

IFRS adoption in ASEAN countries

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in ASEAN
countries

Perceptions of professional accountants from Singapore, Malaysia and Indonesia

211

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Abstract

Purpose – The purpose of this paper is to examine the perceptions of professional accountants from three countries from the Association of South East Asian Nations (ASEAN) in order to evaluate their perceived benefits associated with the adoption of International Financial Reporting Standards (IFRS) in their respective nations as well as the implications of these standards for the accounting and auditing professions in their country of practice. It also explores the extent to which the adoption of IAS/IFRS accounting standards have been supported by the state, media and local professional accounting bodies.

Design/methodology/approach – The study uses survey approach to seek perceptions of professional accountants in these three countries with a view to understanding their perceptions regarding the socio-economic issues related to the adoption of the IFRS and role of social institutions. The study also uses appropriate statistical tests for interpretation of the data.

Findings – The analysis of the data shows that accounting professionals in Singapore, Malaysia and Indonesia strongly supported IFRS adoption; their opinions did not differ significantly by place of training, experience or professional qualifications. Respondents agreed that their countries benefited economically from harmonisation with global accounting standards. The surveyed accountants believed that pressure from international agencies was instrumental in the adoption of IFRS in the region. The findings also show that governments, the media and professional accounting bodies have supported the adoption, communication and application of IFRS.

Originality/value – This is the first study examining the role of social and professional institutions in the adoption of the IFRS and one which also provides an inter-country comparison of accountant's perspectives on adoption of the IFRS among three ASEAN countries.

Keywords Harmonization, IFRS adoption, ASEAN countries

Paper type Research paper

1. Introduction

The institutions of accounting world are in the process of assimilating a universal language amidst a fast changing world. Financial boundaries between countries are fading due to international trade, international economic and political interdependence, technological advancements, the growth of international financial markets, increased foreign direct investment and the influence of international organisations (Chand *et al.*, 2008; Tyrrall *et al.*, 2007). The decline of financial boundaries allows big businesses to approach international capital markets to expand their business operations (Haller *et al.*, 2009; Rezaee *et al.*, 2010). In response to increasingly international investment patterns and cross-listing of multinational corporations, global efforts to harmonise accounting standards have proceeded apace on the assumption that a financial reporting system



supported by strong governance, high-quality standards and a firm regulatory framework is the key to economic development. Indeed, sound, internationally accepted financial reporting standards (FRS) underpin the trust that investors place in financial reporting information and thus contribute substantially to economic development (Chakrabarty, 2011). Global adoption of International Financial Reporting Standards (IFRS) is proposed to result in the enhanced usefulness of general purpose financial statements, better quality of financial communication, improved comparability and transparency in the reported results of businesses in different countries, and meeting the needs of international users of financial information (Collett *et al.*, 2001; Rezaee *et al.*, 2010). Such a kind of “accounting consensus” (Sunder, 2009) is a process under evolution as accounting and auditing community of different countries work with multiple ecosystems. The elements of local business culture, tax laws, training systems and educational levels are embedded into the different accounting systems (Gray, 1988; Jaggi and Low, 2000). Global convergence of business and accounting standards and rules can be achieved though perhaps not as rapidly as some may expect.

The global movement of accounting standards started in 1973 with the establishment of the International Accounting Standards Committee (IASC) which is now known as the International Accounting Standards Board (IASB) (Alali and Cao, 2010; Sacho and Oberholster, 2008). The organisation was begun by the leading professional accounting bodies of Australia, Canada, France, Germany, Japan, Mexico, The Netherlands, the UK, Ireland and the USA (Veron, 2007). The adoption of IFRS developed by the IASB has progressed considerably since; more than 120 countries now either permit or require listed entities to comply with IFRS (Hellmann *et al.*, 2010; Sacho and Oberholster, 2008; Wild, 2009). In 2005, the European Union made it compulsory for listed companies to present their financial accounts in accordance with IFRS. Australia is the first non-European country whose Financial Reporting Council proposed in July 2002 to replace Australian national Generally Accepted Accounting Principles (GAAP) with International Accounting Standards by 1 January 2005, and this proposal was made final in 2004. In other words, Australia followed a timeline close to Europe (Jeanjean and Stolowy, 2008). Other developed nations such as Hong Kong, and New Zealand have made adoption efforts, and Asian countries such as Bahrain, Malaysia, Singapore and Indonesia have completely adopted IFRS or have taken major steps towards adoption. Big economic geographies such as India, China and Japan have already conveyed their confirmation to the adoption process. Such affirmative communication from the countries, like China and India, that in the past have shown reluctance (Lasmin, 2011), can be taken as inevitability of the IFRS gaining stature of worldwide common accounting standards. In 2002, the FASB and IASB embarked on a partnership to improve and converge US GAAP and International Accounting Standards. Many of the major areas of accounting are converged – such as the newly issued revenue recognition standard but not all of them.

Hail *et al.* (2010b) in their study on US adoption of the IFRS reported that the decision to adopt IFRS mainly involves a cost-benefit trade-off between recurring comparability benefits for investors; recurring future cost savings that will primarily accrue to multinational companies; and one-time transition costs borne by all firms and the US economy as a whole, including those from adjustments to US institutions. While the transition has been successfully achieved in Europe and Australia, for example, the depth and breadth of US markets can pose special challenges or potentially greater costs than experienced in other locations. Further to this, in July 2012, the SEC staff issued its final staff report on the *Work Plan for Consideration of Incorporating IFRS*

into the *Financial Reporting System for US* (SEC, 2012). The report aimed to consider specific issues relevant to the commission's determination as to where, when and how the current financial reporting system for US issuers should be transitioned to a system incorporating IFRS. However, this report did not make any recommendation to the commission. A number of unresolved issues are identified in the report including the diversity in how accounting standards are interpreted, applied and enforced in various jurisdictions around the world; the potential cost to US issuers of adopting or incorporating IFRS; investor education; and governance.

Clearly, convergence towards, or the adoption of, IFRS has advantages and disadvantages (Jeanjean and Stolowy, 2008). Further, these may impact differently on developed and developing countries. The IFRS Foundation has recognised the need to understand the impact of IFRS adoption in different parts of the world, especially in developing or emerging economies. To date little is known about this topic with respect to members of the Association of South East Asian Nations (ASEAN), which includes some of the world's fastest-growing economies. ASEAN was formed in 1967; it is a regional political and economic grouping made up of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, which are the older members of ASEAN. Vietnam, Laos, Cambodia and Myanmar joined in the late 1990s. ASEAN countries had 600 million people, combined gross domestic product of US\$1.5 trillion and total trade of US\$1.7 trillion. Recent studies indicate that some ASEAN countries have already adopted IFRS to integrate with the world economy (Yapa *et al.*, 2015).

The development and global implementation of a single set of standards is a difficult goal. Existing literature reports many challenges associated with the adoption and implementation of IFRS (Gallhofer and Haslam, 2006; Hansen, 2004; Leng *et al.*, 2007). Convergence of accounting standards is requiring a joint effort from national governments, stock market regulators, financial statement users, standard setters and the accounting profession (Street, 2002). Joshi *et al.* (2008) claim that nationalism might still present a hurdle to IFRS implementation, as do differences of language and culture (Schipper, 2005) as well as legal orientation in code-law countries like Spain (Navarro-García and Bastida, 2010). As IFRS commonly require the disclosure of more information than domestic GAAP (Wright and Hobbs, 2010), shifting to IFRS involves costs (Taylor, 2009). Rodrigues and Craig (2007) argued that it might be improper to enforce a single set of IFRS for all reporting entities regardless of their size or country of origin. A study by Alali and Cao (2010) illustrates how public authorities in different countries had hindered the adoption of accounting standards in the European Union, the USA, the UK and China. Nurunnabi (2015) highlights that socio-cultural factors can play a very critical deterrent in the implementation of IFRS in developing countries: in Bangladesh the high levels of corruption and poor execution by the government were found to be discouraging for global policy makers. This is quite in line with research findings of another study by Herbert *et al.* (2013) on Nigerian accountants and academics. Despite IFRS being implemented in 2012 in Nigeria, the level of awareness was found very low and IFRS training curriculum implantation was considered the most important step for any future success of IFRS. For example, Pelucio-Grecco *et al.* (2014) find that a transition to complete implementation of IFRS has a "restrictive effect" on the earnings management of non-financial companies of Brazil whereas Zhang *et al.* (2013) from China find a positive effect of the same on the earnings management. Clearly, the response from within a nation or a region can be variable.

Prior research also analyses perceptions about advantages and benefits of IFRS adoption in Bahrain (Joshi *et al.*, 2008), in Australia (Pawsey, 2008), in the USA

(Rezaee *et al.*, 2010); perceived costs of IFRS adoption in Bahrain (Joshi *et al.*, 2008), in Greece (Sykianakis *et al.*, 2011) and in Australia (Morris *et al.*, 2013); perceived challenges of IFRS implementation in Croatia (Baldarelli *et al.*, 2007); Germany (Heidhues and Patel, 2008); and perceived readiness of IFRS implementation in Portugal; Guerreiro *et al.* (2008) and Omri and Akrimi (2011) in Tunisia.

Participants of these studies include the preparers of financial reports (Pawsey, 2008), finance executives (Sykianakis *et al.*, 2011), auditors (Joshi and Al-Bastaki, 2002), academics (Rezaee *et al.*, 2010), investors (Joos and Leung, 2012) and other users of financial reports (Georgiou, 2010). However, empirical research on similar issues in developing economies in Asia is lacking due to late adoption of IFRS in the region. From the ASEAN countries, there are recent studies on Malaysia (Yeow and Mahzan, 2013), Vietnam (Phan and Mascitelli, 2014; Phan, 2014) and Indonesia (Wahyuni, 2013).

We aim to fill a gap in the accounting literature by undertaking a critical review of the perceptions of accounting professionals in three ASEAN countries – Singapore, Malaysia and Indonesia – of the adoption of IFRS, the implications for the accounting and auditing professions, and the roles of governments, the media and professional accounting bodies in IFRS adoption and implementation. These countries were selected because they were poised to formally adopt IFRS in 2012, ahead of other ASEAN countries. We were motivated by the need to understand the factors contributing to the slow adoption of IFRS in ASEAN countries, hypothesising that the adoption of IFRS depends on the interplay between socio-economic forces in the reporting jurisdiction. The study aims to make threefold contributions. First, we analyse perceptions of the accounting community from an important region from Asia so that the findings of the study will enable the IASB, financial managers and other interested parties to understand the issues and challenges in implementing IFRS in the region. Second, the study explores the perceptions of professional accountants in Malaysia, Singapore and Indonesia of the role of societal institutions such as governments, the media and professional accounting bodies in the adoption of the IFRS. Third, this study makes an incremental contribution to the literature by comparing three different economies from the ASEAN region in order to help in understanding that different jurisdictions have cultural, legal or other challenges to an immediate full adoption of IFRSs. Overall, this study thus makes a significant contribution to the IFRS literature in context of IFRS adoption in the developing economies. As our main findings suggest that the accounting communities in all three countries support the adoption of the IFRS. There is no significant difference regarding the acceptance of IFRS in these three countries on the basis of nationality, experience and professional qualifications of the respondents. However, a few participants believe that local accounting and auditing requirements are neglected in their countries as a result of the convergence with IFRS.

The remainder of the paper begins with a review of the relevant literature in Section 2. Section 3 describes our research methods. In the fourth section we present and discuss our results. The fifth and final sections contain concluding remarks, discusses the limitations of our work and areas for future research.

2. Review of literature

Most of the research on IFRS comprises quantitative studies relating to their impacts and implications, such as the economic consequences of requiring IFRS for financial reporting, issues related to convergence or conversion (Hail *et al.*, 2010a, b; Wright and Hobbs, 2010), policy factors specific to accounting concepts such as earnings quality (Sun *et al.*, 2011), and attempts to understand the impacts of shifting from national

GAAPs to IFRS on either reported performances (Cordazzo, 2008) or key financial ratios (Bao *et al.*, 2010; Lantto and Sahlström, 2009). Many US studies have assessed the relevance and implementation of IFRS in the context of its benefits to the preparers and users of the financial information (Hail *et al.*, 2010a; Sun *et al.*, 2011). A few studies cover the impacts of IFRS on accounting practices in country-specific contexts (Artikis *et al.*, 2010; Callao *et al.*, 2009) and the relevance of IFRS to different developed and emerging markets, for example, China (Chen *et al.*, 1999), the European Union (Callao *et al.*, 2009), Germany (Haller *et al.*, 2009), Greece (Artikis *et al.*, 2010), Romania (Albu *et al.*, 2011) and South Asia (Jahangir Ali, 2006). Perera and Baydoun (2007) commented on IFRS convergence issues in Indonesia.

The review of the existing literature on IFRS adoption shows that much of the IFRS literature to date consists of analyses of what might happen to company financial statements following the adoption of IFRS (Ahmed *et al.*, 2013; Beckman, 2016; Gebhardt and Novotny-Farkas, 2011), consultancy reports by big four accounting firms advising companies on preparation for the change (PWC, 2014), empirical surveys of the practices or experiences of early adopters in other European countries (Glaum *et al.*, 2013; Verriest *et al.*, 2010; Yip and Young, 2012) and the empirical findings of studies conducted before and after the adoption of IFRS (Fearnley and Hines, 2007). These studies differ in their analysis period, jurisdictional setting, and research design, and they report varying findings. Ahmed *et al.* (2013) conduct a meta-analysis of the extant quantitative and qualitative literature on IFRS adoption. They find that the factors that can influence the financial reporting consequences of IFRS adoption include a country's macroeconomic and financial system, the motivation for adopting IFRS (including preparer incentives), the role of the accounting profession, ownership concentration and the strength of corporate governance. This is not much incongruent from an earlier study (Larson and Street, 2004) done in 17 Eurozone countries that highlighted the emergence of "double-standards system" as the listed companies were supposed to implement IFRS at the earliest while the same was relaxed for non-listed companies. This left some issues of taxation vulnerable in the context of new rules of IFRS regarding financial instruments.

Some important research has addressed the benefits of IFRS from the perspectives of stakeholders such as organisations implementing IFRS and small and medium enterprises (Van Wyk and Rossouw, 2009). Academics and practitioners have published reviews of the quality and implementation effectiveness of IFRS (Barth *et al.*, 2012; Brüggemann *et al.*, 2013; Chen *et al.*, 2014; Lang *et al.*, 2010; Rezaee *et al.*, 2010; Schleicher *et al.*, 2010; Shima and Gordon, 2011; Yao and Koga, 2009). Jermakowicz (2004) studies IFRS adoption in Belgium and argued that the change in accounting regime through adoption of IFRS would increase the competitiveness and the growth of European companies and hasten the realisation of an integrated financial services market. Jermakowicz (2004) lists some key challenges in the process of adopting IFRS, including the complicated nature of some standards, the lack of guidance of first-time IFRS reporting, the underdevelopment of capital market and the weak enforcement of law and regulations. She also highlights the importance of training programs for corporate staff as one of the most important issues of IFRS adoption and advised training to be an ongoing process, as IFRS will remain in the development phase for a long period of time. Uyar and Güngörmüş (2013) in a study of Turkey, find that most of the stakeholders have insufficient information about the differences between full IFRS and IFRS for small- to medium-sized entities (SMEs) indicating needed for education and experience among the accounting professionals. Without adequate training for

accounting professionals in the SME sector, IFRS implementation may be in jeopardy. This is despite the fact observed in Turkey by Kilic *et al.* (2014) that the IFRS implementation year for the SME sector is 2014 and there is quite a high level of its awareness among those professionals working in the sector about this deadline.

Tokar (2005) critically reviews the impact of convergence on auditing firms, focusing on the worldwide adoption of IFRS. She asserted that achieving true convergence of accounting standards is a costly and time-consuming objective; it requires the participating organisations and standard-setting agencies to imagine the future and build new policies, links and committees to create an international infrastructure. She writes that transition to IFRS requires a huge investment of money, people, and institutional leadership, and a significant change in the training of accounting students and accounting professionals. Nevertheless, Tokar (2005) concludes that IFRS adoption is the right objective and one that must be pursued strongly, as it offers enormous opportunities for all involved, but especially for users and preparers of financial statements. Similarly, Joshi *et al.* (2008) examines the perceptions of accounting and auditing professionals concerning IFRS development and implementation in Bahrain. The respondents support the move to adopt IFRS and agree that it could be accomplished gradually with appropriate training programs. Respondents further agree that global IFRS adoption would bring benefits that would outweigh the cost of implementation and other challenges.

Joshi and Ramadhan (2002), in their study of IFRS adoption by small and closely held companies in Bahrain find that external auditors most strongly influence firms to adopt IFRS, followed by banks and management. In total, 31 of the 36 companies (86 per cent) they study apply IFRS and consider IFRS to be very relevant for them. The respondent firms do not find IFRS adoption to be costly; they face few problems in applying IFRS except some interpretation issues. In contrast, Yao and Koga (2009), in their study of mandatory application of IFRS in Japan, reveal Japanese managers' negative attitudes towards IFRS prior to adoption. The main reasons for this negative opinion is that IFRS adoption was not made mandatory, IFRS are inconsistent with Japanese GAAP, and the training systems were inadequate at the time of adoption. Respondents believe that they can maintain the trust and confidence of investors even without adopting the IFRS. The subsequent IFRS adoption in Japan has been slow: at the end of May 2013, only 20 of approximately 3,600 listed companies were using IFRS or had publicly announced their decision to do so (www.ifrs.org, 2013).

Hanefah and Singh (2012) argue that Malaysia must converge to IFRS in order to compete with its ASEAN neighbours and to enhance its foreign investments. They further report that Malaysia is also facing problems in full adoption of IFRS at the initial stages. However, Malaysia has a good platform for an easy adoption due to early progress made by the Malaysian Accounting Standards Board (MASB). They report that, other than the issue of conflict with the treatment of Islamic Banking and Finance and its relations to measurement, disclosures and recognitions based on Sariah and Malaysian Financial Reporting Standards (MFRS) framework, Malaysia is very much steady and on a right track to converge to IFRS as there are no major issues of non-compliance with MFRS. In another Malaysian study, Yeow and Mahzan (2013) conduct a survey-based study and report that respondent companies are adequately prepared for the IFRS convergence. They also find that pressure from regulatory forces have the highest influence on the respondents' preparedness to implement IFRS. Their findings further highlight that IFRS implementation is a challenging task and therefore argue for adequate preparatory actions to be taken by companies in the convergence process. The results of this study

point out some of the pertinent issues that influence the preparedness of companies for IFRS convergence and provide timely feedback to the accounting regulators, professional bodies, standard setters and the other stakeholders in Malaysia.

Around a decade has passed since the three ASEAN countries targeted in this study committed to adoption/convergence to IFRS. Singapore committed to full adoption by 2005, starting in 2003; Malaysia started the convergence to IFRS in 2006, and the Indonesian Institute of Accountants (IAI) committed to remove differences between the Indonesian GAAP and IFRS by the year 2008. The Malaysian accounting profession faces a significant challenge in meeting the deadline for preparing and reporting financial statement compliance with the IFRS (Hanefah and Singh, 2012; Leng *et al.*, 2007) and the Indonesian accounting profession is still in the early stage of IFRS adoption (Wahyuni, 2013). Little or no research has been conducted on issues associated with IFRS adoption in these developing countries, and only a few studies have been conducted specifically on the ASEAN region such as Malaysia, Singapore and Indonesia in the recent years. A study of the differences in perceptions of accountants in various countries has important implications because previous research documents that some of the IFRS are not appropriate to all countries due to different cultures, financial systems and legal frameworks (Schipper, 2005). This paper extends the extant literature by describing the implications of IFRS adoption from the perceptions of two key stakeholder groups: professional accountants working in the South East Asian Region and executives of the professional accounting bodies working on adoption processes. It makes an additional contribution by revealing the role of societal institutions, namely, the media, governments and local accounting bodies, in the adoption of IFRS in ASEAN countries.

2.1 IFRS convergence/adoption in ASEAN

Early on in the globalisation campaign by the IASB, the application of unmodified IAS/IFRS in ASEAN countries was criticised in some previous research (Briston, 1990; Wallace, 1993). Diga (1996) studies the extent of accounting harmonisation among five ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) and show that they had already achieved a high degree of measurement harmonisation in the areas of consolidated financial statements, business combinations, inventory, marketable securities, long-term investments, foreign currency translation methods and research and development expenditures. Diga (1996) also observes little harmonisation in accounting for goodwill, income tax and leases, property, plant and equipment. Diga concludes that the main reason for the low level of harmonisation in the latter areas is the use of flexible and discretionary accounting treatments for similar accounting transactions. This study also highlights the absence of appropriate accounting standards in some countries; for example, Singapore, Malaysia and Thailand had adopted most IAS disclosure requirements into their local rules, but Indonesia and the Philippines had not.

Saudagaran and Diga (1997) examine the similarities and differences in the regulatory environments of the same five ASEAN countries Diga (1996) studied earlier. They find that Indonesia needed to improve the quality of its standards and regulations; and pointed out that similarities in accounting regulations in most of the countries in the region has led to the dominance of a global paradigm of convergence. Saudagaran and Diga (1997) study, however, fails to elaborate on the legislation for financial reporting practices among ASEAN countries, that is, company law, securities and exchange law for companies and law regulating auditors (Ali, 2005). These studies, however, were conducted before 2005, which is before the announcement of IFRS adoption by European Union.

2.2 Indonesia

Indonesian accounting standards draw heavily upon US sources; the Indonesian Accounting Principles (Prinsip Akuntansi Indonesia), formulated by the IAI in 1973, were directly adopted from material published by the AICPA in 1965 (Perera and Baydoun, 2007). On 23 December 2008, the IAI announced that the convergence of local standards and the IFRS should be completed by 2012. Indonesia's approach to IFRS adoption is to maintain its national GAAP (Indonesian Financial Accounting Standards) and converge it gradually with IFRS as much as possible. In March 2013, IASB Chairman Hans Hoogervorst urged Indonesia to fully adopt IFRS without carve outs during his speech in front of Indonesian accountants and key decision makers (Wahyuni, 2013). However, there is currently no plan, and consequently no timetable, for a full adoption of IFRS (Wahyuni, 2013). Indonesia aims to provide a transitional period of 3-4 years for new standards while minimising any gaps between the effective dates of new IFRS and new Indonesian standards. The general approach taken by Indonesia with regard to the IFRS convergence process is to gradually converge the local standards with IFRSs, starting with minimising the significant differences between the two (PWC, 2014).

2.3 Singapore

Singapore's colonial history dictates that its accounting standards and professional training are strongly influenced by British accounting practices. Before 1987, there was no formal standard setting in Singapore and accounting standards were mainly adopted from UK standards. The Singapore Institute of Certified Public Accountants was established in 1987, and it immediately turned to the then-IASC for guidance on standard setting. All IAS standards were examined for propriety of adoption in the Singapore context, and most had been adopted by the end of 1995. Some of the IAS were amended to increase their relevance to Singapore, but the amendments were generally insignificant and the essence of each IAS statement was retained. Singapore has adopted most IFRS and has modified some; they are known locally as Singapore Financial Reporting Standards (SFRS). Singapore-incorporated companies are allowed to use IFRS as issued by the IASB (rather than the SFRS) if the Accounting and Corporate Regulatory Authority of Singapore grants approval. In addition, a Singapore-incorporated company that is listed on both a securities exchange in Singapore and a securities exchange outside Singapore is permitted to use IFRS as issued by the IASB if the foreign securities exchange requires the use of IFRS (2013).

2.4 Malaysia

Before independence in 1957 Malaysia was under British rule for over 80 years, and its accounting standards and reporting practices reflect that history. Malaysian formal accounting standards were gradually aligned with the IAS after their emergence in the 1970s. The Malaysian Association of Certified Public Accountants and the Malaysian Institute of Accountants endorsed IAS in 1977, and they continue to review accounting standards when issued by the IASC and adapt them to local needs. By 1996, most IAS standards had been adopted or were under consideration in Malaysia, with only a few exceptions. Malaysia adopted the FRS regime in 2006; starting from 1 January 2006, Malaysian companies were required to implement all the FRS issued by the MASB in the preparation and presentation of financial statements.

In November 2011, the MASB issued a new MASB approved accounting framework, namely, the MFRS framework. As defined by MASB, the companies that are required

to apply MFRS framework are “Entities Other Than Private Entities shall apply the MFRS framework for annual periods beginning on or after 1 January 2012, with the exception of transitioning entities which are given options to continue with the old FRS framework”. Subsequently, MASB plans that the full adoption of the MFRS Framework will be mandatory to all companies for annual periods beginning on or after 1 January 2013.

Table I presents the IFRS adoption status of Singapore, Malaysia and Indonesia as per the information on the IFRS website of IFRS as on 1 December 2015.

Some studies examine various alternative IFRS adoption options for ASEAN members and colonial influence (Leng *et al.*, 2007; Perera and Baydoun, 2007; Yapa, 2003). Leng *et al.* (2007) survey academics and practicing accountants in Malaysia about IFRS adoption. They conclude that the migration to IFRS would have an effect on overall behaviour across Malaysian companies’ organisations and that staff training is important to ensure a smooth transition. From an interview-based project focused on 20 respondents from Singapore and Malaysia, Yapa *et al.* (2015) find that respondents do not express required confidence about potential IFRS benefits. There is also lack of confidence regarding increase in foreign investment as well as reduction of equity cost and doubts persist among them regarding IFRS benefits in the areas of financial instruments, real estate and agriculture. As far as the internal universe of ASEAN is concerned, there is certainly less research on understanding the implications for the accounting profession or for the accountants who are responsible for the adoption or implementation of IFRS.

2.5 Research questions

Given the paucity of existing research on IFRS adoption in ASEAN countries; the findings of diverse motivations, implementation issues and results in many other parts of the world; and the lack of research involving the views of professional accountants, we seek to answer the following questions:

RQ1. What are the perceptions of professional accountants in Malaysia, Singapore and Indonesia of the benefits of adopting the IFRS and other adoption issues?

| IFRS Progress | Indonesia | Singapore | Malaysia |
|---|---|---------------------------------|------------------|
| Organisation | IAI | MASB ASC | MASB |
| Has made a public commitment in support of moving towards a single set of high-quality global accounting standards? | Yes | Yes | Yes |
| Has made a public commitment in towards IFRSs as that single set of high-quality global accounting standards? | Yes | Yes | Yes |
| Current status of adoption | Not adopted but convergence process has started | Adopted most, but not all IFRSs | Adopted |
| Are IFRSs incorporated into law or regulations? | No | No | Yes |
| Are IFRSs translated into the local language? | No, English only | No | No, English only |

Table I.
IFRS adoption status
of Singapore,
Malaysia and
Indonesia

Source: www.ifrs.org (2013)

- RQ2. What are the perceptions of professional accountants in Malaysia, Singapore and Indonesia of the role of societal institutions such as governments, the media and professional accounting bodies in the adoption of the IFRS?
- RQ3. Do professional accountants in Malaysia, Singapore and Indonesia hold different perspectives on IFRS adoption issues and the role of the state, media and professional accounting bodies in adoption and development of IFRS in the region?

3. Methods

Based on the literature review, we identify issues relevant to IFRS adoption in ASEAN countries then develop and pre-test a survey instrument for professional accountants. In explanatory and/or descriptive research on IFRS and other subjects, questionnaires are used to explore perceptions of the participants on various aspects of change in organisational practices and the environment (Buckingham and Saunders, 2004; Kanakriyah, 2013; Phan and Mascitelli, 2014; Phan, 2014). The questionnaire survey method suits the requirement of the present study as it provides respondents freedom and anonymity. In addition, this method is convenient for reaching sample population spread over multiple locations (Jermakowicz, 2004; Joshi *et al.*, 2008; Morris *et al.*, 2013; Sykianakis *et al.*, 2011). The questionnaire is divided into two major themes: perceptions about IFRS adoption issues and perceptions of the roles played by governments, media and accounting professional bodies in the adoption process. Demographic information is included so as to test for differences in perceptions of accountants with varying attributes.

The questionnaires were administered and collected during July-December 2011 and they were developed in English language. The questionnaire was first pilot tested and revised after obtaining a feedback from those practitioners who are members of the professional bodies in the sample countries. In the pre-testing stage, the researchers wanted to ensure the integrity of the questionnaire, by selecting ten accounting practitioners each from Singapore and Malaysia. The overall feedback from the pilot test responses was very encouraging and the pilot survey respondents advised that they were very interested in the research topic. They believed the study was timely and useful for ASEAN countries and other similar economies as it presents the IFRS implementation case for a large economic belt in Asia. The pilot survey provided a 100 per cent response rate which indicates that the pilot respondents comprehended the questionnaire and responded appropriately to the questions posed.

Professional accounting bodies in Malaysia, Singapore and Indonesia assisted the research team in administration of the questionnaires. The authors administered the questionnaires through the corporate offices of the professional accounting bodies in all three countries to maximise the response rate; 300 questionnaires were distributed in total. Responding to the questionnaire was voluntary and has been kept anonymous for the purpose of securing independent responses. Questionnaire responses relating to perceptions were given on a six-point Likert scale ranging from strongly disagree (1) to strongly agree (6). We use *t*-tests to investigate the significance of differences in the perceptions of accountants by their place of training, experience in the accounting field and highest academic degree. ANOVA was used to test inter-country variation in perceptions.

4. Results and discussion

In total, 98 questionnaires were received but 86 (31 from Indonesia, 30 from Singapore and 25 from Malaysia) were complete and included in analysis. The overall response rate was

28.7 per cent, comparable to those in other studies conducted on professional accountants (such as Rezaee *et al.*, 2010 with 24.4 per cent, Sangster *et al.*, 2009 with 13.8 per cent and Wijewardena and De Zoysa, 1999 with 21.7 per cent in Japan and 23.1 per cent in Australia). Table II contains the key demographic characteristics of the respondents.

Table II shows that most respondents were locally trained, and nearly 90 per cent of the respondents had an undergraduate or higher degree.

Table III explains perceptions of the respondents on IFRS adoption issues based on a six point Likert scale. It also compares mean scores on the adoption issues across three professional and academic characteristics, namely, place of their training

| Characteristics of respondents | <i>n</i> = 86 | % |
|---|---------------|--------|
| <i>Country</i> | | |
| Indonesia | 31 | 36.05 |
| Singapore | 30 | 34.88 |
| Malaysia | 25 | 29.07 |
| Total | 86 | 100.00 |
| <i>Gender</i> | | |
| Female | 49 | 56.98 |
| Male | 37 | 43.02 |
| Total | 86 | 100.00 |
| <i>Local or overseas training</i> | | |
| Local | 70 | 81.40 |
| Overseas | 16 | 18.60 |
| Total | 86 | 100.00 |
| <i>Highest academic degree</i> | | |
| PhD | 6 | 6.98 |
| Masters | 34 | 39.53 |
| Undergraduate | 36 | 41.86 |
| Diploma | 10 | 11.63 |
| Total | 86 | 100.00 |
| <i>Professional qualifications/designation</i> | | |
| Accountant | 21 | 24.42 |
| Registered accountant | 5 | 5.81 |
| Unregistered accountant | 5 | 5.81 |
| Association of Chartered Certified Accountants (ACCA) | 15 | 17.44 |
| CPA from own country | 21 | 24.42 |
| CPA overseas | 13 | 15.12 |
| Tax auditor | 2 | 2.33 |
| Other | 4 | 4.65 |
| Total | 86 | 100.00 |
| <i>Experience (years)</i> | | |
| < 5 | 11 | 12.79 |
| 5-9 | 29 | 33.72 |
| 10-14 | 18 | 20.93 |
| 15-19 | 16 | 18.60 |
| 20+ | 12 | 13.95 |
| Total | 86 | 100.00 |

Source: Survey data respondent's demographic characteristics

Table II.
Respondents'
demographic
characteristics

Table III.
Perceptions on the
IFRSs adoption
issues

| Statements | % Agreed | Mean score | SD of score | Nationality | | Experience | | Professional qualification | |
|--|-------------|---------------|----------------|----------------------------|----------------------|---------------------------|-----------------|------------------------------------|--------------------|
| | | | | Local (n = 70) | overseas (n = 16) | High (n = 46) | Low (n = 40) | Professional degree (n = 48) | Others (n = 38) |
| 1. Our country has adopted/converged with IFRS, and I believe that we have gained economic benefits to our wider society | 46.70 | 3.79 | 1.504 | 3.8571 <i>t</i> = 0.856 | 3.50 | 3.76 <i>t</i> = -0.196 | 3.83 | 3.58 <i>t</i> = -1.446 | 4.05 |
| 2. Our financial reports are available on public websites based on converged IFRS | 32.23 | 3.52 | 1.32 | 3.54 <i>t</i> = 0.287 | 3.44 | 3.39 <i>t</i> = -0.996 | 3.68 | 3.58 <i>t</i> = 0.473 | 3.45 |
| 3. Our local accounting associations are regularly conducting surveys on member issues about IAS/IFRS | 27.74 | 3.73 | 1.03 | 3.69 <i>t</i> = -0.878 | 3.94 | 3.65 <i>t</i> = -0.771 | 3.83 | 3.65 <i>t</i> = -0.873 | 3.84 |
| 4. Local accounting and auditing requirements have been neglected as a result of the convergence with IFRS | 10.47 | 3.27 | 0.85 | 3.24 <i>t</i> = -0.561 | 3.38 | 3.35 <i>t</i> = 0.994 | 3.18 | 3.15 <i>t</i> = -1.509 | 3.42 |
| 5. It is good to have IFRS standards rather than our local standards | 25.42 | 3.72 | 1.01 | 3.64 <i>t</i> = -1.505 | 4.06 | 3.59 <i>t</i> = -1.32 | 3.88 | 3.56 <i>t</i> = -1.646 | 3.92 |
| 6. IFRS have been adopted in my country under pressure from international agencies | 24.09 | 3.69 | 1.00 | 3.64 <i>t</i> = -0.839 | 3.88 | 3.57 <i>t</i> = -1.20 | 3.83 | 3.52 <i>t</i> = -1.748 | 3.89 |

Note: **, *Significant at the 0.05 and 0.01 levels, respectively

(i.e. nationality), experience of the respondents and the nature of their qualifications. *t*-Test has been used to compare their mean scores to understand the differences across various groups.

As shown in Table III, nearly half of the respondents agree that IFRS convergence/adoption had produced economic benefits for the wider society as the mean score of the overall response for all the above six statements is more than three on a six point Likert scale. The level of agreement is not impacted by either professional qualifications, the place of their training (i.e. nationality), or the experience of the respondents, although locally trained accountants are more convinced of the benefits of convergence/adoption of IFRS than the accountants who had received overseas training. Almost one-third of the respondents believe that financial reports with IFRS convergence were available on public websites. Just over a quarter of the respondents express the opinion that local accounting associations in their countries regularly conducted surveys on member issues about adoption of IFRS; this implies that members of the professional bodies have been continuously involved and much active in the standard-setting process, particularly with regard to IFRS issues, thereby facilitating the process of implementation of IFRS in ASEAN countries. In terms of negative implications of adoption of IFRS, a small minority of participants expressed the concern that local accounting and auditing requirements had been neglected in their countries as a result of the convergence with IFRS. This view is supported by more than a quarter of respondents preferring IFRS over their local standards even before the standards have been fully adopted by these countries because the adoption road map issued by the IASB intended to achieve complete adoption by 2012 in Malaysia and Singapore and 2015 in Indonesia (PWC, 2014). It is interesting to find that 25 per cent of the surveyed accountants believe that pressure from international agencies was instrumental in the adoption of IFRS in ASEAN countries.

Table IV summarises the perceptions of accountants about the roles of societal institutions such as the financial media, governments, local accounting bodies and accounting standard-setting bodies in developing and implementing IFRS. Overall, respondents agree that these societal bodies have played a leading role in the adoption, communication and application of IFRS in their respective countries. Similarly, major professional accounting bodies worldwide have endorsed the adoption of IFRS and support the convergence processes. The findings support the view that the role of local professional accounting bodies is to endorse the international accounting standards and support their members in the adoption process (Brown and Tarca, 2005; Jones and Higgins, 2006). However, Chua and Taylor (2008) argued that historical institutionalisation of accounting standards setting within national agencies was generally sponsored by local accounting professional associations and they had a greater role to play than just endorsing international accounting standards (e.g. the Australian Accounting Standards Committee was originally sponsored by CPA Australia and the Institute of Chartered Accountants in Australia).

Just over a third of the respondents were convinced that their government is playing a lead role in the adoption/convergence process. Almost a quarter of the respondents feel that the financial media provided adequate information after adoption of IFRS. In Table IV we posed a question "Accounting standards setting bodies are progressively abandoning the 'historic cost' model and adopting the 'fair value' approach. We believe it is good for our corporate sector". We decided to pose this question to find out the respondents' experience on the fair value approach. Fewer than 40 per cent of the participants agreed that the progressive shift from a historic cost model to a fair value

Table IV.
Perceptions on the
challenges and role
of societal
institutions

| Statements | % Agreed | Mean | SD | Nationality | | Experience | | Professional qualification | |
|--|----------|------|------|---------------------------|-------------------|----------------------------|--------------|------------------------------|-----------------|
| | | | | Local (n = 44) | overseas (n = 13) | High (n = 46) | Low (n = 40) | Professional degree (n = 48) | Others (n = 38) |
| 1. The media provides adequate information after the adoption of IFRS in our corporate sector | 22.09 | 3.62 | 1.02 | 3.61 <i>t</i> = -0.038 | 3.63 | 3.807 <i>t</i> = 1.861* | 3.40 | 3.52 <i>t</i> = -0.976 | 3.74 |
| 2. The state played a leading role in the convergence efforts with IFRS in my country | 38.05 | 3.76 | 1.25 | 3.69 <i>t</i> = -1.085 | 4.06 | 3.93 <i>t</i> = 1.427 | 3.55 | 3.58 <i>t</i> = -1.442 | 3.97 |
| 3. Our local accounting body was very much in favour of the convergence with IFRS | 43.88 | 4.03 | 1.28 | 3.94 <i>t</i> = -1.404 | 4.44 | 3.91 <i>t</i> = -0.947 | 4.18 | 3.96 <i>t</i> = -0.622 | 4.13 |
| 4. Accounting standards setting bodies are progressively abandoning the "historic cost" model and adopting the "fair value" approach. We believe it is good for our corporate sector | 37.05 | 3.80 | 1.21 | 3.77 <i>t</i> = -0.495 | 3.94 | 3.89 <i>t</i> = 0.732 | 3.70 | 3.54 <i>t</i> = -2.309* | 4.13 |

Note: *, ** Significant at the 0.05 and 0.01 levels, respectively

Source: Survey data collection and SPSS outcome

approach will have positive repercussions for the corporate sector. There have also been concerns raised with regard to use of “fair value” model. For example, Hitz (2007) argues that shift towards a fair value model from the historical cost model may turn out to be theoretically weak and it needs further clarifications from the standard setters. On the contrary, Adibah *et al.* (2013) in their study on Malaysia support fair value accounting with an argument that the movement towards fair value accounting from historical cost accounting is expected to result in financial statements that are more relevant, timely, credible and transparent. They further argue that the extensive use of fair value shall have impact on the standards related to share-based payments (FRS2), business combination (FRS3), property plant and equipment (FRS116), impairment of assets (FRS136), intangible assets (FRS138) and investment properties (FRS140). Respondents with high levels of experience were more appreciative of the role of media in providing adequate information after IFRS had been adopted than those participants with less experience. The views of accountants holding a professional degree vs respondents holding any other degree differ significantly on this particular issue.

As shown in Table V, the Indonesian accountants surveyed are more convinced of the maximum economic benefits of IFRS adoption to the wider society than their counterparts in Singapore and Malaysia in the sample with mean response of 4.32. Their perspective on the economic benefits to the society differ significantly from the views of accountants in Singapore and Malaysia (F -value 3.385 and $p < 0.05$), where the mean response is 3.60 and 3.36, respectively. A minority of accountants in Indonesia, Singapore and Malaysia agree with the statement that financial reports on converged IFRS are available on public websites. Just over a third of the respondents in Singapore, a quarter in Indonesia and a fifth in Malaysia believe that local accounting associations are regularly conducting surveys on member issues about IFRS in order to facilitate smooth adoption of IFRS. No statistically significant differences exist between the aggregated views of the accountants across countries in the context of addressing the issues of members with regard to the adoption of IFRS. No Singaporeans, but a small minority of Indonesians and Malaysians, express concerns over neglect of local requirements as a result of the convergence with IFRS. This view differs in a statistically significant manner ($F = 5.493$ and $p < 0.01$) across accountants from the three countries. Indonesian respondents express maximum concern over neglecting of local accounting and auditing requirements as a result of the convergence with IFRSs. A small minority of respondents in all countries favour IFRS over local standards. A large minority of Indonesian accountants believe that pressure from international agencies to adopt IFRS is the primary reason for its adoption in their country; smaller (but not significantly different) proportions of participants from Singapore or Malaysia hold the same view. For example, Yeow and Mahzan (2013) reveal that coercive forces from stakeholders, especially regulatory forces influence their preparedness to implement IFRS in Malaysia. In another study, Poudel *et al.* (2014) conducted on a non-colonised in a non-colonised country like Nepal, it was found that IFRS implementation was not at all a local agenda rather it was only an external imposition under the pressure of global lending agencies like Asian Development Bank, IMF and the World Bank. Similarly, Yapa *et al.* (2011) reveal that there is concern in both Malaysia and Indonesia about IFRS being introduced by authorities under international pressure without considering cultural, religious and societal variations around the globe.

Table VI enables comparison of the participants' perceptions of the role of media, state and local professional bodies in the adoption and implementation of IFRS. A higher percentage of Singaporean accountants perceive the media provided adequate

| Statements | Respondents agreeing | Mean score | SD of score | ANOVA for countries | |
|--|-------------------------|---------------|----------------|------------------------|---------|
| | | | | F-value | Sig. |
| 1. Our country has adopted/converged with IFRS, and I believe that we have gained economic benefits to our wider society | Indonesia (61.29) | 4.32 | 1.25 | 3.385 | 0.039* |
| | Singapore (43.33) | 3.60 | 1.65 | | |
| | Malaysia (36.00) | 3.36 | 1.47 | | |
| | Total | 3.79 | 1.50 | | |
| 2. Our financial reports are available on public websites based on converged IFRS | Indonesia (32.26) | 3.39 | 1.43 | 0.783 | 0.460 |
| | Singapore (43.33) | 3.77 | 1.38 | | |
| | Malaysia (20.00) | 3.40 | 1.08 | | |
| | Total | 3.52 | 1.32 | | |
| 3. Our local accounting associations are regularly conducting surveys on member issues about IAS/IFRS | Indonesia (25.81) | 3.87 | 0.96 | 0.492 | 0.613 |
| | Singapore (36.67) | 3.70 | 1.18 | | |
| | Malaysia (20.00) | 3.60 | 0.96 | | |
| | Total | 3.73 | 1.03 | | |
| 4. Local accounting and auditing requirements have been neglected as a result of the convergence with IFRS | Indonesia (25.58) | 3.65 | 0.95 | 5.493 | 0.006** |
| | Singapore (0) | 3.00 | 0.59 | | |
| | Malaysia (8.00) | 3.12 | 0.83 | | |
| | Total | 3.27 | 0.85 | | |
| 5. It is good to have IFRS standards rather than our local standards | Indonesia (35.48) | 4.03 | 0.91 | 2.465 | 0.091 |
| | Singapore (23.33) | 3.60 | 1.04 | | |
| | Malaysia (16.00) | 3.48 | 1.05 | | |
| | Total | 3.72 | 1.01 | | |
| 6. IFRS were adopted under pressure from international agencies in my country | Indonesia (41.94) | 4.00 | 1.18 | 2.552 | 0.084 |
| | Singapore (13.33) | 3.47 | 0.86 | | |
| | Malaysia (16.00) | 3.56 | 0.82 | | |
| | Total | 3.69 | 1.00 | | |

Table V.
Perceptions on the IFRSs adoption issues across countries

Note: *,**Significant at the 0.05 and 0.01 levels, respectively

information after adoption of IFRS compared too Indonesian or Malaysian participants, but this difference was not statistically significant. The Indonesian accountants are of the opinion that the state played an influential role in the convergence efforts and that their local accounting body favoured convergence; the percentage of Indonesian participants reporting these views are significantly greater than the corresponding figures for the large minorities of Singaporean and Malaysian participants – they

| Statements | Respondents agreeing country (% agreeing) | Mean | SD | ANOVA for countries | |
|--|---|------|------|------------------------|--------|
| | | | | F-value | Sig. |
| 1. Media provides adequate information after the adoption of IFRS in our corporate sector | Indonesia (9.68) | 3.39 | 0.99 | 1.49 | 0.23 |
| | Singapore (40) | 3.83 | 1.12 | | |
| | Malaysia (16) | 3.64 | 0.91 | | |
| | Total | 3.62 | 1.02 | | |
| 2. The government played a leading role in the convergence efforts with IFRS in my country | Indonesia (64.52) | 4.48 | 0.85 | 10.62 | 0.00** |
| | Singapore (26.67) | 3.50 | 1.14 | | |
| | Malaysia (20) | 3.16 | 1.40 | | |
| | Total | 3.76 | 1.25 | | |
| 3. Our local accounting body was very much in favour of the convergence with IFRS | Indonesia (70.97) | 4.71 | 1.10 | 7.85 | 0.00** |
| | Singapore (30) | 3.63 | 1.13 | | |
| | Malaysia (32) | 3.68 | 1.35 | | |
| | Total | 4.03 | 1.28 | | |
| 4. Accounting standards setting bodies are progressively abandoning the "historic cost" model and adopting the "fair value" approach. We believe it is good for our corporate sector | Indonesia (45.16) | 4.32 | 0.75 | 6.36 | 0.00** |
| | Singapore (43.33) | 3.73 | 1.31 | | |
| | Malaysia (20) | 3.24 | 1.30 | | |
| | Total | 3.80 | 1.21 | | |

Table VI.
Perceptions on the
challenges and role
of societal
institutions across
countries

Note: **, **Significant at the 0.05 and 0.01 levels, respectively

support the value of the progressive shift from a historic cost model to a fair value approach. The observation of accountants in different countries differ significantly on this statement because the application of fair value has been a complex issue, which is mainly due to a greater degree of professional judgement being required.

5. Conclusions, limitations and suggestions for future research

The nature of IFRS project is itself full of comprehensive and complex detailing. In a world with a couple of hundred countries with multiple levels of difference with regard to the regulatory framework, internal evolution of local accounting bodies, general levels of financial literacy and socio-cultural factors, there is bound to be a long journey before the new accounting standards become assimilated in the conventional systems of the individual nations. In such a density of challenges, step-by-step and country-by-country clarification of the issues is the best method of reaching some sort of theoretical convergence. In this paper, we examined accountants' perceptions of the adoption of IFRS and the role played by the state, the financial media and the professional accounting bodies in Singapore, Malaysia and Indonesia. Our results suggest that the accounting communities in all three countries support the adoption of the IFRS (as shown in Table I). However, some significant differences are evidenced with regard to adoption of the "fair value" approach rather than historical cost approach based on professional qualifications of the respondents. Few participants believe that local accounting and auditing requirements had been neglected in their countries as a result of the convergence with IFRS. This suggests the speed of realisation of ASEAN trade, integration with global accounting standards and ensuring ASEAN's centrality in the global business has influenced the accounting standards in the respective countries to converge their local standards with IFRS or complete adoption of the IFRS.

Our analysis of the perceptions of members of professional accounting bodies in three ASEAN countries contributes to the existing accounting literature on IFRS adoption. The findings testify to the merits of current accounting standard convergence efforts, and argue for the importance of adoption of the IFRS in the rapidly developing economies of the ASEAN region. The perspectives of the professional accountants surveyed for this study are relevant to the matter of global convergence of accounting standards and are useful to policy makers and regulators involved in the convergence project in different parts of the world. Professional accounting bodies in developing economies can use these perspectives to educate their members on IFRS issues and organise training programs, and they will give professional accountants a greater understanding of the benefits of IFRS adoption for the wider business community.

Our data highlight that accountants in Singapore are more positive about the economic benefits of IFRS adoption to the wider society than their counterparts in Malaysia and Indonesia; this may be due to the fact that they have witnessed the successful adoption of IFRS in their country. Accountants in the three countries, particularly in Singapore, agreed that state and local professional accounting bodies play a significant role in the IFRS adoption process. This may be due to the strategic use of the media by the accounting regulators and professional accounting bodies in Singapore to build a strong case for the adoption of the IFRS. The findings of the study are similar to those of Fox *et al.* (2013), who find that the implementation of international standards varies from country to country. On the question of acceptance of IFRS in respective countries, there is not much divergence from the earlier study (as done in USA by Bozkurt *et al.*, 2013; but when the question of specificity arises, the results of another US study McEnroe and Sullivan, 2013) repeated as most of the accountants prefer rules-based accounting regime over the principles-based regime of IFRS. They suggest that the IASB should recognise that individual countries have a unique stakeholder perspective which may make adjustment to standards more difficult. Standard setters need to be aware of the differing national costs and benefits of the standards that they set. SEC (2012) staff report also emphasised to consider the issue of diversity in accounting standards, including IFRS interpretations; the potential cost to issuers of adopting or incorporating IFRS; investor education; and governance challenges before advocating the global adoption of one single set of accounting standards.

Our results should be of interest to the professional accounting bodies involved in implementing the changes necessary to harmonise local accounting practices and the international accounting standards. Our results also may help standard setters from ASEAN countries and other countries in the region in improving the process of convergence between local accounting standards and IFRS for all companies. The professional accounting bodies and the users of accounting information also should benefit from the findings because they highlight the commonality across three ASEAN countries as to their issues related to the adoption of IFRS. It is also likely to be beneficial to the IASB, professional accounting associations, public accounting firms and regulators in their efforts to promote the worldwide adoption of international standards. From the contribution perspective, the findings of the study may provide an overview to developing countries regarding reasons, challenges and implications in adopting the IFRS. The study findings imply that IFRS benefits to developing countries are different to the benefits enjoyed by the developed countries in the Western world. The IASB are certainly aware that the objective “a single global high quality set of financial reporting standards” cannot be achievable if developing countries like Malaysia and Indonesia do not fully adopt IFRS but selectively adopt

standards reflecting their current practices or meeting their national interests. Moreover, it is also important for the IASB to be aware that there is a need for improving IFRS from the perspective of the difficulties faced by less developed economies in implementing the standards.

Our study is not free from the usual limitations of survey-based research, such as a low-response rate and the personal biases of the respondents. Nevertheless, our overall response rate of 28.7 per cent is comparable with previous studies on professional accountants on the adoption of IFRS or harmonisation of the accounting practices. As professional accountants are responsible for implementing global accounting practices, we cannot rule out the possibility that they might have provided politically acceptable answers instead of their personal views. However, other interview-based research into the adoption of the IFRS in Malaysia, Singapore and Indonesia confirms our findings (Yapa *et al.*, 2011). This discussion about the role of the state, media and professional accounting bodies in developing the case for the adoption of the IFRS in the ASEAN context is just another story about the application and adoption of the accounting change and a call for more in-depth studies on the impacts of the adoption of global FRS in the region. Further investigation is required to explore the extent to which ASEAN countries will respond to the international pressure to adopt IFRS.

The present study is conducted primarily in the pre-adoption period – i.e., 201 – and personal attributes of individual respondents such as education, professional membership, working experience have been considered for the purpose of this research. Future study could investigate these relationships on a larger sample in the post-adoption or convergence period in order to understand the IFRS adoption experience for each country or to explore general adoption impacts for the ASEAN region. Longitudinal research in these three locations may make further contribution to enhance an understanding whether the support of IFRS adoption change after the adoption process has been completed. In addition, studies may be conducted on a larger sample with a view to provide insights into the interaction of different dimensions by using other statistical and analytical methodologies such as structural equation modelling, factor analysis, etc. Interviews with regulators and members of professional bodies may help the researchers in understanding behavioural perspectives for the IFRS adoption. Future research could also be undertaken by exploring how IFRS are perceived and used by other respondent groups such as investors, institutional lenders, share brokers, financial analysts and various regulators.

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Further reading

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(The Appendix follows overleaf.)

Survey Questionnaire

Section 1 Demographic Information

Please place a tick in the appropriate box.

1. Age

20 - 24 years

35 - 39 years

25 - 29 years

40 years and older

30 - 34 years

2. Gender

Male

Female

3. How long have you been in an accounting and auditing career?

Less than 5 years

15 to 19 years

5 to 9 years

20 years and longer

10 to 14 years

4. Please specify your highest education.

Ph.D degree

Local

Overseas (Please specify country

Master degree

Local

Overseas (Please specify country

Undergraduate degree

Local

Overseas (Please specify country

Diploma

Local

Overseas (Please specify country

5. Please specify the highest or most suitable career that you have held.

- | | |
|--|---|
| <input type="checkbox"/> Accountant | <input type="checkbox"/> Certified Public Accountants (CPA) in your country |
| <input type="checkbox"/> Registered accountant | <input type="checkbox"/> Certified Public Accountants (CPA) from overseas |
| <input type="checkbox"/> Non-registered accountant | <input type="checkbox"/> Tax Auditors (TA) |
| <input type="checkbox"/> Association of Chartered Certified Accountants (ACCA) | <input type="checkbox"/> Other (please specify) |
-

6. In which area do you work?

- | | |
|---|--|
| <input type="checkbox"/> Academic (Training and Education) | <input type="checkbox"/> Information systems |
| <input type="checkbox"/> Consulting | <input type="checkbox"/> Internal auditing |
| <input type="checkbox"/> Corporate accounting/finance | <input type="checkbox"/> Investment and Portfolio Management |
| <input type="checkbox"/> External auditing | <input type="checkbox"/> Public accounting |
| <input type="checkbox"/> In Big Four firms (KPMG, Ernst & Young, Price Waterhouse Coopers and Deloitte Touche Tohmatsu) | <input type="checkbox"/> Taxation |
| <input type="checkbox"/> In local audit firms | <input type="checkbox"/> Other (please specify) |
-
- Financial reporting

Section 2

What are the impacts of adoption of IFRS on wider stakeholders and on the socio-economy in the selected ASEAN countries?

Please indicate with a tick the extent to which you agree with each statement.

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Not Applicable |
|---|----------------|-------|---------|----------|-------------------|----------------|
| a. Our country has adopted /harmonised with IFRSs, and I believe that we have gained economic benefits to our wider society. | | | | | | |
| b. Our financial reports are available on public web sites based on harmonised IFRSs. | | | | | | |
| c. Specific economic benefits could be expected as a result of the adoption of IFRSs. | | | | | | |
| d. Adoption of IFRSs in our corporate sector has created some ambiguities about 'fair value' on financial reporting. | | | | | | |
| e. We have a few daily financial news papers to disseminate financial information after adoption of IFRSs. | | | | | | |
| f. Contents of those financial news papers provide adequate information for the general public to make their financial decisions. | | | | | | |
| g. We have a daily finance report as a part of TV news. | | | | | | |
| h. Media provides adequate information after the adoption of IFRSs in our corporate sector. | | | | | | |
| i. State played a leading role on the harmonisation efforts with IFRSs in my country. | | | | | | |
| j. Our local accounting body was very much in favour of the harmonisation with IFRSs. | | | | | | |
| k. Accounting standards setting bodies are progressively abandoning the 'historic cost' model and adopting the 'fair value' approach. We believe it is good for our corporate sector. | | | | | | |

Section 3

What are the perceived tensions between companies on the potential/adoption of IFRS in the selected ASEAN countries?

Please indicate with a tick the extent to which you agree with each statement.

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Not Applicable |
|--|----------------|-------|---------|----------|-------------------|----------------|
| a. As a result of harmonisation with IFRSs we have severe problems with technical and professional staffing issues for medium and small companies. | | | | | | |
| b. Adopted IFRSs are important standards for our accounting and auditing practices in our country. | | | | | | |
| c. My experience indicates that all adopted IFRSs are not very important. | | | | | | |
| d. There are major tensions on the adoption of IFRSs for medium and small companies in our country. | | | | | | |
| e. Recent financial crisis had an impact on the adoption of IFRSs in our country. | | | | | | |
| f. There are important concerns in my country with regard to adoption of IFRSs as a result of issues on 'Sharia Law' etc. | | | | | | |
| g. There are serious criticisms on the harmonisation with IFRSs that have been received from SME companies. | | | | | | |
| h. Local accounting and auditing requirements have been neglected as a result of the harmonisation with IFRSs. | | | | | | |
| i. It is good to have IFRSs standards than our local standards. | | | | | | |
| j. IFRSs have been adopted as a pressure from international agencies in my country. | | | | | | |

Section 4

How has the accounting profession in the selected ASEAN countries responded to socio-economic factors arising from the resistance/slow adoption of IFRS?

Please indicate with a tick the extent to which you agree with each statement.

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Not Applicable |
|---|----------------|-------|---------|----------|-------------------|----------------|
| a. We have introduced professional education/ training programs on IAS/ IFRSs for members. | | | | | | |
| b. Our local accounting associations are regularly conducting surveys on member issues about IAS/IFRSs. | | | | | | |
| c. Our association's journal receives many articles for publication on the adoption/ harmonisation of IAS/ IFRSs. | | | | | | |
| d. Our association's website has material on the adoption/harmonisation of IAS/ IFRS and 'fair value' issues. | | | | | | |
| e. We have data on the numbers of large and SME companies in our country. | | | | | | |
| f. We are satisfied about the extent of financial education in our country. | | | | | | |
| g. We do not have a strong accounting profession in our country – hence harmonisation with IFRSs provide a strong push for good corporate governance. | | | | | | |

Thank you very much for participating in this survey.

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