanied by financial disclosure that allows the user to comprehend the nature of the diversity and to then make appropriate adjustments (Barlev & Haddad 2007). Another approach to the concept of comparability is that it can be promoted by the adoption and application of the same accounting methods, leading to standardisation or uniformity of method. According to the IASB, comparability is:

‘…the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena…’ [IASB, 2010]

However, both IASB and IFRSs frameworks, specify that comparability should not be over-emphasised at the expense of enhanced faithfulness of representation or relevance.

With the globalisation of commerce and increase in the flows of cross-border financing and investing financial information comparability has become ever more prominent. The founders
of the EC assumed that comparable firms’ financial statements would be a keystone of a future integrated European market. In the middle of the 1960s the EC introduced an initiative aiming to harmonise national regulation to improve the comparability of financial statements (Elmendorff Report) (Boztem & Quack, 2005). In Greece, the argument of international comparability was consistently promoted in documents and official announcements to justify the decision to adopt IFRSs as the basis of reporting among publicly listed companies. Former Finance MP, Christodoulakis welcomed the adoption of IFRSs, emphasising the significance of consistent standards for Greek companies as a fundamental requirement for a single European capital market. The IFRSs were presented as ‘the most appropriate and the most acceptable standards to become the common denominator that will enable listed companies to raise funds from the international capital markets…’ (Euro2Day, 2002).

Similarly, transparency is used in different ways and contexts to refer to ‘the extent to which financial reports reveal an entity’s underlying economics in a way that is readily understandable by those using the financial reports’ (Barth & Schipper, 2008, p. 176). Others define transparency as a measure to transform the outcomes of a firm’s investing and financing activities, when the degree of uncertainty regarding a companies’ accounting information system is low (Choi & Seo, 2008). Again transparency as a qualitative characteristic is difficult to measure objectively and directly. The concept continues to be applied as a potential reality or goal, while greater financial reporting transparency is argued to be associated with lower cost of capital and thus to offer assumed benefits for companies and users, mainly capital providers (Barth & Schipper, 2008).

Proponents of the IASB and the state agencies that played a leading role in debates over the neo-liberal restructures of institutions in Greece were based on comparability and transparency arguments. It appears that, the call for comparability and transparency was relatively non-controversial and that reforms were portrayed as technical and in the economic interests of all social actors and individual countries. The diffusion of the IFRSs relates to the systematic development of a rhetorical network supporting international comparability (Durocher & Gendron, 2011) and high quality financial statements for users. These notions are exemplified in the discourses of professional groups, preparers and users of financial information, to defend or to dismiss the adoption and the implications of IFRSs adoption in Greece; while they are assumed to also be in the interests of all users. The use of public interest is vague, implying that qualitative characteristics are beneficial for all social groups, when in practice one may reasonably be sceptical about the degree to which users truly exert
meaningful influence over the processes of the IASB. Rather, it appears that the needs and priorities of state institutions and powerful private interest groups define public interest.

4.6 Current issues in IFRSs-related accounting research

4.6.1 Measuring Qualitative Characteristics

A large body of the empirical research in accounting focuses on examining the economic impact of the relationship between financial statement information and capital markets (see e.g., Kothari, 2001). Although evidence from these studies is ambiguous, they are motivated by the assumptions that the harmonisation of accounting is inevitable and that the adoption of IFRSs will provide important economic benefits. Mainstream accounting research devoted to understanding the causes and effects of adopting IFRSs under the information role of financial reporting has focused almost exclusively on its effects on capital markets and on tests of market efficiency, fundamental analysis, the value relevance of financial reporting, compliance, accounting choice and analysis of the properties of accounting numbers. IFRSs’ adoption has the potential to impact on the contractual usefulness of accounting information and thus, contribute to transfer of material wealth. Despite having focused on the contracting role or stewardship function of financial statements and having examined the role of accounting numbers in contracts studies are rather limited (e.g. Chen & Tang, 2009; Christensen et al., 2009). Some of the analyses of the impact of IFRSs focus on employee benefit schemes (Rixon & Faseruk, 2009; for accounting for pensions, see for example, Kiosse & Peasnell, 2009).

Collating this rich empirical work has proved particularly challenging as it refers to various geographical and regional settings that include voluntary adoption (see Soderstrom & Sun 2007), mandatory adoption (e.g. listed companies in the EU) or both when possible (see Pope & McLeay, 2011). The accounting effects and economic benefits of the adoption of IFRSs can be quantified and measured using different variables and methods; capturing different aspects of changes to financial reporting (Brüggemann et al., 2013). Appendix 3 contains a comprehensive, but by no means exhaustive, review of international accounting literature on the economic impact that IFRSs have on financial reports.

In addition to archival studies of capital market impacts, additional research papers, with greater relevance to the current study, have been based on surveys and the use of
questionnaires to examine the perceptions of corporate financial executives, financial analysts, auditors and other interested parties. These have covered aspects of the IFRSs project that include the readiness of companies to apply IFRSs, the perceived benefits and challenges of implementing IFRSs and the qualitative characteristics of IFRSs relative to national accounting standards. In this line of research, previous studies have identified a number of issues, e.g. lack of technical accounting and management expertise, insufficient guidance (Street & Larson, 2004; Guerreiro et al. 2008; Rezaee, et al., 2010; McEnroe & Sullivan, 2011), and inconsistent interpretation of IFRSs (Evans & Baskerville, 2011; Huerta et al., 2013) which, in addition to increasing costs for companies (Navarro-Garcia & Bastida, 2010; Bertoni & De Rosa, 2010; Jermakowicz & Tomaszewski, 2006; Callao et al., 2007), may understandably entail changes to entities’ internal environment. Several studies have been conducted to primarily investigate issues regarding the costs involved, and the potential difficulties associated with, the adoption and implementation of IFRSs (Haller & Eierle, 2004; Van Hulle, 2004; Delvaille et al., 2005; Bradshaw & Miller, 2008). In a survey of German executives of listed companies conducted by Jermakowicz et al. (2007) it was found that IFRSs are expected to improve the comparability of financial statements, while the complexity of the standards, implementation costs and greater earnings volatility measurements were among the challenges faced. Cole et al., (2009) explored the importance and definition of comparability as perceived by auditors, analysts and other users. The authors expressed their scepticism about their ability to achieve truly comparable financial statements, due to the principle-based nature of IFRSs, the lack of guidance and the different interpretations of applied standards and the judgements made by preparers. In their previous survey (Callao et al., 2007) they found that companies generally had a positive stance towards harmonisation, even though the comparability of financial statements was negatively affected. Reports by professional groups and researchers (Deloitte, 2008; Dunne et al., 2008; Carmona & Trombetta, 2008; CFERF, 2009) have stressed that the successful application of IFRSs is contingent upon a number of factors, such as the development of human resource infrastructures, development of sophisticated IT systems and the restructuring internal control processes.

4.6.2 Fair Value Accounting

The application of fair value is an accounting policy that has most significantly affected Greek companies’ net incomes (Karatzimas et al., 2011). There are substantial differences between IFRSs and GGAP in the areas of recognition and subsequent measurement. Greek
accounting standards are in general historic-cost oriented, while fair value is rejected in practice as insufficiently prudent. However, IFRSs encourages, and in some cases requires, the use of fair value to measure income, assets and liabilities in several aspects of financial statements. Due to the tax-orientation of accounting practice in Greece and the dominance of prudence/conservative convention depreciation, amortisation and depletion methods and rates are determined exclusively by tax rules (Presidential Decree 299/2003), while under the IFRSs useful lives are estimated by the reporting entity. However, identification of a ‘fair value’ does not require a single measurement method, but instead includes various approaches to the estimation of a value. For this reason, many of the conclusions drawn, either in favour of or against the use of fair values in financial reporting are not well-supported by evidence (Laux & Leuz, 2009).

Despite the different wording, the IASB’s definition of fair value in the fair value measurement project, is equivalent to the FASB’s pronouncements, and is defined in its current framework as: ‘…the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date’ (IFRS 13). This definition is identical to the one in the current FASB Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (Financial Accounting Standards Board, 2008, p. 6). A closer look of these definitions reveals a strong preference towards a market mechanism. Fair value, according to description, is a price that could be concluded between market participants, exclusive of other considerations, such as the replacement costs proposed by some earlier theorists (e.g. Edwards and Bell 1961). This connection between FVA and market fundamentals is articulated by Whittington’s (2008, p. 139) study, which argues that ‘…the Fair Value View assumes that markets are relatively perfect and complete and that, in such a setting, financial reports should meet the needs of passive investors and creditors by reporting fair values derived from current market prices’.

In practice, the concept of fair value is poorly defined, especially in cases of estimation of fair value for financial instruments, where an active market does not exists for assets or liabilities and it is difficult to separate an asset or liability’s fair value from its value-in-use to the entity (Landsman, 2012). The main arguments for the expanded significance of the use of fair values are its perceived potential to minimise the ability to manipulate accounting numbers (CFA, 2007 cited in Power, 2010) and the limited scope for opportunistic behaviour (Watts and Zimmerman, 1986). Market-based values are a non-management based reference point that establishes reliability via the collective judgement of the market. This is consistent with
early standards on the quality criteria of audit evidence, which give priority to sources of
evidence that are independent of companies and auditors; an accounting treatment that
maximises the value of the firm and consequently, efficiency (Power, 2010). However, it has
proved particularly challenging to distinguish between opportunistic behaviour and value
maximising justifications in order to understanding accounting choices (Fields et al., 2001).

Rather than focusing on the question of reliability, subjectivity or objectivity, attention can be
more meaningfully focused on the way certain valuation methods are promoted and accepted
as generating facts (Napier & Power, 1992). FVA remains a significant technology of neo-
liberalism, which embeds the ideological premises of neo-liberal policies within accounting
treatments. A commitment to fair values assumes the existence of free markets for the
functioning of FVA, obscuring ‘unfairness’ or inequities that emerge from capitalist
economic structures (Zhang et al., 2012). FVA assumes the values that derive from arm’s-
length market transactions mirrors and provides an analysis of all the necessary information
required to arrive at precise valuations (McSweeney, 2009). The concept of FVA remains
based on ideas developed by Adam Smith; describing the ‘invisible hand’ of the market that
allows rational buyers and sellers to make decision in an environment where there is lack of
information asymmetry; the market makes an efficient use of economic resources while the
self-regulating mechanism of the market enables a natural transition towards an equilibrium,
assuming no ‘intervention’ in the operation of the market (Friedman, 2002). Moreover, the
re-emergence of FVA cannot be understood separately from the different stages of modern
capitalism in its neo-liberal form. The financialisation tendency of the global economy reflects
on the emerging requirement for the use or fair values aligned to the interests of financial
capital, preserving an image of neutrality and objectivity. Nevertheless, markets worldwide
have required systematic intervention from the state in order to support the existing legal and
policy architecture necessary for their operations. Markets also depend on the protection of
the state and the risk to investment projects. Exposing a disconnection between the illusion of
a free market and practice is vital in order to make sense of the ways in which such illusions
are accepted and institutionalised. FVA is also appeals to the public, as there is an assumption
that ‘fair’ and unbiased market values can be obtained, thereby legitimising neo-liberal
policies.

Extant research concerning a fair value basis for accounting offers no conclusive evidence for
the usefulness or otherwise of the FVA to users of financial reports. Empirical studies test the
efficacy of FVA, with the majority of studies coming from a ‘positivist’ school of thought.
These studies generally find that investors perceive fair value measurements as more value-relevant than historical cost valuations (see Barth et al., 2001; Landsman, 2007). Barth and Landsman (2010, p. 404) argue that ‘taken together’, the fair value literature, including the studies that focus on banks, provides rather substantial evidence that recognized and disclosed fair values are relevant to investors and reliable enough to be reflected in share prices’. Therefore, FVA can reflect economic reality by assuming a decision-usefulness approach to financial reporting (Lennard, 2007) and contributing to management efficiency (Barlev & Haddad, 2003). Deans (2007) has, however, raised concerns about research that fails to recognise different cases in which FVA can be either more useful or more helpful, as several of these studies are based on single firms and entities. Many of the studies deal with the disclosure of fair values rather than information that is based on recognition. She also raises the question of, whether based on Landsman’s (2007) conclusion fair value information is value relevant. It is hypothesised that use of fair values can provide a misleading representation of financial results due to the use of estimated values (Rayman, 2006).

4.6.3 Research related to the adoption and impact of IFRSs in Greece

Several scholars have been interested in the shift in the accounting regulations and practice following the adoption of IFRSs in Greece. The research conducted has focused on the applicability of new standards, the implementation process and the preparedness of Greek companies, as well as the economic impact of IFRSs. Consistent with the research conducted internationally it is unsurprising that the majority of empirical studies on IFRSs in Greece derive from the quantitative, value-relevance school of thought. Appendix 4 summarises these studies.

4.6.3.1 Perceptions of the adoption and implementation of IFRSs in Greece: Surveys

In Greece, surveys were conducted from the early years of IFRSs adoption onward. Some of the initial studies focused on the preparedness of Greek companies to comply with IFRSs. These surveys indicated that the majority of Greek companies listed on the ASE have not designed an adequate transition or implementation period (Grant Thornton, 2003; Floropoulos, 2006; Apostolou & Nanopoulos, 2009; Ballas et al., 2010). The main considerations relating to the transition to IFRSs process was the high cost, lack of adequate expertise and training, lack of compliance in IAS disclosure practices and the GGAP, and a
lack of an appropriate institutional, legislative and corporate governance framework. The degree of harmonisation was far from the desired level.

In relation to compliance to IFRSs, Caramanis and Papadakis (2008) highlighted the underlying factors and constraints that affect the compliance of firms with IFRSs and address issues related to the tax accounting system and the key accounting differences between the GGAP and IFRSs. The results of the survey indicated that the majority of respondents appeared to have a very positive view of the IFRSs in terms of comprehensibility, relevance, reliability and comparability, and that IFRSs application has improved the overall quality of financial reporting in Greece. Problems in the application of IFRSs relate to lack of timely and complete adjustments to the institutional and legal framework required for the proper application of IFRSs and too few trained business accountants and auditors.

The professional judgement inherent in the IFRSs leaves room for the manipulation of accounting numbers. The use of two accounting systems and the preparation of two separate sets of accounts, one for tax purposes, according to the Greek accounting regulation and one for financial reporting according to IFRSs, raises costs and adversely affects the comparability of financial statements; this problem arises in most EU countries (Street & Larson, 2004). The great majority of respondents have rejected Greek accounting standards in their existing form as they follow an applicable financial reporting framework. Some key benefits of IFRSs are improvements to the internal organisation of companies, the provision of financial information that supports strategic decision making and the improved status of the company. Users believe that high-quality financial reporting under the IFRSs facilitates access to international markets and facilitates them in acquiring external financing and to have easier access to international financial markets, fostering the international character of Greek firms.

These perceptions are in line with Ballas et al. (2010), who examined the relevance of IFRSs to Greek cultural and corporate governance contexts. Aside from the major differences between the IFRSs and the GGAP, the perceived benefits from IFRSs implementation were the increased reliability and comparability of financial statements. Lack of comprehensibility and comparability was reportedly due to ‘the widely acknowledged tendency for IFRSs to sanction multiple alternative treatments’ (Bowrin, 2007, p. 29 cited in Ballas et al., 2010). Shareholders’ trust does not appear to show a corresponding increase when there is access to IFRSs’ financial statements, although some note that adoption improves a company’s
relationship with its national and international customers and creditors. Many respondents raise concerns about the success of supervisory authorities, as they do not always provide adequate guidelines regarding the practical application of IFRSs, thereby, providing considerable scope to entities to influence accounting results through different accounting treatments.

More recent studies have also investigated the perceptions of preparers and users regarding the objective and the qualitative characteristics of financial reporting information and the costs and benefits resulting from the application of IFRSs in Greece. Sykianakis et al., (2011) concluded that the main types of costs are personnel training costs, consultants’ fees due to preparation of two sets of accounts and costs to adjust existing information systems. In line with the findings of Caramanis and Papadakis (2008), Ballas and Tzovas (2010) and Ballas et al. (2010), the benefits ensuing from the adoption of IFRSs can be summarised as increased decision-usefulness for investors, easier access to international financial markets and the provision of useful information to companies’ managers. Finally, Tasios and Bekiaris (2012) examined the perceptions of auditors on the quality of financial statements, based on the qualitative characteristics of financial reporting information defined by the IASB in its conceptual framework. Their results show that auditors perceive the qualitative characteristics of financial reporting information as important. Nonetheless, the quality of financial reports is perceived as moderate, due to earnings management, poor corporate governance, family ownership and deviation from accounting principles.

Thus, studies that focus on the differences between the GGAP and IFRSs, highlight the more prudent, rules-based and tax-oriented nature of the accounting theory and practice applied in Greece prior to IFRSs’ adoption. The transition period entailed significant costs for companies. Main areas of concern and divergence from the appropriate implementation of IFRSs concern the degree of compliance in terms of disclosures, lack of preparedness and training. Other environmental factors include corporate governance practices and conflicts between the tax-accounting mentality of preparers, comparative to a more decision-usefulness approach. Another factor that may inhibit compliance with IFRSs is managers’ incentives to manipulate earning, especially in the valuation of assets based on fair values. Perceptions regarding the impact of IFRSs can be considered as positive, while the profits of companies were found to have increased in the first years of adoption of the new standards. However, evidence on the economic impact of IFRSs, in terms of value relevance or the quality of
financial reporting information is mixed, failing to provide conclusive outcomes as to the standards’ positive economic impact.

4.7 Interdisciplinary research on IFRSs

The accelerating pace of accounting harmonisation in recent decades has inspired a number of interdisciplinary accounting researchers to focus on interpreting and comprehending the increase in international financial reporting standards (for example see, Loft et al., 2006; Perry & Nölke, 2006; Bhimani, 2008; Chua & Taylor, 2008; Botzem & Quack, 2009; Chiapello & Medjad, 2009; Humphrey et al., 2009; Arnold, 2012). Wider social and organisational reforms, the relationship between international regulations and their local application have been studied recently, especially in the area of auditing (Barrett et al., 2005; Cooper & Robson, 2006; Mennicken, 2008). Also, an increasing number of studies have drawn on neo-institutional theories to examine the adoption of IFRSs in national contexts and organisational and governmental responses to international standards (e.g. Irvine, 2008; Heidhues & Patel, 2011; Pilcher, 2011; Albu et al., 2013). Political theorists and sociologists have also gained an interest in studying the forces that drive accounting harmonisation, beyond mainstream accounting literature, in order to examine emerging forms of international global governance (see for example, Armijo, 2001; Eaton, 2005; Martinez-Diaz, 2005; Mattli & Büthe, 2005; Perry & Nölke, 2005, 2006; Porter, 2005; Nölke & Perry, 2007; Posner, 2010; Botzem, 2012). Accounting literature that problematises the several issues around accounting harmonisation, and places this phenomenon within its wider sociological and political context is limited (see for example, Hines, 1989; Arnold & Sikka, 2001; Cooper et al., 2003; Lehman, 2004; Poullaos, 2004; Gallhofer & Haslam, 2006; Arnold, 2012).

4.8 Summary, research problem, theoretical approach and research questions

4.8.1 Research Problem

The aim when conducting the current research project was to address calls for further evidence of users’ perceptions of IFRSs’ financial information (i.e. how do users perceive and respond to implementation of IFRSs?). Another target was the provision of an alternative theoretical understanding of accounting harmonisation processes and a discussion of what
drives users’ perceptions. From the above literature review it is obvious that without empirical data only normative assumptions can be made.

The majority of international, and specifically accounting research related to the IFRSs presupposes that financial reporting harmonisation as a necessity is a development that is taken-for-granted. Nevertheless, the examination of IFRSs adoption in this study is set against a political economic context. In the previous chapters, the development of international accounting standards, through the emergence of the IASB has been critically examined, as has the role of the US and the EU in influencing the directions and fate of the internationalisation of accounting regulations. What has been challenged is this argument is that ‘globalisation’, in the sense of a new era in which individuals, enterprises and nations-states are increasingly subject to the disciplines of a common and global marketplace, is the driving force behind the rush towards convergence of accounting standards. The argument raised was that the economy is increasingly segmented into major imperialist regional blocs in which national governments remain powerful and recognised ‘Anglo-Saxon’ bias dominates accounting internationalisation processes and attempts. In order to make sense of the changes and implications of companies’ financial reporting shift to the IFRSs in Greece, an historical account of the development of the Greek economy and accounting regulations and practices was provided, with particular reference to the influence of local political, economic and institutional features.

Some of the studies reviewed in this chapter have concentrated on the early years of adoption, and their findings may appear unfavourable due to transitional costs and lack of preparedness of companies. Although there is evidence that there are positive market outcomes and reactions, the literature review reveals that empirical research fails, in general, to support the view that IFRSs adoption leads to an improvement in comparability, transparency and, hence, in the quality of financial statements; even where transparency and comparability increase subsequent to IFRSs adoption, it cannot be assumed that this will trigger positive economic consequences or that the improvements are not due to other tendencies, biases or institutional factors (Brüggemann et al., 2013).

The objectives of the IFRSs’ conceptual framework have been shown to rely on debatable assumptions that mandatory adoption of IFRSs is adequate to make reporting practices across countries more comparable and transparent, in general to enhance the quality of financial reporting information leading to improved reporting practices that yield positive economic
consequences. These assumptions, however, are not always supported by prior research, as research findings stand in contrast to regulators’ statements and expectations of a harmonised impact of IFRSs adoption in isolation of reporting practices across different firms and jurisdictions. The majority of the research on IFRSs investigates several users’ and key actors’ perceptions, mainly based on surveys and questionnaires, and so it fails to make sense of what drives perceptions of the use of IFRSs, or how inconsistencies between the objectives of IFRSs and their practical outcomes are managed. These perceptions are not set against a political economy context. Attempts to understand and expose the value-laden and market-driven objectives (qualitative characteristics) of IFRSs that do not adhere to universal and wider beneficial ideas are limited.

The zeal and efforts from governments at the national level, typically the main exponents of IFRSs adoption, reinforce the argument that the political nature and rationale of accounting should not be ignored or underestimated (Chua & Taylor, 2008). The rhetoric adopted to support wider transformations is reflected inevitably on financial reporting standards and concentrates on ideals such as, comparability, reliability and transparency. Even if these are understood as ideals or fictions employed by a technocratic accounting standards board that promotes international harmonisation and the elimination of differences in terms of standard philosophy and content across geographical borders, they also have real consequences and can be regarded as ‘real’. Thus we can ask: why do communities accept the usefulness and the necessity of fictions? Do they challenge these?

There is a bias in current mainstream research towards capital market research based on the efficient markets hypothesis and event study methodology following neoclassical economic theories introduced by University of Chicago (Kothari, 2001). Results on qualitative characteristics, such as comparability and transparency lack homogeneity. For example, papers that examine the comparability of financial statements may use different proxies to measure these and are conducted in different country or industry settings which affects the comparability of the results; it is therefore difficult to arrive at any concrete and common conclusions about ‘qualities’. According to West (2003) the numbers utilised to construct statistical models are, in many cases, not quantities. These numbers are, instead, operational figures that cannot be construed as measures of any scientifically meaningful property. Constructing elaborate calculative models using operational numbers leads to equations with results that are undecipherable without assumptions of validity or a prescribed narrative
already embedded in logic derived from the construction of the model. Rigour is, thus, sometimes a matter of appearance and not a substantive quality.

4.8.2 Research Objectives

Initially, the aim of this thesis is to illustrate the way wider institutional and governance changes in financial reporting and the transition to IFRSs are perceived at the micro level, by conducting interviews with local actors, namely key users and preparers. It asks: what does the adoption of IFRSs imply to users, preparers and the profession in Greece? Evidence of attitudes towards the transition and implementation process is being sought. In particular how financial statements are used, what challenges are encountered and the recognised benefits after the adoption of IFRSs.

Juxtaposing both the ‘national’ and IFRSs financial reporting frameworks will enhance understanding of the impact of the shift to IFRSs on quality dimensions and objectives of financial reporting. It will then be possible to discover: is there a consensus between the users’ and preparers’ views on the purported improved quality of financial statements prepared under IFRSs? What are the implications of that shift on economic decisions and the roles of actors; are IFRSs more relevant, reliable, and transparent and what is the relationship between tax accounting and IFRSs? How are accounting transgressions dealt with?

Although the IFRSs arguably have the potential to render organisations more transparent and comparable, it is hoped that this study will uncover whether this achieved in a meaningful way. The purpose of the current enquiry is not to measure and quantify these characteristics but to understand the views of users and preparers. However, we provide rich evidence on how local actors affect social change and accounting practice, the effects resulting from IFRSs’ diffusion at the level of local practice, with regard to implementation and compliance. The current study also provides further empirical evidence of relevant research, conducted in Greece, regarding views on the implementation of IFRSs, for instance, Spathis and Georkakopoulou (2007), Caramanis & Papadakis (2008), Ballas et al. (2010) and Papadatos & Bellas (2011).

The analysis herein will attempt to mobilise the empirical data to provide a critical perspective, by problematising unquestioned beliefs, forms of understanding and values upon which taken-for-granted surface accounts of key users encourage theoretical insights. It will
also aim to reveal any implicit assumptions accepted by individuals; in particular ideological assumptions of rhetoric surrounding the adoption of IFRSs, more specifically, the rhetoric used by promoters and key users (e.g. the profession, financial market analysts, etc.). The objective is, also, to critically evaluate the underpinnings promoted by the IASB, that suggest IFRSs’ standards and imperatives are superior to other accounting paradigms, and that an element of these standards is often considered as inherent and irrefutable. The aim is also to illustrate that these assumptions ignore the importance of institutional and environmental factors in the process of convergence, and more importantly that this notion of IFRSs’ superiority is driven by the wider superiority of ‘free markets’ and neo-liberalism. Based on the previously mentioned historical and institutional analysis of accounting in Greece and internationally we will reflect on findings and attempt to investigate the driving rationale behind actors’ views. By adopting the Gramscian concepts of ideology and hegemony the researcher will examine underlying value systems and focus on identifying links between ideologies and financial accounting users’ values. The motivations that underlie the adoption of IFRSs are explored in reference to the ideological implications of such motivations and the way international influences (hegemony) are considered nationally.

The main question to be explored is ‘what are key actors’ perceptions and how do they respond to the use of IFRSs?’ The main research objective is to study the application and dynamics of IFRSs practices, in response to changes to the economic and accounting environment in Greece. Empirical material will also be mobilised to provide a critical perspective in the understanding of actors’ experience and interpretation of accounting change. In turn, this will leads to an exploration of ‘what drives key actors’ perceptions on the adoption and use of IFRSs?’ and ‘does their experience match with the statements made by the IASB about the benefits of IFRSs? If actors’ experience does not match with their expectations and the claims about the benefits of IFRSs, ‘how do they make sense of the inconsistencies arising?’

In the next chapter the conceptual framework adopted to address these questions is presented.
Chapter 5: Theoretical Approach

‘I do believe that IFRSs will become global standards. I also believe that standard-setters will continue to remain unpopular, because change is rarely popular – even if it is change for the better. There are just too many people that profit from status quo’. [Hoogervorst, 2012]

5.1 Evaluating Research Paradigms in Accounting

Social scientists approach their research subjects of via explicit or implicit philosophical assumptions and hold basic beliefs about the nature -ontology- of the social world and the way in which it should be investigated. The researcher’s assumptions, i.e. values and propositions about the nature of reality and what constitutes valid knowledge, lead them towards appropriate research methodologies and tools (Burrell & Morgan, 1979). According to Burrell and Morgan’s classical quadrants, philosophical assumptions are located within four social research paradigms; functionalist, interpretive, radical humanist and radical structuralist. To enhance the relevance of these to accounting research, Ryan et al. (2002) link them to three categories of accounting research; mainstream (positivist), interpretive and critical.

5.1.1 Positivist approach to accounting research

As discussed in the previous chapter, accounting research literature in the area of (international) financial reporting has, traditionally, relied on a positivist perspective. Typically, such mainstream analyses are based on orthodox financial economics and the study of the impact of the adoption of international accounting standards on capital markets (e.g. Christensen et al., 2007; Daske et al., 2008) utilising neoclassical mathematical models of profit maximisation and data sets to test theories. In these studies, market mechanisms are assumed to be efficient and hold, for example, that the internationalisation of financial reporting standards is a response to capital providers’ need for transparency and comparability in an increasingly globalising capital market (Dye & Sunder, 2001). Drawing on neo-liberal economic theory, proponents of IFRSs cite important benefits to economies and companies from reduced transaction and compliance costs, improved comparability, transparency, reliability and accountability. Organisations are depicted as coherent units, oriented towards achieving specific goals. Employees are described as behaving in a
consistent and rational manner, whereby accounting is seen as an information system that provides assistance to decision-making (Hopper & Powell, 1985). Accounting and markets are, deterministically, regarded as natural phenomena that exist in a social vacuum, totally independent of the researcher.

Fundamental to the positivist epistemological position is, hence, a philosophical assumption that the existence of an independent social reality can only be verified by observation (Ryan et al., 2002). This approach advocates that a certain objectivity about reality is quantifiable and that knowledge is only of significance if it is based on the observation of external reality. Observations are real and therefore not subject to interpretation, bias or the researcher’s cultural background (Easterby-Smith et al., 2002). The advantage of conducting a study using a positivist approach is generalisability; this means that a finding in one situation can be predicted to recur in another, given the same set of variables and conditions. Positivist studies are mainly based on quantitative data that allow them to be easily replicated and extended. A positivist epistemological perspective is then considered to avoid the value-laden judgements prevalent in the normative studies. Imprints of reality in the form of data and the acquisition of a reasonably adequate basis for empirically grounded conclusions, generalisations and theory-building has earned positivist approaches a reputation for providing ‘objective’ research with a high-level of external validity.

The problem with such an analysis is the over-simplification of the view of the world that arises from the need to generalise relations between variables, ignoring the purpose and meanings assigned by human beings (Guba & Lincoln, 1994). In the context of accounting, people that use and develop accounting in specific contexts may hold different perceptions about their lived experiences and the meaning they attach to the changing role of accounting in organisations (e.g. Boland & Pondy, 1983; Nahapiet, 1988). A positivist approach fails to explain the dynamics of the transformation of financial reporting, obscuring the historical development of institutional forms and the influences of social, economic, and political power that have shaped the evolution of capitalist economies, financial markets and accounting practice (Arnold, 2009a).

5.1.2 Interpretivist approach to accounting research

Contrary to the expectations of a positivist approach to accounting, the broad structural economic crisis of the 1970s and the failure of liberal and Keynesian economics played a significant role in problematising accounting. Therefore, from 1980 onwards, accounting
researchers extended the study of accounting beyond organisations, acknowledging its influence in everyday life and its importance in shaping social relations. This new era and the attempt to restructure capitalism through a range of reforms that were ideologically and politically concentrated in neo-liberalism triggered dissatisfaction among accounting academics with the theoretical impotency of mainstream, positivist accounting research (Chua, 1986).

Accounting researchers became more receptive to critical theories aimed at paying attention to the role of the accounting profession, accounting regulations, accounting history, accounting rhetoric and discourse relative to the wider society. Accounting researchers argued that importance should be placed on the social and organisational context in which accounting operates, as it is both shaped by, and shapes wider social processes (Lowe & Tinker, 1977; Burchell et al., 1985; Hopwood, 1987). Accounting is social and technical at the same time and accounting regulation and practice changes across time reflecting changes in wider social and economic relations assuming different roles, types and mechanisms (Hopwood, 2007). This has led researchers to recommend the adoption of alternative research approaches such as behavioural and organisational, interpretive and critical to study the nature and practices of accounting, allowing researchers to explain accounting practices by emphasising social, cultural and political constructions (Hopwood, 1983; Tomkins & Groves, 1983; Willmott, 1983; Scapens, 1990; Scapens & Roberts, 1993; Humphrey & Scapens, 1996; Lukka & Granlund, 2002).

Burrell and Morgan (1979) identified interpretive modes of sociological analysis as defining the process of understanding the ways in which accounting is constructed and reconstructed, through human agency. Interpretivism is an epistemology that assumes that it is crucial for researchers to recognise the differences between individuals in their roles as social actors, thereby rejecting the notion of an ‘objective’ stance on the role of human nature. Interpretivist researchers investigate the world from the assumption that it is socially constructed, arguing that multiple realities exist as reality is a construct of the human mind; therefore, it becomes necessary to focus on the meanings and perceptions of those who inhabit a study context and the ways knowledge on reality becomes embedded in the institutional structures of a society (Berger & Luckmann, 1966).
This approach advocates that research is a process of defining, interpreting and seeking understanding, in order to obtain understanding of a shared meaning; it is not a search for causal relationships, or an objective representation of reality, or fundamental laws (Hopper & Powell, 1985). Therefore, the interpretivist paradigm is not generalisable to other situations, which has led to criticisms of its ability to evaluate results effectively, given the subjective interpretation of observed behaviour (see Chua, 1986). However, findings and observations can be considered as relatable and so have a wider resonance (Mason, 2002) when shaping the work of others in circumstances that offer sufficient similarities to the original study. Other weaknesses of the interpretivist approach include the limitations on objectivity, because the researcher is not an independent observer but a subjective participant in the research. Researchers may have a preconceived view of the social setting they are investigating and so may not appreciate the various dimensions influencing the study, such as major class conflicts within society (Chua, 1986).

The interpretive paradigm when used for accounting research, focuses on how actors use accounting to make sense of everyday situations and practices, exploring how accounting interacts with its environment and with other organisational processes (Hopper & Powell, 1985) and how it can be used to rationalise the adoption of a particular course of action (Morgan, 1988). Accounting is not static; it has a contested history. By improving our understanding of accounting in practice, Chua (1986, pg. 615) argues that we can increase ‘the possibility of mutual communication and influence’.

Similar concerns over the importance of the environment within which accounting operates, and the influence of institutions such as the state (Puxty et al., 1987; Miller, 1990), the market (Miranti, 1988) and ideological and discursive developments (Montagna, 1986) on accounting have drawn the attention of researchers on the wider social relationships underpinning societies, such as power and class relationships. Critical research, the term used to describe radical structuralist and radical humanist accounting research, offers a basis for social critique and promotes forms of radical change (Ryan et al., 2002). With interpretive research approaches the focus is less on the technicalities of accounting practice, and more on observation to offer plausible explanations (Smith, 2011).

5.1.3 Critical approach to accounting research

Critical theory, although it adopts an interpretive approach, also challenges and promotes a critical reconsideration of social realities (Alvesson & Sköldberg, 2009). It consistently
asserts a dialectical view of society, suggesting that social phenomena ought to be perceived in their historical contexts. Recognisable patterns have to be viewed in terms of negation, based on their own opposites and suggesting a qualitatively different alternative to current social conditions. Contradicting the assumption that realised societal conditions are natural and inevitable, the suggestion made is that ‘societal conditions are historically created and heavily influenced by the asymmetries of power and special interests, and that they can be made the subject of radical change’ (ibid., p. 110).

The current research is located within the critical research tradition, which is interpretive, but adopts a particular perspective regarding the research area under investigation. Defining the boundaries of critical accounting is challenging. Critical accounting encompasses a ‘critical understanding of the role of accounting processes and practices and the accounting profession in the functioning of society and organisations with an intention to use that understanding to engage (where appropriate) in changing these processes, practices and the profession’ (Laughlin, 1999, p. 73). This broad and debatable definition has a number of components, whereas critical accounting research draws on numerous methodologies and theoretical frameworks. Critical accounting challenges conceptions that are assumed in accounting, and which have conventionally privileged technical issues over demonstrations that accounting is not created in a social vacuum. Critical theory supersedes the existing mode of thinking and is intimately wedded to change. It is a form of knowledge that aims to promote alternatives to improve and benefit social relations, and which envisages a society where prevailing social structures serve the interests of the majority of people, who are then currently restrained by existing structures and arrangements. Critical theory is thus, an alternative form of knowledge. Within critical-oriented accounting studies, neo-classical economic rationalism is debated, criticised and deconstructed and different understandings are proposed (see e.g. Armstrong, 1987; Berry et al., 1985; Chua, 1986; Hopper & Armstrong, 1991; Hopwood 1987, 2007; Bryer, 2000a, 2000b, 2006; Cooper, 1995; Cooper & Taylor, 2000; Miller, 2000; Catchpowle et al., 2004).

The current thesis adopts an interpretive approach as it focuses on how key actors rationalise accounting practices and principles in everyday situations; it also adopts a political economy approach, which is as an example of a radical structuralist perspective and broadly influenced by the writings of Marx (see Tinker 1980; Bryer, 1999) and others who extended and developed political economy analyses, such as Braverman and Gramsci (Roslender, 2006).
Classical political economy views accounting financial accounts and disclosures as a means of preserving the power and wealth position of individuals who have control over resources, at the expense of those without capital; thereby informing the structural conflicts within society (Hoque, 2006). According to Guthrie and Parker (1990), the political economy perspective places particular emphasis on the ways in which historically determined power relations are shaped by, and in turn shape accounting practices. Accounting reports that comprise social, political, and economic inscriptions, serve as a tool for constructing and legitimising the economic and political structures, institutions and value systems, which underpin the private interests of capital owners and elite classes. In line with Cooper and Sherer (1984) the current study recognises power and conflict in society, and exposes the potential effects of accounting statements on the distribution of income, wealth and power. It is inspired by a solid body of literature that raises political economy arguments regarding the effectiveness of international accounting harmonisation projects and the role of accounting in shaping social and economic relationships as well as in maintaining international social inequalities and legitimising the privileges given to specific users of financial reporting information (Miller et al., 1991; Cooper, 1995; Königsgruber, 2010; Perry & Nölke, 2005, 2006). Gallhofer and Haslam note that the important characteristics of accounting’s enabling ability can ‘act as a force for radical emancipatory social change through making things visible and comprehensible and helping engender dialogue and action towards emancipatory change’ (quoted in Roslender & Dillard 2003, p. 341).

5.1.4 New Institutionalism and Political Economy approaches

Several approaches in critical accounting that have been employed to interpret actors’ perceptions and justifications have examined the wider role that accounting knowledge and professions play in societal contexts, and their influence upon the development of capitalism (Chua & Poullaos, 1998; Auyeung & Ivory, 2003; Caramanis, 2005; Dybal et al., 2007; Uddin, 2009). Other studies concentrate on the role of human action in shaping practices within the social settings in which they operate (Hopwood, 2000). These approaches draw on the work of Weber, institutionalism, and postmodern theorists. Although such approaches make an interesting contribution to international financial reporting research, we deliberately focus on some of the considerable work inspired by institutionalism, which is relevant to the current thesis. It is important to highlight the fact that these approaches may converge at some points and diverge at others.
Researchers drawing on institutionalism understand the role of accounting within organisational settings as explicitly linked with the overall forms of economic and social structures. Viewed in institutional terms, accounting serves as a rationalisation device with mythical and symbolic roles (Cooper, 1983). The analysis of the institutional environment of accounting emerged with the institutionalised *myth structure* of rationalised societies (Meyer & Rowan, 1977), emphasising the legitimacy of rationalised formal structures as embedded in everyday activities. From an institutional perspective, accounting adopts the role of rational institutional myths as influenced by their environment (Covaleski & Dirsmith, 1988; Oakes et al., 1998). Organisational sociologists (DiMaggio & Powell, 1983; Greenwood et al., 2002) made use of institutional theories to argue that organisational behaviour is driven by socially embedded norms, values and shared meanings. They recognise that economic actions are embedded in societies (Granovetter, 1985) and that these are also influenced by politically-driven institutions (Zukin & DiMaggio, 1990). In international accounting research an institutional approach examines the historical development of institutional arrangements in capitalist economies and the means by which accounting practice have been shaped and shape the world’s political economy (e.g., Arnold, 2012; 2009a). Accounting literature has examined how, in recent decades, institutional logics governing the accounting field have shifted away from reliance on disinterested professionalism as a rationalising narrative (Suddaby et al., 2007). Today international accounting firms openly embrace commercialism, as they appeal to consumer (rather than public) interests. There is an acceptance of the supposed benefits of market competition and free trade as a rationale for harmonisation and justification for the expansion of the global trade in financial and accounting services.

Arnold (2009b) calls for a broader view of institutional analysis exploring the social foundations of accounting, together with the political and economic forces that drive the internationalisation of accounting practice. Institutional theories share a common point with political economy perspectives; insisting that the institutional context enables economic processes to develop in certain forms where the abstract logic of capitalism is interwoven with those contexts and state policies. Nevertheless, capitalism as an economic system cannot be equated with any specific institutional structure. Historically a variety of different sets of institutions have sustained different types of capitalism, involving for example greater or lesser degrees of laissez-faire and greater or lesser degrees of state intervention. Capitalism cannot be identified by a specific set of institutional conditions. Baker and Barbu (2007)
argue, for instance, that the rise of capitalism and the hegemony of global capital could not be achieved without the support of an institutionalised set of accounting standards facilitating organisation and operation of national and international capital markets (ibid.). However, institutional conditions can generate inertia or resistance to change by focusing on filtering the pressures of global competition and neglecting the dynamic forces operating globally to drive economic change. Although globalisation is the outcome of political and economic forces independent of institutions and political actions, as previously asserted, it brings into existence neo-liberalism. Neo-liberalism depends on the capitalist economic system of production, which is related to a certain vein of political analysis. Institutionalism can lead to reforms of institutions that might bring into existence more benevolent forms of capitalism. In contrast, a political economy approach locates the root of the problem in the logic of capitalism itself, and therefore the solutions and the achievements of a different kind of social logic are based upon the democratic organisation of the economy in order to meet human need.

A political economy perspective can be structural by defining the roles of accounting relative to structural changes in the broader socio-political context. Circumstances are significant, since there is a constant interaction between individuals and social structures, in which individuals are both being empowered and also restrained and oppressed. This interaction is reflected, for example, in the thinking of Marxist Antonio Gramsci, who maintained that the whole project of transforming the working class into a self-conscious political subject involves very careful analysis of institutions, organisations and ideologies; those that inhabit the working classes can develop into self-conscious subjects themselves, or with assistance (Hodgson & Callinicos, 2005).

5.2 The Gramscian thought

5.2.1 Interpretations of Gramsci’s work

In order to make sense of the developments in accounting practice in Greece and to conceptualise changes in the perceptions of key individuals in financial reporting developments, some tenets of Gramsci’s theories and ideas that were developed in his seminal work, the Prison Notebooks, are used. An analysis and understanding of these concepts was based on Peter Thomas’ critical contribution to the reassessment of Gramsci’s
writings in his book *The Gramscian Moment*. Thomas’ (2009) study is separate from Althussers’ (1970) and Andersons’ (1976) readings and interpretations of Gramsci’s carceral writings in the 1970s. The current research makes a modest contribution, by providing that apart from an analysis of macro and mezzo-level developments, a field-level account applies concepts developed and studied by Gramsci.

Gramsci (1891-1937) was an Italian Marxist thinker and leading member of the Communist Party of Italy. He was imprisoned by Mussolini’s regime and wrote the Prison Notebooks in the late 1920s and early 1930s, which are acknowledged today to be a classic of twentieth-century social theory. The Prison Notebooks where written under extremely difficult conditions under the surveillance of fascist jailers and censors who scrutinised his work; thus, the reconstruction of the meaning that emerged from this adverse process of composition remains a challenge today. This study does not aspire to further advance Gramscian theory and it is recognised that the Prison Notes were written under a specific historical context and for specific aims. Nor does the current thesis attempt to provide any empirical evidence to confirm or locate Gramsci’s theoretical insights. It adopts some of the key notions and ideas of the distinctive and expanded usage of *hegemony*, *ideology*, *common sense*, *passive revolution*, *organic intellectuals* and *dual consciousness*, in order to conceptualise the empirical evidence. This perspective provides insights into the perceptions and values mediated through accountants and other key users. The role of accounting systems is central in the creation and distribution of power and in maintaining the relationships that advance the capital accumulation process.

Gramsci’s work constitutes a significant point of reference in such diverse fields as history, sociology, anthropology, political theory, literary studies and international relations. There is research in the critical accounting school that draws on the work of Gramsci and the notion of hegemony (Lehman & Tinker, 1987; Richardson, 1989; Cooper, 1995; Goddard, 2002, 2005; Alawattage & Wickramasinghe, 2008). Reference to Gramsci’s writings and to some of the key concepts he employed, above all, that of hegemony, occurs often; a philological reading of the Prison Notes begun in the late 1970s and early 1980s, and a new generation of researchers then began to explore and contextualise his work.

Efforts to organise the *Prison Notebooks*, in order to find an *authentic* or at least ‘representative’ Gramsci, has given rise to various and contradictory forms of
Gramscianism. According to Foucault, Deleuze and Guattari, the Prison Notebooks became a ‘toolbox’ from which each reader can construct according to their own needs, as imposed upon them by the conjuncture, and inciting the selective use of maxims to elaborate their perspectives in different and frequently totally unrelated contexts and directions (in Thomas, 2009); this is one of the main criticisms of Gramsci’s work.

It is indeed true that ‘no Marxist work is so difficult to read accurately and systematically because of the peculiar conditions of its composition’ (Anderson, 1976, p. 7). Thomas, however, argues that instead of looking for a supposedly unwritten systematic text in a concealed language, it should be dealt with as a work in progress, with open lines of research, inevitably fragmentary and incomplete. It is, however, from Gramsci’s own politico-gnoseological thesis that knowledge occurs within determinate political constellations, in a relation of mutual determination between thought and the exigencies of political action that result in the fundamental incompleteness of work produced under conditions that did not support active political engagement.

Gramsci’s theoretical work is epitomised by the theory of hegemony, as a theory of social and political power in modern capitalist societies. He developed theoretical ideas and provided an insight into the way individuals exert power and control in society to maintain those. Gramsci demonstrated that each nation state requires the ability to establish a hegemony capable of integrating the nation in order to resolve the historical problems it confronts.

5.2.2 Linking the Gramscian perspective with the discussion on globalisation

Globalisation and hegemony are central to the understanding of twenty-first century world society. Gramsci’s analysis of international relations and the role of nation-states and capitalist economic systems (capitalist relations of production) are fragmentary and not

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43 Often, these attempts have adopted the ‘reconstructive’ strategy of a totalising interpretation, seeking to wed Gramsci to one political project or another, more or less coherently, in a way that is approximately faithful to Gramsci’s own commitments: Gramsci as ‘Leninist’, as an anti-Stalinist, as post-Marxist and all the intermediary permutations. Laclau and Mouffe’s (2001) semiological and structural-linguistic ideas figured Gramsci as a predecessor of radical-democratic politics that had overcome the short-sightedness of the Marxist tradition. Gramsci’s work became the focus of cultural studies (e.g. Hall, 1982); neo-Gramscian perspectives in international relations extended key Gramscian concepts to inform contemporary issues (Burgio, 2002; Cox, 1981, 1983).

44 Gramsci attempted to explain the on-going domination of capitalism in Italy following the failure of the working class uprising of the 1919-20 Biennio Rosso (the Red Years) to initiate a successful socialist revolution.
wholly developed. The use of the notion of *passive revolution*, however, demonstrates recognition of the interpenetration of the national and international.

Passive revolution signifies the establishment of the bourgeois hegemony by choosing pacifying and integrating strategies in the imperialist era that disaggregate the working class and prevent the subaltern classes from elaborating their own hegemonic apparatuses. Passive revolution is central to Gramsci’s analysis of historic developments in Europe in the late 19th and early 20th centuries. He particularly referred to the Italian unification (the Risorgimento) which is described as a process-revolution imposed from above by a narrow modernising elite, in which Italians played a minor role in transforming traditional social relations through gradual reforms and compromises. The formation of the modern Italian nation state, according to Gramsci, had been a ‘revolution without revolution’. The epoch of passive revolution began following an *organic* crisis. It was a crisis of a social formation, in its political and economic content, as the ruling classes’ claims to universality and to advance the common good were exposed to serve narrow interests, namely, their accumulation of capital. The forces behind this development emerged not from national economic developments, but were rather ‘the reflection of international developments which transmit their ideological currents to the periphery-currents born of the productive development of the more advanced countries’ (Gramsci, 1971, p. 116-117). Gramsci also argued that the emergence of Fordism in the industry of the US in the beginning of the 20th, was a passive revolution restructuring the existing form of capitalist relations forcing European states to embrace structures and policies in favour of free enterprise and economic individualism (Gramsci, 1971, p. 293).

Gramsci’s arguments illustrate the existence of a dialectic between the national and the international, in the sense that international forces both provide the context of change and transform national political and social relations (Budd, 2007). He did not generate an analysis of imperialism and imperialist rivalries, as Lenin and Bukharin did, which was the outcome of the economic dynamic of capitalist structures and in particular, the development of capitalist monopolies and the tendency of economics to be processed to penetrate national borders. Rather than putting a competitive processes, such as capitalist accumulation or

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45 The term *subaltern* literally means the lower ranks of military forces, which are under the service of captains. Gramsci, expanding the concept, refers to a range of non-dominant social groups that include apart from the working class, peasants and slaves as well as, women, different racial minorities and religious groups.
imperialist expansion at the core of this national-international dialectic, Gramsci emphasised
existing mechanisms of ideological transmission. Nevertheless, he argued that local and
international relations ‘intertwine’ and that the focus of study should be how ‘the
international situation should be considered, in its national aspect’ (Gramsci, 1971, p. 182).
Although Gramsci refers more consistently to the exercise of hegemony at a national level in
his notes, he sporadically extends this to the international sphere when he highlights, the
attempt of 19th century France to establish its hegemony over European countries.

Behind the forces and necessity of globalisation lie power and class conflicts that are part of
restructuring under the neo-liberal economy umbrella, promoting certain values rationales
and ideologies. Regulations or standards, such as the IFRSs, can operate hegemonically
through the process of naturalisation, rationalisation and universalisation (Litowitz, 2000).
Once accounting standards are naturalised and rationalised they can be universalised through
organisations and bodies engaged in the harmonisation and globalisation of standards, such as
the IASB, the EU, etc. Organic intellectuals, in this case the bourgeoisie (as later explained)
and their (inter)national institutions transmit and contribute to the institutionalisation of the
hegemony of the neo-liberal market dogma.

5.2.3. Key concepts of Gramsci’s ideas in the Prison Notes

5.2.3.1 Ideology and hegemony

Central to Gramsci’s writings are notions of ideology and hegemony. Ideology based on the
work of Eagleton (1991) can be interpreted and understood in multiple ways, such as, as
illusion distortion and mystification. Ideology makes reference not only to a belief system,
but also to questions legitimising the power of a dominant social groups or classes. An
important tool by which ideology gains legitimacy is by universalising and ‘eternalising’
itself. Values and interests that are explicit to a certain context are projected as the values and
interests of society as a whole. The assumption is that if this were not so, the sectoral, self-
interested nature of the ideology would become obvious, and would impede its general
acceptance.

The key category in the writing of Gramsci is not ideology but hegemony. In broad political
terms, hegemony indicates ‘domination of one sort or another’ (Bates, 1975, p. 352). The
concept of hegemony, however, has a long prior history and was used as a Marxist concept
by several political figures and intellectuals in Russia (e.g. Plekhanov and Lenin). Hegemony
was used to refer to the class alliance, in which the peasantry in Russia, under the leadership of the proletariat, established the dictatorship of the proletariat in the Soviet Union (Lenin, 1911). Although Antonio Gramsci should not be credited with the coinage of the notion, he made a significant contribution to the further theoretical development and popularisation of the concept of hegemony.

Karl Marx writes in ‘The German Ideology’ (1945) ‘the ideas of the ruling class are in every epoch the ruling ideas’. Gramsci deployed the idea of hegemony to demonstrate how the different forms of the bourgeois class in the West dominated in the epoch of passive revolution (intellectual and moral leadership and power through the structures of civil society). For Gramsci, hegemony, building upon Leninist heritage, means leadership; the term does not refer to a generic form of social integration or to some notion of governmental consent at a social or cultural level in a pre-political sense, but means leadership of a political variety. Gramsci attempted to explore those different types of leadership that would be most adequate for the means and the ends of the working class movement (Thomas, 2009).

Contrary to other, more cultural readings of Gramsci, the concept of hegemony is a political theory of social power that cannot be interchangeably applied to the contexts of different class projects. Hegemony is developed as a concept in order to play a ‘strategic role or guide procedures to determine political conditions confronted by the working class movement in its attempt to overthrow the capitalist state’ (Thomas, 2006, p. 221).

By hegemony, Gramsci means the predominance of one social class over the rest of society (e.g. bourgeois hegemony). A single class exercises dominance in two ways: by leading the allied classes and by dominating opposing classes (Gramsci, 1971). This represents the ability of a dominant class to establish its own moral, political, economic and cultural values and ways of seeing the world, so that subordinate groups accept them as conventional norms. This predominant consciousness is diffused and internalised by class and becomes part of what is called common sense, so that organising principles and the values of the ruling elite appear to be natural (Femia, 1987).

The term common sense -in Italian senso commune- as used by Gramsci, means the uncritical and sometimes unconscious way of understanding the world becomes common to any given
period.\textsuperscript{46} This is an individual’s immersion into the prevailing system of cultural reference and meaning with less emphasis on individualistic processes and often negative connotations (Gramsci, 1971 noted by Hoare & Nowell-Smith). A system of values is therefore created that sustains the established social order and provides a means of maintaining and exerting control. Hegemony is, hence, essential to protecting capitalist economic and social structures and the conformist ideas, common sense, that support it. It is a theory of power that subtly describes and explains how the ruling classes rules.

Gramsci (1971) asserts that the power of a social class can manifest in two ways; \textit{domination}, or \textit{coercion} and \textit{intellectual and moral leadership}. Social and political control in other words, can be exerted by influencing behaviour and decisions externally, through rewards and punishments but also by influencing and moulding personal beliefs in order to reflect and reproduce prevailing norms. This internal control is exercised though hegemony, which refers to a situation wherein society communicates through a common social language, and in which a certain conception of society dominates and informs all aspects of thought and behaviour.

Marx (1975-2005 cited in Thomas, 2009, p. 98) used a spatial-constructivist metaphor to explain the distinctive elements of the philosophy of praxis, stating that:

\textit{‘The sum total of [these] relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness’}.

Society, thus, can be divided into an economic base (or structure) which reflects the capitalist relations of production and a superstructure that is represented by prevailing institutions, state, political power relations and beliefs. Gramsci, further developed this metaphor by referring to \textit{superstructures or ideologies} that extend the term to include not only legal and political forms, but all of the forms in which classes know and comprehend the condition of their struggle within a determined social context.

He went one step further to discuss the different elements of superstructures; the political society that consists of the organised forces within society, such as the state, the police, the legal system, that form an overly coercive apparatus ensuring the masses conform to the type

\textsuperscript{46} \textit{Senso comune} assumes the status of a philosophical concept to redefine the nature of philosophy itself and to challenge Western philosophical tradition’s understanding of the concept’s relative autonomy.
of production and economy; and the civil society, that refers to non-coercive private institutions, such as, the church, the school, trade unions, political parties, the family etc. that are instruments of hegemony of a social group, imposing ideological control with the consent of the whole society. Both components of society are informed by the value system at their base, and which in turn establishes and enforces these values in the social world.

Superstructures, thus, constitute a dialectical unity or ‘historic bloc’; they are not mechanically derived from the base, with the dominant relations of production, the means by which they were organised and sustained. Superstructures are forms in which, members of a social group come to ‘know’ in a particular, ‘practical’ way the determining conditions of their lives within a particular historical situation that emerges from the contradictions between classes. Gramsci asserted that no regime, even the most authoritarian, could endure primarily through the power of the organised state and armed forces. In the long term, the state must gain legitimacy and the support of the general public to ensure (relative) stability.

Returning to the point made about the relationship between ideology and hegemony, Gramsci makes frequent use of the word hegemony to indicate how a governing power secures consent from its subaltern classes (Eagleton, 1991). According to Eagleton, Gramsci differentiates the concept of ideology from hegemony, as the former is characterised as being imposed by force. Hegemony seems to encapsulate a broader meaning than ideology; i.e. ideology is part of hegemony but it is not reducible to it. Ideological methods can be used by a ruling group in order to gain the consent of rulers; for example, by changing accounting regulations in favour of groups that adhere to the dominant views and interests of the ruling class. In addition, hegemony can be exercised through political means, for example through the parliamentary system. Hegemony is, therefore, not only a type of ideology but also involves different cultural, economic and political aspects, as well as power struggles that take place at the level of signification. Hegemonic processes entail various cultural, political and economic forms in rhetorical discourses but also through non-discursive means.

The concept of hegemony, in spite of its centrality to Gramsci’s research is not a foundational priority in terms of the development of Gramsci’s research in the Prison Notebooks. Despite the disparate fragments of the Prison Notes, there is a fundamental coherence and a uniting thread (Francioni, 1984), that, according to Thomas (p. 136), organises them as:

‘...the search for an adequate theory of proletarian hegemony in the epoch of the ‘organic crisis’ or the ‘passive revolution’ of the bourgeois ‘integral State’
In order to comprehend the concept of hegemony, thus, it should not be analysed independently but in reference to its integral meaning, after delineating the constellation of concepts in response to which it was deployed. The theoretical preconditions of the concept of hegemony are, for example, the characterisation of the nature of the capitalist state and its relation to civil and political society. Then, a question arises about the sites where domination and hegemony are exercised.

5.2.3.2 The Integral State: Hegemony and the State

Thomas suggests that attention should be paid to Gramsci’s notion of the integral state as the dialectical unity of the moments of civil society and political society. Thomas argues that Gramsci treats the state as much more than a mere instrument of coercion, imposing the interests of the ruling class from above. The integral state does not refer simply to the expansion of the state but to a ‘network of social relations for the production of consent, for the integration of the subaltern classes into an expansive project of historical development of the leading social group’ (p. 143).

The originality of Gramsci lies in the way he conceives political society, and how ‘it is constituted by a class’ transition from a merely (economic) corporative to a properly hegemonic or political phase, in which it posits its own particular interests’ (Gramsci, 1971, p. 190). It is meaningless to attempt to locate hegemony at a specific level of the superstructure; hegemony transverses all moments of the integral state and offers the possibility of a Marxist theory of the constitution and of the political. Gramsci’s conception of a civil society, therefore, presents the opportunity to think of hegemony as a new consensual political practice, distinct from mere coercion.

‘The state should be understood not only as the apparatus of government, but also as the ‘private’ apparatus of ‘hegemony’ or civil society’ (Gramsci 1971, p. 263).

Therefore, the theory of hegemony is one of capitalist rule that includes class domination, alliance building and moral leadership and not a merely a non-reductionist theory of ideology (Mouffe, 1981) that proposes a distancing from class politics.

47 The traditional reading of the notion of hegemony treats it as being located in the consensual field of civil society rather than the state, locus of coercion and as being homologous in both its bourgeois and proletarian form.
The alternatives suggested by Gramsci do not support a gradual change from within, but a revolutionary process of change, through which a subaltern class and their alliances (tactic of the United Front) can grasp power as a complex attempt at counter-hegemony. How can the ruled build up and establish counter-hegemony to break the ideological bond with the ruling class? The notion of *hegemonic apparatus* is a novel way to think of political power as immanent to class power. A class’s hegemonic apparatus is a wide and complex set of articulated institutions, ideologies, practices and agents that provide the means of a class and its allies through which they antagonise for political power. A hegemonic apparatus traverses both political and civil society to incorporate all enterprises by which a class integrally concretises its hegemonic project; including the ways in which a class ascends to power by means of a nexus of social relationships in civil society. Overcoming popular consensus, however, is not easy. Nevertheless, this does not mean that subaltern classes consent spontaneously to the capitalist authority (Gramsci, 1971, p. 244).

5.2.3.3 Dual consciousness and Organic Intellectuals

The investigation of *objectivity* and *reality* constitute a major component of Gramsci’s Notebooks, and raise questions over the historical reasons why the world is assumed to have been given to us objectively, rather than investigating the existence or not of an external reality. The belief in the existence of an objectively real external world poses the question of the origin of this belief and its critical value; it seems to have an almost religious origin. All religions teach that nature and the world were pre-existent and were created by God, and therefore man found a world already made. This belief has become a fact of common sense and survives in a concrete manner, regardless of whether one is religious or not (Ives, 2004).

It is certainly difficult to claim that objectivity can exist beyond history and humans. The concept of objectivity, conceived of as presented by an unknown God (or in the case of the capitalist mode of production the ‘invisible hand’ of the market) is an expression of the experience of subaltern classes. Nevertheless, Gramsci, instead of suggesting a subjectivist valorisation of the creativity of consciousness or an alternative of subjective idealism insisted that reality as experienced by people is constituted by their social relations with one another and with nature. ‘*Reality is only known in relation to man, and since man is historical*’

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48 A metaphor used by economist Adam Smith to describe the self-regulating behaviour of the capitalist markets.
becoming, knowledge and reality are also a becoming and so is objectivity’ (Gramsci, 1971, p. 446).

Common sense is not something ‘rigid and immobile, but is continually transforming itself’ (Gramsci, cited in Hall 1982, p. 73). As Fiske (1992, p. 291) argues, ‘consent must be constantly won and re-won, for people’s material social experience constantly reminds them of the disadvantages of subordination and, thus, poses a threat to the dominant class’. Hegemony contains a continuous conflict between theory, ideology and the actual experience of the subaltern, a contradiction at the site of social struggle (Ives, 2004).

Gramsci refers to the state of the contradictory consciousness of the working classes and developed this concept to refer to the combination of conformist common sense that can be drawn from the official views of the ruling class or may be inherited from the past and uncritically accepted, with good sense as its opposite. Good sense, which derives from practical activity and collective experience, requires an understanding of the social world, but also ‘contains the embryo of different conceptions of the world and the transformation of society in practice’ (Thomas, 2009). The concept of a contradictory consciousness describes divergence between beliefs and peoples’ actions in subordinated social groups, those whose interests are very different from the hegemonic ruling class; their practical experience which is constituted as part of current society and which is opposed to it. A contradictory state of consciousness has important political consequences, as it might produce a situation that does not allow any attempt at action, and can result in political passivity; although, recognition of this state and the instruments of domination can enable the overturning of practice.

In their expansive study of The New Spirit of Capitalism, Boltanski and Chiapello (2007) show how the normative justifications and rationalising ethos that both legitimate and constrain capitalist accumulation have changed throughout history. In the struggle to create new hegemonic formations, Gramsci’s emphasis on intellectuality was central to emancipatory politics, since consent, as mobilised in the name of pleasure and profit, rather than of pure coercion, represents a major step towards mobilising acceptance of and compliance with things ‘as they are’.

For Gramsci, another argument at a higher level concerned why groups of people adopt certain positions that are in conflict with their lives and do not correspond sensibly to their experiences. He asked: what is the role played by organic intellectuals and traditional intellectuals? A centralising aspect that subordinates social groups is that they lack a coherent
philosophy enabling them to make sense of and interpret the social world. Instead individuals and groups think and act using common sense, which is a mosaic of fragmented ideas and values expressed and (theoretically) developed by traditional intellectuals who are organically bound to other social groups with diverse experiences and conceptions of society. Organic intellectuals are individuals who justify their ideas and interpretations consciously, based on the interests and struggles of a certain class. Traditional intellectuals, in contrast, take for granted and accept the ideas of a given society while they regard ideological conflicts as a phenomenon that occurs at an intellectual level, ignoring their link with material reality and struggles (Harman, 2007). Organic intellectuals function as intermediaries that organise the social hegemony of a group and its domination in two ways; by gaining a consensus using the prestige of their function and the apparatus of coercion for groups that neither passively or actively consent, or by providing leadership in moments when consent is in crisis. Although in this way the concept of the intellectuals is significantly extended, this is the only way to arrive at a concrete approximation of reality (Gramsci, 1971). Organic intellectuals appear to have non-political organisation within the realm of civil society (such as the IASB and accounting regulators), which serve as points of attraction and prestige for a class’s hegemonic projects. By embodying complex structures they become the agents or functionaries of the state in an integral sense.

5.2.4 The role of language

Since the current thesis makes use of local actors’ common sense assertions and expectations regarding the role of accounting and the financial impact of IFRSs, the role of language and its ideological dimensions cannot be ignored. Gramsci produced important work on, and paid great attention to, the political aspects of language, having been influenced by Italian linguists, such as G.I Ascoli and especially, his professor of linguistics, Matteo Bartoli, at the University of Turin.

Gramsci, like Marx and Engels (1975), recognised and used the political dimension of language together with the rich metaphorical power of verbal concepts to interpret political conditions, and specifically the influence of culture on people’s views and actions (Ives, 2004). Contrary to abstract and esoteric models of language, what is central in his analysis is that actions entail an immediate awareness that is expressed through language and comprise part of the real and conscious world upon they impinge. Above this awareness though, there
is a general consciousness, rationalised in terms of the dominant ideology of existing society. This consciousness locates experiences within an ideological framework in order to explain them, and their connection with the social world (Harman, 2007).

In other words, true and the truth are concepts that are historically constituted by various conditions and relations of force (Thomas, 2006 p. 326-327). These common sense concepts and ideas that are spread through language organise consent and hegemony in a society and shape people’s beliefs. The internationalisation of accounting standards, for example, is also a process of the standardisation of the accounting language and has economic and political implications. Users and preparers of financial reporting information adopt the same terms to describe the impact of IFRSs and justify their superiority even though sometimes their experience contradicts these ‘truths’. Although this study does not use the metaphorical power of linguistic concepts as tools in order to analyse the beliefs of key actors, it is important to acknowledge that different possibilities for organising common sense arise from particular historical conditions that are key to our understanding of the reason why individuals consent to the power of a dominant social class. But also determines the possibility of mobilising human agents to change the world.

5.3 Gramscian approaches in accounting literature

5.3.1 Accounting and hegemonic forces

Studies in accounting informed by a Gramscian approach have used hegemonic analysis to understand the transformative character of accounting practice in line with the historical transformation of ideological structures, as the outcome of complex interactions between the state and economy. Tinker (1980) used a hegemonic approach that can be interpreted as a reflection of conflicts and negotiations among various interests, and not merely as a measure of economic efficiency. Lehman and Tinker (1987) suggested that over the period 1960-1973 the discursive role of academic accounting journals altered with evolutions in the hegemonic environment. They explored accounting discourses and the conditions of social conflict in which they are embedded. Discourse practices were characterised by a hegemony of consent at the beginning of the period, oriented towards bearing the hallmarks of a hegemony of coercion. Richardson (1989) uses the notion of hegemony to conceptualise the relationship between the ‘corporatist structure’ of public accounting regulations and the ‘internal social
order’ of the profession in Canada. Cooper (1995), using the Gramscian notion of hegemony, studied accounting discourse in the National Union of Journalists and the historical and material explanations for the relationships between the state and accounting. She provided evidence of both the consensual aspect of hegemony and the coercive power of the state that influences accounting practice in the creation of a ‘financial consciousness’. Goddard (2002) adopted the theory of hegemony to explain the progress of the public sector accounting profession and accounting practices in the UK, since the nineteenth-century. He concluded that the professional body exerted significant hegemonic influence in constituting and reflecting ideologies, and also examined the coercive and consensual approaches adopted by the state. An empirical study, by Alawattage and Wickramasinghe (2008), based in a Sri Lankan tea plantation, drew on cultural-Marxist discourses on hegemony to explore the interaction between the political hegemony aspect of accounting at a structural and agential levels that exerted hegemonic governance and the labour control routines. Contrary to the Western experience, the political hegemony role of accounting reproduces and represents, rather than constitutes, labour control, aligning it to a calculated ‘truth’ or ‘nature’. Similarly, in Germany, Heidhues and Patel (2011) suggested that political and cultural elements are vital in analysing distinctive professional judgement, and enhance the reliability and comparability of cross-border financial reporting. Merino et al. (2010) used hegemony to explain how Sarbanes-Oxley was used as a tool to endorse the neo-liberal policy agenda of deregulation and to encourage a market-based ideology after the global recession that began in the US.

These studies illustrated that Gramsci’s notion of hegemony can be used in order to theorise the interrelation of accounting with the market, civil and political society. However, on some occasions, this accounting literature has also emphasised the ideological aspects of hegemony by focusing solely on the influence of the moral and intellectual leadership (Richardson, 1989) of accounting intellectuals, such as the accounting profession (e.g. Goddard, 2002; Lehman & Tinker, 1987). As a result, although there are general references to structural aspects (e.g. Goddard, 2002, p. 662), the notion of hegemony should not be reduced to intellectual and moral leadership (see Cooper, 1995, p. 177; Richardson, 1989, p. 419), which gains consent solely by dispersing the ideology of the ruling classes. A common denominator in these accounting papers is the signification of the dialectical relationship between the superstructures of society and the economy, in particular historical conjunctures and the interaction of accounting with these dialectics. Based on empirical evidence and historical
material this strand of research attempts to theorise the way accounting contributes to reproducing coercive or consensual hegemonies. Following on from this, the role of political leadership, or the role of organic intellectuals, in shaping hegemonic structures of governance is significant. These studies established Gramscian analysis as a legitimate and valuable approach to accounting research. Hegemonic analysis recognises the important factors associated with the underlying economic relations of production and state practices with their concomitant power and ideological structures.

Based on the previous discussion about hegemony, accounting could be conceived of as operating at both coercive and consensual levels within the state. The accounting profession is one example of an institution that is both part of civil and political society. Many of the powers held by members of the accounting profession derive their effectiveness from the state’s more coercive abilities. The accounting profession, along with the media, churches, cultural and voluntary organisations could be considered as part of civil society, in the sense that they frequently promote the ideology of the status quo and act to uphold the existing social order. Through accounting, the state renders the ruling group homogeneous, tending to create social conformism, which is useful to the ruling group’s line of development. Accounting, can act to a certain extent as a force binding society to the economy, and thereby to the vested interests, objectives and conceptions of the ruling class.

The accounting profession and those actors who are instrumental in maintaining the underlying premises and assumptions on which financial reporting and IFRSs rest operate as mediators. Cooper (1995) drawing on the work of the French literary critic and semiotician Roland Barthes (1972), and also Hall (1982), conceives of accounting as having a mythological meaning, a myth that naturalises its ideological intentions. Within accounting discourse, accounting’s ability to provide neutral, accurate and transparent financial information promises enhanced efficiency and effectiveness of capital markets. Accounting as a superstructure at the economic base draws on the discourse of neo-classical economics on which neo-liberal policies are based. For example, key actors that are interviewed in the current study make use of concepts such as comparability, transparency, fair values, legitimacy and so forth.

It is important to note that interview accounts are not analysed at the discursive level at which the actual expression mode and language are the objects of study, even though this could be an interesting area for further investigation. Instead, analysis takes place on the level of action
and social condition (Alvesson & Sköldberg, 2009) as the researcher’s aim is to observe and reflect on perceptions and social structures that exist out there, regardless of whether these can be described concretely and objectively by language. It is interesting to examine the degree to which individuals use certain concepts to neutralise the aberrations they encounter between practice and theory and how they justify such divergence. The analytical utility of Gramscian concepts, such as, historical bloc and hegemony can capture the consequences of international financial reporting regulation as an effective force in the constitution of the modern global political economy.

5.4 Conclusion

In this chapter, the theoretical assumptions underlying the analysis of the evidence and the research questions were made possible from this perspective. A Gramscian analysis provides a framework capable of explaining the political processes but also the ideological role that accounting as practice and through its institutional apparatuses can assume. This framework enables the author to link micro accounting and regulatory technologies dialectically within the macroeconomic and political setting in which accounting operates. Another aim of the research task is to analyse the ideological underpinnings of rhetoric, surrounding the adoption of IFRSs, more specifically, the rhetoric used by its promoters, such as the Government, the profession and so on, but also those actors that are instrumental in the diffusion of the international accounting standards. Institutions contribute to the ideological significance of international accounting that creates ‘common sense’ understandings that provide the basis of the perceived legitimacy of the existing historical bloc. Such conceptions constitutionalise neo-liberal market discipline, global competitiveness and economic efficiency (Gill, 2003). In this sense, international financial reporting technologies and concepts become hegemonic devices supporting the status quo and exercising broader social power. This particular theoretical framework will provide the means to explore what drives the perceptions of key actors by revealing the links between their values and the dominant ideologies inherent in accounting and the capitalist mode of governance that shape the economy more widely. By using this frame of reference, potential contradictions between the conformist common sense and practical experience and understanding of the ‘rank and file’ that apply and use IFRSs will be identified. Do these contradictions and inconsistencies in actors’ perceptions lead to alternative conceptions of accounting that could challenge the status quo and enable the
transformation of the role of accounting in practice? Local actors’ perceptions have ideological implications and are considered in the national context as well as in relation to the international accounting developments that contribute to the institutionalisation of the hegemony of the neo-liberal market tenets. In the next chapter, the link between conceptual frameworks and the methodology and methods employed are discussed.
Chapter 6: Research Methodology and Design

6.1 Introduction

In this chapter, the methodological issues highlighted in the literature review as relevant to the research design of the thesis will be discussed, together with the relevant criticisms. This study draws upon empirical material from semi-structured and in-depth face-to-face interviews with key individuals involved in accounting practice in Greece, and other users of financial statements. This method is appropriate to the research aims of the thesis as it relates to the epistemological position adopted. Use is also made of secondary data, such as users’ comment letters to standard setters’ discussion papers and exposure drafts and other related documents, such as, public statements. Secondary data informed the research design and process, as key concerns and issues highlighted in these documents were incorporated in the discussion with interviewees. Aside from this, the empirical work itself it is further complemented by observations and interpretations of the surrounding societal context. Such an approach is a useful way to make sense of how accounting practice is experienced and interpreted by key actors within the social world. For this reason, the theoretical framework discussed in the previous chapter is also used to theorise the empirical material.

6.2 How to marry a critical theoretical approach with empirical evidence

Before discussing the critique on the use of interviews as a method, an important question is raised: Is it possible or meaningful to link interviews and field based empirical research to the meta-understanding of critical theory? One can argue that critical theories focus on analysing the structures and mechanisms behind phenomena and that they do not concentrate on data, as reality can exist independent of researchers’ ideas and descriptions of it. Critical theory is not an empirically-oriented approach, and qualitative approaches are mainly derived from the ethnographic and field study traditions of anthropology and sociology (Pelto & Pelto, 1978). In this sense, the philosophical and theoretical frames underpinning qualitative methods include, for example, phenomenology (Carini, 1975), symbolic interactionism (Denzin, 1978), and ethnomethodological approaches (Garfinkel, 1967).
Critical realism refers to a philosophical viewpoint that aims to identify deeper lying mechanisms, which then become the sources of empirical phenomena. ‘Scientific work is instead to investigate and identify relationships and non-relationships, respectively, between what we experience, what actually happens, and the underlying mechanisms that produce the events in the world’ (Danermark et al., 2002, p. 21 in Alvesson & Sköldberg, 2009). Reality can be experienced at different levels; empirically through events and things that occur and exist based on our actual experience, a broad area of events that transpire independent of the researchers or any other observers who document them. However, reality is also experienced through (real) mechanisms that generate various other events and surface phenomena (Bhaskar, 1998). Empirical material can be used not as a judge or a mirror of reality but as a critical dialogue partner that problematises certain forms of understanding and encourages theoretical insights. Impressions of social reality can be a major source when developing new or challenging insights (Alvesson & Kärreman, 2000). A positivist approach to the study of observable phenomena can be rather superficial, failing to consider or recognise the unobservable mechanisms that engender such phenomena. Critical approaches to research maintain that although context and synthesis are important, the focus of social constructions can be insufficient and misleading. However, many events and situations transpire beyond individuals’ consciousness and are limited by tacit skills or the ability to define them. Social structures involve things that lie behind individuals’ motivations and intention; meaning, causal mechanisms function fundamentally independently of mind and action (Bhaskar, 1998). Thus, one may raise the question: Does one disclose real structures by interviewing people about them (see Archer, 1998)? A rich interpretation of empirical material can be given, but this does not rely on strong support in the sense of firm proof. The data can be said to enable and support interpretation, rather than to unequivocally lead up to it. Empirical data can provide inspiration and arguments for interpretation. However, this does not exclude the possibility that alternative interpretations are possible.

6.3. The role of empirical material

Empirical material cannot be regarded as revealing an ultimate truth that will lead to knowledge. Various phenomena can be explained and illuminated based on subjective accounts, but also in light of their totality, which means that only certain aspects of a phenomenon under study can be exposed and interpreted by researchers (Alvesson &
Sköldberg, 2009). Ideologies, social forms and processes of communication are activated at levels other than the conscious and observable, rendering the outcomes of interviews ambiguous. What does it mean if a respondent in an in-depth interview maintains for instance, that IFRSs are better that the GGAP? That IFRSs are de facto better? That they are better for the respondent? That at a certain levels they have adopted the ideology recently pronounced in popular IFRSs literature, media and dominant institutions? It may be interesting enough that people hold this view, but it is important to appreciate what it means, where it comes from and what consequences it might have. Perhaps it is a semi-deep notion that could easily change under different circumstances; or it may be deeply rooted, having the effect of a quasi-natural law for the people concerned.

Since facts rarely exist independently of social contexts, a theoretical frame of reference can also help the researcher to go beyond surface meanings and gain rich interpretations of individuals’ accounts. Drawing on Gramsci’s analysis, for example, there is a view that individuals’ consciousness exists at different levels (contradictory consciousness). Individuals act and are aware of their immediate experiences, which they express in certain ways. However, beyond this immediate consciousness there is a more general consciousness, emanating from the ideas and values of the existing society, which frames direct experiences in reference to society. This leads to conflicts within consciousness as the predominant ideology supports certain realities about individuals’ experiences and beliefs, while immediate activity leads to different perceptions and ideas. Thus, attention is paid to not only what interview respondents mean, and how we can understand their conception of their world and how they impart meanings to their situations, but also to the totality of which they are part of (Morrow, 1994).

### 6.4 Research Process and Design

#### 6.4.1 Interview as a research method: benefits and challenges

Interviews are considered as a fundamental research method, because of their ability to provide an understanding of complex situations (Hoque, 2006). Proponents of interviews argue that the approach is beneficial, as it considers and provides a rich account of interviewees’ experiences, knowledge, ideas and perceptions (Fontana & Frey, 2005).
Interviews are important when a researcher aims to gain access to individual’s world and interpretations, in this case their perspectives on the adoption of IFRSs.

There are several challenges associated with the interview process. Interviewees may have interests and be politically aware and politically motivated actors in terms of how significant issues are represented; they may tell partial truths or disclose truths unfavourable to them or to their group, they may have also difficulty expressing reliable knowledge because of problems with translating their version of the world into the interview context. Interventions from the interviewer to increase motivation, or the ability to tell can complicate issues, as the interviewee may follow a certain agenda. Aside from those challenges associated with the interviewer and the interviewee there are difficulties associated with the situation itself, due to the setting and interactions. There are various macro forces that operate behind the interview process, such as assumptions and norms about interviews, the idea that one should be genuinely personal and reveal one’s self while not hiding behind roles or conventions. It is difficult and not directly visible, but when all our energy is put into producing, codifying analysing and reporting such material, it is easy to fail to appreciate an uncertainty in the material for the comfort of naive empiricism. The position taken here favours a careful interpretation, in which ambiguity and the impossibility of finding an ultimate truth or better interpretation are acknowledged (Alvesson & Sköldberg, 2009). As will be discussed later, limitations of the interview process, as related to the technical and practical aspects of the interview method, and also the interpretation and validity of interview accounts are recognisable. Certain tactics and approaches were adopted in order to eliminate the methodological weaknesses of interviews, both in the conduct and design of the interviews as well as in their analysis.

6.4.2 Pilot case study

Before conducting the actual interviews, a pilot case study was conducted based on an unlisted Greek manufacturing company which used IFRSs voluntarily. The aim was to identify the most appropriate group of interviewees and to facilitate the process of reconsidering and reframing the research questions to provide further conceptual clarification for the research design (Yin, 2003). The purpose of this pilot case study was first, to identify the users of financial information and the ways internal users utilised that information; second, it aimed to investigate the practical implications of the implementation of IFRSs, considering that the underpinning principles of IFRSs are different from the existing GGAP,
due to local economic, political and institutional factors. Finally, it attempted to explore individuals’ perceptions about the appropriateness of IFRSs in Greece. The interviews were designed to include open-ended questions, in order to generate ideas about how best to approach the area under study and to produce a more concrete set of questions. The information collected, and the interviewees’ insights, determined the choice of interviewees and the theoretical approach adopted in this study, while also revealing the political and critical aspects that challenge taken-for-granted beliefs and encourage a more critical interpretation of the evidence and the processes under investigation.

6.4.3 Choice of interviewees

Based on the experience of the pilot study, particular groups were selected to explore their views on the use of IFRSs information in financial statements and the impact of the standards. Finding interviewees with a good level of knowledge and experience of the IFRSs proved to be particularly difficult. The target group was investors, auditors and to a lesser degree individuals working in the banking sector. The complexity of IFRSs and the professional knowledge required distances some users, while individuals that can comprehend and consistently evaluate the results on financial statements are few.

The key individuals interviewed in order to provide a rich and more in-depth insight into accounting practice were, first of all, preparers and members of firms’ management, such as, accountants, owners and financial managers. Regarding the type of companies accessed, they were mainly those operating in the non-financial sector, and included companies in food and beverage, construction and material, industrial goods and retail sector. Although such companies cannot be considered as representing all the sectors of the Greek economy, they still cover a relatively wide proportion of the main sectors in the business sphere. The lack of accounts on the adoption of IFRSs in relation to other sectors of the economy was balanced by conducting interviews with analysts and auditors who are aware of the accounting issues encountered by the Greek companies, as they work closely and have experience with the financial reporting at a wide range of companies. Other actors from the profession included auditors from the Big Four and the SOEL, as these larger firms have personnel with more

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49 The Institute of Certified Public Accountants of Greece (Soma Orkoton Elektan Logiston (SOEL)) for independent audit of firms was created in 1992 after the elimination of the organisation, SOL. SOL was the Institute of Certified Public Accountants (Soma Orkoton Logiston (SOL)), which from 1957 until 1992 was supervised by the Greek state.
experience of IFRSs. The group of users of financial statements is heterogeneous and varies according to the peculiarities of each national context. Due to the centrality of the state and the banking sector in the Greek economy, bank managers and different representatives of the state, such as a Hellenic Capital Market Commission and an ELTE representative and tax-authorities were considered highly relevant as interviewees. Another user group that is not of central importance in the Greek economy but still one of the main users identified in international financial reporting research are financial analysts. Financial analysts are representatives of investors and related capital providers.

It should be recognised that the interviewees may have been unwilling or unable to comment on some issues, especially those related to the confidentiality and those involving client relationships. Moreover, interview evidence and responses could be biased and would be governed by political deliberations or be the product of impression management, the strict following of instructions and dominant discourses that are part of a subjects’ social and organisational environment. For this reason, individuals that are informed but neutral to the issue at stake, i.e. academics are also included. As political interests and bias are likely to have an influence when interpreting the evidence, findings were reviewed critically to consider evidence offered and any contradictions identified in individuals’ reflections.

The selection process for the interviewees was based on certain criteria, such as the professional qualifications and experience of the IFRS, previous or present contributions or employment in institutions involved with the Greek and IFRSs-setting processes, academic rigour and research related to international and Greek accounting. All respondents were experts in their field, and sufficiently well qualified and familiar with the IFRSs, GGAP and regulatory issues in Greece to be able to provide meaningful and quality responses. However, technical expertise on the IFRSs was not always a prominent criterion, as even managers that were lacking in-depth technical knowledge made extensive use of IFRSs information. Interviewees were not chosen randomly and were, thus, not representative in statistical terms of a general Greek actors’ view. However, subjectivity was reduced by ensuring that actors representing all elements of the accounting field were included in the interviews.

Coverage and avoidance of bias in the selection of the voices of the groups being studied is recognised as vital; although, the research excludes some directly and indirectly affected
parties, such as employees and trade unions. The choice of interviewees was based primarily on the intention to gain a varied understanding of the issue under investigation at a social level rather than at the individual level, by concentrating on the perceptions and observations of particular users of IFRSs standards. The aim of the study was to use highly qualified individuals with relevant experience on IFRSs, in order to understand broader issues associated with accounting as a social practice. Such actors play a major role in the implementation of IFRSs and in influencing views regarding financial reporting in Greece. A combination of representation and quality-selected informants provided more perceptive interview information, and facilitated theoretical insights.

Contact was initially established via e-mail or telephone, and most invitations received a positive response. Once contact was established with the interviewees, many of them were introduced to me via other individuals based on their acquaintances and social network. This increased the amount and diversity of the interviews and enabled access to more organisations and stressed the contribution of important individuals. Appendix 5 includes a list of interviewees, the dates the interviews were conducted and their length.

6.4.4 Structure of interviews

For the needs of the current thesis, 33 semi-structured and some in-depth interviews were conducted between September 2009 and August 2011 in Greece. The duration of the interviews varied from 63 minutes to two hours. The structure of the interviews was flexible to enable the researcher to convey the perceptions, ideas and observations of the interviewees in order to encourage new, different and unexpected views and stimulate the discussion. Yet, as there is the risk that interviewees might pull in different directions, making the empirical results difficult to compare and analyse, an interview guide with specific themes and sample questions was prepared (see Appendix 6).

Some interviewees asked for the interview guide in advance, especially the auditors, as this was demanded by their organisations. The interview guide had to be adjusted and tailored to each interviewee, as different questions were relevant. Sometimes the interview guide was enriched or changed at different stages of the project in order to obtain different viewpoints from the interviewees, and to explore and understand new themes, or because of a gradual understanding of issues related to the use of IFRSs. The interview structure allowed the respondents to deviate from the initial questions so that a deeper and more meaningful discussion could take place. The structure of the interviews was informed by the concepts in
the adopted theory as well as the findings from secondary evidence and the documents related to the companies, or the development of standards, or official statements of the government. The feedback from the pilot study was also essential in structuring the interview guide.

The use of an interview guide was good practice, and allowed particular themes to be covered, yet, in a relatively broad and flexible way. The semi-structured and unstructured nature of the interviews allowed the interviewer to respond and follow up on the initial answers given by the respondent. On occasion and when considered appropriate, rather than relying strictly on the interview guidelines an ongoing interpretation of the interview situation was introduced to deal with unexpected but also redundant elements. Considerable space was provided for the interviewees to introduce relevant topics, avoiding leading questions. The atmosphere in all the interviews was friendly and relaxed. The interviewees were given the opportunity to openly share about their concerns and views. After or during the interviews notes were kept relating to the interviewees’ profiles, interests and any other relevant comments for the purpose of the study, as well as observations that could not be captured by audio-recording. When questions were asked directly effort was made to keep these clear and focused, to avoid interpretations based on clues from the interviewer. Some follow-up discussions were carried out by phone with some of the interviewees at a later stage, to rule out potential misunderstandings.

6.4.5 Transcription, Coding and Analysis

All the interviews were recorded to avoid inaccuracies resulting from poor recall, and were, then, accurately transcribed in Greek. Key sections and sentences of the transcribed interview were translated into English for presentation in the thesis. The process of translation is embedded within the socio-cultural context (Halai, 2007), as is the process of transformation of verbal or spoken conversation into textual form. Lapadat and Lindsay (1999, p. 82) emphasised that such a transformation is a theory-laden process and the decisions or choices made during it are inevitably influenced by the analysis and interpretation of findings (Halai, 2007).

The translation was conducted by the author, a native speaker of the Greek language, with a deep understanding of the wider social and political Greek context; this improves the validity and the reliability of the study. Although the majority of the interviewees spoke in English, the possibility of speaking Greek meant that the respondents were more open and expressed their opinions more honestly than would have been possible if the interviews had been
confined to English language use. Furthermore, the author was able to combine her technical accountancy competence with an understanding of Greek society and the Greek business environment, to provide a unique insight into the implementation process of IFRSs. A literal translation (i.e. translation word-by-word) was chosen in order to fully appreciate what the participants said and to ‘make one’s readers understand the foreign mentality better’ (Honig, 1997. p. 17). However, sometimes the interviewees’ accounts required a free translation approach, in order to render the meaning of the interviewees’ accounts into English. Although translating and editing quotations involves a risk of misrepresenting the meaning and message an interviewee conveys (Rubin & Rubin, 1995, p. 273) or loss of information from the original, the interviews as already discussed were not intended as a solid body of knowledge, but as inspiration to problematise and creatively build on certain views.

The large amount of unstructured interview accounts collected were then grouped and organised. In order to analyse the interview material, computer-assisted qualitative data analysis (CAQDA) methods were tested. Although such software packages can be useful for the purposes of certain studies when analysing interview and other audio-visual data, the systematic and linear codification of the interview accounts resulted in a fragmentation of the information, as emphasis was placed on the key portions of the interviews. In order to gain a holistic understanding of the structure, the contexts within which views were expressed and the meaning of the discussion was important, making a manual approach to categorising the evidence and extracting the main themes more appropriate.

During the reading of the transcripts notes were taken and ideas and relevant extracts were highlighted. Care was taken to ensure that all the information was considered by crossing out the parts of transcript once it has been incorporated into the analysis. This procedure meant that the risk of selective use of data was avoided and that none of the themes were suppressed. The transcripts were coded first using a relatively general coding scheme, containing some ideas or perceptions that were regarded as interesting and pertinent to the research objectives, such as claims about benefits, criticisms, the local flavours added to IFRSs adoptions and reasons explaining the gap between the ideals of quality and whether and how the latter is achieved in everyday practice. Later, more specific themes emerged during analysis of the interview evidence.
In the analysis of the interview evidence some major themes, such as views on the ‘benefits of the use of IFRS’, ‘users of financial reports and their information needs’, ‘environmental factors affecting IFRSs’ application’, etc. emerged. The theoretical framework was revisited using interview evidence. Based on the theoretical framework adopted, the transcripts were categorised according to themes, such as perceptions about ‘the role of the state in financial reporting’, ‘inconsistencies between IFRSs’ objectives and practice’, ‘common sense’ benefits of accounting information based on IFRSs’, and so on. The evidence was compared with theory to develop a coherent and informed understanding of the use of IFRSs in the specific national context. By thinking in a dialectical way, divergence between established ideas and conceptions and alternatives to these ideas and practices were identified. Although the preparers and users participating in the study did not automatically raise identical concerns, they referred to similar themes and adopted similar patterns when reflecting upon key issues. The discussion revolved around emerging themes (Appendix 7 provides an illustration of the rationale of the analysis of interview evidence).

Quotations were added to the text for analysis when it was felt that they added credibility to the analysis and enhanced understanding of the various themes. Consistent with the research focus of this study, the findings illustrated in the following sections aimed to reflect a variety of perspectives, rather than reporting on relative frequencies by stating percentage figures. This was in line with methods of data presentation in qualitative analysis, which are generally focused on understanding socially constructed concepts, and contain a minimum of standardisation, statistical methods and quantitative measurements (Sarantakos, 2005, p. 344). Terms such as ‘many’, ‘some’, and ‘few’ can be used when describing data. However, these proportions are not provided as statistical information but rather aim to show theoretical saturation. A variety of responses were also expressed in the final analysis, although in some parts, the reliance on reflections from a particular group, for example auditors or bank managers may be greater, due to the importance of their insights relative to a specific theme. In order to provide a more critical approach to dominant views on the subject under investigation, and to encourage the exploration of different lines of interpretation the analysis was also systematically guided by an alternative understanding of the interviewees’ roles or points of view. For instance, as Alvesson (2011) observes interviews may involve difficulties of representation and normative pressure for adopting certain talk. They may require adaptation to normative pressure by mimicking standard forms of expression, such as “IFRSs are comparable, more transparent and of better quality than local GAAP” which mimics the
rhetoric promoted by the IASB. There is a challenge associated with interview subjects who are located in political arenas and driven by interests when promoting certain kinds of truth. Auditors of the Big 4, government agents or academics may have different motivations or develop differing interests or rationales when participating in an interview.

6.5 Ethical Issues and Considerations

Ethical issues arise when conducting qualitative research. According to early documents describing ethical research procedures, three general principles should serve as a foundation for the evaluation and rationalisation of human action. Respect for individuals as autonomous agents; beneficence as an obligation, to maximise possible benefits and minimise possible harm; and justice, addressing the issues of who receives the benefits and who bears the burdens (Hoque, 2006). Moreover, in a qualitative case study, pseudonyms and disguised locations are often recognised by readers. An ethics policy requires that the utmost care is taken to ensure the safety of any research participants involved, avoiding any harm, using all available information to make an appropriate assessment, while also constantly monitoring the research as it proceeds. In order to assure confidentiality and anonymity, the participants were asked to sign a Consent Form before participating in the research project (see Appendix 8), the details of which were then fully explained to them and described in writing. Where required, additional information was discussed. Participants were given adequate time to decide whether they had changed their minds about participating in the research; no such incidents occurred, since the interviews were pre-arranged and the interviewees were given information, the implications of giving consent. Electronic copies of the recordings and the transcripts, as well as hard copies of the transcripts were stored, and access to these was limited and password protected. All the interview participants were guaranteed anonymity for their recordings, transcripts and subsequent research outputs. In order to preserve the anonymity of the interviewees equally for all when quotations were brought into the text the identity of the individual making the statement in not disclose and rather, an abbreviation is used related to the role they represent, e.g. academics are codified as ACD, or auditors as AUD, etc. (see Appendix 5 for interview codes).

6.6 Theoretical Limitations of the study and methodological challenges

The current study makes use of theoretical ideas developed by Antonio Gramsci, but will not offer a theoretical critique of the Gramscian theory and the interpretation of the notion of ‘hegemony’ by Gramscians and neo-Gramscians, as discussed at the beginning of the previous chapter. Thus, there is no discussion of the weaknesses of Gramscian theory per se, or the different interpretations of it (see for example, Althusser, 1970; Cox, 1983; Gill, 1993; Ayers, 2008; Thomas, 2009). Empirical evidence is not used to develop or support a certain theoretical framework but rather that theoretical framework is used to encourage imagination and novelty in the interpretation of empirical material.

Common criticisms of approaches to critical research, in terms of reflexivity, include assertions that state that critical theory tends to be one-sidedly focused on negative features of society and its institutions (Alvesson & Sköldberg, 2009). One may find ideological domination or the exercise of power everywhere, noting that the usual suspects are accused, assessed and condemned without open-minded inquiry. In empirical studies it is important to be receptive to the non-repressive, more positive aspects of social institutions and to broaden interpretive repertoires. There is also the argument that due to the intellectualising approach to critical studies, it may be difficult to apply critical theories to empirical material, running the risk of pre-structuring findings. However, based on discussions about the opportunities that a critical approach to interpretation has to offer, critical theory provides a broad and powerful tradition in opposition to naïve notions of the neutral nature of research. The use of the interview method offers an opportunity to make this limitation less sharp. The aspiration of critical theories to problematise the status quo, also facilitated the existence of alternative conceptions of the social world, in line with the interests of the majority of society can also be regarded as focused on the ‘positive’ aspect of society and institutions.

The study is also limited by both conceptual and methodological issues. The first limitation of the study concerns the use of a single country as a case study, using the particular circumstances of Greece to illustrate the harmonisation process. The inability to generalise the findings and extract statistical generalisations is a common criticism of this type of research strategy. However, no attempts at statistical generalisation are claimed in the current study, as the methodological approach adopted is concerned with theoretical considerations (Ryan et al., 2002).
Another criticism of triangulation and qualitative research arises more widely from the fact that interview data may cause conflict between respondents. In this research, conflicts do not arise even when there is criticism of one institution by another. The use of interviews has a number of limitations as previously discussed in this chapter. For example, in this study the selection of interviewees was based on the personal judgement of the researcher through personal contacts, and based on which qualified individuals were available and accessible. The individuals were not selected objectively from among all possible actors, and in this manner personal bias may have been introduced, limiting the scope of the interviews. However, care was taken to ensure that the interviewees represented a wide range of potential users and preparers including also academics. In addition, the interviewer may influence the behaviour of the respondents and the answers provided, by bringing personal bias to the research. Interviewees may be unwilling to share information or disclose particular attitudes. It is also important to acknowledge any theoretical assumptions and the importance of language and narrative, which comprise major elements of the interpretation. The centrality and materiality of language as a superstructure of society is irrefutable, and sufficient attention was paid to it during the course of the analysis. This aspect could be the focus of a future study.

Another challenge is that the interviews were carried out over a two year period between September 2009 and August 2011. During this period the Greek economic crisis was unravelling, presumably increasing dissatisfaction with EU policies and austerity measures and by implication with the IFRSs. Examining the impact of the crisis on the attitudes and accounting practices after IFRSs adoption was beyond the aims of the current research project. There was, however, some intensification of the issues discussed in relation to political affairs and developments within the EU and globally when contrasting the earliest and latest interviews. A polarisation of interviewees’ responses regarding their attitude towards IFRSs due to the economic crisis was not observed, although the discussion of the IFRSs frequently unfolded in reference to the current political and economic turmoil. The variety of arguments and issues posed by the interviewees did not differ significantly during the two-year period over which the interviews took place, and particular attention was paid to presenting coherently a variety of themes and perspectives.

Attempts to enhance the reliability and validity of the research design and data analysis will hopefully minimise any limitations and bias and provide a rich account of individuals’ realities.
Chapter 7: Evidence on the perceptions of key actors on the use of financial reporting information and the impact of IFRSs

7.1 Introduction

In the findings chapter (i.e. chapter seven to nine) the meanings, perceptions and lived-experiences of Greek key actors who apply accounting practices and use companies’ financial statements are explored. The transition process from the GGAP to IFRSs and the implementation of the latter has been the subject of various studies in different national contexts and has been approached by different theoretical schools. A first-order presentation and interpretation of the views of interviewees, such as regulators, the profession and financial statements’ preparers and other users, will provide further primary evidence to augment existing mainstream research on IFRSs, regarding the transition and implementation process, users’ information needs and the impact of the adoption of IFRSs on their role and economic decisions. The challenges the interviewees encountered in the implementation and interpretation of the new standards, as well as, the benefits they recognised through the provision of financial reporting information under the IFRSs will also be discussed.

On another level, established ways of thinking are problematised, in order to develop an insight beyond that provided by the empirical material. An understanding of accounting change or continuities is enhanced by wider macro-accounting, economic and political transformations. Market integration and accounting harmonisation are the outcomes of political and institutional actions that shape and are being shaped by the precepts of capitalist economies and regulatory bodies, such as the IASB. The process of the formalisation of certain established assumptions is based on the ruling ideology of market competition and free trade that prevails in the structure and operation of the economy, and which feeds into the process of unquestioned rationalisation and the legitimisation of accounting harmonisation and the economic behaviour of financial reporting users and preparers; and vice versa. Analysis at this level illuminates potential contradictions within the rationales and justifications for the implementation of IFRSs. In the discussion session, an analysis based on Gramscian ideas supports the theoretical framework, making sense of the socio-political processes and the way in which the status quo is maintained. Such an analysis can provide a basis for social critique and political action, by exposing those social divisions that underpin changes and normative justifications for capital accumulation.
Chapter seven addresses the perceptions of users and preparers regarding the transition and implementation process, the users’ information needs and the impact of the adoption of IFRSs on their role and economic decisions. Chapter eight discusses the benefits enjoyed, or assumed by the interviewees, while in chapter nine the challenges the interviewees encountered in the implementation and interpretation of new standards, as well as, the justifications provided for the lack of accomplishment of the IASB’s pronouncements regarding the quality of the standards are examined.

7.2 Perceptions of key actors on the use of financial reporting information and the impact of IFRSs

7.2.1 Perspectives on the internationalisation of accounting standards

Before discussing in detail the main themes arising from the interviews with local actors regarding their experience with IFRSs, it is important to highlight the context of the discussion in which their perceptions developed. Although the interviewees were explicitly asked about their motivations for adopting IFRSs, as well as the process and impact of the new set of standards, most of the interviewees did not discuss the adoption of IFRSs in isolation. In many cases the discussions turned to the forces of globalisation and the economic necessity of a single market. More specifically, IFRSs themselves appeared to be understood within the context of wider economic developments, thereby illustrating a particular way of conceiving the world. For example, the views on the perceived benefits of the adoption of IFRSs were influenced indirectly by overall views and attitudes towards the international economic integration of markets and accounting regulations. The discussion on the merits and the rationale behind the project of financial reporting harmonisation was set in the context of the EU integration and developments as expressed in the EU Directives, and was rationalised as the expected outcome of the economic globalisation process.

In terms of the general attitude of the individuals interviewed, it could be argued that a positive stance towards the harmonisation process and the adoption of IFRSs was taken. The arguments put forward in support of the rise of IFRSs were associated with the development and diffusion of a capital market culture, the rise of supranational government institutions and the internationalisation of companies’ operations. The underlying assumption, sometimes explicitly expressed, was that the adoption of IFRSs is a component of a broad neo-liberal
agenda consistent with the contention that privatisation and market competition leads to a more efficient and fair allocation of economic resources. State intervention is considered an obstacle to the efficient operations of free markets:

‘Unfortunately, in Greece the majority of people adhere to ‘left’ ideologies and beliefs; these are rather dated and do not encourage the modernisation of the economy and society. We do not have a society of equal opportunities, actual free markets, but instead there are despicable state interventions everywhere that lead to an unproductive economy and the distortion of society... We were unfortunate, because when Greece became a member of the EU, we did not use the opportunity to claim a share in the production process and the market nor did we acquire technical knowledge along with the developed EU countries. Instead, the state restricted Greek entrepreneurship in legal terms. Companies decided to invest in third-world countries, in the Balkans’. [MA2]

‘State intervention should be limited to capital circulation in order to avoid economic crises caused by the lawlessness of the banks. States should stay away from production processes.’ [AUD2]

‘The economy and the accounting profession should be based on private initiatives, all institutions and organisations that were run by the state were a disaster; even though private institutions did not prove to be better in the end, we need to preserve the idea of privatisation and try to improve on weak situations... We cannot go back to when companies were bribing public services...’ [FA3]

These above views echo the domestic discourse on modernisation that Caramanis (2005) observed to be based on Diamadouros’ (1993) analysis, when he examined the intra-professional conflict over the jurisdiction of statutory auditing in Greece in the context of the socio-economic and political changes that took place in the country. According to this analysis, the contemporary Greek socio-political system is historically polarised between perspectives; a modernising tradition promoting rationalisation along pro-liberal, western-looking and capitalist lines, and an underdog tradition, which is an anti-reform culture, pro-statist and pronounces scepticism towards capitalist mechanisms. Although this categorisation should not be used simplistically and deterministically; by overlooking how these traditions pervade society and develop across class lines, some of the interviewees’ reject the clientistic and populist traits within the current political system (Mouzelis, 1986),
commenting that it is responsible for the backwardness and inefficiency of the Greek economy and negatively impacts on society.

On the other hand, modernisation is conflated by the integration of Greece into the international political and economic system, which was invigorated by the country’s accession to the EU. Modernisation, or so-called Europeanisation, is perceived as favouring market mechanisms that foster international competition, benefiting the growth of economic and entrepreneurial initiatives. Modernisation still exists as an argument, although it seems to signal a departure from the clientistic tradition and the populist politics of the 1980s. Pre-IFRSs’ accounting practices appear to be stigmatised by this clientistic culture due to the pre-eminence of national regulators over the calculation of taxes; meanwhile IFRSs symbolise a positive modernisation step, as part of the economic restructuring imported into Greece in the 1990s. As discussed in previous chapters, the modernisation project is simply reliant on economic, social and political reforms that have to embrace privatisation, liberalisation of the labour market and changes in the pension system (Featherstone, 2005). Governments and sections of the Greek ruling classes used modernisation-related arguments to transform Greece into a neo-liberal experiment, based on an instrumental belief in the importance of EU membership. Thus, Greece’s EU-level commitments encouraged the prevalence of a neo-liberal agenda in the pursuit of globalisation. This point was generalised for the use of IFRSs by an interviewee who maintained that:

‘IFRSs are more legitimate; they contribute to the modernisation of a company and help in its extroversion and its globalisation.’ [CM1]

Other interviewees take a more passive stance towards the internationalisation of financial reporting process. For them economic integration was a positive step towards the growth of the economy, yet Greece is regarded as a weak player in the European and international arena, one that must follow political and economic developments and accept the way things are done. This approach resembles a discussion on the role of Greece and its dependency on other advanced economies that cannot be avoided or defied easily.

‘We are part of the EU, this cannot change - we cannot exit from the EU. We are required to adopt IFRSs, we cannot avoid it, even though the country’s environment is unfavourable. What we can do is to make an effort to comprehend the standards and advance our technical level and apply them in this particular context...’ [AUD7]
The interviewees’ reactions to the internationalisation of accounting standards appear to be influenced and shaped by the debates that take place within their own organisations. Although these views are expressed by a specific and narrow group of people, who do not represent the wider society and groups which are affected by corporations’ actions and their accountability, this group does include the most knowledgeable and sophisticated users of financial reporting. Their stance will determine the future application of IFRSs in the Greek context. Accounting regulation changes impact on the wider national economy and entrepreneurship, as financial accounting is a fundamental source of information that establishes the basis on which economic policies are to be structured and restructured.

7.2.2 Perspectives on the use of financial reporting information: dominance of tax regulations

The Greek state has traditionally intervened more in the economy, while many of the powers associated with the accounting profession derive their effectiveness from the state’s coercive abilities. Although the state has its own interests, it also shares the interests of the ruling class in defending long-term capital accumulation, and so carries out ideological, political and economic reforms that are aligned with the aims of market-based economies. Through the adoption of IFRSs, a part of the binding regulations imposed at EU level, the state promulgates such imperatives. Yet, different state interests and needs are reflected on the national accounting regulations leading to different accounting policies.

In order to understand the changes, that have taken place as a result of IFRSs adoption at a micro level, it is vital to gain an insight into the perceptions of individuals and organisations on the role and objectives of accounting within the Greek business context. Even though, shifts in the rationale behind the role of accounting have occurred through the implementation of the European Directives in the 1980s there are still competing perspectives covering what accounting is and should be. These perceptions reflect the idiosyncrasies of the organisation and structure of the economy at a national level, as well as, the imperatives in the dominant discourse regarding the conceptual underpinnings of financial reporting.

The definition of the nature of financial reporting appears to be a major issue that has not been resolved (this is also true for the IASB) as major debates focus, for example, on whether the objective of accounting should be stewardship or decision-usefulness. The prevailing criterion for the IASB, in promulgating its project of harmonisation, has been based on the premise that financial accounts should reflect the IASB’s international conceptual framework.
as directed towards a single purpose; the provision of useful information to decision-makers, particularly to investors in capital markets. The stewardship role of financial statements, i.e. directors’ accountability to shareholders, is acknowledged as a subset of decision-useful statements for resource allocation purposes. These two concepts have a common axis, as the stewardship objective aims to assess management’s competence and the adequacy of compensation, providing shareholders with sufficient information to make decisions. Nevertheless, the rationale and objectives of current financial reporting remain narrow and exclude alternative purposes, such as providing an information system that guides production and the fair allocation of resources in order to confront inequality and poverty in a given society.

The meaning that different interviewees ascribe to accounting and financial reporting varies. Traditionally, accounting in Greece was rules-based and stewardship was recognised as the main purpose of financial statements. Accounting practice based on accounting conventions, such as conservatism and historical costs dominate accounting practice in Greece. The shift of the decision usefulness aim of financial reporting towards providing information for resource allocation purposes to the business community took place prior to IFRSs adoption and was introduced (at least de jure) when the 4th and 7th European accounting Directives came into effect.

The perceptions of the role and purpose of reporting financial statements were considered to be separated into two camps, based on the different prevailing business mentalities of companies’ administration. The first, which is consistent with the decision-usefulness rationale, and the second, according to which financial reporting is regarded as a legal requirement by the state to serve tax purposes, are described by interviewees as a necessary evil. For smaller companies which form the backbone of the Greek economy, published accounting results do not appear to play an important role in the management of companies, as, due to their simpler structure and transactions owner-managers acquire this information easily and in a more timely manner. The idea of keeping a notebook (in Greek ‘tefteri’) with the basic accounts of the company (e.g. sales, loans and other liabilities) is common. In this sense, accounting is equated with book-keeping rather than financial reporting. However, according to most interviewees this is the prevailing mentality for the majority of companies, whether they are considered Small and Medium-sized Entities (SMEs) or larger companies.
‘The smaller a company is the more managers tend to control everything by themselves; sometimes they reach a point where they ignore accounting, thinking that the information they keep in their minds is more important than that provided by accounting.’ [AUD4]

Financial reporting also includes tax accounting. In cases of conflict between accounting treatments prescribed by the GGAP and tax laws, companies choose to report their results in accordance with the provisions of tax laws that came into effect under different governments.

‘Business, generally, don’t want to pay much for taxation, and so, they may want to show the lowest possible profits. But, they also want the highest possible profits in order to preserve their loans and to become eligible for business grants from the state. It is particular; they are not satisfied either way.’ [AUD4]

‘There is confusion about what an accountant is. The accountant’s role in Greece is to go to the Tax Office, or the IKA [Idrima Koinonikis Asfalis, the equivalent of Social Security Institute] in order to pay fines or try to get away with something. If you have ‘connections’ with people from the tax authorities you are the best accountant in Greece.’ [AUD1]

The importance attributed to financial reporting or book-keeping practices is determined by a cost-benefit analysis, while preparers are more oriented towards the satisfaction of regulator’s requirements. As most of the companies are small and family-owned, they choose to apply systems that save time and effort and offer maximum benefit. This observation is consistent with studies conducted on companies of a similar size in other national contexts (Macías & Muiño, 2011). Preparers seemed unwilling to spend funds on supportive facilities, accounting software and, generally, on the operation of their financial reporting systems.

‘Companies focus on production, because having a good product and high sales brings money directly, whereas supportive services, such as accounting do not bring money to the company. Financial reporting requirements are not their priority, they don’t try to advance their accounting systems in order to make them more sophisticated and to provide better information for decision making.’ [AUD2]

‘Small companies regard accounting as a necessary evil. But the majority of the companies are small and medium-sized and very few are listed. Their mentality is that if they have nothing to gain from accounting they will not pay attention to it’. [ACD2]
The tendency of preparers to avoid following financial accounting standards to the letter (both the GGAP and the IFRSs), and the prevalence of the tax regulations are considered a key limitation of financial reporting practice in Greece. Interviewees criticise general perceptions about accounting; viewing these as a set of technical rules that need to be followed, rather than a set of concepts and principles that are used as a guide allowing for the discretion and professional judgement of preparers aimed at satisfying investors’ needs. According to some interviewees, financial reporting is equated with coding and code memorising:

‘Accountants in Greece have the impression that accounting is coding. There should be some summary accounts, but too much coding is ridiculous. An accounting system with a basic coding system that could be updated every 5 years and that would follow and adapt to the developments of IFRSs would be ideal for Greece.’ [AUD1]

The tax-dominated rationale to financial accounting is condemned and defined as an obsolete approach, detrimental to entrepreneurship and the economic growth of companies. One company managing director went as far as to describe this tax-oriented attitude as the outcome of a lack of education and a sign of the lower intellectual level that hinders Greek companies from applying a Western type accounting framework and practice. This comment illustrates a common perception and acknowledgment among key users and preparers that the shift to the IFRSs is considered a superior alternative to local accounting practices that promote economic growth and which are in line with an appeal for modernisation. The key presumption is that financial statements should serve as a source when obtaining information about a company for decision-making purposes. In this sense, annual reports should communicate information in order for users to make predictions about the future, to take investment decisions, and as a means of acquiring an authentic understanding of the company’s performance.

‘In Greece the GGAP is regarded as accounting, namely entering numbers in a software programme in a codified manner. The GGAP however, is a tool. Financial reporting is what IFRSs advocate, that is, recognition, measurement, presentation and disclosure. Accounting has nothing to do with taxation.’ [ACT2]

The operational links between financial reporting and tax accounting remain strong and are important for both publicly listed and private companies, even since the adoption of the IFRSs which is in line with the work of Tzovas (2006) and Bellas et al., (1998). According to
some interviewees’, although the tax regulations prevail over the choices and options available to financial reporting preparers, these links have tended to weaken, since Greek taxation practice differs from the IFRSs requirements. The competing purposes of financial reporting are directly linked to the interventions of the State though taxation and the structure of the economy, and comprise a recurrent theme establishing the source of interviewees’ perceptions, and the discussion that follows.

7.2.3 Perspectives from the users of financial statements

It is an important role of financial statements that they reproduce an image, which represents a constructed and specific reality, whose meaning does not exist in a social and power vacuum, but rather provides evidence in terms of ‘financial information for whom and for what’. Evidence regarding the users of information obtained from financial statements allows for a more thorough understanding of the actual audience for financial reporting information.

One of the initial interview questions raised related to interviewees’ perceptions about who they consider to be the people or institutions that actually read a company’s financial statements. In many cases, the immediate response was ‘you mean the users of the financial statements?’ thereby setting the discussion indirectly into the decision-usefulness conceptual context. Although perceptions about who reads companies’ financial accounting reports were diverse, opinions varied depending on the size of the companies and the role of each interviewee; a broad list of potential readers of financial statements emerged. These can be roughly grouped into internal users, including the manager-owners of the company, internal auditors, general members of the companies’ administration and, external users. The second group included (potential) investors, creditors, government agencies and regulators, competitors, customers, suppliers and employees.

Investors were considered a narrow group, since, the size of companies and the lack of a developed and active financial market in Greece meant that companies do not have multiple shareholders. Companies, usually have a single shareholder (who is either the owner or a family member) who uses financial statements as a guide to investment decisions. Other investment vehicles, in the form of mutual funds, were rarely mentioned. The investors’ group comprises investors’ advisors, and particularly financial analysts, working for investment institutions. Analysts extract information from financial reports to express an opinion or make recommendations that may possibly influence investors in their decision-making. Similarly, rating agencies responsible for assigning credit ratings for debt issuers, in
terms of their business and financial risks are also considered as users of the companies’ financial statements.

On the other hand, creditors as capital providers, hold an important position in the users list. Within this group banks are considered the main users of companies’ published financial statements; they are aptly described as ‘being an essential part of the company’s capital’, while according to a CFO ‘it could be said that the banks are actually the shareholders of Greek companies’. The dependence of companies on banks for the provision of funding resources was justified on the grounds of a less active stock market and its significant decline following the bursting of the Stock Market Bubble in the early 2000s.

Statutory users of financial reports include government agencies and regulators, such as, the tax authorities (Ministry of Finance), the Hellenic Capital Market Commission (HCMC) and Athens Stock Exchange (ASE). The Greek state, through the Ministry of Finance and relevant tax authorities will be discussed later; as recipients of financial information play a determining role in shaping the financial information presented in a companies’ reports, justifying the notions of international accounting literature of tax-oriented accounting practice. Tax authorities are not included as the main users of IFRSs financial statements, since companies have to prepare two sets of accounts, one for financial reporting purposes according to the IFRSs and one for tax purposes following the prescriptions of the GGAP and other relevant legislation.

External auditors are part of the users’ group; they are users performing financial audits as prescribed by law for a category of (larger) companies. Part of the project of modernisation was the privatisation or liberalisation of the auditing function in the 1990s and the emergence of the Big Four audit firms, as auditing was mainly a public task. The Big Four undertook the auditing of the largest companies, together with SOEL (Soma Orkoton Elengton-Logiston), which was established after the abolition of the state auditing body, SOL (Soma Orkoton Logiston). The role of auditors in preparing financial statements as external auditors, to achieve compliance with IFRSs, was considerable. A common remark made was that auditors were essentially preparing annual reports, especially during the initial years of the IFRSs adoption. The fact that auditors are preparing the annual accounts raises interesting questions regarding auditor independence. Interviewees’ experience and claims (including auditors of the Big Four) seem to confirm that external auditors’ involvement in the preparation of annual reports calls into question the efficiency and independence of the auditing process.
The same auditors that are appointed to deliver audits may also provide advice on accounting treatments and the compilation of the financial statements. Auditors are directly remunerated by auditees, and auditing firms are also driven by commercial incentives, which means that on occasion they may not be willing to go against the interests of executive directors. As will be discussed later, many directors are more willing to ‘listen to the tax man’ than to try to implement IFRSs in an appropriate manner, which inevitably leads to serious concerns about the quality and comparability of companies’ reports or their claims to be serving the public interest.

Another user group mentioned was managers interested in their main competitor’s financial reports. It seems, however, that companies rarely look at the financial reports of suppliers or clients, apart as individual cases; for instance, for mediating concerns over a vital client or supplier for a company’s operations. Suppliers and clients were occasionally identified as external users, mainly by chief accountants rather than the manager-owners or the CFOs.

‘As far as clients and suppliers are concerned, I don’t think they bother. Suppliers are interested in making sure that a company gives them checks, this is what they care about. As a chief accountant I am interested, for example, in whether our clients pay well and by the due date. It is very important that the checks do not result in protests, something which happens quite often recently...’ [ACT1]

The above comment suggests that the interviewees’ perceptions of potential users are influenced by who they think the users are in ‘theory’ and/or as proclaimed by the state, the profession and the standard-setting bodies, rather than explicitly identifying them in a Greek context. It appears that communication between companies and their suppliers and clients is mainly achieved through personal contact, and is based on relations of trust that have developed throughout the period of their cooperation. Moreover, in many cases, major suppliers and clients are large in number and small in size, resulting in a limited body of public financial information being disclosed. One of the interviewees, for example, defines and separates users into those that exist in ‘theory’ and those that exist in practice, based on the ‘Greek reality’ [MA3].

*Employees* are mentioned rarely as being a group interested in examining the financial statements of the company by which they are employed. One auditor reported that employees seek information about the financial viability of a company in order to provide ‘some assurance’ about their future employment [AUD3]. He had to acknowledge, nevertheless, that
this claim is mainly a theoretical assumption, since, based on his experience, the majority of employees were not in a position to understand the financial information included in the financial reports, especially after the adoption of the IFRSs. Similarly, there was no notion of a broader accountability to the ‘public’ or the social groups affected by the operations and resource allocation decisions made by companies and affecting the national economy.

The perceptions of interviewees about the users of the financial reports referred to financial information without specifying whether it was prepared according to the GGAP or the IFRSs. The group of users identified became narrower as the size of the companies reduced and the accounting disclosure requirements became simplified. Non-publicly listed companies’ financial reports are mainly used by a company’s management, banks and tax authorities and less by investors, customers, suppliers and employees. Thus, actual users are fewer than pronounced by standard setters, regulators or the accounting research on potential users. Simply, users other than investors, banks, tax authorities, auditors and, partially, the management of the company lack the appropriate and necessary technical knowledge and education to comprehend or analyse financial reports. With the adoption of the IFRSs, a wider user group is restricted to a narrower group of IFRSs knowledgeable individuals and ‘IFRSs experts’. Perceptions on the use of financial reporting information and the impact of the IFRSs on the performance of the key actors’ roles are explored in the next section.

7.2.4 Perspectives on the uses of financial reporting information and the impact of IFRSs

As the length and complexity of financial statements continues to grow, so does the anarchy characterising the development of capital markets, manifested to a certain extent by the current financial crisis; thus, the usefulness of financial statements has become a disputed issue. Users and preparers explain comprehensively the ‘usefulness’ and contribution of information extracted by IFRSs’ financial statements. This narrow group of users is by no means homogenous in terms of their information needs and interests in financial reporting. Their purpose is also to evaluate any changes in perceptions, as these reflect on their practices surrounding the role and expectations of financial reporting information after the adoption of IFRSs.

7.2.4.1 Internal users and preparers

Accounting is perceived of as a central part of the mechanism, whereby, company performance and operations are turned into financial information. Accounting numbers
provide the information framework that companies use to make economic decisions and to take action. The role and use of annual and quarterly financial reports, as formal sources of accounting information, varies according to the size of the company and the information requirements of the different user groups that in turn analyse and employ these accounting datasets. Larger companies tend to have more advanced and computerised accounting information systems that they use either to report and extract information for internal use (management accounting) or for external use in the form of annual or quarterly reporting to interested parties and for tax purposes (financial accounting).

According to the interviewees’ views, private and public companies that apply IFRSs (either on a mandatory or voluntary basis) are considered to be large companies; nonetheless, defining companies according to their size has proved problematic. Categorising these companies based on official quantitative criteria, such as turnover and number of employees, means that most listed companies will fall under the category conventionally described in the literature as SMEs.\(^51\) This categorisation holds true even if qualitative criteria are used, such as the ownership structure or legal form, as they are predominantly family-owned with a single basic shareholder. Listed companies usually operate locally, with some exceptions in the form of companies that have expanded into the Balkan countries or that conduct transactions with a limited number of countries internationally (Hyz et al., 2011).

An auditor comments:

‘When using the European criteria to categorise Greek companies, they are considered small, and when using the American ones, then they are considered very, very small.’

[AUD9]

It is assumed, however, that companies that use the IFRSs are large or medium-sized according to market standards in Greece. The larger the company, the more complex their transactions, the more they pay attention to detailed accounting information, ‘the more

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\(^51\) According to the European Commission, SMEs are defined as all enterprises employing less than 250 employees. Within SMEs, the following size-classes are distinguished: Micro enterprises, having a headcount of less than 10, and a turnover or balance sheet total of not more than €2 million. These are enterprises without any employees, which provide an income for the self-employed and constitute a special category within this size-class. Small enterprises having a headcount of less than 50, and a turnover or balance sheet total of not more than €10 million. And finally, medium-sized enterprises having less than 250 employees, and a turnover of not more than €50 million or a balance sheet total of not more than €43 million (EU recommendation, 2003/361).
organised the accounting reporting procedures they develop are, and the more ‘seriously’ they take accounting information’ [AUD5].

The companies’ managers primarily use management accounting information, which is more detailed and timely; extracted from trial balances and cash flows budgets, in order to make decisions on the operation of their businesses. Managers, for instance, will collect information (on a regular basis) covering their monthly sales; their expenses, such as payroll, cost of raw materials and operational expenses, suppliers and debtor balances. Based on this kind of accounting information managers determine their plans for a company, its pricing or discount strategy, predictable risks and budget according to expected sales and expenses and cash flow forecasts, in general; these are then compared with the actual results as reported in the annual/quarterly financial reports.

Annual or quarterly financial reports serve as a ‘confirmation’ of actual results, which will determine the forecasts of the company in the future, and will consequently, influence the economic decisions of managers. Owners and CFOs examine balance sheet items, such as loans (liabilities), customers, inventory and cash accounts, but tend to focus more on net profit and turnover and (future) cash flows as this will facilitate high borrowings.

‘All the essence is on the bottom line, the final results - it is important not only to analyse them in a static way, but to see how they develop over a period of time.’ [MA1]

Although the owners and the managers of companies base their economic decisions mainly on management accounting information, financial statements play an important role in determining the image of the company and in contributing to attracting and finding sources of funding from investors and other financial institutions. Financial statements serve the important role of representing an official financial image of companies towards banks and to some degree the investors become an essential component of decision-making.

‘Maintaining a good image for the banks, which are considered as strategic partners, is a main concern and a significant purpose that financial statements serve.’ [ACT1]

‘We are concerned about showing a good image to the banks and financial statements help us to achieve this.’ [MA5]
‘Reporting high turnover is the most important aim for companies as this will determine whether they will get the support in the form of bank capital. This has seemed to work, at least until now.’ [AUD4]

The last quote shows the importance of the income statement in financial reporting and analysis even though IFRS standard-setters have adopted a balance sheet-based model of financial reporting. The companies’ representation of the business community through financial reports is, hence, a crucial factor of a company’s viability and development. In this sense, the qualitative information and disclosures provided in the annual reports is equally important as quantitative data and figures. The position of a company in the market, its future prospects, innovations in new products and services, its ‘value’ and ‘history’ are features that entail understanding of subjective elements that can partially be achieved from examining financial statements. In the case of a potential take-over, for instance, financial information is important, but the evaluation of qualitative information determines the actual outcome of any decision.

7.2.4.2 Internal users and preparers: impact of the IFRSs adoption

According to companies’ manager-owners, financial managers and accountants, the adoption of IFRSs has not considerably altered the way companies are administered or their decision-making. However, a CFO thought that reporting under IFRSs had improved the way accounting information is organised and so gave a clearer idea about the company’s transactions and operations. Another aspect that marked a change in business administration after the implementation of IFRSs was that the companies’ administration team had to inform shareholders about important decisions, as IFRSs provide more options compared to the GGAP, and shareholders have to be consulted more occasionally.

‘The adoption of IFRSs has resulted in increased obligations and required more involvement from the administration of the company in accounting issues; this does not necessarily contribute to improved decision-making.’ [AUD6]

IFRSs’ implementation is considered, in some cases, to contribute to the ‘tidying-up’ of companies’ book-keeping, in particular details of economic transactions and information; while new accounting standards provide a clearer overview of business affairs. Financial accounting seems to assume increased importance within companies, and for some internal users IFRSs financial reporting requirements have had a positive impact on the self-
awareness of their companies’ economic position and the organisation of their finance departments. However, this has not led to the adoption of different internal reporting techniques or management practices; companies still operate dual accounting, as the adoption of IFRSs is mainly contained within the limited terrain of external financial reporting. Decision-making quality is not considered to be directly related to the improved information provided by IFRSs financial statements. Management accounting practices and techniques did not change significantly after the transition to IFRSs:

‘The adoption of IFRSs has not changed the routine of the company and management’s daily tasks. Management had the same access to necessary information for the administration of the company under both accounting frameworks. The mentality has changed, maybe the Greeks wants standards to be set at an international level! To feel that they cannot be relaxed and do whatever they want.’ [MA3]

The preparation of financial reports, according to IFRSs, has also been argued to improve and facilitate companies’ communications with international institutions, such as credit insurance companies that insure and collect outstanding debts from suppliers. When a company reports financial transactions under the GGAP, credit insurance companies may not be ‘convinced’ or satisfied by the available financial information. This has changed since IFRSs adoption, as it is now considered that financial statements provide sufficient information in an accounting framework that is accepted and understood [MA3]. The preparation of IFRSs statements has improved communication with international partner companies and banks. IFRSs financial statements are seen as a ‘passport’ for companies’ inclusion in the lists of international (securities’) financial analyst and credit rating firms. The preparation of IFRSs financial reports has decreased the workload and extra cost of preparing additional financial reports for this group of users.

For some, information that is reported according to the requirements of IFRSs is more credible, enhancing the legitimacy of companies in the market. The use of IFRSs encouraged the establishment of co-operations and strategic alliances. The perceived purpose of financial reports is considered to provide, to a greater or lesser extent, information that is used for investment decisions, for evaluating companies’ cash flow projects and for providing information to investors and creditors about companies’ resources. This is in line with the decision usefulness framework for financial reporting, as proclaimed by the IASB, and the logic behind the purpose of IFRSs financial reports.
7.2.4.3 External users: Bank managers and officers

According to the IFRSs Conceptual Framework, financial statements should be oriented towards existing and potential investors and capital providers who will provide resources to an entity without contractual rights, to demand information direct from reporting entities. Depending on contractual requirements users may, or may not rely on general purpose financial statements; while users such as banks have the right to stipulate the nature of information claims and to ask for private information.

Banks are considered one of the main user groups of financial statements and are essential to Greek businesses. Companies have developed strong links with these financial institutions. The information used by banks in order to make decisions about whether they will provide capital to Greek companies or not, are not based solely on financial information or published financial statements. The criteria used to make lending decisions include the position of the company in the market, its market share, the management of the company and/or the quality of its products or services. Banks obtain information through their loan officers by observing companies and their products over time, and by viewing the companies’ repayment history and solvency. Information for the latter can be extracted, for example, from the credit and financial transaction information system-agency, ‘Tiresias’ (according to the Greek mythology, Tiresias was a blind prophet famous for clairvoyance):

‘Tiresias is in a sense a black list where one can find out whether a company has any unfavourable records. There are databases set up, by sector which include for example, the dairy, food, and aluminium sector.’ [BA]

However, not all information can be collected from information agencies. Decisions about providing loans and establishing other types of professional cooperation are based on the personal relationship between a bank and its borrowers. The small size and family-owned character of the majority of Greek firms allows efficient collection of information. Companies-lender ties depend upon the economic environment in which the companies and the banks operate:

‘Financial figures are considered important but there is common agreement that the bank managers’ personal experience, personal contacts and opinions about a company are more important criteria in determining the banks’ loans policy. There must be, however, an equilibrium between financial results and personal relationships, but the knowledge one
requires about the way a company does business cannot be replaced by numerical indicators.’ [BA2]

Accounting is a company’s ‘face’ in the market and this is observed by the banks. When companies depend on third parties to finance their activities, they will become more disciplined and they pay more attention to accounting. If a company has no important financial needs, or fails to convince the bank of its reliability and viability, then financial reporting becomes less important.

‘The larger a company becomes, the more its decisions and the way it operates influence its environment. And the more it needs the justification of accounting to finance business activities.’ [BA2]

Banks employ analysts in order to prepare viability studies for companies that are applying for example, for first time loans [AUD7]. Loan officers study and analyse financial statements and extract financial information from companies’ balance sheets or income statements, such as fixed assets, shareholder’s equity, turnover, net profits, short-term and long-term liabilities and trade receivables. This information is imported from specially designed software programmes for credit and loan approvals that provide indicators, financial (profitability/liquidity) ratios and companies’ credit rating [ACT3].

‘To sum up, in order of priority, the information that a bank needs to extract from a financial reports is turnover, the profitability (net profit) and the ability to meet their loan obligations and liabilities; it is important that companies do not have liquidity problems and that they have appropriate capital, growth rates, profitability and efficiency.’ [BA1]

‘The capital share is also important, but mainly regarding credit agencies’ indicators, since the smaller the share capital the worst rating it has. Although banks are thought to be not very interested in the share capital, they focus on working with companies with a good rating. Based on this dataset and the judgments of the management team, banks will make decisions on the provision of loans.’ [BA3]

It should be noted that banks use a variety of information sources when conducting a financial analysis.

‘Apart from the annual and quarterly reports, they [the banks] ask for further information, namely, the most recent and detailed trial balances.’ [AUD4]
Managers confirm that bank officers contact businesses personally to seek clarifications about financial statement items; they require information about companies’ monthly results; judging from the questions bank officers raise it seems that they ‘dig deep into the financial statements’ [ACT1]. Banks are interested in investigating the way, for example, that gross profit was formulated and detailed information is solicited about certain balance sheet and income accounts. For example, they analyse and ask for a break down of sales accounts into categories of products or sales locations. Statistical forms issued annually by the State General Accounting Office and the Greek statistical office are also completed by companies and sent to the Bank of Greece every three months.

The procedure of information gathering and the bank’s analysis of financial statements and other financial data, together with managements’ judgements entails elements of subjectivity, while concerns are raised by interviewees, other than bank managers about how analysis can lead to erroneous evaluations and decisions on banks’ loan policies. A main concern is related to technical knowledge and the ability of bank officers to interpret and analyse figures and identify problems and risks from financial reports’.

‘They [i.e. bank officers] individually get results and figures from the reports and put them in the software system and filter them, and they just get the indicators...’ [AUD4]

Reflecting on the specific economic environment and ‘the way things work’ in Greece, a bank officer comments:

‘In theory, Greek banks should have implemented the Basel Accords on banking and regulations issued by the Basel Committee on Banking Supervision. However, since the recommendations are not a legal requirement and their implementation is subject to the banks’ discretion, banks are more flexible on their lending criteria. Loans are, thus, given to companies that do not meet the Basel criteria, due to the fact that Greek companies are quite small.’ [BA1]

This comment suggests that financial institutions do not always use rational criteria when providing loans.

7.2.4.4 Bank managers and officers: impact of IFRSs’ adoption

According to bank managers, there is no difference in the information that banks have acquired before and after the introduction of IFRSs, as they are not based solely on the
information provided by companies’ financial statements. However, such claims appear to ignore the challenges and the impact of IFRSs on accounting methods and reported figures.

‘For the purposes of our analysis we are usually covered by the old standards. As we do not rely solely on the balance sheets, we always require the accounts’ trial balances, where the analysis of the account is complete. This analysis [of the trial balance] does not change, only the format of the balance sheet does. So, there is not much difference.’ [BA2]

IFRSs adoption means that companies are required to prepare more reports that were not mandatory according to the GGAP. Although internal users emphasise the legitimacy and credibility attached to the IFRSs by the market, lenders seem, in general, to support the view that the type of accounting standards does not have a significant influence on the perceived credibility of a company. The application of IFRSs does not appear to affect banks’ loan policies. In some cases, the transition to IFRSs has made the work of bank officers more difficult, as they are not adequately trained or familiar with IFRSs and have difficulties in identifying the requisite information. It has become more burdensome, according to some, to identify and find information disclosed in notes in the annual reports. Yet, one loan officer commented that:

‘Surely, one can logically conclude that a company that adopts IFRSs provides reliable financial information.’ [BA2]

IFRSs adoption implies that the company is listed or relatively large, a factor that makes such clients more desirable.

‘If a company has IFRSs it means that it is a fairly large company and banks want such companies as customers.’ [BA1]

Another argument put forward is that that the adoption of IFRSs has facilitated and affected the procedures followed by international banks, in a mainly positive way. Taking into account the changes and reforms currently occurring in Greek banking systems, due to the (inter)national economic crisis, it is expected that bank loan decisions will come to be based on stricter financial criteria. Within this context, banks are likely to assign more importance to the content of information provided on IFRSs financial statements, thereby changing their attitude towards companies who have adopted the standards.
7.2.4.5 External users: competitors, customers and suppliers

Competitors, customers and suppliers are groups of users that are underestimated in accounting literature and who are largely neglected by standard-setters, despite representing a large number of users of companies’ financial statements (Cole et al., 2009). In order to explore how competitors, suppliers and customers use financial information, managing and finance directors were asked about whether and for what purpose they refer to their competitors’, suppliers’ and customers’ financial statements. Collecting information about the market and the sector in which companies operate appears crucial for efficient decision-making and viability. Larger companies collect the published financial statements of their main competitors, mainly domestic ones, and try to gather information about turnover, profitability and investments. Companies’ managers also examine the financial statements of competitors to see how they deal with financial reporting issues, especially since the adoption of IFRSs.

‘The financial manager examines 70% of the competitors’ financial statements that are listed. As far as customers are concerned, these are usually smaller companies, their financial rigour is checked through firms that examine their credit limits.’ [MA4]

Regarding the collection of financial information about key customers and suppliers, companies use published financial statements of customers and suppliers to avoid problems related to non-payment. If customer/supplier companies are smaller the company attempts to collect all information from personal contact with them and by asking other individuals that cooperate and have a professional relationship with the potential customer or supplier. Financial reporting information relates to the profitability figures of the users, their liquidity and their liabilities [ACT3]. The reality is, although the majority of companies’ customers, suppliers and competitors are small private companies a few of whom have adopted IFRSs, there are no essential changes in the use of financial reporting information.

7.2.4.6 Competitors, customers and suppliers: impact of IFRSs’ adoption

After the adoption of IFRSs, managers and officers in financial departments consult the financial statements of competitor companies that use IFRSs for another reason. They examine the way competitor companies account for their transaction and specifically, the measurement methods they use to disclose information. During the first years of IFRSs
adoption, it was recognised that it was a useful exercise to benchmark ‘appropriate’ implementation of IFRSs.

A concern raised is that Greek companies remain reluctant to disclose excessive information as it leads to a competitive disadvantage. Competitors may gain detailed insights into managerial practices and profit margins.

‘If a competitor wants to find out about what a company is doing, they will look at the financial statements. We don’t have such a wide audience as companies abroad do. Greek businessmen want to have full and perfect information for their competitors without offering information themselves.’ [AUD9]

According to a financial manager, companies in general respond to their competitors by disclosing more financial information; thus, access to information has increased in response to the advances of technology and the demands of the market. The ability to interpret and analyse such information is a key issue that will be discussed later.

‘There is much you can understand from the financial history of a company and their investments. IFRSs reports are a good source of information, especially now that they are reported on-line on websites; it is easy to gain access to this information. However, given that the balance sheet results are concise one has to know how to interpret and make use of the reported items.’ [MA3]

Examples of information that companies are interested in, and can extract from their competitors’ financial statements are accounts related to borrowing and expenses.

7.2.4.7 External users: Investors and Financial Analysts

Financial analysts and investors are the primary audience of international accounting standards. They undertake research to obtain information that will enable them to assess the value of a company over the long term, in order to identify investments opportunities and potential mispricing; namely, whether companies should buy, sell or hold securities. In this procedure, they invest in understanding financial information and gather relevant information, which includes the use of companies’ published financial statements in combination with sector data and relevant political events.
'Investors and analysts use models in order to calculate the cash flow of a company and make a projection for the future, usually for the next five to ten years. They focus on cash flow statements to evaluate a company.' [FA2]

The financial analyst’s role is to predict a company’s future performance, based on an understanding of their business plan, activities and business environment. Analysts and investors try to make sense of the production process of a company and where it is located within the industry. They try to uncover not only earnings, but also the earnings process, the distribution of sales (of subsidiaries) in geographic regions and different sectors and whether revenues match liquidity. Due to the current economic crisis and companies’ decreased profits and reported losses, liquidity is a major concern for the viability of businesses. For example, financial analysts are looking at companies that do not have loans and companies that show high liquidity in combination with the stage of the company’s economic cycle.

‘Bottom line results are important, but we put emphasis on understanding whether revenues indicate cash flows, and the factors that generate flows, taking into consideration the wider economic climate. An analysis of cash flows and the free cash flow of a company is important as well as the value of assets. Information can be extracted from the balance sheet regarding companies’ business plans, any potential takeovers in cases where there is accumulated capital or a potential selling decision in cases where there is liquidation or increased provisions.’ [FA1]

Analysts value a company according to price forecasts, targets, investment or recommendations. Valuation and financial analysis depends not only to the current market value of the security but also on other financial information; financial statement information is an input to such valuations. The most common valuation method that investors and analysts use for modelling and identifying investment opportunities nationally and internationally is the Discounted Cash Flow (DCF) analysis. In this process they assess financial instruments, project future cash flow and recommend a price target. The next step at the analysis level is to conduct relative valuations, as a way to discover low-priced companies with strong fundamentals. Fundamentals include comparative multiples for stock selection, such as the Price to Earnings ratios (P/E), to assess the relative performance of a company and compare the value of a stock to that of similar companies, as well as the market as a whole. They look at the scores they get in combination with consistent parameters, such as
equity, net income and other ratios for a model company.\textsuperscript{52} In terms of the valuation of operating activities these mainly use earnings and focus on the EBITDA.

‘Businesses are interested in the profits before tax and especially in the profits before interest, taxes and depreciations. EBITDA. Everything is done with EBITDA today. Banks? EBITDA. Investors? EBITDA. The Stock Market? EBITDA. Everyone, EBITDA.’ [AUD6]

Accounting numbers and policies are not so interesting in themselves, they are more interesting in terms of what they reveal about a company’s administration. Asset values are important in terms of measuring how effective management has been at delivering profitability from assets, but flows are more important for a company valuation. Accounting standards and changes affect the final models that analysts use, while accounting needs to be intelligible. Financial analysts seem to consider that a deep knowledge of accounting is required, although their tasks are based on the use of cash flow statements. An analyst comments:

‘In order to prepare capital financial analysis 60-70% of the information is extracted out of financial statements. However, what plays an important role in our analysis is whether the company has solid foundations in order to make profits. As expected values and forecasts can be misleading we use accounting information as a compass; it is not always adequate and we have to be careful about over-borrowing and internal problems.’ [FA2]

Several interviewees mentioned how their own judgements are more important than any source of information regarding the future performance of a stock. Equally influential is investors’ judgements based on non-financial information, speculation and ‘whistle-blowing’ announcements.

‘The Greek investor decides by using less than the 50% of the fundamentals, which are related to the technical analysis, diagrams, scenarios or business stories. They decide based on the momentum, if the share price is rising, they buy. What they really care about is, of course, the profitability of the company. We try to provide information about some problems or news that the investors are probably not aware of, so we try to protect them in that sense. Many things have happened during the last two years because of the crisis’ [FA3]

\textsuperscript{52} A model company is a top performer in terms of size; we use a scorecard to appraise companies and a ranking model for 20-30 other companies operating in the same sector.
‘Accounting and financial reports matter but qualitative information on the objectives, the business or the scope of the company [...] are more important, and determining factors in assessing the value of the company’. [FA2]

As the stock market in Greece is less developed and investment institutions are rather small, employing a limited number of analysts, the latter do not have the time to explore finer details thoroughly investigate financial statements. Their decisions and recommendations are also influenced by the general market consensus regarding the evaluation of the company. The workload is heavy and the amount of information is great and difficult to manage and control, especially when considering many companies at the same time. ‘Setting a price target means readjustments, follow-ups per quarter... is a large volume of work’. [FA4]

Analysts’ and investors’ judgements and assessment processes are subjective, and the type of information collected is based on the purpose of the analysis and different investment decisions. This means that financial statements are used in different ways and with different emphasis being placed on items, as well as on a different degree of detail.

‘Sometimes we do not need to go into too much depth; we may be asked to provide information about a company’s investment plan of or whether there is a particular problem [...] insight and experience are vital, 80-90% is based on this. Even if one recommends a target price, they should include an element of assumption. Prices are set based on certain conditions that cannot be quantified easily or extracted from financial reports; for example, one assesses the quality of management as 20%.’ [FA2]

It should be noted here that analysts use a number of sources when executing a financial analysis. Relative valuations, for example, require additional searches to identify more up-to-date information; they are also based on information from interviews with management, company publications and online databases. As mentioned, one of the most commonly used methods of obtaining information about a company is by meeting with management. In this sense, the annual report is used to inform the investor about the quality of management and, hence, an assessment of stewardship is conducted in an instrumental way.

‘There is personal relationship with some companies and if there are questions about important issues we will contact them... We do not worry so much about Greek companies as we know our country and our mentality; we have difficulties when analysing foreign
Another source of information used when conducting financial analysis is trustworthy analyses conducted by other international investment institutions with greater experience and expertise.

7.2.4.8 Investors and Financial Analysts: impact of IFRSs’ adoption

The views on the impact of the IFRSs on financial statements vary, as some of the investors and analysts have some previous experience with the standards, and others have only encountered them for the first time. There was a common agreement that the IFRSs required more study, whilst a continuous revisions of the standards were difficult to follow and so individuals were not generally aware of how changes directly influenced financial statements. The impact varied and was sometimes sector-specific.

IFRSs are, in general, positively perceived by investors and analysts; they function as a common denominator for comparing financial information and the international performance and worth of companies. Notes are considered to facilitate such tasks and although sometimes the explanations provided on measurement and disclosure are not sufficient, they generally satisfactorily cover information needs. Yet, comprehending and interpreting the standards is a major challenge for financial analysts and investors. The majority of investors and investor advisors (who are considered one of the main target groups of IASB’s standards) lack accounting knowledge, while, continuous amendments to standards cause additional perplexity and confusion.

‘Regarding investors in Greece they are not in a position to read and understand the financial statements, especially IFRSs financial statements.’ [AUD9]

‘Sometimes it was difficult to understand how they presented and explained disclosures and figures. In such cases I ask and study; the more you go deeper at a specific part of financial statements the more you understand, if not, you just drop it!’ [FA4]

Fair values, were considered relevant and useful for the work of analysts’ and investors’ decision making, as they seemed particularly interested in the current (market) values of financial statement items. However, less clear and understandable were the definitions and the meaning assigned to fair values; there were concerns about the options available and the
ways fair values are measured and disclosed. Changes to fair values are important to financial analysts, as they affect analysis of financial statements and estimations. There are sometimes major changes that affect financial reports, however minor changes can have an impact too. Analysts read the auditor’s report and the Chairman’s statements in order to learn about such changes [FA2]. They are concerned about how derivatives and financial instruments are measured and disclosed, since their value is influenced by market values; frequently, analysts are also concerned that companies’ accountants do not have the technical knowledge and expertise to deal with these products. The subjectivity that is inherent in the measurement of fair values is one of the issues concerning financial analysts and investors, and this could have adverse impact on the trustworthiness and quality of IFRSs financial statements:

‘We do not go into detail, there is lack of time; but I am quite concerned about fair values and financial derivatives, while it gets even more complicated in subsidiaries’ consolidations. Regarding the use of fair values for fixed assets there is subjectivity and we try to confirm information using other sources when there is an exaggeration in a valuation that strikes the eye.’ [FA3]

From an investor analyst perspective, however, IFRSs financial statements provide information that is more detailed and the reports are considered more ‘friendly’ as they include more forward-looking information.

*The cash flow statements, for example, make the analysts’ job easier and clearer.’* [FA2]

IFRSs accounts are more detailed, as information is broken down and cash flows facilitate the work of financial analysts because in the past they had to do it themselves. This gives the opportunity to focus on some accounts that are more interesting. The sources of a company’s capital are identifiable, as well as, some non-transparent accounts, such as, the change of miscellaneous expenses and income. Notes are really important. It is not that complicated to read IFRSs statements but one needs to be familiar, to know where to find everything.’ [FA1]

For some, the introduction of IFRSs has not brought significant changes to the role and the analysis processes conducted by financial analysts. Rather, it was a change imposed by the capital markets and its institutions:

‘…once the analysts get into accounting details related to how equity and profits change, it is debatable what is good and what is bad. I do not think that the differences in the two accounting systems are dramatic.’ [FA2]
'Not much has changed for analysts following the adoption of IFRSs, and any improvements should be seen in combination with other factor and developments.' [FA3]

‘IFRSs forced Greek companies to publish information and set some rules that facilitated the stock market and required specific information. IFRSs have not helped in uncovering a company’s affairs better (for the administration) but for companies with many subsidiaries abroad it was useful…’ [FA4]

7.3 Conclusion

This chapter has revealed interviewees’ common perspectives regarding accountability, the users of accounting information and their information needs in order to explore the framework of values and perspectives that shape key local actors’ response to the adoption of IFRSs. Similarly to the IASB’s stated objective of general purpose financial reporting, interviewees identified as the main users of financial statements’ information prepared according to the IFRSs’ potential investors, lenders and other creditors. It is suggested that the actual users of the general purpose IFRSs’ financial statements and the individuals that can make sense of that information are a rather narrow group of experts (Young, 2006; Cole et al., 2009). Due to the particular characteristics of the Greek economy and the institutional context, particular importance is placed on the provision of information for the state for the computation of tax which is also in line with research conducted in countries where the state has a dominant role in the organisation of the economy (e.g. Albu et al., 2013). The general public and employees are mentioned as a group that should have an interest and be considered as main users, however, interviewees believe that in reality they are rather ignored.

The impact of IFRSs on the decision making and on fulfilling interviewees’ role differs. The application of IFRSs signalled a significant change in financial reporting and its interpretation for all key actors as was anticipated. However, for some internal users and preparers the adoption does not appear to have significantly affected the structure of the company (in line with Fox et al., 2013), decision-making or the quality of information provided, although for others the standards have had a positive impact on the self-awareness about companies’ economic positions and the organisation of finance departments. For bank managers, who may not have great experience and technical expertise, the adoption of IFRSs was considered to have a positive impact on the evaluation of companies, especially because it means that the potential client is large in size. According to O’Connell & Sullivan (2009) the
implementation of IFRSs could lead to a favourable impact on the net income of companies. For some the information provided by IFRSs financial statements is useful, even though these financial institutions require further financial and non-financial information. Decisions providing loans are usually also based on the personal relationship between the bank and its borrowers. Financial analysts benefited from the adoption of IFRSs by listed companies, as the information provided is similar to the analysis they conduct themselves (e.g. identification of cash flow and forward-looking information) and so it facilitated their role. Not surprisingly, since IFRSs appear to be biased towards the needs of capital providers and their supporting institutions, these parties become the users in practice. In terms of these users’ financial information needs it is suggested that non-financial information and personal contact still play a major role in decision-making. It is interesting that even though the accounting tradition and practice in Greece is characterised as tax-oriented, it is critised while decision usefulness is generally considered to be the primary role of financial reporting. Most of the interviewees appeared to advocate the use of IFRSs, while some scepticism about the superiority of the IFRSs was expressed by auditors of SOEL (former state auditing body) and some bank managers. This signals an ideological shift towards a more neo-liberal approach to economy according to which accounting for taxation, fiscal and public expenditure purposes should be separated from the aims of financial reporting. Useful information to capital providers and investors is assumed to contribute to the efficient functioning of economy having a beneficial impact to society. Said that, individuals seem to consider the GAAP and equally high quality financial reporting framework that covers the needs of financial information users and decision makers as it is accustomed to the smaller size of the Greek capital market economy and the needs of the companies.

In line with other studies in different national contexts (e.g. Sucher & Alexander, 2002; Jermakowicz, 2004) auditors play an important in the establishment and implementation of IFRSs which raises serious concerns regarding auditor independence. According to most interviewees auditors worked (at least during the first five years of adoption) very closely with the preparers, to the point where audit firms were composing and preparing financial reports. The insights into the users and their financial accounting information needs, as perceived by key local actors and the ways in which the introduction of IFRSs has influenced, their roles, if at all, provides the context to understand their perspectives on the motivations and benefits derived from the adoption of the IFRSs discussed in the next chapter.
Chapter 8: Perceptions of the Benefits of Adopting IFRSs

8.1 Motivations

IFRSs adoption was a legal requirement for all publicly listed companies under the EU Directives incorporated into national Greek business law. There are financial consequences for failure to enforce the law, such as fines (e.g. Directive 2001/65 for financial instruments, wherein IAS 39 in Greek accounting legislation was adopted in 2006 after the imposition of a fine). To a degree, the reasons for implementing IFRSs could be described as relating to coercive forces and legal requirements. As one auditor pinpoints:

‘If the EU had not enforced the IFRSs, Greece would never have adopted them. The country would have adhered to the GGAP, which is based on technical knowledge from the 1820s. The EU Directives, were not only the ones related to accounting issues, but were applied after years of delay, and Greece is fined, for instance, by up to one million Euros, for not enforcing the Law’. [AUD8]

Another reason for adopting the IFRSs is that it improves a company’s prospects of becoming listed. This applied to one of the companies in this study; the company started preparing financial accounts according to IFRSs with this aim; however, when higher level administrators decided against pursuing listed status they postponed. However, they continued the preparation of financial statements according to IFRSs in case the company decides to get listed in case the economic conditions improve and the stock market grows and becomes a more attractive financing option.

‘IFRSs may offer some more legitimacy but it is not that important, since everyone knows that, practically, the reason for adopting IFRSs is to get listed.’ [ACT2]

There is a view, shared by most interviewees, that publicly listed companies would not adopt IFRSs, unless forced to do so, due to, for example, high costs and scepticism over whether potential benefits would exceed costs. Companies that had not required a change to ownership composition or who were not interested in attracting new international investors had no incentive to adopt IFRSs.

‘Here in Greece, they [companies] have to be obliged to do something, very few unlisted companies use IFRSs.’ [MA1]
‘…if it was not for the EU enforcing IFRSs, Greece would have never adopted them…’ [AUD1]

In Greece, the prevalent view contradicts the argument that IFRSs emerged due to a ‘call from the market’ (Whittington, 2005); this argument may apply for national formations in more advanced capital markets. It seems that for the majority of the companies the decision was imposed top down, as very few Greek companies had adopted IFRSs prior to 2005 or have since adopted it voluntarily. However, this does not mean that those publicly listed companies, who were legally required to adopt the IFRSs, did not recognise (potential) benefits arising from the transition to the new standards, as discussed later.

‘The benefits of IFRSs’ financial reports are that they are accepted by international users, they are comparable, they are a passport to get into the focus lists of foreign investors. Speaking the same language means more possibilities of getting accepted’ [FA1, emphasis added]

Thus, excepting the legal requirements and coercive forces that oblige companies to use IFRSs, there are other reasons for adoption, which could be characterised as semi-coercive or institutionally encouraged. These include international takeovers by companies that use IFRSs; plans to sell a company, as IFRSs statements simplify the appraisal process; and companies’ participation within an international group of companies that applies IFRSs and requires it for consolidation purposes.

‘There were around 40 companies that had adopted IFRSs before 2003, the majority of them being companies that had investments abroad or a partner company using IFRSs’. [ACD1]

‘A company will adopt IFRSs voluntarily, if it is a subsidiary of a group that applies IFRSs…’ [AUD8]

Most importantly, though, financial reporting, according to IFRSs seems to be encouraged by the market and financial institutions, and facilitates companies in receiving funding. Sometimes, companies’ managers predict the application of IFRSs will improve financial results reporting; thereby improving the companies’ financial image among third parties when loan-seeking. This is a major motivation and a significant incentive to companies choosing to adopt the IFRSs, even voluntarily.
'The reasons for adopting IFRSs could be that these companies have a bond loan contract agreement with an international bank that requires the application of IFRSs; or they are a subsidiary of an international company that applies IFRSs. Otherwise, IFRSs wouldn’t be voluntarily adopted…’ [AUD7]

‘IFRSs offer legitimacy in the eyes of a company’s foreign financiers (banks) and suppliers.’ [AUD1]

Sometimes, banks within the country indirectly request that client companies prepare IFRSs financial reports. Some companies had a bond loan contract agreement with an international bank requiring the application of IFRSs.

‘…banks were asking for an IFRSs report. The company was willing to give that information because the results were better than those under the CBR. IFRSs helped us in our relationship with the banks.’ [MA3] [This company uses IFRSs voluntarily]

‘… a company will adopt IFRSs voluntarily for two reasons: the first is having a foreign investor that wants to get understandable financial reports (e.g. Barclays); so, the shareholder is actually asking for it. The second is related to companies having many loans in foreign banks, and, again, the banks demand financial statements according to IFRSs.’ [ACD2]

Thus, aside from reasons that are related to the perceived qualities attributed to the standard, such as ‘better quality’, ‘trustworthiness’, ‘legitimacy’ and so on and so forth, several interviewees noted the transition to IFRSs in many cases had a positive impact on a companies’ financial results. The preparation of IFRSs financial reports is considered to have improved relationships with financial institutions, enabling companies to preserve loans and obtain new ones and be ‘better off’ in the eyes of capital providers, i.e. the banks. IFRSs seem to have added value to companies’ balance sheets; for instance, due to the changes in the valuation of fixed assets, which could be readjusted according to market (fair) values instead of historic cost, thereby improving their equity capital. In this respect, companies with considerable fixed assets would also have an incentive to adopt IFRSs.

‘Companies that use IFRSs are benefited because they show improved balance sheets and income statement results. IFRSs increase the value of companies due to changes in the valuation of fixed assets. Law 2065/92 required that companies make readjustments to the
value of fixed assets, but their value was much lower than the market values. IFRSs allowed a high revaluation of fixed assets, resulting in improved equity.' [AUD4]

'The profitability of the company according to the CBR was €600,000 and according to IFRSs €4.5 million. This difference is due to the difference in depreciation (over €6 million) that are recognised under the CBR, while according to IFRSs depreciation is not more than €3 million.' [MA3]

8.2 Perspectives on the benefits of IFRSs, based on ‘common sense’ ideas

The perceived benefits from various interviewees varied, based on the different use of IFRSs financial information; however, several common key arguments emerged supporting the adoption of IFRSs, regardless of whether, for example, companies implemented IFRSs voluntarily or not and the different roles of the interviewees. The discussion of the benefits experienced by various interviewees revolved around the issue of improved accounting information and quality, which is the central aim and intention of IASB’s financial reporting standards. Even if there is the assumption that IFRSs are high-quality standards (and superior to the GGAP), does this lead to the accomplishment of high-quality financial reporting? As discussed in the literature review chapter, measuring and identifying an improvement in accounting quality is a complex task that entails multiple factors being affected by exogenous elements, such as the legal environment and the corporate governance of businesses, as well as elements, such as the nature of accounting methods that constitute the standards.

Although some researchers find evidence of improvements in accounting quality for firms that adopt IFRSs, others support the opposite. It is interesting, though, to investigate the perceptions of key users of standards about quality; a vague concept that can refer to other concepts and characteristics, such as comparability, reliability, relevance and transparency. These terms are not an arbitrary set of politically and ideologically neutral and measurable characteristics or ideas unrelated to the institutional arrangements within a society. Concepts, such as comparability and transparency are part of a coherent and unified language of universal and difficult to contest values (‘common sense’) promoted by the IASB; they can at the same time, be flexible enough to express various perspectives on the world. Attempting to distinguish and differentiate between concepts, as well as, to measure their individual contribution to quality is beyond the scope of this study. For example, concepts and terms
such as ‘economic reality’ and ‘reliability’ were often used interchangeably or complementarily by the interviewees, while the term ‘faithful representation’ was used more rarely. One reason for this is that the term ‘faithful representation’ that underpinned the interpretation of ‘reliability’ in both the FASB and IASBs previous conceptual frameworks, was adopted to replace the term ‘reliability’ in Framework 2010. It is expected to take some time for the terminology that is developed at a policy-setting level, to be adopted and used in everyday accounting practice. However, rather than concentrating on the terminology as such, it is interesting to investigate what the use of reliability and economic reality invokes; in the context of the interviews, financial objectives were usually linked to the use of fair values. The focus is placed on the meaning individuals attach to ideas, the underlying assumptions made, their implications to accounting practice, the way they are used to justify arguments and whether there are deviations in claims between practice and the IFRSs objectives.

8.2.1 Comparability

One of the most often-mentioned merits of the use of IFRSs is the improved comparability of financial statements for companies beyond national borders. All interviewees referred to the increased international comparability of financial statements as one of the main merits of IFRSs, which is unsurprising, since this was one of main reasons given for their original development. Improved communication and comprehensibility of financial information is believed to contribute to the evaluation of a companies’ performance over time.

Interviewees seem to have recognised the contribution of IFRSs in attracting international investors through comparable financial statements and offering better opportunities to access international capital markets. Lack of comparable financial results is considered to have an adverse effect on investor confidence. The facilitation of cross-border listings and the reduction of the costs of capital are suggested as potential benefits, which are, however, not always relevant to the Greek economy as a whole. Companies do not have the capacity, due to their size and ownership structure, to expand cross-border listings, which are, in turn, contingent upon the structure and development of the capital market in Greece.

‘The GGAP was a hindrance for the international expansion of Greek companies and for potential takeovers, mergers, etc. Companies can look for cheaper loans internationally...’

[FA1]
‘For external users they [IFRSs] are more important because the information is consolidated and users can compare like items. It is helpful for national and international investors at the same time. Another benefit could be, for example, comparing one company’s balance sheet with a competitors’ in the same country.’ [ACT1]

Comparability has different meanings for users. Some interviewees locate comparability in terms of the presentation and the format of annual reports. Comparability is then the outcome of applying common financial standards; importance, in this sense, is not attributed to the content of the information per se, but to the consistent adoption of accounting regulations in different countries.

‘As far as the harmonisation indices are concerned we have reached 100% harmonisation regarding the format of the financial statements. Companies, now, publish a balance sheet, income statement and a cash flow statement. Before IFRSs you only had to prepare the balance sheet, the income statement and the Annex. No cash flows or changes of equity.’ [ACD1]

These interviewees seem to adopt a simplistic approach to addressing accounting comparability, which raises the issue of whether common accounting standards lead to ‘actual’ or ‘phenomenological’ comparability (Cascino & Gassen, 2012). Defining comparability and the ways to achieve it as a concept has proved a challenging task for accounting researchers, let alone those measuring its material effects. Research evidence supporting the claims that IFRSs improve on the comparability of financial statements at an international level or alternatively, that the use of different sets of accounting standards hinders comparability is limited (De Franco et al., 2007; Chua & Taylor, 2008; Chand & Patel, 2008; Cascino & Gassen, 2012).

The IASB states that the faithful representation of economic events, which is purported as one of the fundamental qualities of decision-useful financial statements, is enhanced by comparable financial statements of similar events by businesses (IASB, 2010). The board acknowledges that there are possible contradictions. An economic phenomenon can be faithfully represented in different ways, allowing for alternative accounting treatments diminishing comparability. The Board indicates that comparability and consistency should

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53 The IASB distinguishes between comparability and consistency; comparability is regarded as the quality of information that enables users to identify similarities in and differences between two sets of economic
not be over-emphasised at the expense of improved fundamental qualitative characteristics of relevance or faithful representation (or both) of the information in financial reports. The contradictions in the IFRSs conceptual framework are recognised and indicated in accounting research and by the IASB itself, however, this does not mean the comparability argument is one of the most common or accepted arguments for the adoption of IFRSs, justifying the international call for implementation.

The following observation shows the prominence that comparability has as an important characteristic regarding the quality of financial statements over other characteristics, such as, representation faithfulness:

‘It is important to emphasise that the purpose of accounting is not to report precise accounting figures, but rather it is a tool to use in order to compare the current financial year with previous ones, or to compare the results of different companies in the same sector. It is important that everyone uses the same accounting framework of standards in order to be able to speak the same language at an international level, it is not so much about which set of standards they should use.’ [AUD4]

Returning to the previous point regarding the different definitions given to comparability adopted by users, there is a minimum comparability basis approach. Having the same set of accounting standards is seen as being preferable to having national accounting standards as they improve comparability, although, actual financial figures might not always be comparable. A common framework of accounting standards signals, according to most interviews, a positive step in the development of accounting standards. This is an improvement and shows ‘progress’ when compared to the GGAP. There is an attitude suggesting ‘it is better than not having IFRSs at all’. This provides a common ground for users and establishes some common boundaries to companies’ financial reporting methods and results. In this sense, comparability is achieved, initially, by the ‘de jure’ adoption of IFRSs, which can facilitate the cross-sector and cross-country comparability of financial statement results.

phenomena. Consistency refers to the use of the same accounting policies and procedures, either from period to period within an entity or in a single period across entities. Comparability is the goal; consistency is a means to an end that helps in achieving that goal (IASB, 2010).
‘Value is one. We care about having a common base, even if everyone says whatever they want, at least there is a framework to work on. In the past it was difficult to compare sectors in different countries. As an analyst I will look at ten ratios, I don’t look at the behavioural aspects of markets and companies. IFRSs are a positive progress.’ [FA3]

The interviewees acknowledged a potential improvement in comparability as one of the outcomes of the implementation of IFRSs, in principle. Yet, they were less confident about the comparability of companies’ financial statements in practice (de facto). Similarly, some noted that comparability relates to the comprehensibility of financial statements in different countries. Common formats for financial statements and the use of common financial reporting standards and methods provides confidence for users. Comparability, in this sense, connotes unambiguity and the comprehensibility of the accounting standards used, rather than actual comparability of the accounting results per se.

‘In the case of IFRSs, I can digest more easily the information I receive, I understand what I read. I look at other sources of information as well. It is easier for me, to read, e.g. a Spanish financial report according to IFRSs...’ [BA3]

‘Financial statements are more comparable under IFRSs, because they are at least based on the same standards and principles. Of course, there are peculiarities related to the different businesses and industrial sectors of firms - but, still, it is easier for me to understand them.’ [BA2]

International comparability is also thought by some interviewees to affect the extroversion of companies positively and to open up new developments for expansion as common financial reporting could contribute by attracting the interests of international customers, suppliers or potential partners.

‘It doesn’t mean that because companies adopt IFRSs they are trustworthy and they will attract foreign capital. They can negotiate in better terms; other stakeholders can understand the reports.’ [TAX2]

This view is not shared by all interviewees, though, as some argue that the internationalisation of companies’ operations is influenced by broader economic policies and macroeconomic factors, such as the structure of the national economy and the (lack of) state intervention.
‘IFRSs have not contributed drastically to the position and the extroversion of companies in the market. Few Greek companies have the size to attract the interest of investors. IFRSs alone cannot open a new market for them, as there are other political issues behind this. How many Greek companies have a turnover higher than 500 million Euros?’ [BA2]

An interesting point raised is that the companies’ financial results play a less important role than their analysis and comparison for a number of subsequent financial periods, at an international level.

‘It is not black or white, accounting figures should be studied for variations and changes over time. ‘A constant mistake is correct’, so GGAP may not report the substance but banks evaluate the progress of the company. So, either way [IFRSs or GGAP] my comments would be correct and I would have done my job well.’ [BA2]

‘There is comparability with IFRSs, because if the company adopts different accounting methods, different treatments are explained and disclosed in the statements […] Well, there is no clear benchmark one can use to analyse, for example, the results of an industry and arrive at exact figures and rates that show whether a companies’ performance is good or bad. There are some ranges […] but I know what differences to expect, and what I expect to see...’ [AUD6]

The above observations reveal the importance of international comparability as a justification for the adoption of IFRSs. However, at a national level, and across sectors within the Greek market, the GGAP is considered by some to serve the needs of users for comparability of financial information sufficiently. Although IFRSs are thought to establish certain boundaries and guidelines for the treatment and presentation of companies’ accounting transactions, these boundaries are rather flexible and loose; thus, they tend to change and be revised constantly. The issue concerns, equally, both users and preparers struggling to keep up-to-date with IFRSs developments.

An auditor provided an interesting example from his personal experience about the deflected definition and interpretation of comparability among companies. Aside from differences in accounting treatments that are contingent on the legal and wider institutional framework of a country or the nature of companies’ business activity, it appears that, sometimes, accounting choices are taken arbitrarily and without proper justification:
‘The changes that were enforced in Greece were not that significant. Let’s take for instance, changes in companies’ depreciations. In practice, businesses in the same sector tried to use the same depreciation methods; I realised, while conducting research on clinics in the health sector that their depreciation methods did not differ significantly. What has changed now with IFRSs is that the practical application has moved from the government intervention to the market. The market is dictating the rules of the game. This could mean that every clinic in the Health sector will depreciate in 10 years and all clinics will follow and mimic each other, as they may fear to do something completely different. If accountants do otherwise, they may be accused of having ‘something else’ in their minds, other interests’. [AUD4]

8.2.2 Faithful Representation (Reliability) and Transparency: Disclosures and fair values

From a practice perspective there is some agreement that financial statements prepared according to IFRSs are more reliable than the GGAP for decision making, especially for external users. The financial statements are considered more informative, mainly due to the preparation of the detailed information and explanations in the notes. This observation has been indicated by researchers looking at IFRSs (e.g. Jermakowicz & Gornik-Tomaszewski, 2006; Ionascu et al., 2007; Horton et al., 2012), and is consistent with findings in the Greek context (e.g. Ballas et al., 2010; Caramanis & Papadakis, 2008). IFRSs are considered to assure more accurate and comprehensive financial information and since for users such as, competitors and analysts this is one of the main information sources, they facilitate more informed valuations in capital markets.

Accounting research also suggests that the increased transparency of financial information provided by IFRSs can reduce information and estimation risk or/and information asymmetry between managers and investors resulting in lower costs of capital (e.g. Daske et al., 2008; Platikanova & Perramon, 2009; Armstrong et al., 2010). Enhanced qualitative characteristics, such as, transparency and representation faithfulness contribute positively to the comparability of financial reports.

A benefit, according to interviewees as having encouraged companies to adopt IFRSs is the expectation that new standards will portray a more realistic and reliable ‘image’ of a company’s financial position and profitability. This perspective implies that improved financial results that will ‘do justice’ to a company’s value in the eyes of investors.
‘The company adopted IFRSs for a simple reason: to show a more realistic financial image of the company. It was one-way decision because the former accounting system didn’t do justice to the real value of the company […] the relation between investments and turnover was not balanced. Investments take a long time to pay off, so the company got into the position of having high depreciations that couldn’t fit its balance sheet… Under IFRSs the company improved the relationship between equity and debt (capital) by revaluing fixed assets and using more accurate depreciation rates…’ [MA2]

‘Companies that adopt IFRSs provide a better, more detailed and realistic representation of company’s financial positions. Results are also improved upon, as they show surplus value from the valuation of the companies’ non-current assets.’ [TAX2]

‘IFRSs are more flexible, adapt to the needs of the companies and realistically represent companies’ values. The GGAP was a one size fits all, regardless of the sector and the companies’ activities. IFRSs provide more and better information.’ [AUD5]

IFRSs are considered to be more reliable and to more accurately reflect economic transactions when compared with the GGAP. This position is consistent with the rationale that holds the role of the accountant and preparers is to measure, record and report economic reality and market transactions neutrally (e.g. Solomon, 1991).

‘For bankers, the use of IFRSs is a positive factor that contributes to decisions on whether to finance or give loans to companies. It means that the financial information provided is reliable…’ [BA1]

Another frequently stated benefit of IFRSs, that leads to improved quality, is the increased transparency of financial statements.

‘…they [IFRSs] are more transparent and clearer than the GAAP and provide more information to external users, such as, investors, partners, suppliers, customers and potential investors.’ [CM1]

‘There are companies that use the IFRSs because they are extrovert and want to increase the transparency of their financial statements. The balance sheet, according to the GGAP, e.g. doesn’t show credits on leasing, one can only extract information from the operating expenses.’ [BA3]
The notions of improved ‘transparency’ and ‘quality’ were repeatedly used to describe and compare the IFRSs with the GGAP. Defining their meaning, however, proved to be more challenging; transparency, reliability (faithful representation) and quality were often used without distinction and were perceived to indicate financial statement figures that are closer to the market (real) value of the company and relevant to perceived main users. Thus, an initial observation is that transparency and reliability and consequently enhanced quality are associated with the ability of IFRSs financial statements to embody an accurate depiction of economic reality and to reflect a firm’s underlying financials. Precision as an aspect of reliability (faithful representation) seems to be part of a users’ expectations, despite the IASB’s decision to replace the term reliability with faithful representation to avoid inconsistencies due to the use of fair values (Johnson, 2005). Quality also means portraying as realistically as possible the financial position and results of companies and their ability to predict future cash flows (consistent with Atwood et al., 2010). Paradoxically, interviewees, other than the financial analysts, were more optimistic and confident about the ability of IFRSs disclosure requirements to enhance the accuracy of financial analysts’ forecasts. The provision of more forward-looking information has also been considered to improve the ability of users to assess management performance (stewardship concept).

‘The introduction of fair values requires the involvement of shareholders in administrations who have to challenge management’s basis for determining the models and assumptions to obtain fair value estimates. They have to judge whether they consider the valuation techniques and the assumptions used as ‘realistic.’’ [AUD6]

8.2.2.1 Fair values

In this sense, transparency and reliability are linked to the use of fair values. The use of fair values and real time information is the main justification, among the investment community and other users and preparers, for the acclaimed accurate reflection of economic reality and forecasting of the IFRSs. The lack of use of fair values is regarded as having hampered the ability of financial statements to provide a true and fair view of the companies’ accounts and financial position under the GGAP.

‘The GGAP are lying, it does not represent companies’ financial results in a realistic way.’ [MA2]

‘IFRSs provide a true and fair view of a company’s affairs, unlike the GGAP.’ [CM1]
The use of fair values for valuation purposes and the flexibility in accounting treatments is considered to reflect economic reality better and to represent the most ‘realistic’ possible presentation of a company’s financial transactions. Since the use of fair values makes reported financial information more transparent and reliable, it also contributes to the enhanced comparability of companies’ financial reports. This interrelatedness between fair values and qualitative characteristics is crucial, as it provides the main foundation upon which the whole rationale of the standards is based. Nevertheless, the use of fair values also calls into question the same perceived qualities and benefits of the standards, as will be considered later.

8.2.2.2 Disclosures and information overload

Another point raised here is that reliability, and especially transparency, is increased due to the provision of more detailed information by financial reports, according to IFRSs. Even though in the IFRSs financial statements results and figures are more aggregated, further analysis is provided in the notes. It is claimed that information is presented in a more analytical and thorough way. The provision of more disclosures ‘justifies’ the various accounting treatments, and is considered important, while users can more easily understand the way accounting figures and results are measured and accounted [ACT1].

‘IFRSs have enabled, for example, construction industries to recognise income separately in departments and to make it clear where income came from. Auditors became stricter, yet, not as strict as the American PCAOB (Public Company Accounting Oversight Board), as the Capital Market Commission became more demanding. IFRSs result in improved disclosures while the difference between 2005 and 2009 is apparent [ACD3].

‘The Annex [part of the financial statements according to the GGAP] is insufficient and problematic as it does not provide detailed information. For example, there is a company with 80 subsidiaries all over the world; IAS 14 on segmental reporting describes how it should be applied in primary and secondary sectors. Even if companies do not provide complete information, it is still better than before.’ [ACD2]

‘The notes in the financial statements under IFRSs explain every number in sections, showing where figures derived from or why there were changes.’ (AUD2).
'The GGAP used to be an A3 sheet with all the financial statements and at the back you had the Annex which was useless, as it included minimal information. However, users were used to this and extracted all the information they wanted easily.' [AUD4]

According to one company’s accountant, companies that prepare financial statements under IFRSs have increased their disclosure to external users lacking inside information, a comment that appears to reflect the argument raised in the literature that IFRSs reduce the risks that arise from information asymmetry among investors (e.g. Armstrong et al., 2010). Transparent and reliable financial information is associated with information that is clear and readily understandable or information that is not opaque or vague.

‘Annual reports as prepared according to IFRSs are beneficial to external stakeholders as they provide more information. This better quality information is not necessarily provided by financial statements, for instance the statement of financial position, but from the notes.’ [ACD1]

‘IFRSs are more informative, and although they have inherent assumptions and uncertainties they provide better and more information than the CBR.’ [MA2]

The provision of more information is generally, a feature that interviewees recognise. ‘The companies identify weaknesses, problems and costs by reporting under IFRSs, which were not obvious and clear in the past... There is information that was not disclosed in the past. It used to be an A3 sheet and now it is a report of 100 pages!’ [ACD2]

The usefulness of the IFRSs is related to the amount and quality of disclosures. A bank manager went even further, arguing that the information in the annual reports, and particularly in notes, is so analytical that there is no need for an auditor’s opinion. On the other hand, some preparers regard the Annex of balance sheet and profit and loss statements as a sufficient complement to those financial statements that provide additional explanatory information in order to determine the true financial condition and results of companies. Notes are more analytical but at the same time require ‘a lot of effort’ in order to find information that is sometimes the Annex is described as preferable and more effective for users.

‘Financial statements under GGAP provide banks with clearer and more analytical information and thus, we can ‘approach’ the company more easily.’ [BA1]
The consolidation of financial reports and more disclosures are claimed to facilitate those companies that operate internationally. The improved transparency and representation faithfulness of financial statements is considered, similar to the comparability that was considered earlier, as useful for decision-making for both the management of companies, as well as the external users of financial statements. High-quality information is thought to be of benefit as companies have potentially more financing opportunities internationally, encouraging better resource allocation decisions.

‘...it is theoretically correct that the adoption of IFRSs will lead to greater extroversion, will offer alternative sources of funds and will normally lead to some companies’ growth.’ [BA2]

Meanwhile, accounting practitioners and professionals, who are knowledgeable about IFRSs are currently broadly unable to discern any direct link between the alleged improved quality of IFRSs financial statements and the extroversion of companies; and where it has occurred, companies’ operational internationalisation and international financing opportunities do not appear to be that extensive. The impact of IFRSs on the companies’ financial statement is not understood and cannot be determined with confidence.

‘Some companies have used IFRSs, in order to be sold. For others, it didn’t offer anything or much. The extroversion is not determined by accounting...’ [AUD5]

The provision of more information is also related to the general trend among companies on the capital markets to disclose information about their financials to capital providers though annual reports to maintain their reputation and credibility with investors, rather than being a result of the adoption of IFRSs:

‘The market has become more organised, companies provide better information and there are more foreign analysts covering the Greek market, in comparison with the availability of information six to seven years ago. It is important that Greek analysts can compare their analyses with the ones conducted by foreign analysts. Thus, it is a combination of factors and it is difficult to tell to what degree IFRSs have benefited Greece. The market is not the same as it was 10 years ago - companies have started becoming more extrovert (before the economic crisis).’ [FA3]

Interviewees, occasionally, relate the reliability and transparency of financial statements with the ability of standards to minimise the managers’ ability to manipulate financial results.
However, most of the interviewees raised concerns about the capacity of the IFRSs for earnings manipulation.

8.2.3 Legitimacy and technical expertise

The idea that IFRSs offers legitimacy to companies recurs, sometimes, in a way that proves difficult to justify in rational terms. This makes it difficult to measure whether the practical effects of legitimacy are congruent with the idea of ‘modernisation’ as discussed earlier.

‘IFRSs are more legitimate in the Greek market, as the financial statements that are prepared can be understood by everyone outside Greece, which is the underlying objective behind IFRSs.’ [AUD2]

A certified public auditor recognised the possible limitations of IFRSs and attributed the acceptability and the positive stance towards IFRSs, especially by non-accounting experts, to ‘xenomania’.

‘Many Greek people have some degree of xenomania and think that ‘international’ is better.’ [AUD7]

This ‘mania’ which is used to describe an excessive attachment to foreign customs, institutions, manners and so on and so forth usually means attachment to ‘Western’ customs and is broadly reminiscent of debates on ‘Europeanisation’. The comment suggests that key actors feel ‘foreign’ international standards are better and more credible, free from the ‘stigma’ of manipulation and corruption attached to the local accounting standards and practices. Some interviewees argued for the adoption and application of IFRSs, invoking the notion of legitimacy in comparison to the local standards. The concept of legitimacy is used to assess the general acceptability of IFRSs processes and their principles and notes how the concepts may entail other features, such as greater transparency, reliability and comparability.

‘IFRSs are attributed with legitimacy […] it is beneficial for foreign investors that are interested in a company. Legitimacy is a main benefit.’ [ACT2]

A comment made by a CFO, is quite interesting and revealing about the attitude that accounting and non-accounting experts have about the IFRSs, when considering ‘intuitive’ criteria without conscious reasoning:
The whole IFRSs mechanism is more reliable and legible in the eyes of investors. IFRSs have legitimacy, which does not mean that all users know the reason why... but since IFRSs are mainly used by large companies they are taken ‘more seriously’.’ [MA2] [emphasis added]

‘IFRSs give a positive impression; personally, when I read financial statements they create a positive feeling in me.’ [FA1]

Still, the perceptions related to the legitimacy arguments of IFRSs are mixed and incoherent.

‘IFRSs have greater legitimacy, however, IFRSs adoption, per se, is not necessarily sufficient for analysts and international investors when making economic decisions.’ [AUD2]

I am not sure whether users think IFRSs are more legitimate as they are very new [...] I believe that everyone can get whatever they are looking for from both IFRSs and GGAP. IFRSs may be perceived as more legitimate but then, the GGAP cannot be ‘denounced.’ [ACD4]

Legitimacy seems to also mean ‘technical legitimacy’, as compliance with the IFRSs is elicited as a result of a belief in the inherent superiority of IASB technical expertise. Technical legitimacy involves a normative dimension, while deviations from the accomplishment of high-quality financial statements do not seem to challenge the perceived technical superiority of the standards and the technical authority of the IASB.

‘IFRSs are the perfect financial reporting system, if properly applied. For example, regarding the valuation of fixed assets, it is important to get a real value. But in reality, accountants or managers have something in mind, to do something, to meet targets. The financial statements would be flawless if people did not have ‘other things in their mind.’ [AUD8]

IFRSs are described as ‘the perfect financial reporting system’ or ‘centuries ahead’, while the IFRSs standard setters are described as ‘geniuses’ [MA2]. As an ‘ideal accounting framework if appropriately and ‘objectively’ implemented’. Standard setters prefer to remain framed by narrow technocratic issues, because political considerations could challenge the foundation of decision-making, that is, expertise and technical knowledge become the basis for consensus (e.g. Schmidt & Werle, 1998 cited in Kerwer, 2005). Reflecting a functionalist interpretation of accounting standard-setting as a purely ‘technical’ exercise, is the IASB’s statements to
having emerged in order to establish high quality International Financial Reporting Standards and to engineer [international] convergence’ (Zeff, 2002, p. 43).

8.3 Conclusion

In summary, there is conflict of opinion about the actual benefits of IFRSs on the quality of financial information. Some interviewees believe that IFRSs offer legitimacy and improve a company’s image in the eyes of international investors and banks. Legitimacy as a concept is associated with the provision and reporting of reliable and transparent financial information that facilitates decision making for various stakeholders. For some users the adoption of IFRSs by a company implies that it is a large and probably financially healthy business that should be taken seriously. On the other hand, other interviewees argue that although IFRSs are considered an accounting system of high quality and reliability, it has not gained more legitimacy than the GGAP, especially within the Greek context. The majority of companies use the GGAP, which is seen as at least an equally reliable accounting system, when properly applied. The focus is shifted on management’s incentives and not the financial reporting standards per se.

It appears that the major motivation for the adoption of IFRSs and benefits for the adopters of the standards arise from the fact that the IFRSs are institutionally encouraged and accepted in capital markets. This provides a bonus to companies that use IFRSs in order to attract, access or retain capital at a national or international level regardless of whether the proclaimed benefits of IFRSs and the higher quality of financial information are perceived to be achieved or not. IFRSs are sometimes supported as being superior to the GGAP by enhancing the qualitative characteristics of companies’ published financial reports. Interestingly, these perceived benefits are organised around very particular notions, such as decision-usefulness, reliability, transparency and comparability. These merits have become the justification for financial reporting transformation in Greece. They are commonly shared and accepted even though defining them becomes more challenging while their interpretation may vary from one individual to the other. These common sense ideas are derived from the prevailing institutional arrangements of capital markets and contain specific conceptions of the world and provide an ideological framework to achieve a consensus for the implementation of the accounting framework. The next question that arises is: is there a detachment between these common sense views and key actors’ experience with IFRSs? The next part provides evidence on the inconsistencies in the impact of IFRSs.
Chapter 9: Perspectives on the drawbacks of IFRSs: Justification of deviations between ideals and practical experience

9.1 Translation and Training

The transition to IFRSs was considered a significantly challenging task in the adoption of IFRSs, it is a process that was accompanied by major changes in accounting principles and practices in an institutional and economic environment, and is one that was also driven by different conventions more broadly concerning the purpose of accounting and organisational practices. Although there is a positive stance towards the adoption of IFRSs, actual transition was problematic and continues to be an issue of concern for users and preparers.

The IFRSs’ adoption date shifted from the financial year ending 2003 to 2005. According to interviewees, this delay was because Greek companies had not taken the appropriate steps in time and had not planned the transition process adequately. Companies and public authorities lacked preparedness or the experience to comply with IFRSs, while adoption took place under pressure exerted by EU deadlines. Companies did not have the required technical expertise; in fact, they had to restructure their accounting processes and financial reporting to undertake other related costs. Users were equally less prepared and trained to ‘absorb’ and comprehend the financial information provided in IFRSs reports. Academics claim to have acquired sufficient knowledge of IFRSs, while IFRSs was increasingly included in accounting courses’ syllabuses [ADC1]. Many users and preparers complained that supervisory (governmental) authorities fail to provide adequate guidelines concerning the practical application of IFRSs and noted that they faced practical difficulties with the application of IFRSs. Inconsistent translation and interpretations of IFRSs into Greek was considered to affect the smooth transition of companies to IFRSs adversely, as well as, the ability of users to understand standards.

‘IFRSs were something new, they had to be translated; but as the translation and the interpretation were not always easy, it was problematic to transmit meanings.’ [AUD8] (The interviewee is a certified public accountant that has translated to Greek most of IASC and IFAC standards).
Every change in accounting systems entails costs for companies, thus, the first main theme relating to the challenges and problems faced by the adoption and use of IFRSs was the lack of individuals with technical expertise and experience of IFRSs and the cost of providing training to companies’ human resources.

‘The transition was really difficult and companies asked for the help of auditors; people are not trained and generally the level is low, even though the standards were introduced six years ago. Accountants attend seminars or get diplomas, but they still need to study a lot and use IFRSs in practice in order to understand them. Companies were barely prepared to adopt IFRSs; some of them are still afraid of the standards and very few are real experts.’ [AUD6]

‘It is concerning that there is not a diploma certifying knowledge on IFRSs, which will give to an accountant the right to sign financial reports under IFRSs [...] auditors try to elicit information from companies’ accountants and then inform them about the IFRSs’ rationales, instead of being guided by them.’ [AUD4]

‘It is difficult to find trained personnel on IFRSs even in the Big 4.’ [AUD5]

‘It is costly because personnel have to be increased as the IFRSs need time and there are issues that companies cannot handle with only the existing personnel. Most of the companies employed external specialists to do the job. The average accountant was not able to apply IFRSs by themselves.’ [AUD2]

Bank users and financial analysts face the same challenges regarding lack of awareness on IFRSs accounting issues and nevertheless, there remains a view that the number of people that can comprehend and analyse the information included in financial reports conducted according to IFRSs remains rather limited. It seems that there was an informal information exchange network among users and preparers, particularly during the first years following the transition to IFRSs, for dealing with the standards and their proper application. It is interesting to note, that there is a tendency for companies to mimic or copy parts of other companies’ reports that they regard as a benchmark, or best practice. There were occasions where companies were claiming to use certain valuation and depreciation methods that they were not applying in practice, as a result of this tendency. This is still a common practice. Accountants according to the interviewees have not reached a satisfactory level of knowledge and they still work mechanically, following what they did last year or what other companies do:
‘...in our country I think there are few people that know IFRSs; if someone, with a basic knowledge of the standards looks at the financial statements of companies, they will realise that such companies report nonsense. They copy-paste each other...’ [AUD1]

‘...there are cases in which companies’ reports state that they use a specific model, e.g. one related to estimations to calculate employee benefits (IAS19), while in practice they do something else!’ [AUD8]

‘Auditors have got psychological problems! Because of the lack of training of the companies’ accountants there is a two-way communication between auditors and accountants; actually, the auditors were preparing the financial statements’ [AUD9].

‘Auditors help a lot in this IFRSs ‘story’ and let’s say, they play the role of the advisor of the company or in many cases they were preparing the financial statements’ [MA3]

It appears audit firms significantly benefited from the adoption of the IFRSs, as they facilitated the process by offering more services to companies in transition, while organising seminars and extensive training on IFRSs.

‘The auditors asked for extra money to guide the company, personnel attended several seminars and another additional cost included paying for the service of bank auditors (a requirement in order to get listed).’ [ACT1]

‘The auditors were actually the ones that gave a push, helped and answered accountants’ queries and organised seminars within the companies’. [AUD2]

Lack of training and experience resulted in many errors being committed in the first years of adoption.

‘The implementation is a great problem, and it was so from the beginning, while there were listed companies that were about to get their books and balance sheets rejected.’ [ACD1]

‘Listed companies had great problems; companies issued many restatements, I know a case where a firm completed four restatements in 2005.’ [ACD2]
9.3 Costs of transition

Another often claimed cost of the transition and the implementation of IFRSs was that the new accounting framework required sometimes costly and time-consuming structural changes to companies’ accounting organisation and systems. The most important operational change was the need to redesign or replace software reporting systems.

‘Computer software was costly and book-keepers spent endless hours customising it.’ [ACT3]

Companies had to change their book-keeping methodology, and they had to collect a greater amount of data.

‘The transition was difficult; we had problems with our accounting software as the particular version did not cover our new accounting needs. The accountants, initially used excel worksheets to converge the accounts but it did not work! There was no continuity of the accounts throughout the financial years; so finally, the company outsourced the task to a consulting company which offered training as well.’ [ACT2]

Apart from costs that were attributable to adjustments in information systems and training costs, there were also other costs incurred, such as audit fees, as previously mentioned, consultation costs or the employment of individuals with specific IFRSs knowledge, costs for the preparation of actuarial studies and fees paid to independent valuers:

‘Initially, we thought the actuarial study would be an easy thing to do, but then the company had to resort to experts to get the actuarial valuation done, and paid 11,000 Euros.’ [MA1]

‘IFRSs are costly as they need to be audited, and the implementation of some standards requires the employment of experts (e.g. actuarial valuation). This meant for our company, at least 20,000+20,000 Euros’. [ACT1]

Actuarial studies where usually conducted with the help of external knowledgeable accountants, while the conflict between different accounting choices was a phenomenon frequently observed and one that emerged in our discussion about the intervention of non-accounting experts in the appropriate implementation of IFRSs.

Many of the costs mentioned earlier were related to the use of fair values for both preparers and auditors:
'Fair values create only costs for companies: the cost of an actuarial valuation for the employee benefits, the cost for appointing valuers in order to revalue land and buildings, and the costs incurred to employ specialists to revalue the natural resources. When auditors get an estimation from a valuer they have to evaluate and confirm it, as well. There are departments within an audit firm that ensure that their customers have appealed to an independent and accomplished valuer in the market or a valuer that the audit firm knows and cooperates with...’ [AUD6]

‘The figures relating to pensions, derivatives and fair values were generally very difficult to audit. The overall implementation of IFRSs was costly, depended on the size of the company and although the conversion costs were one-off, there were additional non-quantifiable costs.’ [AUD9]

Since both the IFRSs and the GGAP were used companies had to maintain and record appropriate information, which was required for both accounting systems, as financial reporting in accordance with IFRSs does not coincide with the Greek GAAP. This was claimed to aggravate IFRSs implementation problems as companies bear the cost of the application of the two accounting systems.

‘As there are differences between reporting for tax and financial purposes there are operating costs incurred when keeping ‘two sets of books.’ [MA2]

On the question, however, of whether the benefits received by the adoption of IFRSs exceeded costs, there was some uncertainty. Benefits were more difficult to correlate with the costs for measurement. Due to the smaller size of the Greek companies required or choosing to adopt IFRSs, relative to other more advanced economies, the cost of implementation was considered disproportionate. On the other hand, due to the reduced complexity of the accounting environment and volume of financial innovations, not all standards were applicable to Greek companies’ financial reporting purposes.

‘IFRSs are mainly designed for large companies, the majority of Greek companies have to apply only a part of IAS/IFRSs. In a company that doesn’t have, for example, leasing contracts and financial instruments, IAS 16 was essentially the only applicable standard and nothing else. Only 10% of the standards applied to the majority of Greek companies.’ [AUD4]
'I teach IFRSs, and regardless of what has been said, the actual changes that take place in companies’ accounting practices affect three to four accounts, depending on the type of the company. [...] if the transition is set up from the outset, it is easy and everything will work properly.' [AUD7]

Most of the technical and practical issues faced during the first phase of adoption and transition were considered as ‘one-off’ or temporary and interviewees generally thought ‘time will fix things’.

‘Gradually the problem of lack of training is being reduced and IFRSs are taught at the universities...’ [ACD1]

‘The personnel became more familiar with IFRSs since 2005. Compared to other countries, like the UK or Germany the level was not the same but it was satisfying. Large and listed companies train their employees, IFRSs are integrated into the universities’ syllabuses and there are training centres that offer diplomas on IFRSs.’ [AUD5]

‘It is logical to experience dysfunctions, especially during the first 2-3 years. However, financial managers, accountants and auditors have started to adapt to the situation.’ [CM1]

‘There is great improvement; companies have reached a very good level of standardisation. In the past everyone wrote whatever they wanted, now three-monthly reports are more analytical and analysts can find what they are looking for.’ [FA5]

9.5 Differences in accounting principles

9.5.1 Complexity and overflow of information

Thus far, the challenges faced by users and preparers regarding the implementation of IFRSs have related to the transition process and are considered temporary, since experiences and knowledge of IFRSs is enriched with time. In this section we will discuss the problems or challenges encountered by the interviewees in relation to the nature of the standards and their underlying principles and practical aspects. Such issues were considered to affect the appropriate implementation of IFRSs and to reduce the quality of financial reporting information.
A concern raised about the appropriate implementation of IFRSs and one of the relevant disadvantages were the constant changes, replacements or amendments to standards and provisions:

‘The changes and developments to IFRSs have to stop or decrease their frequency in order for users to absorb them.’ [FA3]

‘Sometimes I examine a particular area of the financial statements, then I realise that I have more questions, as some things have changed in between, and then I give up! We do not have that much time to devote, I try to become informed about important amendments and changes like financial instruments and the use of fair values, but sometimes I lose track of changes.’ [FA5]

The above statement illustrates another important issue raised; the overflow of information and lack of comprehensibility. Although financial statements under the IFRSs provide more aggregated information, the notes that accompany financial reports supplement and provide information about measurement methods and explanatory information about the accounts that are regarded as helpful. However, the information included is not always understandable. Interviewees justify the requirement for greater disclosures and the provision of financial information and notes by mobilising the argument of greater relevance in financial reports.

‘If you take annual reports and try to identify how an analysis was done, it won’t make any sense; the information is dispersed in a document of 150 pages, one needs time to figure out what goes on. Under the GGAP there was a simple trial balance at the end of the year, with complete analysis of the entries, and where the numbers came from. We didn’t have any problems in getting information from listed companies...’ [BA1]

‘Another disadvantage [of IFRSs] is the amount of information; suddenly, there is a massive annual report that needs to be filtered. The information provided by the GGAP was incomplete but now things are at the other extreme. This is, however, the right direction for financial reporting, users have to find a way to filter information. The amount of information is overwhelming but it aims to satisfy the information needs of different users.’ [BA2]

‘At some point the information required had to be so detailed, it was irrational; sadism. For example, regarding reporting long-term loans, the interest rates and accounting figures kept on changing and the reported accounting figures did too [...] IFRSs require too much information but maybe it is useful for different purposes.’ [ACT1]
Some preparers argued that companies may be hesitant to disclose ‘proprietary’ information to competitors. On the other hand, smaller and mid-sized companies experienced greater problems, as many of their competitors were private companies that did not need to disclose any segmental information.

Lack of understanding, due to the technical complexity and conceptual abstractness of the IFRSs is raised often, justifying concerns and evidence in accounting literature that IFRSs are understood in depth by a minority, an elite of knowledgeable accountants and auditors. Other users, such as financial analysts and bank managers, including the management of companies, often lack the requisite advanced knowledge and expertise. This casts doubts over the interpretation of financial figures, which might significantly affect economic decisions.

‘If it is difficult to draft annual reports, then one can imagine how difficult is to make use of them. Sometimes, I think that many will read the notes, for example, but few will understand them. Sometimes an auditor is puzzled over how to write something, whether a certain way is better than another’. [AUD6]

‘It takes time and effort to conduct annual reports. We were unsure about presentation and disclosure. At one point the mentality was “Anyway, it doesn’t matter; no one is going to understand them anyway!”’ [AUD5]

The discussion relates to the challenges encountered by users and preparers when using and implementing IFRSs designated specific standards and accounting treatments that were perceived as problematic or complex in application in practice.

‘I don’t have time to examine financial reports in detail, what I am worried about is the financial products. There were several changes after the adoption of IFRSs. I read everything; I tried to understand how companies deal with derivatives, financial instruments and hedge funds.’ [FA3]

‘A great amount of information is required by the IFRSs. A common investor is not going to understand anything, they have to be economists. Even if IFRSs had to be simplified when is simple enough?’ [ACT1]

‘IFRSs are complex and require advanced accounting knowledge. Under IFRSs, accounting practice has moved towards finance. For example, before if someone owed us X we reported that. Now, IFRSs state that you cannot do that, because if we expect to get the money in 5
years we need to know the present value of the money. A typical example is the case of financial instruments. One needs to know the Black & Scholes model simulations in order to apply and understand the standards.' [FA2]

Another financial analyst shared a similar concern: ‘Our customers complain that they have to become accountants in order not to be deceived.’ [FA3]

9.5.2 Principle-based approach to financial reporting

In general, IFRSs are considered to be more principle-based than the Greek GAP, which is based on standard rules. Thus, the shift to IFRSs is challenging for users and preparers of financial reporting information in Greece since more flexibility and responsibility is imparted to management to make professional judgements. A principle-based approach has been supported in the literature as reflecting economic reality (e.g. Alexander & Jermakowicz, 2006). According to the former chairman of the IASB (Tweedie, 2010), the IASB’s principles-based approach presupposes that management exerts professional judgment in good faith and in order to provide a faithful representation of all transactions and a strong commitment from auditors to resist client pressure. Greater flexibility, as opposed to uniform rules-based accounting systems is claimed by the interviewees to lead to considerable ambiguity over record-keeping and measurement and to have a negative impact on comparability.

‘Transparency or comparability are characteristics that materialise, not in the short term but in the medium to long term. These benefits are prevented from materialising by the options available in IFRSs. In this way, comparability would never be achieved while companies that operate globally are required to fulfil the demands of the IASB and the FASB. Political will is fundamental to getting standards adopted in place.’ [AUD3]

‘The application of IFRSs differs from company to company. With IFRSs there is great leeway for options. In order to ensure financial statements are comparable and reliable, we contact the management of the company to get clarifications.’ [FA1]

A weakness of IFRSs is that they have options, which should be reduced, if not removed. As long as there are options, the problem of lack of comparability will remain.’ [AUD4]

‘A company that applies IFRSs can get infinite results, as a result of the different approaches it can adopt. For example, it can use different methods in IAS 19. In my opinion, about what
kind of comparability are we talking about? One company uses historic costs, another uses re-adjusted value [...] I don’t want to be absolute, some comparisons are possible.’ [AUD8]

One can deduce from this comment that the subjectivity (manager’s discretion) and options available in the IFRSs are regarded as obstacles to achieving comparability; nevertheless, according to this view, comparability is a characteristic that could be achievable and materialise in practice. More comments demonstrate that accounting principles and options offer different accounting treatments that may have negative implications for the content and interpretation of information in financial statements.

‘IFRSs provide the flexibility to choose among different options, and interpretations can vary. Aside from differences among the financial statements of different countries, there are differences among businesses on different interpretations of a certain situation.’ [ACT1]

‘Another problem with IFRSs is that companies’ management has to make estimations and there is an inherent element of subjectivity in IFRSs.’ [AUD1]

As a result, the GGAP is considered more ‘straightforward’ providing financial information that is more trustworthy and that is free from management bias, and thus, more comparable at the expense of information that reflect ‘economic reality’ [AUD5].

‘The GGAP is based on strict accounting rules for the preparation of financial statements [...] e.g. non-current asset are depreciated at a fixed rate of 10%, which can be fair or not. The companies will not make provisions for bad debts themselves, while the result is undisputable and stable. IFRSs have both accounting rules and judgements in valuation and financial results vary and can be disputable.’ [AUD7]

9.5.3 Use of fair values

The exercise of more judgements and estimations is considered to influence the quality of financial statements. Thus, a key issue affecting full disclosure and qualitative characteristics, such as comparability and transparency in corporate reports is the use of fair values. The use of fair values has a great impact on the identification of depreciation rates of fixed assets or financial assets, and as a consequence, the use of fair values has an impact on the representation of economic reality and the comparability of financial statements.

Identifying a fair value for fixed assets proved problematic at a theoretical level. An academic referred to an incident when he and another colleague, with whom he was sharing
an accounting module, were disagreeing over the calculation and measurement of fair values for a class exercise. They had to drop the exercise until they were sure about the correct application of the measurement method. ‘Vague’ was a description often used by the interviewees when referring to fair values. In practice, investors and analysts are left uncertain as to what is the real situation of a business, whereas the use of fair values can have unforeseen and unexpected effect on companies financial statement results.

‘With fair values companies can have huge profits or huge losses; they should take advantages of the opportunities but also undertake the risks once they apply them. The problem is that fair values are difficult to measure and to estimate. Companies in the banking or the financial sector are more vulnerable to changes in fair value, because they have stock market products.’ [AUD5]

‘Fair values especially in the case of financial assets (but not only) are less outdated and mirror the current financial position of companies; present value equals the market value. However, in less sophisticated markets fair values are difficult to estimate and identify as not all market process are available.’ [AUD7]

Indicatively, the standards raising the most concerns about comprehensibility and implementation were:

- IAS 16: Property, Plant and Equipment and the measurement of fair values;
- IAS 32: Financial Instruments: Presentation;
- IFRS 7: Financial Instruments: Disclosures: companies, for example, encountered problems with a sensitivity analysis of how the variations in the interest rates of loans or the deposit interest rates affected the company.
- IAS 39: Financial Instruments: Recognition and Measurement (superseded by IFRSs 9: Financial Instruments) on the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items;
- IFRS 3: Business Combinations: there was confusion over definitions and measurement methods, while many companies were unable to approach and understand the requirements of this procedure;
- IAS 19: Employee Benefits and IAS 26: Accounting and Reporting by Retirement Benefit Plans: more specifically the conduct of actuarial valuations required a great
amount of detailed information and technical knowledge. There were also changes required to the retirement system in order to accommodate the requirements of the standard;

- IAS 12: Income taxes and particular issues that arise in accounting for deferred taxes on share-based payment; and
- Accounting for leasing IAS 17: particularly burdensome was the classification and recognition of finance leases. ]
- IAS 28 on investments in associates differed significantly from the GGAP.

The concept of deferred taxes, for example, was difficult to comprehend as it was new and different from the previous accounting practice in Greece. Tax liabilities do not coincide chronologically with the tax year and variation in the tax figures from one year to the other was considered to have a significant impact on companies reported results. IAS 32 and 39 on the recognition, presentation and measurement of financial instruments required changes in the accounting system of companies and included, for example impairment and hedging valuations that were difficult to apply and monitor in practice.

It is interesting that many of these include the application of fair values, since this was the main practice introduced with IFRSs. The use of fair values for the valuation of fixed assets apart from the inherent costs it involved seems to have allowed room for manipulation of companies’ financial results as we will see later on. That said, the concept and the option to use fair values was introduced by an EU Directive. Article 43c was added in L./ 2190 instead of as a cross reference to IAS 39. According to the article, which is voluntary, financial assets can be measured in fair values while fixed assets should be measured according to their acquisition costs or according to the law, but this does not represent real value.

‘Very few companies apply 43c because it creates problem with taxation, as tax authorities recognise the profit and not the loss. The [local standards-setters] added the article because they were forced to do so by the EU; they included the whole IAS 39 in five lines, without definitions.’ [AUD8]
9.5.4 Prudence and Earnings Management

It is not clear what drives users’ and preparers’ preferences towards the IFRSs, since they express scepticism over the reliability and trustworthiness of IFRSs-based information. Due to IFRSs failure to provide explicit accounting standards that could be applied uniformly it is questionable whether preparers are able to conduct the best possible financial statements representing the financial performance and value of a company in the most reliable and comparable way. A prerequisite for comparable information is that the IFRSs are ‘properly’ applied and not driven by the self-interests of companies. In this context ‘proper application of the standards’ is a broad issue, since accounting disclosures and measurements are determined by the nature of the accounting framework and their interrelation with companies and the environment or/and sector in which they operate. Proper implementation of IFRSs is sometimes regarded as governed by prudence. The prudence convention, however, is itself contestable, as it can prevent preparers from reliably representing financial performance and companies’ results.

‘When IFRSs are applied with prudence financial results can be comparable. I would like to be able to read the balance sheet of Alpha Bank and that of Deutsche Bank to compare them and decide where to invest or not. But I need to know that there was the required prudence by both, that they applied IFRSs in a proper way, in order for the results to be comparable...’ [AUD7]

‘Theoretically, IFRSs provide more information but I am sceptical about what happens in practice and the quality of this information. For example, in order to improve their capital adequacy, companies buy land in odd regions and show high purchase prices, making use of high fair values. This was the case with the ASPIS scandal.’ [ACD3]  

The notion of ‘appropriate’ financial reporting and opportunities for manipulation emerge often as issues significantly influencing the behaviour of managers and the quality of financial information. Thus, it may be in the management’s self-interest to present a better image ‘by manipulating income in order to get a loan, or increasing the share price, or showing increased sales to get higher bonuses’ [ACD4]. However, another interviewee

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54 ASPIS Pronoia, member of the ASPIS Group of Companies, is a Greece-based insurance company that collapsed in 2007 after it was revealed that the company had proceeded to increase its capital and adjust the value of immovable property by arbitrarily increasing its value by 50 million Euros.
remarks that ‘in Greece companies sometimes manipulate earnings downwards rather than upwards in order to pay less tax’ [ACD2].

Such behaviour is considered to be an obstacle to achieving harmonised financial statements that adequately reflect ‘economic reality’ and are transparent. Generally, fair value accounting is thought to increase opportunities for manipulation when “mark to model” accounting is employed to simulate market prices, because managers can influence both choices of models and parameter estimates by, for instance, influencing financial statements by exercising discretion over realising gains and losses through the timing of asset sales. This is especially true in Greece, where the market is not particularly active.

‘If one wants to manipulate they will manipulate!’ [ACD2]

‘There were some technical problems for banks and other companies on the application of IAS 32 and 39. Regarding, for example, the recognition of impairment on intangible assets there was the case of a company where 1/3 of the net assets comprised intangibles and did not disclose recognised impairments...’ [AUD1]

‘Fair values are ambiguous. Do you know what does it mean to readjust equity capital by 5%? It is a massive number. We look for deviations or spikes in the results, we conduct regression analyses, I may ask for some clarifications from the Investor Relation section [...] IFRSs standard-setters compromise sometimes and are influenced by other interests. They changed the market-to-market policies to save companies like City Group and American International.’ [FA3]

There are options in the valuation methods and the provision for employee compensations and provisions for reduction in the value of inventory. The fair values used to value non-current and intangible assets, such as the rights in takeovers that required impairment tests, offered many opportunities to accountants to: ‘fill in the gaps’ [FA1]. Managers’ self-interest distorts the ability of IFRSs to represent economic reality. As the following comment suggest, earnings manipulation can lead to quality aberrations from economic reality, while the conceptual superiority of IASB’s standards remains unchallenged.

‘IFRSs include accounting principles and subjective estimations and results can be disputable. If the estimations made under IFRSs are ‘correct’ then you have the best possible results. But companies use fair values and models and report whatever numbers they want in
order to affect the results. Previously, accounting standards were stricter, now they are more flexible and voluminous and thus more complex and of questionable quality.’ [AUD7]

‘IFRSs are the perfect financial reporting system, if properly applied. But in reality, accountants or managers have something in their mind, to meet targets. The financial statements could be flawless if people did not have other things in their mind. The GGAP looks at the real costs and the value of the asset is known when it is sold. IFRSs have fair values and offer more opportunities to manoeuvre and manipulate results.’ [AUD8]

Most interviewees believe that IFRSs allow discretion to both accountants and managers to exercise their judgment; they expressed concerns that IFRSs provide extensive opportunities to firms to influence results through the application of preferred accounting measurement methods and treatments. Increased manipulation becomes more feasible with the use of fair values and the biased evaluations of valuers. Biased valuations are more difficult to inhibit due the lack of an independent Greek state institute providing official licences or certificates to accredit valuers. The only private valuation organisation at the moment in Greece is the Hellenic Institute of Valuation (H.I.V.), established in 2009.

‘Creative accounting is easier and more intense with IFRSs. Often, there are valuers that do not do their job properly and make higher estimations than the real value of the fixed assets or the subsidiary companies.’ [AUD4]

‘IFRSs sometimes give unlimited freedom to accountants. If a company states that it is going to use the buildings for 50 years, no one will disagree. An independent is required for the valuation of buildings, but for some other fixed assets though, such as shelves, [this is a supermarket chain] there are no valuers. Under GGAP we used a depreciation rate of 20%, meaning that they would depreciate in 5 years; under IFRSs this is 10% and depreciation in 10 years.’ [ACT1]

‘IFRSs are adopted by companies in a looser way; there is the subjectivity factor; take for example the valuer who is paid by the company and tends to manipulate the figures in order to agree with the managements directions, it is logical.’ [TAX1]

On the one hand, there is a perception that the ability to manipulate IFRSs reports was more possible in the past, implying that there is less manipulation in the present, due to the strict supervision of the capital market committees and auditors.
‘It is difficult for companies to hide financial transactions, not that it doesn’t happen. In the past, companies that used IFRSs hid many things.’ [BA1]

Conversely, a financial analyst observes the opposite trend:

‘Following the IFRSs adoption companies produced more analytical information […] however, at some point this started to fade. […] books are kept and results are reported in a way that is more ‘convenient’ for companies’ interests. Getting to know how to treat IFRSs resulted in finding ways to overcome the ‘problems’ that they encountered.’ [FA1]

In general, it could be argued that preparer’s and other users’ view is that accounting manipulation seems to have increased under the IFRSs.

‘Companies feel that with IFRSs there is leeway; my impression is that manipulation has increased with IFRSs.’ [ACD3]

‘The standards that are more prone to manipulation are IAS 16 and IAS 39. With IFRSs the company can manipulate the financial results and equity as they like. Under the GGAP, once you choose to do something you have to commit to it. Under the GGAP the company could get some comments in the auditor’s report regarding figures and accounting treatments that needed e.g. more evidence without any consequences. Under the IFRSs auditors don’t make such comments because the stock markets and the banks will not like this; if there is a comment there will be a problem.’ [AUD6]

Is manipulation easier under IFRSs? Yes. GGAP has clearer rules. In countries with developed markets, book-cooking is high level and more sophisticated. It’s gourmet cooking. Take the example of financial instruments. According to the Greek standards, the valuation is made on the average price in the middle of December, under IFRSs, according to the last meeting. Can I manipulate or not?’ [AUD9]

9.6 Country specific environment: persistence of local elements in accounting practice

Accounting regulations and systems differ between countries and depend on the institutional characteristics of political and economic systems; they are influenced by a number of factors, such as the different governmental, political, economic, legal, tax and financial systems. Environmental and institutional factors seem to be at the centre of discussion, counteracting the comparability and international financial harmonisation of financial reports, leading to ‘local adjustments’ or inappropriate implementation of the standards.
‘When I analyse different companies’ financial reports in the same sector under IFRSs, I cannot compare the results; they show different results. Of course, the environment plays a role...’ [AUD7]

‘One can compare two different financial statements but cannot reach a conclusion which one is the best, it depends on the sector. You cannot really compare a hotel and an industrial company, and express an opinion over its efficiency, capital performance and ratios. The economy of the country plays a significant role...’ [TAX1]

Some observe that standardised and harmonised accounting standards can only result in comparable financial information affecting the accounting treatments of companies’ and their industry peers. Thus, comparability is difficult to achieve at a national level, let alone internationally, where the economic and political dynamics differ.

‘There are many factors that should be taken into account when looking at a group like the EU that still retains its national characteristics. It is difficult to evaluate the Polish and the French or the Greek and the Portuguese financial statements, since everyone keeps accounting records and books in different ways...’ [BA3]

Nonetheless, there is a view that:

‘the underlying concept of IFRSs is that they should give comparable financial statements, regardless of the environment in which companies operate and their sector. They should be comparable but they are not, because of the different cultures and mentality. The standards are developed according to the Northern European culture. At some points, IFRSs have digressed from their basic principle and have become rules-based, but in few cases. If this country [Greece] had the will and the culture to produce some work, GGAP would be the best solution; we should try to gradually adopt and embrace their philosophy. Greece cannot stay behind, if everyone says x you cannot say y.’ [AUD1]

Some of the interviewees drew attention to the implementation process of IFRSs by Greek companies and the methodology used by audit firms to report economic transactions according to the IFRSs. Instead of keeping books according to IFRSs the actual established practice is to keep the books according to the GGAP and then at the end of the financial period to convert the results to the IFRSs:
A company rarely preparers the IFRSs from scratch. According to the Greek legislation all companies prepare tax accounting reports based on the GGAP. Only companies with very sophisticated software systems enter accounting transactions directly into accounts according to IFRSs and have the permission to do so. The conversion of the companies’ accounts to IFRSs is done using an Excel worksheet. The results do not differ; the issue is that it becomes easier and more accessible to Greek companies. So, they have tax books and then they make adjustments by making entries according to IFRSs, which I have to admit - it is more difficult...’ [AUD6]

‘Most of the companies keep their books according to the GGAP, namely they prepare the balance sheet and the income statement in order to fulfil their tax obligations for the tax authorities. Then they create a bridge to transit to IFRSs. Using the trial balance of the accounts they make adjustments to fit IFRSs. These calculations are prepared independently of financial accounts [he means that this process is not part of the accounting system]. They create a new accounting company and transfer the balances to facilitate the preparation of the reports. This is supported by software, and adjustments from previous financial years are automatically transferred to the current one.’ [AUD7]

However, this practice is considered inappropriate by other users who express their doubts about the reliability of the figures reported, as failing to reflect economic substance in line with IFRSs.

‘In order to apply IFRSs there is a need for two different systems; one according to the GGAP and one according to the IFRSs. It is inconceivable to be able to close the books for a three month period, take the accounts and convert them to IFRSs, it cannot be done; either you apply IFRSs or not. The Big 4 audit firms [the interviewee names two of them] have a [software] programme for restatements and conversions but it is risky because some things are not done properly […] larger companies are more committed and keeping accounting books properly.’ [ACD2]

The improper implementation of IFRSs is often seen as the result of prevailing tax regulations over financial reporting aligning with the GGAP and the CRB. Preparers tend to place emphasis on implementing the requirements as determined by tax law. Moreover, accounting issues that are not treated in the GGAP, such as accounting for deferred taxes, are considered by some as less important, since in practice they are rarely applicable to Greek
companies. In fact, as already discussed, companies tend to apply certain IFRSs, given that only a number of the standards relate to larger companies with more complex transactions.

The contradiction between the content of the GGAP and tax regulations is undoubtedly the main deficiency affecting financial reporting in Greece according to most interviewees, as this also subsequently affects the implementation of IFRSs. Tax law interference, or in other words the influence of the state policies and strategies in businesses’ financial reporting, is considered the ‘cancer’ of accounting. Before the adoption of IFRSs and IAS 19 in Greece and under Greek accounting law (Law 2190/20 and Presidential Decree 186/92), defined benefit liabilities fell into the definition of provisions and were recognised on balance sheets. In practice, though, most preparers followed the requirements of the tax law and only recognised liabilities related to employees that were due to retire during the year following the end of the financial period (Morais, 2008).

The GGAP is equated to the taxation regulatory framework and, in particular, the Code for Books and Records (CBR):

‘Companies are less willing to disclose much financial information and that’s why they publish their financial statements (which is mandatory) in unpopular newspapers. The GGAP is a Greek patent; it just focused on collecting taxes.’ [MA2]

The constant amendments to tax regulations meant that the treatment for accounting transactions was constantly changing and financial statements were becoming, hence, less comparable over the years.

‘…if taxation was not so enmeshed in accounting, distorting the real picture of business activity, the GGAP wouldn’t be that bad. Taxation-related economic concepts are unacceptable. It is difficult to get a true and fair view of the financial position of a company. Taxation serves as a source of funding for the State in order for it to survive. Financial reporting should be based on economic rationales...’ [AUD4]

‘…nine out of the ten companies required by law to recognise compensation for employees, did not do so because the tax law didn’t recognise employee benefits, even though according to the GGAP they should do it.’ [AUD2]

‘…many companies prefer to listen to the taxman, distorting the more reliable valuation of assets achieved under IFRSs. Tax results differ from financial results. Although the state
should interfere in a companies’ taxation, because at this moment that is its only source of income in order to operate, it should not interfere in the companies’ financial reporting (AUD4).

‘Tax regulations are many and complex, while the law changes all the time, with new circulars following other circulars, etc. It is like the tower of Babel. We have meshed the concept of the tax accountancy and accounting science. The disadvantage of the GGAP is that the tax authority interferes in Law 2190 making inappropriate interventions.’ [AUD9]

The State dominates as an accounting and tax regulator, with implications affecting the quality and ability of financial statements to represent a ‘true and fair’ view of the companies’ activities.

9.7 Enforcement

Another point raised by users and preparers contradicts their own view that the lack or existence of comparability and accounting quality is dependent upon enforcement mechanisms and auditing. Leuz (2010) observes, for example, that rapid proliferation of IFRSs adoption has rarely been accompanied by significant changes in enforcement institutions suggesting that other forces are likely to be driving this process. The importance of country-specific implementation features, country-specific and international (or EU-wide) enforcement mechanisms and companies’ incentives are thought to determine the degree of IFRSs adoption and implementation consistency. Institutionally, IFRSs’ enforcement is monitored through oversight bodies and in the case of the EU, the quality of accounting reporting is promoted by the establishment of independent enforcement bodies in EU member states as part of the IFRSS adoption announcement (EC1606/2002). In Greece, this role is undertaken by the ELTE as discussed in chapter three. Currently, the Committee of European Securities Regulators (CESR) and subsequently the European Securities Market Authorities (ESMA) were set up to promote and establish cross-jurisdictional financial reporting enforcement. The comparability of enforcement has also been endorsed through European Enforcers Sessions (EES), whereby national security market regulators can discuss enforcement decisions (Berger, 2010). The quality of IFRSs implementation, though, is far from uniform across Europe (Pope & McLeay, 2011). ELTE is not considered, in general, to fulfil its role to oversee the processes of application of IFRSs by companies which are part of an insufficient infrastructure and ineffective support provided by the State. In the context of poor enforcement, auditors perform the role of accounting regulation enforcers, as recognised
in accounting literature (e.g. DeAngelo, 1981). Interviewees seem to expect auditors to ensure consistency in IFRSs adoption.

‘Comparability is not affected if standards are applied properly... If companies use different measurement methods then it is difficult to make a comparison. Auditors’ reports are the main assurance provided to users about the transparency and reliability of the reports.’ [ACT2]

‘Enforcement mechanisms are non-existent. Investors have to trust that management has acted in good faith and depend on the reliability of the auditors. ELTE is disorganised and suffers from dysfunction.’ [FA2]

Some interviewees shifted their responsibility for interpreting and consequently comparing financial statements to users.

‘One can compare companies in the same sector. The socio-economic context does not change the adoption and implementation of standards; even though it may have positive or negative effects on results, the handling is the same. Another important point is that if users have to compare financial statements from two companies’ within the same sector, it is their responsibility to analyse and interpret the information wisely.’ [AUD6]

‘Of course companies can make tactical decisions on accounting valuations to improve a company’s financial results; users have to use their judgement about whether the standards are applied correctly or not.’ [BA2]

Effective enforcement is promoted as building confidence in the accountability of companies reporting under IFRSs, together with the external auditing methodology and professionalism. However, interviewees’ perspectives and the current audit failures in Greece render current enforcement strategies and structures ineffective. The values of auditors (and the accounting profession) are shaped by the value system and interest of companies and the current dominant (institutional) ideology of individualism, deregulation of competition and general liberalisation. Public interest demands for the quality and transparency of accounting can easily collide with organisational and the professions’ logics.
9.8 Conclusions

This part provided evidence on the challenges the key local actors’ have encountered in the implementation and interpretation of IFRSs, as well as, the justifications provided for failure to meet the IASB’s pronouncements regarding the quality of the standards. Many of the concepts and principles underlying the IFRSs were new to the preparers and other users. Yet, the Greek capital market is not as developed as that in other European countries and companies are mainly small and medium-sized and family owned. As a result, their transactions are not especially complicated or sophisticated and not all international accounting standards apply to them.

The introduction of a new set of accounting standards, as expected, led to an increase in costs as in other national contexts (Darenidou et al., 2006; Jermakowicz & Gornik-Tomaszewski, 2006; Sykianakis et al. 2011). There was a lack of knowledge and expertise on IFRS, so companies and other users had to be trained, attend seminars and spend more time understanding the information, or when preparing the financial statements. There was lack of guidance to deal with the complexity of the standards (in line with other research, e.g. Fearnley et al., 2007) In many cases companies had to employ experts to conduct actuarial valuations, or pay valuers to conduct assets valuation. External auditors act as the main advisors in the IFRSs implementation process and frequently, they actually prepare the audited companies financial reports as already highlighted in a previous discussion. One of the most burdensome tasks was, for example, to prepare the notes for the annual reports but also to be able to comprehend the information included. Preparers commented that they found them difficult to understand, so other users must find them near impossible. Banks, financial analysts and shareholders find the information in the notes useful and detailed but very hard to understand; in addition, they do not have much time to devote to scrutinising financial reports. Moreover, international accounting standards are amended constantly and so it is difficult for users to keep up with these developments, making the comprehension of the financial reports even harder. Information overload results in annual reports being only partially utilised.

The main challenges in the adoption and implementation were problems in the translation of key concepts, which hindered the appropriate adoption of IFRSs, and their interpretation was questionable. The use of fair values had the most significant influence on the financial results reported and namely the use of fair values in the recognition and measurement of financial
instruments and the valuation of property, plant and equipment. According to the GGAP the evaluation and depreciation of fixed tangible assets was a historic cost set by the Government and fixed so that it did not vary among companies. Most of the time, the revaluation of fixed assets was beneficial for companies and improved their equity. However, fair values are considered to be not such a well-defined concept, which raises many issues when trying to apply them in practice. However, interviewees raise concerns about the subjective element inherent in standards can lead to ambiguous, manipulated, unreliable and non-comparable financial results. The many options also available in the standards contribute to the lack of comparability and is also highlighted in literature (e.g. Bowrin, 2007; Ballas et al., 2010) According to the interviewees companies use IFRSs and fair values to improve their equity and subsequently, their financial results, while IFRSs are more prone to earnings management and manipulation. Most interviewees are sceptical about the reliability of the financial information, and its comparability. There is also a general impression that accounting manipulation has increased under IFRSs impairing quality of financial reporting. To similar conclusion has also Tasios & Bekiaris (2012) arrived in their study on the adoption of IFRSs in Greece. Local actors identify contradictions and mismatches between policy makers’ rhetoric and the achievement of IFRSs objectives. Whether these defects serve as a tool to challenge the IFRSs project, or the financial structure upon which financial accounting is founded are issues considered in the next chapter.
Chapter 10: Discussion

10.1 Introduction

This chapter will piece together the issues raised and evidence provided thus far in this thesis. From a macro-level perspective it examines the forces behind the drive for financial reporting internationalisation and harmonisation through the adoption of a political economy approach. The first aim of the study is to problematise some of the assumptions behind the rhetoric exercised by policy makers and accounting researchers, regarding the phenomenon of globalisation, the role of the EU and the IASB. The discussion has brought to the surface an ignored theoretical concept within the globalisation debate during the last decade- namely imperialism. The discussion narrows down to the country-level impact of changes in financial reporting and the adoption of IFRSs. Based on interviews with key local actors in the establishment and the use of IFRSs, perceptions on the micro level are evaluated. The empirical evidence informs current issues in mainstream international accounting research about the actual users of IFRSs, their financial information needs and the perceptions and responds of key users and preparers on the use of IFRSs. Gramscian theoretical ideas are utilised in order to make sense of, and encourage, a theoretical insight into the empirical material. These ideas will shed light on the questions raised about what drives individuals’ perceptions on the adoption of IFRSs and the how they make sense of the inconsistencies arising. The social consequences and impact of individuals’ views on maintaining the status quo are also reconsidered.

10.2 ‘Globalisation’ and IFRSs: a political economy perspective

The debates around the dynamics of globalised or financialised capitalism are particularly relevant to the debates around the internationalisation of financial reporting and their socio-economic impact on national contexts. The major driving force behind the internationalisation process of financial reporting and the proliferation of IFRSs, is often attributed to globalisation (e.g., Gallhofer & Haslam, 2006; Diaconu, 2007; Irvine, 2008; Chand & Patel, 2008; Fosbre et al., 2009; Winney et al., 2010). Globalisation became one of the mantras of the early 1990s onwards, and is argued to represent the world as a common global market, having attained a new stage marked by the growing internationalisation of production, finance and marketing. Appeals to globalisation as an irreversible economic
necessity suggest the power of global finance and governance has shifted to a supranational level rendering the authority of nation-states either redundant or parasitic.

The international character of capitalism, as has been shown in chapter two, is not a novel idea, nor does the increased internationalisation of markets and labour signal a transition to a new phase of capitalism. Instead, in this study, globalisation is understood as a legitimating ideology and as a set of ideas that distorts reality and gives globalisation a human face, in order to conceal its nature and promote the necessary conditions for capital accumulation by an elite, through the promotion of freedom via the markets. The globalisation of capital is a systemic trend underpinning contemporary capitalism. By adopting a Marxist analysis it is argued that globalisation is a myth concealing the reality of an international economy. The internationalisation of economic relations and capital, and the resulting increase in large-scale production has reached a point where free competition is replaced by a global monopoly of entrepreneurial alliances. This process of the internationalisation of capital has always been marked by exploitation and geopolitical conflicts, derived from the basic tenets of imperialism. Imperialism as a theory, which can in some cases be controversial, is used to provide an alternative understanding of globalisation, which involves power asymmetries and interrelationships between the key agents of economic globalisation, such as nation-states, multinational corporations and transnational institutions. Global capitalism represents the ongoing merger of two dynamic and interrelated developments, the internationalisation of production and investment and the confluence of private capital and the nation-state. In the last four decades, the process of internationalisation strengthens the role of the nation-state in the struggle for supremacy and capital monopoly in the world market. Thus, internationalisation of production does not lead to the unity of the world by transcending historically outdated national barriers, borders and divisions, but instead leads to the intensification of national antagonisms and military competition, motivated by fierce competition between imperialist states. This contrast cannot be resolved in the context of capitalism, since capital accumulation takes places on a national level. Monopolies do not revoke this national foundation as they are reliant on it. The importance of the national is also decisive in the success or otherwise of the reinforcement and implementation of a single financial reporting framework.

To summarise, the position taken in the current thesis is that the concept of the globalisation of the economy cannot exist in the absence of authentic global capitalism. The internationalising trend emerged in the economy before WWI, as a basic feature of monopoly
capitalism or imperialism. The novelty exists in the capitalist restructuring of more powerful Western countries to advance the monopoly stage. This is characterised by the attempt to re-internationalise the markets after WWII and the retreat of social movements, as responses to the problems of capital profitability were intensified by the crisis of 1973. The waves of capitalist restructuring, inaugurated after the 1973 crisis, led to reforms often described as neo-liberalism, the Washington consensus or globalisation. Political and economic restructuring, through the neo-liberal policies from advanced economies were combined with an increase in the rate of exploitation to resolve the long-term crisis of capital over-accumulation and to restore levels of profitability. The result of these reforms was the initiation of a series of state and governmental policies aimed at the redistribution of wealth from the labour side to the capital side. Thus, there is no single or homogenous capitalism, but many capitalisms that are interwoven and reproduced anisometrically. Any similarities between capital restructuring reforms and state policies exist due to the transfer of pressures from one nation-state within the framework of the imperialist chain. In other words, the current stage of capitalism, imperialism, is marked by the drive of dominant advanced countries and their financial oligarchies to exert power, and the organised violence of the state to enforce their imperial dominion over the economic and political existence of the less advanced nation states. Meanwhile, however, financially dominant countries also compete with each other for their domination over other oligarchies.

The above analysis is particular relevant to accounting and financial reporting. Instead of understanding the internationalisation of financial reporting as a natural necessity of the apolitical phenomenon of globalisation, it is argued that accounting internationalisation is one of the outcomes of capitalist imperialism. From this perspective, the emergence and adoption of international accounting standards is bound to serve particular economic interests through rivalries among states integrated in the capital accumulation process. Moreover, a better understanding of the forces behind imperialism can enhance our understanding of the conceptual underpinnings, priorities and agenda that guide the internationalisation of accounting standards. Globalisation theories do not satisfactorily explain the difference of accounting that persist across countries and the important role that states play in regulating financial reporting. Yet, similarities in accounting systems between countries could be perceived as the outcome of reforms and transfer of pressures from (more powerful) nation-state(s) to the other within the imperialist chain.
Another argument highly relevant to accounting relates to the phenomenon of the ‘financialisation’ of the economy, similarly described as a novel stage in the economy or as an epoch in which financial capital has dominated industrial and productive capital. It has been argued that financialisation does not signify a different type and transformation of capital accumulation, or a permanent systemic transition of profit making from traditional production to the financial sector. The greater proportion of capital that is redirected towards finance is the outcome of a lack of restoration of profitability to 1970s levels, which has enhanced profitability when investing savings into the financial sector. Meanwhile, the world economy was kept afloat by a flood of low-cost credit (Callinicos, 2013). In this respect, financialisation is not responsible for the diffusion of international accounting standards, even though, as a trend, it affects the conceptual framework and nature of international accounting standards and IFRSs in particular.

The revival of fair value accounting, for example, remains a significant technology of neoliberalism, which embeds the ideological premises of neo-liberal policies within accounting treatments. A commitment to fair values is based on the arm’s length principle or principle of free competition and assumes the existence of free markets. Increased interest in market investors and market analysts, as channelled into the requirements for market and shareholder values, is indicative of the trends and attempts at financial restructurings over the last decades. Important groups in the financial system, such as pensioners, workers and savers are ignored. Such changes in the conceptual trends of accounting regulation have become even more observable as the sources of greater inconsistencies between principles and practice in national contexts, such as Greece. Greek economy and society follows policies and economic restructurings that take place internationally, especially at the EU level. The country’s accession to the EU signalled a turning point in the Greek economy; while it played a major factor in institutional and other reforms in the country, including financial reporting. The role of the involvement of Greek capital in the imperialist EU block had a crucial impact on the fate of IFRSs adoption in the country.

10.2.1 The importance of nation states: hegemonic influences on the role and structure of the IASB

The history of the internationalisation of financial reporting that took shape through IASB has become the history of powerful states, their associated transnational apparatuses and an intricate nexus of institutional and regulatory bodies, corporate agencies and accountancy
firms who have had extensive opportunities to impose their strategies and transfer pressures
from one national formation to the other. In this thesis it has been argued that the role of
transnational institutions, such as the EU and other independent regulatory bodies, such as the
IASB, fulfil the fundamental function of the capitalist nation state, which is to defend the
long-term interests of the bourgeois class under the commandments of its ruling sections.
International institutions serve as structured environments, in which major capitalist powers
can be brought together under the initiatives of the dominant economies, such as, the US.
They also provide a forum in which compromises and conflicts that divide capitalist
constellations are negotiated to enable states to enforce a common schema that is
ideologically articulated through neo-liberalism.

Such an analysis, enables an alternative understanding of the functions of the IASB and the
hegemonic power of states to exercise leadership and governance over other system of nation
states resting primarily on their capacity to place all issues of conflict in a ‘universal plane’
(Arrighi, 1994), i.e. Gramsci’s concept of hegemony. The IASB’s functions became the arena
where powerful and economically advanced states and other actors from the corporate sphere
and the accountancy profession competed and regulated according to rules set by the most
powerful global economies. In this light, the expansion of the setting of international
accounting and the adoption of IFRSs was not a technical task but a process with inherent
political and social dimensions that cannot be based exclusively on economic rationales. Key
actors in these processes include American state apparatuses and organisations like the SEC
and the FASB, and EU bodies, such as the European Commission and ESMA. The
predominance of actors rooted in national contexts, representing the interests of their
respective counties is still evident, as the representation is based on the economic and
political power of elites; thereby raising concerns about the transparency and democratic
control of international standard-setting. The users of financial statements and other
stakeholders (e.g. trade unions) that are affected by changes in accounting regulation are
rarely represented and cannot exert essential influence. Public interest discourse is more
rhetorical rather than substantive.

The adoption of IFRSs and accounting reforms in Greece accordingly follow institutional and
wider economic restructuring as part of the EU regulatory framework, shifting towards a
particular model of governance, currently promoted by economic policy prescriptions of the
IMF and the WTO under the guidance of the dominant US economy. Changes in economic
policies and in accounting regulations are driven by certain values and rationales, advocating
the wider superiority of free markets and economic individualism, the deregulation of labour and the financial markets and privatisation of public services. Even though Greece could be regarded as a middle-range capitalist economy, Greek capital developed in collaboration with other imperialist powers while the country’s accession to the EU and the EMU upgraded it to partner in the EU imperialist bloc. Financial reporting reforms in Greece followed, although sometimes with time lags, reforms in European accounting developments signalled different stages of capitalist restructurings. The adoption of IFRSs in a country that is considered to provide an unfavourable environment in terms of its accounting traditions, institutional and organisational contexts has political and economic consequences Accounting system changes are promoted as providing more channels for the public to gain higher quality information about operations that will enhance the efficiency of the markets and ensure managers’ accountability. Or that aim to protect people’s interest rather than relinquishing the power of the hegemonic class. The reflection of international developments transmits the ideological currents of a productive relationship from the more advanced countries to the peripheral ones, such as Greece. As has been discussed, the interviewees recognised the importance of the interests of the European and US accounting standard-setters and their dominance over the IASB standard-setting processes. Often, it is suggested that the Greek economy has benefited through its participation in the EU and can serve its interest best as a member of the EU bloc.

10.3 Making sense of interviewees’ perspectives: empirical evidence and theoretical understanding

10.3.1 Perceptions on globalisation and the role of financial reporting

An argument establishing the context of the discussion with interviewees, and which is related to the transition to IFRSs in Greece, is the phenomenon of globalisation and the need for modernisation. Views on the role of Greece within EU institutions, and the degree of state intervention in the regulation of the economy unravel the political stance taken by the individuals interviewed and which can be broadly characterised as pro-neo-liberal and in favour of less statist interventions. Modernisation, which is regarded as a progressive and beneficial process for the advancement of the Greek economy (as being in the interests of society as a whole) is juxtaposed with the clientistic nature of the state model of governance responsible for the inefficiency of the Greek market internationally.

From this viewpoint, another concern that generates debate and polarisation in interviewees’ accounts is founded on different views about the role and purpose of financial accounting. It
can be argued that the debate is also driven by varying opinions about appropriate levels of interaction between the state and the economy. These views are manifested in the prevailing *mentality* of businesses and accountants that is tax-driven rather than aiming to provide high quality information for decision-making. The intervention of the state through tax regulations that appear to have a significant impact on companies’ financial reporting affairs and choices is considered to be a major drawback. The importance of tax considerations or the *tax mentality* as described by interviewees, is also attributed to the small size of companies (but which also applies to listed ones) and is more closely linked to the stewardship purposes of financial reports, although not exclusively. Accounting for tax purposes is considered a *necessary evil*, and prevails over financial reporting for decision-making, which is condemned. Decision usefulness is regarded as the normative goal of financial reports and is a step towards modernisation and efficiency. Neo-liberalism emerges from this debate, as advocating less government intervention and more dominance of the market over social control, even though, as we have argued, neo-liberalism often requires a strong state for the implementation of neo-liberal policies and shifts in the economy. State intervention associated with clientism is considered an obstacle in the neutral and independent reflection of companies’ financial results and performance.

An interesting finding, in terms of the ‘national versus international accounting standards’ debate, is the perception that there is no significant difference between the GGAP and the IFRSs, while both accounting frameworks are sometimes considered equally appropriate for the information needs of Greek users. This applies to users, such as banks, that have the contractual right to require additional information from companies. The term GGAP in the interviews’ context is used to describe not only the Greek General Chart of Accounts based on the Presidential Decree 1123/1980, but also the Codified Law 2190/1920 on Companies Limited by Shares (Societes Anonymes) and any other legal clauses that prescribe the preparation of general purpose companies’ financial statements. Nevertheless, any reference to the GGAP does not imply a distinctive *Greekness* about standards, since the accounting Plan is the outcome of the harmonisation with the EU directives process.

The main differences identified, and which appear to influence accounting measurements, disclosure and practices in Greece are broadly related to the introduction of fair values, deferred taxation and accounting for leasing. However, according to the interviewees, the GGAP is regarded as a modern, complete and reliable accounting framework that covers the financial reporting needs of Greek companies, which are mainly small and family-owned.
After adaptation to EU Directives, the Greek Accounting Standards contained most of the accounting principles and concepts that the IFRSs is based on, such as fair values, although they were not widely used. IFRSs are more detailed, however, GGAP could also reflect a true and fair view of a companies’ affairs, if properly applied. Other users, such as the banks, have expressed the view that financial statements under the GGAP have provided clear, analytical and sufficient information, although they demand additional information when necessary, regardless of the accounting systems companies implement. Management and the companies’ decision making processes can be supported efficiently and sufficiently by the GGAP. The main limitations the Greek accounting framework are, thus, a lack of appropriate implementation due to earnings manipulation, for example, and the interference of the State through tax regulation. These challenges also apply to the adoption of IFRSs.

The observation about the link between accounting and state intervention is discussed, from an institutional theory point of view, by Oehr and Zimmermann (2012), who argue that the type of welfare state the country employs, shapes the extent to which accounting regulations converge. Based on the evidence it could be argued that convergence under IFRSs assumes that the state’s involvement is replaced by that of the profession, thus shifting towards a more Anglo-Saxon model similar to advanced states such as the US and the UK. The above views on the necessity of international accounting standards, the role of financial reporting and the comparison between the GGAP and the IFRSs reveal taken-for-granted assumptions that shape key actors’ stance towards the IFRSs. Support for the European economic integration and the enforcement of neo-liberal policies at a national level go usually hand in hand with a positive stance towards the adoption of IFRSs.

10.3.2 Perceptions on the users of IFRSs’ financial statements

The objectives of international financial accounting standards are based on satisfying users’ needs. As the complexity and information provided by financial statements increases, discussions regarding the usefulness of financial statements intensifies. A central question that arises is: Who uses financial reports and for what purpose in different national contexts? Drawing on evidence from Greece, and based on the perceptions of experienced key individuals in the accounting and business sector key groups of users were identified. These user groups, in the sense of people who read, analyse or extract the financial information published by companies broadly include the banks, investors and financial analysts, the state tax authorities, companies’ management, the capital market commission, auditors, creditors
and competitors. Other users, or the general public are assumed to benefit from investor-oriented financial statements that appear to have less access due to incompetence in the area of technical knowledge. These users are considerably affected by companies’ reported financials, as is the case of employees and accounting for pensions. In fact, the application of IAS 19 on employee benefits and IAS 26 on retirement benefit plans was problematic. There were even changes in the retirement and pension system; EFAPAKS (lump sum payment, in Greek ΕΦΑΠΑΞ) was not recognised as a liability in the financial statements although it was a defined plan and it had to be recognised. Limited access excludes these parties and tends to conceal the political and social implications of accounting reporting, thereby de-politicising the public interest aspects of financial reporting.

The findings confirm that the perception of financial statement users is narrow, while the purpose of accounting reports is similarly restricted; involving evaluating financial results in terms of the degree to which they contribute to the growth and profit-seeking targets of companies (Young, 2006). Although users of accounting information are thought to be diverse, in principle, including the state, capital providers and employees, interview evidence suggests that accounting information should satisfy the primary needs of participants in the capital markets. This shift in users’ needs suggests a shift towards capital markets, and is in line with the recent shift in the IASB’s conceptual framework vision. IFRSs, which are sometimes described as a language, are created and imposed without the participation and activity of speakers of that language.

As discussed in chapter two, the geographical composition of the IASB, due process arrangements and the composition of the Board’s memberships have been criticised in terms of democracy, accountability and fairness. It is questionable however, whether the inclusion of wider social representatives in forums and the standard-setting boards is meaningful, as such groups have very limited political and economic power with which to affect and influence the governance of these institutions. Wider participation and reforms in the governance agendas of the IASB and EU-related accounting committees can contribute to their further democratisation. Nevertheless, the conception of the objectives of accounting and involvement from the public will remain narrow. This could be reversed only, if aside from challenging the representative structures within the accounting standard-setting institutions, meaningful representation of the general public at a societal and political level is promoted.
10.3.3 Users’ and key actors’ perceptions on the impact of IFRSs on their role

In order to explore key actors’ perception on the use and benefits of IFRSs they were asked about the impact of IFRSs on their specific role. This discussion has also revealed the information needs and impact of IFRSs on different user groups. Financial and management accounting information is essential to supporting business activities and decisions and the degree to which companies have developed an appropriate infrastructure to organise and disseminate this information depends on their size. As perceived by many interviewees, accounting, especially for smaller companies, is residual; companies are mostly occupied with tax issues and other statutory requirements. The adoption of IFRSs, even by larger companies, is argued not to have a significant impact on the management of companies or decision making. Due to the small size of companies, even publicly listed ones, managers claim to have a relatively good knowledge of companies’ affairs and financial performance. Nonetheless, IFRSs requirements seem to have compelled preparers to collect more detailed information about transactions, which is considered useful and to improve the self-awareness of internal users. In general, managers do not attribute the effects on business structure to the application of IFRSs (e.g. mergers and acquisitions, joint ventures, etc.), as such steps are influenced by the wider economic environment and the sector in which the company operates. A major impact that the new standards have had was that they improved and facilitated companies’ relationships with financial institutions and international partners. IFRSs are more widely accepted than other accounting measures, even though sometimes it proves challenging to identify the reasons why. Suggestions of technical competence and the superiority of IFRSs when compared to local accounting standards, for example, is not always supported by evidence or practical experience. But since, IFRSs are promoted and encouraged in (inter)national markets this serves as an incentive for their use and has an impact on companies’ decision-making.

Banks in contrast to investors have the right to demand supplementary sources of information, beyond that disclosed on financial statements; such as monthly trial balances, budgets and information about the business environment. The views of bank officers and managers were mixed. For some, the information provided was richer, for others it was too aggregated making it difficult to comprehend the notes. Generally, though, companies that used IFRSs were perceived as having more legitimacy, this effect was enhanced by the fact that in general the companies that use IFRSs are larger and, thus, desirable. Major institutional investors in Greece are mutual funds and closed-end funds, however due to the
poor market conditions during the period the interviews were conducted (and without considering the current situation); the overall free float of Greek companies is declining. Lack of training and technical knowledge on IFRSs remains a challenge for banking institutions, affecting the usefulness of IFRSs financial statements. However, this limitation is counterbalanced with the requirements of supplementary sources of information and the establishment of personal relationships based on trust.

The Greek state is perceived as the main user of the accounting information produced, even though companies typically prepare separate reports not using the IFRSs, to meet tax requirements. Indeed, to date, the adoption of IFRSs has not changed the tax audit processes. Very few people employed in tax authorities are familiar with IFRSs and any knowledge they have has been acquired due to personal study. The individuals interviewed were all familiar with IFRSs and their perceptions varied regarding the impact of tax regulations on financial reporting. There was a widespread view that the Code of Books and Records (CBR) does not influence the financial results and financial reporting of companies. However, other tax authority representatives acknowledged the potential influence of the tax system on financial reporting both according to the GGAP and the IFRSs. The complexity of the tax system is seen as a symptom of pathogenic governments’ taxation policies, policies that change frequently, according to the needs of the governments in power. Constant amendments to the requirements, on some occasions, encourage companies to commit tax evasion.

Financial analysts and investors would be expected to be the main beneficiaries of IFRSs adoption, since they comprise the main user group, as proclaimed by the IASB. According to the evidence, those analysts and investors who are interested in forward-looking financial information and in projecting actual future cash flows find the information provided by IFRSs financial statements particularly relevant and useful. It ‘saves them time and effort’ when preparing, for example, cash flow statements. The valuation models used by financial analysts are similar to those used under the IFRSs, as they are interested in the market and fair values. The notes in the annual reports are also considered useful, although there are sometimes difficulties in their comprehension due to their length and the standards of complexity. Whether the information produced by accountants is based on professional judgement and represents the true and fair view of the companies’ affairs is a concern discussed later. However, non-financial information and supplementary sources of information are thought to be equally, and often more, important than annual reports when carrying out financial analysis. The stock market in Greece is less developed and active and
investors are limited, meanwhile investment institutions are rather small, employing a limited number of analysts. The sophistication or level of analysis is not always satisfactory, which is also recognised by financial analysts, while financial reports entail more risks in Greece. For some, the introduction of IFRSs has not generated significant changes to the role and the analytical processes, although they make the financial statements of foreign companies more understandable. This group is targeted as one of the primary users of accounting information; however, in the Greek context it does not yet comprise the major actor in the overall economy.

As a general comment, the function of financial statements as perceived by companies’ owners and managers is not to merely serve users’ information needs, but is also intended for taxation purposes. Some of the comments illustrate that participants in rules-based accounting systems may not feel comfortable with the idea of exercising judgement in a principle-based system.

10.3.4 The role of the auditing profession

As Hopwood (1994) has observed, in practice, the audit firms and their lobbyists exercised more influence over accounting policies and standard setting than is generally recognised. The role of the auditing profession is discussed separately here as the interview evidence poses interesting questions about its contribution in the implementation process of the new set of standards. Auditors are not considered as a user group but are thought to greatly benefited from and be involved in the adoption and application of IFRSs. Large international auditing firms that originate from Anglo-Saxon and more economically developed countries played an important role in the promotion of IFRSs and the financial support of the IASB. As discussed, the internationalisation of accounting and auditing contributed to their growth and profitability. They have created an oligopoly in auditing firms and engendered major changes in audit and in accounting. The Big Four claim that the traditional roles of large accounting firms are characterised by participation in standard-setting and provide guidelines in the application of accounting standards (Tokar, 2005). In Greece, large accounting firms entered the market more intensely following the liberalisation of the audit profession in the 1990s, which led to intra-professional conflict between international accounting firms and local ones (Caramanis, 2005). The auditors interviewed were both employed in the Big Four and the SOEL, the latter being established after the abolition of the state auditing body, SOL. Their opinions about the role and implications of IFRSs adoption do not diverge significantly,
although SOEL auditors did acknowledge more openly the need for the State to become involved in accounting to collect taxes and the resources to serve social needs; yet, again, the impact of the state on companies’ financial reporting results raises concerns. The role of accounting professionals is also influenced by the local expectations and institutional context. The fact that some auditors looked to the state for guidance illustrates the historical and institutional differences from other countries, such as the UK.

According to the interview evidence, audit firms greatly benefited in financial terms, as they required increased audit fees for their audit services for those companies adopting IFRSs. Audit firms also offer other services, such as actuarial services. These firms are organising seminars on IFRSs in accounting colleges, institutions and even within companies. The role of the auditors and, especially, the Big Four was important to the enforcement of IFRSs; also due to the inefficient state enforcement mechanisms and the ELTE (Oversight Board). The majority of Greek listed companies are being audited by the Big Four and SOEL. The close involvement of auditors in the preparation of companies’ financial reports raises questions about the independence of firms. Audit firms usually have more trained and knowledgeable individuals on IFRSs and particularly, in the first years of IFRSs adoption they were also advising and supporting client companies with book-keeping and the preparation of annual financial reports.

Greek professional accountants and auditors are bound by the Codes of Ethics issued by the Greek Institute of Certified Public Accountants (SOEL), the Accounting and Auditing Board of the Ministry of Economy and Finance and the International Federation of Accountants. The EU, following an Audit Directive in 2006 (Directive 2006/43/EC), enforces the use of International Standards on Auditing for all statutory audits performed within the EU issued by the IFAC and the International Auditing and Assurance Standards Board. Evidence suggesting that auditors are often closely involved in the preparation of the annual accounts has raised some serious questions regarding auditor independence; this practice is contrary to EU Ethical Standards, European Commission recommendations and recent proposals. There seem to be cases where the familiarity and close cooperation of audit firms with auditees threatens independence and lacks safeguards. The interviewees suggest that there are cases where auditors have to evaluate work that was previously performed by the audit firm. Comments, for example, about the fact that directors are more likely to listen to tax authorities than the auditor raises doubts about the willingness of auditors to challenge directors. Mechanisms that assure the enforcement of auditing and accounting standards, such
as those officially carried out by the Board of Accounting Standardisation and the Board of Audit Quality (ELTE) are deficient according to the literature (e.g. Blavoukos et al., 2013) and the interviewees’. This casts doubt on the benefits of IFRSs and the quality of financial reporting especially with regard to principle-based standards. On the other hand, some auditors are concerned about the high complexity of IFRSs, the volatility and the underdevelopment of the Greek market that renders the auditing process problematic increasing uncertainty about the relevance and representation faithfulness of financial reporting information. Some auditors cite users’ difficulties understanding the information published, and lack of clarity over best practice when choosing from financial instruments.

The role of auditors is considered important, as they have played a major role in ensuring that the interpretation of standards is consistent, since comparability between countries (even at the most superficial level) requires the same principles are subject to the same interpretation and enforcement. The perceived vagueness over the appropriate implementation of standards and principles that some auditors encountered adversely impacts on the achievement of the qualitative objectives of financial reporting. Nonetheless, it seems that key users and preparers rely greatly on the technical expertise of auditors.

10.3.5 Projecting Gramscian ideas into the current international financial reporting developments and the perceptions of local actors

Interviewees have identified the key users of financial information and the impact of IFRSs on different user groups. They have described their experience on the adoption and transition to IFRSs referring to the standards’ benefits and the challenges they encountered. Although the challenges and the inefficiencies of the new set of standards were acknowledged, IFRSs were broadly accepted or even considered superior to the GGAP. It was, thus, interesting to examine what drives key actors’ perceptions and what are the main conceptual underpinnings promoted through the implementation of IFRSs. Gramsci’s notions of hegemony and the way power permeates aspects of social life by creating an ideological terrain will be used in interpreting IFRSs’ users’ perceptions.

From a Marxist political economy analysis, the superstructures of society represented by prevailing institutions, the state, political power relations and beliefs are informed by and serve the values of its economic base, the capitalist relations of production. Accounting, as an institution that is shaped by the economic base, plays a significant role in reproducing particular societal arrangements. The economic base exists in a dialectical relationship with
superstructure elements, such as financial reporting regulations, which protect, legitimise and perpetuate it. Accounting techniques are used as tools to achieve state macro level political and economic strategies.

Hegemonic power is not only associated with pure material dominance or coercion that is reserved to meet state and legal requirements; it is also linked to intellectual and moral leadership through ideology, which has the *same energy as a material force* (Gramsci, 1971, p. 377). Maintaining hegemony is also dependent on gaining consent by acting as the moral leader of society and framing coherent ideological points of reference. This reference to ideological states that underlie accounting and legitimise and internalise neo-liberal principles are embodied in the financial reporting standards developed by the IASB and other linked organisations that promote adoption of the IFRSs. Attaining consent and acceptance is central, because legitimacy reduces the costs from enforcement mechanisms.

Financial reporting regulation can be conceived as working both coercively and consensually within the state. Accounting standards derive their effectiveness from the state’s more coercive abilities, as they are enforced through national legislation and though European regulations that are automatically effective and within the legal framework of Member states. The state plays a central role in the establishment of IFRSs in Greece, as public announcements by Government representatives and state institutions fosters the adoption of IFRSs as a step towards greater transparency and comparability among companies’ financial reporting, leading to the advance of the Greek economy internationally. It is important to note again, that the government attempted the early adoption of IFRSs in 2003 as a legitimisation strategy to reduce criticism from state institutions about companies’ financial credibility after the crisis caused by the stock market bubble in the early 2000s. The state also proceeded to influence the implementation of IFRSs by public authorities and institutions, such as state hospitals and other state entities.

The coercive institutions within society have to also bind individuals to the ruling power and the status quo by winning the ideological battle and general consent to operate efficiently. Accounting standards at a local level contribute to the discursive and ideological significance of international accounting harmonisation and constitutionalise neo-liberal market discipline, international competitiveness and the myth of economic efficiency under the capitalist mode of production. In the case of IFRSs, legitimacy is achieved by projecting normative values that are generally acceptable, such as notions of quality, comparability, transparency and the
reliability of financial information. These concepts have been recycled in the international accounting discourse for several decades and most of the concepts, their definitions and standards’ and principles have been adapted from equivalent USA standards.

Financial reporting in its concrete form, as expressed through institutions and practices, functions as a hegemonic apparatus wherein a class concretises its hegemonic project in civil society and these forces are transformed into the power in a political society. Values, fundamental beliefs and ideas are not independent sets of interests but rather are elements of ideologies derived from institutional arrangements of society and devised to support them. Key local actors in the adoption and implementation process of IFRSs in the Greek context, as well as users of IFRSs statements, repeatedly mobilise common sense views in support of the accounting system change. Common sense claims, that draw on these free-economy ideals, render accounting’s results difficult to challenge. When users and preparers are faced with new challenges and ambiguities in accounting treatments and concepts, such as accounting for goodwill or FVA they resort to these ideals as justifications.

The battle over ideas is a philosophical one, in the sense that ideas are never free-floating and totally individual but are rooted in individuals’ position within society. As Gramsci put it, philosophy does not in fact exist in general, but rather various philosophies or conceptions of the world exist, and one makes a choice between them (Gramsci, 1973). Manifestations about the merits or demerits of a financial reporting framework contain different and specific conceptions of the world, in a disjointed way, regardless of whether there is a critical awareness of underlying conceptions or not.

10.3.5.1 Key actors and their potential role as ‘intellectuals’

Gramsci developed his concepts of hegemony and the integral state by emphasising the importance of ‘intellectuals’ and their role in society. Generally, ‘traditional’ intellectuals are bound to the institutional framework of the current hegemonic order, whereas ‘organic’ intellectuals represent the ideas of a specific class and seek out consent to counter-hegemonic inspirations and objectives. The discussion of the role of intellectuals is relevant to the interpretation of the interviewees’ views as the latter carry some form of intellectual activity and participate in a particular conception of society by following a particular mode of moral conduct. They contribute in sustaining a conception of the world but also in modifying it by generating new ways of thinking. All men can act as intellectuals but not all have the function of intellectuals in society. It is, thus, legitimate to consider whether the interviewees act as
intellectuals or the way other key actors in the financial reporting arena act as such. Nevertheless, Gramsci being a Marxist had concentrated on the organic intellectuals (the working class) that will provide a revolutionary opposition to the oppression in social relations in capitalism. He considered the role of organic intellectuals as crucial in this battle, i.e. the ability of the working class to convince their own social group.

Various everyday philosophies or conceptions of the world exist, and one makes a choice between them; regardless of whether there is awareness or not of this choice as related to peoples’ position in society and in particular, their class position. Following the previous discussion on ‘organic intellectuals’, one can argue that the interviewees’ selected are organically bound to capitalist entrepreneurs, who deal explicitly with ideas and present ways of understanding the world. Yet, the individuals interviewed may accept current hegemonic ideas ensuring the maintenance of the prevailing economic and societal arrangements, while simultaneously having different interests of their own. In terms of class features, for example, it can be said that the perceptions expressed by rank-and-file accountants and auditors, or managers and owners of companies may represent different interests, promoting certain kinds of truths and adopting different roles. However, from a Gramscian perspective the organic character of an intellectual relates to the degree they are bound to a particular social group and not solely to their class position or their profession. This relates to both their position in society and the ideas they propagate; their intellectual activity is organically bound to the ways they justify the given organisation of society and their role in the organisations they represent. For example, it is difficult to make claims that ideas dominate in general, or that a narrow group of IFRSs experts (many of them can be considered broadly as working class as they share the conditions of dependent employment) can be simplistically regarded as a subaltern class that could become, through contradictory consciousness, part of the hegemonic force that will challenge the economic base, or will promote alternative hegemonic positions.

Regardless of the interview subjects’ social-class characteristics, it should be acknowledged that they are located on political arenas that could lead to the application of a cultural script and normative pressure for adopting certain talk. Political awareness may also lead to either active constructions in line with certain interests, as motivated by the concern that certain truths may be harmful for the subjects of the organisation they represent or identify themselves with. The institutions they represent (which are actually comprised of a nexus of individuals and social relations) are superstructures of the economic base; those individuals
that embody these structures become the agents or functionaries of the status quo associated with economic neo-liberalism. In this study, the majority of the key individuals and experts interviewed seem to have organised their ideas according to the prevailing ideas adopted by the organisations they represent. This does not mean, that key users’ views and actions reveal a passive acceptance and disregard of theoretical problems, practical inconsistencies or conflicts of interest that arise from the adoption of IFRSs. Nor do key actors always preserve ideals, such as comparability and efficiency. They do recognise contradictions that emerge between beliefs and individuals’ experience. These contradictions are dealt with as events that need to be eliminated and in some cases are conceived as inevitable. There is a mismatch, as interviewees embrace the broader concept of IFRSs, yet question, for example, specific standards and IFRSs principles. However, aberrations rarely serve as a tool to challenge the possible roots of such conflicts, such as the de-stabilising consequences of capital and the pervasive penetration of the private profit motive in all spheres of human society.

10.3.5.2 ‘Common sense’ views about the merits of financial reporting information under the IFRSs

One of the main issues that Gramsci raised about how to develop an organisation that can build a concrete revolutionary socialist consciousness included also the struggle against the ideas of the ruling class and ‘common sense’ ideas. Common sense is not always rigid or coordinated and is conveyed by the ruling classes and institutions to the subaltern classes; historically situated agents, i.e. the working class can bring social change by also overcoming self-understandings that constrain them (Gramsci, 1971). In the current thesis, common sense is not directly used in order to theorise the politics of ideological struggle and the strategies that can contribute to the de-reification of social relations in capitalism and construct alternative understandings and social order. Instead, the focus is on identifying popular common sense and doctrine and social myths that can be conveyed though financial reporting standards and practice. As discussed in chapter five, common sense or hegemony are not considered as unambiguous dominant ideologies that exclude all alternative views and political ventures. But it is important to understand the contradictions and the socioeconomic implications of common sense ideas in order to provide a critical analysis.

Regarding the adoption of IFRSs in different national contexts it could be expected that more resistance would be exerted from countries that have an accounting tradition that differs from
the underlying rational and conceptual framework of IFRSs. It could be expected that Greece, and countries with similar institutional architectures, will exert more resistance to the adoption of IFRSs due to the cost and differences in the institutional environment and the tax tradition. Even though there is a lack of strong enforcement (coercive) mechanisms from the state to ensure appropriate application, and the IFRSs were imposed from above according to EU regulations and views regarding key actors in the profession, the business environment and other users appear generally to favour the introduction of IFRSs. Resistance to IFRSs adoption is mediocre, even though the challenges and inconsistencies in the application of standards are still important. Therefore, it is appropriate to ask: Have the IASB and the institutions that support the IFRSs project won the ideological battle? The discussion that follows shows that key adopters and users of IFRSs appear to broadly defend and support the use of IFRSs in Greece even though they acknowledge their weakness when applied in practice.

Instead of identifying divergence or variety in interviewees’ arguments to justify and support the necessity of IFRSs, there was a great similarity and consensus in users’ and preparers’ views. The arguments were based on the purported improved quality of financial statements prepared under the IFRSs, along the lines of the rhetoric reproduced by the IASB and the IFRSs’ conceptual framework. Regardless of the importance placed on the contracting or information roles as these affect financial information, the quality of financial statements is a key issue. Although enhanced quality of financial information is the goal, the notion of quality contains several other characteristics and dimensions, while empirical evidence that proves the existence and impact of qualitative characteristics, to date, is far from sufficient.

Based on the views of preparers, key users and individuals, the main benefits derived from the adoption of IFRSs and a primary advantage that has motivated companies to implement IFRSs voluntarily is that the application of new financial reporting standards has improved the financial results of companies. Financial results seem to have improved in general, due to the use of fair values to measure the value of assets, mainly non-current assets. Interviewees, largely, refer to benefits such as, increased global comparability, transparency, reliability and fair representation of companies’ affairs, as financial statements contain more analytical information and provide a more real and credible image towards third parties.

According to the administration of companies, the decision-making process has not changed since the adoption of IFRSs. IFRSs, however, seem to render companies more trustworthy
and have contributed to better presentation of information to suit the banks. IFRSs are usually adopted by larger companies, and are considered to have a positive impact on banks and investors, as they may facilitate companies’ acquisition of finance or preservation of loans. Although on a balance sheet the data is more aggregated, the notes provide detailed information and clarifications of financial results. This adds to the quality and transparency of the accounting information provided, contrary to the one-sheet Annex prepared under the GGAP. The notes have proved useful and helpful to financial analysts, in order to rate and provide recommendations for companies, while cash flows have reduced the time they require to accumulate information themselves. Some interviewees have maintained that IFRSs provide a more realistic representation of a companies’ value due to the flexibility of the standards, as there are alternative options of accounting treatments that can be implemented according to the needs of each company.

International comparability is also a key point. Consolidated financial reports enable the comparison of companies’ financial accounts by external users, such as competitors, banks, and financial analysts. Companies can negotiate more successfully with financial institutions and work in international markets on financing and expansion issues; they are accepted by international markets as IFRSs, which are characteristically portrayed as a passport to assist them in focusing on lists of foreign investors. Moreover, some interviewees think that IFRSs have helped companies to become extrovert or to attract foreign investors and suppliers. However, other interviewees believe that changes in foreign investments have not affected companies’ decision to adopt IFRSs and vice versa. Yet, IFRSs adoption is encouraged for companies that have trading partners. These views are in line with a study conducted by Ramanna and Sletten (2009) on the reasons why countries choose to adopt IFRSs.

10.3.5.3 ‘Common sense’ views

Comparability

Standard setters and advocates of the international accounting standards often equate IFRSs to an international accounting language that improves and facilitates more meaningful communication with creditors, customers, investors, financial institutions and other capital providers. Comparability, thus, is a key factor in achieving the decision usefulness of financial information as it is considered an enhancing qualitative characteristic (together with relevance, reliability and understandability) in the IASB’s conceptual framework (IASB, 2010). Increased comparability of financial statements is essential, as a merit of IFRSs, since
it is the one of the main justifications for the development of international accounting standards. Comparability forms an impetus for worldwide convergence with IFRSs, aimed at entities producing internationally comparable information to capital providers. This is pronounced and promoted as an achievable objective.

Practitioners and user groups consider comparability as a norm and justify the existence of IFRSs, sustaining the idea of comparability in financial statements. Although widely used in their rhetoric, comparability and what constitutes comparable financial statements is difficult to define. Comparability is thought to have been achieved at a superficial level by the adoption of a common set of accounting standards and it is increased by rendering financial statements understandable at an international level. This suggests that legal or quasi-legal specifications of standards, *de jure* harmonisation are thought to have been achieved, whereas material harmonisation (*de facto*) of actual financial reporting practice is not. The interviewees support the importance of the existence of a common set of accounting standards that can be applied for the preparation of financial reports for the expansion of companies’ operations internationally, thus improving their position in the international markets and offering opportunities to find private sources of funding (international stock exchanges and banks). The comparability of financial reports is regarded as a primary prerequisite for achieving a common financial market, and is assumed to benefit capital market participants by reducing the cost of acquiring financial information, and enhancing the quality of information. The position regarding the benefits enjoyed by the increased comparability of financial statements is also confirmed by arguments that support the fact that even though the GGAP is considered an appropriate and sufficient accounting framework for the Greek business context, it does not ‘*serve the information needs of foreigners’ investors and banks that are not able otherwise to evaluate companies’ performance.*’ [AUD6]

The notion of comparability can also reflect the reorganisation of relationships between states and their economies through privatisation policies, marketisation and deregulation, as promoted globally. Such neo-liberal transformations promote and enforce the lifting of regulatory restrictions, thus companies’ operations are conducted nationally and internationally. However, in practice, opinions about the comparability of financial statements under IFRSs indicate that comparability is not achievable. It should be stressed, therefore, that the majority of interviewees were sceptical about, or rejected, the notion that the adoption of IFRSs improves comparability in financial reporting. The same interviewees
that argued for the IFRSs and the improved comparability of financial reports often contradicted themselves and were unable to support the ideal of comparability based on their actual experiences. Broadly, IFRSs are more flexible than the GGAP and offer many accounting and measurement options, hindering (international) comparability. The factors responsible for lack of comparability relate to differences in the companies’ economic, legal, social and political environment, as well as, inherent contradictions in the conceptual framework and flexibility in the implementation of IFRSs. Although the same accounting framework may be enforced, companies accounting results can vary significantly.

Proponents of IFRSs and financial reporting harmonisation claim that their application improves and enables the comparability of financial statement information, as the evidence reveals that this claim is rather unrealistic if not illusory, as differences in the underlying economic transactions between countries are significant, given that accounting standards allow alternative treatments.

The debate over the purposes of the financial reporting is also linked to the debate over the choice between the use of fair values or historic cost, leading to a choice between economic reality and comparability. Although IFRSs statements are considered to provide more detailed information and explanations of accounting treatments they are not always regarded as trustworthy and reliable, while faithful representations may be achieved at the expense of comparability. In particular, the use of fair values may theoretically deliver more predictive power, but subjective and complex elements used in assessing fair values lead to results that are not comparable between different companies or financial periods.

*Faithful Representation and importance of fair values*

Faithful representations or reliability are also fundamental qualitative characteristics of accounting information, as articulated in the IASB conceptual frameworks. In the context of the interviews, the terms used to characterise the merits derived from IFRSs statements were various, including apart from representation faithfulness, reliability and transparency. Of great importance was the idea that financial reporting standards should provide information that is free from error and bias and neutral (although the term prudent is also used). The aim was not to identify and study in depth the meaning and interpretation given to these characteristics. Interpretations of concepts such as ‘true’ or ‘efficient’ can be diverse and contradictory. Instead, the ideological role that these notions are expected to play in the accounting and wider economic system is judged to be more important.
The availability of reliable and transparent information about companies’ finances is regarded as central to the efficient functioning of the economic system, which is assumed to allocate economic resources to capital markets efficiently. Efficient functioning presupposes the need to predict future income based on the companies’ resources and the actual, accurate value of a company’s assets, and to argue that historic-based financial statements according to the GGAP are inadequate for this purpose. Financial accounting and auditing have a critical role to play in ensuring that reliable information is disclosed to investors. The application of fair values renders financial reports transparent for investors and other capital providers and is assumed to provide the most objective data, corresponding with the stated aim of the IASB’s conceptual framework. Consistent with the logic of neo-liberalism, key users and preparers assume a functionalist perspective on the role of accounting, that of recording and reporting the economic reality that emerges from market events. By doing so, financial statements will possess representational faithfulness and reflect the substance of economic transactions.

The IASB’s definition of fair value in the fair value measurement standard is adopted from the equivalent USA standard. Since fair value is determined in arm’s-length transactions between knowledgeable parties, FVA requires a belief in free markets, while the intervention of the state is seen as distorting the capacity of financial reporting, maintaining objectivity and telling the financial truth. FVA can be seen as ideologically committed to neo-liberalism as a technology that institutionalises and legitimises the idea that markets without state intervention, can reflect without bias and fairly the value of companies.

Boyer (2007) argues that fair value accounting plays an integral role in the finance-led economic regime that characterises current international political economy. In the case of accounting standards, the re-emergence of FVA is driven by the trend towards financialisation that began in the 1970s to restore profitability and the problems of over-accumulation of capital. Accounting techniques, such as fair value measurement, are aligned with the interests of financial capital and the proliferation of complex financial instruments, such as derivatives. Yet, the reliability, relevance and transparency of accounting figures seem to be founded on implicit and assumed consensus, rather than on empirical evidence. This is why users and preparers caution about the effects of fair values on financial reports as leading to biased and overstated financial results.

Aside from the manufactured consent that is used to create ideological unity by making reference to values that reflect universal interests, IFRSs are legitimised and supported as
providing respectability and acceptability towards capitalist institutions, such as credit rating agencies and financial institutions. The adoption of IFRSs implies that a company is listed or relatively large, a factor that is perceived as adding to its legitimacy.

Accounting policy developments are also perceived as distant and not influenced by users’ input and perceptions of the quality of accounting at a local level. Concepts and standard-setting are entrusted to the professional and technical expertise of the IASB and its advisory institutions as defined by market needs, accepting the division between economics and politics. The religious residue, as described by Gramsci, takes on a political function and encourages the acceptance of a world or a situation that appears to be a given, or rather, imposed.

The detachment between theory and practice in free capital markets (free in the sense that free markets should be allowed to function without state intervention and other distorting factors) as the best system for fair allocation of economic resources has underpinned neoliberal policies. Similarly, the users and preparers that were interviewed identified facts that distort established assumptions. Thus, mapping the disconnection between theory and practice is critical to our understanding of how the status quo is sustained and institutionalised.

10.3.5.4 Do inconsistencies in the impact of IFRSs serve challenge the status quo?

Despite the fact that qualitative characteristics, whether comparability or transparency, have not been fully attained since their inception as objectives of financial reporting, the interviewees do not appear to be concerned about not achieving them, nor do they challenge the rationale behind the way economy is structured and functions. Deviations become the subject of justifications rather than locating the matter as an issue associated with the capitalist mode of production. Accounting quality effects are considered to have been overwhelmed by institutional and regulatory features that are unique to particular national settings. IFRSs are described as the perfect financial reporting system and are centuries ahead, or the IFRSs standard setters are described as geniuses. IFRSs are described as an ideal accounting framework, on the condition they are ‘appropriately’ and ‘objectively’ implemented. For example, regarding the valuation of fixed assets, IFRSs and the use of fair values show a more accurate value of the assets than the historic costs method used under the GGAP.
Confronted with deviations between the benefits supported by IFRSs supporters and the actual effect from the existence of higher quality financial statements prepared in accordance with IFRSs users and preparers makes sense of the situation by mobilising certain explanations. Aside from the challenges faced during the transition and first period of adoption of standards, many of the inconsistencies were found to relate to lack of training and learning constraints ensuing from the new set of standards issued by both users and preparers. New concepts, measurement methods reporting requirements, such as the use of fair values, deferred taxation and the preparation of actuarial studies necessitates experience that preparers were lacking. For example, there is lack of official qualifications on IFRSs expertise from certified institutions. The inherent complexity that characterises accounting, and particularly IFRSs requirements, according to some respondents, technical and advanced knowledge applies not only in accounting theory and practice but also to finance. Technical justifications also include a lack of guidance by the state and inconsistent translation and interpretation of IFRSs into Greek, which have deterred the smooth transition to IFRSs and their implementation. Others argue there is confusion about the role ascribed to accounting as it is perceived as ‘book-keeping’ or as a ‘coding exercise’ influenced by previous accounting standards. Accountants’ roles and responsibilities are sometimes, reduced to dealing with the tax authorities and similar bureaucratic procedures or to discovering loopholes in accounting regulations, in order to avoid high tax payments. However, a number of respondents mentioned that such constraints are diminishing, and it is anticipated that over time, familiarity with the IFRSs will fix current problems.

A number of users and preparers rationalised variances in IFRSs implementation that have adverse results on the comparability of financial reporting information. They highlighted flexibility in a number of IFRSs and the principle-based nature underlying the accounting framework. The accounting treatment of financial instruments, intangible assets, employee retirement benefits, income taxes and provisions on assets and liabilities involve judgments, assumptions and options that impair representational faithfulness, transparency and comparability. The continuous amendments of standards are causing further perplexity and confusion.

Another justification invoked by interviewees related to the predominance of local practices and environmental factors over appropriate implementation of IFRSs. Some raised concerns about the methodology used by preparers and audit firms that prepare and audit companies’ economic transactions accordingly. Instead of keeping books and adapting their accounting
software programmes according to IFRSs requirements, preparers are following former bookkeeping methods based on the previous accounting system, and converting financial information independently of accounts. The prevalence of the tax mentality and the interference of the state through tax regulations that affect the appropriate implementation of IFRSs are assumed to be having undesirable effects on the quality of financial reporting information. Another important explanation, provided in order to rationalise aberrations in the superiority of IFRSs and their ability to ensure high quality financial reporting, is the lack or failure of powerful actors to legally enforce the new standards at the local level (such as the ELTE) and internationally. The existing institutional and legislative framework is not developed enough to allow unified application of IFRSs.

Consistent, also, with the globalisation arguments publicly promoted by national and international institutions and authorities, accounting harmonisation and the claims for high quality standards can be achieved by the elimination of local economic, social, cultural and institutional peculiarities. ‘All countries will eventually operate in the same manner’, an interviewee claims. Placing responsibility on local actors with self-driven interests but at the same time preserving the belief in the actuality of globalisation preserves and perpetuates the idea of the superiority of IFRSs.

Finally, the extent to which financial reports correspond to the ideals promoted by IFRSs supporters is attributed to the self-interested behaviour of companies’ managers. Economic uncertainty provides more incentives and increases the risk of ‘creative’ accounting, while the complexity of standard setting makes potential misbehaviours difficult to identify. From a users’ perspective the permitted options, flexibility, and use of fair values allows more for the manipulation of financial accounts, and is perceived as problematic, since they serve to diminish users’ confidence in financial statements, challenge their usefulness and transparency; meanwhile comparability is put under question.

Users’ and preparers’ acceptability of the gap between the hegemonic ideals of IFRSs, and the qualitative characteristics of financial reports should not therefore be regarded as resulting entirely from the direct influence of disciplinary apparatuses in society (this is in line with Durocher & Gendron (2011)). Nevertheless, contradictions between the values that reflect universal values and the actual experience of the application of the IFRSs by users and preparers has not led to a challenge of the basic assumptions and hegemonic structures in the domain of accounting and capital markets.
10.4 Can contradictions in accounting common sense enable social transformations?

The discussion so far raises question about why the social role of accounting is important and how it affects people. According to key Marxist thinking and in this respect, that of Antonio Gramsci, the subject that will turn against capitalist exploitation is the object of exploitation; the working class. A Gramscian analysis of institutions and ideologies can enrich our understanding of the ideologies and institutions that inhibit or help the working class to transform into a self-conscious political subject, and also address required conditions in order to construct types of proletarian hegemony that are capable of constituting a different ‘epoch’, at an international level (Thomas, 2006, p. 222).

An analysis of the bourgeois hegemony as a departure point, can provide proposals for the construction of its proletarian antithesis. The conditions are national, but in order to be achieved the perspective should be an international one. Gramsci’s concepts and arguments can provide a framework for the current globalisation efforts. Revolutionary change is specifically directed towards transforming common sense conceptions, a process that is a sustained war of position, intended to win the ideological battle over civil society and the consent of the majority to construct a new experience of the world in order to become actors or hegemons. A conscious and actively constructed movement can provide a counter-hegemonic force in an organic crisis, a divergence of the structure and superstructure, in order to replace previous hegemonic elites.

An organic crisis is a complete crisis of society and state, not merely of the capitalist market, but of the bourgeoisie’s political and cultural institutions, and its sources of hegemony. It constitutes a crisis in the authority of all the affected bourgeois states, and stimulates subaltern movements on an international level. A crisis of authority occurs either because the ruling class has failed in some major political undertaking, for which it has requested, or forcibly extracted, the consent of the broad masses, or because huge masses have passed suddenly from a state of political passivity to a certain activity (Gramsci, 1971).

In order to provide an alternative view of the world and confirm the validity of an alternative theory it is not necessary to wait until a revolution has been accomplished. An essential step is to make sense of the inner structures, myths and taken-for-granted assumptions that perpetrate dominant theories and practices and critically expose their contradictions and
falsity. In the case of accounting, for example, in order to defend a critical conception of economy one can challenge the notion that accounting solutions based on orthodox neoclassical economics and a profit-seeking rationale should be treated as superior. In developing our critique on the nature and the role of international accounting in the global expansion of capitalism, critical openings for resistance and possibilities of emancipatory politics can be traced. As the beliefs of managers and accountants, for example, do not remain constant and have the potential to transform when actual experience fails to prove the discourse and rhetorical statements of standard-setters and policy-makers. Individuals have a dual consciousness that arises as material conditions are dialectically associated with hegemony and ideology. This leads to the following question: can accounting serve as an agent of change and resistance to bourgeois hegemony?

Accounting represents a certain image of the world as a superstructure, and cannot have a revolutionary impact on the economic foundations of this superstructure. Social accounting, for instance, failed in general to expose the aberrations inherent in corporate activity and to enhance democracy, but rather it is deployed to disguise and contribute to the further acceptance of corporate practices, thereby maintaining the hegemony of businesses and the underlying societal structures on which they are based (Spence, 2009). Yet, a superstructure element, such as accounting, can influence that foundation due to their dialectical relations. Cooper (1995) showed that accounting rationales can be used in industrial disputes to fight for alternative positions, even though accounting information may be accepted as a doctrine and its use can result is debates over technical aspects and the identification of proper figures, rather than more important issues such as industrial action. It is further suggested, that only a hegemonic leadership (organic intellectuals) can have the potential to use accounting in a politically productive manner. Spence (2009) argues for the emancipatory potential of social accounting in order to reveal contradictions and malpractices in the current forms of economic organisation and cause fractures in the societal structures facilitating the restructuring of society based on ‘humane’ criteria, when undertaken by civil society rather than corporations. Such a perspective, does not clearly articulate which emancipatory force that will challenge and transform the economic base. A relevant example using accounting as a tool to enhance democracy in the Greek context is the call for an audit commission on Greek public debt initiated by economists in academia. The Commission’s role would be to require accounting evidence, such as bank accounts to examine debt agreements and produce its report (source elegr.gr).
The role of academics, traditional intellectuals, in promoting the public interest is debatable. There is a belief that academics are part of the status quo in the industrial processes taking place within universities, while they may be isolated from what is happening in society. However, academics can play a more active role by getting involved in social movements. Thus, they should engage in public debates on the problems facing societies. Social movements open up possibilities for new forms of politics that challenge economic neo-liberal policies and the capitalist relations of production. Local resistance in a neo-liberal market culture that has engaged people in countries like North America and Canada to challenge the corporate taxation regulations and policies that shift the tax burden to individuals thereby affecting the weak (Fleischman et al., 2013).

Since part of the hegemony of the ruling capitalist class is a result of the ideological bond between the ruled and their ruler, in order to break this bond the former have to develop and reinforce a counter hegemony to that exercised by the dominant classes. As structural and ideological changes are part of the same struggle, there are labour processes at the centre of the class struggle also, the ideological struggle challenges the dominant political and economic ideology and education can play a vital role in this. Academics can offer their theoretical skills and coherent ideological articulation to disseminate new ideologies that can enable movements to address and deconstruct perpetuating myths, rather than obfuscate them. One alternative way of organising the production of human economies is discussed, for example, by Michael Albert (2003) in his book ‘PARECON (PARticipatory ECONomics): Life after Capitalism’, which combines social ownership, participatory planning allocation, council structure, balanced job complexes, remuneration for effort and sacrifice, and participatory self-management with an absence of class differentiation.

10.5 Conclusion

The current study set out to explore whether key local actor perceive that IFRSs are superior and more beneficial than the Greek financial reporting framework. Key local actors and users appear to support and regard IFRSs as a beneficial accounting framework. Preparers, users and the profession broadly advocate, in line with the pronouncements of standard-setters that the IFRSs can provide financial information that represents in a more faithful manner economic phenomena and companies’ transactions than the GGAP, are comparable at an international level and are relevant to the needs of capital providers in order to make rational economic decisions. Yet, based on the interviewees’ experience there seems to be a conflict
between their perceptions on the asserted benefits of IFRSs and the accomplishment of these benefits in practice. In order to make sense of these contradictions the study moves beyond key actors’ perceptions on the use of IFRSs’ and explores what drives key actors’ perceptions and how do they make sense of the inconsistencies arising. For this reason, the study explored the accounting information needs of different users and preparers, their perceptions on the role of accounting and the actual impact of IFRS’s on their economic decisions.

These perceptions were analysed in light of the (inter)national socio-economic, political and institutional context that shape financial reporting adopting a political economy perspective. Changes in international financial reporting are formed by the relationship between dominant states and capital (such as among the US and countries within the EU, multinational companies and audit firms) and are shaped by the driving forces of imperialism in its modern phase. Neo-liberal shifts in the role and objectives of accounting at an international level have also lead to neo-liberal transformations of accounting in Greece over the last forty years, first through the adoption of the EU accounting Directives and then with the adoption of the IFRSs. These transformations on the rationale of financial reporting are also reflected on the perceptions of local actors. The stance taken by key actors towards the internationalisation of IFRSs is closely related to the individuals’ underlying assumptions and beliefs about the necessity for broader economic integration through the EU and the need for modernisation. In this case modernisation being a shift that favours market mechanisms that foster international competition encourages privatisation and deregulation of the market that sets limits to the intervention of the state. In this way, key actors that support the adoption of IFRSs also embrace neo-liberal shifts in financial reporting, such as the use of fair values and a decision-usefulness approach to financial reporting. At the same time, they are critical towards the intervention of the state in the financial reporting of companies and they believe that the state should only regulate accounting for taxation purposes. Nevertheless, there is conflict in actors’ beliefs about the superiority of IFRSs over the existing Greek accounting framework as they still seem to perceive the GGAP as an appropriate set of accounting standards. Interviewees assume that the IFRSs increase the quality of the information provided in financial statements in terms of measurements and disclosures but, at the same time, the expected benefits do not materialise. The inability of IFRSs to achieve higher quality accounting information in practice is attributed to the tax mentality of accounting preparers that prevails over the decision usefulness objective of financial statements, the lack of enforcement and the opportunistic behaviour of managers that take advantage of the
flexibility provided by the principle-based standards. All of which have also an adverse impact on the actual comparability of financial statements.

Returning to the research problem stated, it appears that the individuals’ support for IFRSs is not driven solely by the actual superiority of IFRSs over the GGAP as both frameworks suffer from inconsistencies in their implementation due to multi-faceted contextual factors earlier discussed. The key issue, though, is not whether IFRSs are actually superior or not, or whether the objectives of IFRSs are achievable; the key issue is that they are seen as a necessary step towards a neo-liberal approach to the structure of economy that is beneficial to economic growth. Furthermore, IFRSs are institutionally encouraged and promoted by the most economically dominant and powerful sections of society, such as capital owners and providers, mobilising acceptance and wider diffusion even though evidence on the actual benefits of the standards is questionable. Although the adoption of IFRSs is mandatory for EU members, such as Greece, it appears that the status quo which is also represented through the IASB’s standards have won the ideological battle to a significant degree and the consent of key actors in the implementation of IFRS. Key actors justify their support and organise their arguments around ‘common sense’ assertions and normative values that are in line with the ruling ideological framework. IFRSs which are regulated and implemented by an elite of accounting experts become an instrument of ideological control with wider economic and political implications. Key individuals interviewed are concerned about and recognise the distortion between their expectations and the actual practice, but regard these distortions as mistakes or defects that need to be improved at the standard-setting and implementation level. They seem to fail, however, to provide critique on the underlying conditions and the inefficiency of the capitalist relations of production that enable these deficiencies to be produced.
Chapter 11: Conclusions

11.1 Introduction

In this chapter, the contribution of the current thesis to knowledge and theory are summarised and a number of policy implications and future research suggestions are offered.

Research on international accounting harmonisation is based on postulations that the adoption of IFRSs will improve the quality of reporting practices and information across countries and that financial reporting harmonisation is a necessary and inevitable development. The current thesis attempted to explore whether key local actors perceive that IFRSs are superior and more beneficial than the Greek financial reporting framework. It also asked: ‘what are key actors’ perceptions on the use of IFRSs’, ‘what drives key actors’ perceptions on the adoption and implementation of IFRSs?’ and ‘does their experience match with the statements made by the IASB about the benefits of IFRSs?’. If actors’ experience does not match with their expectations and the claims about the benefits of IFRSs, ‘how do they make sense of the inconsistencies arising?’

In order to investigate the perceptions of key local actors on the application of IFRSs, empirical material and evidence were collected through interviews combined with information extracted from other secondary sources, such as IASB’s exposure drafts and comments. The study, however, moved beyond descriptions of ‘what’ to explanations of ‘why’ and ‘how’ by analysing these perceptions in light of the (inter)national socio-economic, political and institutional contexts that shape financial reporting. Empirical findings were distilled and interpreted through political economy understandings and Gramsci’s notions and theories, as developed in his Prison Notes and based on their reassessment by Thomas (2009). The theoretical and methodological framework used made possible the exploration and further understanding of the determinants that drive key actors’ perceptions on the use and the benefits of IFRSs. Empirical material informs international accounting research, but is also mobilised to provide a critical perspective supporting understanding of actors’ experiences and interpretation of accounting change. The thesis challenges the position purported by standard setters that the adoption of IFRSs is a necessity driven by the natural forces of economic globalisation and that it results in improved decision usefulness of financial statements. Local users and preparers broadly believe that IFRSs can offer information of higher quality than the GGAP based on common sense concepts and
ideas spread by standard-setters to organise consent. The theoretical framework adopted in this thesis offered the ability to expose contradictions behind the rationale of the current international financial reporting. Despite the inconsistencies in the application of IFRSs and the contradictions in actors’ views about the actual benefits of IFRSs, this has not led them to challenge the basic assumptions and hegemonic structures inherent in the domain of accounting and capital markets.

11.2 Contribution to knowledge

The findings of the study shed light on the perceptions of users and preparers regarding the transition and implementation process, users’ information needs and the impact of the adoption of IFRSs on their role and economic decisions. The limited knowledge of the users of financial statement users and the emphasis placed upon the information needs of investors and creditors (rather than different types of users) by policy makers results in a narrow conception for the objectives of accounting reports.

Although there was a variety of types of users of financial reporting information identified by interviewees were relatively consistent with mainstream accounting literature, based on their experience the individuals and user groups that make meaningful use of IFRSs financial information are even narrower. Knowledgeable individuals and experts on IFRSs were limited and included apart from companies’ accountants and some managing and finance directors, senior managers in the banking and financial sector, external auditors and financial analysts more broadly. The state tax authorities that used to be one of the main users of companies’ financial statements under the GGAP are excluded as IFRSs reports are not used for taxation purposes. The lack of knowledge on IFRSs could be partially explained by the fact that IFRSs are a new accounting framework that entails new accounting principles and methods, such as deferred taxation, the fair value measurement for assets and liabilities and lease accounting. IFRSs are considered more complex in their implementation and require more advanced technical knowledge enhancing the establishment of an elite of accounting experts that can make sense of companies’ financial information and their corporate accountability to society.

Contrary to IASB’s pronouncements and the local professional and state institutions about the enhanced decision-usefulness of financial statements under IFRSs evidence provided shows that the impact of IFRSs on decision-making has been rather moderate. It appears that managers, investors/financial analysts and other capital providers, such as banks, benefit to
some degree from the provision of financial information from IFRSs in terms of decision-making as the standards provide a greater amount of information and reflect the current value of accounting items and transactions. However, the information overload, translation and interpretation issues as well as, the lack of understandability of the disclosed information have an adverse effect on the efficient use of financial information. At the moment, users argue that they use very specific accounting results in their decision-making. Accounting information seems to play a less important role in their decision making than assumed by IFRSs advocates while personal contact, factors of the economic environment and other sources of information are considered similarly or even more essential than accounting results. Moreover, due to the smaller size, capital structure of Greek companies, the less active role of the financial market IFRSs become less relevant.

Another contribution of the study is, thus, that it presents evidence on the challenges and benefits of IFRSs adoption. It also provides an alternative understanding of what drives individuals’ perceptions about these benefits and challenges. The key users are sceptical about the impact of IFRSs’ on the reliability of information, as applied by Greek companies, due to the inherent flexibility in standards and the institutional environment and the less active capital market in Greece. The impact of IFRSs has been evident in areas such as measurement of assets using fair values, suggesting that actual changes have taken place, even though information disclosure needs to be improved. Interestingly, it appears that key actors consider the GGAP an appropriate accounting framework (as harmonised with EU directives) for Greek companies. The main reason for inconsistencies in the application of the GGAP is considered to be the intervention of the State through the enforcement of the tax laws, which still prevail over the economic decisions and accounting treatments of accounting events. However, the intervention of the state is thought to have an adverse effect on the quality of financial information provided under the IFRSs. Generally, IFRSs financial reporting disclosures and measurements are reported to be applied variously, while inconsistencies appear to be the result of the different national institutional characteristics of the economy and adherence to the local legal requirements set by governments. Earnings manipulation in pursuit of self-interest is another concern raised, affecting the quality of published financial results, that seems to have been enhanced due to the ability of the management to exercise professional judgement and use fair values for asset valuations.

Another key issue raised is the influential role played by key actors in the implementation of IFRSs, such as auditors. The important role of the auditors in shaping and the producing
financial reports are highlighted, as well as the threat of the lack of auditor independence resulting from conflicts of interest. However, the study reveals that the opinions of, non-accounting users, such as the actuarial and surveying profession has had a great impact on financial reports and increased manipulation of earnings so that they are feasible according to the use of fair values and the biased evaluations of some valuers serving the interests of the company managers.

Even though researchers on the adoption of IFRSs in Greece and internationally assume that the adoption of IFRSs signals an improvement in the quality of financial reporting and attempt to measure the impact of the standards, the experience of key actors provides contradictory results. The main benefits identified such as, the ability of IFRSs to reflect economic reality and enhance representation faithfulness mainly based on fair values, and the ability to compare financial reporting information at an international level become also the main weaknesses of IFRSs. The use of fair values, for example, which is assumed to be a rational and unbiased estimate in everyday practice they can be a volatile and provide misleading information due to the inherent inefficiency and illiquidity symptoms of capital markets. As a result, the comparability of financial statements is questionable. According to empirical evidence, the benefits of IFRSs have been overstated in terms of their main objectives and increased comparability but they also have other qualitative characteristics. The evidence suggests that there is more to comparability and accounting quality than imposing a common set of rules as apart from the subjective elements that determine accounting valuations national economic and institutional idiosyncrasies still persist and shape financial reporting.

The current study shows that despite the deficiencies of IFRSs and the inconsistencies in their application local actors take a positive stance towards the adoption of IFRSs. The interviewees’ arguments justifying the necessity of IFRSs shared a consensus, even though there were challenges resulting from the inappropriate implementation of the standards, and inconsistencies between standard-setters’ normative proclamations and practical experience. The findings contribute to the debate on the political aspects of financial reporting standard-setting and implementation. Although the state and officials in regulatory organisations are thought of as providing insufficient guidance and institutional support, they are among the key actors promoting IFRSs. In Greece, change was enforced from above while companies are still embedded in their existing accounting routines to a great extent and will not change unless they are forced to do so by external forces. In other words, the adoption of IFRSs by
Greek companies would be rather limited if they had not been imposed by the EU or if they had not been institutionalised in the capital markets. However, the evidence used in the current study included companies that adopted IFRSs voluntarily and other users that expressed their views on the benefits of the new standards. Major determinants for the adoption and acceptance of IFRSs according to key actors’ perception are the initial improvement of the companies’ financial results and the wider acceptance and support of IFRSs of capital market institutions. IFRSs are institutionally encouraged and accepted which means that the use of IFRSs can provide easier access to international financial markets, make companies more trustworthy in the eyes of (inter)national capital providers, encourage establishment of co-operations and strategic alliances and so on and so forth.

The positive impact and wide acceptance of the adoption of IFRSs by companies cannot be merely justified based on the current mixed evidence about the actual higher quality of IFRSs over other national accounting frameworks. Voluntary adoption, at least in Greece, still remains limited and relates to subsidiaries of parent companies that use IFRSs. This illustrates that the adoption of IFRSs in Greece and its acceptance is a political decision enforced through the EU accounting policies and the shift to a new set of standards with a different conceptual framework does not refer only to companies’ financial statements but to financial reporting as a whole; towards a principles-based model that prioritises the needs of capital markets and participants and features the basic traits of the neo-liberal policies that have transformed the international political economy. While in the past accounting practice were based on accounting conventions, such as conservatism and historical costs, accounting practices are now defined in terms of the ability of a particular group of rational economic decision-makers to predict the impact of economic events on companies’ future cash flows, future profitability and future financial positions. According to the interviewers, the convergence with IFRSs is improving over time as knowledge on IFRSs improve, while the pressure exerted by the international institutions that govern financial reporting regulations in the EU has led to significant shifts in the perceptions and beliefs held by key individuals. The inefficiencies underlying the IFRSs and accounting standard setting, in terms of their conceptual rationale, governance structures and funding sources can be directly linked to the inefficiencies of capital markets and adherence to mainstream economics. Contradictions between the values that reflect universal values and the actual experience of the application of the IFRSs by users and preparers has not led to a challenge of the basic assumptions and hegemonic structures in the domain of accounting and capital markets.
11.3 Methodological and Theoretical contributions

The aim of the thesis is to utilise a political economy approach referencing Gramscian theoretical notions to provide a framework to make sense of the way participants’ in key accounting system’s views are shaped in relation to the adoption and implementation of IFRSs. The findings and analysis enriches knowledge of how international financial reporting standards emerge from and sustain structures of political economy. The analysis aspires to provide a foundation in order to understand the transformations that occur in the setting of the international economy and the relationship between macro level changes (such as, the development of international financial reporting standards by a private organisation) and micro level financial accounting practices and users’ perceptions.

Instead of assuming that internationalisation of accounting is an economic necessity in a globalised world that produces positive social impacts through privatisation and deregulation, this study challenges a-political and a-historical approaches to globalisation. It suggests that the international harmonisation of financial reporting is an element and development derivable from the basic characteristics of imperialism. Changes in international financial reporting under the precepts of neo-liberalism and globalisation are formed by the relationship between states and capital, and are shaped by the driving forces of imperialism in its modern phase.

A national-international dialectic illustrates how international regulations both provide the context of change and penetrate and transform the national one, yet, international regulations should also be considered in national contexts. National contexts, as the evidence shows, impose local interests and realities on international standards, and financial reporting is no exception. In this context, ideals or common sense arguments can be viewed as the basis of global capital market regulations. One of the traditional objectives of securities regulation is to insure that markets are efficient, fair, and transparent. An important contribution made in this research study is the investigation of additional insights based on information about the underexplored perceptions of actual users of financial reporting and other key individuals that participate in the implementation of IFRSs in Greece. The majority of evidence on the impact of IFRSs is based on positivist methodological approaches and survey studies that have failed to place the internationalisation of financial reporting within its wider sociological and political context. The analysis of interview accounts and perceptions was enriched by enabling a political economy and class-based approach to accounting. Key actors’
conceptions and beliefs about the benefits and qualitative characteristics of financial information provided by the use of IFRSs are contradictory, and in some cases challenge standard setters’ practices and pronouncements. International financial reporting principles and practices are likely to play an important role in legitimising existing power and production relations, as well as wealth transfers. Actors’ perceptions of the role and the use of financial reporting were congruous with the shift in the conceptual framework of standards and measurement techniques following the adoption of IFRSs.

Challenging theoretical assumptions underlying the nature of international accounting that are taken for granted, such as the role of power that operates via ideological hegemony and the belief that existence of financial accounting is to serve financial markets is emphasised. Accounting is used in different circumstances to justify policies enforced within society as a whole. Dominant values and discourses and the legitimate aspects of accounting theory and practice play a hegemonic role. Studying dominant ideas for the support and defence of transformations in accounting standards and also regarding the inconsistencies that can be traced in these assumptions may contribute to critical awareness. Gaining a critical awareness by exposing and deconstructing the dominant values mediated by a group of experts that perpetuate social differentiations, could encourage alternative understandings of the role of accounting, or ameliorate, some of the negative effects of the priorities of capital. Whilst support for the application of IFRSs may be based on its usefulness and cultural-based arguments for improved communication among companies in a globalised setting, such approaches tend to neglect the standards created outside of peoples’ experiences and their participation in IFRSs development. Despite the ostensibly good intentions of some individuals, they extend the contemporary myths of neutrality and impartiality that legitimise and sustain the powerful social sway of capital with detrimental implications for the subaltern consciousness and political engagement. In this sense, public sector participation in the IASB’s standard setting processes may more efficiently represent a wider set of stakeholders. Alternative understandings of the role of accounting enable a variety of different possibilities and considerations; for example, the idea that accounting should serve as a tool for a more fair and equal distribution of existing material resources among members of society in order to satisfy human needs, rather than serving capital markets based on profit maximisation and economic rationales.
11.4 Policy Implications

According to the views of the interviewees, comparability between the financial results of financial statements produced in different countries cannot be achieved without taking into consideration the wider institutional environment and the nature of companies. There is still a lack of knowledge and understanding of the IFRSs and the ways in which it can be implemented, while persistent local differences in results run the risk of being ignored under general statements and pronouncements affecting countries’ compliance with IFRSs.

The findings suggest that the IASB needs to consider the level of technical expertise within the profession and should work to simplify the IFRSs. More discussion and research on the differences between national frameworks and the adaptation of the standards by countries is required, in combination with a clear explanation of the differences and their expression in different national settings. In light of the debates on the current review of the conceptual framework for financial reporting, there is an assumption that a decision-usefulness approach to accounting, or even the stewardship role of financial reporting may not be applicable to all economic and accounting national frameworks. These objectives may fail to materialise, as IFRSs may be insufficient to ensure reliable measurements. The IASB’s prescriptions on measurement methods, such as fair values, may need to be more prescriptive, although this contradicts the principle based approach to avoid financial engineering that renders financial statements unreliable.

The institutional setting of financial reporting in Greece should be modified to enhance compliance with the IFRSs. Material differences affecting application of the IFRSs by companies lead to the delivery of ambiguous financial results, something that requires closer monitoring by the Greek Ministry of Finance to make the governance and consultation procedures of accounting regulations more transparent and accessible to more interested parties. The empowerment of supporting institutions, such as the ELTE can contribute to the enforcement and consistent implementation of IFRSs by companies. The findings also show that in those areas where significant judgment is required, for example for valuations, there is a need for a greater level of professional development, such as in the expert opinions of actuarial and surveying professionals. The establishment of an independent Greek state institute that provides official licences or certificates that accredit valuers and actuarial professionals inhibits cases of biased valuations.
11.5 Areas for Future Research

Political interference with the standard setting of accounting standards’ process, as intensified in the current economic crisis, should provide an interesting area for further research. The impact of the crisis has challenged many of the assumptions made by accounting researchers. It is anticipated that it will lead to different research priorities delivering more contributions to the study of the accounting practice from a broadly social and political perspective. An interesting research area is the examination of the concrete impact of IFRSs on other users and stakeholders other than those prioritised by the IASB, such as employees; the impact of measurements and disclosures based on IFRSs may have a significant impact, for example, on pension accounting.

Future studies could investigate the role of current enforcement institutions, such as ELTE, on the financial reporting and the auditing function in view of the incoherent interactions identified among this body, the state and the market. In addition, the increasing estimates in companies financial reporting and the impact of surveyors on the quality of financial statements is another research area requiring critical discussion. Comparative research on different countries could provide useful insight into different institutional national frameworks; in particular how they are shaped by their capital markets, in order to make sense of the differences in accounting practices.

Due to the size and financial reporting needs of Greek companies it would be interesting to investigate whether IFRSs for SMEs\(^{55}\) would be beneficial and more appropriate to the needs of small and medium-sized companies.

Another interesting area to study is the ideological language of accounting and its interaction with accounting practice and thought. Considering the ideological language of accounting, and the economic, coercive ways of winning consent should enable a better understanding of the ways in which language maintains the accounting status quo and the relative social architecture. Interpretations of common sense concepts can be contradictory in the meaning society and policy makers seek to impose; leading to a collision with actual needs and experiences of users.

\(^{55}\) This standard is developed by the IASB to meet the financial reporting needs of companies that have no public accountability and publish general purpose financial statements for external users.
At the time the collection of empirical evidence was conducted the dramatic implications of the recession were not visible to the degree they are now, especially in the case of Greece. The current economic crisis, which has the characteristics of an organic crisis as defined by Gramsci, has questioned confidence in the ability of accounting to provide transparency and stability to self-regulating capital markets. Local actors’ perceptions on IFRSs may have also been influenced due to the impact of the crisis on ideology and practice. Further research is also needed to examine how financial reporting standards have shaped and been shaped by the financialisation trends within the economy and to assess the micro and macro implications of fair values and fictitious capital and their contributions to the crisis. Similarly, the international economic transformations but also within the EU that attempt to restore the effects of the crisis after 2008 will probably lead to new ideological reforms that will be reflected on financial reporting standard-setting. It will be interesting to see how these restructurings will affect accounting standard-setting but also everyday financial reporting.

11.6. Epilogue

On a final note, this research journey was exciting and enlightening in many respects. It was a journey of discovery and a process that has influenced my personal thinking and development as a researcher. The knowledge and experience I have gained has generated new research ideas that will hopefully provide a more holistic and critical view on current issues in international financial reporting. The current study was driven by the conviction that accounting research should revisit and re-examine the explicit connection between accounting, reason and class-consciousness that may have become muted and challenge the claims to ‘knowledge’ and to ‘truth’ that preoccupy the social functions of accounting. Accounting is not simply a reflection of dominant power relations; it is also a form of practical knowledge and an intervention in a socially divided world. By exposing the contradictions in social reality and by recognising that values are not matters of external considerations but produced out of the process of everyday experiences of late capitalism the unformed potential of emancipatory transformation can become more visible.
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Appendices
Appendix 1. Historical review of key features of the Greek economy and accounting for the period 1830 to 1974.

Key historical events and features of the economy

1830s-1890s
• Treaty of London (1832): Modern Greece is recognised as an independent state by the Great Power after the Greek War of Independence from the Ottoman Empire. King Otto assumes the throne placing Greece under the ‘guarantee’ of the ‘Protecting Powers’ (Clogg, 1992).
• King Otto resigns (1862) and a politically unstable period follows. The economy exhibits budgetary and foreign trade deficits combined with extensive borrowing from abroad.
• Integration of new territories in Greece under the reign of George I accompanied by an increase in population and the government receipts from taxation (Kostelenos & Bitzis, 2008).
• The Trikoupi government policies introduce new custom tariffs schedule that lead to the construction of industrial infrastructure for capitalist accumulation and encourages rapid development and ‘modernisation’ (Tsoukalas, 1969; Mouzelis, 1986).
• Industrialisation is very limited and Greece is a small agrarian economy. Close relations to countries of capitalist development. Greek merchants held important economic positions within developed Western countries, e.g., shipping (Mavroudeas, 2010).
• International crisis, full integration in the LMU (1882) and the change of the tax system. Companies are mainly state-owned, there many small banking establishments. Protectionist and interventionist policies are introduced. Foreign borrowing by the state increases. State intervention is crucial for the Greek capitalist economy (Ballas et al., 1998).

1900s-1930s
• Intensive restructuring of the economy characterised by unseen growth in the country. Greece emerges as a significant Mediterranean power under the leadership of Venizelos.
• Geographical expansion of the country after the Balkan wars (1912, 1913) and waves of refugees entering the country after the military defeat of Greece in Asia Minor in 1922 (Kostelenos & Bitzis, 2008). Territorial uncertainty and clientelist politics exacerbate the lack of accountability and auditing in the economic sphere.
• After 1922 and up to WWII the country does not get involved in any external conflicts. World slump by the Great Crash of 1929. King George II (1923) is expelled and political crisis is exacerbated by widespread labour unrest that leads to the establishment of the dictatorship regime led by Metaxas in 1936 (Clogg, 1992).
• Just before the outbreak of the WWII (1939) the Greek economy experiences rapid growth of the industry. Bourgeois commercial relations predominate, the banking sector is organised according to modern practices. Capitalist relations of production dominate the economy.

Development of accounting

1830s-1880s
• The internal market is underdeveloped with a few small, family-owned commercial companies that keep limited accounting records and lack industrial policies (Anagnostopoulos, 1937).
• The limited liability company (known as Joint-Stock Company or Société Anonyme - SA) is imported to Greece via the adoption of the Napoleonic Commercial Code.
• The Napoleonic Commercial Code (Code de Commerce) of 1807 is verbally translated and enacted (1835) serving as the basis of the Greek Commercial Code (Ballas, 1994).
• Most of the joint-stock companies are family-controlled adopting legal form for tax and other advantages influenced by the French legal framework (Caramanis & Dedoulis, 2011). With the industrialisation of Greece a series of corporate scandals instigate the government’s intervention in accounting and auditing practice in an attempt to steer economic development.

1900s-1930s
• Company law 2190/1920 is enacted by the Parliament and is influenced by the French Company Law. Law 2190/1920 includes legal provisions and frames some accounting rules (Ballas, 1994).
• L2190/20 remains the primary law that covers large and listed companies and addresses issues on incorporation, shareholder meetings, ownership rights, various classes of shares and bonds, the establishment of foreign firms in Greece, mergers and acquisitions, consolidation, and bankruptcy. Article 31 of law 5076/1931 provided for the establishment, under the supervision of the Ministry of National Economy, of an Institute of Certified Accountants (Dedoulis & Caramanis, 2007).
1940s-1970s

- WWII and the German occupation cause a significant disruption to the economic development (Mouzelis, 1978). Greece is under a tripartite- German, Italian and Bulgarian- occupation. Metaxas dictatorship, the antipathy towards the exiled King George and the Communist Party domination of the resistance movement indicate a new post-war order (Mazower, 1993).

- The Greek government tries to establish a pro-British regime that would 'guarantee territorial integrity', could support the restructuring of the economy and avert the 'Communist Threat' (Coulombis, 1966, p. 17-18).

- In December 1944, after the withdrawal of the Wehrmacht, police forces fire on and kill several demonstrators that take part in a general strike in Athens. This leads to a series of clashes, the so-called ‘Dekemvriana’ instigating the Civil War of 1946–1949 (Bolaris, 2010).

- The British Labour government is unable to establish a stable pro-British regime in Greece, a country of strategic importance to British interest in the Mediterranean, and under the pressure of the Communist expansion decides to exert control by offering financial and military investment (Wittner, 1982). Britain organises, trains, equips and funds the tactical army and police during the first years of the Civil War (McNeill, 1957).

- Britain gets involved in Greece’s economic affairs by offering loans and financial and military assistance, while in return the government had to apply certain administrative and monetary policies (Freris, 1986).

- The British Empire faces political and financial problems and announces its decision to end all aid to Greece and pleads for American aid to prevent economic collapse and Greece heading into the Soviet sphere of influence (Frazier, 1991). US President Harry Truman announced the ‘Truman Doctrine’ (1947) provide military and financial assistance to Greece. The Marshall Plan follows in 1948, a package of economic and developmental measures that ultimately led to the defeat of the guerrillas in 1949 (Freris, 1986).

- The Agreement of Association between Greece and the European Common Market (1961) heralds a ‘Golden Era’ of Greek capitalist economy characterised by high rates of profitability, manufacture becomes the largest sector of the economy (Mavroudeas, 2010).

- The Agreement is, brought to a halt for seven years (1967-1974), at the initiative of the Commission of the EEC, as a reaction to the military regime that assumed power in Athens in 1967.

- The period following the dictatorship capital’s profitability increased substantially due to the penetration of multinational companies. The leaders of the new regime were keen to accept foreign investors in the country, especially American ones. The period is marked by a limited welfare state, the suppression of the labour movement and the lack of Keynesian policies. Greece follows a reverse process and adopted conservative Keynesian policies after the collapse of the Bretton Woods Settlement in 1971. State intervention is important since this is a general characteristic of Greek capitalism from its very birth and almost irrespective of general trends (Mavroudeas, 2010).

1940s-1970s

- Anglo-Saxon financial and political interventions and relations with Greece have a significant influence on the development of modern accounting practice and the accounting profession.

- Greece received technical assistance for improving local accountancy practices in order to ensure and secure the repayment of the loans (Campalouris, 1969; Caramanis, 2002).

- In the absence of major large firms, emphasis is placed on bookkeeping records for tax purposes and the state becomes the only constituency to receive audit services (Ballas, 1998).

- British Chartered accountants plays an important role in the creation of the profession and were initially employed to assist with the work and control of the American agencies (Dedoulis & Caramanis, 2007).

- The first Tax Code which had significantly influenced financial reporting, as the tax-m mentality is a distinctive characteristic of accounting in Greece, was adopted in 1948 at the instigation of the American Mission to Aid Greece during the period of the Civil War (Ballas, 1998). The government purports the introduction of the a tax code aimed at combating tax evasion and increasing the confidence in the tax system. Tax revenues required by the Greek State, though, are insignificant as reconstruction efforts were mainly financed by the US government (Ballas et al., 1998).

- The Institute of Certified Public Accountants of Greece is established (1952) with the purpose of providing references of good administrative processes by the Greek government to ensure the flow of U.S. aid (Ballas, 1998). The ‘Code of Books and Records’ (in Greek Kodikas Vivlion kai Stoixeion- KVS) is enacted and focuses on the organisation of book-keeping (for tax purposes) by unincorporated businesses and other forms of business enterprises.

- KVS has been supplemented and revised along with ministerial circulars (Presidential Decree 186/92) and contains in excessive detail valuation rules employed in the preparation of tax balance sheet, determines specific issues in the estimation of taxable income and sets the requirements that companies have to meet in order to maintain appropriate records and books (Caramanis & Dedoulis, 2011).
### Table A.1. Key differences between the GGAP and IFRSs

<table>
<thead>
<tr>
<th>Greek Accounting Plan</th>
<th>IAS/IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Assets</strong></td>
<td>Historic or production cost / The cost value does not include acquisition expenses/ Revaluation is compulsory every four years and the rates are determined by the Ministry of Finance</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td>Negative goodwill is not reported/ Positive goodwill is capitalised and subsequently amortised within a five year period</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>High and low rates (legislation)</td>
</tr>
<tr>
<td><strong>Tangible Assets</strong></td>
<td>Re-evaluated according to certain rates (legislation)</td>
</tr>
<tr>
<td><strong>Leasing</strong></td>
<td>Capitalisation of financial leases is not permitted</td>
</tr>
<tr>
<td><strong>Research &amp; Development</strong></td>
<td>Certain expenses are capitalised</td>
</tr>
<tr>
<td><strong>Establishment expenses</strong></td>
<td>Recorded in the B/Sheet (depreciated for 5 years)</td>
</tr>
<tr>
<td><strong>Inventory costing methods</strong></td>
<td>LIFO, FIFO, WA</td>
</tr>
<tr>
<td><strong>Extraordinary Items</strong></td>
<td>Wide meaning (sales of assets, provisions etc.)</td>
</tr>
<tr>
<td><strong>Deferred Taxes</strong></td>
<td>Only Current Income tax</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>Recognised only on the basis of tax rules</td>
</tr>
<tr>
<td><strong>Foreign Currency</strong></td>
<td>Non-monetary items are translated using the exchange rate at the date of the transaction</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>Appear only in the Consolidated B/Sheet</td>
</tr>
<tr>
<td><strong>Retirement benefit costs</strong></td>
<td>Employee retirement benefits determined based on the provisions of the Greek Commercial Law and the Labour Contract between the company and the employees.</td>
</tr>
</tbody>
</table>
Appendix 3: Review of the international accounting literature on the economic impact of IFRSs on financial reports.

<table>
<thead>
<tr>
<th>Impact</th>
<th>Main Research Projects and Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eliminating barriers to cross-border investing</strong></td>
<td>- Effect of IFRSs’ adoption on bias, accuracy and disagreement in analysts’ forecasts and the quality of foreign analysts’ information (Hodgdon et al., 2008; Panaretou et al., 2011; Tan et al., 2011; Horton et al., 2012; Preiato et al., 2013). Findings suggest that, at least in specific settings, there is an observed improvement in the accuracy of analysts’ forecasts (Karamanou &amp; Nishiotis, 2009).&lt;br&gt;- Research evidence supports that there are capital-market benefits following mandatory IFRSs adoption. US mutual funds increased cross-border equity investments (DeFond et al., 2011; see also Yu, 2010) and so did individual (Brüggemann et al., 2013) and institutional investors (Florou &amp; Pope, 2012).</td>
</tr>
<tr>
<td><strong>Accounting &amp; disclosure ‘quality’</strong></td>
<td>- Higher quality financial statements are rated based on the quality of the disclosures by companies (Daske &amp; Gebhardt, 2006) or on measures of accounting quality. Studies use different proxies and samples to examine the quality of IFRSs financial statements.&lt;br&gt;- Accounting quality is determined by factors such as less income smoothing and accruals adjustments in the net income calculation by companies (Chen et al., 2010; Ahmed et al., 2013) the use of conservative accounting practices, the degree of earnings management (Barth et al., 2008; Aussenegg et al., 2008), earnings’ time series persistence and their ability to predict future cash flows (Atwood et al., 2011).&lt;br&gt;- Studies on the quality of IFRSs’ financial reporting arrive at different conclusions and are context-specific; the negative impact of IFRSs on properties of accounting numbers (see Ahmed et al., 2013; Callao &amp; Jarne, 2010) is also reflected on earning management studies (Van Tendeloo &amp; Vanstraalen, 2005; Jeanjean &amp; Stolowy, 2008; Capkun et al., 2011; Gebhardt &amp; Novotny-Farkas, 2011).</td>
</tr>
<tr>
<td><strong>Comparability</strong></td>
<td>- Comparability is related to the ability of users of accounting information to draw conclusions about similarities and differences both between entities (in different countries) and for the same entity over time (Kristensen &amp; Nobes 2012; Cascino &amp; Gassen 2012).&lt;br&gt;- Glaum et al. (2010) and Verriest et al., (2013) provide evidence of extensive non-compliance with IFRSs disclosure requirements in the adoption year of IFRSs.&lt;br&gt;- Alternative approaches assess the extent to which accounting numbers pre- and post- IFRSs can be compared to a reasonable benchmark, such as accounting numbers under US GAAP (Barth et al., 2012) or stock prices (Clarkson et al., 2011). While Improved comparability of financial statements is argued to be a potential benefit of IFRSs adoption (Clarkson et al., 2011; Barth et al., 2012; Yip &amp; Young, 2012).&lt;br&gt;- Other studies question whether IFRSs adoption alone facilitates the comparability of financial statements across countries (Jeanjean &amp; Stolowy, 2008; Garcia Osma &amp; Pope, 2011; Liao et al., 2012; Lang et al., 2010; Ahmed et al., 2013). Studies provide mixed evidence.</td>
</tr>
<tr>
<td><strong>Usefulness’ and ‘value relevance’</strong></td>
<td>- Studies compare the ‘usefulness’ or ‘value relevance’ of domestic accounting standards and IFRSs to investors, namely the ability of accounting data to reflect contemporaneous market prices and returns.&lt;br&gt;- Aharony et al., (2010) find, for instance, that the equity value relevance of three important accounting items under IFRSs increases following the introduction of IFRS.&lt;br&gt;- Studies typically compare certain properties of the returns- earnings relation, or use an Ohlson-type model that relates stock price to book value of equity (BVE) earnings and other information unrecognised in the accounts (Hung &amp; Subramanyam, 2007; Goodwin et al., 2008; Gjerde et al., 2008; Devalle et al., 2010; Barth et al., 2012).&lt;br&gt;- Results are mixed, with improvements reported in some countries (Horton &amp; Serafeim, 2010; Ismail et al., 2013) but not in others (see Agostino et al., 2011). Jarva &amp; Lantto (2012) find a marginal improvement of value relevance for IFRSs in relation to the Finnish accounting standards. In Greece the setting for IFRSs is not favourable with minor benefits in terms of value relevance (Karampinis &amp; Hevas, 2011).</td>
</tr>
</tbody>
</table>
### Market efficiency, liquidity and the cost of equity capital

- Evidence on the impact of IFRSs on capital markets based on the assumption that higher quality standards are committed to greater disclosures and transparency in their information relationship with investors and that stock could be priced more efficiently in financial markets. Some researchers have interpreted that to indicate that companies’ stock price should change more frequently while others have supported that greater efficiency implies that the stock’s market volatility would be driven more by information about the company itself.
- These studies broadly involve measures, such as the information content of earnings announcements (Landsman, *et al*., 2012; see also Wang & Welker, 2011), stock return synchronicity (see Wang & Yu, 2013; Beuselinck *et al*., 2010), bid–ask spreads (see Katselas, 2011; Mueller *et al*., 2011), credit ratings (Wu & Zhang, 2009) or the impact on the cost of capital (Hail & Leuz, 2007; Shi & Kim, 2007; Karamanou & Nishiots 2009). Beuselinck *et al*., 2010 show that disclosures in financial statements under IFRSs appear to have improved the efficiency of stock prices by reducing the extent to which the market is surprised by future disclosures.
- The results provide some evidence that the adoption of IFRSs has the potential to yield capital market effects, even though the effects are more visible in certain countries with stronger legal enforcement legal systems.

### Measuring the usefulness of fair value

- Fair values are promoted as a remedy for the inequities of the reporting model for some financial instruments while more recently it has been implemented for the measurement of non-financial items. It is considered to be supportive for the function of stewardship and for the decrease of principal-agent conflicts and agency costs (Barlev & Haddad, 2003).
- Fair value is argued to improve transparency, comparability, and the timeliness of accounting information (Schipper, 2005). In contrast to the Historic Cost Accounting, IFRSs require that assets and liabilities are reported on the balance sheet at prices that would be concluded at (current) market transactions at the measurement date; and the increases or decreases in the real or hypothesised market prices are recognised as part of the profits or losses in income statements.

### Earnings Management

- The impact of IFRSs adoption on reporting practices is likely to be limited if a firm’s institutional environment and firm-level incentives remain unchanged (e.g., Ball, 2006; Soderstrom & Sun, 2007; Hail *et al*., 2010).
- Impact of IFRSs on the quality financial reporting using variables including earnings management to detect possible manipulation of a firm’s financial statements (e.g. Barth *et al*., 2008; Callao & Jarne, 2010).
- Studies suggest that managers’ incentives dominate standards in determining accounting quality (see for example, Van Tendeloo & Vanstraelen, 2005; Wüstemann & Kierzek, 2007; Casino & Gassen, 2009).
- More flexible rules provide greater scope for choice and involve a higher degree of implicit subjectivity in the application of criteria allow managers a wide field to exercise their discretion and earnings manipulation and income smoothing (Iatridis & Joseph, 2005; Jeanjean & Stolowy, 2008; Carmona & Trombetta, 2008; Callao & Jarne, 2010), which they may do in their own interest in the absence of effective control mechanisms. However, even rigid accounting rules can lead to increased earnings management since earnings management can involve the manipulation of real-life transactions in order to obtain the desired profit (Ewert & Wagenhofer, 2005). Bhattacharya *et al*., (2003) provide evidence that Greek firms are the most engaged in earnings management among companies from 34 countries which agree with the evidence provided by Koumanakos (2007). A further cause of creative accounting is poor enforcement and poor creditor and investor protection, common in French-style civil law countries, which include Greece (Ballas & Tzovas, 2010; Chalevas & Tzovas, 2010).
<table>
<thead>
<tr>
<th>Studies</th>
<th>Research Focus</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athianos et al., (2005)</td>
<td>Value Relevance: comparison of financial information under the GGAP and IAS during 2003-2004 and the effects of IFRSs adoption on financial measures and ratios.</td>
<td>- IAS fair-value orientation can significantly improve the relative importance of book values and reduce the importance of net income - Little evidence that IAS adjustments to net income are value relevant - Contrary to other studies (Ali &amp; Hwang, 2000; Ball et al., 2000) the value relevance of accounting measures does not differ significantly between stakeholder- and shareholder-oriented economies</td>
</tr>
<tr>
<td>Hellenic Capital Market Commission (HCMC) (2006)</td>
<td>Impact of IFRSs on Greek listed companies: revenue, earnings and shareholders’ equity.</td>
<td>- On average, equity and profit after tax reported under the IFRSs were higher, while the aggregate impact on turnover was not material in terms of percentage changes</td>
</tr>
<tr>
<td>Bellas et al., (2007)</td>
<td>Value Relevance: comparison of GGAP and IAS financial information based on a sample of 83 ASE listed companies for the year 2004.</td>
<td>- Fixed assets, tangible assets and total liabilities record considerably higher prices under IFRSs. - Application of IFRSs presents notable differences in the values of balance-sheet magnitudes in comparison to the GGAP - IAS increased the differences in the majority of companies’ balance-sheet measures.</td>
</tr>
<tr>
<td>Floros (2007)</td>
<td>Stock market volatility: effect for the ASE Exchange based on GARCH models for modelling four major indices covering the period 2003-2005.</td>
<td>- Negative effect on stock price volatility - Good news have a lesser impact on stock return volatility and the persistence of shocks is reduced indicating the increased market (pricing) efficiency.</td>
</tr>
<tr>
<td>Georgakopoulou et al., (2010)</td>
<td>The influence of IFRS on the financial structure of 38 Greek manufacturing firms under the GGAP and IFRS for 2004</td>
<td>- Shareholders’ equity and total liabilities and total assets record higher prices under IFRSs in relation to the financial ratios under examination</td>
</tr>
<tr>
<td>Iatridis &amp; Rouvolis (2010)</td>
<td>Voluntary IFRS disclosures, earnings management and value relevance based on listed firms operating in the food and beverage industry covering the financial period 2005-2006.</td>
<td>- IFRSs have introduced volatility in key income statement and balance sheet measures - IFRSs improved the quality of the financial statements prepared by Greek firms as the financial statements provide more value relevant accounting measures</td>
</tr>
<tr>
<td>Vazakidis &amp; Athianos (2010)</td>
<td>Value relevance and cost of capital: examination of differences in financial figures of 90 listed companies after IFRSs adoption based on a market efficiency perspective.</td>
<td>- Taking into consideration companies’ risk profile, the differences in the valuation of current assets, current liabilities and sales can predict and explain fluctuations in the share prices within a period of six months - The shift from the previous conservative accounting to the fair value accounting of IFRSs has affected the valuation of companies.</td>
</tr>
<tr>
<td>Studies</td>
<td>Research Focus</td>
<td>Findings</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| **Doukakis (2010)**           | Persistence of earnings and earnings components after the adoption of IFRSs for key performance indicators, such as the ROE. | - Disaggregation of earnings components improves the explanatory power of the model, implying that the differential persistence of earnings components may result into improved forecasting ability and prediction of future profitability  
- IFRSs' adoption does not systematically improve the persistence of earnings and earnings components for future profitability  
- IFRS measurement and reporting guidelines do not seem to improve the persistence of earnings and earnings components |
| **Tsalavoutas & Evans (2010)** | Impact of IFRS on Greek listed companies' financial statements with a focus on net profit, shareholders' equity, gearing and liquidity. Examination of differences in the impact across the subsamples of companies with Big 4 and non-Big 4 auditors. | - Significant impact on the financial position and reported performance, as well as, on gearing and liquidity ratios.  
- Only companies with non-Big 4 auditors faced significant impact on net profit and liquidity on transition to IFRS.  
- The findings do not support that GGAP is more conservative than IFRSs as applied (de facto) in the context of transition while a large number of companies have been materially affected and reported negative changes to all measures. |
| **Karampinis & Hevas (2011)** | Value relevance and conditional conservatism: the impact of mandatory IFRSs adoption in Greece. | - IFRSs enhance value relevance and conditional conservatism provided that they interact with favourable reporting incentives.  
- Mandatory voluntary adoption of IFRSs does not ensure that incentives follow the standards and that the effects of IFRSs in countries such Greece may prove to be immaterial.  
- Not sufficient empirical evidence that IFRSs have a positive impact on accounting earnings in the terms of value relevance and conditional conservatism |
| **Tsalavoutas et al. (2012)** | Value relevance of book value of equity and net income before and after the mandatory transition to IFRS in Greece for listed companies. | - No change in the combined value relevance of book value of equity and net income and improvement in accounting quality if quality is defined as the overall association between book and market values  
- Increase in the valuation weight put on the book value of equity and a decrease in the valuation weight on net income |
- Audit quality complements the beneficial impact of IFRS since those companies that are audited by Big-5 audit firms exhibit higher levels of accounting quality. |
<table>
<thead>
<tr>
<th>Job title/position of the interviewee</th>
<th>Denomination</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Academic- Senior Lecturer in Accounting</td>
<td>ACD1</td>
<td>118 min</td>
</tr>
<tr>
<td>2. Academic - Senior Lecturer in Accounting</td>
<td>ACD2</td>
<td>63 min</td>
</tr>
<tr>
<td>3. Academic- Professor in Accounting</td>
<td>ACD3</td>
<td>65 min</td>
</tr>
<tr>
<td>4. Academic- Professor in Accounting</td>
<td>ACD4</td>
<td>69 min</td>
</tr>
<tr>
<td>5. Former Auditor (Manager) in SOEL, Member of ELTE</td>
<td>AUD1</td>
<td>100 min</td>
</tr>
<tr>
<td>6. Auditor (Manager) in a Big Four</td>
<td>AUD2</td>
<td>78 min</td>
</tr>
<tr>
<td>7. Auditor (Manager) in a Big Four</td>
<td>AUD3</td>
<td>89 min</td>
</tr>
<tr>
<td>8. Auditor in SOEL</td>
<td>AUD4</td>
<td>73 min</td>
</tr>
<tr>
<td>9. Auditor (Manager) in a Big Four</td>
<td>AUD5</td>
<td>85 min</td>
</tr>
<tr>
<td>10. Auditor (Manager) in a Big Four</td>
<td>AUD6</td>
<td>85 min</td>
</tr>
<tr>
<td>11. Auditor in SOEL, Member of the scientific Council of SOEL (Institute of Certified Public Accountants)</td>
<td>AUD7</td>
<td>76 min</td>
</tr>
<tr>
<td>12. Auditor in a Big Four</td>
<td>AUD8</td>
<td>95 min</td>
</tr>
<tr>
<td>13. Auditor in SOEL</td>
<td>AUD9</td>
<td>76 min</td>
</tr>
<tr>
<td>14. Financial Analyst</td>
<td>FA1</td>
<td>71 min</td>
</tr>
<tr>
<td>15. Financial Analyst</td>
<td>FA2</td>
<td>72 min</td>
</tr>
<tr>
<td>16. Financial Analyst</td>
<td>FA3</td>
<td>69 min</td>
</tr>
<tr>
<td>17. Financial Analyst</td>
<td>FA4</td>
<td>65 min</td>
</tr>
<tr>
<td>18. Financial Analyst</td>
<td>FA5</td>
<td>64 min</td>
</tr>
<tr>
<td>19. Financial Manager in a Retailing Company</td>
<td>MA1</td>
<td>65 min</td>
</tr>
<tr>
<td>20. Managing director in Manufacturing (Food) industry</td>
<td>MA2</td>
<td>64 min</td>
</tr>
<tr>
<td>21. Finance director in Manufacturing (Food) Industry</td>
<td>MA3</td>
<td>83 min</td>
</tr>
<tr>
<td>22. Finance director in Manufacturing (Dairy) Industry</td>
<td>MA4</td>
<td>63 min</td>
</tr>
<tr>
<td>23. Chief Accountant in Retail Industry</td>
<td>ACT1</td>
<td>66 min</td>
</tr>
<tr>
<td>24. Chief Accountant in Vehicles industry (State-owned)</td>
<td>ACT2</td>
<td>68 min</td>
</tr>
<tr>
<td>25. Chief Accountant Manufacturing (Dairy) Industry</td>
<td>ACT3</td>
<td>70 min</td>
</tr>
<tr>
<td>26. Chief Accountant Manufacturing Industry</td>
<td>ACT4</td>
<td>67 min</td>
</tr>
<tr>
<td>27. Bank Manager in the National Bank of Greece</td>
<td>BA1</td>
<td>69 min</td>
</tr>
<tr>
<td>28. Bank Manager in Multinational Bank</td>
<td>BA2</td>
<td>78 min</td>
</tr>
<tr>
<td>29. Bank Manager in Multinational Bank</td>
<td>BA3</td>
<td>86 min</td>
</tr>
<tr>
<td>30. Bank in a Large Greek Bank</td>
<td>BA4</td>
<td>71 min</td>
</tr>
<tr>
<td>31. Member of the Hellenic Capital Market Commission</td>
<td>CAP1</td>
<td>63 min</td>
</tr>
<tr>
<td>32. Tax Authority</td>
<td>TAX1</td>
<td>67 min</td>
</tr>
<tr>
<td>33. Tax Authority</td>
<td>TAX2</td>
<td>113 min</td>
</tr>
</tbody>
</table>
**Appendix 6: Interview Guide**

This is a general guide used for different interviewees while some of the questions were added during the carrying out of the interviews.

**Research focus:**
To explore how users perceive and respond to the implementation of IFRSs in Greece, analysed as:
- ‘What drives key actors’ perceptions on the adoption and use of IFRSs?’
- ‘Does their experience match with the statements made by the IASB about the benefits of IFRSs’
- ‘How do they make sense of the inconsistencies arising?’

<table>
<thead>
<tr>
<th>A. Interviewee’s Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Can you please tell me a few things about yourself?</td>
</tr>
<tr>
<td>- Description of the role in the organisation/company</td>
</tr>
<tr>
<td>- Professional background and experience with IFRSs</td>
</tr>
<tr>
<td>- How often do you use financial statements in general and those prepared according to IFRSs</td>
</tr>
<tr>
<td>- Do you get involved in the preparation/analysis of IFRSs financial reports and how often?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Perception about the role of accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>- How do you perceive the role of accounting?</td>
</tr>
<tr>
<td>- What is the role of the accountant?</td>
</tr>
<tr>
<td>- Who do you think is interested or reads companies’ financial statements?</td>
</tr>
<tr>
<td>- For what type of information are they interested in?</td>
</tr>
<tr>
<td>- Are there any differences between the users of financial statements before and after the adoption of IFRSs?</td>
</tr>
<tr>
<td>- Has the role of accounting changed in any way after the adoption of IFRSs?</td>
</tr>
<tr>
<td>- How has your role been affected by the introduction of IFRSs?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Transition to IFRSs period</th>
</tr>
</thead>
<tbody>
<tr>
<td>- What are the reasons that motivated companies to adopt IFRSs?</td>
</tr>
<tr>
<td>- Can you describe the transition to IFRSs period?</td>
</tr>
<tr>
<td>- How prepared were companies for the adoption of IFRSs?</td>
</tr>
<tr>
<td>- What were the main challenges of the transition?</td>
</tr>
<tr>
<td>- How did you deal with challenges?</td>
</tr>
<tr>
<td>- What was the contribution of parties outside the company in the preparation of the financial statements (e.g., valuers, auditors, etc)?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>D. Comparison between GGAP and the IFRSs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- What are main difference between the GGAP and the IFRSs?</td>
</tr>
<tr>
<td>- Are there similarities between the GGAP and the IFRSs?</td>
</tr>
<tr>
<td>- Does the experience and familiarity with IFRSs influence the accounting treatments according to IFRSs?</td>
</tr>
<tr>
<td>- How appropriate are IFRSs for the size and the nature of Greek companies? (Why should Greek companies adopt IFRSs?)</td>
</tr>
<tr>
<td>- How appropriate is the GGAP from the accounting needs of Greek companies?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E. Perceptions about the merits and drawbacks of IFRSs statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>- What do you considered the main benefits derived from the provision of financial reporting information according to IFRSs (users)?</td>
</tr>
<tr>
<td>- What are the main benefits of the adoption of IFRSs for the company (preparers)?</td>
</tr>
<tr>
<td>- What are the main weaknesses of IFRSs and the information provided in IFRSs financial statements?</td>
</tr>
<tr>
<td>- What is the reason of such weaknesses?</td>
</tr>
<tr>
<td>- To what degree have the proclaimed benefits been achieved?</td>
</tr>
<tr>
<td>- Why are (not) IFRSs an appropriate accounting framework for Greek companies?</td>
</tr>
<tr>
<td>- How can perceived benefits be enhanced and drawbacks be eliminated?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>F. Other factors that affect compliance with IFRSs</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Can you describe any other institutional and macro-level factors that influence the implementation and the content of IFRSs financial information?</td>
</tr>
</tbody>
</table>
Appendix 7: Illustration of research design and interview evidence analysis

Research Objective

To explore how users perceive and respond to the implementation of IFRSs in Greece, analysed as:
What drives key actors’ perceptions on the adoption and use of IFRSs?’
Does their experience match with the statements made by the IASB about the benefits of IFRSs
How do they make sense of the inconsistencies arising?’

Interview Questions and Guide (Appendix 6)

Interview Evidence categorised and analysed
Table A.1: Categorisation of interview accounts in key themes (example)

<table>
<thead>
<tr>
<th>KEY THEMES</th>
<th>ACD1</th>
<th>ACD2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewees’ profile/ Job description/ Experience with IFRSs</td>
<td>Παραφάρη μεταφράσεως αναφοράς πολιτικής του Σ.Ο.Ε.Λ. και Επιτοκίου Συμβουλίου της Σ.Ο.Ε.Λ. και στην Επιτοκία Συμβουλίου της Ελλάδος</td>
<td>Παραφάρη μεταφράσεως αναφοράς πολιτικής του Σ.Ο.Ε.Λ. και Επιτοκίου Συμβουλίου της Ελλάδος και στην Επιτοκία Συμβουλίου της Ελλάδος</td>
</tr>
<tr>
<td>Role of accountant/ accounting</td>
<td>Ως εκ τούτου, αυτά τα οποία θα στηρίξουν την ακολουθία, στα τακτικά των επιχειρήσεων ή στα δημόσια πράγματα οι επιχειρήσεις ισχύουν</td>
<td>Ως εκ τούτου, αυτά τα οποία θα στηρίξουν την ακολουθία, στα τακτικά των επιχειρήσεων ή στα δημόσια πράγματα οι επιχειρήσεις ισχύουν</td>
</tr>
<tr>
<td>Role/uses of accounting information</td>
<td>Οι προκλήσεις στα τακτικά πράγματα οι επιχειρήσεις ισχύουν</td>
<td>Οι προκλήσεις στα τακτικά πράγματα οι επιχειρήσεις ισχύουν</td>
</tr>
<tr>
<td>Users of financial reports and their information needs</td>
<td>Είναι σαν αρχηγός θα σε βοηθήσει να</td>
<td>Υπάρχει βελτίωση, σταδιακά.</td>
</tr>
<tr>
<td>Differences between IFRS and Greek GAAP (concepts and practice)</td>
<td>Κανείς που νοοτροπία και πιστεύει ότι</td>
<td>Κανείς που νοοτροπία και πιστεύει ότι</td>
</tr>
<tr>
<td>Greek General Accounting Plan (benefits and drawbacks)</td>
<td>Σ. είναι την πληροφόρηση που</td>
<td>Το πρόβλημα του καλό και</td>
</tr>
<tr>
<td>First adoption/ Transition</td>
<td>ΜΑΝΤΖΑΡΗ: Αυτός θα ήταν καπάκι και</td>
<td>ΜΑΝΤΖΑΡΗ: Αυτός θα ήταν καπάκι και</td>
</tr>
<tr>
<td>Reasons for adopting IFRS</td>
<td>Οι προκλήσεις πάνω πολύ καλό και</td>
<td>Οι προκλήσεις πάνω πολύ καλό και</td>
</tr>
<tr>
<td>Benefits of the use of IFRS</td>
<td>Ανάπτυξη της επιχείρησης Ν. Λ. Π. :</td>
<td>ΤΖΑΡΗ : Το οποίο είναι θετικό έτοι</td>
</tr>
<tr>
<td>Weaknesses of IFRS</td>
<td>συνεχίζουμε με τα προβλήματα ας</td>
<td>συνεχίζουμε με τα προβλήματα ας</td>
</tr>
<tr>
<td>Particular IFRSs that are relevant/ problematic</td>
<td>Από την έρευνα σου είχες δει καθόλου</td>
<td>ΛΕΒΕΝΤΗΣ : Αυτό δεν ισχύει σοβαρά</td>
</tr>
<tr>
<td>Tax implications/ State interference</td>
<td>στις πρόβλημα της Ελλάδας. Πολύ μεγάλο</td>
<td>σχέδιο είναι ένα καλό, σύγχρονο</td>
</tr>
<tr>
<td>Enforcement Issues</td>
<td>το πρόβλημα στην Ελλάδα. Πολύ μεγάλο</td>
<td>κανείς παραδείγματας χάρη,</td>
</tr>
<tr>
<td>Auditing- Problems with IFRS</td>
<td>οι προκλήσεις πάνω πολύ καλό και</td>
<td>ΛΕΒΕΝΤΗΣ : Κανείς παραδείγματας χάρη,</td>
</tr>
<tr>
<td>Earnings Management/ Management Incentives</td>
<td>Πολύ μεγάλο πρόβλημα στις εταιρείες.</td>
<td>ΛΕΒΕΝΤΗΣ : Κανείς παραδείγματας χάρη,</td>
</tr>
<tr>
<td>Legitimacy’ of IFRS</td>
<td>ΜΑΝΤΖΑΡΗ : Είναι... Με απεικόνιση αλλάζουμε και τα διδυμόνα το στις προκλήσεις πάνω πολύ καλό και</td>
<td>ΜΑΝΤΖΑΡΗ : Είναι... Με απεικόνιση αλλάζουμε και τα διδυμόνα το στις προκλήσεις πάνω πολύ καλό και</td>
</tr>
<tr>
<td>Fair Value Accounting</td>
<td>ΜΑΝΤΖΑΡΗ : Είναι... Με απεικόνιση</td>
<td>ΛΕΒΕΝΤΗΣ : Κανείς παραδείγματας χάρη,</td>
</tr>
<tr>
<td>&quot;Harmonisation”/ Comparability Issues (conceptual framework)</td>
<td>με τα Δ. Λ. Π. : Γιατί πώς τέλεις και</td>
<td>συγκρισιμότητα, Γ.Λ.Σ. και Δ.Λ.Π.</td>
</tr>
<tr>
<td>Representation Faithfulness and Reliability (conceptual framework)</td>
<td>πως Α. που σού δίνει πιο πολλές</td>
<td>πως Α. που σού δίνει πιο πολλές</td>
</tr>
<tr>
<td>Institutional/Environmetal factors affecting IFRSs’ application</td>
<td>ΠΑΝΤΖΑΡΗ : Τέτοιες καταστάσεις</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
</tr>
<tr>
<td>Influence of Greece on the development of IFRS</td>
<td>ΠΑΝΤΖΑΡΗ : Τέτοιες καταστάσεις</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
</tr>
<tr>
<td>SMES/ IFRS for SMES</td>
<td>Είναι σαν αρχηγός θα σε βοηθήσει να</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
</tr>
<tr>
<td>IFRSs and wider political considerations (Role of the EU, the state, the IASB, etc.)</td>
<td>ΠΑΝΤΖΑΡΗ : Τέτοιες καταστάσεις</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
</tr>
<tr>
<td>Other actors that influence financial reporting/preparation of reports</td>
<td>ΠΑΝΤΖΑΡΗ : Τέτοιες καταστάσεις</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
</tr>
<tr>
<td>Implication of IFRSs adoption on Management Accounting</td>
<td>ΠΑΝΤΖΑΡΗ : Τέτοιες καταστάσεις</td>
<td>ΛΕΒΕΝΤΗΣ : Περαιτέρω από αυτό τα δημόσια πράγματα η Ελλάδα και η Ελλάδα έχει πιο πράγματα</td>
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</tbody>
</table>
Figure A.2: Critical assessment and reflection on the interview accounts based on theory (example)

**Key questions:** Why do interviewees accept the usefulness and the necessity of IFRSs and its qualitative characteristics? Do they challenge these?

<table>
<thead>
<tr>
<th>THEORETICAL INSIGHTS</th>
<th>ACD1</th>
<th>ACD2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Globalisation and Internationalisation of financial reporting (IFRSs)</strong></td>
<td>MANZAPHT: Δεν είναι λίγο περίεργο αν σκεφτεί κανείς ότι, όταν η ΕΕ ενισχύει τα διεθνή ∆ΛΠ, η επιβίωση της δομικής ερώτησης, η διαφορές διακρίνετε μεταξύ των Διεθνών ∆ΛΠ επηρεάζουν και την οργάνωση των εταιρειών διεθνών</td>
<td>MANZAPHT: Επηρεάζει αυτό στην επίδραση το διεθνές ∆ΛΠ και όσον αφορά στην κατάσταση με τις ελεγκτικές εταιρείες, τώρα που έχουν σφίξει λίγο τα ∆ΛΠ αναλύετε και σας ενδιαφέρουν όπως</td>
</tr>
<tr>
<td><strong>EU integration and Internationalisation of financial reporting (IFRSs)</strong></td>
<td>MANZAPHT: Τώρα λίγο, μία γενική ερώτηση, τι διαφορές διακρίνετε μεταξύ των διεθνών ∆ΛΠ και όσον αφορά στην επίδραση το διεθνές ∆ΛΠ και όσον αφορά στην κατάσταση με τις ελεγκτικές εταιρείες, τώρα που έχουν σφίξει λίγο τα ∆ΛΠ αναλύετε και σας ενδιαφέρουν όπως</td>
<td>MANZAPHT: Επηρεάζει αυτό στην επίδραση το διεθνές ∆ΛΠ και όσον αφορά στην κατάσταση με τις ελεγκτικές εταιρείες, τώρα που έχουν σφίξει λίγο τα ∆ΛΠ αναλύετε και σας ενδιαφέρουν όπως</td>
</tr>
<tr>
<td><strong>Common Sense Understandings/ consensus</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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<tr>
<td><strong>Comparability</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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</tr>
<tr>
<td><strong>Representation Faithfulness/Reliability</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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<tr>
<td><strong>Transparency</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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<tr>
<td><strong>Other</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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</tr>
<tr>
<td><strong>Inconsistencies between theory and practice</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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</tr>
<tr>
<td><strong>Justifications for inconsistencies in achieving IFRSs objectives</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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</tr>
<tr>
<td><strong>Challenging the assumptions about the role of accounting/ financial reporting</strong></td>
<td>MANZAPHT: Απλά θέλω να δω πόσο τα ∆ΛΠ επηρεάζουν και την συνολική επίδρασή τους στην πολιτική διακόσμηση των εταιρειών</td>
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</tr>
</tbody>
</table>
Appendix 8: Ethical Issues

**UPR16 declaring the ethical conduct of the research**

**Ethical Review Checklist – Staff and Doctoral Students**

This checklist should be completed by the researcher (PhD students to have DoS check) and sent to Sharman Rogers who will coordinate Ethics Committee scrutiny.

No primary data collection can be undertaken before the supervisor and/or Ethics Committee has given approval.

If, following review of this checklist, amendments to the proposals are agreed to be necessary, the researcher must provide Sharman with an amended version for scrutiny.

What are the objectives of the research project?

*The research project aims at adding evidence on the stream of research that deals with the evaluation of International Financial Reporting Standards (IFRS) adoption, the identification of costs and benefits generated by the application of IFRS as perceived by different users of companies’ financial reports operating in the specific institutional context and socio-economic environment of Greece. It will focus on the users’ perceptions on the role of financial accounting standards, their experience, the benefits they have sought and the challenges they have encountered and will attempt to identify the accounting information needs of a wider range of the users of accounting reports. In order to achieve this, semi-structured interviews will be conducted with some of the users of the company’s financial reports and academics, which will be digitally voice recorded and then transcribed.*

Does the research involve NHS patients, resources or staff? YES / NO (please circle).

If YES, it is likely that full ethical review must be obtained from the NHS process before the research can start.

Do you intend to collect primary data from human subjects or data that are identifiable with individuals? (This includes, for example, questionnaires and interviews.) YES / NO (please circle)

If you do not intend to collect such primary data then please go to question 14.

If you do intend to collect such primary data then please respond to ALL the questions 4 through 13. If you feel a question does not apply then please respond with n/a (for not applicable).

What is the purpose of the primary data in the dissertation / research project?

*The data will be analysed in order to produce evidence on the views and perceptions of the interviewees regarding the adoption process of IFRS.*
What is/are the survey population(s)?

The participants will be users of the companies’ financial reports such as the companies’ managers, owners, accountants, suppliers, customers and auditors, employees in tax authorities and banks, as well as, academics.

How big is the sample for each of the survey populations and how was this sample arrived at?

The target is to conduct approximately 30 interviews, which is considered a sufficient number of interviews able to provide the amount of information required for the purpose of the current research project.

How will respondents be selected and recruited?

I will personally contact the participants in order to arrange a meeting for the interview. No recruiting materials will be used. They are selected on the grounds of their experience and knowledge on the use and application of IFRS.

What steps are proposed to ensure that the requirements of informed consent will be met for those taking part in the research? If an Information Sheet for participants is to be used, please attach it to this form. If not, please explain how you will be able to demonstrate that informed consent has been gained from participants.

The participants will be asked to sign a Consent Form before taking part in the research project, the details of which will fully explained to them and described in writing. If required, additional information will be discussed. Participants will be given adequate time to decide if they want to participate to the research. If they decide to do so, they will be asked to sign a consent form.

How will data be collected from each of the sample groups?

The main data collection method will be face-to-face interviews.

How will data be stored and what will happen to the data at the end of the research?

Electronic copies of the recordings and the transcripts, as well of hard copies of the transcript will be stored: access to these will be limited and password protected. All interviewee participants will remain anonymous in recordings, transcripts and subsequent research outputs, unless the interviewee states that they wish their name to be identified.

How will confidentiality be assured for respondents?

All interviewee participants will remain anonymous in recordings, transcripts and subsequent research outputs, unless the interviewee states that they wish their name to be identified. Codes instead of names will be used and the names of the organisations will remain anonymous as well.

What steps are proposed to safeguard the anonymity of the respondents?
Participants’ names and addresses will only be known by the researcher and the supervisors. Organisations pseudonyms will be used and the identity of the participants will be concealed in all written documents.

Are there any risks (physical or other, including reputational) to respondents that may result from taking part in this research? YES / NO (please circle).

If YES, please specify and state what measures are proposed to deal with these risks.

Are there any risks (physical or other, including reputational) to the researcher or to the University that may result from conducting this research? YES / NO (please circle).

If YES, please specify and state what measures are proposed to manage these risks.

Will any data be obtained from a company or other organisation. YES / NO (please circle) For example, information provided by an employer or its employees.

If NO, then please go to question 18.

What steps are proposed to ensure that the requirements of informed consent will be met for that organisation? How will confidentiality be assured for the organisation?

A consent form sheet will be given to the interviewees in advance and at the point of requesting access to the organisation. Anonymity issues apply to the organisation as to the participants discussed above. Further attention will be given to the communication of the findings in order these organisations not to be identifiable.

Does the organisation have its own ethics procedure relating to the research you intend to carry out? YES / NO (please circle).

If YES, the University will require written evidence from the organisation that they have approved the research.

If an organisation wishes to sign a confidentiality agreement, then I will bring the issue to the Ethical Committee via an amendment form, as and when the need arises.

Will the proposed research involve any of the following (please put a √ next to ‘yes’ or ‘no’; consult your supervisor if you are unsure):

---

56 Risk evaluation should take account of the broad liberty of expression provided by the principle of academic freedom. The university’s conduct with respect to academic freedom is set out in section 9.2 of the Articles of Government and its commitment to academic freedom is in section 1.2 of the Strategic Plan 2004-2008.
• Vulnerable groups (e.g. children)? YES ☐ NO ☑ √
• Particularly sensitive topics? YES ☐ NO ☑ √
• Access to respondents via ‘gatekeepers’? YES ☐ NO ☑ √
• Use of deception? YES ☐ NO ☑ √
• Access to confidential personal data? YES ☐ NO ☑ √
• Psychological stress, anxiety etc? YES ☐ NO ☑ √
• Intrusive interventions? YES ☐ NO ☑ √

Are there any other ethical issues that may arise from the proposed research?
No

Details of applicant

The member of staff undertaking the research should sign and date the application, and submit it directly to the Ethics Committee. However, where the researcher is a supervised PhD candidate, the signature of the Director of Studies is also required prior to this form being submitted.

<table>
<thead>
<tr>
<th>Name</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researcher</td>
<td>Elisavet Mantzari</td>
</tr>
<tr>
<td>Director of Studies</td>
<td>Lisa Jack</td>
</tr>
<tr>
<td>Date</td>
<td>19/05/11</td>
</tr>
</tbody>
</table>

Approval by Ethics Committee

I/We grant Ethical Approval
FREC

Date ________________________________

AMENDMENTS

If you need to make changes please ensure you have permission before the primary data collection. If there are major changes, fill in a new form if that will make it easier for everyone. If there are minor changes then fill in the amendments (next page) and get them signed before the primary data collection begins.

Brief outline of project, including an outline of the procedures to be used:
The research project aims at adding evidence on the stream of research that deals with the evaluation of International Financial Reporting Standards (IFRS) adoption, the identification of costs and benefits generated by the application of IFRS as perceived by different users of companies’ financial reports operating in the specific institutional context and socio-economic environment of Greece. It will focus on the users’ perceptions on the role of financial accounting standards, their experience, the benefits they have sought and the challenges they have encountered and will attempt to identify the accounting information needs of a wider range of the users of accounting reports. In order to achieve this, semi-structured interviews will be conducted with some of the users of the company’s financial reports and academics, which will be digitally voice recorded and then transcribed. All interviewee participants will remain anonymous in recordings, transcripts and subsequent research outputs, unless the interviewee states that they wish their name to be identified. If you do not wish a recording to take place, then notes will be taken as an alternative.

I, ................................................................................................................. *(participant’s full name) agree to take part in the above named project / investigation, the details of which have been fully explained to me and described in writing.

Signed ............................................ ......................  Date ...................... ...................................
(Participant)

I, ................................................................................................................. *(Investigator’s full name) certify that the details of this project / investigation have been fully explained and described in writing to the subject named above and have been understood by him / her.

Signed ............................................ ......................  Date ...................... ...................................
(Investigator)  *Please type or print in block capitals
Fwd: Ethics application ref.E180 : Elisavet Mantzari [Lisa Jack]

From: "Sharman Rogers" <Sharman.Rogers@port.ac.uk>
To: "Lisa Jack" <Lisa.Jack@port.ac.uk>
Cc: 
Date: Tue, 21 Jun 2011 11:52:27 +0100
Subject: Ethics application ref.E180 : Elisavet Mantzari [Lisa Jack]

Dear Lisa,

I am pleased to be able to confirm that Ethics application ref E180 has been approved.

Sharman Rogers
Faculty Office
Business School

Senior Administrator
Faculty Office
University of Portsmouth Business School
T: +44(0)23 9284 4202

Dear Sharman,

I attach the Ethics Form and Consent Form for Elizabeth Mantzari.

Please note that Elizabeth has transferred to Portsmouth from another University (Essex) and had permission there for the interviews that she has already undertaken.

With regards

Lisa

[Quoted text hidden]