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Transitioning to an IFRS-Based Accounting System: Longitudinal Insights from Practitioners in Portugal

Ana Paula Silva [1,2], Alexandra Fontes [3,4], Carlos Menezes [3] and Tânia Menezes Montenegro [3,4,*]

[1] School of Business Sciences, Polytechnic Institute of Viana do Castelo, 4930-600 Valença, Portugal; apaulasilva@esce.ipvc.pt
[2] Centre for Organizational and Social Studies of Polytechnic of Porto (CEOS.PP), ISCAP, 4465-004 Porto, Portugal
[3] School of Economics and Management, Campus de Gualtar, University of Minho, 4710-057 Braga, Portugal; alexandrafontes@eeg.uminho.pt (A.F.); menezes@eeg.uminho.pt (C.M.)
[4] Research Centre in Accounting and Taxation, 4750-821 Barcelos, Portugal
* Correspondence: taniab@eeg.uminho.pt

Abstract: This paper explores the extent to which International Financial Reporting Standards (IFRS)-wide support (regardless of the institutional context) is warranted. Drawing from an institutional theory framework, it investigates the extent to which practitioners in a code-law-rooted country perceive the materialization of claimed benefits of IFRS and the institutional forces that may hinder the IFRS's institutionalization process. An interpretative approach based on qualitative research was adopted. Longitudinal evidence was gathered from 34 in-depth semi-structured in-person interviews with Portuguese preparers conducted in 2009 (just before an IFRS-based accounting system was adopted) and 2017 (at a post-implementation mature stage). Qualitative data analysis was carried out using a thematic coding scheme derived from the adopted theoretical framework: legitimacy and economic (operational and financial) benefits and institutional contradictions (IFRS's in-country adequacy). The main results highlight that, while legitimacy benefits have been broadly recognized, economic benefits were scantly perceived due to the enduring code-law institutional logic embedded in the Portuguese context. Consistently, a high possibility of decoupling and manipulating accounts was acknowledged, which in turn casts reservations not only about the material consequences of the international convergence process to IFRS but also about its contribution towards sustainable development. Given that a major academic debate persists on whether accounting harmonization is beneficial, this research's findings fill this gap and provide valuable insights for future research, practice, and regulation. Particularly, our findings enhance the urgency of developing institutional adjustments, such as changing national culture, on behalf of the Anglo-Saxon-based institutional approach of IFRS.

Keywords: accounting change; institutionalization; IFRS; IFRS-based systems; perceptions; Portugal

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1. Introduction

Extant International Financial Reporting Standards (IFRS) research reports that the expected economic and legitimacy benefits have driven the adoption of IFRS by many countries (e.g., [1–6]). However, while the IFRS Foundation claims that the primary mission of IFRS is to "bring transparency, accountability and efficiency to financial markets around the world ... [serving] the public interest by fostering trust, growth and long-term financial stability in the global economy" [7], extant research fails to draw consistent results on whether accounting harmonization is actually beneficial [8,9], and thereby on its contribution to the goal of sustainable development [10–14]. Rather, an emergent consensus seems to be that the effects of IFRS adoption are highly dependent on the underlying institutional context [12,15–20]. Furthermore, while IFRS were planned to tackle primarily the needs of listed companies, a large (and growing) number of countries decided their unlisted companies had to adopt IFRS or IFRS-based accounting systems. Nevertheless, for unlisted companies, the benefits thereof are far from obvious [21–23]. (For example, unlisted companies are usually managed by their owners and owner-managers, unlike listed companies' shareholders, benefit from private information other than formal reporting and detailed disclosures [8]. Unlisted companies are also clearly distinct from listed companies in their accounting resources [24].) Based on the above view, it is important to ascertain what is driving IFRS-wide acceptance [23]. Where benefits are not materialized, the possibility of decoupling is higher, which in turn casts reservations about the material consequences of the international convergence process to IFRS [25–31] ("Decoupling" refers to situations where organizations say that they are complying with the imposed requirements, but they may be adopting a kind of ostensible compliance (window-dressing) [31]). Therefore, the main objective of this study is to explore the extent to which IFRS-wide support (regardless of institutional context) is warranted. To address this objective, two research questions are posed and are as follows: (i) to what extent do practitioners perceive the materialization of claimed benefits of IFRS? and (ii) what are the institutional forces that may hinder the institutionalization process of IFRS?

The motivation underlying the above-alluded research questions is twofold. First, this study responds to several research calls for further evidence on the extent of the materialization of claimed benefits of IFRS following its formal adoption in different EU countries (e.g., [8,23,32,33]). Particularly in the context of the under-researched yet economically important, unlisted companies [8,23,34–36], Portugal offers an interesting institutional setting, where available evidence remains scant. There are substantial differences between Portugal's prior domestic accounting system and the IFRS-based new accounting system (SNC—*Sistema de Normalização Contabilística*) adopted in 2010. It is a code-law-rooted country where most companies are small, and capital markets are underdeveloped [37]. According to Hofstede's cultural dimensions, Portugal's accounting practices were typically marked by a high degree of conservatism and secrecy [38], as their primary target were banks and tax authorities [39–41]. Also, against the principle-based philosophy, Portugal scores extremely high in uncertainty avoidance, which indicates a "need for rules—even if not obeyed" [38] (p. 10). Furthermore, this country scores low on individualism by overvaluing "belonging" and "harmony" [38] (p. 11), thereby posing an ex-ante favorable context to the phenomenon of isomorphism [42,43], and the central thrust is that legitimacy benefits are likely to drive the advocacy of IFRS adoption [44].

Second, and relatedly, we also respond to research calls to explore the perceptions of individual actors who are the targets of the change [45–47]. On the basis of Fontes et al. [48], we stress the crucial role of local constituents in converting IFRS into national accounting practices. They are also in a privileged position to identify both the problems and the benefits emerging from IFRS implementation. Such evidence will be crucial to ameliorate and assist the national institutionalization of IFRS [49].

The institutional theory is used as the main theoretical lens of this study, and a qualitative method of data collection and analysis is adopted. Longitudinal evidence was gathered from a total of 34 in-depth semi-structured in-person interviews with Portuguese registered accountants and conducted at two different points in time conveniently chosen for our research purposes. Seventeen interviews were conducted in 2009, when the formal decision to compulsorily adopt the new IFRS-based accounting system in all unlisted companies was already known from 1 January 2010. These interviews were repeated at a post-implementation mature stage in 2017.

Evidence suggests scant benefits, beyond legitimacy benefits, that have been reaped from adopting this IFRS-based SNC model in Portugal. While financial benefits regarding foreign investment and international capital access were highly anticipated before the accounting reform, they were poorly acknowledged at a mature post-adoption stage. Additionally, the interview findings revealed a lack of consensus regarding the achievement of other financial benefits (such as greater access to national capital, financial assistance from the banking sector, and lower cost of capital). Also, operational benefits (enhanced quality–usefulness of accounting information) anticipated before the accounting reform were contradictorily inferred in 2017 due to a sound awareness of institutional barriers. Notably, consistent longitudinal evidence was gathered on the considerable disbelief in SNC's effective implementation due to some institutional contradictions: accounting culture-related issues, uses of financial statements, and accounting-profession-related problems. Such evidence led a great majority of interviewees to anticipate the occurrence of decoupling in 2009—an expectation confirmed seven years after SNC's adoption. Lack of institutionalization was also suggested by interviewees' impromptu acknowledgement of the possible occurrence of manipulation in a consistent manner over time.

The remainder of the paper is organized as follows. Section 2 outlines the study's literature review, including the theoretical background and previous IFRS-based research (Section 2.1) and a brief review of the Portuguese accounting background to provide the context for understanding the institutional research setting (Section 2.2). Our research methodology is then described in Section 3. Section 4 reports and discusses our results. The paper concludes with the main implications of our study, acknowledgement of limitations, and suggestions for future research.

2. Literature Review

2.1. Theoretical Background and Previous IFRS-Based Research

Accounting change processes have been increasingly examined under the lens of institutional theory (e.g., [1,39,40,45,50,51]). A major assumption of this stream of literature is that organizations react to institutional pressures by adopting practices that are socially acknowledged as being the most legitimate and suitable, irrespective of their fundamental efficiency [52,53]. In line with this central tenet, institutional practices (such as IFRS-based accounting systems) may be adopted to achieve external legitimacy, regardless of their actual usefulness. Important expected IFRS's legitimacy outcomes include improved legitimacy and social acceptability from other countries [5,6,31,54–56], enhanced professional status [57–60], and augmented reputation of national companies [8,17,31]. Consistently with this premise, earlier institutional researchers focused on the concept of isomorphism—homogeneity and conformity of organizational practices following relevant cultural and institutional expectations—thereby depicting organizations as hostages of their surrounding environment [43,61]. Later, [30] and others (e.g., [62]) have highlighted individual and material self-interests and the role played by active agency and resistance in organizational responses to institutional pressures. Accordingly, organizations are not regarded as simple passive receptacles of institutional rules. Rather, they are viewed as having interests and strategic capacities to react. They do not always blindly mimic or accept external pressures [30,63].

Institutional change is regarded to be impelled by social legitimacy issues and by a desire to achieve substantive economic benefits [62]. Thus, when conformity to institutional pressures is expected to result in economic and legitimacy benefits, passive resistance strategies will probably be invoked. In contrast, when adherence to institutional practices is perceived to result in few economic and legitimacy gains, organizations will be more likely to "compromise on the requirements for conformity . . . or manipulate the criteria or conditions of conformity" [30] (p. 161). In this regard, several authors (e.g., [1,3,5,6,64]) have reported that the adoption of IFRS by many nations and organizations has been driven by the expected economic and legitimacy benefits. Key logic sponsoring the adoption of IFRS entailed efficiency/economic discourses [23,54,65]. Outstandingly, the IFRS's claimed economic (ideological) benefits are prompted by their market orientation, thereby fulfilling capital market participants' need for information [50,66]. Therefore, IFRS adoption is driven by economic rationality, and the view that higher quality–usefulness standards are expected to produce more relevant, comparable, and transparent financial reporting [67–76]. In particular, the financial benefits of adopting IFRS that are commonly claimed in the literature include greater access and reduced cost of capital [77,78], strengthening of the integration of national and international financial markets [76,79,80], increased foreign investment [75,81–84], promotion of higher economic growth [80,82,85,86], and a reduction in the costs of processing financial information for international capital markets [87,88].

Along with moving well beyond assumptions of organizational passivity, later institutional theory approaches brought forward the concept of institutional logics [89–91]. Accordingly, resistance to change is explained by the importance of institutional logics—broader cultural beliefs and practices that shape individual and organizational behavior—and it provides insights into how organizational heterogeneity and *decoupling* emerge.

Several institutional studies on international accounting research [5,17,39,45,51,54,92,93] inform that a major impediment to the global convergence process of IFRS emerges from institutional contradictions between IFRS Anglo-Saxon rationales and precedent cultural values and beliefs that are rooted within code-law national settings. This institutional-based research is further reinforced by a well-established body of IFRS literature that acknowledges the influence of several country-specific features on the effective implementation of IFRS that are as follows: (i) the accounting profession [9,15,17,39,54,94]; (ii) the accounting culture [9,12,16,17,39,40,95,96]; (iii) the relationship between taxation and accounting [15,16,54,97,98]; (iv) enforcement systems [54]; and (iv) uses of financial statements [16,54]. Hence, considering variations in environmental factors, several researchers have viewed convergence as more apparent than real ([31]. (p. 753) stressed this very clearly: "[C]onvergence in diverse environmental contexts is likely to be affected by decoupling". The transposition of the decoupling concept to the context of the process of international accounting harmonization is based on the argument that "[E]ven if IFRS are adopted formally, in a region or country, accounting practices may differ since companies with different characteristics in distinct environments in the country or region may adopt different practices" [31] (p. 747). Accordingly, such a possibility of decoupling casts reservations about the material consequences (the claimed IFRS benefits) of the global adoption of IFRS. In line with this view, Agarwal et al. [99] study the hybridity of accounting and control systems. According to their research, the process of hybridity of IFRS adoption transitions from compliance to partial adoption or complete decoupling.

2.2. Portuguese Accounting System

Following the international trend to align domestic accounting practices with IFRS, Portuguese nonfinancial unlisted companies were required to adopt an IFRS-based accounting system as of 1 January 2010 [100]—known by the acronym SNC, System of Accounting Standardization (*Sistema de Normalização Contabilística*). As noted by Guerreiro et al. [39] (p. 488), "SNC represents IFRS as adapted for use in Portugal by unlisted companies". While SNC standards are closely aligned with EU-endorsed IFRS [101,102], Portugal is a code-law-rooted country. Therefore, transitioning from the previous Portuguese Official Accounting Plan (POC—*Plano Oficial de Contabilidade*) to SNC was a challenging breakthrough in Portugal's IFRS convergence process [24,40].

Before adopting SNC, financial reporting in Portugal differed remarkably from the Anglo-Saxon model underlying IFRS. There were two leading institutional players shaping accounting practices, i.e., (i) the State, and (ii) banking institutions, which acts as the key capital providers. First, there was a rule-based approach to reporting influenced by the State whereby the normative basis for accounting practices was detailed tax laws [40]. Portugal consistently scores very high in uncertainty avoidance, which is symptomatic of a need for rules [24,38], in contrast to the principle-based IFRS. Quite often, and similar to other code-law countries (e.g., Greece, Italy, France, and Turkey), financial reporting practices became part of businesses' tax-planning strategy for alleviating tax liability [8,23,103]. Second, Portuguese accounting practices entailed a high degree of conservatism and secrecy because the small national stock exchange means, i.e., capital markets, are unimportant sources of business financing [40]. For example, cost accounting and a prudent valuation of assets have traditionally been favored and encouraged by banks due to their concern about ensuring sufficient collateral to support long-term loans [23]. In addition, 99% of Portuguese businesses are small and medium sized [37,104], and they exhibit a highly concentrated capital structure, and owners are usually owner-managers, which means formal financial reporting is less important. Such historical features contrast remarkably with IFRS's underlying rationale of accounting based on transparency, fair value, professional expertise, and less control of financial reporting standard-setting and practice by the State [8,23,40,41,85,95,105–109].

While there are substantial differences between Portugal's prior domestic accounting system and the IFRS-based SNC, this is a country that scores low on individualism by overvaluing "belonging" and "harmony" [38] (p. 11), [24], thereby posing an ex-ante favorable context to the earlier discussed phenomenon of isomorphism and the central thrust that legitimacy benefits are likely to drive the advocacy of IFRS adoption.

To merge IFRS with the Portuguese institutional environment, the IFRS-based SNC incorporates three levels of standardization for for-profit entities according to size: (i) a more demanding level composed of 28 accounting and financial reporting standards; (ii) one optional and simplified accounting and financial reporting standard for small entities; and (iii) another optional, further simplified, accounting standard for micro entities. All these three levels abide by the same conceptual framework. Since SNC was already in full force when the 2013 EU Directive was released, it was amended accordingly in 2015 by Decree-Law 98/2015 of June 2 [110]. Significant changes thereof, effective since 2016, include the enlargement of the threshold definition of a small entity (allowing many more companies to report under a simplified standardization level) and the simplification of the reporting requirements for micro entities. For a more comprehensive overview of the Portuguese accounting system, refer Isidro and Pais [102].

3. Research Methodology

As previously mentioned in the Introduction, the main objective of this study is to explore the extent to which IFRS-wide support (regardless of institutional context) is warranted. To address this objective, two research questions are posed and are as follows: (i) to what extent do practitioners perceive the materialization of claimed benefits of IFRS? and (ii) what institutional forces may hinder the institutionalization process of IFRS?

To answer these research questions, this study was based on a qualitative method of data collection and analysis. Longitudinal evidence was gathered from a total of 34 in-depth semi-structured in-person interviews with Portuguese registered accountants that were conducted at two different points in time, conveniently chosen for our research purposes. Considering theoretical saturation [111], 17 interviews were conducted in 2009, when the formal decision to adopt SNC for all unlisted companies, from 1 January 2010, was already known. These interviews were repeated at a post-implementation mature stage in 2017. This study's limited number of participants coheres well with its qualitative nature [112] and previous IFRS research (e.g., [92,113]).

To maximize the likelihood of collecting highly relevant empirical evidence, accountants were carefully selected based on three criteria: (i) scope of experience, (ii) knowledgeability, and (iii) practical experience. As a result, eight interviewees worked at accounting offices, providing access to perceptions based on their experiences with a sample of mostly small private companies. The remaining nine interviewees were internal accountants employed by an unlisted small-to-medium-sized private company. Additionally, most accountants were between 34 and 44 years old, had more than 15 years of professional experience, and had completed post-graduate studies.

The interviews were based on a flexible script that contained mostly open-ended questions about (i) the benefits caused by SNC's adoption and (ii) its suitability for the Portuguese environment, in line with our theoretical framework. Open-ended questions and a flexible structure of interviews were highly influential in eliciting spontaneous discourses and rationales, from where "how" and "why" insights were extracted, thereby allowing construction of a rich picture of the research theme [114]. Despite its rich heuristic potential, the semi-structured interview method is subject to the risk of interviewer bias in the collection and analysis of the data [115]. Moreover, as noted by Oppenheim [116], researchers cannot be certain that an answer to an open question reflects all the issues that are considered relevant to the interviewee. Indeed, the respondent may omit certain factors due to a temporary lapse or even the inability to put their ideas into words. Thus, for the purposes of triangulation and completeness, free-response questions were complemented by close-ended questions. Besides limiting the interviewer bias, this mixed approach assisted in confirming the results [117–119] and offered a greater potential for comparisons between responses, namely, between 2009 and 2017, given the longitudinal nature of this research. Importantly, one of the advantages of this triangulation rests in overcoming the drawbacks inherent to using a single data type by exploring and counter-balancing the strengths of qualitative and quantitative data. It follows that the main advantages of this procedure are generally reflected in terms of assisting to enhance interpretation and construct validity [111,117].

Besides adopting this mixed approach, we also followed several recommended procedures to avoid numerous threats that might impact the validity of a qualitative-based study. First, to gain each participant's confidence, at the beginning of the interview, the nature and the objective of the research were explained, and this guaranteed the strictest anonymity of the collected information. To preserve this, all interviewees have been identified by a distinguishing number from 1 to 17 in each year of the interviews. Thus, for example, "P1_2009" stands for Preparer 1 when interviewed in 2009, whereas "P1_2017" stands for this same preparer when interviewed in 2017. Second, all interviews were recorded after prior permission obtained was obtained, and they were fully transcribed verbatim in Portuguese (the interview language) before being subject to a qualitative content analysis. Relevant excerpts were subsequently translated into English. Third, to rule out potential misunderstandings, interviewees gently scrutinized the accuracy of the transcripts [120–123]. Besides representing a valuable source of corroboration (as it assisted in providing more supporting evidence and increasing the security of our findings), such member checks also revealed useful to allow participants to complete and add new ideas that they did not remember during the interview. Last but not least, the researchers analyzed the data separately using pre-established categories (cf. [114]), and they discussed interpretations up to consensus (cf. [124]).

The transcripts were coded using a relatively general thematic coding scheme derived from the theoretical framework adopted: legitimacy and economic (operational and financial) benefits and institutional contradictions (herein labelled as IFRS's in-country adequacy). As the number of interviews was not very high, we did not use any qualitative data analysis software.

4. Results

4.1. Perceived Benefits

Interviewees were invited to share their views regarding the perceived benefits caused by the adoption of a common accounting language. The qualitative data analysis revealed that the perceived benefits are mainly associated with the relevance and adequacy of the IFRS model for the globalization context. Indeed, as Bassemir [2] states, IFRS provide good support for all companies that operate in international markets and need financial capital. Taken as a whole, on the one hand, some respondents, in line with Wang [70] or Cascino and Gassen [67], highlighted that the globalization context raises the need for international comparability. As such, Wang [70] (p. 959) posits "better comparability across information signals allows investors to better harness the additional signal in forming price expectations.". On the other hand, like in Guerreiro et al. [51], other respondents reported their support based on external pressures and mandatory requirements (either within the specific EU context or in a broader global context) and as a means of conferring legitimacy to the national environment. For this reason, Touron [4] (p. 853) emphasizes that "managers convince the public (in the broad sense beyond stakeholders) that their entities are worth supporting".

4.1.1. Legitimacy Benefits

Consistent with a significant body of research (e.g., [5,31,54]), in both years of analysis, most interviewees acknowledged the environmental legitimacy benefits of adopting IFRS-based accounting standards. Consistently over time, most respondents (n = 10/2009; n = 10/2017) stressed the benefits for the Portuguese economy as a whole due to the institutional legitimacy behind the adoption of the IASB standards, as implied in the following quotes:

> *It is important for Portugal, even for social acceptance purposes*. (P10_2009)
>
> *The SNC conveys enhanced credibility before international public opinion ... not because our POC was bad, but because it could be viewed with suspicion as it was ours, and since we do not have a very credible reputation as a country, that's an excellent way to get it*. (P6_2017)
>
> *it gives that signal that we are following the front line*. (P9_2017)
>
> *The benefits don't seem so objective to me. They are more qualitative and are mainly related to the country's and profession's reputation abroad*. (P15_2017)

The above quotations are in line with several studies (e.g., [4–6,8,24,56]), reporting that many nations adopt IFRS due to the expected symbolic/legitimacy benefits. In this regard, Irvine [5] (p. 131) contended that [1] "…IFRS adoption offers much more than technical benefits. A powerful legitimizing force, with symbolic power, IFRSs give adopting nation states the credibility to compete for FDI in world capital markets".

This view is also supported by Carneiro et al. [24] (p. 183), who suggested that "[I]mportant logics promoting the adoption of IFRS involved …modernization of a country and its economy through higher quality standards (legitimacy discourse)". In this regard, Guerreiro et al. [55] (p. 68) notably highlighted that "[A]ccounting can be conceived as an institution because it is a system of rule-bound and standardised social practices involving actors and power. Thus, accounting practices are rationalisations to maintain appearances of legitimacy". Accordingly, Suddaby et al. [125] (p. 351), resorting to the work of Djelic and Sahlin-Andersson [126], argue that the power of the IASB emerged from its capacity to establish IFRS as a dominant meaning system and as "a new mythology of 'marketization in which 'free' markets are believed to be both a natural and superior means of structuring society and allocating resources".

Besides these benefits regarding national legitimacy and social acceptance, some interviewees (n = 8/2009; n = 10/2017) also highlighted the importance of the accounting reform for enhancing the legitimacy and status of the accounting profession. Representative comments include the following:

> *…in terms of visibility, I think that it [the SNC] will give me, personally, a more important role, closer to the management*. (P1_2009)
>
> *…it forces you to think … and it will receive much media attention. Thus, I think we will have some new leading role here. And, therefore, when I say some leading role, it means that there will be a process of significant change that will have to be reported, and this gives a reputation to the area of accounting*. (P3_2009)
>
> *The strong point is…that people have to realize, once and for all, that accounting is not tax accounting. It is necessary to have managerial skills, and not as it used to be that anyone could be an accountant*. (P14_2009)
>
> *I think this issue of the adoption of the SNC for the class...it is an opportunity—as it is a challenge, but also an opportunity ... A change like this, which is radical, is an opportunity to rethink everything*. (P3_2009)
>
> *…with the SNC, I became more of an interpretation technician in the implementation of accounting policies... in this perspective ... it benefited me a lot*. (P1_2017)
>
> *…due to the underlying complexity and supposedly higher level of information provided, it raised the status of the accounting profession*. (P15_2017)

These quotations also appear to remark on the anticipated (2009) and post hoc acknowledged (2017) positive effects of IFRS on the development of the accounting profession—which follow the arguments advanced by several authors (e.g., [57–60]. Some respondents highlighted the opportunities generated by the accounting reform for the accounting profession. For example, it was claimed that the accounting reform may help to enhance the qualifications and the differentiation of accounting professionals and, therefore, may act as a way to regulate this market. Despite recognizing these benefits, the interview analysis also revealed enduring accounting profession-related problems (as further developed in Section 4.2). These results are in line with previous studies, such as Chand [59] (p. 211) who remarked that "[T]he adoption/adaptation of the IASs, which are widely used, can be used as support for the claim that the profession is concerned about the quality of its end product and hence that self-regulation is operating in the public's, rather than the profession's interest". Hassan [57] asserted that the desire to improve the recognition and reputation of the accounting profession contributed to the adoption of IFRS in Egypt. Similarly, Hussain et al. [58] found that adopting IFRS is an approach to boost the profession's reputation and improve accountants' competencies in Fiji. According to these authors, professionals are prepared to work elsewhere by providing Fiji's accountants with the knowledge of the international reporting framework.

4.1.2. Economic Benefits

Financial Benefits

It is generally claimed in the literature that the adoption of IFRS results in various financial benefits (e.g., [75,81–84,127–129]). Indeed, as IFRS supersede the national reporting standards that are unknown to foreign investors, it contributes to the availability of financial information at a lower cost and enforces transparency, helping investors assess financial statements [81,127]. Consistent with this stream of research, the analysis of the interview data revealed a general consensus prior to SNC's adoption regarding its positive effect on the attraction of foreign investment and international capital access. Respondents generally attributed these financial benefits to the improved international comparability and the consequent access to wider financing capital. The following are some illustrative quotations that corroborate these views:

> *Above all, greater standardization of international standards, promoting the internationalization of Portuguese enterprises, and greater cooperation in international businesses.* (P3_2009)

> *The main advantage is internationalization. Advantages in terms of credibility; providing more information to shareholders (maybe), to managers (no), to the tax authorities (I don't know). In terms of national comparability, I don't see that happening; international, perhaps, yes. More access to national credit? No; international, yes. It is all related to the international issue . . . Being present in the harmonization process, I think this is very important. And the question of comparability, attracting foreign investment, allows companies to operate abroad more easily.* (P7_2009)

> *. . .to be able to attract potential investors . . . because maybe, the fact that we have the POC and not a system like theirs, this could block their entry . . . I think it [the adoption of the SNC] will help . . . bring added value to our economy.* (P4_2009)

However, the comparative analysis of interview findings revealed a decrease in respondents perceiving these financial benefits after SNC's adoption (n = 13/2009; n = 8/2017). While these were effectively anticipated benefits that led to individuals' support at the time of SNC's adoption, many perceived they have never materialized. As remarked by one of the preparers:

> *The main idea and purpose of the SNC was to attract foreign investors and the comparability . . . However, how many companies have actually benefited from that?* (P10_2017)

In both moments of analysis, mostly in 2017, financial benefits were perceived to depend on factors other than the accounting system. For example, it was said that "*it's not because of the accounting standards that foreign capital flows into here, no, I don't think so, quite honestly!*" (P16_2017). As early as in 2009, there was also a view that IFRS adoption, rather than it acting as a prerequisite, would be a facilitator to channeling financial benefits:

> *If a foreigner comes to invest in a company, I think that having the POC or the SNC is irrelevant; it [SNC] can make things easier by being more identical...it can make it easier at first sight, but I don't think the adoption of the SNC is an essential condition for attracting foreign investment. At first glance, to understand what it is there it can facilitate. There is a reduction in administrative costs, time ... It may not be essential, but it makes it easier*. (P3_2009)

Furthermore, both prior to and after SNC's adoption, interviewees highlighted that financial benefits are expected to occur only for larger, internationally oriented companies with dispersed capital structures:

> *The advantages that I foresee for Portugal are embedded in more sophisticated companies in the sense of seeking international partners, financing themselves in other markets, and having an enhanced knowledge about what is happening in other markets through the harmonization of financial reporting, through the possibility of comparing financial statements at international level. And for companies that are interested in internationalizing their business. Whoever stays inside [in the national market] . . . will not reap great advantages*. (P5_2009)

> *It depends on the type of companies we are talking about. If we are talking about big companies, yes [it improves capital access]. At the level of the closed, family-owned company, it is innocuous*. (P11_2017)

However, it is worth noting that among the respondents who mentioned the effect of companies' size, some acknowledged the occurrence of financial benefits even for smaller-sized companies, as evidenced by the following statements:

> *Entrepreneurs against the accounting reform usually say: "Oh, we are so small, it is not worth it". This is wrong: they are small today, but they may become bigger, not because the SNC provides more useful information, but because it can facilitate growth, internationalization*. (P16_2009)

Additionally, the interview findings revealed a lack of consensus regarding the achievement of other financial benefits from IFRS adoption (such as greater access to national capital, financial assistance from the banking sector, and lower cost of capital), and this was unexpected since these factors have been generally claimed as broad benefits of accounting harmonization (e.g., [78,88]). For instance, while some claimed the lack of relevance of financial statements for capital access, others argued that the enhanced transparency of financial reporting may facilitate or increase barriers to capital access depending on companies' reality. These ideas were expressed by statements such as the following:

> *I don't think it's by this way because financial institutions will continue to have their own mechanisms of analysis and use other sources of information (communication with management, business knowledge. . . .)*. (P3_2009)

> *I don't think so. . .it's not because we're using the SNC that things will change in that respect [improve access to credit] . . .it is not the SNC that will change the mindset or the way banks work*. (P4_2009)

> *I think so [it can improve access to credit]. But I also think that it could be the opposite. A stricter and more transparent accounting system will separate the wheat from the chaff: perhaps those companies who are struggling, will face increased difficulties in accessing credit; for whoever is better off, it shall become easier*. (P8_2009)

> *The SNC will enhance the capacity of analysis . . . and this is positive because it favors credit assessment and, in other situations, it reflects better companies' reality*. (P5_2017)

> *I don't think it's because we have a new accounting system that we will have advantages in accessing capital ... only if it is through reducing the cost of capital as a result of lower spreads from greater transparency. . .but I don't think so; I think I'm pushing*. (P3_2017)

Operational Benefits

Respondents were also asked to indicate their views towards the impact of the adoption of the new accounting system on the quality–usefulness of accounting information (operational benefits). Most respondents (*n* = 13/2009; *n* = 11/2017) perceived a positive impact on the quality of accounting information. These interviewees' position on this issue supports the widespread claim that adopting IFRS enhances the quality of financial statements (e.g., [13,68,69,73–75]). Nonetheless, the temporal analysis of the interview findings reveals a slight decrease in the number of respondents who perceive a positive impact on the utility of accounting information after the effective adoption of the SNC, i.e., two of the respondents perceived a positive impact in 2009 but revealed uncertainties towards this operational benefit in 2017.

Several interviewees attributed the expected positive impact on the utility of accounting information to the increased disclosure requirements under the new accounting system. The following statements reflect this wide view:

> *. . .there is now the development of the Notes, many reporting requirements. I think this set of information now being required improves users' information needs*. (P3_2009)

> *...nowadays given the volume of information that the Notes provide, when they are, say, well done, there is much more information than at the time of POC; therefore, intend to enhance more rigorous analyses ... the way the accounts are drawn up today, I think it gives more, much more information*. (P5_2017)

> *Yes [SNC increased reporting quality/usefulness], the level of detail that has been required, in qualitative terms, much more information is provided*. (P9_2017)

Another factor perceived to engender positive views on this issue was the adoption of principle-based accounting standards, that is consistent with the argument that ". . .more principle-based standards can result in higher quality accounting amounts because managers have more discretion to select accounting amounts that better reflect a firm's economic position and performance" [72] (p. 9). The following are some illustrative statements of these views:

> *With the SNC, we [preparers] must consider the company itself and what is relevant or not for that particular company. We must be much closer to the company and aware of the management's objectives. So yes [it improves fulfilment of management information needs]*. (P13_2009)

> *I think certain situations have now become reflected ... and in that regard, SNC is conveying a more real picture of the company... there is no doubt that if there are adequate managements' judgments, and a correct application of the principles, we have superior information*. (P9_2017)

Despite the overall positive perceptions of the operational benefits (quality–usefulness of accounting information) following direct inquiry, the analysis of their spontaneous discourses when elaborating freely on the accounting reform revealed some skepticism on IFRS's effective and suitable implementation. For example, respondents' comments revealed that the fair value accounting and the underlying subjectivity inherent to adopting a principle-based accounting system represented major factors hindering the perceived impact on the utility. As described by one interviewee, "*. . .this* [subjectivity] *is the problem of the SNC: at the same time that it comes to standardize, on the other hand, as it requires the exercise of professional judgment and the accounting is done by different specialists, how can we compare different companies? I think* [comparability] *will get worse*" (P13_2009). The interview analysis unveiled that the conflicting views between the claimed operational benefits and the disbelief in SNC's effective implementation resulted from some institutional environment features (institutional contradictions), as evidenced in the section below.

4.2. IFRS's In-Country Adequacy

International accounting literature generally argues that one of the drawbacks of the global convergence process is related to the issue of relevance and suitability of the IFRS to all national environments (e.g., [17,45,54]). Thus, respondents were directly asked to provide their opinion regarding the suitability of the adoption of IFRS accounting-based model for the Portuguese environment (herein named as IFRS's in-country adequacy). Although, in 2009, preparers were greatly divided as to IFRS's in-country adequacy, in 2017, there was a significant improvement in their perceptions on this issue (n = 7/2009; n = 14/2017).

The qualitative evidence revealed that this positive shift in perceptions was mainly promoted by the country's approach to the adoption of the IFRS model, i.e., the 2016 adjustments to the Portuguese context:

> *It is appropriate . . . that is, initially the amount of information that had to be prepared was excessive for most of our companies; but then this became simplified with the micro entities' regime and therefore more appropriate. . .* (P6_2017)

Such modifications contributed to resolving essential concerns expressed by preparers before SNC's adoption, thereby explaining the improved perceptions in 2017. It was also perceptible that the 2016 adjustments reduced the perceived general novelty of the new accounting system. These views were expressed in statements such as the following:

> *I have been an accountant for a long time, and honestly, I do not think there are so many differences between SNC and POC ... it brought about changes, but I also do not think it is a 180-degree turn*. (P11_2017)

Taken together, the above evidence may arguably suggest limited acquiescence to institutional rules [46,62] since the precedent Portuguese accounting system was profoundly distinct from the adopted IFRS standards [130,131].

While revealing overall positive perceptions on IFRS in-country adequacy, both in 2009 and 2017, respondents spontaneously highlighted the persistence of country-specific barriers hindering IFRS in-country adequacy, such as accounting culture-related issues—consistent with prior research [9,12,15,16,39,132,133]. The analysis of the qualitative evidence revealed that such cultural issues were mainly associated with the power of the system emerging from the commitment (or preference) to the traditional accounting thought. A great majority of the interviewees acknowledged prudence and confidentiality as important intrinsic features of the Portuguese accounting culture, hindering IFRS in-country adequacy. Such a perspective corroborates previous evidence concerning this institutional setting [24,40] and other countries [95,107,109]. For example, Nurunnabi [107] and Silva et al. [24] reported that preparers copy parts of the Notes from other companies. In addition, it was suggested that the cultural viewpoint of financial reporting as a tax obligation hampers IFRS in-country adequacy. As a consequence, it also remarked a lack of relevance conferred on financial statements. Overall, such findings are consistent with evidence from other code-law countries (e.g., [8,15,16,23,103]). In a recent study, Hwang et al. [12], using data from countries in Europe and Asia and from Australia, found evidence that the early effects of IFRS adoption are maintained over time in listed companies from countries with common law systems and provide high levels of outside investor protection (e.g., UK and Australia); however, in firms from countries with statutory law systems and low levels of outside investor protection (e.g., Korea and China), the early effects of the IFRS implementation do not last over time. Hwang et al. [12] conclude that there are cross-country differences in the sustained effects in accounting quality after the IFRS adoption and are attributable to the countries' institutional context, namely, the cultural characteristics. The following are some statements illustrating cultural obstacles:

We are not culturally prepared for the adoption of IFRS. Users of financial information have specific needs . . .and if we are talking about financial markets, they are completely different from our own needs. Our needs are more pragmatic: it is historical cost needs and requirements of the regulations (the accounting rules for us are a security mechanism; they represent themselves as a control mechanism). Replacing accounting rules with principles, obviously... will present challenges for us. (P2_2009)

Maybe it's a matter of culture... all that is subjective, I do not agree so much. I like rules. The POC was more rigid; SNC is more flexible...is prone to creativity. (P2_2017)

Reasonably [adequate to the national context] because there are fundamental cultural barriers to internalising the Anglo-Saxon philosophy. ... the low relevance most entrepreneurs confer to financial statements and accounting itself, which is still mostly seen as a tax collection tool. (P15_2017)

The SNC is not inappropriate, it's just that Portugal has a serious problem—why? And it's a cultural issue: we are an extremely legalistic country, so we are based essentially on legislation, and in Portugal, there is still a lot of that issue of "first taxation and then accounting", right? I know that because I'm travelling around the country doing quality control. (P16_2017)

As a result of the aforementioned institutional barriers, and consistent with prior research (e.g., [17,39,40,45,51]) in both moments of analysis, a great majority of respondents (*n* = 11/2009; *n* = 11/2017) foresaw what Agarwal et al. [99] call partial decoupling. According to the authors, this process of hybridization "enables the organization to retain portions of accounting practices and disguise the extent to which other practices are implemented" [99] (p. 17). In our study, it seems likely to occur at three main levels: (i) conservatism approach, (ii) noncompliance with extended disclosure requirements (secrecy approach), and (iii) tax-oriented accounting practice. The 2009 expectation, that such IFRS decoupling would perdure after SNC's adoption, was later confirmed by the interview data gathered in 2017. Overall, in line with previous studies, interviewees ascribed the occurrence of decoupling to intrinsic features of the national accounting culture [16,39], uses of financial statements [15,54], and profession-related market problems [15,17,39,54].

Accounting Culture

It can improve a little [the level of disclosure], but not much, because this is already in our blood. I believe that it will improve the minimum that standards require. (P5_2009)

I can point out the reasons why companies don't use fair value. First: an ingrained culture that comes from the POC: cost, cost, cost! (P16_2017)

Uses of Financial Statements

From a global perspective, the less conservative approach in the valuation makes sense if we consider accounting as serving the capital market interests. ... since most of the accounting information is not directed to the capital market, there are no worries about being more or less cautious because there is no need to be attractive to the capital market. Yes, we will continue to be careful, this is, we will not use it [fair value] as the other economies. (P5_2009)

When accounting is primarily intended to serve the tax authorities and banking, rather than management or investors—for the majority of companies, the cost-benefit ratio of adopting fair value is assessed unfavorably. (P15_2017)

Accounting-Profession Related Problems

In accounting offices, and as a result of the low fees, there are so many clients that each accountant is in charge of that almost out of a survival instinct, they oversimplify so much that they debase the SNC, and what they do should not be very different from what it used to be under POC; they don't find the time to learn all the details and mold them to the reality of each company. (P15_2017)

The above evidence is consistent with Guerreiro et al. [39,40,55], who describe the implementation of the IFRS-based SNC model in Portugal as an example of a process that obeyed institutional logic and in which isomorphic pressures to implement the new accounting model based on common-law logic were not adequately sufficient to overcome the continental tradition inherent to the existent accounting system at the time, based on code-law logic. To overcome the resistance of professionals to the implementation of the new accounting system, the government needed to pass a decree-law in 2009 and assess a negotiation process with the professional bodies to involve them and enable their commitment in implementing the IFRS-based SNC model.

Lack of institutionalization was also perceptible by interviewees' impromptu acknowledgement of the possible occurrence of manipulation in a consistent manner over time (n = 10/2009; n = 12/2017). The following comments convey such an opinion:

> *... and then, this subjectivity can be used according to the companies' objectives. The company pays for all the activities ... accounting and auditing. As long as there is this relationship of dependence, this subjectivity will prevail or not work with complete independence*. (P12_2009)

> *One thing I don't like is creative accounting. I think the issue of fair value will give creative accounting a little room ... you will be able to shape things in a certain way. I don't agree with that ... one of the things that I learned at University was the enormous appreciation of the prudence aspect. . .from the French accounting perspective and methodology. When we start using fair value, we move into very subjective domains...either we find someone who tells us what fair value is, and then this becomes homogeneous, or else we move into a subjective field, enhancing the use of a wealth of tools for those who may not employ them well*. (P8_2009)

> *I would say that it [fair value] depends a lot on the exercise of judgment, on estimates, there is a risk... I believe it is not just a problem of our country; normally, southern countries always tend to be creative...* (P9_2017)

> *In Portugal, there has to be an obligation; there cannot be great subjectivity. When there is room for subjectivity, it is immediately used for what best serves our interest; it is soon adulterated. It's a very "ingrained" mentality*. (P12_2017)

> *I guess so [I agree with fair value], but I also think that adopting fair value is also a risk; it's a free hand, right? It's not that I don't agree; I agree, but I'm also a bit conservative and farsighted ... the principle of prudence is important because this is in such a way that if we give carte blanche, we can't trust the accounts, right*? (P13_2017)

> *Value judgments, subjective criteria, greatly favour the manipulation of accounts because they come from the management itself, and management can sometimes 'bias' their value judgments according to some subsequent objectives they pursue*. (P4_2017)

As the above quotations reveal, the manipulation risk results from the same factors claimed to hinder SNC's operational benefits (quality–usefulness of accounting information): the subjectivity underlying the adoption of principle-based standards and fair value accounting. This is consistent with prior research, such as Maroun and van Zijl [17], who reported that preparers' underlying self-interests shape the professional judgment required by IFRS. In consonance, Dudycz and Prazników [11], after a systematic literature review, concluded that the fair value measurement, which has become a dominant measurement paradigm under the IFRS, has been used by companies as a tool to manage their earnings. Similarly, Chu et al. [10] found evidence that the beneficial effects of the IFRS adoption are only observed for companies with moderate corporate governance prior to IFRS adoption. The authors claim that, while companies with strong corporate governance already had implemented transparent information systems before the IFRS adoption, companies with weak corporate governance structures are unable to properly implement IFRS. Indeed, as Masum and Parker [134] (p. 384) state, "[W]eak corporate governance at the firm level has resulted in inadequate financial reporting practices". The overall interview evidence gathered has consistently suggested that the current Portuguese institutional setting is not yet adequately prepared to cope effectively with this principle-based approach.

In a nutshell, the findings in this section clearly suggest the influence of a country's institutional setting on the effective implementation of an IFRS-based model. In particular, the role of the national accounting culture and other aspects that are to some extent its reflection (the objectives of financial reporting, the relationship between accounting and taxation, and accounting-profession-related problems) lend support to institutional theory approaches, emphasizing the concept of institutional logics [89–91] based on notions of embedded agency and resistance to change. Consistently, our evidence shows how the contrasting values between IFRS Anglo-Saxon rationales and Portugal's embedded cultural beliefs and practices are likely to encourage low compliance in the form of partial decoupling [99], manipulation, or poor adjustment to the accounting change. Thus, our evidence is compatible with institutional studies in international accounting research, indicating that institutional contradictions are a major obstacle to international accounting convergence [5,17,39,40,45,51,54,92,93].

5. Conclusions

While the international adoption of IFRS brings transparency and strengthens the accountability and efficiency of the worldwide capital markets [7], this study's findings lend support to some authors (e.g., [31,76]) who, directly or indirectly, claim that the effective benefits from the national implementation of an IFRS-based accounting system are highly dependent on the underlying institutional context. Therefore, these results corroborate with prior IFRS institutional-based literature [5,8,15,16,40,54,93], and they suggest that the adoption of IFRS does not necessarily results in harmonized accounting practices and comparable financial reporting.

Evidence was gathered that legitimacy benefits drove the advocacy of the IFRS-based SNC. Taken as a whole, most respondents reported their support based on the need for international comparability, external pressures, and mandatory requirements (either within the specific EU context or in a broader global context) and as a means of conferring legitimacy to the national and professional environment. These pressures may have arguably precipitated the phenomenon of isomorphism [43], as ex-ante expected of a low-individualist country like Portugal [24,38].

Wide recognition of legitimacy-related benefits contrasted with the impromptu acknowledgement embodied in respondents' discourses of enduring national obstacles for effective SNC implementation. While legitimacy benefits have been consistently and broadly recognized, economic (financial and operational) benefits were scantly perceived due to sound awareness of institutional contractions (accounting culture-related issues, uses of financial statements, and accounting-profession-related problems). Evidence was gathered that suggested the cultural traits of the influence of the Continental accounting model, adopted prior to SNC, remain seven years after the formal adoption of an Anglo-Saxon model, suggesting culture poses an obstacle to de facto implementation of IFRS-based systems. This is consistent with empirical findings of other studies (e.g., [9,40,95,96]). In the words of Guermazi and Halioui [96] (p. 11), "informal institutions, such as national culture, matter in financial reporting". Prevailing accounting practices entail a high degree of conservatism and secrecy in Portugal. Problems with fair value adoption exacerbate such cultural trends, the prevalence of tax-oriented accounting practices, and the uses of financial statements.

Importantly, besides the increased uncertainties expressed towards operational and financial benefits, the recognition of the above institutional contradictions also produced spontaneous references to the possible occurrence of decoupling [31] and manipulation [135], which together may hold back the achievement of full international accounting convergence. Overall, our findings reveal that IFRS-wide acceptance is supported mainly by legitimacy/symbolic benefits, while it is severely constrained by the perceived institutional contradictions and the scant materialization of the intended goal of IFRS adoption [30,31].

Summing up and balancing these pros and cons, our study suggests that IFRS-wide support does not appear fully warranted in the Portuguese context. In what follows, the successful adoption of an IFRS-based system regarding non-financial and unlisted companies in countries with code-law traditions, and thereby achievement of its claimed benefits, is not straightforward. One implication is that the formal adoption of IFRS or IFRS-based systems in many countries may not necessarily result in accounting quality improvements or other favorable economic consequences.

Given that a major academic debate persists on whether accounting harmonization is actually beneficial [9], the results of this paper help fill this gap in the literature. They also reinforce existing research (e.g., [71,136,137]) by suggesting that the actual IFRS benefits depend on the underlying institutional structure and reporting incentives. The contribution of this study also lies in reporting accountants' valuable insights that should assist policy-makers, regulators, and professional accounting organizations in ameliorating persistent national barriers for the effective implementation of IFRS-based accounting systems [138]. Particularly, our findings enhance the urgency of developing institutional adjustments, such as changing national culture, on behalf of the Anglo-Saxon-based institutional approach of IFRS [31,54,132]. For example, some initiatives to implement the accounting reform effectively may include laying down accounting professional measures (such as the regulation of the fees and number of clients of the professional accountant) and promoting greater awareness towards the relevance of financial statements and increased disclosures. Overall, our findings support Cieslewicz's [137] (p. 526) assertion that "changing financial reporting practices..., or addressing corrupt accounting practices can be expected to entail much more than formal adoption of standards, principles, or innovations. Institutional adjustments must be made, and national economic culture must be grappled with". However, one must be aware that, as theorized by Hofstede [139], even if institutional adjustments are successfully implemented, prior cultural traits may only slowly and gradually dissipate. Also importantly, the emerging findings should interest countries undergoing similar accounting change processes.

Furthermore, as accounting has been expanding rapidly towards an integrated reporting system, where corporate social responsibility issues are becoming increasingly important [12,14,18,140–143], and IFRS Sustainability Disclosure Standards will soon be a reality, we suggest that incorporating these critical insights into the *ex-ante/post*-implementation assessment of the IFRS-based accounting system holds the potential to assist the adoption of other emergent accounting change processes, namely, in the sustainability standard-setting field, and thus will be of interest to accounting regulators. (Issued in 2011, the International Integrated Reporting Framework has been supporting the integrated reporting worldwide. In August 2022, with the merger of the Value Reporting Foundation and the IFRS Foundation, the IASB and the International Sustainability Standards Board (ISSB) assumed responsibility for further developing the Integrated Reporting Framework and building IFRS Sustainability Disclosure Standards (https://www.ifrs.org/issued-standards/ir-framework/, accessed on 2 September 2023)).

The results should be interpreted cautiously owing to the limitations imposed by the methodology and available data. Given the nature of qualitative research, which attempts to explore rather than generalize, the findings of this research cannot provide an overall picture of the materialization of the claimed benefits of IFRS and the main constraints facing the movement towards the national adoption of the IFRS-based SNC. Particularly, due to the inherent limitations of in-depth qualitative studies, which restrict the generalizability of the results because of the non-probabilistic nature of the study, the subjectivity inherent in perceptions, coupled with the "local" character of the research, indicates that the results obtained cannot be considered representative of other countries, nor professional groups. Nevertheless, they are a valid reference point for an initial assessment of the Portuguese situation through the lens of preparers. A further potential limitation is related to using a theoretical framework to guide the interview because of the likelihood of introducing bias and premature cloture on the issue to be surveyed. However, it is noteworthy that there was a continuous concern during the interviews and their analysis that such an approach did not constrain openness towards the emergence of fresh ideas. It should be noted that another common criticism of the qualitative approach is that it is subject to researcher bias. Furthermore, as previously mentioned, to overcome this potential shortcoming, the use of analytical protocol assisted in enhancing the completeness and impartiality of the findings. Nonetheless, we acknowledge that our study represents only one possible interpretation, which emerged through a dialectical process between the theoretical framework and the empirical data. However, as noted earlier, we have no ambitions to claim the objective validity of the truth but rather a deeper understanding of the specific phenomenon, which in our case is the national adoption of the IFRS model.

As far as future research is concerned, at least three interesting avenues are posited. First, it would be interesting to interview and compare the perceptions held by other stakeholder groups, such as statutory auditors, tax officials, and managers. Second, this research could be replicated to compare the current findings to other code-law countries (namely, in the EU) that have also committed to adopting an IFRS-based model. Third, the objectives of this paper can be extended into the IFRS Sustainability Disclosure Standards area. Future research on this aspect offers the potential to assist national and international regulators to better evaluate the extent to which IFRS-wide support is warranted by the expectation of their claimed benefits, and to direct regulators to particular challenges and controversies facing the worldwide implementation of IFRS and sustainability standards.

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