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**INSIGHTS TOWARDS IFRS' LEGITIMATION AND INSTITUTIONALISATION
BASED UPON PERCEPTIONS OF STATUTORY AUDITORS: THE PORTUGUESE
CASE**

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ABSTRACT

Drawing upon the experience of adoption of an International Financial Reporting Standards (IFRS)' based model by Portuguese non-financial unlisted companies in 2010, designated Sistema de Normalização Contabilística (SNC), this research sheds light on the potential of the IFRS model to conform to countries and jurisdictions whose accounting system is remarkably disparate as it was Portugal's. From a vantage point in 2017, seven years after the formal implementation of the IFRS-based model, sixteen detailed interviews with statutory auditors were carried out to explore their perceptions regarding dimensions of relevance and suitability of the new accounting model to the Portuguese setting, major difficulties and benefits brought about. Evidence were gathered suggesting a significant level of legitimization and institutionalisation of the IFRS-based model: (i) the perceived motivations for SNC adoption are a good fit with the theoretically acknowledged motivations underlying accounting convergence; (ii) two major innovations introduced in the Portuguese accounting system by the IFRS model- the principle-based standards and the fair value, were largely perceived favourably; and (iii) in spite of criticisms concerning a set of in-country adaptations, SNC resembles the IFRS model at least close enough to have brought about a number of benefits that according to relevant literature would result from the application of such an accounting model: contextual benefits at the country and business levels, operational benefits, and benefits at the level of statutory auditors' profession. Despite all these encouraging evidence towards the success of the adoption process of the IFRS model in Portugal, this was not exempt from its early difficulties or problems, with some of them still ongoing such as those related to fair value implementation and Notes preparation.

Keywords: *IFRS adoption; Institutionalisation; Legitimation; Perceptions; Portugal*

1 INTRODUCTION

The diversity of accounting systems around the world bears economic consequences to the interpretation of financial reporting at the international level and, consequently, it impacts on the consolidation of business affairs. For this reason, a number of international organisations have started a process of harmonisation of accounting standards in order to promote transparency and comparability of financial information, which culminated in the International Financial Reporting Standards - IFRS (Shima & Yang, 2012). Seeking this accounting harmonisation, the Portuguese Accounting Standards Board (known by its initials "CNC"- *Comissão de Normalização Contabilística*) developed an accounting model based upon the IFRS of compulsory adoption by Portuguese non-financial unlisted companies as of January 1, 2010, henceforth denominated IFRS-based model or SNC (*Sistema de Normalização Contabilística*).

Accounting systems are shaped by economic and political forces and for that reason the pros and cons of IFRS are quite conjectural (Ball, 2006). Entities are not just passively constrained by external pressures and expectations (Oliver, 1991). They have interests, capacities and power that influence their choices (DiMaggio, 1988). Neo-institutional theory explains the interaction between organisations and their wider social environment and focuses on the role of the environment in shaping institutional practices (Albu, Albu, & Alexander, 2014; Dillard, Rigsby, & Goodman, 2004). A whole accounting revolution took place in Portugal as the new model, of Anglo-Saxon characteristics, implied an abrupt departure from the prior accounting regime, which the international community classified as a Continental Model.

IFRS adoption is a great breakthrough whose worldwide effects are still somewhat uncertain (Ball, 2016). According to Albu *et al.* (2014), organisational interests and actions are important for IFRS implementation, and more empirical studies are needed. Moreover, countries are not

homogeneous in terms of accounting practices (Dillard *et al.*, 2004). Ball (2006, p.5) has drawn attention to the inevitable substantial differences among countries in implementation of IFRS and the risk of being concealed by “*a veneer of uniformity*”. To obtain a deep understanding of the accounting change process from a code-law institutional logic to a common-law institutional logic, the Portuguese case study was under scrutiny following an interpretative and qualitative approach. Sixteen detailed interviews were conducted with statutory auditors, henceforth »auditors« for parsimony, on their perceptions regarding dimensions of relevance and suitability of the IFRS-based model to the Portuguese setting, major difficulties and benefits brought about.

The remainder of this paper is organized as follows. Section 2 summarises relevant literature. Section 3 describes the research method employed. Section 4 reports the major empirical findings. Finally, section 5 presents concluding remarks and avenues for future research.

2 LITERATURE REVIEW

2.1 Institutional theory

Institutional theory has become a dominant theoretical perspective in accounting research (Dillard *et al.*, 2004), and has been applied to explain some form of change in accounting systems (Deephouse, Bundy, Tost, & Suchman, 2017). Institutional theorists have contributed significantly to a better understanding of the relationship between organisational structures and practices and the institutional environment in which organisations operated (Beckert, 1999). Within the neo-institutional framework, organisations are open systems that operate and are embodied in a social framework of institutional rules, norms, values and beliefs that shape their behaviours and with which they need to conform to legitimize their existence (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) Legitimacy is defined as “*the perceived appropriateness of an organization to a social system in terms of rules, values, norms, and definitions*” (Deephouse *et al.*, 2017, p.32).

Organisations tend to adopt structures, technologies, techniques and methods that are valued in their wider social environment in order to create, maintain and manage legitimacy in the eyes of stakeholders to received their continued support and to secure the resources that are essential for their survival (Dillard *et al.*, 2004; Ribeiro & Scapens, 2006). To the extent the accounting system is both legitimated and legitimising, it must encompass and represent the rationalities of the social and cultural system (Alawattage & Alsaid, 2018).

Accounting systems and practices constitute organisational rules and routines (Burns & Scapens, 2000). More specifically, from an institutional perspective, accounting systems are inextricably linked to the prevailing rules and norms which structure social and organisational life (Burns & Scapens, 2000). Institutionalisation is “*the process whereby practices are developed and learned*” (Dillard *et al.*, 2004, p.508) and starts “*by encoding where principles are encoded into rules and routines*” (Järvenpää & Lämsiluoto, 2016, p.156). This process may be subject to resistance if the rules and routines challenge the prevailing institutions and may fail to become institutionalised (Burns & Scapens, 2000; Järvenpää & Lämsiluoto, 2016). After enactment, “*the production and reproduction of established habits of action and thought*” (Burns & Scapens, 2000, p.6) become “*new ways of doing things*” (Järvenpää & Lämsiluoto, 2016, p.156).

The effects of fields on homogenizing organisations through isomorphic pressures has been addressed utilizing coercive, mimetic and normative pressures identified by DiMaggio and Powell (1983). Coercive isomorphism results from both formal and informal pressures exerted on organisations by other actors upon which they are dependent, and by cultural expectations of the society within which they are located. In turn, mimetic isomorphism takes place under environment uncertainty when organisations model themselves on other actors and normative

isomorphism stems primarily from professionalisation. The concept of isomorphism results from the idea that organisations compete for political power and legitimacy (Albu *et al.*, 2014) and can be used to reflect the intrinsic benefits components of the perceived value of IFRS and the new accounting model.

But organisational fields are increasingly heterogeneous, and organisations are not unitary and do not make univocal decisions. They are complex and pluralistic entities composed of various groups with different values, goals and interests that may respond differently to heterogeneity (Kraatz & Block, 2017). Oliver's (1991) seminal work already suggested that organisations could respond strategically to institutional pressures. The author posited that, when an organisation foresees that conformity to institutional pressures will result in economic or legitimacy benefits, it will be more willing to acquiesce to external pressures. In contrast, when organisations anticipate that conformity will result in low legitimacy and economic benefits, they will possibly adopt more active resistance strategies (Oliver, 1991).

2.2 The implementation of IFRS in the Portuguese context – a paradigm shift

Until 2010, Portuguese organisations had their values and accounting practices anchored on a code-law logic that has shaped their practice over the years, deeply linked to rules of conduct, governed by concepts of justice and morality and characterised by detailed regulation (Ding, Hope, Jeanjean, & Stolowy, 2007). The implementation of a new accounting system (the SNC) based on IFRS required a considerable adjustment effort to move from a code-law institutional logic to a common-law institutional logic. The new accounting system based on principles presents great differences regarding the issues of measurement and disclosure of financial information, representing a complete change of philosophy that places immense responsibility on professional judgment (Caria & Rodrigues, 2014).

According to Carmona and Trombetta (2008), IFRS have already gained a high level of acceptance and global implementation, both in countries whose accounting systems are embodied in the rule-based Continental Model and in principles-based Anglo-Saxon Model countries. However, the adoption of the same accounting methods and rules is a too simplistic solution to deal with a set of fundamental differences between the various countries to the most diverse levels (Shil & Pramanik, 2009). Empirical evidence shows that at least some of the features of the previous model are still noticeable (Ball, 2016; Caria & Rodrigues, 2014). Guerreiro, Rodrigues and Craig (2012) argue that the adoption of an accounting system based on an Anglo-Saxon institutionalist logic and focused on a principle-based approach will only be possible if it is accompanied by a gradual transformation of the structures of legitimation in the social environment, whose agents are the Portuguese State, individual organisations and accounting professionals.

Many countries have noted that IFRS are too complicated and expensive for SMEs - especially standards dealing with financial instruments, fair value accounting and impairment (Rodrigues & Craig, 2007). Adoption of uniform rules does not by itself lead to uniform reporting behaviour (Ball, 2016). Christensen, Lee, Walker, & Zeng (2015) argue that reporting incentives dominate accounting standards in determining accounting quality and it is unwarranted to infer that IFRS per se improves accounting quality. At this respect, Ball (2016, p.545) claim *“for many of the claimed benefits of IFRS adoption to be realized, uniform implementation would have to occur in a wide range of countries, which seems unlikely and requires more than simply creating regulatory enforcement mechanisms”*.

Rodrigues and Craig (2007) suggest that international accounting standards are chosen not just on efficiency grounds, but often to improve the reputation of an organisation for being rational, modern, responsible and legally compliant. Guerreiro *et al.* (2012) claimed that organisations assess the net benefits of change after considering the legitimacy they attain with IFRS, as well

as the consistency of IFRS with their goals and institutional context. The authors argue that the predisposition of companies to adopt IFRS is not a blind response to institutional pressures, but rather the result of the inherent nature and importance of such institutional pressures to them.

3 RESEARCH METHOD

To seek a deep understanding of the accounting change process from a code-law institutional logic to a common-law institutional logic, the Portuguese case study was under scrutiny following an interpretative approach based upon qualitative research methods. The face-to-face interview was the data collection instrument selected. The interview script was structured, though flexible, containing mostly open-ended questions. Advantages of such a structured script include the possibility to keep some control over its progress and contents, and the potential to answers' comparison. A major concern throughout the whole interviewing process was to refrain from influencing interviewees' responses; thus, invariably, spontaneous answers were invited and privileged during analysis. The personal contact and resemblance in a natural conversation by reordering questions as appropriate, put interviewees at ease to express their true perceptions (Quivy & Campenhoudt, 2013). Sixteen interviews were carried out between May and November 2017, and they were one and a half hours length on average. Sample size was determined by saturation considerations. Interviewees included 12 statutory auditors at Portuguese owned auditing firms and 4 statutory auditors at multinational auditing firms. The study sample exhibits intentionally homogeneous features (Ellis, 2017) as interviewees' choice was driven by considerations of level of accounting and auditing knowledge. As a result, 94% (15 out of 16) of the interviewed auditors had more than 15 years of auditing practical experience, all of them held at least a bachelor's degree and passed highly demanding professional entry exams. Furthermore, the accounting supervisory role played by this professional group make it well positioned to provide rich insights on the phenomenon under research. All interviews were recorded and fully transcribed prior to analysis.

4 EMPIRICAL EVIDENCE

To support the reader in following our narrative, we provide in Appendix a table that summarises perceptions of intervieweed auditors regarding adoption of the IFRS-based model in Portugal.

Importantly, most interviewees (n=14; 88%) perceived the IFRS-based model to be at least reasonably relevant / suitable to the Portuguese setting. On freely expressing themselves about this theme, the words most frequently cited were *harmonisation*, *comparability*, *globalisation* and *standardisation*, providing good support for the acclaimed reasons legitimating international accounting convergence (e.g. Shima & Yang, 2012). This may be seen in statements such as the following: "*The aim of SNC adoption should have been international harmonisation in terms of recognition, measurement, presentation and disclosure procedures because nowadays international comparability is a key issue in accountability*" (A- "auditor" no. 1); "(...) *harmonisation is an advantage because it favours international trade*" (A 15). Internationalisation was largely perceived as a contextual benefit at the business level from IFRS adoption (n=10; 63%), and international comparability between companies was also significantly perceived as an operational benefit thereof (n=13; 81%). In the wording of auditor 15, "*Firms were able to strike up more partnerships at the international level*".

Other arguments in favour of the relevance and suitability of the IFRS-based model to the Portuguese environment dwelled upon the taken-for-granted credibility of IFRS favouring international credibility of adopting counties, both in terms of commercial relations and capital markets, consistently with the legitimacy postulate, thereby reinforcing the arguments of institutional theorists (e.g., Dillard et al., 2004; DiMaggio and Powell, 1983; Oliver 1991). The

most widely acknowledged benefit from adoption of the IFRS-based model was national legitimacy (n=15; 94%), followed by improved business reputation (n=13; 81%): by adopting an independent, worldwide renowned accounting model as it is IFRS', Portugal harmonised its accounting practices with the rest of the world and the EU in particular, which resulted in social acceptance by other countries (A 4, 5, 8, 11, 16). This evidence is consistent with the institutional isomorphism described by DiMaggio and Powell (1983). In the wording of auditors, *"Adoption of an IFRS-based model improves the country's rating and investors' perception"* (A 4); *"As a result of an improved country's image, financial upper hands could access credible and high-value financial information for investments"* (A 16); *"Companies who employ such an accounting model [IFRS-based model] show a concern with 'doing well', with providing a true and fair view of their financial and economic position"* (A 4). SNC, by emphasising comprehensibility of financial statements, helps build up a company's image and may facilitate some businesses (A 2, 13).

On digging into the extent to which interviewees perceived the IFRS-based model to be more relevant to certain types of business, a dominant view emerged of greater disclosure and enhanced reliability being perceived as major features of financial statements prepared in accordance with IFRS. Specifically, reliability and credibility of accounting information were mostly perceived to have been enhanced by the implementation of SNC (n=12; 75%). Interviewees linked this perception with a claimed better fit of the new accounting model with the larger, internationalised companies, with widespread ownership. Particularly, larger firms, unlike the smaller, besides benefiting from enough administrative resources to prepare all required disclosures, need to present a true and fair view to investors and managers to minimise decision-making uncertainty. In the same line, financial statements are an important control mechanism for widespread capital holders, who therefore welcome the greater disclosure and enhanced reliability under IFRS. Likewise, increased transparency fosters investors' confidence thereby facilitating investment attraction. These were the grounds behind two interviewees' perception of a misfit of the IFRS-based model with the Portuguese environment in that it was geared, in the main, to be applied in countries with strong and dynamic capital markets (A 15), and large firms (A 2).

Consistently, narrowing down from the national environment to the specific context of (non-financial) unlisted companies, a smaller majority of auditors (n=10; 63%) perceived the IFRS' model to be suitable, and the remaining six auditors who disagreed with its suitability highlighted size-related constraints, namely, the *"heavy accountability and disproportionate bureaucratic burden squeezing small businesses, lacking administrative capacity to meet the new accounting model requirements"* (A 14). Invariably, the (dominant) favourable perception towards adequacy of the IFRS-based model at the business level dwelled on the coexistence of three different standardisation levels within SNC: the full set of 28 standards, the simplified standard for small entities, and the even further simplified standard for micro entities. Since its formal adoption in 2010, the SNC is an adaptation of the EU-endorsed IFRS to the Portuguese setting and particularly, its small business structure. Further simplifications were implemented in 2016 by Decree-law (DL) no. 98/2015, which transposed the EU Directive 2013/34, aimed at reducing the administrative burden on SMEs and simplifying financial reporting procedures. These simplifications were mostly perceived favourably: the SNC as of 2010 was too demanding in terms of disclosures, and it is currently more adjusted to most enterprises (A 5, 6, 8); as desirable, the basic principles were harmonised, but adequacy should take into account size of Portuguese enterprises (A 8). In the wording of interviewee 13: *"In Portugal there are around 30 companies that stand out in terms of size and internationalisation of their business affairs; thus, while these need an accounting model that offers more information and greater comparability at the international level, the bulk of companies that landscape the Portuguese*

business structure need an adjusted, simplified model". Disclosure and Notes preparation emerged as important difficulties in the accounting change process: despite acknowledgement that Notes are deemed to be the most important piece to stakeholders containing much qualitative and quantitative information in a more disaggregated form (A 4, 7, 11), this financial statement is not yet properly done. The Notes is far too descriptive a document containing too much text and lacking meaningful contents (A 1, 3, 9, 10, 12, 14, 16): "(...) *disclosures are almost standard, copied from competitors' and/or from previous years, with very little adaptation*" (A 14). This evidence is consistent with Christensen *et al.* (2015) in their contention that it is unwarranted to infer that IFRS per se improves accounting quality, and with Rodrigues and Craig's (2017) argument that IFRS are too complicated and expensive for SMEs in many countries. The earliest difficulty of SNC adoption was resistance to change as adoption of the new accounting model involved the internalisation and implementation of brand-new concepts and practices (A 3, 10, 12). For example, "*For unlisted companies, goodwill is a very difficult concept to grasp as this sort of companies purchase another business once in a lifetime or, say, each ten years, so they lack the necessary experience*" (A 13).

Despite a high level of consensus was found regarding the general appropriateness of in-country adjustments (n=13; 81%), on debating further the issue with interviewees, a few caveats came out. First, and while mostly acknowledged as an inevitability, coexistence of three normative within the Portuguese accounting system was not exempt from criticism, particularly, for arguably detracting from the comparability and harmonisation precepts underlying accounting convergence. As put by auditor 2, "*SNC looks more like a patchwork (...) adoption should be 'tout court' (...) the set of standards should be unique*". In Portugal, every simplified normative under SNC is optional, and besides that, any enterprise, regardless of size and upon the condition of having accounts certified by a statutory auditor, may choose to adopt the EU-endorsed IFRS rather than SNC, which generates several vertical options. Illustrating the perceived reduced comparability and harmonisation by cause of simplified normative, two interviewees mentioned over their discourse that firms belonging to international groups may adopt the EU-endorsed IFRS rather than SNC to achieve the required comparability level underlying their accountability, and two others argued image enhancement may be the catalyst to elect EU-endorsed IFRS instead of SNC, mainly amongst larger enterprises wishing to provide more information to potential investors, thereby differentiating from competitors. Again, this evidence support the theoretical argument of Oliver (1991) that accounting choices are motivated by anticipated economic or legitimacy benefits. Second, the adequacy of the thresholds laid down to define a micro entity, or a small entity is yet to be demonstrated: "*What is a small entity? What is a micro entity? The issue of boundaries setup is not easy because countries are different, they face different economic realities*" (A 11). This remark conveys Ball's (2006) cautioning about differences among countries in IFRS implementation. Third, some interviewees were critical of a too literal translation into the Portuguese language based upon a word-for-word interpretation of international standards (n=4; 25%). Accordingly, a literal translation of concepts results in awkward, unfamiliar language difficult to understand, which may hinder full adoption of the standards and consequently harm accounting convergence. For example, "(...) *impairment was translated into SNC as 'imparidade', a whole new word in the Portuguese lexicon that gave rise to some discord amongst professionals*" (A 6). This comment illustrates enduring difficulties Rodrigues and Craig noted as early as 2007 concerning impairment. In an even more critical perspective, financial statements became less understandable than under the prior accounting model due to a very technical language, based upon literal translations (A 8, 9). This corroborates the need to consider countries' idiosyncrasies as far as IFRS worldwide implementation is concerned. Fourth, IFRS evolve at a faster pace than in-country adjustments take place, which hampers harmonisation (n=6; 38%).

SNC remained unchanged between 2010 and 2015, while in the meantime IFRS were evolving (A 12, 13, 14). The following statement highlights this point: *“When SNC underwent a number of adjustments implemented by DL no. 98/2015, all changes meanwhile operated on the IFRS should have been endorsed, and a timetable for periodic reviews of SNC should have been agreed upon; at the moment no one knows whether SNC is undergoing further updates, and if so, within what time frame”* (A 13). There is a risk that in a few years’ time the Portuguese accounting system will be based on principles that have nothing to do with IFRS (A 2, 6, 7, 12, 14). In the wording of auditor 12: *“It was a process of convergence that is becoming one of divergence”*. Six of the interviewees (38%) spontaneously addressed the amortisation of goodwill as one example of remarkable difference between SNC and IFRS: goodwill is not amortisable under IFRS, whereas one of the amendments resulting from DL no. 98/2015 was the implementation of its mandatory amortisation over useful life, or over a maximum time period of 10 years where useful life is indefinite. As a result, many firms abandoned SNC in favour of EU-endorsed IFRS (A 3, 12, 14). Some auditors were very critical of this in-country adjustment, arguing that impairment losses depict reality much more faithfully than stipulating at the outset a maximum useful life of 10 years that may prove quite a misfit in many instances (A 5, 6, 7).

Despite the IFRS model differing remarkably from the previous Portuguese rule-based accounting model, embedding a prudent measurement approach, an outstanding majority of interviewees were supportive of principle-based standards (n=14; 88%), and favourable to fair value adoption (n=13; 81%). Interviewees’ arguments embodied in their discourses and addressed below, were consistent with the unanimously perceived operational benefit from IFRS adoption at the level of accounting information - information usefulness (n=16; 100%). Illustrative quotations of perceptions of principle-based standards are the following: *“To act according to principles implies having to decide and to take on responsibility”* (A 2); *“Principles make everything more flexible”* (A 13); *“Under rule-based standards, market players will always come up with new situations unforeseen by such rules, thereby opening the door to big financial scandals; to the contrary, under principle-based standards there are guiding principles that apply to every situation at hands, thereby acting as a deterrent to financial scandals”* (A 7). Nevertheless, a minority of two auditors perceived negatively principle-based standards arguing rules leave no room for arbitration, they are tighter, quicker and easier to implement; moreover, accounting professionals are keen on adhering to rules and they are not yet predisposed to act according to principles.

The dominant argument around fair value as the most appropriate measurement basis was that it brings more security and certainty to measurement, thereby increasing reliability and relevance of financial statements *vis-à-vis* stakeholders: by resembling closer the real value of the company, the fair value promotes less risky economic and financial decisions (A 1, 12, 14). Despite mostly welcoming fair value as a measurement basis, auditors highlighted several problems associated with its practical implementation. First, there is poor availability and reliability of market values for the fair value. Second, and related to the former, the fair value is difficult to apply because it entails a great deal of subjectivity and may be subject to manipulation, aspects that cause resistance to its adoption (A 13, 15). To illustrate this subjectivity, interviewee 13 provided the example of two large cellulose companies in Portugal: *“one of them claims it cannot reliably measure the fair value of its eucalyptus plantations, and therefore adopts the cost method; the other one adopts the fair value and claims it is assigning the real value to its forest. If the assets are equal, why the measurement basis adopted is not the same?”*. What is more, the fair value is often adopted with a view to manipulating accounts: to leverage financial autonomy or coverage ratios *vis-à-vis* the bank, thereby not mirroring the real value of a company (A 1, 3, 5, 11). A similar argument was put forth by the three auditors

who perceived IFRS adoption not to have resulted in increased comparability between companies, as illustrated by the following statement: “*Principle-based standards and the use of fair value may open up more room for manipulation because there are fewer rules and greater subjectivity, thereby causing comparability loss*” (A 8). Evaluating experts are a related concern: who are they, whether they are professionalised, or who trains them is yet to be clarified (A 3, 4, 6, 12, 13, 15). Third, another deterrent to the use of fair value is the unfavourable cost / benefit ratio, particularly critical for the smaller, resource constrained companies: evaluations entail high costs, which are not paid off by tax benefits (A 6, 12). Reflecting these problems, a minority of three interviewees did not welcome fair value adoption. Accordingly, the historical cost promotes greater stability because it represents an amount that has already occurred and is not subject to fluctuation, thereby becoming more reliable and adjusted to accountability, especially amongst the resource constrained micro entities and small entities, which find it difficult to afford to adopt the fair value (A 11, 15). Finally, the impact of IFRS adoption to the profession of statutory auditors was appraised. Outstandingly, none of the interviewees considered the impact had been negative, and the majority (n=11; 69%) perceived a positive overall impact. The benefits were more keenly felt in terms of reputation and visibility of the auditors’ work (n=12; 75%), and in the quality of such work (n=10; 63%). Improved visibility was brought about by standards’ complexity leading other professionals, notably accountants, to turn to auditors for explanations and help, for example on preparing the Notes. Therefore, the auditor has been taking on a pedagogical role that conveys security and credibility to clients (A 2, 6, 7, 8, 10, 13, 16). This is consistent with Guerreiro *et al.* (2012) argument that adoption of the IFRS-based model demands a gradual transformation of the structures of legitimation in the social environment, whose agents include professionals. Overall interviewed auditors acknowledged adoption of the IFRS-based model brought increased contingency, more responsibility both in terms of preparation of staff members and the work (n=7; 44%). None of the interviewees perceived the IFRS-based model to favor celerity in the accomplishment of tasks: unlike rule-based standards which are of straightforward application, the subjectivity entailed by the IFRS-based model, particularly on the themes requiring professional judgement, becomes very time-consuming (A 1, 3, 4, 5). Analysis has therefore become more demanding (A 5, 6). Besides, there is a greater deal of financial information, greater disclosure, which requires more time to analyse (A 7, 11, 12).

5 CONCLUSION

This research contributes to the literature on IFRS adoption, because it provides empirical evidence from a country who posited an *a priori* adverse context to the related accounting change process: Portugal’s prior accounting model followed a code-law institutional logic opposite to IFRS common-law’s, it has a small capital market, and its predominant business structure is small-sized and mostly bank-financed. Notwithstanding, encouraging evidence was gathered that may arguably inspire other countries, particularly those with similar traits, to undergo such an accounting change process. This research highlights that the perceived motivations for SNC adoption are a good fit with the theoretically acknowledged motivations underlying accounting convergence. Two major innovations introduced in the Portuguese accounting system by the IFRS model- the principle-based standards and the fair value, were largely perceived favourably. Furthermore, in spite of criticisms concerning a set of in-country adaptations, SNC resembles the IFRS model at least close enough to have brought about a number of benefits that according to relevant literature would result from the application of such an accounting model: contextual benefits at the country and business levels, operational benefits, and benefits at the level of statutory auditors’ profession. Despite the Portuguese adoption process of the IFRS-based model experienced several difficulties, some of them still

enduring such as those related to fair value implementation and Notes preparation, a significant level of legitimization and institutionalisation of the new accounting model is suggested to have been achieved seven years after its adoption. Our findings on the enduring problems associated with adoption of the IFRS-based model should be of interest to both Portuguese regulators (CNC and the Portuguese Securities Market Commission) and Portuguese professional associations (The Portuguese Certified Accountants Association and the Auditors Association) to the extent they may inspire them to devise strategies to cope with them. International institutions such as the International Accounting Standards Board and the Accounting Regulatory Committee may also consider our findings to improve the future of the international accounting convergence process.

Lastly, while a research of qualitative nature allows extracting richer, deeper insights about the phenomenon under study, it must be acknowledged generalisation of results cannot be claimed. Therefore, future research could validate generalisation of our findings on a larger sample. Also, perceptions of other professional groups, namely accountants, could be studied. Statutory auditors are particularly experienced with larger companies, so their perceptions could possibly have been more optimistic than those of external accountants whose clients are mostly small.

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APPENDIX

Table 1 – Perceptions of the IFRS-based model

	Agree		Reasonably agree /Undecided		Disagree	
	n = 16	%	n = 16	%	n = 16	%
Dimensions of relevance and suitability	5	31,00	9	56,50	2	12,50
• Relevance and suitability to the Portuguese setting						
• Relevance and suitability to non-financial unlisted firms	10	62,50	0	0	6	37,50
• Relevance by type of enterprise:						
- Larger companies	15	93,75	0	0	1	6,25
- Internationalized companies	12	75,00	1	6,25	3	18,75
- Companies with widespread ownership	12	75,00	2	12,50	2	12,50
• Adjustments to the Portuguese setting	13	81,25	2	12,50	1	6,25
Major innovations						
• Principle-based standards	14	87,50	0	0	2	12,50
• Fair-value	13	81,25	0	0	3	18,75
Contextual benefits						
• At the country level:						
- Foreign investment attraction	9	56,25	0	0	7	43,75
- National legitimacy	15	93,75	0	0	1	6,25
- Accounting profession legitimacy	8	50,00	6	37,50	2	12,50
• At the business level:						
- Improved reputation	13	81,25	0	0	3	18,75
- Internationalisation	10	62,50	3	18,75	3	18,75
- Improved capital access	10	62,50	2	12,50	4	25,00
Operational benefits– accounting information						
• Information usefulness	16	100,0	0	0	0	0
• Comparability over time	10	62,50	6	37,50	0	0
• Comparability between national companies	11	68,75	2	12,50	3	18,75
• International comparability	13	81,25	3	18,75	0	0
• Comprehensibility of financial statements	10	62,50	2	12,50	4	25,00
• Contents of financial statements	11	68,75	2	12,50	3	18,75
• Reliability and credibility of accounting information	12	75,00	2	12,50	2	12,50
Impact to the profession of statutory auditing						
• Overall impact	11	68,75	5	31,25	0	0
• Multidimensional impact:						
- Quality of work	10	62,50	6	37,50	0	0
- Celerity in the accomplishment of the tasks	0	0	8	50,00	8	50,00
- Reputation and visibility of work	12	75,00	4	25,00	0	0
- Responsibilities	7	43,75	7	43,75	2	12,50