OPTIONAL ACCOUNTING CRITERIA UNDER IFRSs AND CORPORATE CHARACTERISTICS: EVIDENCE FROM SPAIN

OPCIONALIDAD CONTABLE BAJO LAS NIIFS Y CARACTERÍSTICAS CORPORATIVAS: EVIDENCIA ESPAÑOLA

JUANA ALEDO MARTÍNEZ, Universidad Complutense de Madrid

FERNANDO GARCÍA MARTÍNEZ*, Universidad Complutense de Madrid

JUAN MIGUEL MARÍN DIAZARAQUE, Universidad Carlos III de Madrid

ABSTRACT

The adoption of the IFRSs by EU member States in 2005 represents one of the most relevant events that have taken place to achieve the convergence of international accounting standards. In this article, we examine the annual reports of the groups listed on the Spanish Continuous Market that adopted IFRSs in 2005 in order to determine the optional accounting criteria they apply under IFRSs and, secondly, identify corporate characteristics affecting these choices. Because there are important differences across countries as a consequence of different institutional frameworks, the mandatory IFRSs adoption is an opportunity to analyze its economic effects. The main finding of this study is that Spanish groups apply the most conservative criteria to limit the number of changes they introduce related to the previous local GAAP, particularly in regards to presentation and measurement options. Additionally, we find that corporate characteristics such as industry, return on equity, size and type of audit firm (Big Four vs. non-Big Four) influence the choice of accounting methods used to prepare their financial statements. The analysis of these results provides a basis for discussion between responsible international standard setters (such as IASB and FASB) and regulators to work towards the convergence's goals.

KEY WORDS: IFRSs, Accounting Standards Convergence, Disclosure Content.

JEL: M41

RESUMEN

La adopción de las NIIFs por los Estados Miembro de la UE en 2005 representa uno de los acontecimientos en materia armonizadora más importantes de los últimos años. En este artículo examinamos los estados financieros de las compañías cotizadas españolas que integran el Mercado Continuo, con la finalidad de determinar los criterios contables opcionales adoptados de conformidad con las NIIFs, e identificamos las características corporativas de estas compañías que influyen en dicha elección. Los resultados alcanzados revelan que los grupos españoles adoptan los criterios más conservadores con la finalidad de limitar el número de cambios a introducir en relación a los criterios contables locales aplicados con anterioridad, especialmente en lo que a opciones de presentación y valoración se refiere. Adicionalmente, encontramos que factores tales como el sector de actividad, la rentabilidad financiera, el tamaño y el tipo de compañía auditora (Big Four vs. otras) influyen en la elección de los criterios adoptados para elaborar los estados financieros. El análisis de estos resultados proporciona las bases para la discusión entre los principales emisores internacionales de normativa contable (entre ellos, IASB y FASB) y los reguladores que trabajan con el objetivo de alcanzar la convergencia.

PALABRAS CLAVE: NIIFs, Armonización Contable, Contenido Informativo de los Estados Financieros.

1 INTRODUCTION

LIn recent years, numerous changes have been introduced in international standards in the quest for accounting harmonisation. The agreement between the International Organization of Securities Commissions (IOSCO) and the International Accounting Standards Committee (IASC) in 1995, the incorporation of IFRSs into EU regulation in 2002 and the commitments established in the same year between the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are ongoing evidence of the interest of the Accounting Regulators in developing a single high-quality set of standards to ensure the consistency and comparability of financial information and to increase the efficiency of the international financial markets.

In the framework of the EU accounting and financial reporting harmonisation strategies[1], important developments have taken place. These efforts culminated with the incorporation into its legal system of the EU Regulations containing the international accounting standards issued by the IASB. From 1 January 2005, groups listed on the EU capital markets must apply these Regulations for the preparation of their consolidated financial statements, in accordance with the scope of application of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 relating to the application of international accounting standards. In the instance of individual financial statements and unlisted companies, the possibility of extending the use of the IFRSs was optional depending on each Member State. This option was widely debated by national regulators before outlining the strategies, undertaking the adaptation process and reforming the local accounting regulations for their harmonization based on IFRSs (Haller (2002), Street and Larson (2004), Larson and Street (2004), Haverals (2007)). The close link between fiscal regulations and accounting information has, amongst other factors, determined the selection of an established strategy (Lamb et al. (1998), Street and Larson (2004), Meek and Thomas (2004)).

Despite the significance of the transition period which begins this new stage of the international accounting reconciliation process, not only because of its potential impact on the adopters but also on the capital markets, there is still very little evidence regarding the effects caused in the EU zone. During this stage, the actions undertaken by the groups listed on the stock market, which adopted the IFRSs for the first time on 1 January 2005, deserve to be analyzed in order to contribute with their experience to the "harmonization debate", especially as regards future decisions concerning new legislative developments.

This article examines the annual reports of Spanish listed groups that adopt the IFRSs in

---

(1) Under IFRS 1, the first financial statements prepared in accordance with IFRSs are those which contain an explicit and unreserved statement that they comply with IFRSs.
In earlier studies (Ashbaugh and Pincus (2001)) the sample was based on a list of first-time adopters provided by the IASC. This list was temporarily withdrawn from the Committee's website until such time as it was confirmed that the companies included therein, which had claimed to have applied IFRSs, were doing so rigorously.

2005 in order to identify the factors or firms' characteristics that influence their choice of reporting policies. The main hypothesis to be tested in the paper is that managerial decisions regarding the choice of reporting policies are taken with the objective of improving reported financial performance. Those reporting choices improve financial ratios, which in turn influence decisions taken by agents.

More particularly, the main research questions we investigate are as follows:

Do companies have incentives to change their accounting policies from local GAAP to IFRSs in order to increase the reporting quality?

What are the characteristics of firms that better explain the observed choices of reporting alternatives and determine the impact on their financial statements? Could these factors explain the probability to adopt a certain category of accounting criteria?

Excluding banking and financial services and insurance sectors from the study, the sample includes 88 groups listed on the Spanish Continuous Market in the mandatory adoption year. For each company, we define the following characteristics as determinant factors in selecting the accounting policies adopted: industry, size, leverage, profitability, company´s trading status (cross-listed companies), and type of audit firm ("big four" vs non big four). Logistic regression models and Akaike's Information Criterion (AIC) are used to test the hypotheses derived from previous research question.

Our overall findings suggest that: 1) The most conservative criteria have been applied, thus reducing the number of changes to be introduced in relation to the previously applicable accounting policies; and 2) return on equity, size, type of audit firm and industry are determinant factors in explaining the probability of adopting a particular category of criteria. Therefore, our results are aligned with the idea of lack of incentives in Spanish firms to prepare good quality of financial statements that may be explained by the institutional characteristics of the Spanish market.

The paper is structured as follows: Section 2 offers a review of the main contributions made in the field of international accounting harmonization. Section 3 describes the sample selection and data sources, and in Section 4 we define the variables and the empirical methods used in this article. In section 5, we report the statistical results, and section 6 highlights the main conclusions.

2 | RELATED LITERATURE

The International Organization of Securities Commission (IOSCO) recommendation made to its members in May 2000, relating to the use of the IFRSs, triggered two of the most relevant events in recent years regarding harmonization:

■   In 2001, the EU's announcement to adopt the aforementioned standards finally materialized following the publication of (EC) Regulation No. 1606/2002.

■   In 2002, the agreement signed between the FASB and the IASB (Norwalk Agreement), by which the necessary process was established for removing the differences between their regulations (U.S. GAAP-IFRSs), thus reaching full international convergence.

These steps represent an opportunity to reduce the barriers associated with the diversity in accounting practices and affecting foreign investors (Biddle and Saudagaran (1991), Choi and Levich (1991), Saudagaran and Biddle (1992, 1995), Pagano et al. (2002)).

The effects associated with the IFRSs adoption and its implications for international convergence have been widely debated in the academic field (Flower (1997), Zeff (1998), Schipper (2003, 2005), Nobes (2005), Whittington (2005), Brown and Tarca (2005)). Theories developed maintain that the quality of the informative content of financial statements and their timeliness condition the asymmetry levels between them (Frankel and Li (2004)). Institutional and corporate factors including: a) tax regulations, b) the ownership structure, c) the political system or d) the level of development in the local capital markets, affect these quality levels and cause differences between countries (La Porta et al. (1998), Guenther and Young (2000), Ali and Hwang (2000), Fang and Wong (2002), Haw et al. (2004), Ball and Shivakumar (2005), Burgstahler et al. (2006), Leuz and Oberholzer-Gee(2006)). In this study, we analyze the interaction of these factors and their economic effects to address their influence on financial reporting.

In the last ten years, studies focus their attention on a set of firm-specific factors for their association with the voluntary adoption of IFRSs in Germany, Austria, Belgium, Denmark, France, Italy or Switzerland. The studies carried out by Dumontier and Raffournier (1998), Murphy (1999), El-Gazzar et al. (1999), Street and Bryant (2000), García and Zorio (2002), Glaum and Street (2003) and Cuijpers and Buijink (2005) coincide in most of the variables examined; however they reach different conclusions. With the exception of García and Zorio (2002), they all find a positive association between the companies' trading status and the degree of internationalisation and IFRSs voluntary adoption (Dumontier and Raffournier (1998), Murphy (1999), El Gazzar et al. (1999), García and Zorio (2002), Cuijpers and Buijink (2005)). However, previous research does not find this association for: 1) Profitability measured as Return on Equity (Dumontier and Raffournier (1998), Street and Bryant (2000), García and Zorio (2002), Glaum and Street (2003)), and 2) leverage (Dumontier and Raffournier (1998), Murphy (1999), García and Zorio (2002)). The results relating to size, ownership structure and type of audit firm vary among studies and are, as a whole, not conclusive.

One of the main criticisms to international accounting studies in this stage of harmonization is that adopting entities declared in full compliance with the IFRSs were not full adopters (International Federation of Accountants (IFAC), Street and Bryant (2000)).

One stream of research examines the difficulties/opportunities found by the groups on the IFRSs transition year (Haller and Eierle (2004), Sucher and Jindrichowska (2004), Vellam (2004), Delvaille et al (2005), Hoogendoorn (2006)), as well as the implications and the impact associated with the first application (Jermakowicz (2004), Ormrod and Taylor (2004), Van Tendeloo and Vanstraelen (2005), Aisbitt (2006), Jermakowicz and Gornik-Tomaszewski (2006), Daske (2006), Hope et al. (2006), Aledo et al. (2006), Callao et al. (2007), González et al. (2009)). The evidence gathered coincides in the following aspects: 1) The transition and adoption process is complex and costly. Companies find the main obstacles in the complexity of certain standards and the insufficiency of application guidelines (Jermakowicz and Gornik-Tomaszewski (2006), Cazavan-Jeny and Jeanjean (2007)); 2) the impact on equity and net income is significant (Jermakowicz (2004), Ormrod and Taylor (2004), Aledo et al. (2006)), and is largely explained by the adjustments resulting from the first application; 3) the most difficult areas are Income Taxes (IAS 12), Employee Benefits (IAS 19), Impairment of Assets (IAS 36), Financial Instruments (IAS 32, IAS 39), Share-based Payment (IFRS 2) and Business Combinations (IFRS 3).

Our study offers two contributions to the existing literature associated to the impact caused by the IFRSs adoption in Spain ((Aledo et al. (2006) and Callao et al. (2007)). First of all, by reviewing the options considered by the groups when drawing up their first financial statements in accordance with the IFRSs. Contrary to previous studies, this article takes into consideration all the companies which trade on the Spanish Continuous Market. Secondly, by reviewing the influence exercised by their corporate characteristics in the accounting criteria considered. A comparison of the results obtained with those of third countries could be considered an objective of future research.

3 | SAMPLE DESCRIPTION AND DATA SOURCES

The analysis is carried out on the publicly listed Spanish groups belonging to the Spanish Stock Market (Spanish Continuous Market and New Market) as of 1 January 2005. For each financial year starting on or after that date, these groups shall prepare their consolidated financial statements in conformity with IFRSs, adopted according to the procedure established in (EC) Regulation No. 1606/2002, and the legal modifications introduced in Spanish Law 62/2003, 30th.

The initial sample includes the whole list of 129 groups belonging to the Spanish Continuous Market at 1 January 2005. Following the Spanish Stock Exchanges classification, we can divide the total into the following sectors: 1) Banks, 2) Consumer goods, 3) Basic materials, Industry and Construction, 4) New Market, 5) Oil and Gas, 6) Insurance, 7) Consumer Services, 8) Real Estate, and 9) Technology and Communications. From all the above, banking and insurance sectors are excluded, given the industry's special characteristics and the specific nature in regulating it. Thus, a total of 88 groups have been included in the set (see Tables 1 and 2).

TABLE 1.- SPANISH LISTED GROUPS ADOPTING IFRSS FROM 1 JANUARY

	2005
Spanish Continuous Market and New Market Groups	129
Voluntary adopters prior to 2005*	(5)
Non-consolidated financial statements groups**	(5)
Unavailable data***	(11)
Banks and other financial institutions and insurance companies	(20)
TOTAL GROUPS:	88

*Volkswagen Aktiengesellschaft; Arcelor, S.A.; Bayer Group; European Aeronautic Defence and Space Company N.V.; and Amadeus, Global Travel Distribution, S.A.

**Compañía Vinícola del Norte de España, S.A.; Federico Paternina, S.A.; Española del Zinc, S.A.; Europistas, Concesionaria Española; and Puleva Biotech, S.A.

***1) Delisted groups in 2005; 2) Mergers by absorption in 2005, 3) Non-local GAAP/IFRS financial statements, and 4) Unavailable data.

TABLE 2.- TOTAL LISTED GROUPS. 2005

Barón de Ley, S.A.	Repsol YPF, S.A.
Bodegas Riojanas, S.A.	Sociedad General de Aguas de Barcelona, S.A.
Campofrío Alimentación, S.A.	Azkoyen, S.A.
Ebro Puleva, S.A.	Construcciones y Auxiliar de Ferrocarriles, S.A.
Natra, S.A.	Duro Felguera, S.A.
Pescanova, S.A.	Elecnor, S.A.
SOS Cuetara, S.A.	Gamesa Corporación Tecnológica, S.A.
Viscofán, S.A.	Mecalux, S.A.
Faes Farma,S.A.	Nicolás Correa, S.A.
Adolfo Domínguez, S.A.	Acerinox, S.A.
Dogi International Fabrics, S.A.	Cie Automotive, S.A.
Sniace, S.A.	Lingotes Especiales, S.A.
Tavex Algodonera, S.A.	Tubacex, S.A.
Altadis, S.A.	Tubos Reunidos, S.A.
Indo Internacional,S.A.	Cementos Portland Valderribas, S.A.
Vidrala, S.A.	Tableros de Fibras, S.A.
Grupo empresarial Ence, S.A.	Uralita, S.A.
Papeles y Cartones de Europa, S.A.	ACS, Actividades de Construcción y Servicios, S.A.
Iberpapel Gestión, S.A.	Acciona, S.A.
Miquel y Costas & Miquel, S.A.	Fomento de Construcciones y Contratas, S.A.
Unipapel, S.A.	Grupo Ferrovial, S.A.
Enagás, S.A.	Obrascon Huarte Lain, S.A.
Endesa, S.A.	Sacyr Vallehermoso, S.A.
Gas Natural SDG, S.A.	Ercros, S.A.
Iberdrola, S.A.	La Seda de Barcelona, S.A.
Red Eléctrica de España, S.A.	Inmobiliaria Colonial, S.A.
Unión Fenosa, S.A.	Fadesa Inmobiliaria, S.A.
Compañía Española de Petróleos, S.A.	Grupo Inmocaral, S.A.

TABLE 2.- TOTAL LISTED GROUPS. 2005

66   J. Aledo, F. García, J.M. Marín

TABLE 2. Continued

Inbesos, S.A.	Prosegur Compañía de Seguridad, S.A.
Metrovacesa, S.A.	Service Point Solutions, S.A.
Sotogrande, S.A.	Antena 3 Televisión, S.A.
Testa Inmuebles en Renta, S.A.	Promotora de Informaciones, S.A.
Urbanizaciones y Transportes, S.A.	Sogecable, S.A.
Inmobiliaria Urbis, S.A.	Gestevisión Telecinco, S.A.
Telefónica, S.A.	Abengoa, S.A.
Telefónica Móviles, S.A.	Amper, S.A.
NH Hoteles, S.A.	Avanzit, S.A.
Sol Melia, S.A.	Befesa Medio Ambiente, S.A.
Tele Pizza, S.A.	Indra Sistemas, S.A.
Abertis Infraestructuras, S.A.	Jazztel, PLC
Cintra Concesiones e Infraestructuras de Transporte, S.A.	Natraceutical, S.A.
Iberia, Líneas Aéreas de de España, S.A.	Telefónica Publicidad e Información, S.A.
Compañía de Distribución Integral Logista, S.A.	Tecnocom, Telecomunicaciones y Energía, S.A.
Funespaña, S.A.	Zeltia, S.A.

Data for accounting criteria options are collected from 2005 annual reports. 2005 financial statements submitted to the Spanish Securities and Exchange Commission include the first public information reported under IFRSs and, for comparative purposes, are accompanied by 2004 IFRSs financial statements. Financial year 2004 is a unique piece to study the effects of the transition to IFRSs and is used a "bridge" from Spanish GAAP to IRFSs.

4 RESEARCH DESIGN

Adjustments introduced as a consequence of the IFRSs adoption would have determined the impact on groups' reported equity and net income and these, in turn, would have conditioned the variation in the main financial ratios used in decision making. These adjustments can be classified in two different groups:

1. Those resulting from the recognition (or derecognition) and valuation of some assets and liabilities that are required to be reported for the first-time under IFRSs (for example, financial instruments (IAS 39) or some specific categories of intangible assets (IAS 38));

2. Those relating to the choice of multiple alternatives under IFRSs that differ from those previously allowed under the previous local GAAP (for example, the adoption of the optional revaluation model to measure certain categories of assets subsequent to initial recognition (IAS 16, IAS 38 and IAS 40)).

The information revealed by the companies, regarding the options applied when drawing up their financial statements, will enable the options considered by the groups to be analyzed, with the objective of assessing whether incentives arise to use some options rather than others and, whether these incentives are related with their business profile. Accounting literature outlines the association between the informative content of the financial statements and the companies' corporate characteristics. In this study, we examine the influence exercised by these characteristics in selecting the accounting policies adopted by the groups, to draw up their financial statements according to the IFRSs.

Among the potential determinant factors, we consider: a) size, b) leverage, c) profitability, d) industry, e) company's trading status, and f) type of audit firm. The arguments used are set out below.

Previous literature identifies company size as positively associated with the accounting methods and the level of disclosure. Ball and Foster (1982) highlight the following factors: a) *competitive advantage*, large companies may have more resources to prepare financial disclosure and support their implicit costs; and b) *management advisors*, large companies are more likely to contract well-qualified accounting advisors. Watts and Zimmerman (1978, 1990) suggest that large companies may have more incentives than small firms to analyze and select those accounting criteria that minimize the impact on accounting numbers. Consistent with Cooke (1989) and Street and Gray (2002), the variable SIZE is measured as total assets in thousands of Euros. The coefficient on size is expected to be associated with the accounting criteria election.

Financial leverage is commonly used along with company size. Although related literature suggests arguments similar to those previously described in order to consider their inclusion, the agency costs theory is also usually linked. Thus, a high level of debt, and therefore a high leverage ratio, would condition the selection of applicable accounting policies and the information to be revealed relating to these. Prior literature suggests that accounting-based debt covenants (i.e. interest expenses/ebitda, net financial debt/ebitda) are important factors in accounting criteria election (Watts and Zimmerman (1990), Ormrod and Taylor (2004)). Chen and Wei (1993) find that managers have incentives to select accounting criteria to avoid covenants violation. Therefore, leverage increases the default risk and managers may change accounting criteria under IFRSs to reduce company risk. We define LEVERAGE as:
1 – Equity/Total Assets.

Multiple studies have addressed the association between sector and extent of compliance with GAAP-required disclosures, and measurement and presentation requirements (Wallace et al. (1994), Giner (1997), Street and Bryant (2000), Glaum and Street (2003)). Wallace et al. (1994) establish that firms from the same sector may adopt similar

disclosure practices additionally to those for companies in all industries. If sector drives corporate reporting strategy within-sectors, we can expect companies following a different corporate reporting strategy as others of the same sector may be penalized by the market. Following the Spanish Stock Exchange classification, SECTOR variable is a label attached to the firms and it is code as: a) Consumer goods, b) Basic materials, Manufacturing and Construction, c) New Market, d) Oil and Gas, e) Consumer Services, f) Real Estate, and g) Technology and Communications.

Profitability ratios and operating margins are some of the main variables followed by analysts. They are based on companies' results and income numbers capture in a high percentage the information which becomes available during the fiscal year (Ball and Brown (1968: 176). Related literature finds a strong association between accounting performance measures and market return (Beaver (1968), Easton and Harris (1991), Easton et al. (1992), Dechow (1994), Francis et al. (2002)). If adopted accounting policies choices determine the magnitude of the accounting variables, and these in turn determine profitability ratios, we can expect to find a significant association between them. We define Return on Equity (RoE) ratio as Net Income$_t$/Equity$_{t-1}$and use it as a surrogate of performance measure.

Previous studies find a definite association between the companies' trading status and the informativeness of the financial statements, and the voluntary adoption of the IFRSs (Dumontier and Ruffornier (1998), Murphy (1999), El-Gazzar et al. (1999), Street and Bryant (2000), Glaum and Street (2003), Cuijpers and Buijink (2005)). If dual-listed companies have decided to adopt voluntary the IFRSs years before, it seems logical to expect a similar behaviour when examining the influence of this variable (i.e. company's trading status) on the optional accounting criteria they have to meet different international regulations simultaneously (for example, U.S. GAAP versus IFRSs). Therefore, we explore this association classifying the variable TRAD_STATUS as a dichotomous variable which adopts the value 1 if the company is simultaneously listed in different international stocks markets or 0 if it is listed in the Spanish Stock Market.

Previous literature on information disclosure and voluntary adoption of IFRSs provides evidence about the association between financial information quality and type of auditor (Dumontier and Raffournier (1998), Giner (1997), Street and Bryant (2000), Glaum and Street (2003)). We expect that the type of auditor influences the accounting methods choice. Two different arguments could be considered: 1) Groups audited by the "Big Four" (PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG) try to reduce their agency costs by contracting with these audit firms; and 2) audit firms may have incentives to maintain their reputation in the market through the high level of audit quality. The dichotomous variable AUDIT categorizes companies in Big Four/Non-Big Four (Others) audited companies.

According to above paragraphs, a significant influence may be expected for each of the variables considered in the choice of the accounting criteria, adopted in order to formulate the financial statements in accordance with the IFRSs.

We test:

H_{01}: the choice of criteria $_j$, used to formulate the first financial statements according to the IFRSs, is significantly influenced by the corporate variable i.

To examine this influence, we use multinomial or logistic regression models in terms of:

$$Criteria_{IAS/IFRSj} = \beta_0 + \beta_1 SIZE + \beta_2 LEVERAGE + \beta_3 SECTOR \qquad (1)$$
$$+ \beta_4 RoE + \beta_5 TRAD\_STATUS + \beta_6 AUDIT + \varepsilon_j$$

where:

$Criteria_{IAS/IFRSj}$: criteria selected by the company, amongst those predicted for each IFRS effective as in 31 December 2005, in order to draw up financial statements. Table 3 offers a description of these criteria and classifies the information published by the companies in relation to these. As such, each of the standards which provide multiple options represents a dependent variable to be studied.

TABLE 3.- OPTIONAL ACCOUNTING METHODS UNDER IFRSs

IAS	Criteria
IAS 1_a: Presentation of statement of changes in equity	1. All changes in equity; 2. Changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders.
IAS 1_b: Presentation of balance sheet	1. Current and non-current assets and liabilities; 2. In order of relative liquidity.
IAS1_c: Analysis of expenses	1. Nature; 2. Function.
IAS 2: Methods of inventory costing	1. Weighted Average Cost; 2. FIFO; 3. Specific identification; 4. N_d/N_a; 5. Multiple criteria simultaneously.
IAS 7: Reporting cash flows from operating activities	1. Direct Method; 2. Indirect Method.
IAS 14: Primary segment reporting format (IFRS 8 supersedes IAS 14 after 31 December 2005)	1. Business segments; 2. Geographical segments; 3. Primary format not determined 4. N_d/N_a.

NOTE: N_d/N_a : No disclosure/Information not available

TABLE 3. Continued

IAS	Criteria
IAS 16: Property, plant and equipment (PP&E) Measurement after recognition	1. Cost Model; 2. Revaluation Model; 3. N_d/N_a; 4. Multiple criteria simultaneously.
IAS 17: Operating leases: Recognition of the lease payments	1. Straight-line basis 2. Another systematic basis 3. N_d/N_a; 4. Multiple criteria simultaneously.
IAS 19: Recognition of actuarial gains and losses	1. Income o expense in the period in which they occur; 2. Corridor approach method; 3. Outside profit or loss; 4. N_d/N_a.
IAS 20$_a$: Presentation of grants related to income	1. As an income; 2. Deducted from the related expense; 3. Not received; 4. N_d/N_a.
IAS 20$_b$: Presentation of grants related to assets	1. As deferred income; 2. By deducting the carrying amount of the asset; 3. Not received; 4. N_d/N_a.
IAS 23: Borrowing costs	1. Benchmark treatment: Expense in the period 2. Alternative treatment: Capitalized 3. N_d/N_a. 4. Multiple criteria simultaneously.
IAS 31: Accounting for investments in joint ventures	1. Proportional consolidation method; 2. Equity method 3. Not applicable 4. N_d/N_a; 5. Multiple criteria simultaneously.
IAS 38: Intangible assets: Measurement after recognition	1. Cost model; 2. Revaluation model; 3. N_d/N_a.
IAS 39$_a$: Recognition of purchases or sales of financial assets	1. Transaction date; 2. Liquidation date; 3. Not applicable; 4. N_d/N_a.
IAS 39$_b$: Recognition of financial guarantee contracts	1. Insurance contracts; 2. Financial instruments; 3. No guarantees committed to third parties; 4. N_d/N_a.
IAS 40: Investment property: Measurement after recognition	1. Cost Model; 2. Revaluation Model; 3. N_d/N_a.

TABLE 3. Continued

IFRS	Exceptions from other IFRSs
IFRS 1$_a$: Does the company apply IFRS 3 retrospectively to past business combinations?	1. Never; 2 .Always; 3. Only after a particular date; 4. N$_d$/N$_a$.
IFRS 1$_b$: Does the company apply IAS 21 retrospectively to fair value adjustments and goodwill arising in business combinations that occurred before the date of transition to IFRSs?	1. Yes; 2. No; 3. N$_d$/N$_a$.
IFRS 1$_c$: Does the entity elect to measure an item of PP&E at its fair value at the date of transition and use that fair value as its deemed cost at that date?	1. Yes; 2. No; 3. N$_d$/N$_a$.
IFRS 1$_d$: Does the entity elect to measure an item of investment property at its fair value at the date of transition and use that fair value as its deemed cost at that date?	1. Yes; 2. No; 3. N$_d$/N$_a$.
IFRS 1$_e$: Does the entity elect to measure an item of intangible assets at its fair value at the date of transition and use that fair value as its deemed cost at that date?	1. Yes; 2. No; 3. N$_d$/N$_a$.
IFRS 1$_f$: Does the entity elect to recognise all cumulative actuarial gains and losses at the date of transition to IFRSs, even if it uses "corridor approach"?	1. Yes; 2. No; 3. Not applicable; 4. N$_d$/N$_a$.
IFRS 1$_g$: Are the cumulative translation differences for all foreign operations deemed to be zero at the date of transition to IFRSs?	1. Yes; 2. No; 3. Not applicable; 4. N$_d$/N$_a$.
IFRS 1$_h$: IAS 32 requires a company to split a compound financial instrument into separate liability/equity components ...Does the entity separate liability and equity components if the liability component is no longer outstanding at the date of transition to IFRSs?	1. Yes; 2. No; 3. Operations not undertaken with compound financial instruments; 4. N$_d$/N$_a$.
IFRS 1$_i$: If a subsidiary becomes a first-time adopter later than its parent: Does the subsidiary measure, in its financial statements, its assets an liabilities at the carrying amounts that would be included in the parent´s consolidated financial statements?	1. Yes; 2. No; 3. Not applicable; 4. N$_d$/N$_a$.
IFRS 1$_j$: Are previously recognized financial instruments designated as a financial asset or financial liability at fair value through profit or loss at the date of transition to IFRSs?	1. Yes; 2. No; 3. Not applicable; 4. N$_d$/N$_a$.

TABLE 3. Continued

IFRS	Exceptions from other IFRSs
IFRS 1$_k$: Does the entity apply IFRS 2 to equity instruments that were granted on or before 7 November 2002?	1. Yes; 2. No; 3. Not applicable; 4. N_d/N_a.
IFRS 1$_k$: Does the entity apply IFRS 2 to liabilities arising from share-based payments transactions that were settled before the date of transition to IFRSs?	1. Yes; 2. No; 3. Not applicable; 4. N_d/N_a.
IFRS 1$_m$: Does the entity apply the transitional provisions of IFRS 4?	1. Yes; 2. No; 3. Not applicable; 4. N_d/N_a.
	Exceptions in retroactive application
IFRS 1$_n$: Does the entity apply the derecognition requirements in IAS 39 retrospectively from a date of the entity´s choosing, provided that the information needed to apply IAS 39 was obtained at the time of initially accounting for those transactions?	1. Yes; 2. No; 3. Not applicable; 4. Nd/Na.
	Exemption from the requirement to restate comparative information for IAS 32, IAS 39 and IFRS 4
IFRS 1$_o$: Does the comparative information comply with IAS 32, IAS 39 or IFRS 4?	1. Yes; 2. No; 3. Not applicable; 4.Nd/Na.

SIZE: total value of assets (expressed in thousands of €). Dummy variable codified as:
  1: if company's total value of assets is higher than the median;
  0: otherwise.

LEVERAGE: 1 − (Equity / Total Assets)

SECTOR: we codify companies in the following sectors: Consumer goods (2), Basic materials, Manufacturing and Construction (3), New Market (4), Oil and Gas (5), Customer Services (7), Real Estate (8), and Technology and Communications (9).

RoE: Return on equity = Net Income$_t$ / Equity$_{t-1}$.

TRAD_STATUS: company's trading status. Dummy variable codified as:
  1: if the company is simultaneously listed in different international markets,
  0: if it is listed in the Spanish stock exchange.

AUDIT: type of auditor. Dummy variable codified as:
    1: if the audit firm belongs to the "Big 4" group,
    0: otherwise.

ε_j: independent random normal distributed errors with zero mean.

We run stepwise regressions to determine the corporate characteristics that influence the probability to select criteria j. The election of the best model for criteria j is based on the Akaike's Information Criterion (AIC). In terms of regression models, the traditional criteria based on maximum likelihood improves the adjustment to the dependent variable, regardless of the number of explicative variables included in the model. The AIC includes a penalty that is an increasing function of the number of estimated parameters. This penalty avoids overfitting and, as a consequence, the preferred model is finally the one with the lowest AIC value. The AIC is given by the expression:

$$AIC = 2k + n\left(\ln\left(2\pi \sum_{i=1}^{n} e_i^2 \Big/ n \right) + 1 \right) \tag{2}$$

where:
    e_i: error in observation i;
    k: number of estimated parameters;
    n: number of observations.

The model in equation [1] is estimated using robust statistics that control for outliers effects. Robust methods attempt to minimize the effects of outliers as well as erroneous assumptions on the shape of the distribution (Huber (1981)).

5 | EMPIRICAL EVIDENCE: ANALYSIS OF RESULTS

5.1. Descriptive Analysis

Table 4 outlines the estimated frequencies for each IFRSs codified depending on multiple accounting methods that we describe in Table 3. For the entire sample, the analysis of these frequencies reveals that companies apply more conservative criteria to limit the number of changes they introduce related to the Spanish GAAP, such as:

■   IAS 16/IAS 38: subsequent to initial recognition of property, plant and equipment and intangibles assets, companies apply the cost model (95% and 98%, respectively) versus the revaluation model.
    Similar results are found in Demaria and Dufour (2007) for French listed groups. The legal origin of these two countries and, more specifically, the relationship between fiscal regulation and accounting standards could be associated with these findings.

- IAS 1/IAS 7/IAS 14: companies achieve uniform application of accounting policies they consider to prepare the structure and content of financial statements:

  - IAS 1_a, statement of changes in equity: companies present all changes in equity (89%) versus changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;

  - IAS 1_b, balance sheet: 100% of the groups present a classified balance sheet differentiating current and non-current assets and liabilities (vs. based on liquidity);

  - IAS 1_c, analysis of expenses: 100% of the companies categorize expenses included on the income statement by nature (vs. by function);

  - IAS 7, cash flows from operating activities: companies use the indirect method (89%) versus the direct method;

  - IAS 14, segment reporting format: 61 companies (69%) report financial information about their operating segments by line of business and 11 (12%) do it by geographical area.

The findings associated with IAS 2, IAS 17, and IAS 20 are mixed. With respect to IAS 2, inventories, 65% of the companies use the weighted average cost formula, 8% FIFO and 13% multiple criteria simultaneously. Among companies disclosing information about assets subject to leases (62/88), 54 recognize the lease payments on a straight-line basis versus 7 that use a systematic basis. For companies that make reference to government grants related to income (55%), 45 present the grant as an income and 3 deducted from the related expenses. In the case of government grants related to assets (70%), 54 present the grant as a deferred income and 8 deducted from the asset.

Examples of disclosures omitted more frequently by groups are:

- IAS 19, recognition of actuarial gains and losses (Nd/Na: 74/88);

- IAS 23, recognition of actuarial gains and losses (Nd/Na: 47/88);

- IAS 31, interest in joint ventures (Nd/Na: 43/88);

- IAS 39_a, recognition of purchases or sales of financial assets (Nd/Na: 59/88);

- IAS 39_b, recognition of financial guarantee contracts (Nd/Na: 80/88);

- IFRS 1, first-time adoption of IFRSs (exceptions and exemptions).

TABLE 4.- FREQUENCIES

1st application of IFRSs:

	Criteria						Exclusions set forth in IFRS 1			
	1	2	3	4	5		1	2	3	4
IAS 1a	78	10				IFRS 1a	61	1	1	25
IAS 1b	88	-				IFRS 1b	-	-	88	
IAS 1c	88	-				IFRS 1c	21	43	24	
IAS 2	57	7	6	11	7	IFRS 1d	7	11	70	
IAS 7	10	78				IFRS 1e	1	16	71	
IAS 14	61	11	9	7		IFRS 1f	8	4	2	74
IAS 16	84	2	-	2		IFRS1g	44	9	2	33
IAS 17	54	7	26	1		IFRS 1h	2	-	7	79
IAS 19	5	5	4	74		IFRS 1i	-	-	3	85
IAS 20a	45	3	1	39		IFRS 1j	5	-	-	83
IAS 20b	54	8	2	24		IFRS 1k	8	5	5	70
IAS 23	6	30	47	5		IFRS 1l	4	5	5	74
IAS 31	37	4	2	43	2	IFRS1m	1	-	5	82
IAS 38	86	-	2			IFRS 1n	-	4	-	84
IAS 39a	29	-	-	59		IFRS 1o	26	34	-	28
IAS 39b	5	1	2	80						
IAS 40	33	2	53							
					n: 88					n: 88

5.2. Multivariate Analysis

Table 5 reports the results of estimating equation [1]. For each IFRS codified depending on multiple accounting criteria described in Table 3, excluding those accounting criteria in which the disclosure is more frequently omitted (N_a/N_d option), we report final stepwise models, which are based on minimum value of AIC, and individual coefficients on all explanatory variables that are statistically significant.

The final models show a significant association with regards to the variables: SECTOR, Return on Equity (RoE), SIZE and type of auditor (AUDIT). In relation to criteria included in IAS 1 to 40, SECTOR is the factor which explains more frequently the probability of adopting criteria associated with: Presentation of statement of changes in equity (IAS 1_a); cost of inventories (IAS 2); reporting cash flows from operating activities (IAS 7); and measurement after recognition of property, plant and equipment (PP&E) and intangible assets (IAS 16 and IAS 38). RoE, type of auditor (AUDIT) and SIZE variables would explain this probability in 4, 3 and 2 models, respectively:

- RoE: Cash-flows from operating activities (IAS 7); presentation of principles for reporting financial information by segment (IAS 14); and measurement after recognition of PP&E and intangible assets (IAS 16 and IAS 38).

- AUDIT: Presentation of statement of changes in equity (IAS 1_a); cost of inventories (IAS 2); and measurement after recognition of PP&E (IAS 16).

- SIZE: Measurement after recognition of PP&E and intangible assets (IAS 16 and IAS 38).

As illustrated in Table 5, SIZE and AUDIT variables remain statistically significant in models with Criteria$_{IFRS\ 1j}$ serving as the dependent variable. We find a strong association between SIZE and optional accounting criteria affecting: Application of IFRS 3 to past business combinations (IFRS 1_a); measurement of PP&E at the transition date (IFRS 1_c); and translation differences recognition (IFRS 1_g). AUDIT is associated with methods affecting: translation differences recognition (IFRS 1_g); and the restatement of the comparative information for IAS 32, IAS 39 and IFRS 4 (IFRS 1_o).

Interestingly, we find that there are higher levels of disclosure in the accounting policy notes when firms referring to the use of optional accounting criteria included in IAS 1-40 than do when they referring to those exceptions and exemptions included in IFRS 1.

Even though they are statistically significant in some models, LEVERAGE and TRAD_STATUS variables appear and contribute less frequently to explain the probability of adopting a specific category.

TABLE 5.- MULTIVARIATE ANALYSIS RESULTS

First IFRSs Adoption:

Logit regression results [a]:

IAS 1a

Final Model (Step: AIC = 48.51):

IAS 1_a: $\beta_0 + \beta_1$Sector $+ \beta_2$Leverage $+ \beta_3$Audit $+ \varepsilon$

Coefficients:

	Intercept	Sector 3	Sector 4	Sector 5	Sector 7
2	-7.06347247	-0.05107608	-15.82484054	3.77162403	0.81128952
	Sector 8	Sector 9	Leverage	Audit	
2	-17.8799590	22.49051197	9.63755819	-3.61913016	

IAS 2

Final Model (Step: AIC = 191.1):

IAS 2: $\beta_0 + \beta_1$Sector $+ \beta_2$Audit $+ \varepsilon$

Coefficients:

	Intercept	Sector 3	Sector 4	Sector 5	Sector 7
2	-0.02540729	0.1015255	1.468006	-46.24307	-61.91953
3	-108.547566	-8.4886898	-15.636361	-23.82147	43.11015
4	-110.186007	59.9443772	61.415886	59.98077	60.82807
5	-79.2333931	44.9952706	-13.108263	44.33850	-20.80569
	Sector 8	Sector 9	Audit		
2	-11.70626	-34.91426	-2.358839		
3	134.82405	-15.64802	63.240202		
4	150.52706	-26.30135	48.259331		
5	134.19167	-13.18915	32.948970		

IAS 7

Final Model (Step: AIC = 51.38):

IAS 7: $\beta_0 + \beta_1$Sector $+ \beta_2$ROE $+ \varepsilon$

Coefficients:

	Intercept	Sector 3	Sector 4	Sector 5	Sector 7
2	3.50252351	-0.07160677	-0.75877465	16.81387740	16.89252912
	Sector 8	Sector 9	ROE		
2	-2.29321300	-21.53400487	-3.19640617		

IAS 14

Final Model (Step: AIC = 172.68):

IAS 14: $\beta_0 + \beta_1$RoE $+ \varepsilon$

Coefficients:

	Intercept	RoE
2	-2.481389	3.250603
3	-2.095528	1.011507
4	-2.613929	2.186848

TABLE 5. Continued
First IFRSs Adoption:

Logit regression results:

IAS 16

Final Model (Step: AIC = 48.00018):

IAS 16: $\beta_0 + \beta_1 Sector + \beta_2 Size + \beta_3 Leverage + \beta_4 RoE + \beta_5 Audit + \beta_6 Trad\_Status + \varepsilon$

Coefficients:

	Intercept	Sector 3	Sector 4	Sector 5	Sector 7
2	-1597.940	563.9195	-939.9363	191.7517	-269.6358
4	-1309.214	735.9000	212.1219	2137.6971	63.0505
	Sector 8	Sector 9	Size	Leverage	RoE
2	-847.6397	42.66808	-331.5049	2166.024	-1229.559
4	-214.3506	42.67941	-781.5132	1227.129	607.989
	Audit	Trad_Status			
2	-351.0549	-218.4025			
4	-1150.5906	-695.2489			

IAS 17

Final Model (Step: AIC = 166.54):

IAS 17: ~1

Coefficients:

	Intercept
2	-2.0430967
3	-0.7308869
4	-3.9889874

IAS 20$_a$

Final Model (Step: AIC = 159.06):

IAS 20$_a$: ~1

	Intercept
2	-2.7080514
3	-3.8066609
4	-0.1431009

IAS 20$_b$

Final Model (Step: AIC = 174.61):

IAS 20b: ~1

	Intercept
2	-1.9095464
3	-3.2958246
4	-0.8109296

TABLE 5. Continued
First IFRSs Adoption:

Logit regression results:				

IAS 38

Final Model (Step: AIC = 20):

IAS 38: $\beta_0 + \beta_1 Sector + \beta_2 Size + \beta_3 Leverage + \beta_4 RoE + \varepsilon$

Coefficients:

	Intercept	Sector 3	Sector 4	Sector 5	Sector 7
3	-53.02311	-59.62910	300.11914	33.82763	60.35852
	Sector 8	Sector 9	Size	Leverage	ROE
3	182.33867	148.72978	250.26722	-740.82603	390.29189

IFRS 1$_a$

Final Model (Step: AIC = 126.33):

IFRS 1$_a$: $\beta_0 + \beta_0 Size + \beta_0 ROE + \varepsilon$

Coefficients:

	Intercept	Size	RoE
2	-4.2467162	-10.705248	4.517598
3	-58.3588240	60.158748	-78.136383
4	-0.6429159	-1.272481	1.562404

IFRS 1$_c$

Final Model (Step: AIC = 186.57):

IFRS 1$_c$: $\beta_0 + \beta_0 Size + \varepsilon$

Coefficients:

	Intercept	Size
2	0.2076420	1.00874920
3	0.1431044	-0.02530456

6 | CONCLUSIONS

The adoption of IFRSs by the European Union for years starting on or after 1 January 2005 represents one of the most relevant events between those taking place to achieve the convergence of the accounting standards.

The impact and economic effects associated with the first-time application of the IFRSs have become the centre of attention to the most recent empirical studies. The adoption of IFRSs presents fundamental changes for both groups involved and financial statements' users due to differences between local GAAP and IFRSs. This article identifies these differences and examines these factors or firms' corporate characteristics that influence

accounting criteria election. The main research question to be considered is that these multiple accounting choices (i.e. recognition and measurement criteria) determine the impact on financial statements and affect the reported financial performance, which in turn influence decision making by agents.

The study focuses its attention on the effects of the mandatory IFRSs adoption on Spanish groups belonging to the Spanish Continuous Market in 2005. The final sample comprises 88 companies, excluding financial services and insurance companies. Multinomial logit models and Akaike's Information Criterion (AIC) are used to test the hypothesis derived from main research question.

Overall, the analysis of frequencies reveals that groups apply the most conservative criteria to limit the number of changes they introduce related to previous local GAAP. We find that companies: 1) subsequent to initial recognition of PP&E (IAS 16) and intangibles assets (IAS 38), apply the cost model versus the revaluation model; 2) maintain a uniform application of those criteria affecting the presentation of financial statements (more specifically: the distinction between current and non-current assets and liabilities, and recognition of expenses according to their nature (IAS 1); and the adoption of the indirect method to report cash-flows from operating activities (IAS 7)). Institutional factors in Spain (i.e. the origin of the tax system) could be associated with these results. Disclosures omitted more frequently are associated with accounting criteria included in IAS 19 (employee benefits), IAS 23 (borrowing costs), IAS 31 (interests in joint ventures), IAS 39 (financial instruments) and exceptions and exemptions under IFRS 1 (first-time adoption of IFRSs).

Our final analysis reveals that firm-specific characteristics, such as industry, return on equity, size and type of audit firm (Big Four vs. Non-Big Four), are determinant to explain the probability to adopt optional accounting method under IFRSs.

A better understanding of the impact of IFRSs adoption and the influence of corporate characteristics on the accounting criteria election could assist main international standard setting bodies, such as the IASB and FASB. Insights into the process through which financial reporting is developed and implemented and its consequences in different capital markets offer interesting settings. Future researches could focus their attention on these effects across countries in order to contribute in this field. Interestingly, there is no evidence about how local institutional infrastructures affect the final outcomes.

REFERENCES

Aisbitt, S. (2006): "Assesing the Effect of the Transition to IFRS on Equity: The Case of the FTSE 100". *Accounting in Europe*, Vol. 3, pp. 117-133.

Aledo Martínez, J., García Martínez, F. and Marín Diazaraque, J.M. (2006): *Evaluación del impacto causado por la primera aplicación en España de las Normas Internacionales de Información Financiera, Madrid*, ed. ICAC.

Ali, A. and Hwang, L.-S. (2000): "Country-Specific Factors Related to Financial Reporting and the Value Relevance of Accounting Data". *Journal of Accounting Research*, Vol. 38(1), pp. 1-21.

Ashbaugh, H. y Pincus, M. (2001): "Domestic Accounting Standards, International Accounting Standards, and the Predictability of Earnings". *Journal of Accounting Research*, Vol.39 Nº3, pp. 417-434.

Ball, R. and Shivakumar, L. (2005): "Earnings quality in U.K. private firms". *Journal of Accounting and Economics*, Vol. 39(1), pp. 83-128.

Ball, R. and Brown, P. (1968): "An Empirical Evaluation of Accounting Income Number". *Journal of Accounting Research*, Vol. 6(2), pp. 159-178.

Ball, R. and Foster, G. (1982): "Corporate Financial Reporting: A Methodological Review of Empirical Research". *Journal of Accounting Research*, Vol. 20(Supplement), pp. 161-234.

BDO, Deloitte Touche Tohmatsu, Ernst & Young, Grant Thornton, KPMG and PriceWaterhouseCoopers (2003): *GAAP Convergence 2002: A Survey of National Efforts to Promote and Achieve Convergence with International Financial Reporting Standards*. Available: http://www.iasplus.com/resource/ifad.htm (access: July 2007).

Beaver, W. (1968): "The Information Content of Annual Earnings Announcements". *Journal of Accounting Research*, 6(Supplement), pp. 67-92.

Biddle, G.C. and Saudagaran, S.M. (1991): "Foreign Stock Listings: Benefits, Costs, and the Accounting Policy Dilemma". *Accounting Horizons*, Vol. 5(3), pp. 69-80.

Brown, P. and Tarca, A. (2005): "A Commentary on Issues Relating to the Enforcement of International Financial Reporting Standards in the EU". *European Accounting Review*, Vol. 14(1), pp. 181-212.

Burgstahler, D., Hail, L. and Leuz, C. (2006): "The Importance of Reporting Incentives: Earnings Management in European Private and Public Firms". *The Accounting Review*, Vol. 81(5), pp. 983-1016.

Callao, S., Jarne, J.I. and Laínez, J.A. (2007): "Adoption of IFRS in Spain: Effect on comparability and relevance of financial reporting". *Journal of International Accounting, Auditing and Taxation*, Vol. 16(2), pp. 148-178.

Cazavan-Jeny, A. and Jeanjean, T. (2007): "Accounting choices under IFRS 1: Analysis and Determinants". Working paper presented at 3rd annual workshop of the European Financial Reporting Research Group.

Chen, K.C.W. and Wei, K.C.J. (1993): "Creditors' Decisions to Waive Violations of Accounting-Based Debt Covenants". *The Accounting Review*, 88(2), pp. 218-232.

Choi, F.D.S and Levich, R.M. (1991): "Behavioural Effects of International Accounting Diversity". *Accounting Horizons*, Vol. 5(2), pp. 1-13.

Cooke (1989): "Disclosure in the Corporate Annual Reports of Swedish Companies". *Accounting and Business Research*, Vol. 19(74), pp. 113-124.

Cuijpers, R. and Buijink, W. (2005): "Voluntary Adoption of Non-local GAAP in the European Union: a Study of Determinants and Consequences". *European Accounting Review*, Vol. 14(3), pp. 487-524.

Daske, H. (2006): "Economic Benefits of Adopting IFRS or US-GAAP – Have the Expected Cost of Equity Capital Really Decreased?. *Journal of Business Finance & Accounting*, Vol. 33(3 & 4), pp, 329-373.

Dechow, P.M. (1994): "Accounting earnings and cash flows as measures of firm performance: The role of accounting accruals". *Journal of Accounting and Economics*, 18(1), pp. 3-42.

Delvaille, P., Ebbers, G. and Saccon, Ch. (2005): "International Financial Reporting Convergence: Evidence from Three Continental European Countries". *Accounting in Europe*, Vol. 2, pp.137-164.

Demaria, S. And Dufour, D. (2007): "First-time adoption of IFRS, Fair value option, Conservatism: Evidences from French listed companies". Working paper presented at 30th annual congress of the European Accounting Association.

Dumontier, P. and Raffournier, B. (1998): "Why Firms Comply Voluntarily with IAS: an Empirical Analysis with Swiss Data". *Journal of International Financial Management and Accounting*, Vol. 9(3), pp. 216-245.

Easton, P.D., Harris, T.S. and Ohlson, J.A. (1992): "Aggregate accounting earnings can explain most of security return: The case of long return intervals". *Journal of Accounting and Economics*, 15(2-3), pp. 119-142.

Easton, P.D. and Harris, T.S. (1991): "Earnings as an Explanatory Variable for Returns". *Journal of Accounting Research*, 29(1), pp. 19-36.

El-Gazzar, S.M., Finn, P.M. and Jacob, R. (1999): "An Empirical Investigation of Multinational Firms´ Compliance with International Accounting Standards". *The International Journal of Accounting*, Vol. 34(2), pp. 239-248.

Fang, J. and Wong, T.J. (2002): "Corporate ownership structure and the informativeness of accounting earnings in East Asia". *Journal of Accounting and Economics*, Vol. 33(3), pp. 401-425.

Flower, J. (1997): "The future shape of harmonisation: The EU versus the IASC versus the SEC". *The European Accounting Review*, Vol. 6(2), pp. 281-303.

Francis, J., Schipper, K. And Vincent, L. (2002): "Earnings announcements and competing information". *Journal of Accounting and Economics*, 33, pp. 313-342.

Frankel, R. and Li, X. (2004): "Characteristics of a firm´s information environment and the information asymmetry between insiders and outsiders". *Journal of Accounting and Economics*, Vol. 37(2), pp. 229-259.

García Benau, M.A. and Zorio Grima, A. (2002): "Características de las empresas europeas que aplican las normas del IASC: Evidencia empírica de cara al debate regulador en la nueva fase de armonización contable". *Revista Española de Financiación y Contabilidad*, Vol. XXXI(11), pp. 75-110.

Giner Inchausti, B. (1997): "The influence of company characteristic and accounting regulation on information disclosed by Spanish firms". *The European Accounting Review*, 6 (1), pp. 45-68.

Glaum, M. and Street, D.L. (2003): "Compliance with the Disclosure Requirements of Germany´s New Market: IAS versus US GAAP". *Journal of International Financial Management and Accounting*, Vol. 14(1), pp. 64-100.

Gonzalez Sanchez, M., Nave Pineda, J.M., and Toscano Pardo, D (2009): "Quantifying Effects of Mandatory Adoption of IFRS: A Dynamic Accounting Model". Working Paper-CEU-UCH EE 2009-08.

Guenther, D.A. and Young, D. (2000): "The association between financial accounting measures and real economic activity: a multinational study". *Journal of Accounting and Economics*, Vol. 29(1), pp. 53-72.

Haller, A. and Eierle, B. (2004): "The Adaptation of German Accounting Rules to IFRS: A Legislative Balancing Act". *Accounting in Europe*, Vol. 1, pp. 27-50.

Haller, A. (2002): "Financial accounting developments in the European Union: past events and future prospects". *The European Accounting Review*, Vol. 11(1), pp. 153-190.

Haverals, J. (2007): "IAS/IFRS in Belgium: Quantitative analysis of the impact on the tax burden of companies". *Journal of International Accounting, Auditing and Taxation*, Vol. 16, pp. 69-89.

Haw, I.-M., Hu, B., Hwang, L.-S. and Wu, W. (2004): "Ultimate ownership, income management, and legal and extra-legal institutions". *Journal of Accounting Research*, Vol. 42(2), pp. 423-462.

Hoogendoorn, M. (2006): "International Accounting Regulation and IFRS Implementation in Europe and Beyond – Experiences with First-time Adoption in Europe". *Accounting in Europe*, Vol. 3, pp. 23-26.

Hope, O.-K., Jin, J. and Kang, T. (2006): "Empirical Evidence on Jurisdictions that Adopt IFRS". *Journal of International Accounting Research*, Vol. 5(2), pp. 1-20.

Huber, P.J. (Ed.) (1981). *Robust Statistics*. New York: Wiley.

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

Jermakowicz, E.K. (2004): "Effects of Adoption of International Financial Reporting Standards in Belgium: The evidence from BEL-20 Companies". *Accounting in Europe*, Vol. 1, pp. 51-70.

Lamb, M., Nobes, C. and Roberts, A. (1998): "International Variations in the Connections between Tax and Financial Reporting". *Accounting and Business Research*, Vol. 28(3), pp. 173-188.

La Porta, R., López de Silanes, F., Shleifer, A. and Wishny, R.W. (1998): "Law and Finance". *Journal of Political Economy*, Vol. 106(6), pp. 1113-1155.

Larson, R.K. and Street, D.L. (2004): "Convergence with IFRS in a expanding Europe: progress and obstacles identified by large accounting firms´ survey". *Journal of International Accounting, Auditing and Taxation*, Vol. 13, pp. 89-119.

Leuz, C. and Oberholzer-Gee, F. (2006): "Political relationships, global financing, and corporate transparency: evidence from Indonesia". *Journal of Financial Economics*, Vol. 81(2), pp. 411-439.

Lev, B. (1978): *Análisis de los Estados Financieros: Un Nuevo Enfoque*, Madrid, ed. ESIC.

Meek, G.K. and Thomas, W.B. (2004): "A Review of Markets-Based International Accounting Research". *Journal of International Accounting Research*, Vol. 3(1), pp. 21-41.

Murphy, A.B. (1999): "Firm Characteristics of Swiss Companies that Utilize International Accounting Standards". *The International Journal of Accounting*, Vol. 34(1), pp. 121-131.

Nobes, C.W. (2005): "Rules-Based Standards and the Lack of Principles in Accounting". *Accounting Horizons*, Vol. 19(1), pp. 25-34.

Ormrod, P. and Taylor, P. (2004): "The Impact of the Change to International Accounting Standards on Debt Covenants: A UK Perspective". *Accounting in Europe*, Vol. 1, pp. 71-94.

Pagano, M., Röell, A.A. and Zechner, J. (2002): "The Geography of Equity Listing: Why Do Companies List Abroad?". *The Journal of Finance*, Vol. LVII(6), pp. 2651-2694.

Ryan S. and Zarowin P.(2001): "Why Have Earnings´ Value-Relevance Declined? Working Paper. New York University

Saudagaran, S.M. and Biddle, G.C. (1995): "Foreign listing location: A study of MNCs and stock exchanges in eight countries". *Journal of International Business Studies*, Vol. 26(2), pp. 319-341.

Saudagaran, S.M. and Biddle, G.C. (1992): "Financial Disclosure Levels and Foreign Stock Exchange Listing Decisions". *Journal of International Financial Management and Accounting*, Vol. 4(2), pp. 106-148.

Schipper, K. (2005): "The Introduction of International Accounting Standards in Europe: Implications for International convergence". *European Accounting Review*, Vol. 14(1), pp. 101-126.

Schipper, K. (2003): "Principles-Based Accounting Standards. Commentary". *Accounting Horizons*, Vol. 17(1), pp. 61-72.

Street, D.L. and Larson, R.K. (2004): "Large accounting firms´ survey reveals emergence of "Two-Standard" system in the European Union". *Advances in International Accounting*, Vol. 17, pp. 1-29.

Street, D.L. and Gray, S.J. (2002): "Factors Influencing the extent of corporate compliance with International Accounting Standards: Summary of a Research Monograph". *Journal of International Accounting, Auditing & Taxation*, 11, pp. 51-76.

Street, D.L. and Bryant, S.M. (2000): "Disclosure Level and Compliance with IASs: A Comparison of Companies With and Without U.S. Listings and Filings". *The International Journal of Accounting*, Vol. 35(3), pp. 305-329.

Sucher, P. and Jindrichovska, I. (2004): "Implementing IFRS: A Case Study of the Czech Republic". *Accounting in Europe*, Vol. 1, pp. 109-141.

Van Tendeloo, B. and Vanstraelen, A. (2005): "Earnings Management under German GAAP versus IFRS". *European Accounting Review*, Vol. 14(1), pp. 155-180.

Vellam, I. (2004): "Implementing of International Accounting Standards in Poland: Can True Convergence be Achieved in Practice?". *Accounting in Europe*, Vol. 1, pp. 143-167.

Wallace, R.S.O., Naser, K. and Mora, A. (1994): "The Relationship between the Comprehensiveness of Corporate Annual Reports and Firm-Characteristics in Spain". *Accounting and Business Research*, 25(97), pp. 41-53.

Watts, R.L. and Zimmerman, J.L. (1990): "Positive Accounting Theory: A Ten Year Perspective". *The Accounting Review*, Vol. 65(1), pp. 131-156.

Watts, R.L. and Zimmerman, J.L. (1978): "Towards a Positive Theory of the Determination of Accounting Standards".

The Accounting Review, Vol. 53(1), pp. 112-134.

Whittington, G. (2005): "The Adoption of International Accounting Standards in the European Union". *European Accounting Review*, Vol. 14(1), pp. 127-153.

Zeff, S. (1998): "The coming confrontation on international accounting standards". *Irish Accounting Review*, Vol. 5, pp. 89-117.