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

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At the turn of the millennium, the many corporate collapses, business failures and fraudulent financial reporting scandals tarnished the reputation of accountants, giving rise to 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 growth of financial markets, resulting in increased investment opportunities in capital markets and the international orientation of businesses 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 increasing 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 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 Foundation, 2010). 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.

Prior literature has mostly examined the impact of IFRS for SMEs on small and medium sized entities (see, for example, Eierle & Haller, 2009; Alp & 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 the enactment of the standards will obviously bring about a number of challenges to the accounting profession in Fiji and affect the future of the profession in a number of 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 challenges faced by 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. Understanding the impact of adopting globalised 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, thereby allowing us to better prepare ourselves for the adoption. We conducted in-depth interviews in order to get perceptions of practitioners on the issue. These practitioners were randomly selected from the big 4 and the non-big 4 accounting firms in Fiji.

The results indicate that the adoption of international reporting standards by emerging economies are important decisions, which require considerable thought on the part of 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 reporting entities 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, SME information needs and justifying to SMEs the need for a globalised reporting framework among many others. The results also indicate that the big 4 have a competitive advantage over the non-big 4 in adopting international standards as their international counterparts provide substantial resources, expertise and training support to them. The big 4 firms are hence in a much better position to adopt international standards like IFRS for SMEs. However, small and medium sized reporting entities 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 perceptions of accountants on the issue concerned, it may not be advisable to draw conclusions on the matter so early in the transition.

In conclusion, a single set of reporting standards for all small and medium sized reporting entities should result in a more transparent principles-based reporting that enhances 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 out-dated. A number of jurisdictions around the globe have therefore adopted IFRS for SMEs and in doing so; have faced quite a number of challenges. These challenges have particularly affected the accounting profession in such jurisdictions in a number of ways. Further, the reporting requirements under IFRS for SMEs are such that most of it may still not be applicable to SMEs in emerging economies like Fiji. This suggests that wherever guidance is not 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 necessary 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.

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