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Applying IFRS Mandatory: Evidence from Greek Listed Companies

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Abstract:

The aim of the present study is to record the attitude of Greek listed companies towards the mandatory adoption of IFRS, in Greece. In this context, a questionnaire was send to the listed companies of the Athens Stock Exchange (ASE) in 2008. The 135 responses revealed the advantages of the mandatory adoption of IFRS for firms, the problems and the obstacles that they face for their implementation and their perceptions regarding how IFRS affect investors. In addition, it is examined whether the firms specific characteristics (size, profitability and the level of fixed assets) affect their attitude to IFRS.

Key Words: *International Financial Reporting Standards (IFRS), Greek Listed Firms, Greek Accounting Standards (GAS), Mandatory Adoptions, Account Preparers*

JEL Classification*: M41, M49, F23*

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1. Introduction

The existing literature regarding International Financial Reporting Standards (IFRS) is quite extensive. However, the majority of the studies that examined IASB accounting standards have investigated the quality of financial statements from the investors' perspective. Specifically, many empirical studies have examined how IFRS affect the value relevance of accounting information (e.g. Harris and Muller, 1999; Sami and Zhou, 2004; Lin and Chen, 2005; Bartov, Goldberg and Kim, 2005; Hung and Subramanyam, 2007; Bellas et al., 2007; Barth, Landsman and Lang, 2008; Horton and Serafeim, 2010; Papadatos and Bellas, 2011; Papadatos and Makri, 2012), the level of earnings management (e.g. Van Tendeloo and Vanstraelen, 2005; Zimmerman and Gontcharov, 2007; Barth et al., 2008), the predictability of earnings by financial analysts (Asbaugh and Pincus, 2001) etc. Nevertheless, very few researches have investigated the perceptions of those directly affected by the accounting transition, i.e. the preparers of financial statements (account preparers). In this context, the present study records, via a questionnaire that was sent to the listed companies of ASE, the beliefs of account preparers for IFRS in Greece.

Greece seems to be an interesting case to focus on because the domestic accounting system (code low) had traditionally a completely different philosophy and orientation from that of IFRS (common low). Specifically, the Greek Accounting Standards (GAS) are stakeholder-oriented while IFRS are shareholder-oriented. In particular, given that GAS are based on the French-German accounting model, emphasize on the protection of creditors, tax transparency and apply only the method of historical cost. On the other hand, since IFRS are based on Anglo-Saxon accounting principles, they target on the protection of investors and introduce the method of fair value accounting.

The present research has adopted a different approach for the examination of IFRS. The fact that the survey took place three years after the mandatory adoption of IFRS, provides the ability to record the unbiased and clear opinion of Greek listed companies, since any initial excessive optimism or unjustified reluctance to IFRS has been reduced. In other words, after the practical experience of three years, firms are expected to have formed a clearer picture of IFRS, which makes the results of our survey more secure. The vast majority of studies that has examined the opinion of account preparers, given that they have taken place before 2005, presented results in terms of what firms expected from the mandatory application of IFRS. On the contrary, the present study was carried out three years after the mandatory adoption of IFRS in Greece, therefore it extends the existing literature by examining the real consequences of accounting transition and not what it is expected to happen in the future. Although there are surveys which present the opinions of firms that apply IFRS, these studies examine firms which adopted IFRS voluntarily and not mandatory. However, the conclusions of these researches should not be generalized and considered applicable to all firms in the economy. According to bibliography (e.g. Christensen et al., 2007; Tarca, 2004; Ashbaugh, 2001; El–Gazzar et al., 1999; Gassen and Sellhorn, 2006; Dumontier and Raffournier, 1998; Murphy, 1999) firms which implemented voluntarily the new accounting standards, have specific characteristics and different motives from others, thus different attitude towards IFRS (Soderstrom and Sun, 2007). In addition, the present study extends the examination of the consequences of IFRS mandatory implementation by investigating whether the results are the same for all firms. In other words, whether and to what extent the respondents' beliefs are differentiated by firm specific characteristics; namely, the size, the profitability and the level of fixed assets.

The rest of this study is organized as follows: Part 2 provides a detailed description of the related bibliography. The data and the sample of companies are presented in Part 3. Part 4 analyzes the methodology that was applied. The results of the study are shown in Part 5. The study ends with the conclusions in Part 6.

2. Literature Review

One of the first studies that examined the attitude of account preparers for IASB accounting standards, was that of Glaum (2000). By sending a questionnaire to 40 German firms, it was found that managers have been in favor of IFRS, advocating to the view that for years, German Accounting Standards were an obstacle to the demand for German shares from foreign investors. The German market was also examined from Weibenberger et al. (2004), by investigating the motives of companies that implemented IFRS voluntarily. According to 83 respondents, the reasons that led firms to adopt the new standards voluntarily was mainly the increase of transparency in financial statements and the attractiveness for institutional investors, the improvement of comparability to industry peers, the enhancement of diversification and internationalization of investor community. By contrast, the planning for foreign listing and the reduction of cost of capital seem to be disregarded.

The investigation of Mazars (2003), examined the attitudes of European companies, a few months before the mandatory adoption of IFRS. Through a sample of 249 listed companies coming from eight EU countries, it was detected the expectation that IFRS will bring more transparency and credibility in financial statements and that there will be an opportunity to improve their internal organization. On the other hand, the complexity of IFRS and their continuous modifications were identified as problems, making the accounting changeover a long and costly process. Similarly, Jermakowicz and Tomaszewski (2006) examined the perceptions of European companies over IFRS, one year before their mandatory implementation. Using a sample of 112 large companies coming from eight EU countries, they found that the main expected benefit from the conversion to IFRS was the opportunity for better comparisons with other companies and greater reporting transparency. On the contrary, the high cost of transition, the increased volatility of earnings, the change of the existing information systems, the complicated nature of particular standards and the need for continuous training of personnel, were identified as disadvantages. Jones and Higgins (2006) focused on the large companies of Australia, two years before the adoption of IFRS. In general, their findings revealed a serious doubt about the worthiness of transition. In particular, they claimed that costs will exceed the benefits of the accounting transition and that mainly large firms are in favor of IFRS.

Additionally, PricewaterhouseCoopers (2003) examined exclusively the perceptions of 83 financial institutions, two years before the mandatory application of IFRS in the EU. The survey revealed the conviction that the new standards will increase transparency in financial statements, will improve corporate governance and will facilitate the raising of capital from abroad and the assessments of companies that are potential acquisitions targets. Nevertheless, the research recorded the need for investments in information systems and the risk of increased volatility of results.

Mazars (2005), through a sample of companies from 12 EU countries, recorded their attitude during the initial introduction of IFRS in EU. Although the results were not the same for all countries, the increased comparability of financial statements was identified as one of the main benefits of transition. On the other hand, the complexity of new standards was recorded as an obstacle. However, no clear aspect of view was recorded on whether the benefits will exceed the costs of the accounting transition.

Contrary to the above studies, Tyrral et al. (2007) focused on the developing economy of Kazakhstan. The creation of favorable conditions for the introduction of companies in foreign markets, the improvement of transparency, reliability and comparability of financial statements and the increase of foreign direct investments, according to the survey are some of the benefits from IFRS introduction. However, the complexity of many IFRS, the necessity for improvements of information systems, together with the hard and long process of personnel training, makes the accounting transition challenging and time consuming. Aljifri and Khasharmeh (2006) were also focused on a developing economy, United Arab Emirates (UAE). According to 57 responses, the benefits from the application of IFRS coincide with that of Tyrral et al. (2007), as the improvement of comparability and reliability of financial reporting and the increase of Foreign Direct Investments were recognized as such.

BDO et al. (2003), investigated the attitude of professionals in the six largest accountancy firms in 59 countries during 2002. The survey, found that there are many reasons that impede the implementation of IFRS, the most important of which is the complicated nature of particular standards. Furthermore, the different orientation of IFRS with many national accounting standards, the insufficient guidance on first-time application of IFRS, the limited development of many capital markets, the general satisfaction of investors with national accounting standards and the difficulties in translation of IFRS, were found as obstacles for the accounting transition.

Lantto (2006) studying the market of Finland a few months before the publication of the first financial statements under the new standards, investigated whether the accounting information under IFRS is more useful than under the domestic standards. According to the survey, managers believe that only half of the accounting information reflects the true and fair value and hence, is useful. In addition, regarding information requiring personal judgments from account preparers, managers expressed doubts for their reliability.

Opposed to the above studies, Coppens et al. (2007) focused on Belgium and Joshi and Ramadhan (2002) on Bahrain, and examined the perspectives of unlisted companies about IFRS. Although their conclusions are not directly comparable with our study, it is mentioned that the improvement of comparability of financial statements is recognized by both studies as one of the major advantages of IFRS for unlisted companies.

With regard to Greece, the existing literature in the field of IFRS is very limited. However, even fewer researches focused on the attitude of account preparers. One of them was the study of Floropoulos (2006), which explored the issue of de facto accounting harmonization of Greek companies with IFRS before the mandatory introduction in 2005, through a sample of 39 (listed and non-listed) companies. The results showed that the use of IFRS was constantly low among Greek companies and that accountants did not have the necessary experience and knowledge regarding the new accounting regime. More extensive was the study of Grant Thornton (2003). Specifically, the responses of 105 listed companies in ASE were presented, two years before the mandatory accounting transition of 2005. In essence, results showed that although the level of acceptance of IFRS by Greek companies was satisfactory, the degree of readiness of Greek firms was quite low. Consequently, there is not any research, up to know, which examines the perspectives of account preparers in Greece, after the mandatory adoption of IFRS. The present study contributes to fill in this gap in the literature.

3. Sample and Data

In order to capture the attitude of account preparers towards the accounting transition, we sent a questionnaire to the listed companies of ASE. Specifically, we sent questionnaires to 317 companies in the ASE, which applied the new standards mandatory. The timing of the survey was between 01/10/2007 and 26/02/2008 and the questionnaires were sent via email and fax. We received 135 completed questionnaires and the response rate was 43%. According to the literature, a response rate above 30% is considered acceptable (Cooper and Schindler, 2000). As shown in Table 1, firms that completed the questionnaire came from the 17 industry categories of ASE. Therefore, given the small size of the Greek capital market, our sample of 135 companies is considered reliable in order to draw safe conclusions for the firms of ASE. It should be mentioned that the questionnaires were completed either by financial directors or by accounting managers or both.

Table 1. Industry background of respondent firms

SECTOR	N	%
Oil & Gas	3	2,2%
Chemicals	1	0,7%
Basic Resources	12	8,9%
Construction & Materials	12	8,9%
Industrial Goods & Services	16	11,9%
Technology	12	8,9%
Personal & Household Goods	24	17,8%
Health Care	2	1,5%
Retail	9	6,7%
Media	6	4,4%
Travel & Leisure	6	4,4%
Telecommunications	1	0,7%
Utilities	1	0,7%
Food & Beverage	13	9,6%
Financial Services	11	8,1%
Insurance	2	1,5%
Banks	4	3%
TOTAL	**135**	**100%**

4. Methodology

As mentioned above, the purpose of this study was to examine the beliefs of Greek listed companies about the accounting standards of IASB. In this context, our questionnaire was divided into three sections. The first section included questions regarding how IFRS affect the management of the companies. In the second one, we recorded the problems and the obstacles that companies face when implementing IFRS. Finally, in the third section we included questions that examined how listed companies believe that IFRS affect investors and market participants in general.

For the majority of questions, the answers were measured on a five-point Likert scale from 1 to 5. Where 1 "Strongly Agree", 2 "Agree", 3 "Neutral", 4 "Disagree" and 5 "Strongly Disagree". For each of the questions we present the median, the standard deviation and the most frequent answer (mode). Moreover, for each median we applied the non-parametric one sample Wilcoxon test, in order to examine whether the median for each question differs significantly from the value 3, that is, the value that indicates neutrality. Therefore we investigate whether the medians differ significantly from the value 3, at the conventional levels of statistical significance 1% (***), 5% (**) and 10 % (*).

Moreover, in order to receive more information about the consequences of the mandatory adoption of IFRS in Greece, we examined whether the responses of firms are affected by various firm specific characteristics. Given that many studies (e.g. Aljifri and Khasharmeh 2006; Goodwin and Ahmed, 2006; Jones and Higgins, 2006; Floropoulos, 2006; Dumontier and Maghraoui, 2007; Papadatos and Bellas, 2011) investigated IFRS in relation with firm size, we firstly examined whether the size of the companies affects the perceptions of account preparers over the accounting changeover. Aljifri and Khasharmeh (2006) concluded that firm size has a significant positive effect on the level of adoption of IFRS. Moreover, Jones and Higgins (2006) found that the extent of knowledge of IFRS is lower for smaller firms and Papadatos and Bellas (2011) recorded different results on value relevance between small and large firms in Greece. Generally, the main argument of the above studies was that smaller firms have limited ability to access the necessary accounting skills required for the implementation of IFRS, due to lack of resources. Given this limitation, AICD (2004) argued that smaller firms should be given more time to implement the new accounting standards, since the cost of implementation is greater for these firms. Additionally, Dumontier and Maghraoui (2007) found that IFRS do not increase the information content of small, but only of large firms' financial statements and Floropoulos (2006) concluded that large and medium-sized firms, in contrast to small, tend to comply with the requirements of IFRS at a greater extent. Due to the aforementioned findings, we expect smaller firms in ASE to have limited access to the required specialized accounting skills needed for the IFRS implementation, due to lack of resources and this may have led them to more negative attitude towards IASB's accounting standards. Therefore, we state the following hypothesis:

H1: Smaller firms have more negative attitude towards IFRS

In this context, like Aljifri and Khasharmech (2006) and Goodwing and Ahmed (2006), we divided our sample into three subgroups (small, median and large firms) according to their size, as measured by their total assets. Thus, via the non-parametric Mann - Whitney test, we compared the responses of small and large firms. It should be noted that in order to lead to even safer conclusions, total sales were also used for the measurement of firm size. Their untabulated results were identical to those of total assets.

Similarly, we examined whether profitability affects the perceptions of account preparers. Given the cost of IFRS implementation we expect low-income firms to have more negative attitude towards the new accounting standards and therefore we form our second hypothesis:

H2: Low income firms have more negative attitude towards IFRS

Therefore, we divided our sample into three subgroups (low, medium and high-income firms), based on earnings before taxes and through the non-parametric Mann - Whitney test, we compared the responses of low and high-income firms.

Finally, we examined whether the level of fixed assets affects the responses. It is known that many IFRS, such as IAS_16, IAS_17, IAS_40 and IAS_36 are directly related to fixed assets and cause significant changes compared to GAS. In this context, Bellas et al. (2007) revealed that the accounting figures mostly affected by the mandatory application of IFRS in Greece are the tangible assets and the fixed assets. Furthermore, Papadatos and Bellas (2011) recorded different results between the value relevance of firms with low level and firms with high level of fixed assets in Greece. Given the above discussion, we expect to record significant deviations between the responses of firms with low level of fixed assets and firms with high level of fixed assets. Thus we form the following hypothesis:

> *H3: The attitude of firms with low level of fixed assets towards IFRS is different from firms with high level of fixed assets*

Therefore, we divided our sample into three subgroups (firms with low, medium and high level of fixed assets) according to the ratio of fixed assets to total assets and again through the non-parametric Mann - Whitney test, we compared the responses of firms with low and high level of fixed assets.

5. Results

5.1 Total Sample

This subsection summarizes all the responses of the firms (135) that answered the questionnaire. Table 2 presents the answers of the first section of the questionnaire, that is, how the implementation of IFRS has affected the management of firms. The first column presents the questions, the second one the acceptance rates of each question, the third column the rates declaring neutrality and the fourth column the rejection rates. The mode of each question is presented in the fifth column and the last column records the statistical test (One sample Wilcoxon Test) on whether the median is significantly above or below the neutral value of 3.

Table 2. IFRS and the management of firms

Question	Accept	Neutral	Reject	Mode	Median
A1. IFRS provide companies with more accurate information about them.	95%	4%	1%	2	***<3 (0.000)
A2. IFRS facilitate the access of firms to foreign capital markets	90%	9%	1%	2	***<3 (0.000)
A3. IFRS facilitate the decisions for Mergers & Acquisitions, since firms can better assess the financial position of others	88%	10%	2%	2	***<3 (0.000)
A4. IFRS facilitate the comparisons between firms and their competitors and therefore they can better assess their position in the industry	86%	11%	3%	2	***<3 (0.000)
A5. IFRS improve corporate governance	67%	25%	8%	2	***<3 (0.001)
A6. With IFRS the management of the companies have greater flexibility to capture financial figures and select accounting principles	60%	17%	23%	2	***<3 (0.001)
A7. IFRS improve the process of internal auditing	58%	31%	11%	2	***<3 (0.001)
A8. IFRS improve the internal organization of the companies	44%	36%	20%	2	***<3 (0.001)
A9. IFRS reduce the cost of capital	22%	57%	21%	3	3
A10. With IFRS financial statements are prepared more quickly	9%	18%	73%	4	***>3 (0.01)

*Definitions: The first column presents the questions. The second the percentage of acceptance for each question, which is the summary of answers, "Agree" and "Strongly Agree". The third column the percentage of rejection for each question, which is the summary of answers, "Disagree" and "Strongly Disagree". The fifth the mode for each question (where 1 "Strongly Agree", 2 "Agree", 3 "Neutral", 4 "Disagree" and 5 "Strongly Disagree") and the last column records the statistical test (One sample Wilcoxon Test) regarding weather the median is statistically and significantly lower or higher than the neutral value 3. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

As recorded in Table 2, firms seem to have obtained many advantages from the implementation of IFRS. Specifically, the higher acceptance rate was recorded in the question regarding whether IFRS provide companies with more accurate information about them (A1). 95% of the firms responded positively, the most frequent answer (mode) is «Agree» and the median is significantly less than the neutral value of 3, at the 1%. This result confirms the findings of Petreski (2006) and Joshi and Ramandham (2002). According to Petreski (2006), this result is attributed to the fact that IFRS provide more understandable, comparable and reliable information for the assets, liabilities, revenues and costs of the companies. The same high acceptance was recorded in the question whether the application of new standards facilitates the access of firms to foreign capital markets (A2). This result seems to agree with the conclusions of Tyrall et al. (2007) and disagrees with those of Jones and Higgins (2006), Weibenberger et al. (2004) and Jermakowicz and Tomaszewski (2006). Similar results appear to the question whether IFRS facilitate the decisions for mergers and acquisitions, since firms can make a better assessment of the financial position of others (A3). The relationship between IFRS and mergers and acquisitions is also confirmed by Wu & Zhang (2006), who found that companies involved in mergers and acquisitions have an extra motive for IFRS implementation due to the increased need for financial information. Moreover, respondent firms recognize that accounting transition facilitates the comparisons between firms and their competitors and therefore can better assess their position in the industry (A4). This result is also reflected in the studies of Coppens et al. (2007) and Weibenberger et al. (2004).

Although with lower acceptance rates, account preparers recognize that IFRS improve corporate governance (A5), provide firms with greater flexibility to capture financial figures and select accounting principles (A6) and improve the process of internal auditing (A7). The improvement of corporate governance confirms the studies of Ball (2006), Preobragenskaya and McGee (2003), Jones and Higgins (2006) and PricewaterhouseCoopers (2003) and can be attributed to the nature of IFRS. Through the disclosure of more information with higher quality and increased transparency in general, IFRS force managers to act in favor of investors. The greater flexibility that IFRS provide the management to reflect financial figures and select accounting principles is justified by the completely different orientation of IFRS compared with GAS. It is known that IFRS are characterized by general principles rather than strict rules like GAS. Consequently, accountants and managers often use personal judgments for the preparation of financial statements and therefore have greater flexibility to capture the financial figures and select accounting principles.

The last question of the first section of the questionnaire which recorded acceptance from the respondents (the median is significantly lower than the value 3) refers to whether IFRS improve the internal organization of firms (A8). This result, confirms the findings of Mazars (2003), although contradict those of Coppens et al. (2007). In contrast to the above questions, companies do not seem to agree with the view that IFRS reduce the cost of capital (A9). Specifically, the most frequent answer (mode) is "neutral" and the median does not differ significantly from the value of 3. According to the theory, IFRS reduce the cost of capital of firms (Leuz and Verrecchia, 2000; Daske, 2006; Van Tendeloo and Vanstraelen, 2005). Nevertheless, although the answers contradict the theory, similar results have been reported in many comparables studies, like Jones and Higgins (2006), Weibenberger et al. (2004) and Jermakowicz and Tomaszewski (2006), raising questions about whether theory is consistent with practice, since the cost of capital is quite difficult to be measured.

Moreover, respondents do not agree with the view that after the accounting transition financial statements are prepared more quickly (A10). The most frequent answer is "Disagree" and the median is significantly greater that the value 3 (at 1%). Many studies (e.g. Van Tendeloo and Vanstraelen, 2005; Whittington, 2005; Rudhede and Wahlberg, 2003) conclude that IFRS facilitate the preparation of financial statements, at least for companies that are listed in many stock exchanges and have many subsidiaries abroad. However, the fact that there are very few Greek enterprises with listings on multiple foreign stock exchanges, justifies the above result. Another possible explanation is that only a few years have passed after the introduction of IFRS, hence, it is still very difficult for firms to adapt to the new conditions of IASB standards.

Concluding the first section of the questionnaire, firms were asked to rate the adoption of IFRS as a business priority (A11). As shown in Table 3, the majority (43%) states that it is one of the top business issues, 34% that is an important strategic process but not critical, 18% that is a technical issue but not a matter of strategic importance to the organization and 4% that is the top business priority. The same question has been also examined in other studies (e.g. Jones and Higgins, 2006 and PricewaterhouseCoopers, 2003). However, by comparing the results it is concluded that Greek companies lay more emphasis on the accounting transition, as 81% consider that IFRS exceed the limits of a technical issue. From our point of view this great emphasis of Greek listed companies on IFRS, has two explanations. From one hand, the significant differences between IFRS and GAS may create significant problems for IFRS implementation and therefore the transition is considered as an important process. On the other hand, the above result may reveal an opportunity for firms to benefit from the accounting transition.

Table 3. How does you rate the adoption of IFRS in your list of business priorities (A11)

Answer	Percentage
It is the top business priority	4%
It is one of the top business issues	43%
It is an important strategic issue, but not a critical one.	34%
It is a technical issue, but not an issue of strategic importance to the organization	18%
Do not know	1%

In the second section of the questionnaire, we included questions regarding the problems and obstacles that companies face when implementing IFRS. In the first one, account preparers answered what they consider as an obstacle for the implementation of IFRS (B1). As presented in Table 4, 59% of the respondents consider IFRS complicated, 35% that they have great extent and 24% that they change constantly. On the contrary, only 16% believe that none of the above is an obstacle for the implementation of the new accounting standards.

Table 4. Which of the followings do you consider as an obstacle for IFRS implementation (B1)

Answer	Percentage
IFRS are very complicated	59%
IFRS have great extent	35%
IFRS are constantly changing	24%
None of the above	16%

For this question more than one answer is allowed

The remaining questions of the second section of the questionnaire, are presented in Table 5. According to account preparers, some of the costs (conditions) of the accounting transition are the recruitment of new quality staff and the training of existing (B2) and the need for significant improvement of information systems (B3). In general, these results confirm the findings of the literature (e.g. Lantto and Silvola, 2007; Jermakowicz and Tomaszewski, 2006; Tyrall et al., 2007; Grant Thornton, 2003). The recruitment of new quality staff and the training of existing, reveal both the lack of knowledge of Greek enterprises for the new standards and the requirement of IFRS for more skills. Another reason for the above results is that IFRS are constantly changing, thus "forcing" companies to make continuous training of their staff. Additionally, account preparers agree that an obstacle was the way that IFRS were introduced in Greece. Specifically, the changes in the date of their introduction and the lack of clear instructions for their application seem to be accepted by the respondents, stating that the initial introduction of IFRS was hastily without proper preparation by the competent authorities (B4). However, it should be noted that respondents accept the decision of the Greek state to expand the compulsory implementation of IFRS from the consolidated to the individual financial statements of companies too (B5).

Table 5. Problems and obstacles for IFRS implementation

Question	Accept	Neutral	Reject	Mode	Median
B2. For IFRS implementation it is necessary for companies to recruit new qualify staff and train the existing	94%	4%	2%	2	***<3 (0.000)
B3. For IFRS implementation the improvement of information systems is necessary	81%	9%	10%	2	***<3 (0.000)
B4. The initial introduction of IFRS in Greece was made without proper preparation by the competent authorities	69%	17%	14%	2	***<3 (0.000)
B5. The mandatory adoption of IFRS should be restricted only to consolidated financial statements and not extended to individual financial statements	14%	10%	76%	4	***>3 (0.000)
B6. The implementation of IFRS is a hard process and may lead companies to be delisted from the ASE	17%	23%	60%	4	***>3 (0.000)
B7. IFRS have only benefits for firms with international operations	29%	18%	53%	4	***>3 (0.000)
B8. The costs of IFRS implementation are greater than the benefits	17%	43%	40%	3	***>3 (0.000)

*Definitions: The first column presents the questions. The second the percentage of acceptance for each question, which is the summary of answers, "Agree" and "Strongly Agree". The third column the percentage of rejection for each question, which is the summary of answers, "Disagree" and "Strongly Disagree". The fifth the mode for each question (where 1 "Strongly Agree", 2 "Agree", 3 "Neutral", 4 "Disagree" and 5 "Strongly Disagree") and the last column records the statistical test (One sample Wilcoxon Test) regarding weather the median is statistically and significantly lower or higher than the neutral value 3. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

Despite these significant obstacles (problems) for the implementation of IFRS, respondents clearly do not accept the view that the implementation of new standards is such a hard process that may lead companies to be delisted from the ASE (B6). Furthermore, account preparers contradict the belief that IFRS actually benefit only companies with international operations i.e. firms with many subsidiaries abroad, high foreign sales, listings on multiple foreign stock exchanges and the like (B7). However, in order to clarify further the attitude of respondents for the new accounting standards, we asked whether the costs of IFRS implementation are greater than the benefits (B8). The results show that only 17% accepts this view, 43% is neutral and 40% recognize that the benefits outweigh the costs. The optimism of Greek firms is also reflected in the median, which is significantly greater than the neutral value of 3 (at the 1%) and advocating in favor of the application of IFRS. This question has also been examined in the studies of Mazars (2005) and Jones and Higgins (2006). The comparison of results reveals that Greek enterprises record a more positive attitude, since only 17% believes that the costs exceed the benefits. Although a large percentage (40%) believes on the worthiness of the accounting transition, it should not be ignored that a greater percentage (43%) remained neutral.

In the last question of the second section of the questionnaire, firms evaluated what could have the best contribution to the implementation of IFRS (B9). As shown in Table 6, the convergence of tax legislation with the principles of IFRS is considered from the majority (42%) as the most important. Then the view that the cooperation of all involved parties is necessary (e.g. Companies, Auditing firms, Capital Market Commission) and finally the argument for more guidelines on the application of IFRS, modification of Greek Charts of Accounts and better and qualitative audit mechanisms.

Table 6. What measures contribute to better implementation of IFRS (B9)

Answer	Percentage
Convergence of tax legislation with the principles of IFRS	42%
Cooperation of all involved parties (e.g. Companies, Auditing firms, Capital Market Commission)	25%
More guidelines on the application of IFRS	13%
Modification of accounts of Greek General Charts of Accounts	10%
Better and qualitative audit mechanisms	10%

Finally, in the third section of the questionnaire we included questions regarding how Greek listed companies believe that IFRS affect investors and market participants in general. Table 7 records that account preparers recognize that IFRS provide investors with more reliable information (C1) and more transparent financial statements (C2). These results comply with the findings Mazars (2003), Tyrall et al. (2007), Grant Thornton (2003), Joshi and Ramandham (2002), Jermakowicz and Tomaszewski (2006) and others.

Table 7. IFRS and markets participants

Question	Accept	Neutral	Reject	Mode	Median
C1. IFRS provide markets participants with more reliable information in financial statements	90%	7%	3%	2	***<3 (0.000)
C2. IFRS provide markets participants with more transparent financial statements	86%	11%	3%	2	***<3 (0.000)
C3. IFRS contribute to Greek capital market efficiency	68%	30%	2%	2	***<3 (0.000)
C4. IFRS increase the demand for shares from foreign institutional investors	58%	39%	3%	2	***<3 (0.000)
C5. IFRS limit the ability of managers to manipulate financial statements and mislead investors	52%	33%	15%	2	***<3 (0.000)
C6. IFRS increase the volatility of earnings	38%	37%	25%	3	**<3 (0.05)
C7. IFRS increase the volatility of share prices	17%	54%	29%	3	**>3 (0.05)

*Definitions: The first column presents the questions. The second the percentage of acceptance for each question, which is the summary of answers, "Agree" and "Strongly Agree". The third column the percentage of rejection for each question, which is the summary of answers, "Disagree" and "Strongly Disagree". The fifth the mode for each question (where 1 "Strongly Agree", 2 "Agree", 3 "Neutral", 4 "Disagree" and 5 "Strongly Disagree") and the last column records the statistical test (One sample Wilcoxon Test) regarding weather the median is statistically and significantly lower or higher than the neutral value 3. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

Although with lower acceptance rates, account preparers recognize that the accounting transition contributes to the efficiency of the Greek capital market (C3), increases the demand for shares from foreign institutional investors (C4) and limits the ability of managers to manipulate financial statements and mislead investors (C5). The improvement of markets efficiency due to the application of IFRS confirms the analyses of Ball (2006) and Tyrall et al. (2007) which conclude that more understandable, comparable and reliable information in financial statements, reduces the cost of processing information thus increase the efficiency of capital markets. Furthermore, the increase in demand for shares from foreign institutional investors agrees with Glaum (2000) and Preobragenskaya and McGee (2003), which were led to similar results for German and Russian market, respectively.

Although the number of responses is equally divided, from the examination of the median which is significantly lower that the neutral value 3 (at the 5%), it seems that account preparers accept the view that IFRS increase the volatility of earnings (C6). According to the literature (Mazars, 2003; Jermakowicz et al., 2006 etc.) the introduction of fair value over historical cost is likely the reason for the increased volatility of earnings. However, in contrast to the volatility of earnings, Greek companies do not agree with the view that IFRS increase the variability of share prices (C7).

In the last question, account preparers report the IFRS that have the greatest impact on their financial statements (C8). Table 8 presents the results. IAS 16, IAS 39 and IAS 12, are the accounting standards, which have the greatest effect on financial statements. The new concepts that are introduced with these standards, like fair value accounting for tangible assets (IAS 16) and financial instruments (IAS 39) and deferred tax (IAS 12), seem to explain the great impact of these standards.

Table 8. Which IFRS have the greatest impact on financial statements (C8)

IFRS	Percentage
IAS 16	47%
IAS 39	40%
IAS 12	39%
IAS 17	24%
IAS 38	20%
IAS 36	19%
IAS 19	17%
IAS 32	16%
IAS 37	15%
IAS 18	14%

For this question more than one answer is allowed.

5.2 Firm Characteristics: Firm Size, Profitability, Fixed Assets

In the above analysis, we presented the responses of all firms (135) that participated in our survey. However, in order to study in depth the effects of the accounting transition, our research was extended by examining whether and to what extent the perceptions of the Greek listed companies are affected by firm specific characteristics (size, profitability and the level of fixed assets).

5.2.1 Firm Size

This section attempts to reveal whether and to what extend the perceptions of account preparers for IFRS are influenced by the size of the companies. In this context, we used as a proxy for the latter the total assets of previous year. Accordingly, the total sample was divided into three subgroups; small, medium and large firms and we compare the results between small and large firms. For each question we present two medians, one for small and one for large firms. For each median we applied the non-parametric one sample Wilcoxon test, in order to examine whether the median for each subgroup (small and large firms) differs significantly from the neutral value 3, at the conventional levels of statistical significance 1% (***), 5% (**) and 10 % (*). Additionally, we used then non-parametric Mann - Whitney test in order to examine whether the medians of these two subgroups (small and large firms) differ significantly. Thus, we investigated whether the already presented results for the total sample (5.1.) apply to both small and large firms. It should be noted that in order to lead to even safer conclusions, total sales were also used as a proxy for firm size. The untabulated results were identical to those of total assets, which are presented below

Table 9 presents only the questions for which statistically significant differences are recorded between the medians of small and large firms. The first question which revealed significant deviation, was whether the costs of IFRS implementation are greater that the benefits (B8). While the median of small firms does not differ from the neutral value of 3, the median of large firms is significantly greater than the neutral value of 3 at the 5%. Moreover, the comparison of medians shows that the median of large firms is significantly higher than that of small, at the 5%. Therefore, it seems that larger firms are more optimistic, since they disagree with the view that the costs exceed the benefits of the transition. On the contrary, small firms remain sceptical.

Table 9. Small Firms Vs. Large Firms

Question	Median Small (MS)	Median Large (ML)	Median Small Vs Median Large
B8. The costs of IFRS implementation are greater than the benefits	3	****>3** (0.05)	**MS<ML**** (0.05)
C6. IFRS increase the volatility of earnings	*****<3** (0.001)	3	**MS<ML***** (0.001)
C7. IFRS increase the volatility of share prices	3	*****>3** (0.001)	**MS<ML**** (0.05)

*Definitions: The first column presents the questions. The second records the statistical test (One sample Wilcoxon Test) regarding weather the median of small firms is significantly lower or higher than the neutral value 3. The third records the statistical test (One sample Wilcoxon Test) regarding weather the median of large firms is significantly lower or higher than the neutral value 3. The last column records the statistical test (Mann – Whitney test) regarding whether the median of small firms is significantly lower or higher than the median of large firms. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

Significant difference is also recorded for the question whether IFRS increase the volatility of earnings (C6). The median of small firms is significantly lower than the value 3, while that of large firms does not differ in any of the conventional levels of statistical significance. Simultaneously, the median of large firms is significantly higher than that of small, at the 1%. Therefore, it can be argued that although for small firms IFRS increase earnings volatility, for large firms this is not confirmed. Finally, concerning whether IFRS increase the volatility of share prices (C7), the median of large firms is significantly higher than that of small at the 5%. In addition, the median of small firms does not deviate significantly from the neutral value of 3, while that of large companies is significantly higher at 1%. Consequently, the size of firms seems to have decisive influence on answers. Although small firms remain neutral, larger companies strongly disagree with the view that the volatility of share price increases after the implementation of new standards. The above results (especially that of question B8) confirm H1, since smaller firms seem to have a more negative attitude towards IFRS.

5.2.2 Profitability

This section attempts to reveal whether and to what extend the perceptions of account preparers for IFRS are influenced by firms' profitability. In this context, we used as a proxy the net income before taxes of the previous year. Accordingly, the total sample is divided into three subgroups; low, medium and high-income firms and we compare the results between low and high-income firms.

Table 10 presents only the questions in which statistically significant differences are recorded between the medians of low and high-income firms. The first question that recorded significant deviation was whether IFRS provide companies with more accurate information about them (A1). Although both medians are significantly lower than the neutral value 3 at the 1%, the median of low-income firms is significantly higher than that of the high-income firms at the 5%. Therefore, both subgroups believe that IFRS provide companies with more accurate information about themselves, although high-income firms seem to agree more with that statement. Significant deviation is also recorded for the question whether financial statements under the new accounting status are prepared more quickly (A10). Although both medians are significantly higher than the neutral value of 3, their comparison shows that their difference is significant (at the 1%) with the median of high-income firms to be greater. Therefore, both subgroups disagree with the view that financial statements are prepared more quickly under IFRS, and especially high-income firms, which are more negative.

Table 10. Low-Income Firms Vs. High-Income Firms

Question	**Median Low (ML)**	**Median High (MH)**	**Median Low Vs Median High**
A1. IFRS provide companies with more accurate information about them	*****<3** (0.001)	*****<3** (0.001)	**ML>MH**** (0.05)
A10. With IFRS financial statements are prepared more quickly	*****>3** (0.001)	*****>3** (0.001)	**ML<MH***** (0.001)
B8. The costs of IFRS implementation are greater than the benefits	3	*****>3** (0.01)	**ML<MH***** (0.001)
B6. The implementation of IFRS is a hard process and may lead companies to be delisted from the ASE	****>3** (0.05)	*****>3** (0.01)	**ML<MH***** (0.001)
B5. The mandatory adoption of IFRS should be restricted only to consolidated financial statements and not extended to individual financial statements	****>3** (0.05)	*****>3** (0.01)	**ML<MH***** (0.001)
C7. IFRS increase the volatility of share prices	3	*****>3** (0.001)	**ML<MH**** (0.10)

*Definitions: The first column presents the questions. The second records the statistical test (One sample Wilcoxon Test) regarding weather the median of low-income firms is statistically and significantly less or greater than the neutral value 3. The third records the statistical test (One sample Wilcoxon Test) regarding weather the median of high-income firms is statistically and significantly less or greater than the neutral value 3. The last column records the statistical test (Mann – Whitney test) regarding whether the median of low-income firms is statistically and significantly less or greater than the median of high-income firms. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

Additionally, different attitude between the subgroups is observed on the question whether the costs of IFRS implementation are greater than the benefits (B8). The median of low-income firms do not deviate significantly from the neutral value of 3, while that of high-income is significantly higher at the 1%. Simultaneously, the difference of the medians is statistically significant at the 1%. Therefore, although low-income firms remain undecided, high-income firms are more optimistic stating that they disagree with the view that the costs of IFRS implementation are greater than the benefits. Similar results are recorded for the question whether IFRS implementation is a hard process which may lead companies to be delisted from the ASE (B6). Both medians are significantly higher than value 3, although their comparison shows that the median of high-income firms is significantly higher than that of low-income firms at the 1%. These results suggest that both subgroups seem to be in opposition to the view that the IFRS implementation is such a hard process that may lead companies to be delisted from the ASE, and especially high-income firms are more optimistic, reporting a more negative attitude.

Profitability also seems to be a determining factor in the question whether the mandatory adoption of IFRS should be restricted only to consolidated financial statements and not extended to individual financial statements (B5). Although both subgroups expressed their opposition to the above statement, the comparison of medians revealed that high-income firms are significantly more opposed (at the 1%), indicating that the extension of IFRS to the individual statements was correct. Finally, regarding the question whether IFRS increase the volatility of share prices, the median for low-income firms does not deviate significantly from the neutral value 3, while that of high-income companies is significantly higher at the 1%. Moreover, the median of high-income firms is partially significantly higher than that of low-income at the 10%. Therefore, it appears that low-income firms are neutral, while firms with higher profitability clearly disagree with the above view. From the above analysis, it seems that H2 is confirmed, as low income firms seem to have a more negative attitude towards IFRS.

5.2.3 Fixed Assets

In the last section, it is examined whether and to what extend the perceptions of account preparers for IFRS are influenced by the level of fixed assets. In this context, we used as a proxy the ratio of fixed assets to total assets of the previous year. Accordingly, the total sample was divided into three subgroups, firms with low, medium and high level of fixed assets and we compared the results between firms with low and high level of fixed assets.

Table 11 presents only the questions in which statistically significant differences are recorded between the medians of firms with low and high level of fixed assets. Significant difference is found to the question whether financial statements under the new accounting standards are prepared more quickly (A10).

Although both subgroups disagree with this statement, the comparison of medians shows that firms with low level of fixed assets disagree at a greater extent.

Table 11. Firms with Low Level of Fixed Assets Vs. Firms with High Level of Fixed Assets

Question	Median Low (ML)	Median High (MH)	Median Low Vs Median High
A10. With IFRS financial statements are prepared more quickly	***>3 (0.001)	**>3 (0.005)	ML>MH** (0.05)
B2. For IFRS implementation it is necessary for companies to recruit new qualify staff and train the existing	***<3 (0.001)	***<3 (0.001)	ML>MH** (0.05)
C1. IFRS provide markets participants with more reliable information in financial statements	***<3 (0.001)	***<3 (0.001)	ML>MH*** (0.001)
C2. IFRS provide markets participants with more transparent financial statements	***<3 (0.001)	***<3 (0.001)	ML>MH*** (0.001)
C5. IFRS limit the ability of managers to manipulate financial statements and mislead investors	3	***<3 (0.001)	ML>MH*** (0.005)

*Definitions: The first column presents the questions. The second records the statistical test (One sample Wilcoxon Test) regarding weather the median of firms with low level of fixed assets is statistically and significantly less or greater than the neutral value 3. The third records the statistical test (One sample Wilcoxon Test) regarding weather the median of firms with high level of fixed assets is statistically and significantly less or greater than the neutral value 3. The last column records the statistical test (Mann – Whitney test) regarding whether the median of firms with low levels of fixed assets is statistically and significantly less or greater than the median of firms with high level of fixed assets. Where *, **, *** the statistically significance at 0.10, 0.05 and 0.01, respectively. P - values are in parentheses*

In addition, regarding the question whether for the IFRS implementation companies need to recruit new qualify staff and train the existing, it is recorded statistically significant difference as well. Both medians are significantly lower than the value 3 at the 1%. However, their difference is significant, as the median of firms with low level of fixed assets is significantly higher at the 1%. Therefore, the results suggest that for both subgroups the recruitment of new quality staff and the training of existing is necessary, especially for firms with higher levels of fixed assets the need seems to be stronger.

Similar results are recorded for the question whether IFRS provide market participants with more reliable information in financial statements (C1). Although both subgroups agree with this statement (medians are significantly lower than the value 3 at the 1%), their comparison shows that the median of firms with low level of fixed asset is significantly higher at the 1%. Consequently, it seems that all companies believe that the accounting transition contributes to the provision of more reliable information, although companies with a higher level of fixed assets agree at a greater extent. The same results were presented concerning whether IFRS provide market participants with more transparent financial statements (C2). Although, both subgroups agree, the comparison of medians shows that companies with higher level of fixed assets seem to agree more.

Finally, significant difference is revealed on whether IFRS limit the ability of managers to manipulate financial statements and mislead investors (C5). Specifically, only the median of firms with high level of fixed assets is significantly lower than the neutral value 3. Additionally, the median of firms with low levels of fixed assets is significantly higher than that of firms with higher levels at the 5%. Therefore, it becomes clear that only firms with lower levels of fixed assets disagree with the view that IFRS reduce the manipulation of financial statements. The above results clearly confirm H3, since the attitude of firms with low level of fixed assets toward IFRS is different from firms with high level of fixed assets.

6. Conclusions

The aim of the present study was to record the perceptions of account preparers regarding the compulsory implementation of IFRS in Greece. In this context, we sent questionnaires to the listed companies of the ASE. The objective of the survey was to reveal the attitude of Greek enterprises to IFRS, after any initial excessive optimism or any unjustified reluctance to IASB standards. For this reason, the survey took place 3 years after the initial mandatory implementation of IFRS, having firms obtained the practical experience of three years.

The 135 responses recorded that IFRS implementation brings significant advantages for both investors and companies. Regarding investors, account preparers recognize that IFRS increase the credibility and transparency of financial statements, contribute to the efficiency of Greek market, increase the demand for shares from foreign institutional investors and limit the ability of managers to manipulate financial statements and mislead investors. These results justify at a great extent the application of IFRS and confirm the motives of their creation by IASB.

However, at the same time, respondents revealed that IFRS affect significantly the management of firms, too. Specifically, the results showed that IFRS provide companies with more accurate information about them, make easier the access of firms to foreign capital markets, facilitate the decisions for mergers and acquisitions and firms can better assess their position in the industry. Although at lower acceptance rates, companies also seem to recognize that IFRS improve corporate governance, provide the management with greater flexibility to capture financial figures and select accounting principles, improve the process of internal auditing and the internal organization of the companies. These results are particularly interesting since until now literature has mainly focused on the effects of IFRS to improve the external information provided by companies. However, this survey shows that there are other advantages that might have been underestimated by the literature so far.

Apart from the benefits, the survey revealed the problems for IFRS implementation and the costs arising from the accounting transition for Greek listed firms. Specifically, the respondents recognize as a major problem for the accounting transition, the fact that the initial introduction of IFRS in Greece was made without proper preparation by the competent authorities. Furthermore, the complicated nature of IFRS and the lack of convergence of tax legislation with the principles of IFRS, are considered by respondents as obstacles that Greek companies should overcome. Regarding the costs arising from the implementation of IFRS, the recruitment of new qualified staff and the training of existing together with the improvement of information systems, are recognized as such. However, the costs of the accounting transition do not jeopardize the application of IFRS. Analytically, Greek firms do not agree with the view that the total costs of IFRS implementation are greater than the benefits, nor believe that their application is such a hard process that may lead companies to be delisted from the ASE. At the same time, they contradicted the view that IFRS have only benefits for firms with international operations.

Next, we examined whether the perceptions of account preparers for the IASB standards, are influenced by firm specific characteristics. Generally, results showed that small firms and low-income firms have a more negative attitude over IFRS. For example, while large and high-income firms clearly disagree with the view that total costs of IFRS implementation are greater than the benefits, small and low-income firms remain neutral, leaving doubts about the compulsory adoption of IFRS. Additionally, it was found that the level of fixed assets is also a factor influencing the perceptions of respondents. For instance, it was found that firms with higher level of fixed assets seem to be more optimistic about the benefits of IFRS to investors. Specifically, the view that IFRS increase the credibility and transparency in financial statements has greater acceptance by enterprises with high level of fixed assets. Similarly, only companies with high level of fixed assets agree with the view that IFRS limit the ability of managers to manipulate financial statements, while firms with low levels remain neutral.

Consequently, the above suggest that the perceptions about IASB standards are not the same for all firms. It seems that company size, profitability and the level of fixed assets, are factors, which significantly influence the responses. Therefore, the present study shows that the consequences of the compulsory adoption of IFRS in Greece may not be the same for all firms, since firm specific characteristics are significant factors for the accounting transition.

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