PERCEIVED COSTS AND BENEFITS OF IFRS ADOPTION IN ITALIAN MEDIUM SIZE ENTITIES

by *Cristian Carini, Claudio Teodori & Monica Veneziani*
and *Theresa Dunne & Christine Helliar* *

1. Introduction

EU Law 1606/2002 mandates the adoption of IFRS for preparing consolidated financial statements from 2005 by companies listed on any regulated market within the European Union. However, differences exist between countries regarding the application of IFRS for Small and Medium-sized entities (SMEs). In Italy SMEs can choose whether to adopt full IFRS when drawing up their financial statements, as noted in Table 1. The choices that can be made in Italy are formulated in law 306/2003 which was followed by decree 38/2005.

Tab. 1 – Application of IFRS for Italian companies

Companies	Consolidated Financial Statement	Individual Financial Statement
a) Listed companies	Mandatory as from 2005	Optional as from 2005; Mandatory as from 2006
b) Companies with financial instruments quoted on the stock exchange	Mandatory as from 2005	Optional as from 2005; Mandatory as from 2006
c) Banks and other financial institutions	Mandatory as from 2005	Optional as from 2005; Mandatory as from 2006
d) Listed insurance companies	Mandatory as from 2005	Prohibition/Obligation [1.1]
e) Non-listed insurance companies	Mandatory as from 2005	Prohibition

* The content of the paper is the result of the research work of all the authors. In the editing phase, paragraphs 1, 2 and 3 are by Monica Veneziani; paragraph 4 is by Cristian Carini; paragraph 5 are by all the authors. The research team would like to thank the Scottish Accountancy Trust for Education and Research (SATER) and the Institute of Chartered Accountants of Scotland (ICAS) for their generous support on this project.

f) Parent companies that publish their consolidated financial statements in Italy	Optional as from 2005	Optional as from 2005
g) Subsidiaries, Associates and J.V. of the above companies (letters a,b,c,d,e,f)	N/A	Optional as from 2005 [1.2]
h) Other companies	N/A	Prohibition [1.3]

In this context, it is interesting to see initially how many Italian companies, in particular medium-sized, opted voluntarily for the full IFRS compared to those that still apply the Italian GAAP and subsequently focus attention on the reasons for the choice. More specifically, having ascertained the high number of companies that do not apply the IFRS compared to those that voluntarily chose to adopt the standards, the aim of the study was to investigate the reasons for the non-adoption decision, via the use of a questionnaire which concentrates on analysis of the costs and benefits perceived. In view of the same conceptual framework used by the IASB in dictating the standards both for the listed companies and for the SMEs, this study could be useful for SMEs who are required to prepare accounts using IFRS issued in July 2009 for accounting periods ending on or after 31 December 2012, in order to overcome in time the possible obstacles and prepare best for the transition to the new standards.

Given the extensive changes currently taking place within the international financial reporting environment, and the dearth of current academic work in this area (much of the research to date has focused on the impact of adopting IFRS for large listed companies), an exploration of the issues associated with the perceived costs and benefits relating to the application of IFRS by Italian SMEs is needed.

It is envisaged that this small-scale study could pave the way for a wider exploration of the implementation of IFRS in SMEs in other European countries. Italy provides a good starting point for this exercise as Italy is one of the EU countries where SME companies are allowed to adopt IFRS.

The remainder of the paper is organised as follows: paragraph two outlines the literature review and background, paragraph three discusses the research method and paragraph four presents the empirical results and discussion. The final paragraph summarises and concludes.

[1.1] IFRS mandatory in the individual financial statement if the company does not draw up a consolidated financial statement.

[1.2] The option can be exercised if the parent company draws up an IFRS-compliant consolidated financial statement.

[1.3] These companies can apply IFRS as from the period established by decree, not yet issued. However, there is a prohibition for the smallest companies (Civil Code art. 2435-bis).

2. Literature review and background

Introduction

SMEs are an important part of the European economy[2]. Eurostat's 2005 "Structural Business Statistics" publication classifies firms according to the number of employees, as shown in Table 2.1. From the number of enterprises grouped into categories of employees, Italy clearly emerges as the country with the highest number of SMEs.

Tab. 2.1 – Enterprises by number of employees by country [2.1]

Countries	Year 2005						
	Number of enterprises employing						
	Total number of enterprises	1-9 employees	10-19 employees	20-49 Employees	50-29 employees	Total SME sector	Large >250
Italy	519,323	430,740	52,578	24,536	10,074	517,928	1,395
France	256,011	213,164	18,305	14,678	7,798	253,945	2,066
Spain	219,863	172,115	23,714	16,849	6,189	218,867	996
Germany	203,906	122,085	45,076	16,421	16,280	199,862	4,044
UK	153,445	114,369	16,872	12,201	8,111	151,543	1,902
Portugal	104,262	88,421	7,672	5,267	2,597	103,957	305
Sweden	60,379	52,860	3,136	2,338	1,605	59,939	440
Netherlands	45,605	35,140	4,425	3,360	2,195	45,125	480
Austria	28,374	20,982	3,250	2,233	1,473	27,938	436
Finland	25,190	21,091	1,582	1,344	919	24,936	254
Norway	19,686	16,032	1,608	1,208	692	19,540	146
Denmark	18,571	13,453	2,083	1,734	1,060	18,330	241
Ireland	4,256	1,621	936	881	648	4,086	170

Table 2.2 also demonstrates the important role of SMEs in the Italian economy. In terms of the number of persons employed, SMEs employ 78% of the workforce. Indeed only Portugal employs a greater percentage of employees in the SME sector where the figure rises to 81%.

[2] According to the European definition, an SME is a company with fewer than 250 employees, an annual turnover not exceeding 50 million euros and annual total assets not exceeding 43 million euros.
[2.1] Source: Eurostat data processed by Istituto G. Tagliacarne. This table shows the number of listed and unlisted companies with employees in the relevant bandings.

Tab. 2.2 – Persons employed by size of company [2.2]

Countries	Percentage of employees per company					
	Size category					
	1-9	10-19	20-49	50-249	Total SME	>250
Portugal	21.9%	11.9%	18.5%	28.9%	81.1%	18.9%
Italy	25.7%	15.3%	15.9%	21.1%	78.0%	22.0%
Spain	19.1%	12.2%	19.6%	23.3%	74.2%	25.8%
Netherlands	15.7%	8.6%	14.0%	28.1%	66.3%	33.7%
Norway	12.5%	8.6%	14.5%	27.4%	63.0%	37.0%
UK	11.5%	7.3%	11.9%	25.8%	56.5%	43.5%
Austria	10.6%	7.1%	11.1%	26.3%	55.1%	44.9%
Denmark	7.9%	7.0%	12.9%	26.8%	54.5%	45.5%
France	12.0%	6.7%	12.4%	22.2%	53.3%	46.7%
Ireland	4.1%	5.9%	12.6%	30.7%	53.2%	46.8%
Sweden	12.6%	5.9%	9.7%	22.2%	50.4%	49.6%
Finland	8.7%	5.3%	10.3%	23.4%	47.7%	52.3%
Germany	6.9%	9.0%	7.6%	23.8%	47.3%	52.7%

Further, the SME sector is important in terms of turnover; in Italy 62% of turnover is produced by SMEs, followed by Portugal (58%), Spain (52%) and Norway (50%) (Eurostat, 2005). However, the average turnover in SMEs is low; there are a large number of companies whose turnover is below Euro 1 million. In Italy the average company employing 1-9 employees has a turnover of just Euro 219,000, increasing to 1,600,000 for 10-19 employees. In contrast, companies employing more than 250 employees have a turnover on average of Euro 236 million (Eurostat 2005).

The adoption of IFRS by SME companies is of interest because they comprise so much of the European economy and Italy is one country where this is especially so. The adoption of IFRS by these entities is therefore of major concern.

Of the studies on IFRS adoption in Europe, the evidence suggests that few German SMEs have currently applied IFRS and, in general, they are the subsidiaries of parent companies that provide IFRS financial statements or they are the subsidiaries of foreign parents (Jahnke et al., 2007). Another study has focused on the impact of IFRS in SMEs in Portugal and had similar findings to those in Germany (Brás and Henriques, 2008). However, in Italy very few studies have been carried out and this research attempts to fill that gap.

[2.2] Source: Eurostat data processed by Istituto G. Tagliacarne. This table shows the percentage of employees in different sizes of listed and unlisted companies in Europe.

IFRS in the Italian context

Transition to IFRS[3] may represent a complex process for Italian companies as it may have a considerable impact on both accounting traditions and organisational procedures and operations. A profound cultural change may be affected by the accounting system linked to the environmental factors of the national economic background resulting from differences between Italy and the Anglo-Saxon countries upon which IFRS is based (Nobes and Parker, 2002; Choi and Meek, 2005; Onesti, 1995; Zambon, 1996; Di Pietra, 2002; Veneziani, 2005; Dunne et al., 2008).

For instance, in Italy Roman law prevails, characterised by the importance of written codified law with which the community must comply, as opposed to custom and usage. Written law takes precedence over practice and this law governs individual cases that are brought to court. This system is also characterised by a rigid hierarchical order of the sources of the written law. Thus Italian companies have always applied legal regulations that have not changed greatly over time and are sometimes of a general and abstract nature as written in the codified law. In this rigid setting, national accounting standards play a secondary role to the rule of law in drawing up financial statements (Marchi, 2000). Since 2005 Italian listed companies have had to adapt to a completely new accounting regime and apply IFRS that have very different characteristics from those of Italian law, and are constantly evolving and are very detailed.

Moreover, variations in the nature of ownership and in the role of the financial market produce differences in the basic rationale governing formulation of the financial statement. In Anglo Saxon countries the presence of public companies and well-developed stock exchanges result in investors playing a more important role. In Italy, the banks, rather than the financial markets, have always been the main financers of Italian companies, especially those of SMEs with family shareholdings. In this latter situation the stock exchange is characterised by a small number of listed companies and trading operations.

Thus, one important difference between IFRS and Italian GAAP derives from the different stakeholders that are addressed (Veneziani, 2005). IFRS gives priority to investors as the main users of financial statements (Framework paragraph. 10), who are primarily interested in the assessment of companies' performance to help them make investment decisions (Quagli, 2004; Cattaneo, 2004). Italian accounting practice gives priority to one particular class of stakeholder, creditors. This focus emphasises the principles

[3] Note that, in accordance with Italian law, since 2005 listed SMEs are obliged to apply the IFRS, the smallest companies (Civil Code art. 2435-bis) are forbidden to apply them and the other SMEs are allowed to choose (tab.1).

of prudence (Lacchini and Trequattrini, 2002), historical cost and a more conservative assessment rationale with the aim of stewardship or of safeguarding the assets (Sterling, 1967). This characteristic, which represents the *ratio* of the Italian legislator, derives mainly from the above-mentioned environmental factors.

More specifically, although the same fundamental principles underlying formulation of the financial statement are generally valid in both the IFRS and the Italian context (Andrei and Fellegara (eds.), 2006; Frattini, 2006; Palma, 2008; Quagli, 2010), including neutrality of information, differences emerge in the hierarchy between them, consequently highlighting the difference between the IASB and the Italian legislator in terms of the main user referred to. In short, the emphasis placed in the framework on the decision-useful information implies that the Board, while observing the principle of neutrality, tends to favour the investors vis-à-vis the other users (Giussani, 2009). Furthermore, the structure of the IFRS financial statement places the two underlying assumptions (going concern and accrual basis) at a higher hierarchical level than the other qualitative characteristics (understandability, relevance, reliability, comparability, constraints on relevance and reliability, and true and fair view) which also comprise prudence. Lastly, competence together with the possibility of applying fair value ensure that the IFRS financial statement also offers forward-looking information, in line with the information needs of the investors (Pizzo, 2000; Pizzo, 2005). In Italy, on the other hand, as is known, while always observing neutrality of information and certainly the true and fair view, the principle of prudence dominates competence (accrual basis principle) and with it the assessment rationale connected with the historic cost which implies in effect greater safeguarding of creditor interests, providing mainly historic rather than forward-looking information (Lionzo, 2005).

To conclude, therefore, the different environmental factors of the Italian and Anglo Saxon context lead to the recognition of different main users of the financial statement and then to a different rationale in the formulation of it, without prejudice to the observance of fundamental common principles such as true and fair view and neutrality of information.

Thus, the introduction of IFRS that are strongly oriented towards the financial markets undoubtedly represents a profound challenge for Italian companies and the difficulties in adopting the change in approach are considered in this report. This may result, for example, in personnel training and recruitment being required, new assessment procedures being necessary, and amendments to both the administrative structure and the information systems within organisations being needed (Veneziani, 2004).

The impact of IFRS on large companies

Much of the research to date has focused on the implications of IFRS for large organisations in different countries. For example, Goodwin and Ahmed (2006) found that a move to IFRS from Australian GAAP had a bigger impact on the financial results of larger companies as over half of smaller companies reported no change in their net income.

In a UK context, Aisbitt (2006) found that although there was little overall effect of IFRS on FTSE 100 companies, the change in certain items could be significant, and there was a sectoral bias. The standard that had the biggest effect on net equity was IAS 19 *Employee Benefits* but Aisbitt (2006) found that the standards that caused the biggest financial impact were different from those that had caused the biggest problems in disclosure; the standards relating to financial instruments were the most problematic with regard to disclosure.

In a recent ICAS-funded project, Dunne et al. (2008) examined the implementation of IFRS in a sample of large listed companies in the UK, Italy and Ireland and report that the transition to IFRS had a major impact on all companies across the three jurisdictions. However, the implications were most pronounced for Italian firms. For example, Italy saw the most dramatic increase in terms of the amount of IFRS-related disclosure provided by companies. In terms of implementation costs, much time and money was spent on training staff and assimilating the new accounting requirements and a cultural change was required in Italy to shift from a creditor to a shareholder focus. Information systems had to be changed and planning was required far in advance to adapt systems to cope with the new standards.

The standards that caused the biggest problems in implementation were: IAS 39 (*Financial Instruments: Recognition and Measurement)*, IAS 19 (*Employee Benefits*), IAS 36 (*Impairment of Assets*), IAS 38 (*Intangible Assets*), IAS 12 (*Income Taxes*), IAS 14/IFRS 8 (*Segment Reporting)*, IFRS 2 (*Share-based Payment)* and IFRS 3 (*Business Combinations)*. This was due mostly to the fact that the accounting requirements were new and different and often required fair values, external data or key assumptions to be made to implement the standards. The report shows that the transition to IFRS had a significant impact on the profit and equity of companies, resulting in an increase in profits in all three countries and a decrease in net equity in the UK and Ireland. Preparers were unclear about whether the cost of implementation had outweighed the benefits as the costs were tangible and immediate but the benefits were intangible and longer term. From the users' perspective Italians were far more enthusiastic about the impact of IFRS than UK and Irish users and liked a common set of standards that facilitated comparability between companies and countries.

The application of IFRS in SMEs: costs and benefits

Clearly, SMEs may face different problems from larger companies in adopting IFRS and any possible benefits may also be different from larger companies. Thus, SMEs may not be taking advantage of voluntarily applying full IFRS as allowed by Italian law. Some studies show that stakeholders often consider that small companies should be excluded from the IFRS process, and that an IFRS equivalent to the UK ASB's Financial Reporting Standard for Small Entities (FRSSE) should be specially introduced for small companies (Fearnley and Hines, 2002). Indeed, many small companies consider IFRS to be too complicated to adopt (Larson and Street, 2004).

Arguments supporting this conclusion are based on the evidence that there are several factors differentiating small from larger-listed enterprises. These considerations can be extended, in the majority of cases, also to medium-sized unlisted entities. In detail (IFAC, 2006):

- stewardship: many small entities are owner-managed and there is no separation between ownership and management;
- skills: because of the small size, managers have few business skills, the business is tight knit and the values of the owner are shared by the employees;
- complexity: small entities tend to operate in a unique environment, have generally limited numbers of customers and suppliers and owners do not always have the objective of maximizing profits;
- responsibility: they do not have the same sort of obligations and responsibility to their investors as larger entities and mainly rely upon debt rather than equity finance.

AICPA (2005) results, encourage the criticism about the IASB choice to extend conceptual framework to SME. Some studies suggest that a new set of standards should be developed to better meet the characteristics of these companies (Di Pietra, 2007; Lionzo, 2005).

Nevertheless, the IASB issued its exposure draft (ED) *International Financial Reporting Standard for Small and Medium-sized Entities* in 2007 which was revised in January 2009 as *IFRS for Non-publicly Accountable Entities (NPAEs)*. The ED provides a simplified self-contained set of IFRS based on the present set of IFRS but adapted for entities without public accountability. However, the main criticism of the ED is that it differs very little from the full IFRS, and does not simplify the listed companies' requirements enough (Paoloni, 2006; Campedelli, 2006; Schiebel 2007; Di Pietra et al. 2008). This, in effect, remains the main criticism of the definitive standard "IFRS for SME" issued in July 2009 (Evans, 2010), which is characterised by the same conceptual framework as the full IFRS, centred on providing *decision-useful information* to all the users but with particular reference to the investors. It is interesting to focus attention also on this point, in fact there is little evidence that the SMEs financial statements are used by investors. In this regard, IFAC (2006) summaries a number of studies which identified that the main users of the SME financial statements are banks, tax authorities and directors (Page, 1984; Pratten, 1998; Collis and Jarvis, 2000; Collis et al., 2001; Paoloni et al., 2000).

Therefore, the adoption of full IFRS involves significant changes that must be taken into account by SMEs (Coppens et al., 2007; Teodori and Veneziani, 2008). The personnel training costs, the time to assimilate the standards (Singh and Gray, 2006) and the cultural impact must be considered in addition to modifications to the decision-making systems and performance and management systems. The need to implement new processes and operating systems to collect, process and use the information required by IFRS may result in significant costs with little perceived benefit (Darenidou et al., 2006; Jermakowicz and Gornik-Tomaszewski, 2006; Coppens et al. 2007).

The application of certain accounting standards, for example IAS 19 and IAS 36, require new and very specific skills and, in many cases, may need to be assigned to external consultants (Teodori and Veneziani, 2007). At group level it is also important to manage the transition by involving any subsidiaries in the process. Multiple studies suggest that a number of impediments to IFRS adoption exist for preparers, such as the complexity of the standards and the corresponding lack of guidance (Larson and Street, 2004; Ernst & Young, 2006; Jermakowicz and Gornik-Tomaszewski, 2006; PwC, 2006; Fearnley et al., 2007; ICAS, 2007).

Nevertheless, SMEs may be interested in the voluntary adoption of IFRS for a number of reasons, as noted by Teodori and Veneziani, (2008):

- a common accounting language is needed by the global market;
- some European legislators, such as Italy, favour the adoption of IFRS by non-listed companies; and
- IFRS play an important role in the "modernisation" of financial statement regulations such as Directives 2003/51/EU and 2001/65/EU.

In addition, the advantages to companies in adopting IFRS may be to:

- improve international visibility and company image (Cisi, 2006). The latter study confirms that the application of full IFRS has a positive contribution in relation to the SME degree of internalisation;
- enable a comparison of a company's economic and financial situation with that of foreign competitors (Haller, 2002; Superti Furga, 2005; Coppens et al. 2007). In particular Coppens et al. (2007) show that the application of full IFRS in Belgian SMEs will increase the transparency of accounts, enhancing comparability between companies;
- save operative and administrative costs for groups with foreign subsidiaries, by adopting common accounting standards, thus avoiding a "double financial statement" (Buchanan, 2003);

- improve the monitoring processes of critical areas by company management (PwC, 2006); better information flows result in better integration between group functions and information systems. For example, monitoring returns and estimating future cash flows helps to anticipate problems of impairment on goodwill or of cash generating units;
- identify areas of company growth; and
- attract new investors (Jermakowicz and Gornik-Tomaszewski, 2006).

In the light of what has been written, it is interesting to investigate the costs and benefits perceived by the Italian companies, in particular medium-size non-adopters, with reference to the IFRS. This empirical study follows the above line of investigation with the aim of contributing to integration of the research into the expediency of introducing the IFRS into the European SMEs.

In Italy, there has been considerable research into IFRS applied by listed companies highlighting the complexity in adopting IFRS, the "cultural" effects and the changes in company structures (Carini, Teodori, and Veneziani, 2006; Andrei, 2006; Teodori, 2006; Quagli, 2006; Allegrini, 2007). From a medium sized company perspective Teodori and Veneziani (2008) examined non-listed companies located in the north of Italy and found that CFOs had a poor knowledge of IFRS and perceived them to be very complex, therefore voluntary adoption of IFRS was not on the agenda for these companies. It should be noted, however, that these empirical studies concentrate specifically on only some aspects connected with application of the IFRS. This study, on the other hand, aims to provide an overall picture not of certain problems but more generally of the costs and benefits perceived by the non-listed medium-sized companies located throughout Italy, which represent a very important element in the economy of our country.

3. Research Method

Companies surveyed

The preliminary phase of the study consisted in ascertaining how many Italian companies, in particular medium-sized, voluntarily apply the IFRS compared to those that still use the Italian GAAP.

To define the companies to be analysed, the research utilised only the turnover out of the quantity parameters usually considered (turnover, total assets, employees). This choice is justified by the importance of the parameter, by its relative objectivity as it is not affected by evaluative decisions like total assets and by the fact that it can be directly compared between companies. Information on the number of employees is not always available and is not uniform due to the different ways of considering the different types of workers (full and part time, with temporary and permanent contract, etc.). Turnover, on the other hand, is immediately perceived and understood.

Therefore, the companies selected to be surveyed had a turnover of between 10 and 50 million Euros and encompassed all companies that filed a consolidated annual report in 2006. Attention was focused on these companies, for which there are excellent prospects in terms of possible adoption of the IFRS, especially if they are geared to internationalisation, as will be increasingly required in the future. In this study, companies with less than 10mln euros are not taken into consideration as they would probably not be involved in application of the IFRS, considering both the proximity of the value to the figure allowing the financial statement to be drawn up in abbreviated form and the current intentions of the national legislator in this regard.

Companies were selected from: CERVED for unlisted adopter companies; and AIDA for unlisted non-adopter companies. CERVED is the most widely used Italian business information database; AIDA is a database containing company accounts, financial ratios and the activities of 700,000 Italian companies as well as ownership and management information for the top 20,000 companies.

Eight hundred and eighty companies were selected. Thirty-three are unlisted companies that voluntarily adopted IFRS and 847 are non-IFRS adopter unlisted companies. These represent all Italian non-listed companies that draw up consolidated financial statements in 2006 and have a turnover of between 10 and 50 million Euros, as shown in Table 3.

Tab. 3 – Voluntary IFRS adoption in Italian medium-sized companies

Companies	**No.**
Unlisted adopters	33
Unlisted non-adopters	847
Total	**880**

Having ascertained the high number of companies that do not apply the IFRS compared to those that have voluntarily chosen to adopt the standards, attention was focused only on the former in order to obtain a more representative overall picture of the Italian situation.

Questionnaire survey and response rate

The study was carried out as a survey based on a questionnaire sent to the preparers of 847 medium-sized non-IFRS adopter Italian companies. The questionnaire was used instead of interviews as it was considered the most suitable tool for knowing, in a reasonable comparable time, the opinion of a large number of people. The tool is also used in other empirical studies of this type in the case of high sample numbers (Nazari et al., 2006; Eierle and Haller, 2009; Eierle and Schonefeldt, 2010). In particular, Nazari et al. (2006) summarise the papers published in three accounting journals (AOS, JMAR, BRIA) during the period 1994-2004. The methodology was based on questionnaire survey where questionnaires were submitted to large samples of companies. Eierle and Schonefeldt (2010) found that questionnaire surveys as a research instrument are implemented in 47% of the empirical studies on SME financial reporting.

The questionnaire survey consists of 19 questions, divided into the following three areas:

- Section A: Background information (eight questions) relating to general information about the companies' consolidated turnover, number of employees, position of the respondent in the company and the voluntary adoption of IFRS.
- Section B: Decision-usefulness of financial statement information (one long question) focusing on the importance of stakeholder groups in using SME financial statements.
- Section C: Perceptions of the costs and benefits of implementing IFRS (10 questions) focusing on how IFRS could affect the company's accounting and finance; its strategies and policies; tax; earnings, net assets and cash flow; the main benefits of IFRS adoption, the complexity of standards and those considered most problematic.

The questionnaire was mainly constructed on the basis of analysis of the literature previously illustrated with particular reference to the costs and benefits of IFRS adoption in the SMEs.

Most of the questions used a five-point Likert scale although some were open-ended. The questionnaire was pilot tested by three companies and by some Italian and UK professors with knowledge of IFRS and SMEs.

Hard copies of the questionnaires were posted in January 2008. At the end of February 2008 a second mailing was sent, followed in April-May 2008 by telephone calls to half of the unlisted non-adopter companies selected.

The following paragraph presents the findings of the questionnaire survey. Thirty-four questionnaires were returned, despite reminders being sent and phone calls being made to the non-respondents, resulting in a response rate of only 4.0%. The results must therefore be interpreted in the context of the research conducted and cannot be extended in general terms to the companies belonging to the universe considered as the response rate is not statistically significant. Nevertheless, we believe that the replies obtained are of interest and provide a preliminary, albeit partial, picture of the perceived costs and benefits of the IFRS.

4. Research Findings

4.1. Background information on the companies

A higher number of replies were received from the companies in the 41-50 million euro turnover size (38%) than those in the 31-40 million euro turnover size (32%), and only 6% of the replies were from the 10-20 million euro size, as shown in Table 4.1. These results indicate that, in our study, awareness of IFRS is greater in larger companies.

Tab. 4.1 – Respondents by turnover and number of employees

Turnover (millions of euros)	Number of responses	% of total	Number of employees	Number of responses	% of total
10 – 20	2	6	< 50	2	6
21 – 30	5	15	51 – 100	8	24
31 – 40	11	32	101 – 150	4	12
41 – 50	13	38	151 – 250	7	21
			> 250	10	28
Not disclosed	3	9	Not disclosed	3	9
Total	**34**	**100**	**Total**	**34**	**100**

This is further reinforced when looking at company size expressed in terms of the number of employees; in the majority of cases the respondents are companies with over 250 employees (28%) and in second place (21%) are those with a number of employees between 150 and 250, underlining that greater attention to IFRS is paid by companies that may have a greater level of organisational complexity (Table 4.1). In most cases the respondents are chief financial officers (CFOs) (67%); and although 15% did not state their position, it suggests that the companies taking part in the study have an organisational structure that is large enough to employ a CFO.

Adoption of IFRS

In the majority of cases (71%, n. 24), the respondent firms declare that they have never held any internal debates concerning the possible adoption of IFRS. However, some of the respondent firms (n. 10) had discussed this issue. The main reasons why IFRS had been discussed were:

- the possibility of improving accounting coordination vis-à-vis foreign companies in the group;
- the possibility of listing;
- a request from a foreign holding;
- •he possibility of using the current values of assets;

- an improvement in the credit rating;
- the desire to improve financial communication.

Only seven of the firms had actually started a project aimed at possible voluntary adoption. The chief financial officer (33%) or the board of directors (22%) initiated often the debate. Professionals from outside the firm, such as auditors and consultants, also play a role in sparking off discussion (22% of cases), and sometimes major shareholders discussed at first the issue. The role of the banks and financial intermediaries is insignificant; only one company stated that a bank had mentioned discussing the implementation of IFRS (Table 4.2).

Tab. 4.2 – Promoters of voluntary adoption

Promoters	**n.**	**% of total**
CFO	6	33
Board of Directors	4	22
Auditors/consultants	4	22
Shareholder	3	17
Banks	1	6
Others	0	0
Total	**18**	**100**

Possible multiple choice

The replies of the three firms which, following discussion and analysis, opted not to adopt IFRS highlighted that IFRS were judged to be:

- of little use for firms with limited international relations;
- excessively complex for tax purposes; and
- not coherent with company communication needs.

4.2. Decision-usefulness of financial statement information

For the majority of SMEs, shareholders are generally the entrepreneurs or the families of the entrepreneurs, who have a detailed knowledge of management; the financial statements therefore offer an important even if non-fundamental contribution to assessing their firms' economic and financial performance (Table 4.3).

The banks and financial intermediaries are important in financing the activities of SMEs in Italy and the financial statements are useful tools for their decision-making. Other users, such as the rating agencies and tax authorities, are also interested in financial statements. With reference to other stakeholders such as customers, suppliers, employees and competitors, the greatest relevance may be for competitors, linked to the strategic and proprietary information that financial statements can provide.

In conclusion, confirming the findings in literature, the respondents clearly consider that the main users of financial statements are the financers (banks). This result conflicts with the financial statement rationale of IFRS that revolves around the information needs of investors.

In the light of these responses, in the next paragraph we will analyse the perceived costs and benefits of IFRS adoption.

Tab. 4.3 – Decision usefulness of financial statement information

Subject	Very important/ important	Neither important or unimportant	Not very important/ Not important	Non replies
Majority shareholders	58	12	9	21
Institutional investors	59	12	0	29
Minority shareholders	53	21	6	20
Banks	73	9	0	18
Rating Agencies	68	12	0	20
Analysts	73	6	0	21
Suppliers and other trade creditors	35	29	18	18
Customers	21	26	36	17
Employees	18	21	44	17
Competitors	50	21	12	17
Tax authorities and Government	41	29	12	18
Charities/NGO/ Special interest groups	9	35	27	29
General public	12	21	39	28
Any others	3	0	0	97

Results are in % and provide the opinion of preparers.

4.3. The perceived costs and benefits of implementing IFRS

Operational and decisional changes

With reference to the costs of implementing IFRS (Table 4.4), the respondents thought that training courses were fundamental (51%) and that recourse to consulting services might also be necessary (25%). The recruitment of new personnel with a general accounting background (9%) or with specific knowledge of IFRS (2%) were much less attractive propositions, especially considering that the size of these firms was generally less than 250 employees.

Tab. 4.4 – Costs of adoption of IFRS

Cost	**Number of responses**	**% total**
Provide finance staff with training sessions on IFRS	24	51
Engage consultants to assist with IFRS	12	25
Engage new employees with a general accounting background	4	9
Engage new employees with knowledge of specific IFRS	1	2
Others/non replies	6	13
Total	47	100

Some of the 34 respondents ticked more than one box.

Most factors associated with the changes of adoption (Table 4.5), however, were viewed in a positive manner by the respondents such as: merger and acquisition strategies (47%), investment strategy (44%), management and internal controls (41%), risk management (41%).

In other words, adoption of IFRS was perceived as an opportunity for rethinking and improving the management and internal control system. As regards the risk management system for the types of firms in question, this function is often under- developed and a detailed examination is viewed positively.

As regards investment and M&A strategies, adoption of IFRS may contribute to improving the operating capital. On the other hand, changes to information systems was the main aspect viewed as being negatively affected. Dividend policy and management performance evaluation did not appear to be affected by IFRS adoption.

Tab. 4.5 – Systems, strategies and policies affected by the adoption of IFRS

Systems, strategies and policies	**Strongly affect**		**Neutral**	**Weakly or not affect**	**Non replies**
	Positive	**Negative**			
Management and internal control	41	6	26	9	18
Risk management and control	41	9	26	6	18
IT Systems	24	29	26	3	18
Internal audit function	32	18	32	0	18

Investment strategy	44	0	35	3	18
M&A strategy	47	0	29	6	18
Fund raising policy	38	3	35	6	18
Dividend policy	9	3	56	15	18
Management performance evaluation	24	0	35	24	18

Results are in %

The impact of IFRS on financial results and taxation

The adoption of IFRS is perceived as having a positive effect on both capital and net income but the respondents were fairly neutral about the impact in relation to cash flow. The impact on tax is very important for Italian companies and most of the respondents consider the fiscal aspect problematic in the event of adoption of IFRS. Only 12% of respondents were not concerned about the effect on tax.

Problematic standards

Table 4.6 shows responses to a list of 16 requirements under IFRS that based on previous studies (Coopers, 2007; Dunne, 2008; Teodori and Veneziani, 2008) were likely to be problematic to implement. Five of these 16 requirements were deemed to be a problem.

IAS 36 is considered to be the most complex standard to implement with 73% agreeing that it would be a problem. Measurement of the recoverable amount and the introduction of cash generated units (CGUs) represent a significant departure from the provisions of the Italian Civil Code: the biggest change is not so much the periodical evaluation of the assets, already established by national law, but the definition of a specific methodology for determining the recoverable amount, with the further addition of the introduction of CGUs.

The perceived complexity of other standards is also connected with the gap between Italian national law and IFRS, such as the introduction of segmental reporting (IAS14/IFRS8) which is not regulated by the Civil Code. The measurement of post employment benefits using actuarial and discounting techniques (IAS19) is also a problem as is using current values and the component approach to property, plant and equipment (IAS16). The absence of a rigid classification of account formats for the balance sheet and income statement (IAS1) are also different from national Italian GAAP.

The introduction of a cash flow statement is not a problem as this has already in general been adopted by companies that draw up consolidated financial statements and is also strongly recommended by Italian accounting standards. The same observations apply to financial leasing (IAS 17), already presented in Italy in the notes to the financial statement.

Other aspects perceived as relatively problem-free, although very different from the traditional Italian accounting framework, are tangible assets with indefinite useful lives and the absence of depreciation for goodwill (IAS38). These results may be due to the fact that the element of complexity has already been identified with reference to IAS 36. Furthermore, in most cases (33%) the ban on valuing stock at LIFO, permitted by national law, is also not perceived as a problem in the transition to the IFRS.

Surprisingly, 38% of respondents were neutral on IFRS 2; this may be due to the limited use of share-based payments in SMEs. The results relating to IAS 32/39 are interesting. Prior studies have found these to be the most problematic standards, but these results show a wide spread of agreement/ disagreement/ neutrality. This may be linked to the limited use of derivatives and embedded derivatives in SMEs and to a lack of knowledge of the standards.

Tab. 4.6 – Problematic standards

Standard	Strongly agree/ Agree	Neutral	Disagree/ Strongly disagree	Non replies	Total
IAS 1: No classifications for balance sheet and income statement	47	18	24	11	100
IAS 1/7: Mandatory presentation of cash flow statement	32	15	41	12	100
IAS 2: LIFO is disallowed in valuation of inventories	30	26	33	11	100
IAS 12: Accounting for probable deferred tax assets	35	15	38	12	100
IAS14/IFRS 8: Segmental reporting	56	15	18	11	100
IAS 16: Component approach amortisation	47	9	32	12	100
IAS 16: Possibility of assessing property, plant and equipment at current value	56	6	27	11	100
IAS 17: Accounting for financial leasing contracts with the "financial method"	18	24	44	14	100
IAS 19: Accounting of post employment benefits using actuarial and discounting techniques	56	12	15	17	100
IAS 32/39 – IFRS 7: Recognition of derivatives and their economic effects in the financial statement	35	24	27	14	100

IAS 36: Measuring the recoverable amount of an asset as the higher of its fair value less costs to sell and value in use, defined as the present value of future cash flow	73	9	0	18	100
IAS 36: Introduction of cash generating units	70	9	3	18	100
IAS 38: Capitalisation of some long-term costs not allowed (start-up, research, advertising, etc.)	27	15	44	14	100
IAS 38: Accounting for intangible assets with indefinite useful life	27	24	36	13	100
IAS 38/IFRS 3: Absence of goodwill amortisation	21	24	39	16	100
IFRS 2: Accounting for share based payment	18	38	30	14	100

This table reports the % of respondents.

Benefits of IFRS

Table 4.7 shows the expected benefits of adoption of IFRS. The majority of the companies interviewed have a strong perception that the IFRS provide a common accounting language favouring comparison of the financial statement at international level. A large part of the interviewees believe that the IFRS have a positive effect on financial communication also by improving transparency: the international standards are generally considered able to increase the quantity and quality of the financial statement information. In addition to the benefits obtained from improvement of financial communication, many companies believe that the IFRS have positive implications also in company management, improving the accounting coordination activities for the groups with foreign subsidiaries and supporting international mergers and acquisitions.

Reinforcing the considerations expressed on the benefits offered by adoption of the international accounting standards, the majority of the respondents (47%) believe that the IFRS permit a better representation of equity and profit, and provide a better predictive ability for users. With reference to the latter, 44% believe in particular that the IFRS do not reduce the importance of the financial statement for creditors. A more limited percentage (35%) believe that the IFRS provide a better analysis of company performance.

Nevertheless, in literature it is underlined that some international evaluation criteria are profoundly different from those included in the Italian accounting standards. The results of the empirical research confirm this aspect, as the difference with respect to Italian accounting culture is highlighted by the majority of the respondent companies. Furthermore, it is underlined that overall, the IFRS are considered more useful than the Italian GAAP only by 33% of the interviewees and are perceived as more rigorous than the Italian GAAP only by 30% of the interviewees.

Lastly, the respondents are generally indifferent as to whether IFRS provide a better assessment of management skills, improve a company's reputation, improve bank relationships or relationships with foreign suppliers and customers. Further, firms appear to be indifferent as to whether the IFRS disclose strategic or proprietary information.

Tab. 4.7 – Benefits of IFRS

Theme	Strongly agree/ agree	Neutral	Strongly disagree/ disagree	Non replies	Total
Provides a common accounting language	77	9	3	11	100
Improves transparency	68	9	12	11	100
Is far removed from Italian accounting culture	62	18	6	14	100
Permits a better representation of equity	62	15	9	14	100
Improves accounting coordination activity in a group with foreign subsidiaries	59	21	3	17	100
Increases the quantity of disclosure for users	56	21	9	14	100
Supports international mergers and acquisitions	56	26	0	18	100
Improves the quality of disclosure for users	53	21	12	14	100
Permits a better representation of profit	47	24	15	14	100
Provides better predictive ability for users	47	21	15	17	100
Restricts the role of national accounting legislation	41	35	6	18	100
Improves the company's reputation	38	44	3	15	100
Provides better analysis regarding the performance of the company	35	26	24	15	100
Is more useful to users than Italian GAAP	33	24	24	19	100
Is more rigorous than Italian GAAP	30	32	21	17	100
Provides better assessment regarding management skills	27	32	26	15	100
Improves bank relationships	27	47	12	14	100
Improves relationships with foreign suppliers and customers	24	44	18	14	100

Discloses strategic or proprietary information	21	38	26	15	100
Reduces the importance of financial statements for creditors	9	29	44	18	100

This table reports the % of respondents

Costs versus benefits

To summarise, the respondents perceive the costs of transition to the IFRS as outweighing the benefits (36% agree, 24% disagree). These results must be integrated considering that 24% of the companies interviewed maintained a position of neutrality, while 16% did not provide any answer.

Although the unlisted non-adopter companies analysed recognise the numerous benefits that would be obtained from IFRS adoption, an attitude of caution persists towards them. This attitude may be due to:

- the main users of SME financial statements are banks and financers. They have close and constant relations with the firms, and therefore have access to a whole range of information that IFRS financial statements may not provide anyway. Thus, IFRS do not have a significant effect in improving company relationships with their banks, as shown in table 4.7;
- the difference between the focus of Italian and international accounting and consequently the company need to modify the approach to financial statements. In other words, IFRS are not considered so fundamental to decision-making purposes as to justify radical and costly changes for them to be adopted. This may be why only 33 firms with turnover between 10 and 50 million euro have voluntarily adopted IFRS in Italy.

5. Conclusion, limitations and future research

This report examines the perceived costs and benefits of IFRS by non-adopter Italian medium size companies using a questionnaire survey.

Firstly it should be noted that only a few firms returned the questionnaire survey. The low level of interest shown by companies in taking an active part in the research may indicate that this is not an issue of concern for them. Furthermore, only 33 entities with turnover between 10 and 50 million euro, out of 880, had voluntarily adopted IFRS at the time of this study. This clearly shows that the voluntary adoption of IFRS allowed in Italy has not been exploited.

Looking now at the results of the research, they confirm what is maintained in literature in terms of costs and benefits of IFRS adoption by SMEs. Furthermore, analysing the other studies on application of the IFRS in large companies, it is noted that the perception of many costs and benefits by the preparers is independent of the size of the companies. More specifically, in this study and in relation to the perceived costs of implementing IFRS, a common position emerges among preparers, whereby the costs are due to the cultural changes needed to make the transition to IFRS. Indeed the standards considered most problematic are those that differ most from Italian GAAP and which involve more complexity in terms of assessment or the disclosure of more information such as IAS 16, IAS 19, IAS 36 and IAS 14/IFRS 8. In many cases it appears that most problems arise from IFRS that require more rigorous assessment processes and which reduce the discretionary power of the financial statement preparers.

Firms are also reluctant to apply IFRS due to uncertainty of the taxation of income calculated according to IFRS. This problem deserves further analysis: the fiscal aspect is important only for company financial statements and not for consolidated financial statements which is the main concern of IFRS. Maintaining two sets of accounting records, one for company financial statements and the other for consolidated financial statements, is certainly possible, but is complex and costly. In any case, the fiscal aspect has recently been changed by the Italian legislator and this should be less important in the future. Nevertheless, the introduction of IFRS is perceived as costly resulting in the need to modify information systems, organise personnel training courses and acquire outside consulting services.

On the other hand, the adoption of IFRS by medium size companies can result in some benefits highlighted by respondents such as:

- the comparison of information between foreign firms;
- improving accounting coordination in a group with foreign subsidiaries;
- improving management decision process;
- supporting international mergers and acquisitions; and
- improving financial disclosure in terms of quantity and quality of the information.

However, these need to be weighed against the costs and against a consideration of who needs this information. If accounting and disclosure improve, who benefits from it? For IFRS to be adopted by companies their usefulness must be recognised by corporate stakeholders. In Italy many stakeholders, such as banks and professionals, are not yet ready to fully embrace the effects of change or to interpret or adequately prepare for IFRS. Demand for "new" accounting and disclosure is not yet sufficiently developed and many users may not yet appreciate the potential benefits. Actually, the respondents clearly consider the main users of financial statements to be the financers but they do not believe that IFRS will improve relationships with their banks. Thus, although there are advantages for companies in adopting IFRS, they are considered by respondents to be not so fundamental for decision-making purposes as to justify their adoption and a big and costly change in the approach to the financial statement. Indeed, some fear that the decision to adopt IFRS could derive from the opportunistic behaviour of managers in the short-term rather than from a careful assessment of user needs; in the current economic recession, decisions to adopt IFRS could be based more on the desire to express assets at fair value (such as property) to improve the equity position rather than the need to improve communication with stakeholders. Nevertheless, it appears that there will be no groundswell to the voluntary adoption of IFRS by Italian medium size entities. These companies need to fully understand the cultural impact of IFRS and assess how IFRS adoption will contribute, if at all, to the strategic direction of the company in the future. In this regards and more in general terms we believe that adoption of IFRS by SMEs should be voluntary, depending upon factors such as their strategic objectives, rather than being mandated on other parameters. Lastly we should like to point out that the main limit of the study is the low rate of response despite the efforts made in collection of the questionnaires: this means that the results obtained cannot be considered representative of the entire national territory. Nevertheless, they are a valid reference point for an initial assessment of the Italian situation as regards medium size non-listed entities. For the future, similar studies are scheduled on different areas of Italy carried out in conjunction with other Italian universities and the main auditing companies. In this way, the preliminary investigation on a national scale would pave the way for an investigation on a regional scale, exploiting the mutual knowledge of the companies and the subjects taking part in the research. The collaboration between universities (which would have the main role in the research project) and the auditing companies, in the various Italian regions, should therefore help to improve the company response rate. The overall results of the different studies will provide a reference framework for the Italian situation.

Dr. Cristian Carini
University of Brescia, Italy
carinic@eco.unibs.it

Prof. Claudio Teodori
University of Brescia, Italy
teodori@eco.unibs.it

Prof. Monica Veneziani
University of Brescia, Italy
venezian@eco.unibs.it

Dr. Theresa Dunne
University of Dundee, Scotland
t.m.dunne@dundee.ac.uk

Prof. Christine Helliar
University of Dundee, Scotland
c.v.helliar@dundee.ac.uk

Abstract

Since 2005, Italy is one country where SMEs (under certain conditions) have been given the option to adopt full IFRS if they so wish. A feature of Italy is that it is a country which is very dependent upon its SME sector for a vibrant and healthy economy. In this context, it is interesting to see initially how many Italian companies, in particular medium-sized, opted voluntarily for the full IFRS compared to those that still apply the Italian GAAP, and subsequently focus attention on the reasons for the choice. More specifically, having ascertained the high number of companies that do not apply the IFRS, the aim of the study was to investigate the reasons for the non-adoption decision, via the use of a questionnaire which concentrates on analysis of the costs and benefits perceived. In view of the same conceptual framework used by the IASB in dictating the standards both for the listed companies and for the SMEs, this study could be useful for SMEs who are required to prepare accounts using IFRS issued in July 2009 for accounting periods ending on or after 31 December 2012, in order to overcome in time the possible obstacles and prepare best for the transition to the new standards.

Riassunto

Dal 2005 le piccole e medie imprese italiane, realtà assai importanti nel tessuto economico del nostro Paese, hanno la facoltà (a certe condizioni) di adottare i full IFRS. In questo contesto è interessante individuare inizialmente quante imprese, in particolare di media dimensione, hanno optato per l'adozione volontaria dei full IFRS comparandole con quelle che ancora utilizzano i principi contabili italiani. Accertato che la maggior parte non utilizza i full IFRS, scopo del paper è approfondire le ragioni di tale decisione attraverso un questionario finalizzato ad approfondire i costi ed i benefici percepiti. In conseguenza dell'analogo *framework* sviluppato dallo IASB con riferimento ai full IFRS ed allo *standard* per le piccole e medie imprese, lo studio può essere utile a quelle entità che saranno chiamate a preparare il bilancio sulla base dello *standard* pubblicato nel luglio 2009 al fine di individuare i possibili ostacoli e preparare opportunamente la transizione al nuovo regime.

JEL Classification: M - Business Administration and Business Economics; Marketing; Accounting.

Keywords (Parole chiave): IFRS, perceived cost and benefits, Italy, medium sized companies (IFRS, costi e benefici percepiti, Italia, imprese di medie dimensioni)

References

AICPA (2005), Private Company Financial Reporting Task Force Report, *American Institute of Certified Public Accountants*, New York.

Aisbitt, S. (2006), Assessing the effect of the transition to IFRS on equity: the case of the FTSE 100, *Accounting in Europe*, Vol. 3, pp. 117-133.

Allegrini, M. (ed.) (2007), *L'adozione degli IFRS in Italia: impatti sostanziali e formali sul bilancio. Operazioni di leasing e fondi per rischi e oneri*, Giappichelli, Torino.

Andrei, P. (ed.) (2006), *L'adozione degli IFRS in Italia: impatti contabili e profili gestionali*, Giappichelli, Turin.

Andrei, P., Fellegara, A.M. (2006), *Contabilità generale e bilancio d'impresa*, Giappichelli, Turin.

Antunes Brás, F.A., and Henriques, J.P. (2008), Does IFRS for SME's influence SME's and banks relationships in a context of Basel II?, paper presented at the *31st European Accounting Association Congress*, Rotterdam, April.

Buchanan, F.R. (2003), International Accounting Harmonisation: Developing a Single World Standard, *Business Horizons*, May-June, pp. 61-70.

Campedelli, B. (2006), Principi contabili internazionali e imprese minori. Una prospettiva europea, *Rivista Italiana di Ragioneria e Economia Aziendale*, Rome, March-April.

Carini, C., Teodori, C. and Veneziani, M. (2006), Analysis of the initial impact of the IAS 38 in Italy: a survey of the TechStar companies. *Emerging Issues in International Accounting & Business Conference 2006, Proceedings*. Padua: CLEUP, Vol. 1, pp. 106-136.

Cattaneo, C. (2004), *L'informativa per i mercati finanziari in una prospettiva internazionale*, in Demartini P. (ed.), Informazione, imprese e mercati finanziari efficienti. Spunti di riflessione in una prospettiva multidisciplinare, FrancoAngeli, Milan, pp. 109-146.

Choi, F.D.S. and Meek, G.K. (2005), *International Accounting*, Pearson Prentice Hall, New Jersey, V ed., chapter 2.

Cisi, M. (2006), *IAS/IFRS Standard for Small and Medium Sized Entities: International Comparability versus Usefulness. An Analysis in the Italian Context*, Emerging Issues in International Accounting & Business Conference 2006, Padua.

Collis, J., Dugdale, D., and Jarvis, R. (2001), Deregulation of small company financial reporting in the UK, *Contemporary issues in accounting regulation*.

Collis, J., and Jarvis, R. (2000), How owner-managers use accounts, Centre for Business Performance, ICAEW, London.

Coppens C., Van Wymeersch K., Van Hecke, A., Engles, L., De Lembre, E., De Beelde, I., Verhoeye, J., and Van De Velde, G., (2007), *An investigation into the attitude of Belgian SMEs towards the implementation of IAS/IFRS*, Paper presented at the 30 th European Accounting Association the Annual Congress, Lisbon, April.

Darenidou, C. McLeay, S. and Raonic, I. (2006), Expected earnings growth and the cost of capital: An analysis of accounting regime change in the European financial market, *Abacus*, Vol. 42, Nos.3/4, pp. 388-414.

Di Pietra, R. (2002), *La cultura contabile nello scenario internazionale, Istituzioni, principi e esperienza*, Cedam, Padua.

Di Pietra, R. (2007), *Il progetto di estensione degli IFRS per la redazione dei bilanci delle PMI*, in: L'analisi degli effetti sul bilancio dell'introduzione dei principi contabili internazionali, *Rivista Italiana di Ragioneria e Economia Aziendale,* Rome.

Di Pietra, R., Evans, L., Chevy, G., Cisi, M., Eierle, B. and Jarvis, R. (2008), Comment on the IASB's Exposure Draft "IFRS for Small and Medium-Sized Entities", *Accounting in Europe*, Vol. 5.

Dunne, T., Fifield, S., Finningham, G., Fox, A., Hannah, G., Helliar, C., Power, D. and Veneziani, M. (2008), *The implementation of IFRS in the UK, Italy and Ireland*, The Institute of Chartered Accountants of Scotland (ICAS), UK, September, chapter 2.

Eierle B., and Schonefeldt A. (2010), *The research landscape: research in SME Financial Reporting*, Symposia Papers, European Accounting Association the Annual Congress, Istanbul, Italy.

Eierle, B., and Haller, A. (2009), Does size influence the suitability of the IFRS for Small and Medium Sized Entities? Empirical Evidence from Germany, *Accounting in Europe*, vol. 6.

Ernst & Young (2006), *IFRS: Observations on the implementation of IFRS*, E&Y, London, September, pp. 30.

Evans, L., (2010), Reporting for SMEs: European Research Contributions, Symposia Papers, European Accounting Association Annual Congress, Istanbul

Fearnley, S. and Hines, T. (2002), *The Adoption of International Accounting Standards in the UK: A Review of Attitudes*, Working Paper, Portsmouth Business School.

Fearnley, S. Gillies, A. Hines, T. and Willett, C. (2007), *Bewildered but better informed: A qualitative interview based study into the attitudes of some UK accountants and regulators to the EU IFRS conversion project prior to its implementation in the UK*, ICAEW, London, pp. 103.

Financial Accounting Standards Board (1980), *Statement of Financial Accounting Concepts No. 1: Objectives of Financial Reporting by Business Enterprises*, FASB.

Frattini, G., (2006), *Contabilità e bilancio, Le valutazioni di bilancio: principi economici, disciplina giuridica e informazioni complementari*, Egea, Milan.

Giussani, A., (2009), *Introduzione ai principi contabili internazionali*, Giuffrè.

Goodwin, J. and Ahmed, K. (2006), The impact of international financial reporting standards: Does size matter?, *Managerial Auditing Journal*, Vol. 21, No. 5, pp. 460-475.

Haller, A. (2002), *Financial Accounting Developments in the European Union: Past Events and Future Prospects*, The European Accounting Review, Vol. 11, No. 1 pp. 153-190.

Institute of Chartered Accountants of Scotland (2007), *Principles into Practice: Key points from the too late for principles?* Conference held in October 2006, February, ICAS, Edinburgh, pp. 19.

International Accounting Standards Committee (1989), *Framework for the Preparation and Presentation of Financial Statements*, IASC, London.

International Federation of Accounts, (2006), Micro-Entity Financial Reporting: Perspectives of Preparers and Users, Information Paper, IFAC, December.

Jermakowicz, E.K. and Gornik-Tomaszewski, S. (2006), 'Implementing IFRS from the perspective of EU publicly traded companies, *Journal of International Accounting, Auditing and Taxation*, Vol. 15, pp.170-196.

Lacchini, M. and Trequattrini, R. (2002), Ascesa e declino del principio di prudenza nel sistema contabile italiano: riflessioni critiche, *Rivista Italiana di Ragioneria ed Economia Aziendale*, July-August.

Larson, R.K. and Street, D.L. (2004), Convergence with IFRS in an Expanding Europe: Progress and Obstacles Identified by Large Accounting Firms' Survey, *Journal of International Accounting, Auditing and Taxation*, Vol. 13, pp. 89-119.

Likert, R. (1932), A Technique for the measurement of attitudes, *Archives of Psychology*, n.40.

Lionzo, A. (2005), *Il sistema dei valori di bilancio nella prospettiva dei principi contabili internazionali*, FrancoAngeli, Milan, pp.130-131 and 136-143.

Marchi, L. (ed.) (2000), *L'applicazione dei principi contabili nei bilanci delle imprese*, Il Sole 24 Ore, Milan.

Nazari, J., Kline, T., and Herremans I., (2006), *Conducting Survey Research in Management Accounting*, in Hoque, Z., *Methodological Issues in Accounting Research: Theories and Methods*, Spiramus.

Nobes, C., and Parker, R. (2002), *Comparative International Accounting*, Prentice Hall International, UK, VII ed., pp.17-32 and p.76.

Onesti, T. (1995), *Fattori ambientali e comportamenti contabili, Analisi comparata dei sistemi contabili di alcuni Paesi industrializzati*, Giappichelli, Turin, chapter 6.

Page, M. (1984), Corporate financial reporting and the small independent company. *Accounting and Business Research*, 14(55).

Palma, A. (a cura di), (2008), *Il bilancio di esercizio : aspetti istituzionali e profili evolutivi nell'attuale assetto normativo italiano*, Giuffrè, Milan.

Paoloni, P. (2006), *Il bilancio delle piccole imprese nella prospettiva internazionale. Il progetto IASB International Accounting Standards for SMEs*, Giappichelli, Turin.

Pizzo, M. (2000), *Il fair value nel bilancio d'esercizio*, Cedam, Padua.

Pizzo, M. (2005), *L'iscrizione in bilancio dei ricavi. Tra realizzazione e recognition*, Cedam, Padova.

Pratten, C. (1998), The uses of the accounts of small and medium sized companies and the effects of the audit exemption regimes, ICAEW, London.

PriceWaterhouseCoopers (2006), *IFRS: Embracing Change*, London, PWC, July, pp.27.

Quagli, A. (2004), *Comunicare il futuro. L'informativa economico-finanziaria di tipo previsionale delle società quotate italiane*, FrancoAngeli, Milan, pp.81-143.

Quagli, A. (2010), *Bilancio di esercizio e principi contabili*, Giappichelli, Turin.

Quagli, A. (ed.) (2006), *L'adozione degli IFRS in Italia: i piani di remunerazione a base azionaria*, Giappichelli, Turin.

Schiebel, A. (2007), External users of SMEs' financial statements are different! Wild guess or sound empirical analysis, paper presented at the *3rd Annual Workshop European Financial Reporting Research Group - Accounting in Europe*, Paris, September.

Singh, R. and Gray S.J. (2006), International Financial Reporting Standards (IFRS) for small and medium-sized entities (SMEs): issues and challenges for national jurisdictions, *Indian Accounting Review*, 10(2), pp. 1-17.

Sterling, R.R. (1967), Conservatism: The Fundamental Principle of Valuation in Traditional Accounting, *Abacus*, December.

Superti Furga, F. (2005), Il bilancio d'esercizio nel quadro dell'informativa societaria, *Economia Aziendale 2000*, n.3.

Teodori, C. (ed.) (2006), *L'adozione degli IFRS in Italia: le attività immateriali e l'impairment test*, Giappichelli, Turin.

Teodori, C. and Veneziani, M. (2007), Intangible assets in annual reports: a disclosure index, paper presented at the *3rd Annual Workshop European Financial Reporting Research Group - Accounting in Europe*, Paris, September.

Teodori, C. and Veneziani, M. (2008), The international accounting standards and Italian non-listed companies: perception and economic impact. The results of an empirical survey, paper presented at the *31st European Accounting Association Congress*, Rotterdam, April.

Veneziani, M. (2004), L'adozione degli Ifrs come opportunità di miglioramento e crescita, *IR Top*, December, Milan, n. IV.

Veneziani, M. (2005), *La capacità informativa del bilancio consolidato*, Giuffrè, Milan, pp.45-53.

Zambon, S. (1996), *Profili di ragioneria internazionale e comparata, Un approccio per aree tematiche*, Cedam, Padua, pp.57-75.