

# THE IMPACT OF IFRS FOR SMES ON THE ACCOUNTING PROFESSION: EVIDENCE FROM FIJI

Fazeena Fazneen Hussain, The University of the South Pacific

Priyashni Vandana Chand, The University of the South Pacific

Prena Rani, The University of the South Pacific

## ABSTRACT

*At the turn of the millennium, the many corporate collapses and fraudulent financial reporting practices tarnished the reputation of accountants and resulted in a credibility crisis for the accounting profession. The profession responded by developing IFRS and IFRS for SMEs that would assist in achieving a more transparent and principles-based financial reporting framework. Fiji is not far behind from other developed countries when it comes to adoption of international reporting standards as this is evidenced by the early adoption of IFRS by large reporting entities beginning January, 2007 and IFRS for SMEs by small and medium-sized entities from January, 2011. Unlike the non-big 4 accountancy firms (local firms) in Fiji, the big 4 firms (PricewaterhouseCoopers, KPMG, Ernst and Young and G.Lal) have necessary resources and expertise to assist in adoption of international reporting standards like IFRS and IFRS for SMEs. This study therefore, examines the preparedness, capacity and challenges faced by big 4 and non-big 4 accounting firms in dealing with IFRS for SMEs in Fiji through in depth interviews. The results show the big 4 have a competitive advantage over the non-big 4 as they have substantial resources, expertise and receive training support from their global network.*

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## INTRODUCTION

At the turn of the millennium, the many corporate collapses, business failures and fraudulent financial reporting scandals tarnished the reputation of accountants and resulted in a credibility crisis for the accounting profession. The profession struggled to rebuild its reputation and desperately searched for a solution. At the same time, the international orientation of businesses and the growth of financial markets increased investment opportunities in capital markets. This created the need for a common reporting framework, which would provide reliable and comparable accounting information across borders. The constantly changing information needs of users of financial reports and the increase in the use of fair value added to the many challenges facing the accounting profession. All this resulted in a major restructure in the financial reporting framework leading to the development of the International Financial Reporting Standards (IFRS) and the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) by the International Accounting Standards Board (IASB). Almost 66 jurisdictions around the globe, including Fiji, have already adopted or plan to adopt IFRS for SMEs as their principal financial reporting standard for small and medium sized reporting entities, with or without revisions (IFRS, 2010).

While many prior studies have examined the impact of international accounting standards on reporting entities, few have tried to analyze the impact of such standards on the accounting profession. Understanding the impact of adopting globalized accounting standards in emerging economies would help us identify the benefits and limitations of such adoption as well as identify the potential factors that are necessary for a successful transition. This in turn would allow practitioners to better prepare themselves

for the adoption. Therefore, the purpose of the current study is to examine the impact of the adoption of IFRS for SMEs on the accounting profession in Fiji. We intend to gather data through interviews of practitioners from the big 4 and the non-big 4 accounting firms in Fiji. The results show the big 4 have a competitive advantage over the non-big 4 in adopting international standards as they have substantial resources and expertise and receive training support from their global network.

This paper has four sections. The first section provides a brief background on the development of IFRS for SMEs and discusses the accounting profession in Fiji. It also discusses the likely challenges facing the profession in adopting IFRS for SMEs. The second and third sections describe the research methodology and discuss the findings of the study. The fourth section concludes the paper and provides limitations for the current study and recommendations for future research.

## LITERATURE REVIEW

### Background on the development of IFRS for SMEs

The globalization of businesses and the rapid growth in capital markets triggered the need for a globally accepted financial reporting framework as stated by Campbell and Howard (2008). The accounting profession faced the challenge of restructuring its financial reporting framework to deal with prevalent financial reporting issues; rebuild its reputation; and improve its professional competency levels. In responding to this demand, the International Accounting Standard Board and the Financial Accounting Standard Board signed the Norwalk agreement in 2002, the purpose of which was to facilitate the convergence of existing accounting standards and to create various major joint projects. There are various benefits of having a single set of internationally recognized accounting standards. One such benefit is the positive impact such standards have on the capital markets of developing economies. In a case study of Zimbabwe, Chamisa (2000), cited in Zeghal and Mhedhbi (2006), found that global accounting standards play a vital role in the growth of financial markets in developing countries. Similarly, Tarca (2008); Zeghal and Mhedhbi (2006) found that developing economies striving for development and growth should quickly restructure their accounting systems and robustly encourage the adoption of global accounting standards. In addition, Downes (2006) suggested that global standards help in building confidence in financial markets.

Thus, in 2005, IASB developed IFRS in an attempt to achieve globally accepted financial reporting standards for all reporting entities. While IFRS deals with a wide range of financial reporting issues, it mainly serves the information needs of equity investors in public capital markets. IFRS was suitable for large publicly listed companies rather than small publicly listed companies for many reasons. These include complexity, size, satisfaction of user needs and many others. As a result, in 2007, IASB developed the International Financial Reporting Standards for Small and Medium sized Entities, with the aim of meeting the information needs of non-publicly accountable entities that produce general-purpose financial reports. IFRS for SMEs reduces choices for accounting treatments and simplifies presentation and disclosure requirements. It also removed topics and detailed implementation guidance which were irrelevant to SMEs and therefore is far simpler than IFRS. The adoption of IFRS for SMEs by SMEs in emerging economies is likely to have a positive impact on the accounting profession and reporting entities there. This is because such economies largely consist of small and medium sized entities. This development in financial reporting will in the near future improve the financial reporting in emerging economies and at the same time, result in more transparent reporting. However, the costs of adopting IFRS for SMEs, for instance, costs incurred in changing accounting information systems, hiring experts and training employees, may outweigh the benefits from compliance in some economies for years. The adoption of IFRS for SMEs standard is not without challenges. What now lies ahead is whether practitioners and SMEs in emerging economies like Fiji would benefit from adopting the standard?

However, before discussing the matter in detail, it is important to consider the financial reporting environment in Fiji and the likely challenges facing the accounting profession in adopting IFRS for SMEs. As a result, the following paragraphs deal with these issues.

#### The Accountancy Profession and Financial Reporting in Fiji

The Fiji Institute of Accountants (FIA) regulates the accountancy profession in Fiji. It is responsible for registering accountants and regulating financial reporting in Fiji. The institute came into existence in 1972 under the FIA Act and became a member of the International Accounting Standards Committee in 1973 and a member of IFAC in 1974. The institute's membership with IFAC needs it to comply with all reporting and professional development obligations set by the IFAC Board.

Britain and other British Commonwealth countries, particularly Australia and New Zealand directly influence the accounting and auditing arrangements in Fiji. Until 1999, all reporting entities in Fiji reported their financial performance in compliance with Fiji Accounting Standards (FAS). However, in 2006, FIA decided to adopt IFRS to achieve an internationally recognized accountability system. Thus, in 2009, FIA decided to adopt IFRS for SMEs for all incorporated small and medium sized reporting entities in Fiji. Although the adoption of this reporting framework may not have a huge impact on the big 4 accounting firms in Fiji, it may however affect the non-big 4 firms, as they have only been familiar with Fiji Accounting Standards. Unlike the big 4 firms, the non-big 4 usually do not have expertise and personnel needed to assist them with transition to international standards nor do they have global networks or counterparts to provide them with educational resources and training support. Thus, we feel that the non-big 4 firms face more challenges than the big 4 firms in adopting IFRS for SMEs.

#### The challenges faced by the Accounting Profession in adopting IFRS for SMEs

The biggest challenge that exists in adopting IFRS for SMEs is in providing adequate training to equip practitioners with the necessary skills before the first set of financials are prepared. The IASB board commented that accountants would need adequate training to understand the implications of using IFRS for SME's in preparing financial statements IASB (2004). Bukics *et al.*, (2009) stated that professional regulatory bodies and their members should engage in robust and thoughtful discussions before deciding to adopt IFRS for SMEs. To understand the major differences that exist between full IFRS, IFRS for SMEs and FAS, accountants in Fiji need to undergo adequate training. Training and education are significant elements for successful transition to IFRS for SMEs and they are necessary to ensure the potential benefits from adoption are realized in the near future. The big 4 firms have already provided extensive training to their employees on IFRS and therefore the adoption of IFRS for SMEs would not need much training. The practitioners in the big 4 may need to understand the differences that exist between IFRS and IFRS for SMEs and consider them accordingly. The challenge lies for those practitioners in the non-big 4 accounting firms, as they have only been familiar with the local standard and have never prepared reports in compliance with IFRS. Therefore, it is essential that accountants in the non-big four firms receive proper education and training to be able to successfully understand and apply the standard. Christie *et al.*, (2010) commented that it is still unclear whether accountants in local accounting firms would find IFRS for SME's desirable. The non-big 4 firms will be challenged to develop IFRS related skills to help ensure compliance, transparency and to provide opinion on SME financial statements. They may also face difficulties in recruiting individuals with adequate IFRS background. In addition, these firms lack the necessary resources and expertise to conduct in-house training for their employees and therefore rely on FIA to provide training and educational support. However, FIA relies on IASB for educational and training materials, as it does not have enough funding and expertise to develop them by itself.

Moreover, the profession also faces the challenge of setting the criteria for defining ‘small and medium sized entities’ and outlining its boundaries. The issue particularly lies in setting the boundaries to determine firms that ought to be classified as SME’s. The IASB has not set any specific boundary to determine which entities should be classified as small and medium, but rather left the decision to regulatory authorities and standard setters in individual jurisdictions. Until now, FIA has not set any specific criteria for defining small and medium sized entities. White (2010) suggests that a ‘small and medium sized’ entity in Fiji is defined as one that does not fall in the category of a ‘large’ reporting entity (see White (2010) for the definition of a ‘large’ entity).

Additionally, the IASB board stated that the adoption of any new reporting framework would at first cost huge amounts, both to the profession and the reporting entities IASB (2004). These costs are usually a hindrance to adoption of international standards by emerging economies. While the profession would incur costs in disseminating the standards and providing training and educational support to its members, small and medium sized entities would also incur costs. These include costs for training employees, updating information systems and meeting increased auditing costs, as audit fees is likely to increase after the adoption. Further costs can also necessitate like legal and professional fees to address the impacts on existing contracts and agreements. The lack of capacity of SMEs to implement IFRS for SMEs as their financial reporting framework and the inability of their auditors (small or non-big 4 firms) to provide them with support and guidance may pose challenges for the accounting profession in Fiji.

Unlike FAS, IFRS for SMEs provides more opportunities for application of professional judgment, as it is more flexible and less rules specific, thereby hindering the comparability of reports (Fitzpatrick and Frank, 2009). Because of the principles based nature of IFRS for SMEs, the accounting profession faces the challenge of applying judgment in using the standard (Tomaszewski and Showerman, (2011). Preparers may have to take a critical look at their accounting policies to ensure that the economic substance of transactions is faithfully represented (Tomaszewski and Showerman, 2011). There would also be concerns about the degree to which regulators and courts will respect reasonable and good faith judgments by preparers and auditors (Fitzpatrick and Frank, 2009). Similarly, practitioners in Fiji would need to make considerable amounts of judgments in preparing reports, which would certainly be an issue given the ‘uncertainty avoidance’ preference of Fiji accountants (Chand and White, 2006). Practitioners in the non-big 4 firms or sole practitioners and those working for small and medium sized entities may find difficulties in applying and interpreting the standard.

The success of any set of accounting standards is contingent on future accountants and auditors having sufficient educational background (Miller and Becker, 2010). Practitioners henceforth, face an ever-growing challenge of keeping abreast with changing accounting standards, through continuous professional education programs. The availability of experienced and trained workforce will be limited until educational programs can catch up to the need. There is a need for universities to update their curriculum by incorporating newer standards like IFRS for SMEs in their degree programs. Universities in Fiji have already incorporated IFRS into their programs and are most likely to include IFRS for SMEs in their programs in a few years.

In addition, wider consultations with all relevant stakeholders are necessary when deciding to mandate any new standard in any jurisdiction. The availability of sufficient time to undertake necessary training and to understand the likely implications of the standard is an important factor that requires equal consideration. It would have been wise to allow practitioners more time to consider the implications of the standard and to organize training for all practitioners in Fiji.

Although IFRS for SMEs reduces the burden of financial reporting on SMEs by simplifying disclosures and providing relief on certain issues, this relief already applies to the operating context of SMEs in Fiji.

For instance, the removal of the available for sale, held to maturity and fair value option for financial instruments may be an issue to SMEs operating overseas but it has no impact on SMEs in Fiji. This is because SMEs in Fiji do not engage in transactions dealing with financial instruments. While the objective behind modifying IFRS was to create a simpler set of IFRS for smaller companies, IFRS for SMEs is still regarded as unproductive and unsuccessful. This was obvious in the study carried out by Simon (2010), where he examined IFRS for SMEs in European countries. His study inferred that although IFRS for SMEs is a vast improvement from full IFRS, it is still not ideal for small and medium sized entities.

Prior literature has mostly examined the impact of IFRS for SMEs on small and medium sized entities (see, for example, Eierle and Haller, 2009; Alp and Ustundag, 2009; Paseková et al., 2010), but so far, there has been no published work examining the impact of the standard on the accounting profession. The decision by the Fiji Institute of Accountants to adopt IFRS for SMEs so early since its establishment will obviously bring about many challenges to the accounting profession in Fiji and affect the future of the profession in many ways. Although accountants in Fiji have demonstrated that they can deal with the full suite of IFRS, the adoption of IFRS for SMEs, a much simpler form of reporting, will pose a set of challenges that the profession did not face when dealing with IFRS. This study therefore aims to examine the likely challenges facing the accounting profession in Fiji in adopting IFRS for SMEs in terms of benefits, limitations, preparedness, capacity, educational resources, training support and overall transition to the new reporting framework.

## **METHODOLOGY**

All small and medium sized reporting entities in Fiji are required by law to report their financial performance in compliance with IFRS for SMEs for reporting periods beginning on or after 1<sup>st</sup> January 2011. While it is too early to comment on the actual impact of this new reporting framework on the accounting profession in Fiji, it is still worthwhile to consider the perceptions of practitioners on the likely impact of IFRS for SMEs on their practice.

We conducted in-depth interviews in order to get insights into the perceptions of practitioners on the issue. We designed a set of 12 interview questions and distributed them to the interviewees before the interview. We did not opt for a questionnaire survey as we felt that such a methodology might not provide appropriate feedback on the questions. While questionnaires offer easily quantifiable results they often miss the underlying meaning of the responses obtained. Interviews are more interactive and provide opportunities to get in-depth and detailed feedback.

The sample of practitioners for this study was randomly selected from 10 chartered accountancy firms in Fiji. From the 10 practitioners interviewed, 4 represented the Big 4 accounting firms (PricewaterhouseCoopers, Ernst & Young, KPMG and G. Lal), while the other 6 represented the non-big 4 (small local) accounting firms. The sample consisted of 7 males and 3 female firm partners and/or sole practitioners. Because of time constraints and unavailability of practitioners, we selected only one practitioner from each firm.

We tabulated the responses of practitioners and analyzed them accordingly under each of the major themes. The themes include Benefits to Economy, Limitation, Cost, Benefit to Profession, Information needs of Users, Training and Education, Assistance from FIA and Complications from adoption. They have also been quoted in the results discussion, wherever necessary. To preserve the anonymity of the interviewees, we assigned codes to the sample of practitioners interviewed. The codes were labeled P1, P2 ... up to P10, representing Practitioner 1, Practitioner 2 and so forth.

## RESULTS AND DISCUSSION

Summary statistics for the Data are presented in Table 1. The adoption of IFRS for SMEs is likely to pose many challenges for practitioners in the big 4 and the non-big 4 accounting firms in Fiji. The big 4 firms are usually dominated by large sized clients and the non-big 4 are dominated by small and medium sized clients. Therefore, the big 4 have already adopted IFRS as their principal reporting framework for their large clients and have been practicing reporting with FAS for their smaller clients. The non-big 4, however, have only been familiar in reporting with FAS. We therefore, perceive that the transition to IFRS for SMEs would be less difficult and complicated for the big 4, as they merely need to identify the differences that exist between IFRS and IFRS for SMEs. Conversely, the adoption of IFRS for SMEs is likely to result in significant challenges for the non-big 4 accounting firms. The responses of practitioners interviewed on issues concerning adoption of IFRS for SMEs for all incorporated small and medium sized reporting entities in Fiji is discussed below.

The adoption of international reporting standards by reporting entities in emerging economies is likely to benefit such economies in many aspects. The biggest advantage would be having an internationally recognized financial reporting framework for small and medium sized reporting entities. Moreover, such a reporting framework should improve SME's access to credit and equity capital, upgrade the profession's competency levels through education and training, reduce audit inefficiencies and ease the burden of financial reporting on small and medium entities in countries where full IFRS is now required. This was confirmed by the response of P1 as quoted below:

*“Fiji is surely to benefit from adoption of IFRS for SMEs. We will now have an updated set of internationally recognized standards for SMEs. Our current standards have never been updated as FIA did not have the necessary resources to do so.”*

However, emerging economies like Fiji face enormous difficulties in developing its own financial reporting standards, as the process requires substantial amounts of funds, resources and expertise. These economies therefore, depend on the International Accounting Standards Board to develop standards for them. The adoption of a single set of reporting standards will help achieve a consistent and comparable financial reporting framework. The improved comparability is likely to result in quality investment decisions, attract foreign investors thereby increasing the SMEs ability to access funds, and secure investment from overseas investors. Although this seems theoretically sound, it may not be the case in Fiji, as argued by P5 from the non-big 4 firms:

*“It is too early to comment on the benefits. The requirements of the standard are such that much of it would not be applicable to SMEs in Fiji. The nature and operating context of small firms in Fiji is such that they have a limited scope abroad. For many small and medium sized firms, financial reporting is for meeting statutory obligations like tax requirements.”*

The financial reporting requirements under IFRS for SMEs may still be complex for smaller reporting entities in Fiji as they have a simple business structure. While benefits of IFRS for SMEs to smaller firms may not be easily realized, medium sized entities may benefit from the adoption, particularly if they are reporting overseas or are growing into a large sized firm. This is because a shift from a medium sized entity to a large sized entity would require a transition from IFRS for SMEs to IFRS, which does not require major modifications compared to a shift from FAS to IFRS. While improvements in financial reporting is preferred by all stakeholders, few stakeholders are only willing to take on board such improvements if they are likely to meet their information needs and be less costly to them.

The cost of transitioning to a new reporting framework is often a concern for reporting entities and practitioners alike. A reporting entity, in adopting IFRS for SMEs, will incur costs in training employees, updating their information and financial reporting system and hiring experts to assist in the transition. The adoption may also result in increased audit fees in the future. For this reason, many SMEs in Fiji are reluctant to adopt IFRS for SMEs. They are concerned about costs as opposed to the benefits of reporting under IFRS for SMEs, as commented by few of the practitioners. While practitioners from the big 4 have already advised their clients of the conversion and effects of the new standard, practitioners from the non-big 4 are more concerned about clients' ignorance of the standard as commented by P5 below:

*“All my clients are required to report their financial performance in compliance with IFRS for SMEs from 1<sup>st</sup> January, 2011 and onwards. It is however surprising to see that none of them so far have shown any interests in adopting the standard. Even after it was announced that it is compulsory for all reporting entities to comply with IFRS for SMEs, clients are still not bothered. They are anxious about the extra costs associated with the adoption.”*

Additionally, we perceive that the accounting profession in Fiji may also benefit from adopting an internationally recognized reporting framework. By adopting IFRS and IFRS for SMEs, the profession now has an updated set of financial reporting standards. The local profession also has freely available training materials, guidelines and interpretations when they adopt standards developed by IASB. The availability of such provisions facilitates the training process for practitioners. The transition would also assist the local profession in achieving an international recognition, possibly increasing migration opportunities and job prospects of local accountants. The mobility of practitioners, especially those in the non-big 4 firms, is likely to increase as well, allowing them to secure jobs elsewhere with an IFRS background. The results of the study also indicate that some practitioners have reservations on the decision by FIA to mandate IFRS for SMEs. They feel that wider consultations with relevant stakeholders were necessary in deciding on the matter. The interviewees also expressed concerns on whether practitioners from the big 4 or the non-big 4 were most likely to benefit from the adoption. This is evident from the comments of P6 as quoted below:

*“The big 4 is surely to benefit and benefits to the non-big 4 is not that apparent. The big 4 firms usually have a tendency to promote complex regulation as it will enable them to exaggerate and increase their already exorbitant fees, resulting in even deeper pockets”.*

The primary purpose of preparing financial reports is to meet the information needs of users. In achieving this objective, accounting standards play a pivotal role. Standard setters therefore must ensure that standards developed facilitate the achievement of this objective rather than result in a set of standards that serve no purpose and cease to be useful to the local reporting environment. In Fiji, users of SME financial reports, especially owners and the tax authority, have not so far requested financial reports to be prepared in compliance with IFRS for SMEs and hence seem content with the status quo. Similarly, Fiji based commercial banks have not insisted for IFRS for SMEs compliant financial reports for appraising lending applications. While some practitioners have argued the need for chartered accountants and advisors to assess the benefit of any new financial reporting framework to their clients, others have suggested that IASB should have considered the information needs of users in emerging economies and more importantly the specific reporting needs of micro entities.

*“Even if it is not clearly stated, IFRS for SMEs is more appropriate for large unlisted entities rather than for small-unlisted enterprises. The interest of micro-entities in adopting IFRS for SMEs and the possibility of them doing so is quite low,” commented P6*

Training and education are necessary elements for the successful implementation and application of a set of newly developed reporting standards. Although IASB freely provides all the necessary guidelines and interpretations for the standards that it develops, there is still a need for local practitioners to undergo face-to-face training, as our local reporting environment is significantly different from the environment in which the standards were developed. Practitioners need to understand the differences that exist between the two environments and the implications of the standard in the local context. Training and educational support are also important in enhancing the professional competency and marketability status of practitioners.

The practitioners in the big 4 firms do not require substantial training, as they only need to identify and understand the differences that exist between IFRS for SMEs, IFRS and FAS. They have the advantage of acquiring training from their respective international bodies and therefore are in a much better position to take on board IFRS for SMEs. The non-big 4 firms however, solely rely on FIA for training and educational support. While the big 4 usually have a large number of staff and conduct in-house training, the non-big 4 do not have the capacity to do so as they have few qualified accountants and lack the necessary resources. Accordingly, a few of the practitioners from the non-big 4 firms commented that since they have one or two principle auditors in the firm, in-house training was not that necessary as these auditors usually attended seminars and workshops organized by FIA.

*“For now, we have put away the matter of training and any further attention will only be given to the issue if an assignment is accepted that requires financials to be prepared in compliance with IFRS for SMEs” commented P6.*

To ease the burden of training on accounting firms, FIA had organized seminars and workshops on IFRS for SMEs for all practitioners in Fiji. However, almost 60% of the practitioners interviewed suggested that a two or three hour workshop and/or seminar on IFRS were not that effective. Practitioners have requested for more workshops and seminars, particularly after the first set of financials have been prepared. This will provide them with an opportunity to discuss and solve issues that arose in interpreting and applying the standards on a more consistent basis. As stated by P5,

*“Accounting is more about practice than theory. Even if we attend workshops and seminars, we will still not be able to adequately grasp the concepts if we do not have any SME clients to practise the standard on.”*

Despite these efforts by FIA and with just a few months left for the first set of financial statements to be prepared by SMEs, the responses of practitioners suggest that they are ill prepared for the transition. Practitioners from the big 4 commented that they were the process of organizing in-house training for their staff and should be ready to go ahead with the new framework by the end of the year. However, non-big 4 firms have decided to delay training for their staff as they lack necessary funding and expertise. They would only provide training, if they have sufficient number of clients willing to adopt the standard.

*“Individual practitioners have not shown much interest in the new standard and their efforts in understanding it is almost zero. The reaction has not been the same for IFRS for SMEs as it was for IFRS back in 2007. IFRS was a big thing and CA firms were excited about the adoption. In many firms, the readiness is still not there yet,” suggested P3.*

*“We are still awaiting client response on the matter. The firm partner and managers have attended seminars and workshops organized by FIA on IFRS for SMEs. Any further attention will only be given to the issue if an engagement is accepted that requires financial reports in compliance with IFRS for SMEs,” commented P9.*

Table 1: Summary statistics for the data

	Yes (No of respondents)	No (No. of respondents)
Will the adoption of IFRS for SMEs benefit emerging economies?	8	2
How will IFRS for SMEs benefit Fiji?		
Improve financial reporting	7	3
Attract foreign investors	4	6
What are the likely problems in adopting IFRS for SMEs?		
Additional cost of reporting	7	3
Client reluctance to adopt IFRS for SMEs	4	6
Inadequate training and skills	8	2
Satisfaction of users information needs	6	4
Complexity and suitability of the standard	7	3
Will the profession benefit from the adoption?	8	2
How is the profession likely to benefit?		
By having International best practice and quality reporting	8	2
Increased mobility of local accountants	6	4
Is IFRS for SMEs likely to enhance financial reporting?	7	3
The adoption of IFRS for SMEs requires additional training. Will this training enhance professional competency levels and marketability status?	6	4
Are Chartered Accounting firms in Fiji prepared for the adoption?	3	7
Has FIA provided adequate training and educational support to its members?	5	5
Are seminars and workshops organized by FIA helpful?	4	6
Are CA firms anticipating any major complications from the adoption?	3	7

*This table provides a summary of the responses of practitioners from the interviews conducted.*

Further, the adoption of any new reporting framework is likely to bring about complications and challenges in financial reporting for practitioners. In Fiji, the big 4 firms are not anticipating any major complications in adopting IFRS for SMEs and plan to review financial reporting issues that arise from the standard on a continuous basis with firm partners and managers. Similarly, the non-big 4 firms have also planned to address issues arising from the standard on a case-by-case basis, within the framework of IFRS. While the application of IFRS for SMEs is far simpler than IFRS, the best time to comment on the complications arising from the standard would be after the first year of adoption. A number of practitioners have also pointed out that the title of the standard may give practitioners an incorrect firsthand impression about the overall complexity of the standard.

*“IFRS for SMEs is a far simpler reporting framework. Because it is IFRS, people say it is difficult. The first hand impression left by the title of the standard gives an incorrect picture of the level of difficulty and complexity associated with the standard. If we give them some time to familiarize themselves with it, they will surely come around,” mentioned P8.*

Therefore, the results indicate that the adoption of international reporting standards by emerging economies are important decisions, which require considerable thought by standard setters and regulatory bodies. While benefits from adoption of such reporting frameworks are imminent in developed countries, it is still too soon to comment on whether such benefits would be realized in emerging economies like Fiji. The institutional and regulatory frameworks in developed economies is significantly different from that in emerging economies and for that reason, reporting standards developed in these economies may still be complex for firms in emerging economies. Thus, adequate revisions are necessary to ensure that the requirements of the standard are applicable and suitable to our reporting environment.

The transition to IFRS for SMEs from Fiji Accounting Standards is likely to pose a number of challenges for practitioners in Fiji, including meeting training and educational requirements, information needs of SMEs as well as justifying to SMEs the need for a globalised reporting framework among many others. Small and medium sized reporting entities, however, are more concerned about the costs associated with the transition rather than the perceived benefits from such an adoption. While the results merely

summarize the views of accountants on the issue concerned, it may not be advisable to draw conclusions on the matter so early in the transition. Consequently, our results are in line with the challenges identified in the literature in adopting international reporting standards.

## CONCLUSION

The accounting profession has struggled to rebuild its reputation and restore confidence after the renowned corporate collapses of the new millennium and the demise of Arthur Anderson. The development of globalized principles-based reporting framework may be the only legitimate means of achieving this objective. A single set of reporting standards for all small and medium sized reporting entities should result in a more transparent principles-based reporting that improves comparability and consistency. While SMEs in many jurisdictions have been subject to reporting under national accounting standards, such standards deter comparability of financial statements and are usually outdated. Many jurisdictions around the globe have already adopted IFRS for SMEs and in doing so; have faced several challenges. These challenges have particularly affected the accounting profession in such jurisdictions. While the profession, particularly, the big 4 accounting firms may benefit from globalized reporting standards, local practitioners in emerging economies are likely to remain in the position they were before the adoption. This is because many of their small and medium sized clients are constantly concerned about the extra costs of reporting and may justify noncompliance to the standards based on increased reporting costs.

Further, the reporting requirements under IFRS for SMEs are such that most of them may still not be applicable to SMEs in emerging economies like Fiji. This suggests that wherever guidance has not been provided under the new reporting framework or is provided but not applicable to the current reporting environment, practitioners may refer to the old set of standards for guidance. In other words, careful consideration must be given in deciding whether the full set of IFRS for SMEs should be adopted by emerging economies, or should they use IFRS for SMEs as a reference point in developing their own standards or should such economies adopt IFRS for SMEs with modifications to suit their reporting needs. For that reason, it is advisable for regulatory bodies in emerging economies to give considerable thought to the adoption of IFRS for SMEs and engage in wider consultations before deciding on the matter.

A major limitation with the current study is the small sample size, which makes it difficult to generalize the findings of the research to other emerging economies. In addition, there is always the possibility of practitioners from the same firm having different views on the issue. However, it should be noted that majority of the participants in the interview identified similar themes and issues, therefore it could be suggested that the sample is sufficient for an initial enquiry into the matter. Future research should consider increasing the sample size in order to confirm the findings of the current study. It may also be advisable to consider the implications of adopting IFRS for SMEs on the accounting profession in emerging economies once the first set of financial statements have already been prepared.

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## BIOGRAPHY

Fazeena Hussain is a teaching assistant at the University of the South Pacific. Her research interest lies in the areas of financial accounting and auditing. She can be reached at the University of the South Pacific, Laucala campus, Suva, [hussain\\_f@usp.ac.fj](mailto:hussain_f@usp.ac.fj).

Priyashni Chand is also a teaching assistant at the University of the South Pacific. Her research interest includes corporate governance and financial reporting. She can be contacted at the University of the South Pacific, Laucala campus, Suva, [chand\\_pi@usp.ac.fj](mailto:chand_pi@usp.ac.fj).

Prena Rani is also a teaching assistant at the University of the South Pacific. Her research interest includes earnings management, gender and SME reporting. She can be reached at the University of the South Pacific, Laucala campus, Suva, [rani\\_p@usp.ac.fj](mailto:rani_p@usp.ac.fj).

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