What Influences the Implementation of IFRS for SMEs? The Brazilian Case

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Abstract

We investigate factors influencing the implementation of IFRS for SMEs in Brazil. Accountants and accounting firms from all over the country received a questionnaire about the perceptions of IFRS for SMEs. A Logit regression on the factors associated with non-implementation using 426 valid observations suggests that inconsistencies and incomprehensibility issues are the main factors preventing implementation. However, further investigation indicates that once participants know the standard, “implementation myths” are mitigated. Therefore, regulators should increase the availability of education programs, so accountants feel more secure and boost the standard’s implementation. We complement the findings of IASB’s Second Comprehensive Review of the standard.

Keywords: accounting standards, small and medium enterprises, IFRS, IASB, IFRS for SMEs

JEL codes: M41, M48

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Introduction

Small and medium-sized enterprises (SMEs) account for approximately 99% of global enterprises, generating around 70% of jobs and responsible for 33% of the GDP in emerging economies (OECD, 2017). In 2009, the IASB released IFRS for Small and Medium-Sized Enterprises (SMEs) (IFRS, n.d.). Even though the standard is more than a decade old, the literature on IFRS for SMEs is limited in at least three avenues. First, there is a lack of empirical studies on SME users' needs (Devi & Samujh, 2015), and its usefulness may vary from country to country (C. N. Albu et al., 2013). Second, there is a lack of research focusing on detecting the challenges that have prevented SMEs from implementing the IFRS standard (Rudzani & Charles, 2017; Zehri & Chouaibi, 2013). Third, developing countries are misrepresented in the international setting (Devi & Samujh, 2015; Khlif et al., 2020).

Despite little evidence of the benefits of implementing IFRS for SMEs and that it could have significantly different implications in less developed economies, firms in these countries were mandated to implement it. Devi and Samujh (2015) argue that the IASB needs to consider the barriers to implementing the standard and the distinct needs of developing economies, as currently, the standard may not be fulfilling its purpose. They further argue that much more research is needed to provide the cultural and historical context of accounting in these countries, reinforcing calls for more research on the implementation of accounting standards (C. N. Albu et al., 2013, 2014; Judge et al., 2010).

For instance, in Brazil, IFRS for SMEs has been adopted since 2010, in the form of CPC PME (CPC PME - Contabilidade Para Pequenas e Médias Empresas Com Glossário de Termos, 2009), which has been incorporated into the national accounting standard with the enactment of resolution CFC 1.255/09 (Resolução CFC Nº 1.255/09, 2009) and with the passage of law 12 249/2010 (Lei 12.249 de 11 de Junho de 2010, 2010). Thus, IFRS for SMEs has become mandatory for all SMEs in Brazil to prepare their financial reports.

Even though it is mandatory, low enforcement (Brown, Preiato and Tarca, 2014; De Moura and Gupta, 2019) and the absence of sanctions to implement the standard may imply firms are not complying with the standard. Anecdotal evidence suggests that firms have been slow to implement the standard (Meirelles, 2012). There is also empirical evidence showing that the degree of IFRS implementation for SMEs in Brazil is still incipient (Riva & Salotti, 2015), with many companies just preparing their financial statements according to the tax-oriented local GAAP. Therefore, the implementation of IFRS for SMEs in Brazil has a sizeable discretionary component, providing us with a unique setting to identify the challenges of implementing the standard.

On the one hand, due to the low enforcement and absence of sanctions, firms that implemented the standard would have perceived a benefit in doing so. Otherwise, they would not implement the standard as the cost of the implementation could surpass its benefits. On the other hand, companies that did not implement the standard perceive challenges or costs that outweigh its benefits. The focus is on the main reasons for a company not implementing the standard. Investigating these challenges could provide the IASB with some feedback on the implementation of IFRS for SMEs[2] in emerging markets from one of the leading economies in Latin America, especially within the context of the major review underway (IFRS Foundation, 2020). Thus, this research investigates the factors at the micro-level that influence the implementation of IFRS for SMEs by Brazilian firms.

We obtain 426 valid responses to our questionnaire from accountants, directors, and other senior staff involved in financial reporting according to IFRS for SMEs. To process the data, we run a Logit model of the factors associated with IFRS for SMEs non-implementation.

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[2] There is reportedly a lack of engagement from the users of IFRS for SMEs during the time open for the discussion of the papers regarding standards promoted by the IASB (Pais & Bonito, 2018; Richardson & Eberlein, 2011).

Results suggest at first that inconsistencies and incomprehensibility issues of the IFRS for SMEs standard are the main factors preventing its implementation. However, the results differ when we split participants in the sample across different levels of knowledge of the standard. We only find that inconsistencies and incomprehensibility are issues for the non-implementers with a lower level of knowledge, which suggests the main factor associated with non-implementation is the lack of knowledge, not the characteristics of the standard per se. Interestingly, the lack of enforcement is not an essential driver of non-implementation. These results highlight the challenges faced by Brazilian SMEs regarding difficulties in implementing the standard, extending past literature (Chand et al., 2015), and bringing to light new evidence indicating the standard itself is not the main issue.

Besides contributing to the literature by investigating the difficulties and the influencing factors (Albu *et al.*, 2013; Chand, Patel and White, 2015; Garg, Peach and Simnett, 2020), our key contribution is to show that in an emerging country like Brazil, the complexity of the standard is not one of the main factors associated with non-implementation but rather the lack of knowledge related to it. Our finding is different from prior literature (Ceustermans & Breesch, 2017; Chand et al., 2015; Ghio & Verona, 2018; Handley et al., 2018).

Further, we also show that the absence of sanctions is not an important factor behind non-implementation. At first, it is reasonable to assume that the reason for not implementing it would be the absence of sanctions. However, our results suggest that lack of knowledge about the standard is the leading factor for not implementing IFRS for SMEs. Overall, our results indicate that the IASB should work more closely with national regulators on implementing the standard effectively concerning training and disseminating the standard to current and future practitioners.

Further, our research complements IFRS Foundations' Request for Information (RFI) and SME Implementation Group (SMEIG) recommendations on the Second Comprehensive

Review of the IFRS for SMEs Standard in several ways. First, our research asks broader questions than the RFI about the IFRS for SME standard regarding qualitative dimensions, such as clarity and consistency. Second, our study may be narrower in terms of geographical scope but is broader in terms of reach within the practitioner community of a large emerging market. Our sample of 426 valid respondents covers practitioners from all over Brazil, using a list of accountants and accounting firms from the Brazilian Federal Council of Accountants as a starting point. Last but not least, the RFI and the SMEIG take a more exploratory approach. Our research is more of an explanatory nature. We try to uncover the factors associated with non-implementation and link non-implementation to the standard and practitioners' characteristics, like the level of knowledge about the standard. Together, the present evidence may support IASB in conducting its current extensive review (IFRS Foundation, 2020). We believe the IASB could improve its implementation strategies, providing a clearer path for SMEs to follow and mitigating the difficulties in the transition to the international standard that other countries may face (Albu *et al.*, 2013; Chand, Patel and White, 2015; Garg, Peach and Simnett, 2020).

Literature Review and Research Propositions

We focus solely on the literature of IFRS for SMEs instead of focusing on related literature about IFRS in larger, listed companies. There are two main reasons for this choice. First, SMEs' incentives to implement the standard are different from that of larger listed firms, given that larger firms are interested in attracting investments and, therefore, will signal to the investor the quality of their equity (De Moura, Altuwaijri and Gupta, 2020). SMEs do not have this incentive, as their funding resources come from privately held money or bank loans, and users of SMEs' financial statements are concerned mainly with liquidity and solvency (Ravelli & Sansom, 2021). Second, larger firms have more oversight than SMEs by investors, creditors, and market regulators. It is a distinct feature that differentiates the implementation of IFRS in SMEs in comparison to listed firms.

According to Chand, Patel and White (2015), the definition of the accounting model for SMEs at the global level was arbitrary, in the sense that a decision was taken without proper evidence of their benefits. The cost of implementing a new standard is a current concern for private firms (Bar-Yosef et al., 2019), especially smaller businesses, which can be deeply affected by rules that are too complex (Gassen, 2017; Kaya & Koch, 2015; Poli, 2017). Particularly, the implementation may be comparatively more complex than the full IFRS standard, as practitioners had little participation in SMEs' standards (Ghio & Verona, 2018; Pietra et al., 2008; Quagli & Paoloni, 2012).[3]

At the same time, benefits are not so clear, as smaller, private firms may not profit as much from comparability and have a lower variety of users for their financial information, with gains most linked to better access to credit (Bar-Yosef et al., 2019; Bassemir, 2018; Chand et al., 2015; Gassen, 2017; Litjens et al., 2012; Poli, 2017). However, small and medium enterprises report that the lack of accounting standards and low information quality are an important barrier when trying to access credit (CFA Institute, 2013). Besides better access to credit, the SMEs standard could make it easier to obtain foreign capital, and bring economy-wide benefits from more transparency, economic opportunities, more competitiveness, lower cost of capital, and increased market efficiency, especially in countries with weaker institutional quality (C. N. Albu et al., 2013; Tawiah & Gyapong, 2021).

[3] However, we note that the IFRS Foundation has been conducting several efforts aiming at increasing engagement both from emerging economies and market practitioners. One important initiative is the Emerging Economies Group (EEG), created in 2011 with the participation of the emerging economies of the G20 plus Malaysia. Its main goal is to enhance the participation of emerging economies in developing the IFRS standards (IFRS Foundation, n.d.-a). The other initiative is the SME Implementation Group (SMEIG), comprising practitioners mostly from emerging economies as members, with a dual role of driving implementation and making recommendations regarding the IFRS for SMEs standards (IFRS Foundation, n.d.-b).

Following this evidence, the IASB has initiated a Request for Information regarding the second major review of the IFRS for SMEs standard. The main goal is to define if and how IFRS for SMEs should be aligned with the full IFRS standard (IFRS Foundation, 2020; Scott, 2020). While alignment could bring efficiency and consistency, with the full IFRS standard steering the SMEs standard, whether to align is far from trivial. It may introduce undue complexity and leave important matters unaddressed (IFRS Foundation, 2020), especially in SMEs' scenario of limited resource pools and less engagement with the board (Scott, 2020). The present research may help standard-setters by bringing practitioners' perspectives from a large emerging market, addressing IASB's limitations on the quality of feedback and lack of data on applying the SMEs' standard (Scott, 2020).

1.1 Developed Markets and Adherence to IFRS for SME

Interestingly, developed economies are opposed to implementing IFRS for SMEs, as the standard is deemed complex, and the evidence of its benefits in relation to its costs, including proprietary costs, is not yet clear (Ceustermans & Breesch, 2017). For instance, Australia was one of the first countries to declare that it would not adopt the standard, arguing that it has many inherent problems (Chand et al., 2015). The evidence regarding the impact of IFRS for SMEs in the accounting quality and its usefulness in developed economies is mixed. On the one hand, Sithole (2015) conducted a study in Switzerland and showed that IFRS for SMEs generates comparability and financial reporting harmony.

On the other hand, Handley, Wright and Evans (2018) document in Australia that users of IFRS for SMEs would like to have simpler reports focused on assessing liquidity, profitability, and solvency. Most SMEs see little to no need to provide internationally comparable statements in Germany, suggesting a lack of benefit (Eierle & Haller, 2009), although banks apparently value the full international standard and would provide a rating bonus for SME implementers (Zuelch & Burghardt, 2010). Overall, some evidence indicates that developed countries perceive IFRS for SMEs as complex, and users do not fully perceive their benefits, potentially leading to a situation in which implementation costs surpass the benefits (Ghio & Verona, 2018).

Some evidence indicates that IFRS for SMEs could be more useful in environments with weaker institutions, like lower governance and worse regulatory efficiency (Sellami & Gafsi, 2018; Zahid & Simga-Mugan, 2019), and for countries that are unable to develop their GAAP. Thus, it suggests that developing economies may profit more from adopting the standard (Kaya & Koch, 2015). According to Ball (2016), research on the consequences of different national institutional settings may shed light regarding the different drivers of adoption. One example is a setting with lower enforcement of accounting standards and high corruption, common in emerging markets, including Brazil (De Moura and Gupta, 2019). Hence, we discuss adherence to IFRS for SMEs in emerging markets in the next section.

1.2 Emerging Markets and Adherence to IFRS for SME

In the context of developing economies, users of financial reports may have different needs from their peers in developed economies, and most of the literature shows more problems than benefits in adopting IFRS for SMEs. For instance, Devi and Samujh (2015), Coram (2018), and Khlif, Ahmed and Alam (2020) argue that developing economies are misrepresented in the international scenario, and the IASB has not adequately assessed many problems. Among the issues, there are engagement challenges with users not participating in due process of forums (Pais & Bonito, 2018; Richardson & Eberlein, 2011). There is also a lack of expertise and an underdeveloped accounting profession, different institutional settings with scarce resources, corruption, weak enforcement, and the need to educate tax authorities about IFRS implications (N. Albu et al., 2011).

Evidence in support of these difficulties has been increasing. For instance, research in South Africa finds that companies that implement IFRS for SMEs do not consider it as playing a role in the businesses' growth (Rudzani & Charles, 2017), reinforcing the perception that IFRS for SMEs may not help those firms. In Czech Republic, Hungary, Romania, and Turkey, the perceived benefits do not influence the intention to implement the standard (Astutie & Fanani, 2016). Research conducted in Nigeria concluded that SMEs are the engines of growth in any economy (Ezeagba, 2017), but the costs and benefits of the standard are questionable. These studies illustrate that in developing countries, the perceived costs of the standard are greater than its benefits.

Accounting professionals also tend to treat implementing IFRS for SMEs with indifference, which shows the perception of low value in implementing the standard (Gonzales & Nagai, 2013). A study conducted by Alves *et al.* (2013) in accounting offices revealed that most respondents did not consider implementing IFRS for SMEs necessary for their clients. Specifically, in Brazil, there is anecdotal evidence suggesting that firms have been slow to implement the standard (Meirelles, 2012). Empirical evidence shows that the degree of IFRS implementation for SMEs in Brazil is still incipient (Riva & Salotti, 2015). In summary, there are many potential problems in implementing IFRS for SMEs in emerging economies, and more evidence is needed to understand the main challenges of the implementation.

1.3 Propositions Development

We propose two main challenges of implementing IFRS for SMEs in Brazil. Namely, the complexity of the standard and the absence of sanctions for non-implementers, even though it is mandatory. According to Ram and Newberry (2013), the complexity of IFRS for SMEs is intrinsic to its structure because it has the same scope and application of the full IFRS standard, which can be overly complicated for private firms (Bar-Yosef et al., 2019). Salazar-Baquero (2011) supports this view, as some of the standard's requirements demand guidance and illustrative examples. Thus, the standard is costly and complex for entities with a simple business model (Chand et al., 2015; Handley et al., 2018; Neag et al., 2009). Besides, the disclosure required is excessive, which is not helpful for stakeholders (Chand et al., 2015). According to Masca (2012), IFRS for SMEs is considered incomprehensible even by the European Commission that analysed them. It illustrates that the standard seems complex for both developing and developed countries and may not be fulfilling its purpose of providing high-quality information to its users. Therefore, attributes of the standard may increase its cost of implementation while not delivering clear benefits. Thus, our first research proposition states that:

P1: structural and practical issues of the IFRS for SMEs influence its implementation in Brazil.

1.3.1 Absence of sanctions

The literature illustrates that small and medium enterprises are more focused on the tax compliance role of accounting. As such, they may not see other benefits from implementing IFRS for SMEs. For instance, research carried out in one state of Brazil indicates that most accounting professionals highlight that, among other attributions, their main activity is the collection of taxes (Alves et al., 2013). Furthermore, Asuman (2010) states that tax accounting is more common among SMEs, and for Bohusova (2011), this group of companies prepares its reports, especially for taxation purposes. From a different perspective, Pietra *et al.* (2008) argue that the advantages of implementing IFRS for SMEs are generally considered less convincing, and the perceived costs are greater than their benefits. However, for Masca (2012), this perception of high costs may be gradually transformed into benefits in preparing financial reports, and its implementation will always be a challenge for SMEs.

Companies must simultaneously comply with tax and accounting requirements, two costly activities (Albu et al., 2013). Hence, a firm may only comply with the tax requirements, as there will be no sanctions and fines from non-compliance with IFRS for SMEs. Furthermore, there is a generalised intuition that the standard's implementation can only be successful with ample enforcement (Gassen, 2017; Kaya & Koch, 2015). Although the implementation of IFRS for SMEs is mandatory in Brazil, there are no sanctions for non-compliant firms (Meirelles, 2012). Consequently, a firm may decide not to apply the standard, as the penalties of non-compliance are effectively zero. However, the costs of implementing in relation to its benefits of compliance are not clear. Accordingly, our research proposition is the following:

P2: the absence of sanctions for non-compliance with the mandatory implementation of the IFRS for SMEs influences its implementation.

Research Design

1.4 Questionnaire and Econometric Model

A questionnaire divided into two sections measures our variables. Section A (see Appendix B) contains nine questions. The first three questions (Q1a-Q3a) are a filter designed to measure the respondent's level of knowledge regarding the IFRS for SMEs standard and whether the respondent works with SMEs. We exclude respondents who reported not having a basic knowledge of IFRS for SMEs or do not work with SMEs from the analyses. The following three questions (Q4a-Q6a) are about the respondent's characteristics (position within the organisation, geographic location, and level of education in accountancy). Another question (Q7a) asks whether the organisation has implemented IFRS for SMEs. Two questions act as controls, asking whether the company has an internal accounting department (Q8a) and whether the respondent took any accounting course in the previous year (Q9a).

Section B (see Appendix B) is a variation of the questionnaire of Chand, Patel and White (2015), in which we make two modifications. First, we drop question 23 of the original questionnaire regarding tax benefits since it is not applicable according to IFRS in Brazil (CPC PME - Contabilidade Para Pequenas e Médias Empresas Com Glossário de Termos, 2009). On the second, we add a question regarding the absence of sanctions (Q23b), consistent with

Proposition P2. A professional translator converted the original English questions to reflect the most commonly used expressions in Brazilian Portuguese. A second professional translator switched the translated Brazilian Portuguese version back to English. We compare this re-translated version with the original English questionnaire, a procedure known as reverse translation, and assess that it maintains the original meaning. Table 1 provides a detailed description of all variables.

<Table 1 about here>

Using the questions formulated in the questionnaire, we develop our econometric model on Equation (1) through a simple logit model regarding the factors associated with non-implementation.

$$\begin{aligned} Prob(NotImplementIFRSSME = 1) \\ &= \beta_0 + \beta_1 Costs + \beta_2 Inconsistencies + \beta_3 Inaccuracies \\ &+ \beta_4 Comprehensibility + \beta_5 Guidance + \beta_6 Complexity \\ &+ \beta_7 Sanctions + \beta_8 OnPremises + \beta_9 Training + u \end{aligned} \tag{1}$$

Where: $NotImplementIFRSSME$ is a dummy variable indicating whether IFRS for SMEs was implemented (0) or not (1). *Costs*, *Inconsistencies*, *Inaccuracies*, *Incomprehensibility*, *Lack Guidance*, and *Complexity* are computed using the arithmetic average of several questions (see Table C.1 for details); and *Sanctions*, *OnPremises* and *Training* refer to a single question each.

Costs, *Inconsistencies*, *Inaccuracies*, *Incomprehensibility, Lack Guidance*, and *Complexity* test the first proposition, whether structural and practical issues of the IFRS for SMEs influence its implementation. *Sanctions* test the second proposition that the absence of sanctions for non-compliance with IFRS for SMEs influences its implementation. *OnPremises* and *Training* are control variables.

1.5 Sample and Data Collection

We obtain our sample from respondents that meet the criteria established in our questionnaire, a sample known as a convenience sample. The target population is the public accountants of private companies and accounting firms with at least basic knowledge of IFRS for SMEs from any part of Brazil. The participants were invited from a list of hand-collected contacts from the Brazilian Federal Council of Accountants (CFC), which included accountants and accounting firms from all over the country. We sent a link to the questionnaire via email, WhatsApp messaging, and LinkedIn professional network. We also leverage the distribution using the snowball method, in which the initial participants indicate new participants. The suggested new applicants could be irrelevant to the research. Thus, the participants' degree of knowledge of IFRS for SMEs and if they work with SMEs act as filters. Participants reporting no knowledge of the standard or not working with SMEs were dropped. The questionnaire's initial page clarifies that it is academic research and that the answers provided are anonymous and confidential.

The collection period is from May 31st 2019, to June 30th 2019, using Survio, an online survey platform. We obtain a total of 825 respondents. However, 247 of those did not know that IFRS for SMEs was mandatory (1st filtering question), and 48 stated that they did not know the standard (2nd question of the filter), more than a third of the total sample, highlighting deficiencies in the implementation in Brazil. Furthermore, 101 responded that they did not work with SMEs (3rd question of the filter). Last, three said they did not have accounting training, resulting in 426 valid observations (51.64% of the total respondents).

Results

1.6 Sample Characterisation

Table 2 describes the sample. As shown in Panel A, most respondents report work for an entity which has implemented IFRS for SMEs (62%) and outsourced the company's accounting to a third party (54%). The vast majority states that they usually have some training course to keep up-to-date knowledge in the area (84%). On Panel B, only a minority reports an advanced knowledge of IFRS for SMEs (20%), although the three levels of knowledge are reasonably balanced (42% Basic, 37% Intermediate). Almost all report a higher-education accounting degree (88%). The sample is reasonably well balanced in terms of managerial (Manager, Controller, Director, Partner / Owner; 45%) and non-managerial (Accountancy Analyst, Accountant; 55%) positions.

<Table 2 about here>

Although it is a convenience sample, it seems adequate for the research's needs. Panel C shows that our sample fairly reflects the distribution of chartered accountants in Brazil in terms of geographical representation. There is some over-representation from the Midwest and some under-representation from the Southeast, but overall, our survey dissemination strategy was effective. Furthermore, we obtained 426 valid respondents, higher than the 384 required to achieve a 95% confidence level with ±5% margin of error (using Qualtrics' Sample Size Calculator and inputting a population of 515,262).

1.7 Descriptive Statistics of Responses

Table 3 provides a comparison between the views of different subgroups in our sample. Panel A splits the sample into two subgroups, Non-managerial (accountancy analysts and accountants) and Managerial (managers, controllers, directors, and partners/owners). It shows no indication of considerable differences in perceptions, with only marginally significant differences in Costs and Incomprehensibility[4].

<Table 3 about here>

In Panel B, we exclude Partners/Owners from the Managerial subgroup. Notice that N(B) falls from 191 to 60. There are no differences in perceptions within these two subgroups, indicating that owners/managers could drive the slight differences between managers and non-managers. Nevertheless, one cannot discard that the statistical significance is lost due to the smaller sample size, which increases the estimator variance.

To rule out this possibility, we now compare Non-managerial to Partners/Owners in Panel C. See that now Inconsistencies are marginally higher for Non-managerial than Partners/Owners, and Incomprehensibility also is marginally higher for the Non-managerial group. It suggests that the non-managerial group may perceive greater problems with the standard than their counterparts.

In Panel D, we compare Managerial (except Partners/Owners) against Partners/Owners. Results are similar to those from Panel B, with no significant difference, indicating that views are relatively homogeneous at more strategic levels of the firm. However, taken in conjunction, the evidence shows that even between managerial and non-managerial roles, only Inconsistencies and Incomprehensibility are marginally different, indicating that overall the perception of the standard is somewhat similar.

Finally, we present differences in view between Implementers and Non-Implementers in Panel E. Here we have evidence of a large and consistent difference in perceptions. Implementers have more positive perceptions about the standard than Non-implementers

[4] For a detailed descriptive statistic for each question, please refer to Table C.1 in Appendix C. It also provides a side-by-side comparison with the values reported by Chand, Patel and White (2015).

(remember that the higher number, the worse the perception). However, Implementers could have a different perception simply because they have implemented it, or these differences in perception may have led them to implement it. To disentangle these possibilities, next, we analyse if levels of knowledge relate to perceptions and implementation.

1.7.1 Levels of knowledge

Table 4 splits the subgroups by levels of IFRS for SMEs knowledge, Basic, Intermediate, and Advanced. Panel A shows that there is little evidence of different views on the standard's attributes between people with Basic and Intermediate knowledge.

<Table 4 about here>

Note that Panels B and C tell a very different story. People with Basic or Intermediate knowledge present consistently and statistically significant worse perceptions about the IFRS for SMEs standard (higher numbers are worse perceptions).

To further understand how knowledge and implementation are related, we have Panels D and E. Panel D shows an economically important significant difference (0.702) in the levels of knowledge between Implementers (1.046) and Non-implementers (0.344). That is, firms that have implemented employ people with more knowledge. Panel D also compares the Managerial and Non-managerial groups. It shows that there is a significant difference (0.376) when we compare the managerial (0.984) with the non-managerial groups (0.609), indicating that managers have higher knowledge than the non-managers group. However, the difference is not as high as in the Implementers vs Non-implementers groups (just about half the value: 0.702 vs 0.376). Also note that the non-managerial group includes accountants and accountancy analysts, suggesting deficiencies in their training.

Panels E and F help understand the origins of the differences in Panel D. Between the Implementers and Non-implementers groups, about 64% of people with Basic knowledge are Non-implementers. At the same time, 76% of Intermediate and almost 90% of Advanced are

Implementers. Between the Non-managerial and Managerial groups, the split is also about 66% Non-managerial versus 33% Managerial for respondents with Basic knowledge. However, it is almost 50-50 for Intermediate, and reverses to almost 33% Non-managerial versus 67% Managerial for respondents with Advanced knowledge. Next, we explore the factors associated with non-implementation and whether these factors differ by group.

1.8 Factors associated with non-implementation

Table 5 shows the correlations matrix. Note how, in general, there is a relatively high, significant correlation between variables *Costs, Inconsistencies, Inaccuracies, Incomprehensibility, Lack Guidance,* and *Complexity*, varying from 0.63 to 0.88. We could have opted to aggregate these measures into a single number using Principal Component Analysis, for instance. However, by doing so, we would lose the fine detail of the contribution of how each variable relates with non-implementation. Furthermore, some collinearity is not a problem in terms of consistency of the estimator and does not pose a hurdle as long as the product covariates matrix has full rank, i.e., there is no perfect collinearity (Wooldridge, 2010, pp. 56–58). Last, collinearity in the covariates matrix increases estimator variance and goes against finding statistically significant results, so our approach is also conservative (Wooldridge, 2010, pp. 59–60).

<Table 5 about here>

Table 6 presents our main Logit – models (1) to (4) – and ordered Logit – model (5) – estimates[5]. Corresponding average marginal effects (AMEs) are in Appendix C, Table C.2 and Table C.3. The AME deepens the understanding of the effects since Logit is a non-linear

[5] One caveat to bear in mind when analysing these results is that in our dataset, we cannot guarantee that the respondent has the power to decide whether to implement or not the standard (Non-managerial only). However, we believe that the respondent may have had a say on whether the implementation is feasible or desirable. Different individuals have different levels of influence in this decision, and what we measure is some average of this influence.

technique and the coefficients' magnitudes are not directly interpretable, only their signal (Williams, 2012). There may be a percentage point value in parentheses when reporting results, indicating the AME of an increase of one unit of the corresponding variable. For instance, the AME of Inconsistencies (10.2 p.p.) indicates that a variation of +1 in Inconsistencies has an average marginal effect of +10.2 p.p. in the probability of non-implementation.

<Table 6 about here>

Column (1) presents estimates for Equation (1) of the factors associated with non-implementation using the whole sample. The first six coefficients are related to the first proposition, that structural and practical issues of IFRS for SMEs influence its implementation. Four out of the six show statistical significance, but only Inconsistencies (10.2 p.p.) and Incomprehensibility (7.8 p.p.) exhibit a positive sign supporting P1. More inaccuracies (-8.1 p.p) and worst guidance (-5.9 p.p.) show a contrary effect, decreasing the likelihood of non-implementation and contradicting P1.

Interestingly, the lack of enforcement (sanctions) does not show any effect on non-implementation. Hence, there is no support for the second proposition P2, as practitioners are stating that, in this case, the lack of enforcement is not a driving force in non-implementation. In practical terms, the regulator may not have to worry too much about enforcement. Instead, it should direct efforts towards other aspects involving the implementation of the standard, like improving the dissemination of the already existing "Supporting materials for the IFRS for SMEs Standard" and divulging the perceived benefits of implementers, like lower loan interest rates (Litjens et al., 2012).

Column (2) is the same estimation but only using the non-managerial positions subsample and is qualitatively similar to Column (1). However, Column (3), the managerial subsample, does not have any statistically significant coefficient other than for Training. A joint analysis of Column (3) and Table 4 suggests that this difference is linked to the level of knowledge of the standard. Also note that Column (3) is the estimate that better addresses the caveat discussed at the beginning, as these are the people most likely with the final say on the decision to implement the standard.

1.8.1 Additional analyses - Deepening the understanding of knowledge

To deepen our understanding of how the level of knowledge relates to the standard's perceived characteristics, we run a variation of Equation (1). In Equation (2), we change the dependent variable to the level of knowledge (answer to Q2a). It assumes the value 0 for Advanced knowledge and 1 for Basic or Intermediate knowledge.

$$
\begin{aligned}
Prob(NotAdvKnowledge = 1) & \\
&= \beta_0 + \beta_1 Costs + \beta_2 Inconsistencies + \beta_3 Inaccuracies \\
&+ \beta_4 Comprehensibility + \beta_5 Guidance + \beta_6 Complexity \\
&+ \beta_7 Sanctions + \beta_8 OnPremises + \beta_9 Training + u
\end{aligned}
\tag{2}
$$

In Column (4) of Table 6, we estimate Equation (2). Now, we use an indicator variable for Basic or Intermediate knowledge as the dependent variable. It assumes 0 if the person has Advanced knowledge of the standard and 1 if they have Intermediate or Basic knowledge. Now, only Incomprehensibility (14.2 p.p.) is positively associated with a not Advanced knowledge. However, Training (-17 p.p.) mitigates this effect.

Instead of grouping basic and intermediate knowledge together, Column (5) uses a dependent variable in which 0 is Advanced, 1 is Intermediate, and 2 is Basic. Therefore, it is a robustness test using ordered Logit, and it yields similar results. It is trickier to read marginal effects from ordered Logit models, so AMEs are separate in Table C.3. One extra unit of Incomprehensibility is associated with a lower probability of Advanced (-7.2 p.p.) and Intermediate (-5 p.p.) knowledge, increasing the probability of Basic knowledge (12.2 p.p). Hence, the perception of the incomprehensibility of the standard is directly related to the individual's self-assessed level of knowledge. Training exhibits a similar pattern, being associated with an increased probability of Advanced knowledge (+22 p.p.) and a lower probability of Intermediate (-0.5 p.p.) and Basic (-21.5 p.p.) knowledge.

Together, our evidence suggests that the barriers for implementation are not from the standard per se but rather arise from the lack of knowledge about it. Note that persons in managerial positions do not see issues with the standard preventing its implementation, while persons in non-managerial positions do. These positions are related to the level of knowledge. This evidence is also supported by the consistently negative coefficient of the Training control variable throughout all models. It lowers the probability of non-implementation and is associated with more advanced levels of knowledge. An alternative view on the non-implementation indicator dependent variable is that it proxies for non-exposure to the standard more than the decision of non-implementation. Within this view, what we measure would be the people's pre-conceptions of little exposure to it. Results from the managers' subsample also corroborate this view since no coefficient is significant in their subgroup. Recall that, on average, they have more knowledge and, therefore, more exposure, than the non-managerial subgroup.

Training (between -21.9 p.p. and -13.5 p.p.) exhibits an important economic association with non-implementation, indicating to regulators and institutions that education on the standard can be crucial to widespread implementation. This result reinforces previous results from Cavalheiro, Huppes and Kremer (2017) and Trazzi and Martins (2018). They argue that IFRS for SMEs' subjective aspects are hard to apply and that accountants have little knowledge about the standard. Continued education efforts can mitigate these aspects, leveraging the implementation of IFRS for SMEs. Furthermore, as SMEs can rely heavily on external accountants to take critical technical decisions regarding their financial statements

(Ceustermans & Breesch, 2017), proper training gains even more importance within the SMEs' context.

Given our results and that training has such an important association with non-implementation, we use the respondent's self-assessment on their knowledge of IFRS for SMEs. We use Equation (3) to investigate further the relationship of knowledge with non-implementation.

$$Prob(NotImplementIFRSSME = 1) = \beta_0 + \beta_1 IntermedKnow + \beta_2 AdvKnow + u \tag{3}$$

Now, the independent variables are dummies. IntermedKnow $= 1$ if the respondent reports an intermediate knowledge of the standard, 0 otherwise, and AdvKnow $= 1$ if the respondent reports an advanced knowledge of the standard, 0 otherwise. Basic knowledge is the base case, absorbed by the constant, and respondents reporting no knowledge are dropped from the sample. Table 7 shows results from Equation (3) of how knowledge relates to non-implementation.

<Table 7 about here>

Respondents with an intermediate knowledge of IFRS for SMEs are about 32.1 p.p. less likely not to implement the standard than respondents with only basic knowledge. It is a sizable effect, indicating that a proper knowledge of the subject can greatly increase compliance. The effect is even more pronounced for respondents with advanced knowledge (about 50.3 p.p.), the coefficient being different from intermediate knowledge ($p < 0.05$). Therefore, the more proficient the professional is, the greater the likelihood that the standard is implemented, corroborating the previous result of continued education.

1.8.2 Triangulating: interview with senior accountants

To deepen our understanding of the results and increase our assurance that they are meaningful, we have decided to adopt a strategy of data triangulation (Ghio & Verona, 2018). Therefore, we have conducted a semi-structured interview with two senior accountants / audit partners who provide services to SMEs. Two authors designed the semi-structured questionnaire based on the findings of the survey, but with questions remaining as neutral as possible. The third author, who is the practitioner of our team and did not formulate questions, provided feedback on the comprehensibility and neutrality of the writing. The questionnaire received clearance from the appropriate Ethics Committee and was conducted online via Zoom on Aug 18th, 2021. The meeting included the two senior accountants and the three authors. The full questionnaire, both in its original Portuguese text and the translation to English, is available at the end of Appendix A.

Main findings from the interview support our view that lack of knowledge about the standard is a major issue regarding non-implementation. They also corroborate that the IFRS for SMEs standard has a level of detail and complexity adequate for SMEs. The most complex parts often are only applicable to larger firms, which are also naturally more complex. These results reinforce the importance of disseminating existing IFRS training material, like SMEIG's (SME Implementation Group) extensive "Supporting materials for the IFRS for SMEs Standard" (SME Implementation Group, n.d.). Using the IFRS Foundation website and materials can be difficult for non-English speaking practitioners since the site itself and the available material are in English, further adding to the difficulties they face.

One possible strategy for the IFRS Foundation is to further strengthen the partnerships with local standard setters and accountancy bodies to provide localised versions of the training materials and conduct workshops on applying the standard. This is a crucial step in making it more accessible, since the full command of English is very rare in the country. The British

Council reports that only 5% of Brazilians declare *some* knowledge of English, and of these, only 16% declare fluency, that is, 0.8% of the population (British Council, 2014). We found no supporting material on the Brazilian Federal Council of Accountants website and only the SMEs standard itself in Brazil's CPC (Committee of Accounting Pronouncements) website. We interpret this as a sign that local bodies in Brazil do not provide adequate support to practitioners involved with SMEs. Therefore, the local regulator can be an integral part of the solution, and this situation may be similar in other emerging markets.

Discussion and Conclusion

This research presents a novel result that the barrier to implement IFRS for SMEs does not seem to be the standard per se, but a lack of knowledge about it (Chand et al., 2015; Ghio & Verona, 2018). Although part of the analysis seems to indicate that the standard has issues that may impact its implementation, further investigation by subgroups and additional analysis involving the level of knowledge suggests that it may not be the case. Another striking result is that the lack of enforcement does not seem to affect non-implementation.

The present paper contributes to a better understanding of how accounting professionals perceive IFRS for SMEs. There has been a continued debate on the pros and cons of adopting IFRS for SMEs, but mostly in developed economies (C. N. Albu et al., 2013; Coram, 2018; Devi & Samujh, 2015; Ghio & Verona, 2018; Handley et al., 2018; Lenormand et al., 2012; Pietra et al., 2008; Ram & Newberry, 2017; Sithole, 2015). As Coram (2018) highlights, most feedback came from Europe during the standard-setting process, with all of Latin America having participation on par with Africa. Furthermore, Coram (2018) also states that there is little feedback from small practitioners.

Our research helps address these issues, showing practitioners' perceptions from a large Latin American market, namely Brazil. Thus, we address the lack of research focusing on detecting the challenges regarding IFRS for SMEs implementation (Rudzani & Charles, 2017; Zehri & Chouaibi, 2013), and at the same time compensating for the lack of interest of practitioners in contributing to the standard-setting process (Coram, 2018; Durocher & Fortin, 2011; Ghio & Verona, 2018).

Our results may have direct policy implications. We find evidence that, overall, the IFRS for SMEs standard is not a significant hurdle to overcome. However, our results suggest that its strategy of implementation should improve. Our evidence indicates that familiarity with the standard and continued education are important drivers of implementation, corroborating qualitative evidence from Gassen (2017). These results, plus the comprehension of how the standard-setting evolves (Warren et al., 2019), can aid the IASB in perfecting the IFRS for SMEs standard and how it supports countries in carrying out its rollout.

Our research complements IFRS Foundations' Request for Information (RFI) and SME Implementation Group (SMEIG) recommendations on the Second Comprehensive Review of the IFRS for SMEs Standard in several ways. First, the RFI is concerned with more specific questions such as if and how IFRS for SMEs should align with the full IFRS standard, and whether there should be amendments regarding specific topics related to the 2018 Conceptual Framework and several of the IFRSs such as IFRS 13 Fair Value and IFRS 9 Financial Statements (Ravelli & Sansom, 2021; Sansom et al., 2021). Our research asks broader questions about the IFRS for SME standard regarding qualitative dimensions and characteristics of the respondents that we show to be related to its implementation. Second, the RFI is broader in geographical scope but relatively limited in terms of sample size. The feedback comprised 66 comment letters, 30 online surveys, 54 user surveys, and 12 interviews (Ravelli & Sansom, 2021). Practitioners such as auditors, accounting firms, preparers, and consultants had relatively low participation in the comment letters (less than 30%) (Mabaso & Ravelli, 2021). However, they had a more active role in the online surveys (26 out of 30) and user surveys (32 out of 54) (Hansye, Ravelli, Mabaso, et al., 2021; Hansye, Ravelli, & Sansom, 2021). Our sample of 426 valid respondents covers a representative sample of practitioners from all over Brazil, offering a glimpse of a larger fraction of the professional community's perceptions of a large emerging economy.

Lastly, the RFI and the SMEIG take a more exploratory approach. Our research is more explanatory, as we try to uncover the factors associated with non-implementation and link non-implementation to characteristics of the standard and the practitioners, like the level of knowledge about the standard. Overall, our evidence may support IASB in going beyond its current extensive review (IFRS Foundation, 2020), providing a clearer path for SMEs to follow and mitigating the difficulties in the transition to the international standard that other countries may face (Chand et al., 2015). In particular, the IASB, specially SMEIG, should weigh how strategies for training practitioners from SMEs could be supported in adopting countries when conducting the current second comprehensive review (IFRS Foundation, 2020; Scott, 2020).

Some issues for future research include whether the implementation of IFRS for SMEs can be influenced by the demand of external and internal users and who are the agents for whom these statements are prepared (Durocher & Fortin, 2011; Gassen, 2017; Warren et al., 2019). Understanding users' needs of SMEs' accounting information may help the standard-setter find an adequate balance between usefulness and simplicity. Another issue is uncovering which rollout strategies are more effective in providing adequate knowledge about the standard, minimising the cost of adoption to reap most of the benefits provided by the standard.

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Appendix A – Detailed findings of the triangulation interview with senior accountants

The analysis of the interview indicates that:

- Implementation costs, if they exist, are low. What may seem like an implementation cost of the standard is, in reality, the implementation cost of basic accounting processes. Issues include designing processes for recording accounting entries, designing a general ledger, calculating depreciation based on expected useful life, controlling PP&E assets, and involving business areas in accounting processes and decision-making. Usually, those who know the standard or have already implemented it see no significant implementation costs.

    - After knowing the standard or having implemented it, implementers start seeing its benefits. One of the main benefits is having access to cheaper loans. After implementation, they can have their statements adequately audited by a chartered auditor registered with the Brazilian Securities Commission (CVM) and the Brazilian Institute of Independent Auditors (IBRACON).

- Our interviewees could not recall issues related to inconsistencies or inaccuracies. However, they highlight that their IFRS for SMEs courses usually do not reach such depth since students are worried about operational minutiae and how-tos.
- Many of the issues related to incomprehensibility seem related to the need for judgement and discretion.
    - Managers are better able to understand how to make a judgement to better represent the economical essence of transactions;
    - Managers are better prepared to interpret the text of the standard per se;
    - Non-managers such as accountancy analysts are used to following strict rules with no need to make subjective decisions. Many only perform tax accounting;
    - Terms that reflect the need for judgement and discretion, like “maximum extent possible”, “reliable measurement”, “highly probable”, and “significant risks”, cause more confusion among accountants;
    - Parts of the standard that can be more difficult to understand refer to items that are rarely used by smaller firms, such as financial instruments, derivatives, currency translation, fair value, and related terminology, such as “debt instrument”, “hedge”, and “swap”.

- The interviewees do not deem the standard as complex, except for some specific sections such as financial instruments and business combinations.
    - Few see difficulties implementing the standard since a substantial part of it is simple, and most firms only need to stick to this simpler part. This simpler part is just basic accounting, with nothing new for accountants.
    - One could say that non-implementation is more of an inertia issue, as firms do not see a clear benefit. Lack of accounting processes in place (see comments about implementation costs) may play a significant role.
- Regarding training, many firms do not see it as necessary. Many times, managers refuse to pay for the training of the firm's accounting staff. Often, staff pay for courses out of their own pockets.
    - There is a generalised problem with accountants' training in Brazil. They still receive training to follow strict rules and pre-defined tables, not making judgements and decisions. One famous rule of thumb is allocating 3% of accounts receivable as doubtful debts, regardless of the risk profiles of different customers.
    - Accounting bodies, like the State Accounting Councils (CRCs) and the Federal Accounting Council (CFC), usually do not offer IFRS for SMEs courses.
    - Although most firms are SMEs, IFRS for SMEs training in higher education is deficient or non-existent.
    - Accountants, especially the older ones, do not have training in concepts such as present value and discount rates.
- Miscellaneous items

- The market could be a significant player in the implementation. Once it starts demanding higher quality information, it would create a strong incentive to implement the standard and the accounting processes needed. Depending on the firm's size, banks only request information about revenue since it can be easily verified.
- The IFRS standards are a unique chance for accountants to show information management capacity and generate useful decision-making insights.

1.9 The questionnaire

In this section, we provide the semi-structured questionnaire both translated to English and in its original form, in Portuguese, as used in the interview.

1.9.1 Script in English

[Before starting the interview]

The beginning of this session will be recorded to register that participants understand the purpose of the survey and agree to participate. If you consent, the rest of the session will also be recorded. We ask that you answer the initial questions and speak up if you need clarification or more information.

Professors A from X and B from the Y, and C from Z[6] (from now on, "the researchers"), are conducting this work. This research deals with the IFRS for SMEs and captures users' perceptions of the accounting standard.

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[6] The names of the researchers and their respective affiliations were edited to keep anonymity. The original version included the full names and the current affiliation of each.

Participation in this survey is completely voluntary. There is no other material benefit, directly or indirectly, to the participants of this research. You are allowed to decide to withdraw from this research at any time without any consequences.

Please note that the process is entirely anonymous. The researchers will take notes of your comments. Only the researchers will have access to your identities, and all reasonable care will be taken to preserve your anonymity. The recordings will be stored in X's corporate cloud, accessible only by the researchers, and all data will be treated with extreme confidentiality. Data confidentiality will be maintained following the stipulations of the prevailing laws of the country. All recordings will be destroyed within five years of publication of the research in a journal indexed by Scopus or Web of Science. There is no potential risk for participants in this study.

Even if the data is in the custody of a Brazilian institution, you can contact the Data Protection Officer of Y if you deem it necessary by emailing dataprotection@y.edu. Additional information is available at https://y.edu/data-protection-further-information; this link can be sent by email at the request of the participants. In addition, if you are not satisfied with the use we are making of your data, you can submit a complaint to the Information Office using the link https://io.org/concerns/, which can also be submitted by email at the request of the participants.[7]

This session is expected to last between 60 and 75 minutes. Please indicate if you have any questions or need additional information. [Break]

Please answer the following questions with "Yes" or "No", there being no consequences regardless of the answer given.

[7] All names of institutions, e-mails and links have also been anonymized.

- I understand the information provided (Yes / No)
- I had the opportunity to ask questions and discuss this study (Yes / No)
- I received satisfactory answers to all my questions (Yes / No)
- I am aware that I am free to withdraw from the survey at any time (Yes / No)
- I agree with the recording of the rest of this interview (Yes / No)

[If participants have agreed to the recording, verbally advise that it will be continued. Otherwise, verbally advise that it will be stopped and that notes will be taken.]

1. Is there any point of recurring difficulty in the training on IFRS for SMEs that you teach?
    a. Which?
2. What are the characteristics of these points that generate such difficulties?
3. Based on your experience, does the students' perception of IFRS for SMEs change after receiving the training? Would you be able to list any examples, such as student comments, to illustrate your opinion?
4. Based on your experience, do you notice any difference in the perceptions of the following points of the IFRS for SMEs between students with a managerial profile (owners, partners, directors, managers) and students with a non-managerial profile (accountants, accountancy analysts)?
    a. Implementation costs
    b. Inconsistencies
    c. Inaccuracies
    d. Incomprehensibility
    e. Quality of guidance offered

    f. Complexity

5. Based on your experience, do you notice any difference in the perceptions of the following points of the IFRS for SMEs between students who have already implemented the standard and students who have not yet implemented the standard?
    a. Implementation costs
    b. Inconsistencies
    c. Inaccuracies
    d. Incomprehensibility
    e. Quality of guidance offered
    f. Complexity
6. Regarding managerial vs non-managerial groups, would you say that one presents more difficulties than the other concerning the standard?
    a. Which presents the most difficulty?
    b. Could you give your opinion on why there is a difference between groups?
7. In your opinion, does a more flexible standard encourage or impede its implementation?
    a. Could you explain why? [do not inform the participants of the rationale: more discretion decreases the risk of punishment or the perception that the rule has been broken]
8. Would you be able to cite any examples where the norm is inconsistent or ambiguous? For example, if one section says something and another says something that looks different or nullifies the previous section?

9. Can you remember any passages or sections that lack clarity?

10. Can you remember any excerpt or section that is repetitive?

[End the session. Open for any questions or additional comments from participants. Thank them for their participation and inform that the results can be made available as soon as the research is accepted for publication.]

1.9.2 Script in Portuguese

[Antes de iniciar a entrevista]

O início desta sessão será gravado, para ficar registrado que vocês participantes entendem o propósito da pesquisa e concordam em participar. Caso haja consentimento de vocês, o restante da sessão também será gravado. Pedimos que vocês respondam às perguntas iniciais, e se manifestem em qualquer caso de dúvida ou necessidade de mais informações.

Os professores A da X e B da Y, e C, da Z[8] (doravante, "os pesquisadores"), estão conduzindo este trabalho. A presente pesquisa trata do CPC PME (IFRS for SMEs), e tem por objetivo captar as percepções dos usuários do padrão contábil.

A participação nesta pesquisa é totalmente voluntária. Não há outro benefício material, direta ou indiretamente, aos participantes desta pesquisa. Vocês tem permissão para decidir se retirar deste pesquisar a qualquer momento sem nenhum tipo de consequência.

Observe que o processo é totalmente anônimo. Os pesquisadores tomarão notas dos seus comentários. Somente os pesquisadores terão acesso à suas identidades, e todos cuidados razoáveis serão tomados para preservar o seu anonimato. As gravações serão armazenadas na nuvem corporativa da X, sendo acessível somente pelos pesquisadores, e todos os dados serão tratados com extrema confidencialidade. A confidencialidade dos dados será mantida de acordo

[8] The names of the researchers and their respective affiliations were edited to keep anonymity. The original version included the full names and the current affiliation of each.

com as estipulações das leis prevalecentes do país. Todas as gravações serão destruídas em até 5 anos após a publicação da pesquisa em periódico indexado pela Scopus ou Web of Science. Não há nenhum risco potencial para os participantes deste estudo.

Ainda que os dados estejam sob custódia de uma instituição brasileira, vocês podem entrar em contato com o Data Protection Officer da Y caso julguem necessário pelo email dataprotectionoffice@y.edu. Informação adicional está disponível em https://y.edu/data-protection-further-information; este link pode ser enviado por e-mail a pedido dos participantes. Além disso, caso vocês não estejam satisfeitos com o uso que estamos dando aos seus dados, vocês podem submeter uma reclamação para o Information Office usando o link https://io.org /concerns/, que também pode ser enviado por e-mail a pedido dos participantes.[9]

A presente sessão está prevista para durar entre 60 e 75 minutos. Pedimos que vocês indiquem se há alguma dúvida ou necessidade de informação adicional. [Pausa]

Por favor, respondam as perguntas a seguir com "Sim" ou "Não", não havendo qualquer tipo de consequência independente da resposta dada.

- Eu entendo as informações fornecidas (Sim / Não)
- Tive a oportunidade de fazer perguntas e discutir este estudo (Sim / Não)
- Recebi respostas satisfatórias para todas as minhas perguntas (Sim / Não)
- Tenho ciência de que sou livre para me retirar da pesquisa a qualquer momento (Sim / Não)
- Concordo com a gravação do restante desta entrevista (Sim / Não)

[9] All names of institutions, e-mails and links have also been anonymized.

[Caso os participantes tenham concordado com a gravação, avisar verbalmente que ela será continuada. Caso contrário, avisar verbalmente que ela será terminada e que serão tomadas notas.]

1. Existe algum ponto de dificuldade recorrente nos treinamentos sobre CPC PME que vocês ministram?
    a. Quais?
    b. Quais as características destes pontos que geram tais dificultades?
2. Com base em sua experiência, a percepção dos alunos sobre o CPC PME muda após receberem os treinamentos? Você seria capaz de enumerar algum exemplo, como comentários de alunos, para ilustrar sua opinião?
3. Com base em sua experiência, você nota alguma diferença nas percepções dos seguintes pontos do CPC PME entre alunos de perfil gerencial (donos, sócios, diretores, gerentes) e alunos de perfil não gerencial (contadores, analistas contábeis)?
    a. Custos de implementação
    b. Inconsistências
    c. Inacurácias
    d. Incompreensibilidade
    e. Qualidade do *guidance* (orientação) oferecido
    f. Complexidade
4. Com base em sua experiência, você nota alguma diferença nas percepções dos seguintes pontos do CPC PME entre alunos que já implementaram o padrão e alunos que ainda não implementaram o padrão?
    a. Custos de implementação

b. Inconsistências

c. Inacurácias

d. Incompreensibilidade

e. Qualidade do *guidance* (orientação) oferecido

f. Complexidade

5. Em termos de grupo gerencial vs. não-gerencial, você diria que um apresenta mais dificuldade que o outro em relação ao padrão?

    a. Qual apresenta mais dificuldade?

    b. Você poderia opinar sobre o porquê dessa diferença entre os grupos?

6. Em sua opinião, uma norma mais flexível incentiva ou impede sua implementação?

    a. Você poderia explicar o por quê? [não informar aos participantes o racional: mais discricionariedade diminui risco de punição ou de percepção de que a regra foi descumprida]

7. Você seria capaz de citar algum exemplo onde a norma é inconsistente ou ambígua? Por exemplo, se uma seção diz uma coisa e outra seção diz algo que parece ser diferente ou mesmo anula a seção anterior?

8. Você consegue se lembrar de algum trecho ou seção em que falta clareza?

9. Você consegue se lembrar de algum trecho ou seção que seja repetitivo

[Dar a sessão por encerrada. Abrir para quaisquer questionamentos ou comentários adicionais dos participantes. Agradecer a participação e informar que os resultados podem ser disponibilizados assim que a pesquisa for aceita para publicação.]

Appendix B - Questionnaire

Section A

Q1a - Are you aware of the existence of IFRS for Small and Medium-sized Enterprises (IFRS for SMEs)?

( ) Yes ( ) No

Q2a - What is your level of knowledge of the IFRS for SMEs?

( ) I do not know the standard ( ) Basic ( ) Intermediate ( ) Advanced

Q3a - The company where you are a manager/agent is an SME, or the accounting organisation where you are a manager/act has customers that are SMEs?

() Yes () No

Q4a - Position / Function of Respondent

( ) Analyst ( ) Accountant ( ) Manager ( ) Controller ( ) Director ( ) Partner / Owner

Q5a - Accounting Education

( ) Technical / Vocational ( ) Incomplete Higher Education ( ) Complete Higher Education ( ) Not trained in accounting

Q6a – In which state your accounting company/organisation is located?

______

Q7a - Has your company/accounting organisation already implemented IFRS for SMEs?

( ) Yes ( ) No

Q8a - If you have an internal accounting department, check the internal accounting option. If the accounting is external, i.e., your accounting is taken care of by professionals from an accounting office, check the accounting organisation option.

( ) Internal Accounting () Accounting Organization

Q9a - Do you take training / continuing education courses annually?

( ) Yes ( ) No

<u>Section B</u>, adapted from Chand et al. (2015)

Q1b - The costs of complying with the IFRS for SMEs are far greater than the corresponding benefits

Q2b - Extensive cross-referencing to full IFRS is required while interpreting and applying IFRS for SMEs

Q3b - IFRS for SMEs, in general, are not easy to understand

Q4b - IFRS for SMEs contain expressions that are lacking clarity

Q5b - The vocabulary used in IFRS for SMEs is difficult to understand

Q6b - The nature, volume and complexity of disclosure required by IFRS for SMEs is excessive

Q7b - The information required to apply IFRS for SMEs is not available or available with only undue cost or effort

Q8b - The use of fair value accounting (FVA) is excessive in IFRS for SMEs

Q9b - The use of FVA in IFRS for SMEs imposes significant annual costs on preparers and is not justified on cost/benefit grounds

Q10b - The need to exercise professional judgment is excessive in IFRS for SMEs

Q11b - Individual paragraphs within IFRS for SMEs are repetitive

Q12b - The paragraph coding in IFRS for SMEs is confusing

Q13 - IFRS for SMEs are structured in a way that is difficult to follow

Q14b - Recognition criteria applied in IFRS for SMEs are not easy to understand

Q15b - Measurement criteria are not applied consistently across IFRS for SMEs

Q16b - Recognition criteria applied in IFRS for SMEs are not easy to understand

Q17b - Criteria employed in allowing alternative accounting treatments are not applied consistently across IFRS for SMEs

Q18b - The alternative treatments given in IFRS for SMEs are not easy to understand

Q19b - IFRS for SMEs is too complex for SMEs in Brazil

Q20b - IFRS for SMEs do not provide adequate guidance to assist accountants in interpreting and applying this standard

Q21b - IFRS for SMEs do not provide adequate guidance to address the social and economic characteristics of SMEs in Brazil

Q22b - There is a need to create an additional tier of differential reporting framework in Brazil for really small (micro) entities

Q23b - The non-implementation of IFRS for SMEs is due to the absence of sanctions and penalties by regulatory bodies, which discourages professionals from adhering to an activity that generates burdens

Q24b - There are transactions, events, or conditions that SMEs engage in

- that are not covered in IFRS for SMEs

Q25b - Certain terms are not defined in the same way across IFRS for SMEs

Q26b - It is difficult to capture the meaning of some terms in IFRS for SMEs

Q27b - Some terms in IFRS for SMEs are used inconsistently

Q28b - How often do you need to consult with other resources, such as manuals provided by employers, consultation with senior staff, etc., when applying IFRS for SMEs?

Q29b - Do you think different professional accountants will always reach the same judgment on a specific scenario under the guidance of IFRS for SMEs?

Q30b - Have you ever been in disagreement with your colleagues when deciding which alternative treatment given by IFRS for SMEs is the most appropriate to employ in a particular scenario?

Appendix C – Additional tables

Table C.1: Comparison of descriptive statistics: current sample vs Chand, Patel and White (2015)

Variables		Current paper		Chand et al. (2015)	
		Mean	SD	Mean	SD
Q1b	The costs of complying with the IFRS for SMEs are far greater than the corresponding benefits	4.28	1.69	4.18	1.42
Q2b	Extensive cross-referencing to full IFRS is required while interpreting and applying IFRS for SMEs	5.22	1.55	4.46	1.39
Q3b	IFRS for SMEs in general are not easy to understand	3.99	1.71	3.87	1.55
Q4b	IFRS for SMEs contain expressions that are lacking clarity	3.88	1.73	4.21	1.43
Q5b	The vocabulary used in IFRS for SMEs is difficult to understand	3.78	1.72	3.38	1.35
Q6b	The nature, volume and complexity of disclosure required by IFRS for SMEs is excessive	4.26	1.82	4.20	1.61
Q7b	The information required to apply IFRS for SMEs is not available or available with only undue cost or effort	3.83	1.72	4.22	1.45
Q8b	The use of fair value accounting (FVA) is excessive in IFRS for SMEs	4.23	1.77	4.40	1.52
Q9b	The use of FVA in IFRS for SMEs imposes significant annual costs on preparers and is not justified on cost/benefit grounds	4.40	1.77	4.54	1.56
Q10b	The need to exercise professional judgment is excessive in IFRS for SMEs	4.23	1.66	4.64	1.48
Q11b	Individual paragraphs within IFRS for SMEs are repetitive	3.84	1.56	3.88	1.23
Q12b	The paragraph coding in IFRS for SMEs is confusing	4.11	1.72	3.79	1.26
Q13	IFRS for SMEs is structured in a way that is difficult to follow	3.79	1.62	3.61	1.39
Q14b	Recognition criteria applied in IFRS for SMEs are not easy to understand	3.35	1.62	3.92	1.44
Q15b	Measurement criteria are not applied consistently across IFRS for SMEs	3.40	1.60	3.99	1.33
Q16b	Recognition criteria applied in IFRS for SMEs are not easy to understand	3.51	1.57	4.03	1.33
Q17b	Criteria employed in allowing alternative accounting treatments are not applied consistently across IFRS for SMEs	3.50	1.62	4.04	1.29
Q18b	The alternative treatments given in IFRS for SMEs are not easy to understand	3.57	1.63	4.01	1.27
Q19b	IFRS for SMEs is too complex for SMEs in Brazil	4.42	1.85	4.64	1.62
Q20b	IFRS for SMEs does not provide adequate guidance to assist accountants in interpreting and applying this standard	4.06	1.80	3.90	1.48
Q21b	IFRS for SMEs does not provide adequate guidance to address the social and economic characteristics of SMEs in Brazil	4.13	1.80	4.17	1.43
Q22b	There is a need to create an additional tier of differential reporting framework in Brazil for really small (micro) entities	4.62	1.79	4.78	1.90

Q23b	The non-implementation of IFRS for SMEs is due to the absence of sanctions and penalties by regulatory bodies, which discourages professionals from adhering to an activity that generates burdens	4.07	1.98	-	-
Q24b	There are transactions, events, or conditions that SMEs engage in that are not covered in IFRS for SMEs	4.19	1.66	3.66	1.36
Q25b	Certain terms are not defined in the same way across IFRS for SMEs	3.72	1.62	3.58	1.36
Q26b	It is difficult to capture the meaning of some terms in IFRS for SMEs	3.83	1.71	3.62	1.40
Q27b	Some terms in IFRS for SMEs are used inconsistently	3.57	1.67	3.38	1.37
Q28b	How often do you need to consult with other resources, such as manuals provided by employers, consultation with senior staff, etc., when applying IFRS for SMEs?	4.48	1.76	4.63	1.75
Q29b	Do you think different professional accountants will always reach the same judgment on a specific scenario under the guidance of IFRS for SMEs?	4.27	1.79	3.46	1.54
Q30b	Have you ever been in disagreement with your colleagues when deciding which alternative treatment given by IFRS for SMEs is the most appropriate to employ in a particular scenario?	4.25	1.72	3.71	1.64

Notes: Questionnaire adapted from Chand, Patel and White (2015). The questionnaire was sent in Brazilian Portuguese, here we present the original writing with minor adaptations, except for question 23, which has been changed.

Table C.2: IFRS non-implementation and Not advanced knowledge – average marginal effects

	(1) Non-impl. all	(2) Non-impl. non-manag.	(3) Non-impl. managerial	(4) Knowledge Not Adv.
Costs	0.004	-0.013	0.019	0.025
	(0.150)	(-0.310)	(0.497)	(1.018)
Inconsistencies	0.102***	0.113**	0.078	-0.039
	(2.931)	(2.444)	(1.393)	(-1.169)
Inaccuracies	-0.081***	-0.100**	-0.055	-0.032
	(-2.654)	(-2.313)	(-1.259)	(-1.023)
Incomprehensibility	0.077*	0.099*	0.046	0.142***
	(1.755)	(1.763)	(0.623)	(3.321)
Lack Guidance	-0.062**	-0.080*	-0.032	-0.013
	(-2.044)	(-1.786)	(-0.811)	(-0.513)
Complexity	0.015	0.049	-0.020	-0.005
	(0.395)	(0.913)	(-0.376)	(-0.146)
Sanctions	-0.003	-0.002	-0.006	-0.012
	(-0.227)	(-0.096)	(-0.354)	(-1.116)
OnPremises	0.061	0.070	0.072	0.038
	(1.373)	(1.168)	(1.086)	(1.022)
Training	-0.161***	-0.135*	-0.219**	-0.170**
	(-2.809)	(-1.729)	(-2.416)	(-2.406)
Pseudo R^2				
Observations	426	235	191	426

Notes: Average marginal effects from the estimations in Table 6. z statistic in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Column (1) displays the coefficients from the regression of Equation (1), factors associated with non-implementation, using all respondents. Column (2) uses the subsample of non-managerial respondents, while column (3) uses the subsample of managerial respondents. Non-managerial are positions "Accountancy Analyst" and "Accountant". Managerial are positions "Manager", "Controller", "Director" and "Partner/Owner". Column (4) estimates Equation (2), a variation of Equation (1) changing the dependent variable to an indicator of knowledge of IFRS for SMEs (0=Advanced; 1=Basic or Intermediate) using the entire sample. *Costs* is the mean of the responses to the 7-point Likert scale of questions Q1b, Q7b, and Q9b; the higher the costlier. *Inconsistencies* is the mean of the responses to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent. *Inaccuracies* is the mean of the responses to questions Q4b and Q11b; the higher the more inaccurate. *Incomprehensibility* is the mean of the responses to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Lack Guidance* is the mean of the responses to Q20b, Q21b, Q28b, Q29b and Q30b; the higher the worst the guidance. *Complexity* is the mean of the responses to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b; the higher the more complex. *Sanctions* is the response to question Q23b, the higher the most weight respondents put on non-implementation due to absence of sanctions. *OnPremises* is a dummy set to 1 if the respondent reports having internal accounting, 0 otherwise (Q8a). *Training* is a dummy set to 1 if the respondent reports having taken accounting courses the previous year, 0 otherwise (Q9a).

Table C.3: Marginal effects for ordered Logit - Column (5) of Table 6

Variable	Knowledge level		
	0=Advanced	1=Intermediate	2=Basic
Incomprehensibility	-0.072	-0.050	0.122
Training	0.220	-0.005	-0.215

Notes: Average marginal effects from Column (5) in Table 6, only statistically significant variables. *Incomprehensibility* is the mean of the responses to the 7-point Likert scale of questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Training* is a dummy set to 1 if the respondent reports having taken accounting courses the previous year, 0 otherwise (Q9a). Values correspond to the change of probability of each knowledge level due to an increase of 1 unit of the variable.

Tables

Table 1: Definition of variables

Type	Variable from Equation (1)	Description	Source
Dependent	$NotImplementIFRSSM$	IFRS for SMEs implementation dummy. Set to one (1) if it has not implemented IFRS for SMEs and zero (0) if it has implemented. Q7a of the questionnaire (see Appendix A).	Chand, Patel and White (2015)
Independents of interest	$Costs$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q1b, Q7b and Q9b; the higher the costlier.	
	$Inconsistencies$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent.	
	$Inaccuracies$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q4b and Q11b; the higher the more inaccurate.	
	$Incomprehensibility$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b of the questionnaire; the higher the less comprehensible.	
	$Lack\ Guidance$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q20b, Q21b, Q28b, Q29b, and Q30b of the questionnaire; the higher the worst the guidance.	
	$Complexity$	Arithmetic mean of the responses (1-7 Likert-like scale) to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b of the questionnaire; the higher the more complex.	
	$Sanctions$	The response (1-7 Likert-like scale) to question Q23b.	Albu *et al.* (2013)
Independents – controls	$OnPremises$	Q8a. *OnPremises* is 1 if the respondent reports having internal accounting and 0 for outsourced, third-party accounting. Asuman (2010) found evidence that if the company has an accounting department, then the additional cost of applying another set of accounting standards may be reduced. Therefore, national SMEs with an internal accounting department, which is uncommon, are more likely to implement the standards.	Asuman, (2010)
	$Training$	Q9a. Training is 1 if the respondent reports having taken accounting courses the previous year. Chand et al. (2015) state that one difficulty for accounting professionals in dealing with *IFRS for SMEs* is due to the lack of training and adequate and continued development. Therefore, the decision of an accounting professional to be trained may affect the likelihood of implementing the standard.	Chand, Patel and White (2015)

Notes: Definition of variables extracted from questionnaire presented in Appendix A. QNa refer to questions from Section A of the questionnaire, whereas QNb refers to questions from Section B. All questions from Section B of the questionnaire are Likert-like, ranging from 1 “strongly disagree” to 7 “strongly agree”.

Table 2: Participants' characteristics

Panel A: Implementation and training

The company/office where he/she works has implemented IFRS for SMEs		He/she works in a company with internal accounting or third-party accounting		Respondent takes annual training courses	
Yes	263 (62%)	Internal	195 (46%)	Yes	359 (84%)
No	163 (38%)	Third-party	231 (54%)	No	67 (16%)
Total	426	Total	426	Total	426

Panel B: Level of knowledge

Level of knowledge of IFRS for SMEs		Accounting Training		Position	
Basic	181 (42%)	Technical	36 (8%)	Acct. Analyst	25 (6%)
Intermediate	159 (37%)	Incomp. Higher Education	13 (3%)	Accountant	210 (49%)
Advanced	86 (20%)	Complete Higher Education	377 (88%)	Manager	27 (6%)
Total	426	Total	426	Controller	19 (4%)
				Director	14 (3%)
				Partner / Owner	131 (31%)
				Total	426

Panel C: Geographical distribution

Region	% participants	% Brazil
Midwest	13.4	8.5
Northeast	18.5	16.1
North	7.7	6.0
Southeast	44.6	51.6
South	15.7	17.8
Total (count)	100 (N=426)	100 (N=515,262)

Notes: Percentages in parentheses in relation to the grand total of 426 respondents, rounded to the nearest integer. If rows do not sum to 100% is due to rounding. Qualtrics' Sample Size Calculator indicates that for a population of 515,262 and a ±5% margin of error with a 95% confidence level, the required sample size would be 384, and we have 426 valid respondents.

Table 3: Comparing views of different groups

Panel A: Non-managerial (A) vs managerial (B)

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.274	235	4.056	191	0.218*
Inconsistencies	3.616	235	3.391	191	0.226
Inaccuracies	3.913	235	3.801	191	0.112
Incomprehensibility	3.909	235	3.672	191	0.238*
Lack Guidance	4.258	235	4.224	191	0.034
Complexity	4.502	235	4.402	191	0.100
Observations	426				

Panel B: Non-managerial (A) vs managerial excluding Partner/Owner (B)

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.274	235	4.072	60	0.202
Inconsistencies	3.616	235	3.517	60	0.100
Inaccuracies	3.913	235	4.017	60	-0.104
Incomprehensibility	3.909	235	3.798	60	0.112
Lack Guidance	4.258	235	4.430	60	-0.172
Complexity	4.502	235	4.445	60	0.057
Observations	295				

Panel C: Non-managerial (A) vs Partner/Owner (B)

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.274	235	4.048	131	0.225
Inconsistencies	3.616	235	3.333	131	0.283*
Inaccuracies	3.913	235	3.702	131	0.210
Incomprehensibility	3.909	235	3.614	131	0.295*
Lack Guidance	4.258	235	4.130	131	0.128
Complexity	4.502	235	4.383	131	0.119
Observations	366				

Panel D: Managerial excluding Partner/Owner (A) vs Partner/Owner (B)

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.072	60	4.048	131	0.024
Inconsistencies	3.517	60	3.333	131	0.184
Inaccuracies	4.017	60	3.702	131	0.314
Incomprehensibility	3.798	60	3.614	131	0.184
Lack Guidance	4.430	60	4.130	131	0.300
Complexity	4.445	60	4.383	131	0.062
Observations	191				

Panel E: Implementers (A) vs non-implementers (B)

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.019	263	4.429	163	-0.410***
Inconsistencies	3.224	263	3.984	163	-0.760***
Inaccuracies	3.740	263	4.061	163	-0.322**
Incomprehensibility	3.566	263	4.185	163	-0.619***
Lack Guidance	4.125	263	4.433	163	-0.308**
Complexity	4.323	263	4.675	163	-0.352***
Observations	426				

Notes: t-tests of difference in means assuming unequal variances. * p<0.1, ** p<0.05, *** p<0.01. Non-managerial are positions “Accountancy Analyst” and “Accountant”. Managerial are positions “Manager”, “Controller”, “Director” and “Partner/Owner”. *Costs* is the mean of the responses to the 7-point Likert scale of questions Q1b, Q7b, and Q9b; the higher the costlier. *Inconsistencies* is the mean of the responses to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent. *Inaccuracies* is the mean of the responses to questions Q4b and Q11b; the higher the more inaccurate. *Incomprehensibility* is the mean of the responses to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Lack Guidance* is the mean of the responses to Q20b, Q21b, Q28b, Q29b and Q30b; the higher the worst the guidance. *Complexity* is the mean of the responses to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b; the higher the more complex.

Table 4: Views according to level of IFRS for SMEs knowledge

Panel A: Basic (A) vs Intermediate (B) knowledge

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.366	181	4.317	159	0.050
Inconsistencies	3.787	181	3.566	159	0.221
Inaccuracies	4.052	181	3.965	159	0.087
Incomprehensibility	4.074	181	3.932	159	0.142
Lack Guidance	4.420	181	4.307	159	0.113
Complexity	4.594	181	4.557	159	0.036
Observations	340				

Panel B: Basic (A) vs Advanced (B) knowledge

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.366	181	3.516	86	0.851***
Inconsistencies	3.787	181	2.849	86	0.938***
Inaccuracies	4.052	181	3.273	86	0.779***
Incomprehensibility	4.074	181	2.993	86	1.081***
Lack Guidance	4.420	181	3.751	86	0.669***
Complexity	4.594	181	3.987	86	0.607***
Observations	267				

Panel C: Intermediate (A) vs Advanced (B) knowledge

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
Costs	4.317	159	3.516	86	0.801***
Inconsistencies	3.566	159	2.849	86	0.717***
Inaccuracies	3.965	159	3.273	86	0.692***
Incomprehensibility	3.932	159	2.993	86	0.938***
Lack Guidance	4.307	159	3.751	86	0.556***
Complexity	4.557	159	3.987	86	0.570***
Observations	245				

Panel D: Differences in level of knowledge by implementation status and role

	Mean (A)	N (A)	Mean (B)	N (B)	Diff. (A)-(B)
(A) Implementers and (B) Non-implementers	1.046	263	0.344	163	0.702***
(A) Managerial and (B) Non-managerial	0.984	191	0.609	235	0.376***
Observations			426		

Panel E: Level of knowledge between Implementers and Non-implementers

Level of knowledge	Implementers		Non-implementers		Total
	N	% row	N	% row	N
Basic	65	35.9	116	64.1	181
Intermediate	121	76.1	38	23.9	159
Advanced	77	89.5	9	10.5	86
Total	263	61.7	163	38.3	426

Panel F: Level of knowledge between Managerial and Non-managerial

Level of knowledge	Managerial		Non-managerial		Total
	N	% row	N	% row	N
Basic	61	33.7	120	66.3	181
Intermediate	72	45.3	87	54.7	159
Advanced	58	67.4	28	32.6	86
Total	191	44.8	235	55.2	426

Notes: t-tests of difference in means assuming unequal variances. * $p<0.1$, ** $p<0.05$, *** $p<0.01$. "Basic", "Intermediate" and "Advanced" are the answers to Q2a. *Costs* is the mean of the responses to the 7-point Likert scale of questions Q1b, Q7b, and Q9b; the higher the costlier. *Inconsistencies* is the mean of the responses to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent. *Inaccuracies* is the mean of the responses to questions Q4b and Q11b; the higher the more inaccurate. *Incomprehensibility* is the mean of the responses to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Lack Guidance* is the mean of the responses to Q20b, Q21b, Q28b, Q29b and Q30b; the higher the worst the guidance. *Complexity* is the mean of the responses to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b; the higher the more complex. *Level of knowledge* is coded as 0=Basic, 1=Intermediate, 2=Advanced, the higher the more knowledge about the IFRS for SMEs standard. Non-managerial are positions “Accountancy Analyst” and “Accountant”. Managerial are positions “Manager”, “Controller”, “Director” and “Partner/Owner”.

Table 5: Correlations matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) IFRS SME not adopted	1.000										
(2) Costs	0.147***	1.000									
(3) Inconsistencies	0.252***	0.651***	1.000								
(4) Inaccuracies	0.112**	0.641***	0.738***	1.000							
(5) Incomprehensibility	0.213***	0.713***	0.882***	0.838***	1.000						
(6) Lack Guidance	0.108**	0.634***	0.729***	0.676***	0.758***	1.000					
(7) Complexity	0.140***	0.758***	0.720***	0.704***	0.765***	0.801***	1.000				
(8) Penalties	0.028	0.145***	0.216***	0.213***	0.245***	0.257***	0.295***	1.000			
(9) Management	0.101**	-0.025	0.062	-0.019	0.020	-0.006	-0.037	-0.050	1.000		
(10) Training	-0.151***	-0.075	-0.077	-0.080	-0.061	-0.016	-0.037	0.010	-0.069	1.000	
(11) Level of knowledge	-0.449***	-0.208***	-0.225***	-0.189***	-0.260***	-0.165***	-0.165***	-0.004	-0.047	0.204***	1.000
Observations	426										

Notes: * p<0.1, ** p<0.05, *** p<0.01. *IFRS SME not adopted* is a dummy set to 1 if the respondent has not implemented IFRS for SMEs, 0 otherwise. *Costs* is the mean of the responses to the 7-point Likert scale of questions Q1b, Q7b, and Q9b; the higher the costlier. *Inconsistencies* is the mean of the responses to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent. *Inaccuracies* is the mean of the responses to questions Q4b and Q11b; the higher the more inaccurate. *Incomprehensibility* is the mean of the responses to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Lack Guidance* is the mean of the responses to Q20b, Q21b, Q28b, Q29b and Q30b; the higher the worst the guidance. *Complexity* is the mean of the responses to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b; the higher the more complex. *Sanctions* is the response to the 7-point Likert scale of question Q23b, the higher the most weight respondents put on non-implementation due to absence of sanctions. *OnPremises* is a dummy set to 1 if the respondent reports having internal accounting, 0 otherwise (Q8a). *Training* is a dummy set to 1 if the respondent reports having taken accounting courses the previous year, 0 otherwise (Q9a). *Level of knowledge* is 0 for basic, 1 for intermediate and 2 for advanced (Q2a).

Table 6: IFRS non-implementation and Not advanced knowledge

	(1)	(2)	(3)	(4)	(5)
	Non-impl. all	Non-impl. non-manag.	Non-impl. managerial	Knowledge Not Adv.	Knowledge level
Costs	0.020	-0.060	0.097	0.177	0.115
	(0.155)	(-0.310)	(0.496)	(1.011)	(0.911)
Inconsistencies	0.488***	0.523**	0.400	-0.280	-0.016
	(2.953)	(2.319)	(1.359)	(-1.165)	(-0.099)
Inaccuracies	-0.388**	-0.460**	-0.283	-0.231	-0.177
	(-2.526)	(-2.200)	(-1.255)	(-1.022)	(-1.125)
Incomprehensibility	0.369*	0.457*	0.236	1.015***	0.545**
	(1.736)	(1.714)	(0.625)	(3.239)	(2.417)
Lack Guidance	-0.294**	-0.371*	-0.164	-0.093	0.001
	(-1.990)	(-1.747)	(-0.809)	(-0.514)	(0.008)
Complexity	0.073	0.228	-0.104	-0.036	-0.156
	(0.391)	(0.907)	(-0.376)	(-0.146)	(-0.896)
Sanctions	-0.013	-0.009	-0.030	-0.085	-0.047
	(-0.231)	(-0.096)	(-0.353)	(-1.107)	(-0.891)
OnPremises	0.292	0.326	0.366	0.270	0.071
	(1.365)	(1.153)	(1.080)	(1.023)	(0.372)
Training	-0.767***	-0.623*	-1.122**	-1.216**	-1.141***
	(-2.696)	(-1.691)	(-2.289)	(-2.374)	(-3.963)
Constant	-0.754	-0.987	-0.284	0.726	
	(-1.454)	(-1.443)	(-0.323)	(0.949)	
Cut1					-1.478***
					(-2.880)
Cut2					0.356
					(0.709)
Pseudo R^2	0.088	0.092	0.086	0.127	0.056
Observations	426	235	191	426	426

Notes: z statistic in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Column (1) displays the coefficients from the regression of Equation (1) $Prob(NotImplementIFRSSME = 1) = \beta_0 + \beta_1 Costs + \beta_2 Inconsistencies + \beta_3 Inaccuracies + \beta_4 Comprehensibility + \beta_5 Guidance + \beta_6 Complexity + \beta_7 Sanctions + \beta_8 OnPremises + \beta_9 Training + u$, factors associated with non-implementation, using all respondents. Column (2) uses the subsample of non-managerial respondents, while column (3) uses the subsample of managerial respondents. Non-managerial are positions "Accountancy Analyst" and "Accountant". Managerial are positions "Manager", "Controller", "Director" and "Partner/Owner". Column (4) estimates Equation (2) $Prob(NotAdvKnowledge = 1) = \beta_0 + \beta_1 Costs + \beta_2 Inconsistencies + \beta_3 Inaccuracies + \beta_4 Comprehensibility + \beta_5 Guidance + \beta_6 Complexity + \beta_7 Sanctions + \beta_8 OnPremises + \beta_9 Training + u$, with the dependent variable an indicator of knowledge of IFRS for SMEs (0=Advanced; 1=Basic or Intermediate) using the entire sample. Column (5) is a variation of Equation (2) but changing the dependent variable to level of knowledge of IFRS for SMEs (0=Advanced; 1= Intermediate; 2=Basic) using the entire sample; this model is an ordered logit. *Costs* is the mean of the responses to the 7-point Likert scale of questions Q1b, Q7b, and Q9b; the higher the costlier. *Inconsistencies* is the mean of the responses to questions Q14b, Q15b, Q17b, Q25b, and Q27b; the higher the more inconsistent. *Inaccuracies* is the mean of the responses to questions Q4b and Q11b; the higher the more inaccurate. *Incomprehensibility* is the mean of the responses to questions Q3b, Q5b, Q12b, Q13b, Q16b, Q18b, and Q26b; the higher the less comprehensible. *Lack Guidance* is the mean of the responses to Q20b, Q21b, Q28b, Q29b and Q30b; the higher the worst the guidance. *Complexity* is the mean of the responses to questions Q2b, Q6b, Q8b, Q10b, Q19b, Q22b and Q24b; the higher the more complex. *Sanctions* is the response to the 7-point Likert scale of question Q23b, the higher the most weight respondents put on non-implementation due to absence of sanctions. *OnPremises* is a dummy set to 1 if the respondent reports having internal accounting, 0 otherwise (Q8a). *Training* is a dummy set to 1 if the respondent reports having taken accounting courses the previous year, 0 otherwise (Q9a).

Table 7: Factors associated with IFRS non-implementation: Knowledge

Variables	(1) Logit	(2) AME
Intermediate knowledge	-1.737***	-0.321***
	(-7.170)	(-9.858)
Advanced knowledge	-2.726***	-0.503***
	(-7.075)	(-8.916)
Constant	0.579***	
	(3.734)	
Pseudo R^2	0.173	
AIC	474.9	
H_0: Intermediate=Advanced	0.013	
Observations	426	426

Notes: z statistic in parentheses. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Column (1), Logit, displays the coefficients from the regression of Equation (3) $Prob(NotImplementIFRSSME = 1) = \beta_0 + \beta_1 IntermedKnow + \beta_2 AdvKnow + u$, while column (2), AME, are the Average Marginal Effects of the Logit model. H_0: Intermediate=Advanced is the p-value of the test H_0: the indicated variables' coefficients are equal.