

EMPIRICAL STUDY REGARDING PERCEPTIONS OF THE IFRS FOR SMEs IN ARAD COUNTY

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Abstract

IFRS for SMEs is a change among of each entity, leading both to the positive and negative aspects regarding its application. Our study aims to present the perceptions of accounting experts on the application of IFRS for SMEs in Arad County. For the study was used the questionnaire based on resulted the pros and cons of applying standard responses to small and medium-sized entities, considering the law the main reason for applying standard. The Professional accountants believes that rules should have a major impact among listed entities, which leads to benefits and also difficulties. As benefits we enumerate improving, comparability and transparency of accounting information and as difficulties specify the auditing, the connection accountancy - fiscality and the report cost - benefit, but we cant fail to mention the lack of skilled personnel. Although there are a number of obstacles and costs as regards implementing IFRS for SMEs in Arad, and national level our respondents were equally agree with the application or non-application of this standard. We mention that the application of this standard requires more than a simple exercise because the rules used may have influenced in the content of the financial statements of the entity.

Keywords: IFRS, perceptions, benefit, difficulty, SMEs

JEL Classification: M41

1. Introduction

Due to modalities of preparation and presentation of financial statements between big entities and SMEs, IASB started the project IFRS for SMEs, which comes as an aid for small and medium entities.

The project IFRS for Small and Medium Entities (SMEs) provide, at internationally level answers regarding developed and emerging economies to have a rigorous and common set of accounting standards addressed to such entity, to be more streamlined than the full set of IFRSs issued by the International Accounting Standards Board (IASB), a set of standards developed to meet the needs and capabilities of these entities. These are elaborated by starting from the International Financial Reporting Standards, where many principles to recognizing and measuring assets, liabilities, income and expenses have been simplified and the issues that are not relevant to SMEs have been eliminated and significantly reduced.

2. Literature review

In Romania there is not a simplified referential of financial reporting for SMEs, an entity shall apply the rules listed in the OMPF no. 3055/2009.

Studies performed within the CECCAR by OMPF no. 3055/2009 reveals that this single accounting regulation is perceived by SMEs as too complex, especially by micro-entities. A large part of existing literature on the IFRS for SMEs is placed in the context of economic development, such as: the study by Bunea and Gîrbină (2010), a comparative study of accounting regulations in Romania - OMPF 3055/2009 and the IFRS for SMEs; Albu et al. performed an analysis on the convergence of IFRS for SMEs and national standards (2010); studies examining the perception of accountants in the implementation of the standard (Albu et al. 2013; Bunea et al., 2012; Borlea et al. 2011; Deaconu et al. 2009, 2012; Feleagă et al. 2008).

Claimed that financial reporting involves significant administrative costs. To reduce costs, at level of SMEs, is used the practice of selecting accounting policies that do not conflict possible tax provisions, the effect being obtaining polluted information by the interest tax which are irrelevant for bank lenders, equity owners, partners commercial, s.a.

A quality financial reporting costs and not every entity is willing or can afford to pay its price. These difficulties are added those induced by certain accounting policies stipulated by regulations. Order no. 3055/2009 imposes a reporting model based on the provisions of the European Directives and improved by taking policies of IFRS referential.

IFRS for SMEs standard was approved and published in 2009 in Romania, with the help of CECCAR.

The purpose of this article is to identify the impact of the benefits and difficulties of implementing IFRS for SMEs in Arad, through the answers provided by the accounting experts.

3. Research methodology

IFRS for SMEs is one of the issues discussed at the national level. To show the perceptions of accounting professionals on IFRS for SMEs, was carried a study whereby we want to demonstrate the communication of financial reporting in the small and medium entities in Arad. This research is done quantitative, as a positive and functional research and the data being gathered by means of questionnaire. Number of completed questionnaires is 31, an acceptable number. The sample consists by professional accountants, members CECCAR branch in Arad.

The questionnaire has a total of 15 questions, of which 4 were single answer, 5 with multiple choice and 6 type enumeration. All these questions have the investigative of the communication to financial reporting of the small and medium entities by investigating the impact, benefits and difficulties of applying IFRS for SMEs.

4. Results and discussionsTo analyze the rules of IFRS for SMEs, we wanted to know the classification of the entity at which activates the questionnaire respondents. The results are summarized in the table below:

Table 1: Classification of entity size

	common	percentage
Small entity	21	68%
Medium entity	6	19%
Big entity	4	13%

Therefore, it appears that most respondents are working as an accountant in a small business and modality of communication of accounting information by the entity are done through the financial statements: balance sheet, profit and loss account, balance sheet, statement of changes own capital and statement of cash flows. The table above shows that most entities use the balance sheet, income statement and balance (percentage of 90%).

Table 2: Mode of communication of accounting information by the entity

	common	percentage
Balance sheet	28	90%
Profit and loss account	28	90%
Balance	30	97%
Statement of changes own capital	10	32%
Statement of cash flows	7	23%

In the EU, many countries have imposed to entities applying IFRS for small and medium-sized within the meaning of improvements accounting information.

Table 3: The referential use of entity

	common	percentage
OMFP no.3055/2009	27	87%
IFRS for SMEs	4	13%

Previous studies show that the IFRS for SMEs is not used by small and medium-sized entities, the only entities which using IFRS are big entities, the same clear from our study.

As we know, IFRS for SMEs, as well as full IFRS, requires the enforcement costs imposed by this standard. Respondents expressed their opinion on the application of this standard. A percentage of 52% believes that the standard should be applied to the level of SMEs, and a 48% disagree with the application of the standard.

Table 4: Should apply the IFRS for SMEs?

	common	percentage
Yes	16	52%
No	15	48%

It is observed so that half of the respondents believe that IFRS accounting information improves the small and medium-sized entities.

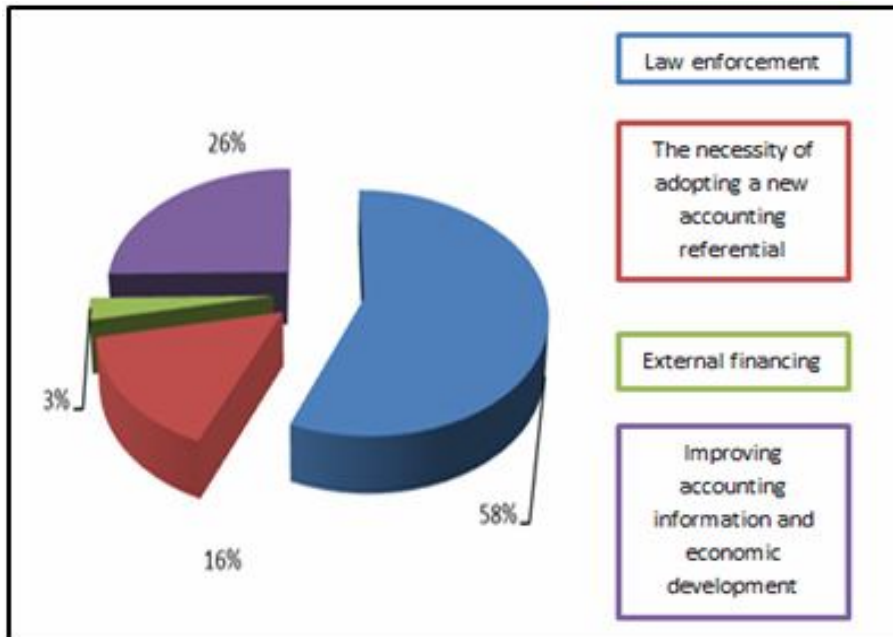
Before analyzing the impact of the benefits and difficulties of applying IFRS for SMEs in Arad, we present the main reasons underlying the decision to implement this standard. The results are as follows:

Table 5: Reasons for applying IFRS for SMEs

	common	percentage
Law enforcement	18	58%
The necessity of adopting a new accounting referential	5	16%
External financing	1	3%
Improving accounting information and economic development	8	26%

From the responses we found that 16% of respondents believe that the basis of implementation of standard decision lies more than one reason. Thus, it appears that a percentage of 58% shows that the main reason for the application of the standard is the law. Another reason considered by 26% of respondents is to improve accounting information and economic development. Some 16% of respondents consider all grounds need to implement a new accounting referential entity's performance, and a percentage of 3% consider access to external financing.

Chart 1. Reasons of IFRS for SMEs



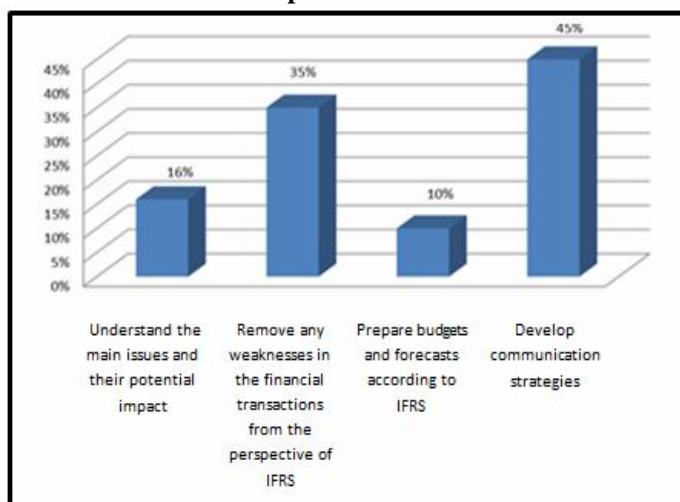
Source: own calculus

Also followed the impact of IFRS for SMEs rules in the performance of the entity.

Table 6: Impact of IFRS for SMEs rules

	common	percentage
Understand the main issues and their potential impact	5	16%
Remove any weaknesses in the financial transactions from the perspective of IFRS	11	35%
Prepare budgets and forecasts according to IFRS	3	10%
Develop communication strategies	14	45%

According to Table 6, only 16% of respondents rated the impact understanding of the main issues and the potential impact, 35% percentage considered that the impact of the standard rules is to eliminate any weaknesses in the financial transactions from the perspective of IFRS and 10% impact is caused the preparation of budgets and forecasts standard. The greatest degree of impact of rules in the performance entity is considered the development of communication strategies in percentage of 45% .

Chart 2. Impact of IFRS for SMEs

Source: own calculus

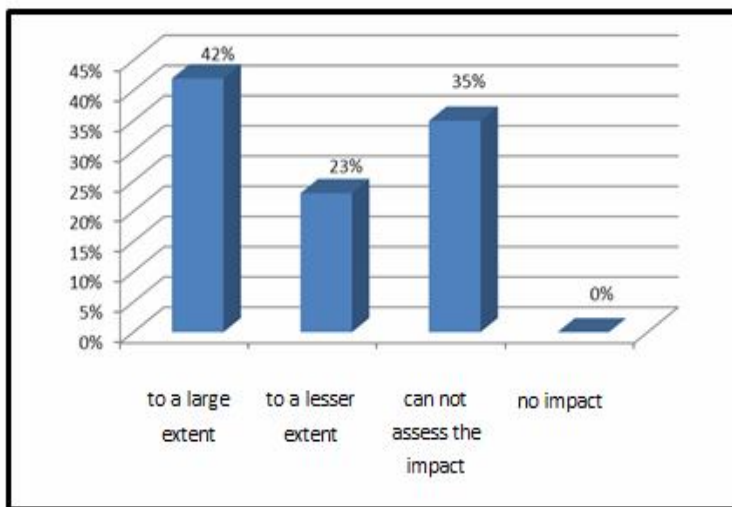
Finding the main causes of the impact of IFRS for SMEs, we have shown the impact assessment of the adoption of the standard by the entity.

Table 7: Assessing the impact of adoption of IFRS for SMEs

	common	percentage
to a large extent	13	42%
to a lesser extent	7	23%
can not assess the impact	11	35%
no impact	0	0%

According to Table 7, the assessment of the impact of adopting IFRS for SMEs are summarized as follows: 42% believe that the standard applied in the financial statements will influence greatly the entity, 35% can not estimate the impact and 23% felt that this standard has a small impact on the entity.

Chart 3.



Source: own calculus

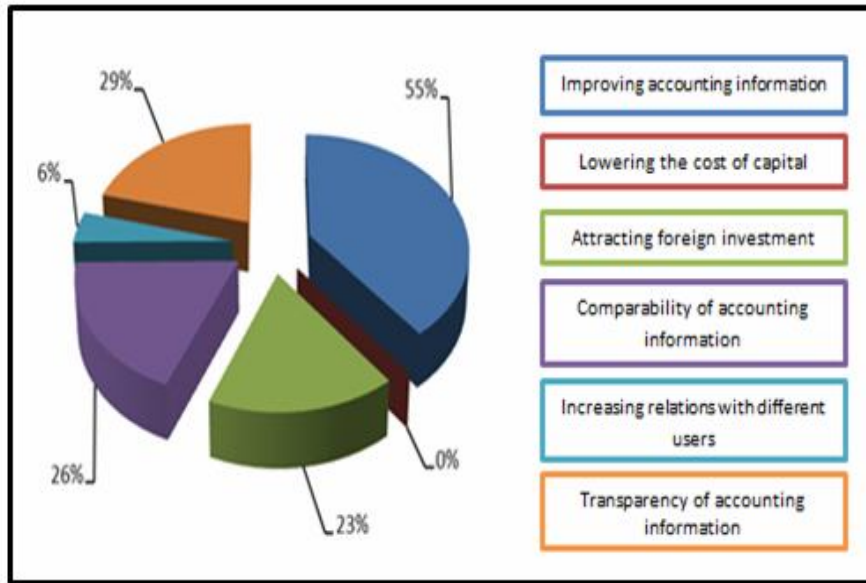
This study was intended to determine the benefits and difficulties encountered when applying IFRS for SMEs. First settled benefits of implementing the standard, and thus resulted in the following:

Table 8: Benefits of applying IFRS for SMEs

	common	precentage
Improving accounting information	17	55%
Lowering the cost of capital	0	0%
Attracting foreign investment	7	23%
Comparability of accounting information	8	26%
Increasing relations with different users	2	6%
Transparency of accounting information	9	29%

The persons who answered the questionnaire were considered as the main benefit of applying the IFRS for SMEs accounting information to improve the rate of 55%, followed by 29% accounting information transparency, comparability of accounting information by 26%, attracting foreign investment of 23% and only 6 % increase relations with different users.

Chart 4. Benefits of IFRS for SMEs



Source: own calculus

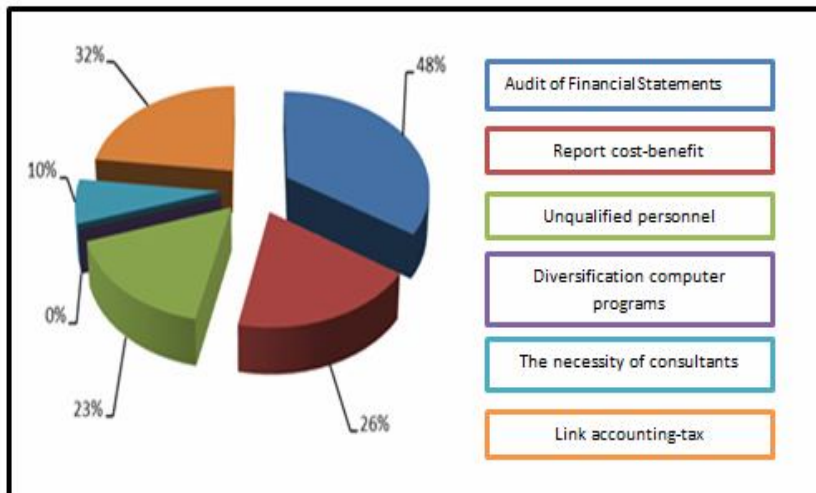
Regarding the difficulties that an entity may experience after applying IFRS for SMEs under 'responses follows:

Table 9: The difficulties of applying IFRS for SMEs

	common	percentage
Audit of Financial Statements	15	48%
Report cost-benefit	8	26%
Unqualified personnel	7	23%
Diversification computer programs	0	0%
The necessity of consultants	3	10%
Link accounting-tax	10	32%

It is found that the most important factor that can cause difficulties in applying the standard is auditing financial statements by 48%. Follow the link accounting-tax at a rate of 32%, the report cost-benefit with 26%, 23% the unqualified personnel and only 10% consider the need for consultants.

Chart 5. The difficulties of IFRS for SMEs



Source: own calculus

5. Conclusions

According to the study carried the majority of respondents believe that the application of IFRS for SMEs should be applied only to the imposition of the law in force.

Professional accountants believes that rules should have a major impact among listed entities which would lead to benefits and also difficulties. Among benefits enumerate: improve, comparability and transparency of accounting information and like difficulties mention the auditing, link accounting - taxation and report cost - benefit, but we can not mention the lack of skilled personnel.

While there are a number of obstacles and costs in terms of implementing IFRS for SMEs, our respondents were equally apply or non-apply this standard.

We mention that the application of this standard requires more than a simple exercise because the rules used may have influenced the content of the financial statements of the entity.

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