SECTOR NEUTRALITY: A POSSIBLE IMPROVEMENT OF THE ACCOUNTING STANDARDS. EVIDENCE FROM NZ MODEL

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Abstract

In May and June 2018, the Italian financial crisis (public debt) got back to the news when the new political government was going to be formed. Part of the literature claims that the public sector needed to be more "business-like" and that in order to do so, the adoption of "better", in this case "accrual", accounting was crucial. New Zealand is the pioneer country for accrual-based government accounting. More than ten years ago, when the adoption of IFRS was mandatory, New Zealand standard setters preserved sector neutrality in the financial reporting standards. Thanks to a systematic literature review, the paper investigates the evidence of NZ accounting sector neutrality model, with the purpose to assess if importing NZ public sector accounting model would be efficient for allowing a higher level of transparency in other countries such as Italy. The methodology is to define the economic literature relevant to the topic, considering the year of publication and the citation rate. Recently, standard setters in NZ decided to adopt a sector specific standard setting approach with multiple tiers for each sector. The for-profit sector will continue to follow IFRS but reporting standards for the public sector will be based on International Public Sector Accounting Standards (IPSAS). Amongst the former contributes, no systematic research overview on public sector accounting has been created based on the NZ model. This article fills this void by providing a systematic literature review of 258 publications that examines five key aspects of the literature on the benchmark accounting model.

Keywords: IPSAS, EPSAS, Sector Neutrality, Governmental Accounting, Accounting Reform

1. INTRODUCTION

In recent years, the appreciation for IPSAS (international public sector accounting standards) as the only accepted accounting framework for the public sector has grown considerably. Nonetheless, the form of public sector accounting is still very diversified across within countries (Muller & Berger, 2018).

The motivation of the present work is to investigate if importing NZ public sector accounting into some countries – that continue to adopt cash-based accounting for the public sector – would be significant for increasing the level of the transparency and efficiency of the governmental firms. The authors suggest that a global accounting change (Christensen, Newberry, & Potter, 2018) might occur by translating the International Public Sector Accounting Standards (IPSAS) into the European Public Sector Accounting Standards (EPSAS), despite the FASB dissenting opinions (Bradbury & Harrison, 2015) on many issues. The process that led the European Commission to the decision to develop European Public Sector Accounting Standards (EPSAS) for harmonizing public sector accounting practices within the European Union is analyzed and reported in the recent literature (Pontoppidan & Brusca, 2016).

In 2015, Spanish local governments began to apply a new accounting standard. The success achieved in its implementation is related to stimuli from outside the organization and with the institutional capacity – administrative and political – developed by it. Through an electronic questionnaire and several interviews carried out with municipal chief financial officers, it has been shown that few actions to build the necessary institutional capacity were undertaken in the period prior to its implementation (Fuentes & Borreguero, 2018).

Recently some authors are investigating some critical aspects of public sector, such as networking between practitioners, identifying implications of the professionalisation project for public sector accounting practitioners, analyzing public sector accounting practitioners' responses to the rise of external experts, and exploring how public sector accounting practitioners interact with forces that shape the accounting craft (Christensen et al., 2018).

Sforza et al. (2018) investigate the relationships between governmental accounting (microeconomic perspective) and national accounting (macroeconomic perspective). They participate to the debate around the factors that, more than others, may affect the divergences (e.g. total adjustments) between the surplus/deficit in governmental and national accounting which could be considered a proxy for EU fiscal fragility. Between these factors, this study focuses on proximity of national regulation to the IPSAS.

New Zealand governmental authorities first regulated financial reporting with the Public Finance Act 1989 and then with the Local Government Act 2002. In addition, though originally developing standards that would apply exclusively to the private companies, the Council of the New Zealand Society of Accountants (Society) started developing a series of separate standards for the public sector in the late 1980s. These were later withdrawn starting because it was considered more convenient to develop only one type of standard that could be applied to both private and public entities, the so-called "sector-neutral standards" (1992). The underlying belief was that different accounting treatments are due to differences in nature of the transactions and not to the ownership type or to the objectives of the reporting entity (Bradbury & Zijl, 2007). As the New Zealand Society of Accountants is an associate member of the International Accounting Standards Committee (IASC) and also a member of the international group of standard setters known as the G4+1 it assimilated the need for international accounting harmonization that was leading to convergence with IASB standards. As a consequence, in December 2002, the Accounting Standards Review Board (ASRB) – the institute to which the Chartered Accountants New Zealand had to submit the financial reporting standards – announced that New Zealand reporting entities would be required to apply the International Financial Reporting Standards (IFRS) starting from the 1st of January 2007, with the option of being an "early adopter" of the IFRS starting from the 1st of January 2005. Although that decision was a reflection of European accounting regulation and was consistent with most of the international accounting regulations (more than 90 countries), it had a significant impact on the financial reporting of companies (Lombardi et al., 2016). It introduced several relevant changes to the established accounting principles, whose impact on the entities' reporting was difficult to forecast in a medium-long term perspective. To ensure the credibility and comparability of the financial reports, it was fundamental to adopt IFRS worldwide, but that adoption would become quite a complex task since it was to be made in compliance with the individual countries' laws and tax systems. Thus, some authors claimed that it would require several years to achieve full IFRS adoption and see its true results. Having developed its unique accounting system – also in terms of sector neutrality issues – New Zealand has created several GAAPs to adopt IFRS and observers are still investigating whether that process has rewards justifying the conversion costs, but above all, whether it satisfies the objective of true and fair view in accounting.

The main changes occurring in the reporting procedures were for the treatment of intangible assets, such as the removal of trademark evaluation, and the appreciation of intangibles (IAS 38), severance pay to be presented to the impairment test (NZ IFRS 3), but there was also a more rigorous classification of all items, such as those included in the liabilities and capital, recognition of employee entitlements (IAS 19), recognition of derivative financial instruments (IAS 39) for many public sector entities and the reassessment of deferred taxation for companies (IAS 12). The financial impact of the adoption of International Financial Reporting Standards (IFRS) on New Zealand companies has been analyzed by a few authors, who have focused on different players, aspects and values, such as the New Zealand listed companies, the public authorities (from the museums to the charities), the early adopter firms and also SMEs. Earnings, assets and liabilities increased after IFRS adoption and thus the value relevance of IFRS accounting numbers was marginally lower than that of NZ GAAP (Rainsbury & Walker, 2010).

The purpose of this research is to investigate the political aspects of standard setting IFRS, reviewing the evidence with a systematic literature review on the developments in New Zealand accounting standards in terms of public sector accountability. The paper is offering to the community an updated classification on the different opinions, also considering the year of publication (relevant range) and their importance (citation rate).

The paper has the following structure: the methodology is illustrated in Section 2. After having discussed the main results in Section 3.1, there are five sections (3.2-3.6) that describe the orientations of the literature regarding the five main topics encountered in the systematic literature review. Finally, the last section outlines the conclusions and the implications.

2. RESEARCH STRUCTURE AND METHODOLOGY

The research approach is to develop a systematic literature review (Okoli & Schabram, 2010). The literature review is based on an investigation of the economic literature about New Zealand accounting standards, especially considering the IFRS adoption. Since the ASBR was to be mandatory for the New Zealand reporting entities from 2007 (or 2005 for the early adopters) we based the research on 15 years, considering it as a relevant range for investigation (2003-2018). New Zealand had already developed some most unique accounting standards from mid 70's, having 15 years experience in the neutral accounting reporting system, and when the adoption of IAS/IFRS became mandatory for the reporting entities, many authors started investigating the effect of the changes in reporting. Harmonization was a necessary advancement to ensure international accounting comparability and transparency, which is fundamental to the globalized market. Nevertheless, impacting on different local regulations and laws, the implementation of IFRS was a gigantic task with results that can only be assessed after a few years. In the literature there is disagreement on the final benefits achieved by accrual accounting in the public sector and the effort to maintain it despite the IAS/IFRS adoption, also in terms of accountability and of fair and true representation (Mitchell, Smith, & Dana, 2009; Dana, 2011; Philippa & Jens, 2014). These explore themes such as international marketing, increased global competition, also on the airline companies, and empirical research on the boards of directors in New Zealand, which represents an export-focused economy dominated by small and medium-sized enterprises.

The research was made on three databases (Google Scholar, Social Science Research Network, Research Gate) because they have been selected amongst the most representative for the economic research. Using Google Scholar as a first database we found 181 articles that were relevant to the topic. Using the second database (SSRN) only 45 articles were relevant to the topic since most of the articles were duplicating the results that we obtained from the first database. Finally, using the third database we found 32 relevant papers because most of the results were duplicating the information, we obtained already by the first two databases. That is the reason why we chose not to insert more databases since the marginal contribution for each new database was considered very low.

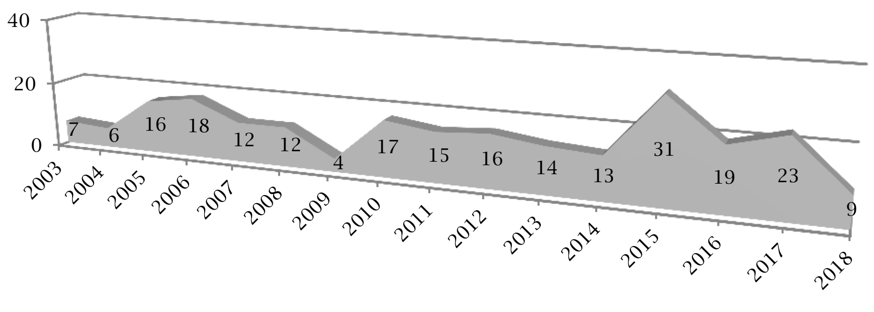
The second criteria to set the research was to look for three keywords on each database. We might have looked for more keywords, but the amount of results obtained using these three keywords was considered significant. To investigate the international literature on the topic, we analysed the following three keywords: NZ accounting standards, NZ annual report and NZ IAS. We investigated how many relevant publications were returned from by the search engines using these keywords as search criteria, noting the publication year; the editors and the importance of the paper in terms of citation rate. Finally, we identified five main arguments treated by scientific publications. The final goal was to analyze the major orientations in the literature so as to be able to define research conclusions. Out of the 320.501 results obtained on the three databases, we edited the sample by relevant year of publication, reducing it to 43.408 works. Those results were analyzed to select the final output, 258 scientific publications, comprising exclusively economic surveys related to the theme of New Zealand accounting principles and ignoring the double results.

Table 1. Aggregate results listed by the search engine

Database	*Results*	*Relevant (yrs)*	*Analyzed (subject)*
Google Scholar	319.400	42.570	181
SSRN	370	307	45
Research Gate	731	531	32
	320.501	43.408	**258**

For all the keywords analyzed, the relevant results appeared mainly within the first 8 pages returned, loosing relevance from that point on. Tracking the year in which the publication was made helped to focus the major periods in which the literature reported the topic. The output revealed the absolute majority of publications to be scientific articles. Listing the number of surveys found on the ordinate and the year of publication on the abscissa the following Figure 1 represents the distribution of scientific publications on New Zealand accounting over a period of time considered.

Figure 1. Graphical distribution of the literature over time



In 2003 and 2004 the scientific community's interest in the topic was starting to grow, thanks to the new changes that were about to occur in the accounting practice of the country. We recall that in 2002 the ASRB had already announced that the reporting entities would be required to apply IFRS from 2007, or from 2005 in cases of voluntary early adoption (see the Introduction paragraph). Starting from 2005 interest grew, with around a new pick in 2010. Nevertheless, only in the more recent years, the academic community focused the interest on the NZ model and on the public sector accounting research more generally speaking. Not all of the publications cover the same themes, and not all the authors consider that IFRS adoption in NZ had a positive influence in terms of true and fair representation. To weight the different academic point of views we subdivided the articles according to their importance, using citation rates as a proxy and also subdivided the sample into five main thematic groups:

- Public sector accounting;
- Intangible assets issues;
- Disclosure levels;
- Impact of IFRS on company reporting;
- Impact of IFRS application on SMEs.

There are 88 articles about government accounting in New Zealand. The results show a great interest in what has been defined as a pioneer country for public entity accounting.

Analyzing the citation rate of the papers, we established three ranges of importance according to their citation rates. Low range: from 0 up to 50 citations; medium range: from 50 to 100 citations; high range: more than 100 citations in research. Almost 30% of research papers about government accounting have a medium-high range of citations. Papers investigating New Zealand Public Sector Accounting are the most numerous and also attract a good level of interest by the observers. The literature about disclosure has a medium-high range of citation rate, while the fourth and fifth groups have a medium-high citation rate.

3. RESEARCH FINDINGS

3.1. Research findings

Analyzing the 258 articles pertinent to the topic, we classified them into groups according to their argument. In particular, we divided the articles into those mainly concerning public sector accounting (84 articles), those concerning intangible asset dynamics (25 articles), those about general disclosure levels (82 articles), those investigating the impact of IFRS adoption on the company reporting values (33 articles) and one last group of articles (24 articles) which considers the impact of IAS/IFRS on SMEs and other topics.

The subject of most articles is government accounting in New Zealand (33% of the surveys). In fact, New Zealand developed accrual accounting in the public sector from the early 90s and have been implementing a sector-neutral accounting approach for a long time. In 2007, when the adoption of IFRS became mandatory, the standard setters strived to save sector neutrality, but IFRS/IAS were released for private entity reporting. That implied some major changes in company reporting and the literature started investigating the effects of IFRS adoption, above all in terms of company values and public sector accountability. The second most frequent topic developed in the scientific literature (31%) is the Impact of IFRS adoption on company reporting. That subject is interconnected to the first one but is more generally treated to include all the reporting entities. The third subject in terms of number of publications is General Disclosure Levels (16%). However, the latter includes the most quoted articles, such as those written by Hossain, Perera and Rahman "Voluntary disclosure in the annual reports of New Zealand companies" published in 1995 by the Journal of International Financial Accounting and Management, which had 667 citations. The fourth subject treated in the literature is Intangible Asset Dynamics, in terms of calculation of goodwill and the other items categorized as intangible resources (10%). Finally, the last class regards the impact of IFRS/IAS adoption on SMEs in NZ and other topics, which accounts for around 10% of the total results. Moreover, we took note of the journals publishing the various surveys. The most frequent editors are the following four journals: International Journal of Business and Globalization, Pacific Accounting Review, Australian Accounting Review, Journal of Intellectual Capital and Journal of International Financial Management and Accounting, and the International Journal of Entrepreneurship and Small Business. In the following sections, we analyze the articles considered the most significant of the sample. We shall list them using the same five broad categories of their contents.

3.2. Public sector accounting in New Zealand

When considering the first class of articles, Public Sector Accounting, it is necessary to recall that New Zealand continues to set the world benchmark for public management (Newberry & Pallot, 2005). Authors investigated the effects of the Public Finance Bill in terms of public services, which are highly transparent and flexible in New Zealand. Bradbury and Baskerville (2008) studied the impact of IFRS adoption and the success of its application in a sector-neutral environment. Sector neutrality has been defined as an accounting criterion for which the difference in the accounting treatments is driven by differences in the nature of the transactions, not by ownership or by the objectives of the reporting entities (Bradbury & Zijl, 2006). In New Zealand sector neutral standards had been developed from 1993, thus they had been implemented for more than 10 years when IFRS adoption became mandatory in 2007 (2005 for the early adopters). The international standards had originally been developed only for profit oriented entities. Hence, several issues arose when applying them to the public sector. Laswad, Fisher, Oyelere (2005) identified a proxy for “agency costs” in the public sector by examining six variables of voluntary disclosure, such as company size and press visibility, in order to calculate and describe the agency relationship that motivates public sector managers to provide information. They pointed out that some New Zealand local governmental authorities voluntary provide financial information on their websites.

The public sector organizations have to respond to a call for accountability and some of the tools used to overcome performance related issues are process benchmarking, internal benchmarking and the increase of public documentation produced by the government entities. One example of best practice is given, for instance, by the Pharmaceutical Management Agency which is responsible for obtaining the best health outcomes achievable within the funding provided (Winn & Williams, 2005). In fact, starting from the early 90s, accrual accounting has been developed with the aim of reforming the public sector for the wider “New Public Management” (Barton, 2005; Ellwood, Newberry, 2007; Ouda, 2004 and 2005; Wynne, 2007). Despite that, budgeting in accrual terms in the public sector is one of the most controversial issues. There have only been three pioneer countries in the implementation of accrual budgeting and accounting, which are New Zealand, UK and Sweden

(Martì, 2006). Pina and Torres (2003) studied the transformations carried out by 16 countries in governmental accounting, taking the IPSAS as a benchmark. They described the numerous intermediate variants that counties develop, between the extreme configuration of cash accounting on one side and the full accrual accounting on the other side, as in New Zealand. Whether accrual-based techniques should be adopted by public sector entities is a moot question (Carlin, 2005).

Coy and Dixon (2004) defined a "Public Accountability Index" (PAI), this being a disclosure index from a public accountability perspective. They calculated it for the annual reports of the New Zealand Universities, from 1985 to 2000. Hooper, Sinclair and Hui (2007) investigated the financial reporting made by the New Zealand charities to move towards public access to the financial information of the charities (Charities Act, 2005). The reporting practices of museums were analyzed by Wei, Davey, Coy (2008) who developed a balanced scorecard on 16 NZ and UK museums. As a result, they found that these public entities were reporting internal process data more accurately rather than growth information and learning paths. To sum up there are two main academic orientations about accrual accounting in the public sector and about sector neutrality. The first one supports the thesis that it is necessary to reform the public sector, because of the greater level of transparency and accountability (Barton, 2005; Ellwood & Newberry, 2007; Lombardi et al., 2012; Ouda, 2004 and 2005; Wynne, 2007). Carnegie and West (2005) talk about the need to make accounting itself more accountable within the public sector.

On the other hand, though, there are other authors that support the opposite theory. Wynne (2008) points out that although a significant range of benefits are available to governments which move from cash accounting to accrual-based accounting, only a few countries have adopted that reform (New Zealand, UK, Sweden and Australia) and only a few benefits have been achieved through its application. His study reinforces the growing skepticism on the value of a full transition to accrual accounting and budgeting, also considering the substantial cost of moving to accrual-based accounting. With respect to the countries that adopted accrual accounting for the public sector Dorotinsky (2008) claims that if they knew then what they know now, the move to accrual accounting may never have taken place.

Moreover, Bradbury and Zijl (2007) highlights that the decision to adopt IFRS was made in the expectation that sector neutrality could be kept in New Zealand reporting. But to apply NZ IFRS to the public sector, additional requirements would have been necessary and may have led to the end of sector neutrality. Grossi, Pepe (2009) claimed that New Zealand, as well as Australia, added paragraphs to IFRS for its application to the public sector (i.e. NZ IAS 27, NZ FRS 37 and IPSAS 6). Considering the choice between internal or external development, compared in the public and the private sector, Janjua and Ahlbacher (2015) demonstrated that in both sectors in general directors are relatively more sensitive to external developments than to planned internal changes and that only a small difference was found in terms of degree of perception of managers working in private and public sector entities.

To sum up, financial reporting standards for the public sector based on the New Zealand's 21st-century experience shows that New Zealand was seen as world-leading when public sector financial reports were prepared using sector-neutral accounting standards from 1995 onwards, but standard-setter's approach was unsuccessful in meeting public sector users' needs. The development of a new strategy finalized in 2012 has created a multi-standards framework, including adapted IPSASB standards applicable from 1 July 2014. While neutrality is still prized, it is within a framework of meeting users' needs (Cordey & Simpkins, 2016).

3.3. Intangible asset reporting in New Zealand

The second topic reported is the Intangible Asset Dynamics. Austin (2007) calculated the reported intangible assets from New Zealand listed companies in 2005. In nearly all cases the intangibles were purchased and on average the disclosed intangible assets represented 10,9% of the total assets. "Internally generated" intangibles have caused recognition problems because of a perceived lack of a relation between their costs and specific future revenues. This shows a focus of reliability over relevance. In fact, IAS 38 issued in 1998 and adopted in New Zealand starting from 2007 clearly excludes internally generated intangibles from the company reporting. Therefore, some larger firms in New Zealand were required to make major changes to their financial statements after IFRS adoption, having to exclude their capitalized brands, mastheads and publishing titles (i.e. Lion Nathan and APN). Whiting and Miller (2008) described the extent and type of voluntary disclosure of intellectual capital in New Zealand. They tested a relationship that exists between the hidden value, which is the difference between market value and book value, and its voluntary disclosure. Developing a content analysis on 70 listed firms, they demonstrated that only revaluing firms show a significant positive relationship between the level of hidden value and voluntary disclosure of intellectual capital (IC). Schneider and Samkin (2008) investigated the quality of intellectual capital disclosure in the New Zealand local government sector. They found out local authorities disclosing some aspects of intellectual capital in their annual reports. They constructed an intellectual capital disclosure index (ICD) through a stakeholder consultation process, regarding the annual reports of 82 government authorities. The ICD index includes 26 items divided into three classes: internal capital, external capital and human capital. The most reported group was the internal capital (joint ventures, collaborations and management processes), while the least reported were found to be intellectual property and human capital. Guthrie, Abeysekera (2006) used content analysis to study social and environmental accounting and to track social environmental reporting (SER) and intellectual capital reporting (ICR). Finally, recent research is focusing on entrepreneurship as one of the fundamental intangible assets. Despite its role in innovation (Rao, 2015), the proxy measures for entrepreneurship only explain a small part of the technological innovation.

3.4. Disclosure levels in New Zealand

The third argument is strictly related to the previously mentioned topics but is about the general Disclosure Levels in company reporting in New Zealand. Oyelere, Laswad, Fisher (2003) identify the internet as a medium for transmitting financial reports and for voluntary disclosure by New Zealand firms. They showed that internet financial reporting (IFR) is influenced by several variables such as the size, liquidity, industrial sector and spread of shareholding but is not influenced by the leverage, profitability and internationalization. Hossain, Perera, Rahman (1995) said that voluntary disclosure is of interest to prospective investors. They tested five company characteristics in relation to the voluntary disclosure in New Zealand firms: size, leverage, assets in place, type of auditor, foreign listing. They demonstrated that the foreign listing status and leverage are significantly related to the extent of voluntary disclosure. To calculate a total compliance index (TCI), Ali, Ahmed, Henry (2004) evaluated the degree of compliance with disclosure by 14 national accounting standards. They found a significant variation in the overall compliance levels across countries. Moreover, they showed that compliance is related to company size, profitability and multinational status; while it is not related to leverage and auditor type. Corporate disclosure compliance levels in the periods after the enactment of the Financial Report Act (1993, FRA) were significantly higher (Owusu-Ansah & Yeoh, 2005). By examining the disclosure narrative contained in the annual reports of the New Zealand firms from 1987 to 2006, Samkin, Schneider (2010) were able to claim that the annual report of a public benefit entity plays an important legitimizing role. Finally, Chapman and Milne (2003) analyzed the New Zealand voluntary disclosure using a triple bottom line approach, finding that the existence of a regulatory framework for company disclosure does not ensure compliance, as later claimed by Yeoh (2005).

To the extent that higher quality accounting standards reduce the cost of equity capital (M. Houqe, R. M. Monem, T., Van Zijl, 2016) the result suggests that IFRS is a higher quality set of accounting standards than pre-IFRS New Zealand GAAP.

Kidwell and Lowensohn (2018) aimed to identify stakeholders unique to government and they found that participants came from various stakeholder groups. The primary financial statement preparers – finance officers – were the most frequent individual respondents; however, there was participation from a wide variety of stakeholders. Responses are generally constructive and relatively consistent in their balance of favorable and unfavorable feedback over time, with a few exceptions. Closer examination of comment letters in response to the financial projections PV document reveals both conceptual and practical considerations underlying respondent participation. They examined who participates in the GASB comment letter process, assess the nature of GASB comment letter participant responses, determine whether relative participation by stakeholder group is relatively constant over time, and consider why the participants respond.

3.5. IFRS impact on New Zealand reporting values

The fourth topic concerns the impact that IFRS adoption had on company reporting. The literature contains general disagreement about IFRS Impact on New Zealand accounting and accountability. Chand, Patel (2008) pointed out that numerous countries adopt IFRS, but the approaches used for convergence continue to differ significantly across countries. They investigated the relationship between country characteristics and the selection of an appropriate approach for the adoption of IFRS. Street (2006) investigated the objectives and mission of the independent working group of accounting standards setters, G4+1, which had been developed thanks to contributions from five countries: Australia, New Zealand, Canada, UK and USA. Velayutham (2003) recalling the necessity for a code of ethics through which a profession guarantees integrity and reputation, points out that the ethics code has moved from moral responsibility to technical specifications for products. Thus, he stated that in accounting requirements there is the replacement of the “true and fair view” by a “compliance with accounting standards” and therefore the code of ethics would more appropriately be called “code of quality assurance” rather than code of ethics. Stent, Bradbury, Hooks (2010) examined the impact of adopting NZ IFRS on financial statements during 2005 to 2008 on a random sample of 56 companies (16 of those were early adopters). They demonstrated that 98% of the companies have been affected by NZ IFRS adoption and that the impact can be large for some larger entities, even though for most of the companies the impact was relatively small. Kabir, Laswad, Islam (2010) also analyzed the impact of IFRS adoption in New Zealand. They demonstrated that the values of total assets, total liabilities and net profits increased significantly under IFRS adoption. The profits increased through the adjustments for goodwill and decreased through adjustments for employees benefits and share-based payments. The accruals were higher under IFRS, thus suggesting a lower earnings quality.

The review finds that over time, the trends of PSAR have been changed and have been enriched from different areas. While once the publications used to concentrate more on the adoption of developed standards, a number of contemporary researches concentrate on comparative adoption, innovation in practice and probable integration with the new areas (Salah Uddin Rajib & Hoque, 2016).

Accounting has become a powerful conduit for the exercise of the neo-liberalism reforms by the government and implemented by managerial control over public tertiary education institutions (Narayan and Stittle, 2018).

3.6. The impact of IAS/IFRS adoption on SMEs in New Zealand

The fifth topic is mainly focused on investigating the Impact of IAS/IFRS adoption on SMEs, as well as some other topics, such as the international comparisons of some specific accounting issues. Focus on both small and medium business (SME) and micro, small and medium enterprises (MSMEs) has been growing worldwide with scholarly research making contributions to the management of the most developed corporate structures. Some authors studied factors unique to specific regions that are associated with the cultural environment (Thampi et al., 2015).

Hamilton and Dana (2003) pointed out that the role of small business should increase in New Zealand because greater globalization required the transformation of businesses from agricultural-based to knowledge-based. In fact, in 2001 the government gave substantial funding to the implementation of a policy to encourage entrepreneurship, considering that more than 85% of the businesses were micro businesses and that a high level of foreign ownership meant that billions of dollars were being remitted out of the country. They claimed that such initiatives to improve technological sophistication and international competitiveness are the key to the future, and to closing the "sophistication gap".

Scott-Kennel (2013) analyzed how patterns of internationalization from a small open economy are changing in response to global environmental pressures and revealed that over one-third of New Zealand firms experienced dramatic change to their international activities and resources, initiated by divestment or change of ownership. The key for NZ to increase its export propensity is greater competitiveness, but many small firms have had little success at exporting, and since the liberalization of imports, some of them have preferred to internationalize by becoming involved in importing, rather than exporting (Dana & Dana, 2004). Despite its dimension, the New Zealand economy is very dynamic, with a highly open approach to accessing to the international markets with multilateral, bilateral and regional agreements and strong support for internal investments in R&D (Infomercatiesteri Farnesina, 2015).

4. CONCLUSION

Over the past two decades, research on public sector accounting has seen rapid growth. Despite the relatively large number of publications to date, no systematic research overview has been created, leaving the body of literature somewhat unstructured and possibly hampering future research. This article fills this void by providing a systematic literature review of 258 publications that examines five key aspects of the literature on the New Zealand's 21st-century experience.

This systematic literature review based on 15 years of scientific publications, initiates from the consideration that the accounting harmonization process has been the main accounting advance of recent times, thanks to the IAS/IFRS adoption made by more than 90 countries worldwide. On the other hand, each country has developed some specific local laws and regulations, tax systems and financial policies before the adoption of the international principles, implementation of IFRS might be not as easy as it seems. Thus, it is only possible to make reasoned considerations for individual counties some years after the harmonization process.

New Zealand is a particularly interesting case study, having developed, mainly jointly with Australia, an advanced accounting system a few years before the international harmonization took place. New Zealand has had in some ways a unique evolution in accounting principles. From 1974 New Zealand Society of Accountants started issuing standards. In the late 1980s, the Society commenced development of a separate series of standards for the public sector. Shortly after the Public Finance Act 1990, the public sector standards were withdrawn, and the Society started to develop standards that would apply to both the private and the public sector (sector-neutrality). When the adoption of IFRS became mandatory in 2007 (or voluntary starting from 2005) sector-neutrality had been maintained for more than 15 years and it was already fully developed. New Zealand government accounting is based on accrual accounting, which is typically implemented by private entities.

Is the purpose to achieve reform in the public sector by using the reporting practice of the private sector to deliver a higher level of transparency and accountability to public finance, possible to translate into those countries that have a cash-based accounting system for public entities?

It would be a laborious harmonization process and not cost free. Some authors demonstrated with an empirical work that a high proportion of the NZ public sector entities believe that the benefits of reporting exceed the costs (Laswad & Redmayne, 2015); and some others support the implementation of accrual accounting based on asserted enhancements to accountability, even though such reforms were largely untested in the public sector (Christensen, Newberry, & Potter, 2018).

Recently, some governments adopted accrual accounting and International Public Sector Accounting Standards (IPSAS), some adopted modified International Financial Reporting Standards (IFRS) while others continued with cash-based accounting. NZ decided to adopt a sector specific standard setting approach with multiple tiers for each sector. The for-profit sector will continue to follow IFRS but reporting standards for the public sector will be based on IPSAS. An empirical study demonstrated that the companies would maintain IFRS as a basis for reporting in the NZ public sector. However, IPSAS modified to NZ conditions is also perceived as an acceptable option by respondents in this study "the income statement is the most useful statement while cash flows appear to hold little value" (Laswad & Redmayne, 2015). On the other hand, the process that led the European Commission to the decision to develop European Public Sector Accounting Standards (EPSAS) for harmonizing public sector accounting practices within the European Union found a limited scope in terms of stakeholder participation in the public consultation that served as a basis for the decision literature (Pontoppidan & Brusca, 2016).

The systematic literature review underlined five main topics in the academic community: Public Sector Accounting, Intangible Asset Dynamics, Disclosure Levels and IFRS Impact on Company Reporting, plus one residual class made of mainly on the impact that IFRS has on SME. The result shows that the interest of the academic community has persisted into recent years. For each topic, the research weighs its importance by providing the percentage of all studies by topic and shows that the main subjects studied are government accountability, followed by IFRS impact.

The academic community is divided between those that claim that higher quality accounting standards reduce the cost of equity capital, and that IFRS is a higher quality set of accounting standards than pre IFRS New Zealand GAAP (Houqe, Monem, & Van Zijl, 2016) and those that claim that most of the benefits that should have come from accrual accounting in the public sector have not occurred (Dorotinsky, 2008; Wynne, 2008).

The paper aims to review the public sector accounting research (PSAR), through the review of the papers published from 2003 to 2018 on the NZ sector neutrality model.

Reforming the PSA helps decision usefulness, reducing information asymmetry. While the researches on public sector accounting used to concentrate more on the adoption of developed standards, a number of contemporary researches concentrate on comparative adoption, innovation in practice and probably integration with the new areas (Salah Uddin Rajib & Hoque, 2016).

We suggest a mixed structured accounting type, positioned between full accrual accounting and cash accounting, as practiced in most countries, would be more efficient. Our research supports the academic community by providing the complete framework of international literature about NZ accounting. It represents a contribution to the extant literature by providing a synthesis of New Zealand accounting developments and results after the adoption of IFRS. It aids in understanding how patterns of internationalisation from a small open economy are changing in response to global environmental.

The systematic literature review presented suffers some limitations, such as the methodology that may need to be extended to a larger number of databases and keywords. We looked on three main databases for three keywords but extending the research to more keywords would have granted a larger amount of data and a more significant output. A suggestion for further researches is to look for the five keywords of the present paper or of those of the main literature on the topic. Moreover, it might be included in the research also some specific keywords related to the public sector accounting, so to focus on the most important topic revelated by the present work.

Another limitation is the kind of approach to present the literature review, rather than an open discussion or an empirical analysis.

Moreover, the length of time might be increased up to twenty years. Finally, the focus of the paper is mainly on NZ accounting standards, while further researches might be addressed also on Australia, Asia and Europe to allow a wider comparison. Thus we suggest further insights could be made regarding comparison with other countries and the development of a more detailed analysis of each NZ IAS/IFRS. Despite its dimension, the New Zealand economy is very dynamic and characterized by an open approach, that should be certainly emulated by Italy.

In conclusion, the reform of the public sector accounting can make significant accounting change and appears inevitable (Christensen, Newberry, & Potter, 2018). The possible advantages of introducing accrual accounting for governments in the context of European states is crucial above all for meeting users' needs. The contribution of the paper is to add evidence to the debate on costs versus benefits on the introduction of IPSAS as a possible reporting framework also for those countries that are anchored to cash-based accounting in the public sector.

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