

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS A CHANGE AGENT IN UKRAINE

Jessica Hong Yang*, Nada Kakabadse**, Dmytro Lozovskyi**

Abstract

The study aims to examine the perception of key actors regarding the costs and benefits that result from adopting International Financial Reporting Standards (IFRS) in Ukraine.

Design/Methodology/Approach – The authors conducted a questionnaire survey in order to identify perceptions of financial managers of Ukrainian listed firms regarding the benefits and the costs associated with transition to IFRS. Our results showed that IFRS implementation impacts on internal reporting quality, the relationship with customers, creditors and shareholders, the access to international markets and external financing. It also indicated that financial managers have serious concerns about implementation costs related to the introduction of IFRS. These costs relate to training, instruction on IFRS adoption and translation of current IFRS, changes in software systems, double purpose accounting and deadlines for IFRS adoption and consulting services. Whilst this research has established a general model that consists of six factors, affecting IFRS relevance to Ukraine, the extent of interrelations between these factors is not clear. Thus, it may be of a great interest for future research to explore this issue in more detail and, in particular, conduct empirical research to determine the extent of interdependency between six factors in the model. The results and conclusions of this research can be of a great interest to policy makers and business practitioners since all public companies in Ukraine are obliged to adopt IFRS from 2012. It might be of interest to conduct this research on results of mandatory implementation of IFRS in Ukraine while taking into account the circumstances that suggested almost no relevance of the international accounting standards to the country at the moment of their application. This is the first metrical study that discusses the relevance of IFRS to Ukraine's national needs.

Keywords: IFRS Adoption, Ukraine, IFRS Costs, IFRS Benefits, Implementation

* Corresponding author, Henley Business School, University of Reading, Whiteknights, Reading, RG6 6UD

E-mail: j.h.yang@henley.reading.ac.uk

** Northampton Business School

Introduction

Scholars have rigorously debated the issue of uniform international accounting standards in recent years. The key question is whether the new international accounting standards are more useful than any other local financial reporting standards in use by countries around the world (Ball *et al.*, 2003; Ball, 2006; Callao *et al.*, 2007; Ramos and Martinez-Zarzoso, 2010; Schleicher *et al.*, 2010). Researchers have conducted several studies on developing countries such as Kazakhstan, Zimbabwe, Greece and Russia (Chamisa, 2000; McGee and Preobragenskaya, 2004; Tyrrall *et al.*, 2007; Bellas, A. and Tzovas, 2008; Ballas *et al.*, 2010); however, none of these studies discuss the relevance of IFRS to Ukraine's national needs.

Considering the recent fast move of Ukraine towards convergence with International Financial

Reporting Standards (IFRS)²¹⁸, this paper aims to gain better understanding of Ukraine's social, economic and legal environment in order to identify factors that affect (i.e. "shape") the overall environment of such a developing country. There are two key purposes: First, it attempts to establish a general model for analysis to determine current challenges which such countries face during implementation of uniform international accounting standards. Second, it intends to predict how successful IFRS adoption might be in the current circumstances.

The results indicate that currently, IFRS relevance in Ukraine is not appropriate due to the country's still half-baked legal, economic and social foundation. For example, characteristics of similar-environments where IFRS is not yet appropriate

²¹⁸ On 8 June 2011, the President of Ukraine, Viktor Yanukovich, signed a decree that obliges all public joint stock companies, banks and insurance companies in Ukraine to prepare financial statements under IFRS starting from 1 January, 2012.

include accounting mentalities shaped by rule-based accounting systems, weak legal enforcement and weak investor protection. The survey results also suggested that small, undeveloped capital markets and low market integrity negatively affect transition to IFRS. Additionally, political instability does not give governments the opportunity to properly prepare for accounting reforms. Consequently, there is lack of IFRS implementation instructions and current translations of the standards.

The study contributes to the existing body of academic literature on IFRS relevant to developing countries around the world by discussing IFRS relevance to Ukraine's national needs. It also provides an analysis of the situation of Ukraine's current accounting, legal and economic systems. That helps us to better understand factors that affect IFRS relevance in a developing country such as Ukraine. The results can be of a great interest to policy makers, business practitioners as well as academics. Since all public companies in Ukraine were obliged to adopt IFRS from 1 January 2012, it might be of interest to conduct future research on results of mandatory IFRS implementation in a developing country whilst taking into account circumstances that suggested almost no relevance of the international accounting standards to countries at the moment of their application.

The paper unfolds as follows. First, it provides a review of theoretical perspectives on the worldwide adoption of IFRS and its relevance to Ukraine. Second, it discusses the methodology and sample characteristics. After this it presents the key findings and analyses the results. Finally, the paper concludes with a discussion of the implication of our research to literature, practice and future research.

Review of IFRS Literature

One of the main ideas of IFRS is that one set of accounting standards can help both developed and developing countries to attract foreign investments (Ball, 2006; Al-Ajmi, 2009; Armstrong *et al.*, 2010; Ramos and Martinez-Zarzoso, 2010; Schleicher *et al.*, 2010). According to Ball (2006), if different countries are using different accounting standards based on different principles, it may prevent foreign investors to put money in the country which is using its own accounting standards (i.e. local Generally Accepted Accounting Principles (GAAP)). Hence, the International Accounting Standards Board (IASB) argues that uniformity of accounting standards may be useful and beneficial to all countries in the world irrespective of the level of development (IFRS Foundation, 2011). According to Bhimani (2008), IFRS tends to lower information risk in financial reporting and as a result, decrease the number of uncertainties in investors. Lambert *et al.* (2005) predict that higher information quality associated with IFRS may cause investors to agree on a lower rate of return that, in turn, means lower cost of capital

to the firm (Daske *et al.*, 2007; Armstrong *et al.*, 2010). Schleicher *et al.* (2010) conclude that IFRS should enhance investment efficiency in the countries which apply such standards.

Even though IFRS adoption may introduce positive changes to accounting systems around the world, in terms of companies' increased quality of financial information, the extent of such benefits may be limited (Ding *et al.*, 2007). Macías and Muiño (2011) and Ball (2006) express concern on the idea that application of IFRS alone in different countries will bring a desired uniformity and higher quality of financial reporting among all these countries. Researchers (Prather-Kinsey, 2006; Djatej *et al.*, 2009; Rahman *et al.*, 2010) argue that developed countries establish IFRS and thus are designed to meet users' information needs on developed stock exchanges in the first instance. Although Callao *et al.* (2007) contend that IFRS are without doubt useful in an international context, they question IFRS usefulness in the national context. There are a number of reasons. First, Prather-Kinsey (2006) argues that firms in developing countries mainly prepare financial reports for their tax authorities and creditors, but not for investors, and therefore investor-oriented IFRS will not be useful for such countries. Second, accounting institutions are part of a big and complex system of the country that interrelates with numerous other institutions including political, social, business as well as legal organisations (Ball *et al.*, 2003). IFRS might not be useful for both types of economies, developed and emerging, since differences in business practices, accounting culture and legal environment between such countries are too large (Ball, 2006; Aggarwal and Goodell, 2010; Sunder, 2010). For example, Ding *et al.* (2007) argue that cultural differences might represent even a bigger obstacle to successful IFRS implementation than differences in legal environments. Radebaugh and Gray (1997) believe that in order to be useful, reporting standards should reflect the country's specific business environment (Prather-Kinsey, 2006). Third, Sunder (2010) asserts that financial reports prepared by two companies from the same industry under the same accounting rules, but from different countries might not be comparable due to different economic conditions in which the firms run their business. Ball (2006) states that the quality of financial reporting in various countries is different and that it might not change with the implementation of uniform accounting standards (i.e. IFRS). Moreover, according to numerous researchers (Ball, 2006; Erickson *et al.*, 2009; Alali and Cao, 2010), companies in different countries can apply these standards in the way they used to apply local standards and simply keep using their old accounting practices, but under the IFRS name. Finally, Walker (2010) emphasises that IFRS were developed for stock market capitalism and these accounting standards may be irrelevant for the country which

uses another form of capitalism. Sunder (2010) notes that application of a single set of accounting standards in all countries in the world (which is one of the main goals of IASB as stated by this organisation) will not leave room for experimentation with alternative accounting practices and principles. Sunder (2010) strongly believes that the global society would benefit more from such accounting standards competition than from a uniform set of accounting rules, since firms around the world would have an opportunity to choose from a variety of worldwide recognised high quality sets of accounting standards, and select the one that is the most appropriate for their business environment. These arguments suggest that IFRS might be inappropriate for use in developing countries due to its irrelevance to national needs (Tyrrall *et al.*, 2007; Walker, 2010).

IFRS Relevance to Ukraine: A Theoretical Perspective

Our study is guided by the four-factor IFRS relevance model to developing countries. We base it on prior research of Chamisa (2000), Tyrrall *et al.* (2007) and Ballas *et al.* (2010) and an additional fifth factor that emerged from the literature review as highly relevant for a country in transition, namely the political stability factor.

The similar-environments factor

The similar-environments factor explores how a developing country's economic, social and legal environments are similar or not to that of developed ones. Ukraine is a typical "socialist" economy (Hazera *et al.*, 2009) based on a civil (i.e. code) law legal system (CIA, 2011). Before gaining independence from the USSR in 1991, the government owned all Ukrainian enterprises and each specific country had to comply with the government's set economic plan. In such circumstances, the accounting system was based on government dictated rules and was also tailored to the purposes of economic plan monitoring (Solodchenko and Sucher, 2005). IFRS have little relevance to Ukraine, suggesting that there are no similar environments for a successful implementation of developed-countries' IFRS in Ukraine.

However, Ukraine is becoming more integrated into the international community not only by performing economic and legal reforms, but also by participating in sponsored educational exchange programs with countries such as Switzerland, UK, USA, Canada, Italy (World Wide Studies, 2011). An increased integration of Ukraine in the global community will create the environment in which IFRS will be relevant to the country's national needs in the future. However, business and education communities in post-Soviet countries tend to resist any changes that, in turn, may slow the increase of

IFRS relevance to Ukraine (McGee and Preobragenskaya, 2004, 2005; McGee, 2006).

The private and public-sector factor

This factor relates to the size of the private sector in comparison to the developing economy's public sector. After gaining independence, Ukraine has undergone a number of economic reforms, with the aim to create a free market economy. One of the most important tasks was to create a private sector (US-Ukraine Business Council (USUBC), 2010). According to CASE (2007), by 2005, private firms constituted almost 80 per cent of all Ukraine's enterprises and were responsible for 60 per cent of the country's GDP in 2010 (EBRD, 2010). However, their fixed assets are only 45.3 per cent of the country's total fixed assets. This suggests that 21.7 per cent of state owned enterprises possess almost 55 per cent of all fixed assets in the country, such as airports, seaports, mines, and railways (Prihodko, 2009; Cabinet of Ministers of Ukraine, 2011).

International pressure on the Ukrainian government with regard to privatisation is very high. The "chaotic privatisation process" gives the government the opportunity to manipulate the figures and thus understate the number of state-owned enterprises in the country to make the privatisation process look more successful than it is in reality. According to independent reports by international organizations (e.g. CASE, 2007; USUBC, 2010) privatisation in Ukraine from 2005–2010, almost stopped and thus, there is no evidence that the share of state-owned fixed assets decreased considerably since 2005 when it constituted 54.7 per cent of total fixed assets in Ukraine.

It is obvious that the public sector in Ukraine still influences the country's economy to a great extent (Cabinet of Ministers of Ukraine, 2011). The private sector is growing slowly and, arguably, IFRS relevance to Ukraine based on the private and public sector factor will grow slowly as well (Tyrrall *et al.*, 2007).

The capital-market factor

The capital-market factor refers to the level of a developing country's capital market development. IFRS tend to be relevant to firms which rely on sources of external funding in contrast to those which rely on internal funding (Nobes *et al.*, 2001; Nobes and Parker, 2002). The State Statistics Service of Ukraine (2009) shows that 66 per cent of Ukrainian companies use internal funds to finance their business activities, whilst they mainly obtain external funds through bank credits. Banks usually have easy access to the borrowers' insider financial data and thus, similar to governments, have little need of company's published capital market oriented financial reports (Ball *et al.*, 2000). The banking sector's prevalence as

a main source of external funding in Ukraine decreases IFRS relevance on a capital-market factor basis, since IFRS is limited to capital markets participants (EBRD, 2011a; b).

The largest stock exchange in Ukraine is PFTS, which accounts for more than 90 per cent of the whole stock market in the country (PFTS, 2008). However, since 1996 when it was founded, PFTS was developing slowly (IMF, 2010). According to the PFTS 2008 annual report, it listed 303 companies, that is only 25 per cent of the 1200 largest companies (TSN, 2011). PFTS trading volumes are also low, amounting to 5.5 per cent of Ukraine's annual GDP (PFTS, 2008). One of the main problems of Ukrainian companies that prevent them from listing on local stock exchanges is the failure to comply with stock market rules to provide investors with transparent and reliable financial information (*Ukrainian Business Resource*, 2010; USAID, 2010a; b). Hence, a move towards IFRS can improve financial reporting practices in the country and help develop national capital markets, thus enhancing the investment climate as well (USUBC, 2010). IFRS relevance to Ukraine will increase gradually in the future, but at a slightly faster pace in comparison with the similar-environments and private and public-sector factors.

The accounting-needs factor

This factor assesses a country's accounting needs. During the period of its independence, Ukraine has attracted around US\$47 billion of foreign direct investments (UNCTAD, 2010; The World Bank, 2011). This resulted in an increase of foreign businesses in the country from 0 in 1991 to 1,171 in 1997 and 2,272 in 2010 (State Statistics Service of Ukraine, 2009). In addition to investment funds, foreign companies also brought their accounting practices and international auditing firms to Ukraine, thus popularising IFRS in the country (*The Banker*, 2006; Tyrrell *et al.*, 2007). Additionally, several large Ukrainian companies are listed on foreign capital markets including London, Frankfurt and Warsaw stock exchanges (*Delo*, 2010). In order to access international funds, these companies have to comply with one of the main preconditions of international investors, that is reliable and understandably high quality financial statements prepared under IFRS (USAID, 2006; ROSC, 2008).

The Ukrainian government borrows money and receives other financial and technical aid from various international organisations. Similar to other countries (Chan, 2009; Neu *et al.*, 2010; *Podrobnosti*, 2010; MIEPA, 2011), Ukraine has to comply with a number of conditions under which it receives financial aid. One such condition is Ukraine's adoption of IFRS (IMF, 2010, 2011). According to Tyrrell *et al.* (2007), international organisations provide financial aid to various countries around the

world and consequently, they might prefer to use standardised (i.e. comparable), and at the same time, reliable financial reports for all their projects worldwide.

The literature is clear in emphasising that IFRS is highly relevant to the companies with international funding since most frequently international providers of capital set reporting financial results under IFRS as a precondition of financing into local enterprise. However, it is difficult to justify the need to use IFRS for other Ukrainian companies. Ukraine is currently under high pressure from the side of international lending organisations and thus, it seems reasonable to conclude that increased the need to adopt IFRS in Ukraine is also making the standards relevant to Ukraine in an international context, but not in a national context. Therefore, we can describe IFRS relevance to Ukraine on the basis of the accounting-needs factor as medium.

The political stability factor

We extend the original four-factor model to include a fifth factor, namely political stability. This factor indicates the political system's stability in the developing economy. Political instability causes economic and social problems (Alesina *et al.*, 1996; Feng, 1997; Gasiorowski, 1995). According to Export Development Canada²¹⁹ (2011), widespread corruption badly affects Ukraine's business environment. Lederman *et al.* (2005) state that political stability is one of the most important preconditions for a successful fight against corruption.

Despite the improved political situation in Ukraine, there is still high "state intervention and the ongoing threat of expropriation" that negatively influence the country's economic stability (Index of Economic Freedom, 2011). Moreover, although the President of Ukraine states that "EU integration is a key priority for Ukraine" (Congressional Research Service, 2011: 2), in some cases government actions do not facilitate this integration. Thus, the recent arrest of former Ukrainian Prime Minister Yulia Tymoshenko, as stated by Polish President Komorowski, was "an obstacle to Ukraine joining the EU" (*Novosti Ua*, 2011). We can perceive Komorowski's statement as an official view of the EU on this issue, since Poland has recently taken presidency of the European Union (BBC News, 2011).

Some scholars (Feng, 1997; Gasiorowski, 1998; Seth *et al.*, 1998) state that political stability is required to develop various important institutions to sustain country's economic growth; however it takes a long time. Taking into consideration that in order to be successful, IFRS implementation requires the existence of strong institutions in the country that can

²¹⁹ Export Development Canada (EDC) is Canada's export credit agency.

provide legal enforcement of the standards (Bushman and Piotroski, 2006; Cheng and Shiu, 2007), the political situation in Ukraine, still volatile and unstable, offers little support to the notion of current IFRS relevance to the country. However, if the Ukrainian government is able to keep political stability for a relatively long period of time, in order to develop and improve the country's institutions, it is possible that IFRS relevance to Ukraine will increase in the future.

The Study

The authors selected a case study method due to its suitability and reliability for this kind of research (Chamisa, 2000; McGee and Preobragenskaya, 2004, 2005; Tyrrall *et al.*, 2007; Ballas *et al.*, 2010). To collect primary data, the authors used the postal survey method. First, we designed a survey based on questions from past research from scholars such as Tyrrall *et al.* (2007), Ballas *et al.* (2010) and Chamisa (2000). The questionnaire included two types of questions, namely close-ended and thematic questions.

On 1 June, 2011, the authors posted questionnaires to accounting departments and CEOs of 100 companies listed on the main Ukrainian Stock Exchange, PFTS. The access to primary data was available to the authors through private and professional networks. The authors designed the questionnaire not to be provocative and stressful in any way for the study participants (Saunders *et al.*, 2007). Because information was potentially confidential, the authors attached a letter of consent to the postal survey regarding participants' permission for non-disclosure of the information. To ensure higher confidentiality as well as a response rate, the authors took particular care during the design phase and tested the questionnaire with key professional network figures. Taking into account the unwritten rule of Ukrainian business practitioners of "don't ask, don't tell", as well as a useful recommendation of a friend who is a high ranking Ukrainian government official, we removed from our survey the "name of the company/bank" line that Tyrrall *et al.*'s (2007) survey used.

We received 24 completed questionnaires in July 2011, which equates to a 24 per cent response rate. According to Harzing (1997), the average response rate in international business mail surveys recorded by PricewaterhouseCoopers is around 21 per cent. Moreover, a response rate of 25 per cent is common in accounting surveys (AAPOR, 2000; Smith, 2003; Ballas *et al.*, 2010). Thus, our response rate is appropriate and within norms. We analysed close-ended questions using quantitative analysis techniques that included the use of electronic spreadsheet and statistical tools such as descriptive statistics. To analyse qualitative data, we used thematic data analysis, including data categorisation

from those answers, i.e. classifying the information which respondents mentioned into different common themes.

Findings and Analysis

Considering that human "passion for comprehension" (Einstein, 1982) is contingent not on principles and theories, but rather on their interpretation, we decided to present a coherent story from our work without going into statistical analysis details. This is not to say that we find scientific method unimportant, but rather that having gone through a complex and rigorous research process, we would like to present a coherent story that adds to human understanding of complex phenomena, namely IFRS adoption in Ukraine.

Still prevalent in scholarly journals is the belief that "quantitative" and "non-normative" equals "scientific". This is despondently out of step with understanding social science and management issues (Douglas, 2009: 70–73). Although we can describe certain human experiences only qualitatively, rather than quantitatively, this does not make them "neither less real, nor less important" (Marcuse, 1964: 147). Chamberlain (1948) and Bergmann (1989) observed that some arguments lend themselves to be formalised into algorithms very late in the scientific process, whilst others do not. However, these arguments are no less reasonable or relevant than arguments in their algorithmic, mathematical format that outside mathematically ideal worlds, do not work (Chamberlain, 1948; Bergmann, 1989). Hence, we present our findings along the five-factor model and emergent themes from our qualitative data analysis.

Five major themes emerged from our data analysis, namely the main users of financial statements, IFRS and internal reporting quality, the relationship with customers, creditors and shareholders, the access to international markets and external financing, costs of implementation. We discuss each of these themes below. The cost of implementation theme consists of five sub themes, that is five categories of cost attribution, namely cost of training, instruction on IFRS adoption and translation of current IFRS, changes in software systems, double purpose accounting and deadlines for IFRS adoption and consulting services.

Main users of financial statements

All respondents identified regulatory bodies as the most important stakeholders of the company for whom financial statements are prepared. The most obvious explanation for this is that all Ukrainian companies are obliged to prepare financial statements for tax authorities (IIEC, 2010). Bloom *et al.* (1998) indicate that the main function of Soviet accounting was maintaining accounting books according to the specific government rules, whilst the government

established these rules in order to exercise control over companies' resources and collect taxes from them.

After gaining independence from the USSR, Ukraine inherited not only Soviet accounting laws that were inappropriate for a market economy, but also a specific accounting mentality that the Soviet accounting system shaped (Tyrrall *et al.*, 2007; Véron, 2008). According to McGee and Preobragenskaya (2005), similar to Soviet accountants, during the 1990s, many Ukrainian accountants, as well as managers, viewed financial statements purely as statistical data prepared for tax purposes. However, the situation is gradually changing mainly due to many Ukrainian accountants passing international certification exams and also the government carrying out reforms that bring Ukraine closer to both legislative standards and the business culture of the European Union (USAID, 2005; Velichko, 2007²²⁰; PwC, 2011a; b).

The survey results also suggest that nowadays, accountants and managers do realise the important role that financial statements play in the decision-making process. The survey showed that 88 per cent of respondents named management as the second main category of users of companies' financial statements. According to Kostyuk and Koverga (2007), after Ukraine's privatisation period, corporate ownership remains highly concentrated. They also state that the corporate ownership was simply transferred from the government to insiders (i.e. executive managers) rather than outsiders (e.g. shareholders). The share of outsiders in the corporate ownership structure still remains very low when compared to the share of insiders (Kostyuk and Koverga, 2007). Indirectly, the results give further evidence to such a view since shareholders ranked only fourth out of six categories in the list of main users of companies' financial statements.

Since Ukrainian stock markets are illiquid and undeveloped, companies' opportunities of fund-raising in local financial markets are limited (Index of Economic Freedom, 2011; UX, 2011). All the companies that participated in the survey, except for one, were listed locally only, thus it becomes clear why 14 companies out of 24 viewed banks and creditors as more important users of companies' accounting information than shareholders (12 responses). We can expect the same situation for the whole Ukrainian capital market since only 24 out of 400 Ukrainian listed companies are listed abroad (*Economicheskije Izvestiya*²²¹, 2011; NRG Capital, 2011; Warsaw Stock Exchange, 2011). The results are in line with the most recent statistical data that show that banks are still the main source of external capital for companies in Ukraine, a country with small and undeveloped capital markets (Othman and

Zeghal, 2006; State Statistics Service of Ukraine, 2009).

IFRS and internal reporting quality

A total of 71 per cent of participants believe that IFRS does increase internal reporting reliability. According to Wu and Zhang (2008), IFRS recognise losses in a more timely manner than local GAAP that helps to evaluate internal company performance more effectively and thus improves the quality of internal financial information. For example, internal financial reports prepared under IFRS enable executives to better evaluate the effectiveness of different company divisions, since IFRS provide managers with more detailed information about those divisions that also leads to more effective financial planning (Outa, 2011). Furthermore, Ballas *et al.* (2010) and Outa (2011) state that the increase in quality of internal reporting under IFRS can be due to the requirement of extensive disclosure of information about major customers mentioned in IFRS. Outa (2011) claims that such a requirement makes a company's management consider business risks related to business operations with major customers more carefully and thus this information which internal reporting generates helps ensure the company's stable performance.

The relationship with customers, creditors and shareholders

The results show that there is no unanimous opinion among Ukrainian practitioners that IFRS improve relationships with a company's stakeholders. 11 out of 24 respondents hold the view that IFRS improved relationship with local customers and creditors, whilst 13 participants find that IFRS help their companies improve relationships with international customers and creditors.

Turning to shareholders' trust, results are mixed. Half of our sample (i.e. 50 per cent respondents) believes that IFRS increases shareholder confidence as to the reliability of firms' financial statements. Such features of information prepared under IFRS can improve relationships between a company and its customers, shareholders as well as other stakeholders (Ballas *et al.*, 2010). However, the actual results of IFRS adoption in different countries, especially in developing countries, might differ significantly from the expected results (Ball, 2006; Erickson *et al.*, 2009; Alali and Cao, 2010). The *Kyiv Post*²²² (2011) supports this notion and claims that despite that since 2006 companies listed on the Ukrainian stock market are required to use IFRS when preparing their accounts, we cannot regard financial reporting of 29 per cent of the companies listed on the Ukrainian stock market in 2010 as highly reliable due to their doubtful accounting methods during financial

²²⁰ Elena Velichko, Head of State Commission on Security and Stock Market (SCSSM)

²²¹ Ukrainian online newspaper

²²² Ukraine's leading English-language weekly newspaper

statement preparation. Also, the *Kyiv Post* (2011) states that among those whose financial reports do not seem credible are 40 per cent of all Ukrainian capital market blue-chip companies.

Although companies listed on the Ukrainian stock market are allowed only to apply IFRS, many of them partially apply IFRS and Ukrainian GAAP when preparing financial reports (*Kommersant*, 2007; Voitenko, 2011). Consequently, such an accounting “mix” is not very trusted by local as well as foreign investors (Kretschmar *et al.*, 2010). Furthermore, the level of IFRS non-compliance is significant, namely only 26 companies, that is 7 per cent of all publically traded companies, listed on the major local stock exchange PFTS, published financial statements prepared under IFRS in 2010 (*Kyiv Post*, 2011). It implies that there is weak legal enforcement and weak investor protection because existent regulatory bodies in Ukraine fail to monitor accounting methods used by companies listed on the local capital market (CASE, 2006; Zeff, 2007). It is obvious that in such a situation when the Ukrainian security market integrity is very low, it is difficult for shareholders to show confidence in financial reports reported by companies listed on local stock exchanges (CASE, 2006; ROSC, 2008; Tefft²²³, 2010; USAID, 2010b). Therefore, low market integrity, which stems from weak market institutions and high levels of noncompliance with IFRS, may be the reason of mixed survey results regarding shareholders’ trust.

The access to international markets and external financing

A total of 92 per cent of participants strongly believe that financial statements prepared under IFRS facilitate access to international capital markets. This view is in line with both academic research (Al-Ajmi, 2009; Armstrong *et al.*, 2010; Ramos and Martinez-Zarzoso, 2010; Schleicher *et al.*, 2010) and opinions of business professionals (*The Banker*, 2006; *Kommersant*, 2007). The survey showed that 63 per cent of respondents find that IFRS make external financing easier for their firms. This result is consistent with the majority respondents’ view that IFRS help improve relationships with customers and creditors both nationally, as well as internationally.

Even though since 2006, when Ukrainian President Viktor Yanukovich signed a decree that obliged all locally listed companies adopt IFRS, the number of loans that require collateral has decreased. Ukraine still gives 12.6 per cent more collateral loans than European countries (ICEAW, 2011). According to Kretschmar *et al.* (2010), loans granted on the collateral basis rather than analysis of financial statements make external financing less available to businesses. Evidence also suggests that many companies and banks in Ukraine still do their business according to the principle: “knowing a client

well is more important than IFRS financial statements” (McGee and Preobragenskaya, 2005: 5).

Costs of implementation

Training

One of the main problems that 83 per cent of the surveyed companies face during transition to IFRS is a need for training. In contrast to relatively simple Ukrainian accounting standards, the complexity of IFRS represents a difficulty to Ukrainian accountants, making them spend considerable time on training and learning the specifics of new standards (Makeeva in RBC-Ukraine 2011b). For example, one respondent states:

“Some of them [company’s accountants] are simply not willing to amend their practices.”

The fact is that Ukrainian accounting standards are rule-based, whilst IFRS are principle-based standards (e.g. fair-value principle) (Solodchenko and Sucher, 2005; IFRS Foundation, 2011). For example, under Ukrainian accounting standards, accountants do not need to use the fair-value principle that requires use of an accountant’s professional judgement, but they have to apply a specific rule that is provided by the Accounting Law (1999) for each specific case instead (Vlasov, 2011). Thus, IFRSs’ fair-value principle, that requires an accountant to use his or her professional judgement in the preparation of a company’s accounts, represents a “brand new phenomenon” for Ukraine that needs a “revolution in accounting mentality” in order for the profession to successfully adopt it (Makarevich, 2010). Taking into consideration the 75-year history of the rule-based accounting system in Ukraine in the environment of a planned-based economy during the Soviet era, this conclusion is not a surprise (Tyrrall *et al.*, 2007).

The modern Ukrainian accountants’ mentality is still highly influenced by the past Soviet accounting mentality, which was based on the notion that financial statements are prepared on a set of specific rules and mainly for tax purposes (McGee and Preobragenskaya, 2005). Since IFRS is a completely new concept for Ukraine, many accountants who have used the existing accounting standards for a long time are resistant to such a major change in the accounting system and unwilling to change their current accounting practices (McGee and Preobragenskaya, 2005; Ernst & Young, 2006).

According to a respondent:

“Graduates could be a solution to the problem, but they know little about current changes in accounting practices, and of course, they do not know absolutely anything about IFRS.”

IFRS training represents a major “mentality change” not only for accountants who have already been practicing Ukrainian GAAP for some time, but also for all accounting graduates as well (McGee and Preobragenskaya, 2005). This problem is not new and

²²³ John Tefft is the U.S. Ambassador in Ukraine

many researchers have reported it (e.g. McGee and Preobragenskaya, 2004, 2005; Tyrrell *et al.*, 2007) for post-Soviet countries such as Russia, Ukraine and Kazakhstan.

Instructions on IFRS adoption and translation of current IFRS

The results suggest that 79 per cent of the respondents are concerned about insufficient guidance from the government with regard to the first time IFRS adoption, and 67 per cent of companies are concerned about lack of current IFRS translation. These results may be related to the political-instability factor, since political turbulence may be the reason why the accounting reform is not prepared properly.

With regard to these issues, one respondent states:

“They [government] want us [companies] to apply the standards [IFRS] without telling how to do it and without even providing an up-to-date translation.”

The problem lies in the lack of proper instructions on IFRS implementation from regulatory bodies, as well as lack of official translation of the current IFRS version (Voitenko, 2011). On the one hand, the Ukrainian government is putting much effort to make IFRS adoption in Ukraine in 2012 successful. On the other hand, nothing has happened yet to ensure that the IFRS transition process in Ukraine is smooth and successful (Voitenko, 2011). For example, one participant describes the situation:

“We [the company] do not have enough time left to properly adopt IFRS. This is just ridiculous.”

There is no official Ukrainian translation of current IFRS (Ministry of Finance of Ukraine, 2011). Taking into account that IFRS are constantly developing and IFRS amendments and additions are not rare, the 2009 Ukrainian version of IFRS, available on the Ukrainian Ministry of Finance’s website, is out-of-date (USAID, 2011).

Changes in software systems

16 out of 24 respondents find it problematic to implement IFRS due to changes in accounting software that they need to effectively apply new standards. For instance, one respondent says:

“IFRS require software that is completely different from the one that we [the company] are using at the moment.”

IFRS adoption alone is unlikely to be successful without implementation of specific accounting software that is tailored to collect required information (Christensen *et al.*, 2009; Procházka, 2011). In contrast to financial reports prepared under local GAAP, a company needs more detailed information to report financials that are in compliance with IFRS (Outa, 2011; Procházka, 2011). Thus,

many companies in Ukraine which are obliged to prepare financial information under IFRS from the next year need to change their existing accounting software that is oriented towards Ukrainian GAAP, to one suitable for IFRS reporting purposes (Kommersant, 2010).

Double purpose accounting and deadline for IFRS adoption

Survey results indicate that the need for double purposes accounting represents a problem for 63 per cent of the respondents. Currently, Ukrainian companies are required to prepare tax statements for the government in compliance with tax laws that, despite the recent reform, still remain very different from the accounting laws (Voitenko, 2011; Zerkalo Nedeli, 2010). One respondent says:

“Government requires companies to prepare separate tax statements, but we [companies] want to prepare only one financial statement for everyone [i.e. stakeholders and government].”

Nowadays, both listed and non-listed companies in Ukraine have to prepare one set of financial information for creditors, customers and shareholders and another set of financials for tax authorities (Vlasov, 2011). According to Tatyana Efimenko, the President of the Academy of Financial Management of Ukraine’s Ministry of Finance, companies in Ukraine spend three times as much time as companies in Europe to prepare financials for tax authorities that, in turn, negatively affects the ability of Ukrainian companies to attract foreign investments (RBC-Ukraine²²⁴, 2011a).

In addition, 42 per cent of companies that participated in the survey believe that the deadline for IFRS adoption is too tight. For example, one participant admits:

“I do not think we [the company] will be able to fully comply with new standards in January [2012]. There is too little time left.”

Another participant adds:

“We [the company] have only six months to get ready for a full IFRS implementation and transformation of the last 2 years of the company’s Ukrainian accounts [prepared under Ukrainian GAAP] into IFRS.”

According to Bogdan Lukasevich, Director of the Accounting Department of the National Bank of Ukraine, Ukrainian banks have prepared financial statements in compliance with IFRS since 1998 (*Liga Business Inform*, 2011). However, in contrast to current IFRS adoption processes, the National Bank of Ukraine carefully planned banks’ transition to IFRS two years in advance, namely from 1996 to 1998. The National Bank of Ukraine prepared relevant regulations, a new chart of accounts, instructions, amongst other initiatives (*Liga Business Inform*, 2011). The problems with IFRS

²²⁴ RBC-Ukraine is a Ukrainian news agency

implementation in Ukraine, as we have mentioned above, include lack of instructions, translation and lack of qualified accountants. This requires time to solve since transition to IFRS usually takes from one to two years (Kommersant, 2010; Vlasov, 2011).

Consulting Services

Considering that 20 out of 24 surveyed companies use consulting services for preparing IFRS statements, it is not surprising that accounting consulting services represent one of the major items of expense for 63 per cent of the respondents. According to Units Consulting (2011), in 2010, Ukrainian companies spent consulting 2.4 times more money on consulting services than on auditing their financial statements. In addition, survey findings about expenses which Ukrainian companies face are also in line with expert forecasts that claim that IFRS implementation is very expensive for Ukrainian companies (Kommersant, 2010; Vlasov, 2011).

Since financial statement preparation under IFRS occurs simultaneously with preparation of financial statements for tax authorities, the workload on firms' accountants is greatly increased that, in turn, makes accountants require higher pay and leads to increased expenses for companies related to IFRS implementation (Vlasov, 2011).

In sum, Table 1 below shows that four factors out of five have negative influence on IFRS

implementation in Ukraine. That implies that those four factors are "pulling back" IFRS relevance to the country, i.e. a decrease in IFRS relevance. The accounting-needs factor is the only factor that is "pushing forward" the relevance of international accounting standards to Ukraine, i.e. an increase in IFRS relevance. There are also two factors that have "strong negative" impact on IFRS adoption, namely similar-environments and political-instability factors. The similar-environments factor has a strong negative influence on IFRS implementation in Ukraine due to the inherent rule-based mentality of accountants in Ukraine (McGee *et al.*, 2005). A change of accounting system is possible within a relatively short period of time, whilst a change of mentality can take many years (Tyrrall *et al.*, 2007; Véron, 2008). The political stability factor has a strong negative influence on IFRS application in the country due to the detrimental effect that political instability has on economic and social environments of any country.

Even though current IFRS relevance to Ukraine still remains an arguable issue, the government has decided to move towards acceptance of international financial reporting standards and their application from 2012. Nevertheless, taking into consideration all that we mentioned above, we can expect that the IFRS implementation process in Ukraine will be problematic.

Table 1. Survey Results

Factor	Characteristics	Supported by survey results	Influence	Current IFRS Relevance	Future IFRS Relevance
Similar-Environments	Rule-based accounting mentality, weak investor protection, weak legal enforcement	Yes	Strong negative	Weak	Medium
Private and Public-Sector	Too big public sector, slow and chaotic privatisation process	N/A	Medium negative	Weak	Medium
Capital-Market	Small undeveloped capital markets, prevalence of banking credits as the main source of funding, low market integrity	Yes	Medium negative	Weak	Medium
Accounting-Needs	Transition to free-market economy, Foreign Direct Investments, International borrowings	N/A	Strong positive	Strong	Strong
Political-Instability	Lack of instructions on IFRS adoption and translation of current IFRS	Yes	Strong negative	Weak	Medium
Cost of IFRS Implementation	Personnel training, changes in software systems, consulting services, double purpose accounting	Yes	Strong negative	Weak	Medium

Source: Compiled by the authors

Conclusion and Implications

Overall, the results show that the old accounting mentality of local accountants still influences Ukraine's modern accounting environment, thus decreasing the country's relevance of international accounting standards. Even though Ukraine's environment is becoming similar to developed countries' environments, the difference between those environments remains huge and thus, IFRS still have little relevance to Ukraine. Prevalence of public over the private sector in Ukraine also does not add to the country's IFRS relevance. In a situation when the government controls many companies and has unlimited access to a firm's insider information, there is little demand for public disclosure. The local capital market is at a rudimentary stage. Low market integrity and weak investors' protection make most companies use internal funds to finance their growth, whilst those companies that choose to use external funding prefer to obtain money from banks by means of credit rather than from investors through the capital market. The results show that even Ukrainian listed companies consider banks as more important users of their financial statements than companies' shareholders. Low market integrity is a prominent feature of current Ukrainian markets. The results indicate that this problem may stem from Ukrainian audit firms' low quality performance and a nonexistence of vital institutions in Ukraine that can effectively ensure legal enforcement. Political instability in Ukraine in recent years also adds to the problems, thus increasing IFRS irrelevance to the country. Factors, such as state intervention, an unpredictable regulatory environment, and ongoing threats of expropriation, prevent Ukraine's private sector from increasing its share in the country's economy and developing the local capital market. Consequently, political instability increases the gap between Ukraine's social, economic and legal environment and that of developed countries. It is possible that internal political turbulence in recent years has partially caused lack of instructions on IFRS implementation and translations of the current version of the standards. Consequently, the political-instability factor has a strong negative influence of IFRS relevance to Ukraine. The results also show that the cost of IFRS implementation is considerable for Ukrainian firms. This includes IFRS training, changes in software systems, consulting services and double purpose accounting. Also, as a derivative of cumulative effects of other five factors, the cost of the IFRS implementation factor does not support the argument for IFRS relevance. On the contrary, this factor adds to doubts with regard to IFRS relevance to a developing country such as Ukraine.

The study results reveal that Ukrainian firms have serious concerns regarding the cost/benefit relationship from the introduction of IFRS. The only factor that makes IFRS more or less relevant to

Ukraine is the accounting-needs factor. The most beneficial characteristic of the accounting-needs factor for a Ukrainian company is an increase in foreign direct investment (FDI) and international borrowings made by the Ukrainian government. However, the results show that IFRS are only highly relevant to the companies with international funding, whilst it is difficult to justify the need to use IFRS for other Ukrainian companies.

Whilst this research has established a general model that consists of six factors and affects IFRS relevance to Ukraine, the extent of interrelations between these factors is not clear. Thus, it may be of a great interest for future research to explore this issue in more detail and, in particular, conduct empirical research to determine the extent of interdependency between six factors in the model. Such future research can add to the understanding of which factor and to what extent drives an increase or decrease of IFRS relevance to a developing country. Moreover, further research is required in order to ascertain whether specific companies' characteristics, such as the firm's size or the firm's ownership structure, and managers' experience can explain the managers' perceptions regarding the costs and benefits related to the introduction of IFRS.

References

1. AAPOR (2000), On-line response rate calculator, www.aapor.org/default.asp?page=survey_methods/response_rate_calculator (accessed: 20.010. 2010).
2. Aggarwal, R. and Goodell, J.W. (201-), Scholarship of teaching international business: challenges and opportunities. *Journal of Teaching in International Business*, 22(1): 1-12.
3. Al-Ajmi, J. (2009), Modelling the dividend policy if banks in Gulf Cooperation Council countries. *Applied Economics Letters*, XX (1): 1-6.
4. Alali, F. and Cao, L. (2010), International Financial Reporting Standards: credible and reliable? An overview. *Advances in International Accounting*, 26: 79-86.
5. Alesina, A., Ozler, S., Roubini, N. and Swagel, P. (1996), Political instability and economic growth. *Journal of Economic Growth*, 1(2): 189-211.
6. Armstrong, C.S., Barth, M.E., Jagolinzer, A.D. and Riedl, E.J. (2010), Market reaction to the adoption of IFRS in Europe. *Accounting Review*, 85(1): 31-61.
7. Ball, R. (2006), International Financial Reporting Standards (IFRS): pros and cons for investors. *Accounting and Business Research*, International Accounting Policy Forum: 5-27.
8. Ball, R., Robin, A. and Wu, J.S. (2003), Incentives versus standards: properties of accounting income in four East Asian countries. *Journal of Accounting and Economics*, 36: 235-70.
9. Ball, R., Kothari, S.O. and Robin, A. (2000), The effect of international institutional factors on properties of accounting earnings. *Journal of Accounting and Economics*, 29(1): 1-51.
10. Ballas, A.A., Skoutela, D. and Tzovas, C. (2010), The relevance of IFRS to an emerging market: evidence from Greece. *Managerial Finance*, 36(11): 931-48.
11. BBC News (2011), Poland takes its turn at EU helm, 1 July, <http://www.bbc.co.uk/news/world-europe-13985064> (accessed: 20.02.2012).

12. Bellas, A. and Tzovas, C., 2008, 'The Effects of Dependency on Debt Financing On Financial Reporting Policy: The Case of Greece', *European Research Studies Journal*, XI, 1-2, pp. 13-30.
13. Bergmann, B. (1989). 'Why do most economists know so little about the economy?' In S. Bowles, R. Edwards and W. Shepherd (eds.), *Unconventional Wisdom*, Boston: Houghton Mifflin, pp. 29-37.
14. Bhimani, A. (2008), The role of a crisis in reshaping the role of accounting. *Journal of Accounting and Public Policy*, 27(6): 444-54.
15. Bloom, R., Fuglister, J. and Myring, M. (1998), The state of accounting in Armenia: a case. *The International Journal of Accounting*, 33(5): 633-54.
16. Bushman, R.M. and Piotroski, J.D. (2006), Financial reporting incentives for conservative accounting: the influence of legal and political institutions. *Journal of Accounting and Economics*, 42: 107-48.
17. Cabinet of Ministers of Ukraine (2011), Banking and Finance Ukraine, <http://nauka.in.ua/en/news/archive/>.
18. Callao, S., Jarne, J.I. and Láinez, J.A. (2007), Adoption of IFRS in Spain: effect on the comparability and relevance of financial reporting. *Journal of International Accounting, Auditing and Taxation*, 16(2): 148-78.
19. CASE (Centre for Social and Economic Research) (2006), Non-tariff barriers in Ukrainian export to the EU, Report, http://www.case-research.eu/upload/publikacja_plik/13388202_rc68.pdf.
20. CASE (Centre for Social and Economic Research) (2007), Ukraine report presented to European Parliament, <http://www.case-research.eu/en/node/34597>.
21. Chamberlain, E. (1948), An experimental imperfect market. *Journal of Political Economy*, 56: 95-108.
22. Chamisa, E.E. (2000), The relevance and observance of the IASC standards in developing countries and the particular case of Zimbabwe. *The International Journal of Accounting*, 35(2): 267-86.
23. Chan, J.L. (2009), *American Government Accounting Standards and Their Relevance to China*. Beijing: China Finance and Economics Publishing House.
24. Cheng, S.-R. and Shiu, C.-Y. (2007), Investor protection and capital structure: international evidence. *Journal of Multinational Financial Management*, 17(1): 30-44.
25. Christensen, H.B., Lee, E. and Walker, M. (2009), Do IFRS reconciliations convey information? The effect of debt contracting. *Journal of Accounting Research*, 47(5): 1167-99.
26. Congressional Research Service (2011), Ukraine: Current Issues and U.S. Policy, <http://www.fas.org/spp/crs/row/RL33460.pdf>.
27. Daske, H., Hail, L., Leuz, C. and Verdi, R. (2007), Adopting a label: heterogeneity in the economic consequences of IFRS adoption. *Working Paper*, University of Frankfurt, Frankfurt.
28. Delo (Дело) (2010), Rating of the best Ukrainian companies in the segment of stock exchange, <http://ekonomika.ua/lang/en/brands/delo/>.
29. Ding, Y., Hope, O.-K., Jeanjean, T. and Stolowy, H. (2007), Differences between domestic accounting standards and IAS: measurement, determinants and implications. *Journal of Accounting and Public Policy*, 26(1): 1-38.
30. Djatej, A., Gao, G., Sarikas, R. and Senteney, D. (2009), An investigation of the impact of degree of IFRS implementation on the comparative accuracy and bias of equity securities analysts east and west European firms earnings forecasts. *Journal of Applied Business Research*, 24(4): 65-81.
31. Douglas, H.E. (2009), *Science, Policy, and the Value-Free Ideal*. Pittsburgh University of Pittsburgh Press.
32. EBRD (European Bank for Reconstruction and Development) (2011), Commercial Laws of Ukraine, March 2011 An Assessment by the EBRD, Office of the General Counsel <http://www.ebrd.com/downloads/sector/legal/ukraine.pdf>, (Accessed: 20.10.2011).
33. EBRD (European Bank for Reconstruction and Development) (2011a), EBRD continues to support Ukrainian grain sector development, <http://www.ebrd.com/pages/news/press/2011/111018a.shtml>, (Accessed: 20.10.2011).
34. EBRD (European Bank for Reconstruction and Development) (2011b), Crisis in transition: the people's perspective. EBRD Transition Report, <http://www.ebrd.com/pages/research/publications/flagships/transition.shtml>, (Accessed: 20.10.2011).
35. *Ekonomicheskie Izvestiya (Economic Report)* (2011), Торговцам залежи в карман, <http://eizvestia.com/>.
36. Einstein, A. (1982), *Ideas and Opinions*. Translated and revised by S. Bargmann, Three Rivers, New York.
37. Erickson, D., Esplin, A. and Maines, L., (2009), One world – one accounting. *Business Horizons*, 52: 531-37.
38. Ernst & Young (2006), Ukraine FDI report, [http://www.ey.com/Publication/vwLUAssets/Ukraine-FDI-Report-2011-Eng/\\$FILE/Ukraine-FDI-Report-2011-Eng.pdf](http://www.ey.com/Publication/vwLUAssets/Ukraine-FDI-Report-2011-Eng/$FILE/Ukraine-FDI-Report-2011-Eng.pdf)
39. Export Development Canada (2011), Ukraine country overview, <http://www.edc.ca/EN/country-info/Documents/ukraine.pdf>.
40. Feng, Y. (1997), Democracy, political stability and economic growth. *British Journal of Political Science*, 27: 391-418.
41. Gasiorowski, M.J. (1995), Economic crisis and political regime change: an event history analysis. *The American Political Science Review*, 89: 882-97.
42. Harzing, A.W.K. (1997), Response rates in international mail surveys: results of a 22-country study. *International Business Review*, 6: 641-65.
43. Hazera, A., Hernandez, S.M. and Quirvan, C. (2009), Toward a conceptual framework of the harmonization of bank financial reporting standards in transition economies: the case of Mexico. *Advances in Accounting: Incorporating Advances in International Accounting*, 25(2): 237-54.
44. ICEAW (2011), Enterprise survey report 2011, <http://www.icaew.com/en/technical/business-and-financial-management/smes/enterprise-survey-report#globa>.
45. IFRS Foundation (2011), *IFRS Foundation and the IASB*, <http://www.ifrs.org/> (accessed: 20.02.2011).
46. IIEC (Independent International Experts Commission) (2010), *Proposals for Ukraine: 2010 – Time for Reforms*. Independent International Experts Commission: A Reform Program for a New President of Ukraine, Kiev, <http://www.iie.com/publications/papers/aslund0210.pdf> (accessed: 20.02.2011).
47. IMF (2010) IMF urges Ukraine to stick with recovery policies, <http://www.imf.org/external/pubs/ft/survey/so/2009/int110409a.htm> (accessed: 20.02.2011).
48. IMF (2011), IMF approves \$15.1 billion loan for Ukraine, <http://www.imf.org/external/pubs/ft/survey/so/2010/car081110a.htm> (accessed: 20.02.2011).
49. Index of Economic Freedom (2011), Index of economic freedom, <http://www.heritage.org/index/country/ukraine> (accessed: 20.02.2011).
50. *Kommersant (Коммерсантъ or The Businessman)* (2007), Sberbank splits shares, 22 May, http://www.rosevobank.com/news/index.php?ELEMENT_ID=7914 (accessed: 20.02.2011).
51. *Kommersant (Коммерсантъ or The Businessman)*, (2010), A newspaper for Europe, <http://www.wanifra.org/articles/2011/10/20/a-newspaper-for-europe>.

52. Kostyuk, A. and Koverga, V. (2007), Corporate governance in Ukraine: the role of ownership structures, *Corporate Ownership and Control*, http://www.virtusinterpress.org/additional_files/our_papers/5_corporate_ownership.pdf (accessed: 20.04.2012).
53. Kretzschmar, G.L., Kirchner, A. and Sharifzyanova, L. (2010), Resource nationalism: limits to foreign direct investment, http://www.kimep.kz/files/news/Kretzschmar_2.pdf (accessed: 20.04.2012).
54. *Kyiv Post* (2011), Naftogaz announces tender to audit its fiscal reporting for 2011, http://www.kyivpost.com/news/business/bus_general/detail/125742/.
55. Lambert, M.-C., Ung, C.-H. and Raulier, F. (2005), Canadian national tree aboveground biomass equations. *Canadian Journal for Research*, 35: 1996–2018.
56. Lederman, D., Loayza, N.V. and Soares, R.R. (2005), Accountability and corruption: political institutions matter. *Economics and Politics*, 17: 1–35.
57. *Liga Business Inform* (2011), Round Table: "What is the future of auditors?", <http://www.hlb.com.ua/en/company/news/112.html> (accessed: 10.01.2012).
58. Macías, M. and Muiño, F. (2011), Examining dual accounting systems in Europe. *International Journal of Accounting*, 46: 51–78.
59. Makarevich, M. (2010), International financial reporting standards, <http://www.businessteacher.org.uk/free-accounting-essays/international-financial-reporting-standards/> (Accessed: 20.02.2011)
60. Marcuse, H. (1964), *One-Dimensional Man*. Boston: Beacon Press.
61. McGee, R.W. and Preobragenskaya, G.G. (2004), Accounting and financial system reform in transition economies: a case study of Russia. In *8th International Conference on Global Business and Economic Development*. Guadalajara, Mexico, 7–10 January.
62. McGee, R.W. and Preobragenskaya, G.G. (2005), Accounting reform in transition economies: a case study of Ukraine. In *5th Annual International Business Research Conference*. University of North Florida, Jacksonville, Florida, 11 February.
63. McGee, R. W. (2006). Adopting and Implementing International Financial Reporting Standards in Transition Economies. In G. N. Gregoriou, & M. Gaber, *International Accounting: Standards, Regulations, and Financial Reporting*, Burlington: Elsevier, pp. 199-224.
64. MIEPA (The McKeeever Institute of Economic Policy Analysis) (2011), Ukraine: economic policy analysis, <http://www.mkeever.com/ukraine.html>.
65. Ministry of Finance of Ukraine (2011), National Bank of Ukraine Memorandum on interaction, cooperation and coordination of actions on the introduction of International Financial Reporting Standards in Ukraine, 10 June, http://www.finrep.kiev.ua/download/mof_nbu_memorandum_10jun2011_en.pdf (Accessed: 20.02.2012).
66. Neu, D., Rahaman, A., Everett, E. and Akindayomi, A. (2010), The sign value of accounting: IMF structural adjustment programs and African banking reform. *Critical Perspectives on Accounting*, 21(5): 402–19.
67. Nobes, C. and Parker, R. (2002), *Comparative International Accounting*, 7th Edition. Englewood Cliffs, NJ: Prentice-Hall.
68. Nobes, C., Andersen, BDO, Deloitte Touche Tohmatsu, EY & Young, Grant Thornton, KPMG, PricewaterCoopers, (Eds), (2001), *Introducing GAAP 2001 – A survey of national accounting rules benchmarked against international accounting standards*. University of Reading, England.
69. *Novosti Ua* (2011), International Financial Reporting Standards – are important, <http://www.ingo.kiev.ua/en/novosti/26-International%20Financial%20Reporting%20Standards.html>.
70. NRG Capital (2011), Ukrainian Stock Exchange dipoles maximum dynamics, <http://nrg-capital.com.ua/en/about-us/company-profile/>.
71. Othman, B.H. and Zeghal, D. (2006), A study of earnings-management motives in the Anglo-American and Euro-Continental accounting models: the Canadian and French cases. *The International Journal of Accounting*, 41: 406–35.
72. Outa, E.R. (2011), The impact of International Financial Reporting Standards (IFRS) adoption on the accounting quality of listed companies in Kenya, <http://ssrn.com/abstract=1976146> (Accessed: 20.02.2012).
73. PFTS (2008), Annual report, <https://www.pfts.com/en/annual-reports/> (Accessed: 20.02.2012).
74. *Podrobnosti* (2010), На развитие малых городов Украины выделяют из бюджета 1,5 миллиарда гривен, 25 November, <http://podrobnosti.ua/economy/2010/11/25/733894.html>.
75. Prather-Kinsey, J. (2006), Developing countries converging with developed-country accounting standards: evidence from South Africa and Mexico. *The International Journal of Accounting*, 41: 141–62.
76. Prikhodko, S. (2009), Development of Russian foreign trade, electronic publications of Pan-European Institute 10/2009, www.tse.fi/pei (accessed: 20.02.2012).
77. Procházka, D. (2011), ICT support of the financial statements conversion: main methods and their advantages/disadvantages. *8th Circle Conference*. Dubrovnik, 26–29 April.
78. PwC (PricewaterhouseCoopers) (2011a), Difficulties of combining: about convergence of financial and tax accounting, http://www.pwc.com/ua/ru/publications/assets/Gopciy_article.pdf.
79. PwC (PricewaterhouseCoopers) (2011b), Doing business and investment in Ukraine, http://www.pwc.com/ua/en/survey/assets/doing_business_in_ukraine_2011.pdf.
80. Radebaugh, L.H. and Gray, S.J. (1997), *International Accounting and Multinational Enterprises*, 4th Edition. New York: Wiley.
81. Rahman, M., Iqbal, M.A., Khan, T.I. and Dasgupta, S. (2010), Bangladesh phase 2. *ODI Global Financial Crisis Discussion Series*, Paper 12. London: Overseas Development Institute and Centre for Policy Dialogue.
82. Ramos, L. and Martinez-Zarzoso, I. (2010), The effect of technological innovation on international trade. *Economics – The Open-Access, Open-Assessment E-Journal*, Kiel Institute for the World Economy, 4(11): 1–37.
83. RBC-Ukraine (RBC Information Systems) (2011a), RBC Daily reported: energy enterprises, <http://www.rbcnews.com/>.
84. ROSC (Report on Observance and Standard Code) (2008), Accounting and auditing, http://www.worldbank.org/ifa/rosc_aa.html.
85. Saunders, M., Lewis, P. and Thornhill, A. (2007), *Research Methods for Business Students*, 4th Edition. Harlow: Pearson Education.
86. Schleicher, T., Tahoun, A. and Walker, M. (2010) IFRS adoption in Europe and investment cash flow sensitivity: outsider versus insider economics. *The International Journal of Accounting*, 45(2): 143–68.
87. Seth, R., Nolle, D.E. and Mohanty, S.K. (1998), Do banks follow their customers around? *Financial Markets, Institutions & Instruments*, 7(4): 1–25.
88. Smith, B. (2003), Financial reporting on the Internet: a question of integrity. *4th International Conference for the*

- British Accounting Association Special Interest Group in Corporate Governance. December.
89. Solodchenko, I. and Sucher, P. (2005), Accounting in Ukraine since independence: real politik, problems and prospects. *European Accounting Review*, 14(3): 603–33.
90. State Statistics Service of Ukraine (2009), <http://www.ukrstat.gov.ua/>.
91. Sunder, S. (2010), Adverse effects of accounting uniformity on practice, education, and research. *Journal of Accounting and Public Policy*, 29(2): 99–114.
92. Tefft, J. (2010), Electronic system of comprehensive information disclosure (ESCRIN) fully transferred to Ukraine's securities commission, 23 July, http://www.capitalmarkets.kiev.ua/structure/news_en.php.
93. *The Banker* (2006), Report: state of the financial services industry, <http://www.thebanker.com/content/> (accessed: 20.02.2012).
94. The World Bank (2011), Ukraine economic update, <http://web.worldbank.org/Wbsite/External/Countries/Ecaext/Ukraineextn/0,,contentMDK:21845311~pagePK:141137~piPK:141127~theSitePK:328533,00.html>.
95. TSN (Television Studio News) (2011), Daily news, <http://www.youtube.com/watch?v=qZtsFRZz5RY>.
96. Tyrrall, D., Woodward, D. and Rakhimbekova, A. (2007), The relevance of International Financial Reporting Standards to a developing country: evidence from Kazakhstan. *International Journal of Accounting*, 42(1): 82–110.
97. *Ukrainian Business Resource* (2010)²²⁵, Doing business, <http://www.ubr.ua/>.
98. United Nations Conference on Trade and Development (UNCTAD) (2010), World Investment Report 2010, <http://www.unctad.org/wir> (accessed: 26.11.2010).
99. Units Consulting (2011), Accounting service, http://www.accounting-ukraine.kiev.ua/services/accounting_and_bookkeeping_services.htm.
100. US-Ukraine Business Council (USUBC) (2010), Action Ukraine report, <http://www.usubc.org/site/action-ukraine-report-aur> (accessed: 16.11.2010).
101. USAID (2005), USAID/Ukraine's local governance program, <http://www.usaid.gov/oig/public/fy06rpts/8-121-06-004-p.pdf>.
102. USAID (2006), USAID promotes the rule of law in Ukraine, <http://Ukraine.Usaid.Gov/Programs/Democracy-And-Governance-En/Combating-Corruption-And-Strengthening-Rule-Law-En/Usaid-Promot>.
103. USAID (2010a), Study shows decline in transparency among Ukrainian banks, <http://Ukraine.Usaid.Gov/Programs/Economic-Growth-En/Capital-Markets-Project-En/Study-Shows-Delay-Transparency-Among-Ukrain>.
104. USAID (2010b), Parliamentary development program, <http://ukraine.usaid.gov/programs/democracy-and-governance-en/parliamentary-development-program-en>.
105. USAID (2011), USAID/Ukraine-supported performance program budgeting system expands nationwide, <http://ukraine.usaid.gov/programs/economic-growth-en/local-governance-en/usaidukraine-supported-performance-program-budgeting>.
106. UX (2011), User experience Ukraine, <http://uxukraine.com/en/>.
107. Velichko, E. (2007), Quoted in Polyatska, M., Comparative analysis of corporate governance in the UK and Ukraine: auditing issues. *Short Thesis*, Central European University, Budapest.
108. Véron, N. (2008), Fair value accounting is the wrong scapegoat for this crisis. *Revue d'Economie Financière and Risques*, 52(June): 273–9.
109. Vlasov, S. (2011), Taxation Ukraine – new year with the brand new tax code - report, PWC, Ukraine, http://chamber.ua/Printed_Publications/18.%20Taxation.pdf (accessed: 20.04.2012).
110. Voitenko, O. (2011), PhD application talk: mathematical methods and models for banks' financial state analyzing and forecasting. *PhD Application Talk Presentation*, 14 October, Max-Planck Institut Informatik, Saarbrücken.
111. Walker, M. (2010), Accounting for varieties of capitalism: the case against a single set of global accounting standards. *The British Accounting Review*, 42(3): 137–52.
112. Warsaw Stock Exchange (2011), Warsaw Stock Exchange as an international trading center, <http://www.warsawvoice.pl/WVpage/pages/article.php/24227/article>.
113. World Wide Studies (2011), Educational project, <http://www2.warwick.ac.uk/services/academicoffice/gsp/scholarship/typesoffunding/masters/wws/>.
114. Wu, J. and Zhang, I. (2008), The voluntary adoption of internationally recognized accounting standards and firm internal performance evaluation. *Working Paper*, University of Rochester and University of Minnesota.
115. Zeff, S. (2007), Some obstacles to global financial reporting comparability and convergence at a high level of quality. *The British Accounting Review*, 39: 290–302.
116. Zerkalo Nedeli (2010), Kolesnikov instructed to develop a bill on the transition to international accounting system, <http://news.zn.ua/news/39336> (accessed: 15. 11.2010)

²²⁵ Online newspaper