

IFRS AND INTERNATIONAL DIFFERENCES: AN EMPIRICAL ANALYSIS ON THEIR APPLICATION WORLDWIDE

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Abstract

This study is based on the analysis of Nobes (2006) and Zeff (2007), demonstrating that different countries tend to adopt IFRS through the implementation of the options that are closely related to their culture. In a sample of 189 publicly traded firms from 7 different countries, we provide a first evidence of the application of some specific IAS/IFRS standards worldwide. IFRS, like any other set of accounting standards, offer firms substantial discretion (different options) in applying the standards. Our descriptive statistics show that, on average, countries tend to implement the options more suitable for their accounting, legal and tax culture, making international differences within IFRS survive. This study wants to be a call for future research regarding the IAS/IFRS adoption worldwide.

Keywords: IFRS, Accounting Standards, Discretion, Descriptive Statistics

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1. Introduction

IFRS are accounting standards issued by the International Accounting Standards Board (IASB), an independent organization based in London. They are a set of rules that ideally would be applied equally to financial reporting by public companies worldwide (Ball, 2006). During the period 1973-2000, international standards were issued by the IASB's predecessor organization, the International Accounting Standards Committee (IASC), a body established in 1973 by the professional accountancy bodies of Australia, Canada, France, Germany, Japan, Ireland, Mexico, Netherlands, United Kingdom, and United States.

During that period, IASC's rules were called "International Accounting Standards" (IAS). Since April 2001, the IASC was replaced by IASB. The IASB described its rules under the new label "International Financial Reporting Standards" (IFRS), though it continued to recognize the prior rules (IAS) issued by the old standard-setter (IASC). The IASB is better staffed and more independent than its predecessor. Nevertheless, there has been substantial continuity across time in its viewpoint and in its accounting standards.

It is a widely shared opinion that the introduction of mandatory standards has produced a

big increase in global comparability as compared to what we had before, that is, every country using its own national standards, which differed considerably from country to country.

Nevertheless, Zeff (2007) strikes a note of caution that future progress in enhancing comparability may be difficult to achieve, and highlights concerns about the future course of convergence across international borders.

In fact, some cultural factors (concerning accounting, financing, regulatory), differing from country to country, impede or interfere with promoting genuine worldwide comparability.

Also Nobes (2006) states that, within IFRS, international differences in practice can survive due to different financing and legal systems, very similar to the cultural factors highlighted by Zeff.

Nobes (2006) analyses the reasons for the distinction between the German and the UK national "accounting systems" considering differences in financing, legal and tax systems.

In literature we have different types of financing systems. Zysman (1983) proposes three types of financing system: capital market (e.g. UK, US), credit-based governmental (e.g. France and Japan), and credit-based financial institutional (e.g. Germany).

Nobes (1988) proposes two types: shareholder “outsiders” (e.g. UK, US) and bank/state/family “insiders” (e.g. Germany, France). Nobes (1998b) suggests that, unless a country is culturally dominated by another, its financing system is the main driver of its financial reporting system. Some evidence supports this consideration (Xiao et al., 2004; Tarca et al., 2005; Sellhom and Gomik-Tomaszewski, 2005).

The literature also divides the legal systems of developed countries into two main types: Roman (code) law, and common law (e.g. David and Brierley, 1985). These affect the regulation of financial reporting. For example, financial statements rules in Germany are largely specified by the HGB and tax law, whereas national rules in UK are based on accounting standards written by the private sector.

La Porta et al. (1997 and 1998) find a statistical connection between strong equity markets and common law countries, noting a tendency for stronger legal protection of investors in these countries. Empirical research also suggests a relationship between legal systems and financial reporting practices. Jaggi and Low (2000) find that companies in code law countries make fewer disclosures. Ball et al. (2000) find that accounting income in code law countries is less timely, particularly in incorporating economic losses. Bushman and Piotroski (2006) also show that bad news is reported faster in countries with higher quality legal systems (which they connect, in this context, to common law). All these authors find a relationship between better financial reporting and common law countries.

Concerning the tax system, the dominance of taxation in bank/state/family “insiders” systems has been well documented (e.g. Haller, 1992). Lamb et al. (1998) compare, for example, Germany and the UK suggesting that the operational linkage between tax and financial reporting is much stronger in Germany. Nobes (1998b) suggests a connection with financing systems. In bank/state/family systems the minimization of the income tax burden plays a significant role in the choice of financial reporting practices (Zeff, 2007). These systems will be more conservative and prudent in order to minimize income.

On the contrary, in the “outsiders” financing systems accounting is used for giving useful information to investors. In these systems accounting practices are not very conservative because the purpose of financial statement is the fairness in order to show good performance to the market. As a consequence, under these systems two sets of rules are needed on several accounting issues: one for taxation and one for financial reporting.

Following Nobes classifications scheme (2006) in terms of financing, legal and tax systems, the purpose of our study is to broaden the analysis of Nobes (2006) and Zeff (2007), demonstrating that different countries tend to adopt IFRS through the implementation of the options that are closely related

to their culture. IFRS, like any other set of accounting standards, offer firms substantial discretion in applying the standards (Daske et al. 2008). They allow some options for many standards (i.e. historical cost or fair value for subsequent measures of property, plant and equipment or for investment property, the use of FIFO or WAC for inventory evaluation, etc.).

Consistent with Nobes (2006) and Zeff (2007), we argue that countries tend to implement the options more suitable for their accounting, legal and tax culture, making international differences within IFRS survive.

Our sample consists of 7 countries chosen worldwide (France, Italy, United Kingdom, Germany, Australia, Brazil and South Africa). According to Nobes (2006), we classified them into two groups: the shareholder “outsiders” systems (UK, Australia and South Africa) and bank/state/family “insiders” (Italy, Germany, France and Brazil). The first group includes “common law” countries with a weak link between taxation and financial reporting. The second one consists of “roman law” countries with a strong link between taxation and financial reporting.

We argue that countries belonging to the “outsiders” systems tend to be less conservative adopting IFRS options based on fairness and connected to the market role of financial statement. On the contrary, bank/family/state systems will adopt more conservative options, closer to their culture based on prudence and tax influence.

We address our research question making a qualitative analysis, based on the hand collection of the financial statements prepared in 2009 by a sample of listed companies belonging to the selected countries. We read all these statements in order to underline the different options adopted for some selected standards. Hence, we present a descriptive statistics of our results. The results partly confirm our hypothesis because in some cases all the countries, even the ones with different culture, adopted the same options for the same standard analyzed.

Our paper is just a first study on this topic that must be broadened by enlarging the number of the analyzed standards, the number of countries and the sample of the companies. Nevertheless, it contributes to the growing body of literature investigating the effects of IFRS adoption on financial statement comparability from a qualitative perspective. In fact, most of the existing studies mainly refer to the effects of IFRS introduction on financial markets (Christensen, 2012; Hope et al., 2006) and the ones focusing on comparability, consider mainly quantitative aspects (Cascino and Gassen, 2012; Yip and Young, 2012; De Franco et al., 2011).

We want to extend previous qualitative works focusing on the first considerations at the early stage of IFRS introduction. In particular, we extend the findings of Zeff (2007) and Nobes (2006) who investigate the impact of mandatory IFRS adoption on comparability of financial statement from a

qualitative perspective documenting the existence of obstacles to global financial reporting comparability.

2. The convergence process through IAS/IFRS

Starting from January 1, 2005, all European listed companies (more than 7,000) are required to adopt IFRS for consolidated financial statements. Overall, by the end of 2005, IFRS were required in at least 65 countries for all domestic-listed companies, including 28 European Union and European Economic area member countries (Hope et al., 2006). The trend of accounting globalization has been accelerated by voluntary compliance with IAS/IFRS. The International Organization of Securities Commissions (IOSCO) endorsed the IASC standards for cross-border stock exchange listings in 2000. According to some authors (Haller, 2002; Sellhorn et al. 2006), the development of regulation in the European financial reporting context has been divided into three phases:

Phase 1 (1990-1998)

During the first phase, many European Countries decided to adopt internationally accounting principles, primarily IAS, according to the internationalization of capital markets and the possibility to reduce costs of capital. Nonetheless, the firms of these countries were still obliged at that time to report under national GAAP, had costs for parallel and “dual” accounting systems. Consequently, lobbying ensued for removal of these legal constraints.

Phase 2 (1998-2004)

In 1995, with the European Commission’s communication “Accounting Harmonization: A New Strategy *vis-a-vis* International Harmonization” (EC, 1995), seven States (Austria, Belgium, Finland, France, Germany, Italy and Luxemburg) introduced measures allowing listed companies to prepare their consolidated financial statements in accordance with IAS or US GAAP (Van Hulle, 2004).

The number of companies taking advantage of the new legislation varied among the countries facilitating IAS or US GAAP. Aisbitt (2003) reports 12 (Austria), 2 (Belgium), 2 (Finland), 58 (Germany) and 0 (France, Italy and Luxemburg) listed companies using IAS in 2000. Dumontier and Raffournier (2003) show that most European companies using IAS as of November 2002 were from Germany (66) and Switzerland (54) while US GAAP was used mostly by companies listed on the US regulated capital. One possible reason why Europe has decided to adopt IFRS rather than U.S. GAAP for international harmonization of accounting standards is because IFRS are viewed as more politically neutral (Zeff, 1998).

Regulatory authorities in UK and Ireland did not stimulate the use of IFRS and the companies themselves were not so interested in it because these countries have strong equity-outsider financing systems. From their perspective, the benefits of IFRS

adoption appear not to outweigh the related costs. Therefore, the voluntary adoption of IFRS in the UK and Ireland was almost non-existent (Haller, 2002; Cuijpers and Buijink, 2005).

However, also the number of voluntary IFRS adopters among “global players” from the European countries promoting international standards was different. For example, Germany and Belgium have similar characteristics in terms of creditor-protection-oriented accounting systems, with a link between financial and tax reporting. However, in Belgium only few voluntary IFRS adoptions were observed contrary to Germany and the difference is mainly due to the size and international standing of German IFRS adopters.

Some countries also disconnected the rules for consolidated financial statements from tax accounting, seeking to make consolidated financial statements more comparable internationally. Overall, national standards applicable to consolidated accounts are being increasingly harmonized with IFRS in many countries (Haller, 2002), while this is not always true for rules related to individual accounts (Haller and Eierle, 2004).

Phase 3 (from 2005 onwards)

In 2002, the European Union (EU) enacted the IAS regulation. It introduced the distinction between publicly traded and private firms, moving away from the traditional differentiation by legal form, and widened the difference between consolidated and individual accounts. Following its implementation, a majority of economically significant EU firms had to apply IFRS at least in their consolidated financial statements.

The role of national GAAP, shaped by the Fourth and Seventh Directives, was depending on Member States’ implementation decisions. Simultaneously, the Fourth and Seventh EU Directives are being ‘modernized’ towards IFRS. With the elimination of some accounting choices, some authors state that these regulatory efforts are likely to result in increased cross-country harmonization from 2005 onwards even where national GAAP continue to be applied. (Sellhorn et al., 2006).

3. The effect of IAS/IFRS implementation on financial statements

The mandatory adoption of IFRS by European listed firms has produced a higher increase in global comparability in relation to what we had before when every country used its national standards differing quite a lot from country to country.

Comparability is a key qualitative characteristic of accounting information and it is very difficult to define. There is no much literature helping in understanding what is meant by comparability (Zeff, 2007). What is commonly cited is that comparability

is achieved by assuring that “like things look alike, and unlike things look different” (Trueblood, 1966).

Comparable financial statements are generally believed to facilitate investors’ resource allocation and investment decisions (FASB 1980, FASB 2008, IASB 1989, IASB 2008, SEC 2000). Capital market regulators further believe that a common set of accounting standards can lead to improved comparability.

Most of the studies investigating the mandatory adoption of IFRS focus on changes in financial reporting quality consequences on capital market (Christensen, 2012; Hope et al., 2006) rather than on real changes in cross-country comparability (Zeff, 2007; Nobes, 2006). Studies focusing on the first aspect include, for example, Ahmed et al. (2012), Atwood et al. (2011), and Landsman et al. (2011) but they do not get to unanimous results. Among the studies addressing the capital market consequences of IFRS adoption, Li (2010) shows that the 2005 IFRS mandate by European countries has reduced firms’ cost of capital only in countries with strong enforcement.

The opposite for Cuijpers (2005) who does not find evidence of a lower cost of capital for non local GAAP adopters. Horton et al. (2012) provide evidence that analyst forecast accuracy improves after mandatory IFRS adoption for analysts covering firms that report under multiple standards before IFRS adoption. Similarly, Tan et al. (2011) documents that analyst coverage is increasing in the extent to which IFRS adoption eliminates differences in standards between the firm’s country and that of the analyst.

Then there are studies looking at the comparability effects of IFRS adoption because they want to investigate capital market consequences (i.e., changes in the information environment, reduction in information asymmetries, increase in information transfers). For example, De Fond et al. (2011) make an attempt to investigate the capital market consequences of IFRS adoption through the lens of comparability because they think that if IFRS adoption increases comparability and reduces the cost of comparing financial statements prepared under different GAAPs, this should affect positively mutual fund holdings in foreign firms. Wang (2011) considers cross-country information transfers to capture the comparability effect of IFRS adoption. She finds for the post IFRS adoption period larger information transfers (proxied by market reactions by firms to earnings announcement of a foreign firm) and interprets this evidence as indicative of IFRS increasing comparability.

Few papers explicitly investigate the impact of IFRS adoption on the real accounting comparability and even these papers focus more on quantitative aspects (Cascino and Gassen, 2012; Yip and Young, 2012; Izzo et al., 2013; De Franco et al., 2011). There are very few papers on comparability analyzed from a qualitative perspective (Zeff, 2007; Nobes, 2006).

Cascino and Gassen (2012), using the model of De Franco et al. (2011) for defining the measures of comparability, find the evidence that effect of mandatory IFRS adoption on accounting comparability is marginal on average and centered on firms with high compliance incentives. Their results are consistent with Leuz (2010) who documents the existence of robust institutional clusters around the world, tending to persist even if regulators make a lot of efforts to harmonize accounting standards.

Yip and Young (2012) provide evidence of increased accounting comparability following IFRS adoption, using a sample of 17 European countries and three proxies to measure comparability (i.e., the similarity of accounting function, the degree of information transfer, and the information content of earnings and book value).

Lang et al. (2010) use the earnings/returns approach (accounting comparability) and the “earnings comovement” construct (De Franco et al., 2011) to examine changes in cross-country comparability caused by the mandatory IFRS adoption and the effects of these changes on firms’ information environments. They find a decrease in the cross-country comparability of accounting information and an increase in cross-country earnings comovement subsequent the IFRS mandate. The decrease in earnings comovement is negatively associated with favorable properties of the firm-level information environment.

Moreover, prior papers further document a general reduction in information asymmetry for firms voluntarily adopting IFRS with corresponding commitment to high quality implementation (Daske et al. 2008), as well as for firms adopting IFRS by mandate within settings of high enforcement regimes (e.g., Daske et al. 2008; Li 2010). On the contrary, using a sample of U.K. firms, Brochet et al. (2012) document a decrease in information asymmetries following the introduction of IFRS.

Therefore, the two main studies in literature contributing at analyzing IFRS effect on comparability from a qualitative point of view are Zeff (2007) and Nobes (2006). Zeff (2007) highlights the obstacles existing in the area of comparability and convergence at a high level of quality. Some of the obstacles are deeply cultural while others are more susceptible to modulation by the principal parties. Nobes (2006) underlines that national accounting traditions are likely to continue into consolidated reporting where scope for this exists within IFRS rules. Reasons for the different traditions, in some cases, will remain relevant.

A further aspect concerns also the regulators of companies. Regulators might be one of the causes of the existence of national versions of IFRS. The mix of political pressures on regulators varies from country to country, caused partly by different financing, legal and tax system. So well, for example, some countries have well-organized lobby groups of finance

directors, that will be more likely to issue some standards depending on their interests.

4. Research question and hypothesis development

To the best of our knowledge, our study is one of the few attempts to analyze the effect of IFRS introduction on cross-country comparability of financial accounting information from a qualitative point of view. We aim at extending the results of few previous works on the survival of international differences under IFRS reducing the global financial reporting comparability under a qualitative perspective. In particular, we extend the analysis of Nobes (2006) and Zeff (2007) who, as already mentioned above, identified some cultural obstacles for comparability, connected to different financing, legal and tax systems.

Our research aims at investigating how countries adopt IFRS differently according to their culture. IFRS, like any other set of accounting standards, provides firms with substantial discretion as the application of accounting standards involves judgment and the underlying measurements are often based on private information. The way in which firms use this discretion is likely to depend on their reporting incentives, shaped by many factors, including countries institutional frameworks, market forces and firm characteristics (Watts and Zimmerman, 1986; Healy and Wahlen, 1999; Dechow and Skinner, 2000). For these reasons, one concern is that some firms may adopt IFRS merely as a label without making material changes in their reporting policies (e.g., Ball, 2001, 2006), whereas other firms may adopt IFRS as part of a serious commitment to increase transparency (Daske et al. 2008).

Moreover, firms' reporting incentives are different and the strength of enforcement differs considerably across countries (e.g., Ball et al., 2003; Leuz et al., 2003; Ball et al., 2005; Lang et al., 2006; Burgstahler et al., 2006). But even with perfect enforcement, observed reporting behaviors will differ as long as the accounting standards offer some discretion and companies reporting incentives are different (Leuz, 2006).

Thus, while IFRS adoption should be supposed to enhance comparability and reduce differences among countries, we argue, on the contrary, that countries tend to adopt IFRS options closer to their accounting culture, making differences survive.

Consistent with Zeff (2007) and Nobes (2006), we posit that IFRS implementation does not eliminate international differences under accounting regulation because the adoption is affected by financial, business and regulatory culture of different countries.

As a consequence, our main hypothesis is as follows:

Hypothesis: *IFRS implementation in different countries is affected by different accounting*

background because countries tend to adopt IFRS options that are more suitable for their financial, business and regulatory culture.

For testing our hypothesis, we select 7 countries (France, Italy, UK, Germany, Australia, Brazil and South Africa). These are classified, according to Nobes (2006), into two groups: the shareholder "outsiders" systems (UK, Australia and South Africa) and bank/state/family "insiders" (Italy, Germany, France and Brazil). The countries of the first group belong to "common law" legal system with a weak link between taxation and financial reporting. The countries of the second group are characterized by "roman law" legal system and a strong link between taxation and financial reporting.

We expect that countries belonging to "outsiders" systems will adopt IFRS options closer to the role they attribute to accounting, that is a way of giving information to investors to make investment decisions. So they will adopt less prudent options, based on fairness.

On the contrary, the bank/family/state systems will adopt more conservative options, closer to their culture based on prudence and tax influence.

The results of our analysis partly confirm our hypothesis because we find that in some cases all the different countries adopt the same option for a specific standard although they have different accounting, legal and tax systems.

5. Research Design

5.1 Sample and Data

As already mentioned above, the main objective of this work is to investigate the level of global convergence/harmonization of IAS/IFRS in different countries and to conduct a descriptive statistical analysis on this issue.

In order to deeply analyze the topic hereby studied, we selected a sample of listed companies for 7 countries worldwide, European countries and non-European ones: Italy, France, Germany, the United Kingdom, Australia, South Africa and Brazil. We considered both common law countries with high investors protection (outsider systems), and banks/family/state countries (mainly code-law countries) (e.g., La Porta et al., 1998; Ball et al., 2000; Leuz et al., 2003) with poor investors protection, insider orientation and tradition for prudence and tax alignment (Leuz and Wüstemann, 2004). The United Kingdom, Australia and South Africa belong to the first group (market oriented/outsider countries) while Italy, France, Germany and Brazil belong to the second one (insiders system).

Thus, we chose the first three listed firms per industry in each country with the higher amount of total assets. We selected those firms using DataStream database filtering per country and per total asset, and considering all the eight industries

addressed by DataStream: basic materials, consumer goods, consumer services, health care, industrials, oil and gas, technology, telecommunications and utilities.

Thus, the total sample consists of 189 publicly traded companies overall.

Further, we have download the annual reports for the year 2009 directly from the investor-relation section of each company's website.

Our analysis is focused on the appliance of some specific options for some standards that, in our opinion, could be applied differently, depending on the accounting, legal and tax culture of the countries. At this stage of analysis, the selected IAS/IFRS standards are IAS 2, IFRS 3, IAS 16, IAS 37, IAS 38 and IAS 40.

Then, since no database is available with information about the convergence level of national GAAP toward IAS/IFRS, data were hand-collected from the annual reports of the firms hereby selected, for the year 2009. Reading the notes and the figures of each annual report we classified the implementation of different IAS/IFRS options for each company and the level of harmonization among different countries.

Concerning IAS 2, related to the accounting treatment for inventories, the cost of inventories must be measured by using the FIFO method (*first-in, first-out*), or weighted average cost (WAC) formula. The standard also predicts that: *“an entity shall use the same cost formula for all inventories having a similar nature and use to the entity”*. Here we analyzed whether all the companies of the sample prefer FIFO method or WAC in the accounting treatment for inventories.

IFRS 3 regards the treatment of business combination and goodwill and predicts that goodwill has to be recorded at its cost, represented by the excess of *“the cost of the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities”*. The amortization of goodwill is not allowed by IFRS 3 while the standard requires the assessment of impairment annually or whenever it is required by IAS 36 (*Impairment test of Assets*). We tried to understand the real appliance of this standard and thus to show how often companies recognize its eventual impairment.

IAS 38 regards the intangible assets, their recognition and their measurement. In this work we have decided to analyze, as categories of intangible assets, trademarks and development expenditures (hereby called intangible R&D), apart from goodwill that has a separated standard (IFRS 3). First of all, an intangible asset, whatever it is, must be initially recognized at its cost. Afterwards, for subsequent measures, firms can choose either the cost model or the revaluation model. In this part of analysis we tried to understand whether companies prefer the cost or the revaluation model for subsequent measures. Moreover, we analyzed if they consider trademarks and intangible R&D as assets with indefinite or finite

useful life. IAS 38 defines useful life as: *“the period over which an asset is expected to be available for the use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity”*. As a consequence, an intangible asset with a finite useful life will be amortized on a systematic basis over its useful life, whereas an intangible asset with an indefinite useful life will not be amortized but, in accordance with IAS 36, it will be tested annually for impairment. Our results will show how many companies opt for the cost model or the revaluation model, thus if companies consider their trademarks and intangible R&D as assets with finite or indefinite useful life.

IAS 16 prescribes the accounting treatment for property, plant and equipment (PPE). Those are tangible assets, which are used in the production for more than one period, or supplied as good. The related cost of an item of property, plant and equipment has to be recognized as an asset *“if, and only if it is probable that future benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably”*. At the first recognition, an item of PPE must be recognized at its cost, so at its purchase price plus any costs directly attributable to the asset. Then, for the subsequent measurement, IAS 16 allows companies to use either the cost model or the revaluation one, but the firms must apply that policy to the entire class of PPE. On the one hand, the cost model predicts that an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses; on the other hand, the revaluation model predicts that an item of PPE has to be carried at a revaluated amount represented by its fair value at the date of revaluation less any subsequent accumulated depreciation and any impairment losses. In our work, we tried to verify if firms prefer cost model or revaluation one for property, plant and equipment evaluation.

IAS 37 rules the recognition and measurement of provisions, contingent liabilities and contingent assets. For our work we decided to focus on the treatment of provisions, which are liabilities of uncertain timing and amount. This accounting standard prescribes that a provision has to be recognized when, and only when: *“an entity has a present obligation as a result of a past event; it is probable (more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation”*. Furthermore, the measurement of a provision must be the best estimate of expenditure *required to settle the present obligation at the balance sheet date*. We focused our attention and efforts trying to understand the likelihood of the obligation (more or less than 50% of probability), as measured and disclosed by the companies. Thus, we tried to understand if firms recognize and describe the

existence of a provision when the “outflow of resources” is more likely than not (more than 50% of probability), or also in the other case (less than 50% of probability).

Finally, IAS 40 regards investment property that must be measured initially at its cost, including any transaction cost. Afterwards, companies can choose between revaluation model or cost model. The first model is preferred by IAS. For this standard we verified whatever method firms choose for the evaluation of investment property.

5.2 Results

The results of our analysis are summarized in the following table with the percentage of application of the options predicted by IAS/IFRS hereby considered.

Results for IAS 2 (inventory accounting treatment) do not show so much convergence because they are not similar across all countries. In fact, in some countries firms mainly prefer FIFO method, such as in France (64%), in the United Kingdom (73%) and in South Africa (79%), while in other countries, firms prefer WAC method such as in Italy (84%), in Germany (92%), in Australia (68%) and in Brazil (93%). We underline that, in some countries, the sum of the percentage recorded for FIFO and WAC are not equal to 100%. This is due to the fact that some companies decide to adopt both methods, evaluating parts of inventory with FIFO and other parts (with different characteristics) with WAC.

The results for IFRS 3, regarding goodwill, show that even if all the companies consider goodwill an intangible asset with indefinite useful life (indefinite useful life 100%; finite useful life 0%), they are not so willing to impair it because no one of the companies impaired it in 2009.

Regarding IAS 16, the treatment for property, plant and equipment, table 1 shows that companies strongly prefer cost model in place of revaluation model (100% against 0%). This result was not expected for the countries belonging to outsiders systems that tend to be less conservative. Only in Italy a small percentage of companies (4%) choose the revaluation model for the accounting treatment of their property, plant and equipment.

Results for IAS 37, concerning the recognition and measurement of provisions, do not present many differences across countries hereby considered. Indeed, most of them recognize and describe the existence of a provision when the probability of the outflow of resources is more than 50%: Italy, Germany, the United Kingdom, Australia, South Africa and Brazil. Only in France some firms (57%) recognize a provision when the probability of the outflow of resources is less than 50%, and other firms (43%) recognize a provision when the probability of the outflow of resources is more than 50% (see Table 1).

For IAS 38, results concerning the model used by companies for subsequent measures of R&D and trademarks show that, for intangible R&D, only in the United Kingdom few companies (12%) adopt the revaluation model (consistent with their market-oriented culture), while all the other companies included in the entire sample choose the cost model. On the other hand, results regarding the choice between cost or revaluation model for trademarks are available only for Italy, Germany and UK. In this case, Italy keeps being conservative with only 8% of the companies applying the revaluation model (consistent with Italian culture focused on prudence), contrary to UK (44%) and even more Germany (54%).

For trademarks useful life instead, we can claim that companies prefer to consider trademarks as intangible assets with finite useful life but, on the other hand, this preference has a different intensity across the countries hereby considered: in France 21% indefinite useful life, 79% finite useful life; in Italy 4% indefinite useful life, 96% finite useful life; in Germany 43% indefinite useful life, 76% finite useful life; in the United Kingdom 29% indefinite useful life, 83% finite useful life; in Australia 45% indefinite useful life, 70% finite useful life; in South Africa 9% indefinite useful life, 91% finite useful life; in Brazil 21% indefinite useful life, 79% finite useful life.

Even for this standard, like for the results of IFRS 3, the sum of the percentage verified in each country can be, in some cases, different from 100%. This is due to the fact that some firms choose to adopt both models (cost model and revaluation model), to evaluate different type of trademarks. Those companies claim that acquired trademarks are carried at cost less accumulated amortization and impairment (cost model), while other trademarks with indefinite useful life are not amortized but are reviewed annually for impairment (Revaluation model).

Finally, results for IAS 40, regarding the evaluation model of investment property, show that firms prefer mainly the cost model. Even in Germany, Brazil and United Kingdom 100% of companies adopt the cost model for the evaluation of their investment property.

The result of UK is unexpected because the conservative approach is not so typical for its culture.

In the remaining countries, such as France, Italy, Australia and South Africa, only very few firms evaluate their investment property at revaluation model. Respectively we have France 14%, Italy 12%, Australia 5% and South Africa 8%.

Table 1. Application of the options predicted by IAS/IFRS**Table 1**

This table shows the percentage of application of the options predicted by IAS/IFRS hereby considered. The sample consists in 189 publicly traded companies from 7 different countries.

	FRANCE	ITALY	GERMANY	UNITED KINGDOM	AUSTRALIA	SOUTH AFRICA	BRAZIL
IAS 2: INVENTORIES							
FIFO	64%	16%	23%	73%	50%	79%	20%
Weighted Average Cost	43%	84%	92%	46%	68%	36%	93%
IAS 16: PROPERTY, PLANT, & EQUIPMENT							
Cost Model	100%	96%	100%	100%	100%	100%	100%
Revaluation Model	0%	4%	0%	0%	0%	0%	0%
IAS 40: INVESTMENT PROPERTY							
Cost Model	86%	88%	100%	100%	95%	92%	100%
Revaluation Model	14%	12%	0%	0%	5%	8%	0%
IFRS 3: GOODWILL							
indefinite useful life	100%	100%	100%	100%	100%	100%	100%
finite useful life	0%	0%	0%	0%	0%	0%	0%
IAS 38: INTANGIBLE R&D							
Cost Model	100%	100%	100%	88%	100%	100%	100%
Revaluation Model	0%	0%	0%	12%	0%	0%	0%
IAS 38: TRADEMARKS							
indefinite useful life	21%	4%	43%	29%	45%	9%	21%
finite useful life	79%	96%	76%	83%	70%	91%	79%
Cost Model		92%	62%	88%			
Revaluation Model		8%	54%	44%			
IAS 37: PROVISIONS							
< 50%	57%	0%	0%	11%	0%	21%	0%
> 50%	43%	100%	100%	89%	100%	79%	100%

6. Conclusions and further implementation

With our work, we provide first interesting results regarding the persistence of international differences within IFRS, in terms of implemented options that mostly remain closer to the accounting culture of different countries. Countries belonging to outsider systems (common law countries) are more willing to implement IFRS options closer to fairness, whereas civil law countries tend to adopt more prudent options. Australia and South Africa, for example, apply revaluation model for investment property, contrary to Germany and Brazil choosing 100% the cost model and oriented towards prudence and conservatism.

Nevertheless, we outline also some unexpected results. Indeed, sometime the countries do not choose the IFRS option closer to their culture, like for example UK using 100% cost model for property, plant and equipment evaluation.

However, further improvements of the research could shed new light on the relation between the culture of different countries and the implementation of IFRS. The extension of the analysis in terms of analyzed standard and the consideration of some other countries could represent a direction for future research improvements.

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