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THE ROLE OF ACCOUNTING INFORMATION AND THE RELEVANCE OF IFRS: AN INTERNATIONAL SURVEY OF FINANCIAL OFFICERS, FINANCIAL ANALYSTS AND AUDITORS

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THE ROLE OF ACCOUNTING INFORMATION AND THE RELEVANCE OF IFRS: AN INTERNATIONAL SURVEY OF FINANCIAL OFFICERS, FINANCIAL ANALYSTS AND AUDITORS

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ABSTRACT

The main objective of this study is to determine how individuals involved in the accounting process view the role of accounting information in an economic environment where capital markets are dominant. The study also attempts to determine whether International Financial Reporting Standards (IFRS) play a part in fulfilling this role. To this end, we compare the perceptions of financial officers, financial analysts and auditors from two distinctly different market environments, using Europe as a proxy for a highly developed capital market environment and Brazil as a proxy for a less developed capital market environment. By means of a survey, we investigate whether producers of accounting data (financial officers), users of that data (financial analysts), and controllers of accounting information (auditors) share the same views on the usefulness and goals of the financial accounting process. Extending the study to several countries is a useful means for determining whether and how the economic environment affects the respondents' views of accounting information. We use descriptive statistics, univariate tests and multiple correspondence analyses (MCA) to analyze the responses to our multiple-choice questions. Results suggest that respondents' activity has less influence on their answers than the country where they are located.

RESUMO

O principal objetivo dessa pesquisa é determinar como os indivíduos envolvidos no processo contábil veem o papel da informação contábil em um ambiente econômico, onde os mercados de capitais são dominantes. A pesquisa também tenta determinar se os *International Financial Reporting Standards (IFRS)* desempenham uma parte no cumprimento desse papel. Para este fim, comparam-se as percepções dos diretores financeiros, dos analistas financeiros e dos auditores em dois ambientes de mercado diferentes, usando a Europa como uma variável para mercados de capitais bem desenvolvidos e o Brasil como uma variável para um mercado de capitais menos desenvolvidos. Através de um questionário, identificam-se os produtores das informações contábeis (diretores financeiros), os usuários dessas informações (os analistas financeiros) e os verificadores da informação contábil (auditores) compartilham a mesma opinião sobre a utilidade e os objetivos do processo de contabilidade financeira. Ao estender a pesquisa para vários países, pode-se observar um meio potencial para determinar se e como o ambiente econômico afeta as opiniões dos usuários das informações contábeis. Foi utilizada a estatística descritiva, análise univariada e análise de correspondência múltipla (ACM) para a análise e interpretação dos resultados. Os resultados sugerem que a atividade dos nossos participantes (analista financeiro, auditor ou diretor financeiro) produz menos interferência em seu comportamento ou opinião do que o país em que eles trabalham.

RÉSUMÉ

L'objectif principal de cette étude est de déterminer comment les individus impliqués dans le processus comptable considèrent le rôle de l'information comptable dans un environnement où les marchés financiers sont dominants. L'étude tente également de déterminer la place des *International Financial Reporting Standards (IFRS)* dans l'accomplissement de ce rôle. À cette fin, cette étude compare les perceptions des directeurs financiers, des analystes financiers et des auditeurs dans deux environnements de marché très différents, l'Europe étant caractéristique d'un environnement où les marchés de capitaux jouent un rôle prépondérant dans le financement de l'économie, le Brésil étant caractéristique d'un environnement où les marchés financier sont moins développés. Il s'agit de déterminer par le biais d'une enquête si les producteurs de données comptables (directeurs financiers), les utilisateurs de ces données (analystes financiers) et les contrôleurs de l'information comptable (auditeurs) partagent les mêmes vues sur l'utilité et les objectifs de la comptabilité financière. L'extension de l'étude à plusieurs pays déterminer si et comment l'environnement économique affecte l'opinion des personnes interrogées. Nous avons utilisé des statistiques descriptives, des tests univariés et des analyses des correspondances multiples (ACM) pour analyser les réponses apportées à notre questionnaire. Les résultats suggèrent que l'activité des répondants a moins d’impact sur leurs réponses que les pays où ils sont domiciliés.

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LIST OF ABBREVIATIONS

AICPA	-	American Institute of Certified Public Accountants
APIMEC	-	Association of Capital Markets Analysts and Investment Professionals (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*)
BM&FBOVESPA	-	São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*) and the Brazilian Mercantile & Futures Exchange (*Bolsa de Mercadorias e Futuros)*
BR GAAP	-	Brazilian Generally Accepted Accounting Principles
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
CVC	-	Content Validity Coefficient
CVM	-	Securities and Exchange Commission of Brazil (*Comissão de Valores Mobiliarios)*
EPS	-	Earnings per share
EU	-	European Union
FASB	-	Financial Accounting Standards Board
FEE	-	Federation des Experts Comptables Europeeans
GAAP	-	Generally Accepted Accounting Principles
IAS	-	International Accounting Standard
IASB	-	International Accounting Standards Board
IBEF	-	Association of Capital Markets Analysts and Investment Professionals (*Instituto Brasileiro dos Executivos de Finanças*)
IBRACON	-	Brazilian Institute of Independent Auditors (*Instituto Brasileiro de Auditores Independentes*)
IFRS	-	International Financial Reporting Standards
IOSCO	-	International Organization of Securities Commissions
IPO	-	Initial Public Offering
OCF	-	Observatoire Communication Financiere
SEC	-	Securities And Exchange Commission
SEO	-	Seasoned Equity Offering
US	-	United States

1 INTRODUCTION

This research relies on three observations. a) The globalization of accounting standards under the authority of the International Accounting Standards Board (IASB) has changed the international accounting landscape in-depth. b) Several recent survey studies have reported results shedding new light on major findings of financial accounting theory. c) Most of empirical financial accounting research is conducted in developed countries, providing results that cannot be expanded to developing countries systematically.

The globalization of capital markets has been accompanied by calls for globalization of financial reporting. Because financial accounting is the language of economics and business (Demaria, 2008; Niyama, 2007, p. 15), needs in global accounting regulation has come from the necessity to expand companies' disclosures and make them comprehensible to the community at large, notably to all market participants regardless their citizenship. In this line, the adoption of IFRS was aimed to better satisfy various stakeholders' needs by improving disclosure of financial, and to some extent non-financial, information (Alexander and Servalli, 2010).

Research in financial accounting has taken significant steps in developing sophisticated theories and empirical studies to guide and understand managerial decision-making. Despite enormous advances, several aspects and consequences of accounting decision-making are still not well clarified. Much remains to be explained on how firms' management makes accounting choices, and how firms' stakeholders use accounting information.

In addition to empirical research based on ex-post data, survey studies are frequent in the accounting literature. Most of them are focused on the United States and Europe (e.g., Demaria, 2008; Graham, Harvey and Rajgopal, 2005; Barker, 1998; Pike, Meerjanssen and Chadwick, 1993; Arnold and Moizer, 1984; Moizer and Arnold, 1984). Surveys dealing with financial accounting practices in emerging markets have been for the most part ignored for at least two reasons. The first one comes from difficult access to practitioners interested in contributing to the academic research in developing countries. The second one is that surveys have often a low percentage of questionnaire returns: 18% for Espejo (2008), 10.4% for Graham, Harvey and Rajgopal (2005), 17% for KPMG (2004). Taken together these two factors do not create incentives to use this methodology in such countries. Furthermore, cross-country comparative studies with less developed markets are relatively rare (e.g. corporate disclosures in EUA and India by Singhvi, 1967; emerging markets comparisons by Sevic, 2005; strategic choices in Slovenian firms by Cadez and Guilding, 2007; corporate finance in Brazil and EUA by Benetti, Decourt and Terra, 2007). This is particularly unfortunate insofar as such studies can lead to a better understanding of financial decision-making processes, notably by determining how differences in economic settings affect reporting decisions and the need and use of accounting information.

The main objective of this study is to determine how individuals involved in the accounting process view the role of accounting information both in an economic environment where capital markets are dominant and in an environment with less developed financial markets. The study also attempts to determine whether International Financial Reporting Standards (IFRS) play a part in fulfilling this role. To this end, we compare the perceptions of financial officers, financial analysts and auditors from two distinctly different environments, using Europe as an example of a highly developed capital market environment and Brazil as an example of a less developed capital market environment. Our results are expected to bring better comprehension of accounting disclosure practices in emerging and developed markets and to reveal the main problems raised by the adoption of IFRS.

Our research follows a recent wave of accounting field studies[1] that aim to narrow the gap between academics and practitioners. By means of a survey, we hope to identify whether producers of accounting data (financial officers), users of these data (financial analysts who are shareholders' main advisers), and controllers of accounting information (auditors) share

[1] Most studies are focused on the United States and Europe (e.g., Jermakowicz and Gornik-Tomaszewski, 2006; Barker and Imam, 2008; Graham, Harvey and Rajgopal, 2005; Saghroun, 2003; Barker, 1998; Arnold and Moizer, 1984; Moizer and Arnold, 1984; Demaria, 2008; Paglietti, 2009)

the same views on the usefulness and goals of the financial accounting process and on the globalization of accounting standards through the generalized adoption of IFRS. As mentioned earlier, over the two last decades, capital market development has created need for worldwide accounting rules (Ernst & Young and FIPECAFI, 2009; Hoarau, 1995) and several countries have moved in this direction by implementing IFRS. The European Union (EU) adopted IFRS in 2005[2]. Several other countries did this only some months ago. This is the case of Brazil where IFRS must be applied by listed companies from December 31, 2010 onwards[3] (CVM, 2007). However, although differences in cross-country accounting rules have seriously diminished in recent years, owing to the harmonization efforts of the IASB, US FASB (Financial Accounting Standards Board) and other regulatory bodies, there has not been a corresponding trend in the enforcement of accounting rules (FEE, 2000), which is of concern to standard setters, regulators, and investors (SEC, 2000). In light of these observations, our research aims also at exploring the relevance of these new accounting standards in specific environments[4]. Additionally, by exploring the economic implications[5] of accounting disclosure practices in emerging and developed markets, we want to shed light on aspects that have been previously neglected in financial accounting research. Notably, we want to verify if the same rules can be accepted and used by all stakeholders in all economies, regardless their level of development.

1.1 Objectives and research question

Taking a historical overview of the forces at play, Beaver (1996) considers that factors affecting accounting research are both exogenous and endogenous. Regarding exogenous

[2] The European Community Regulation No. 1606/2002 required all EU listed companies to prepare their consolidated financial statements in accordance with IFRS as from 1 January 2005. Some countries, like Italy adopted for their individual DFs also. For more details see sections 2.4 and 3.5.

[3] "On 28 January 2010 the Brazilian Federal Council of Accounting and the Brazilian Accounting Pronouncements Committee signed a Memorandum of Understanding (MoU) with the IASB that sets end-2010 as the target date for full convergence with IFRSs" (IFRS, 2010). For more details see sections 2.4.

[4] In our research, we divide our sample in six groups of environments/countries (see chapter 3.5).

[5] Zeff (1978), Holthausen and Leftwich (1983) and Bruggemann, Hitz and Sellhorn (2010) use the term "economic implications" to denote the effects of accounting reporting on firm value and on the wealth of those who take decisions on accounting data or are affected by such decisions.

factors, he mentions both the influence of other sciences and the easy access to numerous financial and accounting databases. Data availability has increased the amount of empirical research that has linked accounting figures to market capital data. He also mentions that international accounting organizations and the financial reporting environment have had strong influence on research questions addressed by researchers.

On May 29, 2008 the IASB and FASB jointly published an exposure draft of a joint improved conceptual framework. Chapter 1 of this framework (page 12) defines the goals of financial reporting and the main users of accounting information as follows.

> The objective of financial reporting is to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers. Capital providers are the primary users of financial reporting.

In accordance with increased research on capital market impacts of accounting information and with the corroborating view of IASB and FASB regarding the main users of accounting information, this study analyzes the investor-oriented role of accounting information. It also investigates how IFRS can complete this role and better satisfy investors' information needs. Furthermore, it examines whether expectations regarding financial reporting depend on the level of development of capital markets in which investors operate. Consequently, we can state our research question as follows:

Are IFRS expected to satisfy investors' information needs identically in developed capital market environments and in less developed market environments?

This question raises the three following questions, which will serve as guidelines for the study.

- What are the new needs for accounting information in economies with capital markets that have become increasingly important?
- Are IFRS expected to better satisfy these needs?

- Do these needs depend on the economic environment of firms and, notably, the size of capital markets where companies' shares are traded?

To answer these questions, rather than conducting empirical analyses, we addressed a questionnaire to providers, controllers and users of accounting information. The questionnaire was sent to Chief Financial Officers (CFOs) of listed firms that apply or are expected to apply IFRS in a near future (providers of accounting information), to auditors of firms that comply with IFRS (controller of the information), to financial analysts who issue earnings forecasts or recommendations on stocks of firms applying IFRS (users of accounting information). Concentrating on managers, financial analysts and auditors will help us underline similarities and differences between providers and users of accounting data in the understanding of the usefulness of financial reporting. Focusing on developed and developing countries will help us notice potential similarities and differences associated with the role played by capital markets in the countries under study.

1.2 Motivation of the research

A primary motivation of this study is to provide answers to timely questions that shape modern financial accounting theory. We have listed four questions that structure current research in financial accounting:
- How can accounting information assist investors in their investment decisions?
- What is the respective role of voluntary vs. mandatory disclosure?
- What are the motives and consequences of accounting manipulations?
- What are the characteristics of quality accounting?

A second motivation is to determine whether and how IFRS can improve financial statements. We have listed three major questions raised by IFRS adoption:
- Are data complying with IFRS more informative than those complying with local GAAPs?
- Is fair value accounting relevant?

- What are the problems associated with initial application of IFRS?

A third motivation is to determine whether the "one size fits all" principle applies to IFRS:
- Are IFRS likely to increase the quality of accounting information in all countries regardless the economic environment and the accounting rules and practices that prevailed in the country prior to IFRS adoption?

Our questionnaire is based on a literature survey. This survey aims to understand how producers, controllers and users of accounting information (i.e., CFOs, auditors and equity analysts) consider these issues. The questionnaire includes 22 questions. The part devoted to the role of accounting information, performance measures and earnings management was inspired by the Graham, Harvey and Rajgopal (2005) research. We use this study as a benchmark first because of the relevance of the questions under study, but also because we find it interesting to compare the opinions of US CFOs examined by Graham *et al*. (2005) with those of our respondents. Therefore, we have introduced nine of their twelve questions in our questionnaire. Thirteen other questions are unique to this research, two of them being inspired from Ball (2008) and Demaria (2008).

Our research can be differentiated from that of Graham, Harvey and Rajgopal (2005) in three ways. Firstly, Graham, Harvey and Rajgopal (2005) investigate three topics: the role of accounting information, the relevance of performance measures, and earnings management. We study the same three topics but, in addition, we investigate the ability of IFRS to provide market participants with more accurate information. Furthermore, with regards to the third topic, we expand the analysis of earnings management by including questions on earnings quality. Secondly, instead of focusing on CFOs only, we survey three different agents involved in the accounting process (CFOs, financial analysts and auditors) to determine whether they all share the same views on the usefulness and goals of the accounting process. Thirdly, Graham, Harvey and Rajgopal (2005) applied their questionnaire only in the US. We apply ours in several countries characterized by different governance structures and different level of capital market development.

The questions on IFRS are motivated by the switch from national Generally Accepted Accounting Principles (GAAP) to IFRS in more than 140 countries over a short period of time (Iudicibus *et al*. 2010; KPMG, 2008). Boukari and Richard (2007), Raffournier (2007) and Hoogendoorn (2006) state that the implementation of IFRS represents a transformation of the philosophy underlying accounting rules. This switch is therefore a unique and exceptional opportunity to analyze the relevance of strongly investor-oriented accounting rules. This switch also provides an opportunity to study the technical problems and costs related to the major changes resulting from IFRS adoption. Thus, profiting from this transitional period, our research focuses on the disclosure of mandatory reports and the problems related to the initial adoption of IFRS. Mandatory reports are important to stakeholders and provide valuable information on enterprise performance (Graham, Harvey and Rajgopal, 2005). These reports are broadly released, notably through company websites. Financial analysts use such reports to recommend companies (e.g. Barker and Imam, 2008; Saghroun, 2003; Arnold and Moizer, 1984; Moizer and Arnold, 1984). Auditors use them to investigate and monitor firms (e.g. Nelson, Elliot and Tarpley, 2002; Bocconi, 2002).

Extending the study to several countries is a potential means for determining whether and how the economic environment affects the respondents' views of accounting information. Moreover, emerging markets may serve as convenient laboratories for shedding new light on accounting and finance realities known to be problematic in developed markets. Volatile economic conditions, less liquid capital markets, highly concentrated firm ownership, a non-negligible share of state-owned firms, inefficient and weak institutions, poor monitoring practices, financing restrictions, and large amounts of information asymmetry are among the many distinct features of emerging markets. Such imperfections exacerbate issues thought to be important for accounting decision-making.

A final and important observation must be made on prior research in this field. There has not been a combined study of finance directors, financial analysts and auditors, despite the fact that these groups are mutually influential. The evidence resulting from this research, therefore, will offer a unique opportunity to develop a well-grounded theory based on primary information coming from agents with clearly distinct positions. Some elaborate accounting data. The others use these data.

This research contributes to the literature in three ways. First of all, it applies the field study method to financial accounting, which, to date, remains a relatively unusual approach in this discipline. Secondly, it focuses on an emerging market context, which is even more unusual in this field. Finally, by employing identical questionnaires in different capital market environments, the study highlights the similarities and differences between emerging and developed markets.

1.3 Structure of the dissertation

The rest of the dissertation proceeds as follows. Chapter II analyses the theoretical framework underlying the questions of the survey. The research design is described in chapter III. It explains the research method along with the procedures used to design the questionnaire, to collect and analyze the data, as well as the sampling procedure. Chapter IV presents descriptive statistics and univariate tests. The multiple correspondence analyses and results are presented in Chapter V. Conclusions and suggestions for future research are presented in chapter VI.

2. THEORETICAL FRAMEWORK

This chapter describes the conceptual background of the questionnaire, which consists in the theoretical framework, and empirical evidence on the four topics under study: the role of accounting information, performance measures, earnings quality and earnings management, the inputs of IFRS. The chapter is divided into four sections just like the questionnaire. Figure 1 shows how both the chapter and the questionnaire are organized.

The first section deals with the role of accounting information. The second section introduces the performance measures based on accounting figures. In a first step, we discuss the relevance of performance metrics. In a second step, we put forward the benchmarks used to gauge firm performance. The third section reviews the theory and the empirical evidence on earnings quality and earnings management. The last section is devoted to the contributions of IFRS and to the problems associated with their initial application. It reviews the research dedicated to the impacts of IFRS adoption on the quality of accounting figures, information asymmetry and the cost of equity of adopting firms. To conclude the chapter, we analyze the respective roles of financial analysts and auditors as intermediaries between firm management and capital market participants.

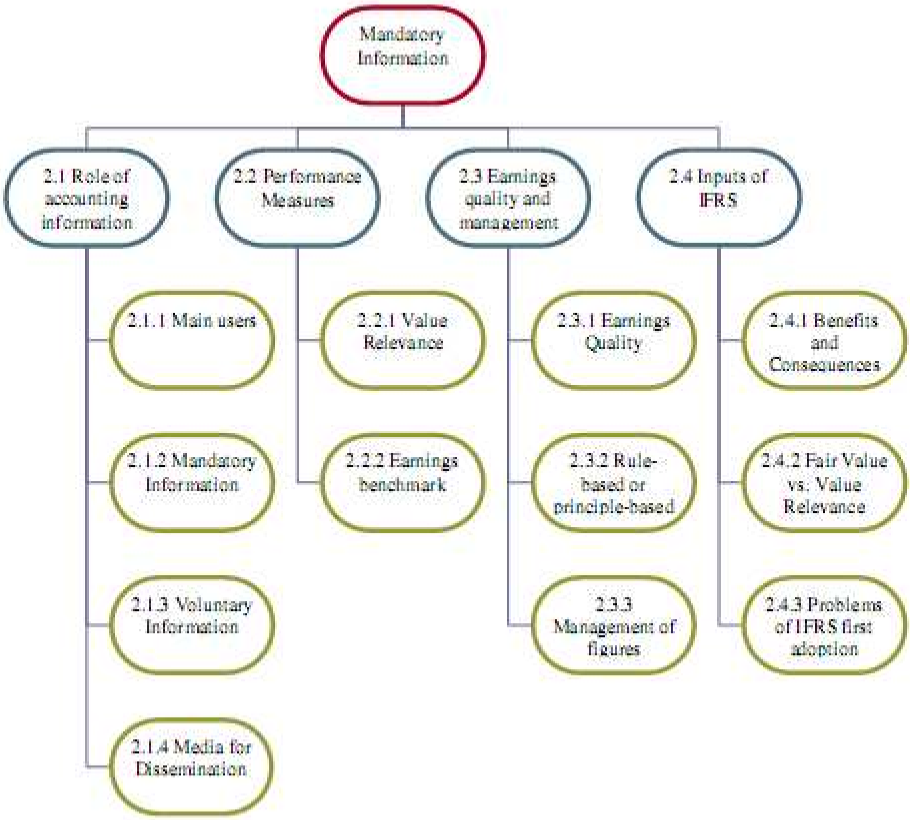

Figure 1: Organization of the questionnaire

The numbering in this figure corresponds to the numbers of the sections and subsections in this chapter.

2.1 Role of Accounting Information

> […] the accounting theory's role is to provide explanations and predictions for accounting practices. Watts and Zimmerman (1990).

This chapter explains how the role of financial accounting has changed over the last 40 years and how our respondents, i.e. CFOs, financial analysts and auditors, interact in this role.

Because they use accounting figures to take their investment decisions, investors have asked for increased company disclosures (e.g., the Jenkins Committee, AICPA, 2010). In this way, capital market international regulatory entities, such as IOSCO (2009), have promoted the idea of greater financial disclosure and transparency. Ireland (2005, p.13) affirms that "one of the most important issues affecting the development of accounting today is the need for internationally comparable financial information and the drive for harmonization of accounting practices." Table 1 describes on the left hand-side the situation that prevailed in Continental European countries until the 70s, before the rapid development of financial markets that has resulted in demand for increased disclosure and commonly shared accounting rules. It describes on the right hand-side the consequences resulting from the predominant role of capital markets.

Table 1: Evolution of Financial Reporting

The Evolution of Influences in Financial Reporting	
Until the 70s	Nowadays
Managers were shareholders themselves	Managers are not shareholders themselves
Companies were financed for large amounts by a small number of banks	Companies are financed for small amounts by numerous bondholders
Investors had a direct access to information. They did not need accounting figures to evaluate the position of the firm. The demand for public disclosure was low.	Investors have no direct access to information. They use accounting figures to evaluate the position of the firm. The demand for public disclosure is high.
Accounting numbers were mainly the basis for determining taxes.	Accounting numbers are used to anticipate future cash flows and to estimate the value of firms.
Low globalization of capital markets.	Global capital market.
Huge variety of accounting systems (local GAAPs).	Harmonization process of accounting standards.

Because of the increasing role of capital markets in European economies, the status of accounting information has significantly changed since the early 70s. Accounting numbers that were previously mainly aimed at determining the tax contribution of firms have been increasingly used by market participants to appreciate the financial position of listed firms in order, to help them in their investment decisions. Because of its tax-oriented purpose, mandatory accounting information was manifestly inadequate for security investment purposes. Therefore from the 70s, firms started to disclose voluntarily additional data, expected to be useful for investment decisions.

Numerous studies have examined the reasons leading firms to intensify financial disclosure constantly. Among many others, Hope (2003) and Dumontier and Maghraoui (2007) observe that disclosures are positively associated with company size. Disclosure is also positively associated with stock price performance, bid-ask spreads, analysts following, and institutional ownership. Moreover, disclosures vary depending on industries, countries and accounting or law systems (common vs. code law system) under consideration.

Healy and Palepu (1993) argue that managers' superior information makes financial reporting potentially informative to outside investors. However, conflicts of interest between managers and shareholders or between shareholders and creditors,[6] along with imperfect accounting standards and auditing, create distortions in financial reports resulting in the necessity of regulating accounting disclosure. In the same line, Beaver (1981) states that accounting rules are necessary because of capital market imperfections, notably information asymmetries.

This section analyzes the role of accounting information in a context where capital markets play a key role in corporate financing. First, we define the major users of accounting information. Second, we present the arguments in favor of mandatory vs. voluntary disclosure. Third, we review media used to disseminate accounting information.

[6] Agency theory (Jensen and Meckling, 1976)

2.1.1 The Main Users of Accounting Information

> Analysts are important users of accounting information and their role as information mediators is well recognized in the capital markets. Schipper (1991)

According to the accounting regulatory bodies, IASB and FASB, financial reporting is primarily intended for capital providers, namely equity investors, lenders and other creditors. These are either individuals, mutual funds, hedge funds or any other form of collective investment scheme. As a result, financial reporting is also intended for financial intermediaries who assist capital providers in their investment decisions, namely equity analysts and credit rating agencies. Studies that investigate the users of accounting information aim to determine the nature of capital market users of accounting information and their respective impact on stock prices.

2.1.1.1 Market participants that use accounting information intensively

Theory: For IACPA (2010) there are several users and reasons or needs for use of accounting figures (see Table 2).

Table 2: Market participants and reasons for using reports

User	Reason for use of business reporting
Investors	Help with investment decisions
Creditors	Help with credit decisions
Management and board members	Help with decisions about managing the business
Employee groups	Help understand compensation policies and a company's ability to meet compensation and benefit commitments
Competitors	Help evaluate competitive strengths and weaknesses and business strategy
Regulators	Help assess compliance with regulations
Academics	Provide data for research
The press	Provide data for articles
Users concerned with various social causes	Help assess a company's involvement in areas of concern

Source: AICPA (2010, p. 6 e 7)

Evidence: For Hope (2003), financial analysts are the most important users of accounting reports. They use distinct information sources for evaluating company prospects. Accounting information is the most important of these sources. Many scholars corroborate the view that analysts are the main users of accounting figures (e.g. Pike, Meerjanssen and Chadwick, 1993; Arnold and Moizer, 1984; Barker and Imam, 2008, Saghroun, 2003). Arnold and Moizer (1984) and Pike *et al*. (1993) show that fundamental analysis is primarily based on accounting data.

In addition to financial analysts, institutional investors, fund managers and employees, as well as managers themselves (e.g. Barker, 1998; Graham, Harvey and Rajgopal, 2005), minority and majority shareholders (e.g. Alexander and Servalli, 2010) and creditors (e.g. Nobes, 1998; Alexander and Servalli, 2010) are considered as potential users of accounting data. Financial reports are used by investors and creditors to foresee firm prospects, but also to monitor managers and directors (Hoarau and Teller, 2007).

Evidence for the use of accounting information by rating agencies (Graham, Harvey and Rajgopal, 2005), suppliers, customers and government entities (Alexander and Servalli, 2010) is less frequent. However, some studies refer to the 2008 global financial crisis as a reason to approach governmental entities needs in accounting information (Reich, 2009). The Basel regulation provides a clear illustration on how regulatory bodies can use accounting figures to mitigate the risk of bank failures.

2.1.1.2 Market participants who have the strongest influence on stock prices

Theory: All the above-mentioned users are interested in accounting information and they are important in terms of setting stock price for a company. When rating agencies increase or decrease the credit score of a firm (Graham, Harvey and Rajgopal, 2005; Kamp, 2002) or when equity analysts upgrade or downgrade their recommendations, they influence companies' stock price (Jegadeesh and Kim, 2006 and Moshirian, Ng and Wu, 2009). For Healy and Palepu (1993; 2001), financial analysts bring value to market participants through their analysis of firms' financial reporting decisions, forecasts of future earnings, and buy/sell recommendations. Numerous researches have confirmed that analyst's recommendations are associated with abnormal returns of recommended stocks.

Evidence: Graham, Harvey and Rajgopal (2005) state that market players that have the strongest influence on stock prices are institutional investors, for at least two reasons. The first one comes from the magnitude of the amounts they invest or manage. The second one comes from their higher sophistication. Thus, institutional investors exhibit higher performance in IPOs than individual investors because they are able to buy more stocks at a better price (because of the IPO structural underpricing) than individual investors (Aggarwal, Prabhala, Puri, 2002). Chen *et al*. (2007) observe that if monitoring benefits exceed costs, institutional investors will prefer monitor than trade. Baik, Kang and Kim (2010) focus on local institutional investors, i.e. those who have the same citizenship as the firm in which they invest. They show that local investors have a strong influence on stock prices insofar as an increase in local institutional holdings results in subsequent positive abnormal returns. Inversely, a decrease in local institutional holdings is associated with negative subsequent returns. The impact of changes in local institutional holding on future stock return is stronger for companies with high information asymmetry.

Hedge funds are another major player in capital markets. They also have strong influence on stock prices. Graham, Harvey and Rajgopal (2005) see them as significant price-setters. In conformity with this intuition, Jin and Jorion (2004) show that stock price volatility decreases with hedge funds holdings.

Other important players that have strong influence on stock prices are rating agencies. Studies of the value provided by bond-rating agencies find that rating downgrades give new information to market participants (see Holthausen and Leftwich, 1986). In contrast, upgrades are already impounded in stock and bond prices when they are disclosed. Shahzad (2010) examines how rating agencies reacted to IFRS application. Using a sample of 788 bond issues by European financial firms, he provides evidence that, post-IFRS, firms received higher credit ratings, and credit agencies were less likely to disagree when assigning bond ratings. However, Pagratis and Stringa (2009) find a negative impact of IFRS adoption on credit ratings for a sample of banks during the 1999-2006 period. They explain their results through the higher volatility in IFRS accounting numbers and the possibility that their sample period ended before potential benefits of IFRS became effective. These results suggest that the adoption of IFRS influence firms credit ratings and, consequently, bond and stock prices.

The last market players that influence stock prices are financial analysts. Jegadeesh and Kim (2006) and Moshirian, Ng and Wu (2009) find that stock prices strongly react to the announcements of recommendations and revisions by analysts.

The stronger influence of some market players on stock prices results from weak market efficiency. Barker (1998) shows that financial directors believe that there should not be a distinction between market players if stock markets were efficient[7].

Our questions on the users of accounting information are stated as follows:

1. Market participants mentioned below use accounting information intensively:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Analysts
☐	☐	☐	☐	☐	B. Rating Agencies
☐	☐	☐	☐	☐	C. Shareholders
☐	☐	☐	☐	☐	D. Fund Managers
☐	☐	☐	☐	☐	E. Institutional Investors
☐	☐	☐	☐	☐	F. Creditors (banks or bondholders)
☐	☐	☐	☐	☐	G. Governmental Entities
☐	☐	☐	☐	☐	H. Employees
☐	☐	☐	☐	☐	I. Suppliers and Customers

2. Market participants who have the strongest influence on stock prices are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Analysts
☐	☐	☐	☐	☐	B. Rating Agencies
☐	☐	☐	☐	☐	C. Hedge Funds
☐	☐	☐	☐	☐	D. Individual Investors
☐	☐	☐	☐	☐	E. Institutional Investors

Major studies devoted to the use of accounting information by market participants are synthesized in Table 3.

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7 Fama (1970, 1991)

Table 3: Studies showing how market participants use accounting information.

Financial Analysts				
Author	*Methodology*	*Sample*	*Objective*	*Results*
Moizer and Arnold (1984)	questionnaire survey	period between 1978 and 1981 with 202 analysts	To compare and contrast the equity share analysis procedures on UK investment analysts who are information intermediaries	1) There is no difference between the level of detail and frequency of analyses undertaken by the two types of investment analysis (portfolio managers and information intermediaries)
Arnold and Moizer (1984)	questionnaire survey and interview	period between 1978 and 1981 with 202 analysts	To assess the information about the methods used by UK analysts	1) Dominance of fundamental analysis to detect shares which seem to be over or under value, 2) P/E ratio is applied to estimate earnings and future market value, 3) Fundamental analysis with historical cost is preferred
Pike, Meerjanssen and Chadwick (1993)	questionnaire survey	92 UK analysts and 47 German analysts in 1991	To examine the changes in the approach to appraising ordinary shares by UK analysts over the past decade, and they compare the approaches, goals and information sources employed by them in evaluating shares with those of their German counterparts	1) Direct contact is the most important source of information, 2) The fundamental analysis using P/E multiple is the preferred evaluation technique 3) German analysts give more importance to non-financial information than UK.
Healy and Palepu (1993)	review of literature		To summarize the ideas of the accounting information models and examine why managers would be concerned about the effect of financial reporting decisions on firm value, even when markets are semi-strong efficient.	Analyst added value to firm when: 1) they assess the quality of a firm's reported numbers, and make any necessary adjustments. 2) They evaluate a firm's current performance using ratios and cash flow analysis. 3) Financial analysts forecast a firm's future prospects and estimate its value.
Healy and Palepu (2001)	review of literature		To review the research in financial reporting and voluntary disclosure of information by management.	Analysts add value to the capital market through their analysis of firms' financial reporting, forecasts of future earnings, and buy/sell recommendations.
Saghroun (2003)	interview	January to march 2002 in France	To identify a possible expectation gap between the conception of income issuing from standards setters and its perception by financial analysts	1) Analysts think that the new standards are not better than others before, and they do not have enough expertise in IFRS, 2) Analysts buy-side have more interest in accounting figures than others analysts

Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003 in USA	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	They find institutional investors and analysts as the main users and price setters followed by individual investors rating agencies and hedge funds
Jegadeesh and Kim (2006)	Descriptive statistics, CAR, event time performance of analysts' recommendation and calendar-time trading strategies	G7 countries during 1993 to 2002	To evaluate the value of analysts' recommendations in the G7 countries	Stock prices react significantly to recommendation revisions on the day of recommendation and on the following day in all of these countries except Italy. They find that the US analysts add the most value.
Barker and Imam (2008)	semi-structured interviews and content analysis	2002 with 10 pan-European brokerage firms	To identify the sell-side analysts perceptions of earnings quality and evaluates the value of these recommendations	1) Analysts use both accounting-based and non-accounting-based information when assessing earnings quality 2) When accounting and non-accounting information provide conflicting signals with regards to earnings quality, it is the accounting-based view that provides the dominant signal 3) When making investment recommendations, it is again the accounting-based signal that is dominant.
Moshirian, Ng and Wu (2009)	Abnormal equity returns based on both the MSCI Emerging Markets Index and control firms (size and Book-to-Market ratio) as performance benchmarks. Data (recommendation, stock return and accounting).	13 emerging countries during 1996-2005	To examine post-recommendation buy and hold abnormal returns in emerging markets.	They find that stock prices react strongly to stock analyst recommendations and revisions.

Fund Managers and Institutional Investors				
Author	*Methodology*	*Sample*	*Objective*	*Results*
Barker (1998)	semi-structured interviews, participants observations and questionnaires	42 analysts (42 questionnaires and 32 interviews), 40 CFOs and 16 firms (fund managers)	To develop a grounded theory of the market for information based an economic incentive of finance directors, analysts and fund managers with respect to stock market information flows.	1) Fund managers prefer data flowing directly from firms than 'processed' data generated by analysts. 2) Analysts are nevertheless argued to play an important role in the market for information, as both mechanisms of information efficiency and as providers of benchmarks for consensus valuation.
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	They find institutional investors and analysts as the main users and price setters followed by individual investors rating agencies and hedge funds
Aggarwal, Prabhala, Puri (2002)	univariate and multivariate regression	174 IPOs in USA during 1997-1998	To observe if institutional investors has better participation in IPOs with better performance and if they promote underpriced in this case	Institutional investors have better participation in IPOs with better performance in the first day.
Chen, Harford and Li (2007)	Univariate and Cross-sectional regression analysis	US mergers between 1984 to 2001	To hypothesize that independent institutions with long-term investments will specialize in monitoring and influencing efforts rather than trading.	Institutional monitoring versus trading: when monitoring benefits exceed costs, institutional investors will monitor rather than trade.
Baik, Kang and Kim (2010)	Descriptive statistics, time-series cross-sectional regressions,	Firm-quarters with institutional ownership from CDA/Spectrum Institutional Holdings during 1995 to 2007.	To examine the informational role of geographically proximate institutions in stock markets.	Both the level of and change in local institutional ownership predict future stock returns, particularly for firms with high information asymmetry. They also find that the stocks that local institutional investors hold (trade) earns higher excess returns around future earnings announcements than those that non-local institutional investors hold (trade).

Employees (directors)				
Author	*Methodology*	*Sample*	*Objective*	*Results*
Barker (1998)	semi-structured interviews, participants observations and questionnaires	42 analysts (42 questionnaires and 32 interviews), 40 CFOs and 16 firms (fund managers)	To develop a grounded theory of the market for information based upon an empirical analysis of the economic incentives of finance directors, analysts and fund managers with respect to stock market information flows.	This theory implies that the literature has paid insufficient attention to the role of accounting information in direct communication between firms and fund managers and, thus to the role of analysts in share price determination has been overstated and superficially understood.
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	They find institutional investors and analysts as the main users and price setters followed by individual investors rating agencies and hedge funds
Suppliers, creditors and government entities				
Author	*Methodology*	*Sample*	*Objective*	*Results*
Alexander and Servalli (2010)	review of literature	France and USA	To analyze the problematic relationship between "State" and accounting regulation and report.	Some uses of financial reporting: Providers of equity finance and debt finance, Bankers and other flexible lenders, Tax calculations and dividends, Preservation of the firm's patrimony, Prudential regulation, Competition policy
Rating Agencies				
Author	*Methodology*	*Sample*	*Objective*	*Results*
Kamp (2002)	case study	USA	To present an instructional case on earnings quality.	The grade gave to a firm by a rating agency influence the decisions take by analysts

Jin and Jorion (2004)	Black and Scholes model (vars: Firm Size, ROA, Investment Growth, Access to Financial Markets, Leverage, Dividend e Production Costs)	119 firms in USA during 1998-2001	To observe the hedging activities of firms.	Firms with hedge have less variation in their stock price. For the other side, firms with 100% of hedge have decreased their value in 4 to 6%.
Holthausen and Leftwich (1986)	Event study. Daily data surrounding press release dates to examine abnormal returns of the common stock of companies experiencing bond rating changes.	1014 rating changes by Moody's and Standard and Poor's during 1977-1982	To observe if downgrades or upgrades promote abnormal return.	Downgrades by both are associated with negative abnormal stock returns in the two-day window beginning the day of the press release by the rating agency.
Bannier and Hirsch (2010)	descriptive analysis, event study, Probit regression	Moody's rating data between 1982 and 2004	To analyzes the economic function underlying the review procedure. Credit rating agencies disclose ratings and announce watchlists (rating reviews) and outlooks as well.	1) They find that after the introduction of the review instrument, rating downgrades lead to stronger market reactions than in the pre-watchlist period. 2) rating reviews add detail to information in financial markets

2.1.2 Mandatory Information

> […] we never observe a world that is unregulated but otherwise identical to the world we do see, so we cannot make a direct comparison. Ball (2008, p.8)

This section is dedicated to mandatory information. It explores the reasons why accounting disclosures must be regulated.

Because of separation between ownership and control, there is strong information asymmetry between managers and shareholders, and between shareholders-managers and creditors as well. Mandatory accounting information aims to mitigate information asymmetry consequences. Evidence shows that regulated financial reports are informative to firm's stakeholders, but their informational content varies with the characteristics of firms. Furthermore, empirical evidence shows that asymmetric information has undesired consequences, such as inefficient valuation of stocks, high cost of capital and excessive benefits for those who have privileged access to information (Lev, 2003).

Theory: Regulation is normally linked to public interest. Regulators analyze the costs of regulation against the benefits it can bring to the society (Deegan and Unerman, 2006). According to Posner (1974, p. 335), the public interest theory "holds that regulations supplied in response to the demand of the public for the correction of inefficient or inequitable market practices". The idea here is that regulatory bodies work in the interest of the society rather than private interest. Alexander and Servalli (2010) argue that the history of accounting regulation shows that financial reporting contributes to minimize the problems associated with information asymmetry. Regulation of accounting information is expected to promote incentives to make managers produce better information for stakeholders. If accounting disclosures were not regulated, firms would tend to favor major investors and ignore small ones (information would be disclosed to selected agents, such as market participants who have a strong impact on stock price). Firms would also tend to disclose good news and retain bad news (disclosed information would be selected, e.g. good news would be quickly and extensively disclosed, not bad news) (Leftwich, 1980; Watts and Zimmerman, 1986). These two anti-selective disclosure initiatives and communicating with a commonly accepted language that reduces processing costs of financial information justify why regulation of financial reporting is necessary. Regulation is particularly useful to small and unsophisticated investors who cannot bear the costs related to the collection and analysis of not-publicly available information.

Deegan and Unerman (2006, p. 39) quote additional reasons why regulation is useful to firms' stakeholders. They present various scenarios of what happens in stock markets without regulation (Table 4).

Table 4: Scenarios of Regulation

With Regulation	Without Regulation
Markets for information are not efficient and without regulation a sub-optimal amount of information will be produced.	Accounting information is like any other good, and stakeholders will be prepared to pay for it to the extent that it has use. This will lead to an optimal supply of information by entities.
Rights of individual investors: some of whom can lose their savings as a result of relying upon unregulated disclosures.	Capital markets required information and any organization that fails to provide information will be punished by the market – an absence of information will be deemed to imply bad news.
Those who demand information can often do so due to power over scarce resources. Parties with limited power will generally be unable to secure information about an organization, even though that organization may impact on their lives.	Because users of financial information typically do not bear its cost of production, regulation will lead to oversupply of information as users will tend to overstate the need for the information.
Investor need protection from fraudulent organizations that may produce misleading information, which due to information asymmetries, cannot be known to be fraudulent when used (e.g Parmalat).	Regulation typically restricts the accounting methods that may be used. Some organizations will be prohibited from using accounting methods which they believe best reflect their particular performance and position.
Regulation leads to uniform methods being adopted by different entities, thus enhancing comparability.	

Source: Adapted from Deegan and Unerman (2006, p. 39)

Scott (2008, p. 411) corroborates the reasons presented by Deegan and Unerman (2006). He insists on the fact that without regulation, the activity of "sending information" to investors can be extremely costly and time-consuming for a firm. In addition, he observes that "market forces alone are unable to drive the right amount of information production". It suggests that information asymmetry is normally used as excuse to support regulations to protect investors. Scott (2008, p. 431) presents costs and benefits of regulation, as follows (Table 5):

Table 5: Costs and benefits of regulation

Benefits	Costs
Better investment decisions	Direct costs of setting, applying, and enforcing
Better operation of markets	Costs to firms of releasing proprietary information
Greater investor confidence	Reduced ability to sign

Source: Adapted from Scott (2008, p. 431)

Regulation increases investor confidence in accounting figures and leads to better investment decisions. However, it produces direct and indirect costs borne by the firm.

Evidence: Incentives such as reputation and contracting issues can motivate managers to release information to market participants voluntarily (Scott, 2008). However, regulated financial reports help minimize information asymmetry (e.g. Ball and Brow, 1968; Healy and Palepu, 1993) and reduce consequences of managers' opportunistic behavior, such as selective disclosures: communicating good news rather than bad ones, and preferring institutional rather than individual investors. The reasons leading managers to disclose good news and retain bad ones are confirmed in the literature. Thus Kallunki (1996), in the Finnish stock market, shows that positive unexpected stock returns disappear after the announcement day in the case of good news. They persist in the case of bad news. Traders can immediately take advantage of their investment decisions in case of good news. This is not the case for bad news because short-selling is prohibited in Finland. This result suggests that if disclosures were not regulated, managers would be reluctant to publish bad news because of their impact on firm value.

A study conducted in the Brazilian stock market relates disclosure of good and with disclosure of bad news. Through the conservatism principle it shows that professionals demand more verification for good news than for bad news (Coelho, Cia and Lima, 2010). Kallunki (1996), as many others, shows that bad news cause stronger stock market reactions than good news. This suggests that conservative regulated stock markets demand more attention to good than bad news. In the same perspective, Hope (2003) suggests that strong enforcement encourages managers to comply with the accounting standards, hence reducing both information asymmetry between stakeholders and analysts' uncertainty about managers' accounting choices.

Using this literature, we asked our respondents:

3. Accounting disclosures must be regulated because:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
□ □ □ □ □	A. Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis
□ □ □ □ □	B. Managers would tend to disclose good news and retain bad news if accounting disclosures were only voluntary
□ □ □ □ □	C. The standardization of disclosures reduces the processing costs of financial information

2.1.3 Voluntary Disclosure

> Firms voluntarily disclose information […] in an effort to shape the perceptions of market participants and other stakeholders and, hence, to benefit from improved terms of exchange with these parties. Graham, Harvey and Rajgopal (2005, p. 53).

In this chapter we analyze the reasons why firms communicate or limit voluntary information.

Accounting standards prescribe mandatory disclosure requirements. However they do not forbid managers to make additional disclosures[8] voluntarily. Healy and Palepu (1993) observe that managers can increase the credibility of mandatory accounting figures through voluntary disclosure. However, the usefulness of disclosed information is related to the quality (sophisticated or unsophisticated) of the users (Hendriksen and Van Breda, 1999).

The literature on voluntary disclosure suggests that higher disclosure leads to more investor interest (Merton, 1987), increases market liquidity, reduces risk, and consequently increases share price by reducing investors' required returns (Diamond and Verrecchia, 1991). It also increases analyst following (Lang and Lundholm, 1996; Eccles *et al*., 2001) and institutional ownership (Healy, Hutton and Palepu, 1999). Furthermore, voluntary disclosure reduces

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[8] Voluntary Disclosure Theory (Verrecchia, 1983; Dye, 1985)

information asymmetry as proxied by bid-ask spreads (Welker, 1995).

2.1.3.1 Reasons for communicating voluntary information not required by accounting standards

Capital market research argues that potential effects of voluntary disclosures are a reduction in the cost of capital, a better evaluation of stock prices, an increase in the overall stock liquidity, and an increase in analysts following. Furthermore, voluntary disclosure can reveal manager skill level to outsiders, increase the predictability of companys' future prospects, promote transparent and accurate reports and reduce information risk that investors assign to stocks. We describe here the theoretical arguments and empirical evidence for each of these expected effects.

Voluntary disclosure to reduce the cost of capital

Theory: Barry and Brown (1984, 1986) observe that when disclosure is not perfect, investors question payoff forecasts from their investment. If this information risk is non-diversifiable, investors will demand an incremental return to compensate for the risk. Lambert, Leuz and Verrecchia (2007, p. 386-387) explain that disclosures affect the cost of capital directly, "where higher quality accounting information does not affect cash flows per se, but affects the market participants' assessments of the distribution of future cash flows" and indirectly "where higher quality accounting information affects a firm's real decisions, which, in turn, influences its expected value and covariance of firm cash flows". Consequently, firms with high levels of disclosure are expected to exhibit less information risk and therefore a lower cost of capital than firms with low disclosure levels. In the same way, Amihud and Mendelson (1986) argue that disclosing information should allow firms to reduce the adverse selection component of the bid-ask spread, thereby reducing their cost of equity capital.

Evidence: According to Botosan (1997), theoretical research supports a negative association between voluntary disclosure level and cost of equity capital. Botosan and Plumlee (2002), Alencar and Lopes (2005) and Nakamura *et al*. (2006) provide evidence consistent with the cost of equity capital hypothesis. Greater disclosure improves stock market liquidity, thereby reducing cost of equity capital, either through reducing transactions costs or increasing the demand for a firm's securities (Amihud and Mendelson, 1986, Diamond and Verrecchia, 1991). Interestingly, Botosan (1997) find a negative relation between cost of equity capital and voluntary disclosures of firms with low analyst following, suggesting that the usefulness of voluntary disclosure decreases with analyst following. In contrast, Botosan and Plumlee (2002) find that the cost of equity capital decreases with voluntary disclosures in annual reports independently of the number of analysts following the firm. They also find a negative relation between cost of capital and analyst rankings of annual report disclosures. This result indicates that managers that provide greater disclosure in annual reports benefit of lower cost of equity capital.

The same results hold for the cost of debt. Research that associates the level of voluntary disclosure with the cost of debt shows that the disclosure level is inversely related to the cost of debt, notably for Brazilians public firms (Lima, 2009).

Voluntary disclosure to correct under-valuation of stock prices and to increase stock liquidity

Theory: Healy and Palepu (1993) argue that managers of firms whose stock price is undervalued have incentives to take action to correct the mispricing, notably by expanding disclosure in order to increase annual reports credibility. Diamond and Verrecchia (1991) and Kim and Verrecchia (2001) demonstrate how voluntary disclosure minimizes information asymmetries among market participants, resulting in higher stock price.

Healy and Palepu (1993) observe that voluntary disclosures help analysts mitigate misevaluation problems arising from imperfect auditing and accounting standards. Analysts can provide incremental information to investors and add value to their stocks when a) they assess the quality of a firm's reported numbers and make any necessary adjustments (for instance by adjusting reported accrual numbers thanks to the cash flow statement and the footnote disclosures); b) they evaluate a firm's performance using ratios and cash flow analysis; c) they estimate a firm's future prospects and estimate its value. These three points suggest that higher information disclosure help analysts in environments with imperfect auditing and accounting standards, increasing firms' credibility and value.

Evidence: In this view, Roll (1988) found that forty percent of abnormal stock returns can be explained by economic and industry influences, and specific information about a firm. To observe if specific news influence abnormal returns he made two analyses. The first one used all data related to the companies. The other excluded news dates from data. The data with news dates showed less abnormal returns, suggesting that disclosures minimize mispricing problems.

Several papers provide evidence consistent with the hypothesis that better information help reduce misevaluation and increase stock liquidity. Healy *et al*. (1999) observe that firms that expand voluntary disclosure exhibit increase in stock prices, unrelated to current earnings performance, and experience higher bid-ask spreads than their industry counterparts. After this increase, bid-ask spreads return to the same levels as industry peers. Gelb and Zarowin (2002) compared firms with high and low disclosure ratings. They find that companies with high disclosure levels have higher stock price associations with current and future earnings than firms with low disclosure level. In addition, Welker (1995) observed negative association between analysts' ratings of firms' disclosures and bid-ask spreads. Finally, Dantas, Zendersky, Santos and Nyama, (2005) and Daske *et al*. (2008) find that increased voluntary disclosure results in increased stock market liquidity.

Voluntary disclosure to attract financial analysts

Theory: Lang and Lundholm (1996) argue that if a company's private information is not fully revealed through mandatory disclosures, voluntary disclosure may reduce the acquisition cost of information by analysts. Therefore, expanded disclosure enables financial analysts to create valuable new information to investors, resulting in more accurate forecasts and buy/sell recommendations, thereby increasing demand for their services and rising the interest of analysts in companies with better disclosure.

Evidence: Healy, Hutton and Palepu (1999) find an increase in the number of analysts following companies that expand disclosure. Accordingly, Eccles *et al*. (2001) show that firms with more informative disclosures have larger analyst following, less dispersion in analyst forecasts, and less volatility in forecast revisions. Furthermore, Hope (2003) explains that better disclosures are more important when analyst following is low. High voluntary disclosure attracts analysts, resulting in better forecast accuracy. Botosan (1997) shows that increases in disclosure level have a positive impact on analysts following. In addition, Francis *et al*. (1997) observe higher analyst coverage for companies that disclose information by conference calls. Barker and Imam (2008) point out that financial analysts use voluntary non-accounting information when performing financial statement analysis.

Voluntary disclosure to reveal manager skill level to outsiders

Theory: Because a company's market value increases with the investors' perception of managers' ability to anticipate and respond to future changes in the company's economic environment, Trueman (1986) argues that talented managers have an incentive to make voluntary earnings forecasts to reveal their abilities.

Evidence: Barker (1998) made a questionnaire survey and interviews with financial directors, analysts and fund managers about information efficiency. One of his results shows that fund managers use voluntary reports to evaluate manager skill levels. Healy and Palepu (2001) observe that managers are usually remunerated via a variety of stock-based compensation plans. Managers interested in selling their stocks have incentive to disclose private information to increase the liquidity of the company stock. They also have incentive to provide voluntary disclosures to reduce contracting costs associated with stock compensation for new employees.

Warner *et al*. (1988) show that CEO turnover is associated with retirement, changes to other position in the firm, change in majority shareholding, death of the CEO and poor stock performance, respectively. His results suggest that managers who expect to be replaced have no interest in increasing voluntary disclosures because they do not want increase investors monitoring just before leaving their position (e.g. retirement). Conversely, they may have interest in increasing voluntary disclosure if they need to show their skills to market participants to increase stock performance and get a better position.

Ferreira and Rezende (2007) propose a theoretical model that presents a positive relation between the disclosure decision and proxies for career concerns. Their main results are that managers disclose private information on their firm's strategy voluntarily to induce partners to take the same strategic directions. Corporate strategy public announcements are credible because managers need to protect their reputation. Voluntary disclosures on corporate strategy can increase firm value because of their positive effects on partners.

Voluntary disclosure to increase the predictability of a company's future prospects or to promote a reputation for transparent/accurate reporting

Theory: The level of credibility of managers' voluntary disclosure is unclear because managers have incentive to disclose information opportunistically. They can increase this credibility if intermediaries, such as financial analysts or internal and external auditors, validate their disclosures. Pownall and Waymire (1989) used management earnings forecasts to show that stock prices react to management forecasts in the same level as unexpected earnings announcements, suggesting that audited information and voluntary information (non audited information) can have the same credibility.

Evidence: Noe (1999) document that the incidence of management forecasts on stock prices is positively associated with trading by insiders in a company's stock. This result suggests that better voluntary disclosure increases the good reputation of annual reports, increasing the predictability of firm's future prospects and stock liquidity. Complementing with the idea that managers use voluntary disclosure to increase stock price, Brennan (1999) observe that managers of firms in turnaround situations use voluntary disclosures to provide earnings forecasts if they have higher stock option compensation risks. He also shows that managers tend to make management earnings forecasts during contested takeover bids.

Cruz and Lima (2010) find that corporate reputation is positively associated with the level of voluntary disclosure, implying that Brazilian public firms with high reputation provide greater voluntary disclosure to their stakeholders. This result suggests that corporate reputation can be one of the drivers of voluntary disclosure by Brazilian public firms.

Voluntary disclosure to reduce the information risk that investors assign to stocks

Theory: Previous theory documented that if managers have more information than investors, and if information asymmetry cannot be reduced, the company will have difficulties in issuing new equity or debt securities. They will have to be issued with a discount, making the issue costly for current shareholders (Myers and Majluf, 1984). Managers who plan to issue securities have therefore strong incentives to increase voluntary disclosures.

Evidence: Healy *et al*. (1999), in a study of the factors associated with expanded voluntary disclosure, find that companies with an increase in analyst's rating of voluntary disclosure experience an abnormal increase in public debt offers. In Brazil, Medeiros and Quinteiro (2005) find that firms with higher levels of disclosure present lower volatility of stock returns, suggesting less information risk for investors.

Therefore, our question on the reasons for communicating voluntary information is stated as follows:

4. The reasons for communicating voluntary information that is not required by accounting standards are:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. To reduce the cost of capital	☐ ☐ ☐ ☐ ☐	E. To reveal to outsiders the skill level of managers
☐ ☐ ☐ ☐ ☐	B. To correct under-valuation of stock prices	☐ ☐ ☐ ☐ ☐	F. To attract financial analysts
☐ ☐ ☐ ☐ ☐	C. To increase the predictability of companies' future prospects	☐ ☐ ☐ ☐ ☐	G. To promote a reputation for transparent/accurate reporting
☐ ☐ ☐ ☐ ☐	D. To increase overall stock liquidity	☐ ☐ ☐ ☐ ☐	H. To reduce the information risk that investors assign to stocks

Major studies devoted to the reasons for communicating voluntary information are synthesized in Table 6.

Table 6: Studies on reasons for communicating voluntary information.

Reasons for communicating voluntary information				
To reduce the cost of capital				
Author	Methodology	Sample	Objective	Results
Alencar and Lopes (2005)	regression, CAPM	222 brazilian firms	To analyse association between disclosure level and cost of capi-tal.	Disclosure level is not associate with cost of capital.
Amihud and Mendelson (1986)	CAPM, regression	NYSE stock returns over the 1961-80 period	To examine the role of liquidity considerations in the pricing of capital assets, focusing on the relation between stock returns and bid-ask spreads.	Greater voluntary disclosure reduce volatility and cost of capital, and increase liquidity.
Botosan (1997)	regression	122 manufac-turing firms	To verify the association between disclosure level and cost of equi-ty capital.	Firms with lower analyst following greater disclosure exhibit a lower cost of equity capital.
Botosan and Plumlee (2002)	Cost of equity capital using the divi-dend discount model. Regression	668 firms, ob-servations from 1985 to 1996	To examine the association be-tween the cost of equity and le-vels of annual report and timely disclosure.	The cost of equity decreases with the annual report disclosure level but increases it is disclosure later.
Diamond and Verre-chia (1991)	models of Diamond and Verrecchia (1981) and Verrecchia (1982)	1 firm	To verify the causes and conse-quences of a security's liquidity, especially the effect of future liquidity on the security's current price (cost of capital).	Beneficial effect of disclosure is that reduce informa-tion asymmetry (reduce cost of capital)derived after removing an unrealistic benefit of disclosing informa-tion to the public: the reduction of future risk by early disclosure.

Lambert, Leuz and Verrecchia (2007)	model of a multi-security economy (consistent with the CAPM), but expressed in terms of cash flows	theory	To examine whether and how accounting information about a firm manifests in its cost of capital, despite the forces of diversification.	Quality of accounting information can influence the cost of capital, both directly (where higher quality accounting information does not affect cash flows per se, but affects the market participants' assessments of the distribution of future cash flows) and indirectly (where higher quality accounting information affects a firm's real decisions, which, in turn, influences its expected value and covariances of firm cash flows),
Leuz and Verrecchia (2000)	simple OLS estimation of the cost of capital model, cross sectional analysis	102 german firms in 1998	To observe German firms that have switched from the German to an international reporting regime (e.g. U.S. GAAP), thereby committing themselves to increased levels of disclosure.	They find in a cross-sectional analysis that firms that commit to either IAS or U.S. GAAP exhibit lower percentage bid-ask spreads and higher share turn-over than firms using German GAAP.
Lima (2009)	regression, ANACOR	23 brazilian firms during 2000-2004	To observe association between the voluntary disclosure level and cost of capital	The cost of capital decreases with the increased of voluntary disclosure level .
Nakamura *et al.* (2006)	OLS to compare disclosure and cost, 3 indexes for disclosure and MDD, CAPM and Ohlson e Juettner to cost of capital	131 brazilian firms and ABRASCA firms	To observe association between the disclosure level and cost of capital.	The disclosure level is associate to cost of capital (CAPM) , the cost of capital is lower to firms in ABRASCA sample.
To correct under-valuation of stock prices and to increase stock liquidity				
Healy and Palepu (1993)	review of literature		To summarize the key ideas of the accounting information models. They examine why rational managers would be concerned about the effect of financial reporting decisions on firm value, even when capital markets are semi-strong form efficient.	For them managers can reduce assymetry information and undervaluationof their stock increasinf voluntary disclosure

Diamond and Verrechia (1991)	models of Diamond and Verrecchia (1981) and Verrecchia (1982)	1 firm	To verify the causes and consequences of a security's liquidity, especially the effect of future liquidity on the security's current price (cost of capital)	Beneficial effect of disclosure is that reduce information asymmetry (reduce cost of capital)derived after removing an unrealistic benefit of disclosing information to the public: the reduction of future risk by early disclosure.
Kim and Verrechia (2001)	create a model		To suggest a model of trading activity in which a firm's returns depend on trading volume in those cases where the firm defers disclosure.	They show that when the firm defers the report, market makers use trading volume information to draw inferences about better-informed investors' private information on firm value. Thus, the firm's stock returns depend on trading volume. The model suggests the slope coefficient on volume as a measure of disclosure.
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	Almost 50% of CFOs use voluntary disclosures to correct an undervalued stock price
Roll (1988)	simple linear regression between R2 and ln(Size)	US firms, monthly returns between September 1982 to August 1987.	To explain the actual price movements of individual common stocks by broad economic influences, industry influences, and specific news events about the firm.	less than forty percent of the monthly return volatility in the typical stock can be explained
Healy, Hutton and Palepu (1999)	time-series approach, qualitative discussions	595 firms in 23 industries between 1978 to 1991	This paper examines factors associated with expanded voluntary disclosure using a sample of firms with large and sustained increases in their disclosure strategies.	They find that the sample firms show a significant improvement in stock performance in the year of the disclosure increase and the following year. They also provide evidence that firms experience increases in institutional ownership, analyst following, and stock liquidity, as well as decreases in investor uncertainty during the event period.
Gelb and Zarowin (2002)	regression between current returns and future earnings changes	1980-1993, 450 high discloser and 371 low disclosed firm-years	To observe the association between level of voluntary disclosure and informativeness of stock prices.	Greater disclosure is associate with stock prices that are more informative about future earnings.

Leuz and Verrecchia (2000)	simple OLS estimation of the cost of capital model, cross sectional analysis	102 greman firms in 1998	To observe German firms that have switched from the German to an international reporting regime (e.g. U.S. GAAP), thereby committing themselves to increased levels of disclosure.	They find in a cross-sectional analysis that firms that commit to either IAS or U.S. GAAP exhibit lower percentage bid-ask spreads and higher share turn-over than firms using German GAAP.
Dantas *et al*. (2005)	Theory		To observe the relation between level of disclosure and benefits of disclosure	They find that more disclosure is better for stakeholders' decisions process, improve stability in capital markets, increase firms' value relevance, credibility and liquidity, and reduce cost of capital to firms.
Daske *et al*. (2008)	regression	26 countries, 3100 firms	To examine the economic consequences of mandatory IFRS reporting around the world.	1) Market liquidity increases around the time of the introduction of IFRS. 2) decrease in firms' cost of capital and an increase in equity valuations
To attract financial analysts				
Hope (2003)	Factor Analysis. Comprehensive measure of enforcement based on five country-level factors: audit spending, insider trading laws, judicial efficiency, rule of law, and shareholder protection. For each of these variables, a higher score denotes stronger enforcement. Cross-country Regression : Forecast accuracy = f (Disclosures, Enforcement, Interaction effects, Control variables)	period between 1991 and 1993, 22 countries, database CIFAR, 890 firms	To observe the relations between the accuracy of analysts' earnings forecasts and the level of annual report disclosure, and between forecast accuracy and the degree of enforcement of accounting standard	1) firm-level disclosures are positively related to forecast accuracy, suggesting that such disclosures provide useful information to analysts. 2) strong enforcement is associated with higher forecast accuracy, 3) disclosures being more important when analyst following is low and with enforcement being more important when more choice among accounting methods is allowed.
Botosan (1997)	regression	122 manufacturing firms	To verify the association between the disclosure level and cost of equity capital	for firms with lower analyst following greater disclosure is associate with a less cost of equity capital

Barker and Imam (2008)	semi-structured interviews and content analysis	2002 with 10 pan-European brokerage firms	To observe the sell-side analysts perceptions of earnings quality and evaluates the value of these recommendations	1) Analysts use both accounting-based and non-accounting-based information when assessing earnings quality 2) when accounting and non-accounting information provide conflicting signals with regards to earnings quality, it is the accounting-based view that provides the dominant signal 3) when making investment recommendations, it is again the accounting-based signal that is dominant.
Healy, Hutton and Palepu (1999)	time-series approach, qualitative discussions	595 firms in 23 industries between 1978 to 1991	To examine factors associated with expanded voluntary disclosure using a sample of firms with large and sustained increases in their disclosure strategies.	They find that the sample firms show a significant improvement in stock performance in the year of the disclosure increase and the following year. They also provide evidence that firms experience increases in institutional ownership, analyst following, and stock liquidity, as well as decreases in investor uncertainty during the event period.
Francis *et al.* (1997)	Descriptive analysis, regression	200/1199 presentations available on Investext during 1986-1992	To examine the benefits from communications made at corporate presentations to securities analysts.	The results show significant increases in analyst following, and significantly positive abnormal returns on the presentation date, with larger reactions observed for underpriced securities.
Lang and Lundholm (1996)	correlations, regressions	751 firms during 1985-1989	To examine the relations between the disclosure practices of firms, the number of analysts following each firm and properties of the analysts' earnings forecasts.	Firms with more informative disclosure policies have a larger analyst following, more accurate analyst earnings forecasts, less dispersion among individual analyst forecasts and less volatility in forecast revisions.
Revealing manager skill level to outsiders				
Trueman (1986)			To examine the reasons for managers to voluntarily release earnings forecasts,	Results do not found evidence that talented managers have an incentive to make voluntary earnings forecasts to reveal their abilities.

Barker (1998)	semi-structured interviews, participants observations and questionnaires	42 analysts (42 questionnaires and 32 interviews), 40 CFOs and 16 firms (fund managers)	To develop a grounded theory of the market for information based upon an empirical analysis of the economic incentives of finance directors, analysts and fund managers with respect to stock market information flows.	1) it is argued that 'raw' data flowing directly from firms has greater importance to fund managers than 'processed' data generated by analysts. 2) Analysts are nevertheless argued to play an important role in the market for information, as both mechanisms of information efficiency and as providers of benchmarks for consensus valuation.
Healy and Palepu (2001)	review of literature		To review research in financial reporting and voluntary disclosure of information by management.	Financial analysts add value in the capital market through their analysis of firms' financial reporting decisions, forecasts of future earnings, and buy/sell recommendations.
Ferreira and Rezende (2007)	theoretical model		To provide a theory to explain the voluntary disclosure of information concerning the strategic decisions within a firm.	(1)Managers will voluntarily disclose their private information about corporate strategy to partners because they want to induce partners to undertake investments that are specific to certain strategic directions; (2) managerial public announcements of corporate strategy are credible because managers are concerned about their reputations; (3) voluntary public disclosures of information about corporate strategy can be value enhancing due to their positive effects on partners' incentives.
Warner *et al*. (1988)	logit analysis, event study	269 firms listed on NYSE and AMEX on July 2, 1962	To study the association between a firm's stock returns and subsequent top management changes.	There is an inverse relation between the probability of a management change and a firm's share performance. No average stock price reaction is detected as announcement of a top management change.
<u>To increase the predictability of a company's future prospects or to promote a reputation for transparent/accurate reporting</u>				
Kamp (2002)	case study	USA	To present an instructional case on earnings quality	the grade gives to a firm by a rating agency influence the decisions take by analysts

Healy and Palepu (2001)	review of literature		To review research in financial reporting and voluntary disclosure of information by management.	Financial analysts add value in the capital market through their analysis of firms' financial reporting decisions, forecasts of future earnings, and buy/sell recommendations.
Pownall and waymire (1989)	tests are based on a comparison of response coefficients estimated at the individual firm level separately for management forecasts and earnings announcements, regression.	317 management earnings forecasts published during 1969-73.	To provide evidence on the extent to which investors view voluntary management forecasts of earnings as less credible than other, more highly regulated forms of disclosure.	Our results suggest that management forecasts are associated with, on average, significantly larger stock price reactions.
Brennan (1999)	regression	701 takeover bids for companies listed on the London Stock Exchange during the period 1988 to 1992	To examine factors influencing voluntary forecast disclosure by target companies, whether good/bad news forecasts are disclosed and the influence of forecasts on the outcome of hostile bids.	Results suggest that disclosure was significantly more likely during contested bids. In agreed bids, probability of forecast disclosure was greater the shorter the bid horizon. In contested bids, forecasts were more likely where there were large block shareholdings, for larger targets and for targets in the capital goods industry. There was a clear tendency to disclose good news forecasts and a significant positive association between forecast disclosure and increase in offer price.
Cruz and Lima (2010)	panel data	115 observations in 23 Brazilian firms in the period from 2000 to 2004	To analyze whether the corporate reputation in may be considered as a driver to the voluntary disclosure level in open capital Brazilian companies.	Results show that corporate reputation has a positive association with the quantity of voluntary disclosure. And, the size of the company affects the amount of voluntary disclosure.
To reduce the information risk that investors assign to stocks				

Healy and Palepu (1993)	review of literature		To summarize the key ideas of the accounting information models. They examine why rational managers would be concerned about the effect of financial reporting decisions on firm value, even when capital markets are semi-strong form efficient.	For them managers can reduce asymmetry information and undervaluation of their stock increasing voluntary disclosure
Medeiros and Quinteiro (2005)	econometric model consisting of a cross-firm linear regression, as well as robustness tests	40 stocks of 30 firms listed on Bovespa	To investigate if there is a cross-firm relationship between the disclosure of accounting information and the volatility of stock returns of Brazilian firms.	Results show that firms with higher levels of disclosure present lower volatility of stock returns.
Dantas, Zendersky, Santos and Nyuama, (2005)	survey Theory		To observe the relation between level of disclosure and benefits of disclosure	They find that more disclosure is better for stakeholders' decisions process, improve stability in capital markets, increase firms' value relevance, credibility and liquidity, and reduce cost of capital to firms.

Until now, we have discussed the reasons to extend voluntary disclosure. We present here some motives that can lead managers to minimize or limit voluntary communication of financial or non-financial information.

2.1.3.2 Motives to limit voluntary disclosure

Capital market studies argue that the potential reasons to limit voluntary disclosures are to avoid setting a disclosure precedent that may be difficult to continue; to attract unwanted scrutiny by regulators, stakeholders and bondholders; to avoid possible lawsuits if future results do not match forward-looking disclosures; to avoid giving away proprietary information and therefore harming a competitive position. We describe here the theoretical arguments or/and empirical evidence for each of these potential reasons.

To avoid possible lawsuits if future results do not match forward-looking disclosures

Theory: For Healy and Palepu (2001), litigation risks can affect managers' disclosure decision in two opposite ways: litigation risk can induce managers to increase voluntary disclosure or it can limit voluntary disclosure. Legal actions by shareholders against firms' managers because of a lack, inadequate or untimely disclosure can increase the level of voluntary disclosures. In contrast, possible lawsuits related to undue forward-looking information can minimize managers' incentives to provide disclosure.

Evidence: The empirical evidence on the litigation hypothesis is controversial. Skinner (1994) document that companies with bad earnings news disclose more their poor earnings performance than firms with good news; although companies with negative earnings news are more commonly subject to litigation. He also observes little evidence that litigation costs are lower for firms that pre-disclose earnings than for those that do not. Furthermore, Graham, Harvey and Rajgopal (2005) find that 46% of CFOs consider that the threat of litigation can limit voluntary disclosure.

To avoid giving away proprietary information and therefore harming a competitive position

Theory: Previous research maintains that a company's decision to disclose information to investors is affected by apprehension that such disclosure is detrimental to their competitive situation in product markets[9]. These studies conclude that companies are encouraged not to reveal information that may diminish their competitive position. Thus, managers need to choose between providing financial data that help capital markets to value stock correctly, or hold information to improve the firm's market advantage. Hayes and Lundholm (1996) argue that proprietary costs induce firms to disclose more only when they have similarly performing business segments.

Evidence: Diamond (1985) document that firms disclose less information than they could because some disclosure could hurt their competitive position. This is in accordance with managers maximizing firms' value by holding information that might be useful to their competitors. Harris (1998) finds that managers of multi segmented firms do not disclose strategic information for segments that are less competitive. This confirms the Hayes and Lundholm's (1996) model of segment reporting choices where rivals adjust their segment disclosures to their strategic decisions .

In this question of our questionnaire we also introduce two dimensions inspired from Graham *et al.* (2005) even though they have no strong supporting theory and evidence. The first one is related to the fact that managers may be reluctant to release information voluntarily in order to avoid setting a disclosure precedent that may be difficult to continue. The problem here is that managers can have difficulties to maintain the same disclosures in the future. Graham, Harvey and Rajgopal (2005) find this a strong motivation against voluntary disclosure (69.6% of CFOs agree with this option). The second dimension is related to the fact that some voluntary disclosure may attract unwanted scrutiny by regulators, stakeholders and bondholders. Graham *et al.*'s results show that 20.3% of CFOs agree with this reasonregarding regulators, and 16.8% of CFOs agree with this dimension regarding stakeholders and bondholders.

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9 Verrecchia (1983); Darrough and Stoughton (1990); Wagenhofer (1990); Darrough (1993).

On the basis of these several studies we asked our survey participants:

5. The motives to limit voluntary disclosure of financial information not required by accounting standards are:

Strongly Disagree 1 2 3 Strongly Agree 4 5		Strongly Disagree 1 2 3 Strongly Agree 4 5	
□ □ □ □ □	A. To avoid giving away proprietary information ("company secrets") and therefore harming a competitive position	□ □ □ □ □	D. To avoid possible lawsuits if future results do not match forward-looking disclosures
□ □ □ □ □	B. To avoid attracting unwanted scrutiny by regulators	□ □ □ □ □	E. To avoid setting a disclosure precedent that may be difficult to continue
□ □ □ □ □	C. To avoid attracting unwanted scrutiny by stockholders and bondholders		

Major studies devoted to the reasons for limit voluntary information are synthesized in Table 7.

Table 7: Studies on reasons for limit voluntary information.

Reasons for limit voluntary information				
To avoid possible lawsuits if future results do not match forward-looking disclosures				
Skinner (1994)	classification by chi-square, logit regressions	93 NASDAQ firms during 1981-90	To provide evidence on corporate voluntary disclosure practices through an examination of the earnings-related disclosures.	1) They bear large costs when investors are surprised by large negative earnings news, but not when other earnings news is announced. 2) Managers may incur reputational costs if they fail to disclose bad news in a timely manner.
Healy and Palepu (2001)	review of literature		To review research in financial reporting and voluntary disclosure of information by management.	Financial analysts add value in the capital market through their analysis of firms' financial reporting decisions, forecasts of future earnings, and buy/sell recommendations.
Graham *et al*. (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	46% of CFOs agree with this
To avoid giving away proprietary information and therefore harming a competitive position				
Graham *et al*. (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	59% of CFOs agree with this
Healy and Palepu (1993)	review of literature		To summary the key ideas of the accounting information models. They examine why rational managers would be concerned about the effect of financial reporting decisions on firm value, even when capital markets are semi-strong form efficient.	One constraint on expanded disclosure is the competitive dynamics in product markets.

Hayes and Lun-dholm (1996)			To observe how firms choose the appropriate level of aggregation in segmental disclosures, given that such disclosures are observed by both competitors and the capital market.	Firm responds to the segment reporting decision, given complete reporting flexibility, by conditioning the reporting decision on its private information about the two segments.
Diamond (1985)	Equilibrium model with endogenous information collection to demonstrate that there exists a policy of disclosure of information which makes all shareholders better off than a policy of no disclosure.		To provide a positive theory of voluntary disclosure by firms.	A characterization of the optimal public information release policy for the firm. Releasing public information makes it incentive compatible to refrain from acquiring private information. The information release policy makes all traders better off.
Harris (1998)	logit model of management's decision	929 firms reporting business segments in their annual reports during 1987 to 1991	To investigate the relation between levels of industry competion and managers' choices of which operations to report as business gments.	Results show that operations in less competitive industries are less likely to be reported as industry segments. This suggests that the competitive harm cited as a disincentive to detailed segment reporting arises from a desire to protect abnormal profits and market share in less competitive industries.
To avoid setting a disclosure precedent that may be difficult to continue				
Graham at al. (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to perfor-mance measures and voluntary disclosure	69% of CFOs agree with this
To avoid attracting unwanted scrutiny by regulators, stakeholders and bondholders				
Graham *et al*. (2005)	interview and questionnaire survey	2003	To determine the key factor that drive decisions related to perfor-mance measures and voluntary disclosure	% of CFOs agree with this for regulators and 16% for stakeholders and bondholders

Diamond and Verrechia (1991)	models of Diamond and Verrecchia (1981) and Verrecchia (1982)	1 firm	To verify the causes and consequences of a security's liquidity, especially the effect of future liquidity on the security's current price (cost of capital)	Beneficial effect of disclosure is that reduce information asymmetry (reduce cost of capital) derived after removing an unrealistic benefit of disclosing information to the public: the reduction of future risk by early disclosure.

2.1.4 Media used to Disseminate Accounting Information

In this section we investigate the media used by firms to disclose information to stakeholders. The media investigated are press releases, internet, conference calls and meetings with financial analysts.

Theory: Technological innovation created new options for investor communication which result in a relative decline of the usefulness of annual reports and traditional financial statements. Conference calls and the internet are easier, faster and cheaper ways for firms to communicate with stakeholders than conventional annual reports (Lev and Zarowin, 1999). Using these media to divulgate voluntary and mandatory information, firms can reduce information asymmetry instantaneously without having to wait for financial statements and annual reports releases.

According to Healy and Palepu (2001), corporate disclosure is essential for the well-functioning of capital markets. Firms can communicate directly with investors through such media as financial reports and press releases. They can also communicate with financial intermediaries or through information intermediaries, such as financial analysts, industry experts, and the financial press. Firms can also increase disclosure of accounting information through regulated financial reports, including financial statements, footnotes, management discussion and analysis, as well as other regulatory filings for all stakeholders, or even other media for dissemination as conference calls and internet (firms' website). Interestingly, Lang and Lundholm (1993) observe a highly significant and positive correlation between annual report disclosures (that are audited) and voluntary disclosures in other forms of releases (that are not audited).

Because of many different varieties of media used by firms to disseminate information, the question is therefore to determine whether conventional annual reports are still useful to firm stakeholders and whether they provide incremental information with respect to other media.

Evidence: In Brazil, the law n° 10.303/01 obliges quoted companies to publish all accounting reports (mandatory information) in a national newspaper, at least once a year. In addition, firms can use other media, such as websites, press releases, conference calls and meetings with financial analysts to disclose mandatory and voluntary information (Iudicibus *et al*. 2010; Brazilian law no. 10.303/01).

Barker (1998) made a survey with analysts, fund managers and CFOs dealing with the market for information (voluntary and mandatory). He finds that analysts prefer meetings or conference calls with financial executives[10] rather than other sources of information. However, they consider traditional annual reports and financial statements as an extremely important part of their work and a marketing tool. They increase credibility of both telephone and face-to-face communication with firms. For analysts, direct contact with the company provides faster and more focused information, and offers a competitive advantage over rival analysts. Analysts consider firm's direct contact as an ideal moment to add value to their forecasts. In addition, fund managers consider that meetings offer an opportunity to observe management skills in the light of the information from previous meetings. Fund managers prefer direct information from companies rather than information processed by analysts, because their incentives are focused on minimizing the risk of underperformance on the long-run. They suggest that analysts have short-term objectives and are perceived to be close to the companies they follow. This disturbs their impartial vision of the firms they recommend.

In the same way, Pike *et al*. (1993) observe from a survey with German and UK analysts, that sources of information that promote a face to face interaction between firms and market participants, such as direct discussions with company personnel and in-company analysts' meetings are preferred. Results suggest distinct behaviour between German and UK analysts. The relevant sources of information for German analysts are meetings with firm management, annual reports and discussions with company personal, respectively. In contrast, for British analysts, the annual report is the less important source of those three. Journals and newspapers appear in the last position for the two groups.

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[10] Pike, Meerjanssen and Chadwick (1993)

Other two surveys present almost the same results. Graham, Harvey and Rajgopal (2005) find that information can be divulgated by press-release, investor and analyst meetings, conference calls and monthly newsletters, in this order of preference, respectively. Barker and Imam (2008) find that analysts also use other sources of voluntary information, such as voluntary reports, reserve meetings, press releases and the internet, to prepare their analysis rather than accounting reportsonly..

Francis *et al*. (1997) analyzed 1189 firms' presentations to analysts. They observed higher analyst coverage for companies making conference calls after their presentations. Analysts believe that presentations possess scope and credibility that is not easy replicable by other source of information. These results suggest that direct contact increases analyst coverage which in turn increases homogeneity and accuracy in analysts' forecast, which increases liquidity and stock prices by reducing cost of capital.

In relation to the internet, Mendes-da-Silva and Christensen (2004) assert that the web is the fastest and easiest way to disclose information to stakeholders and market participants. They analyzed voluntary disclosure in Brazil by the internet. They found that Brazilian public firms with poor performance are more likely to disclose financial information through corporate websites. The increasing use of the web by investors reduces the cost of providing voluntary disclosures and increases information supply.

Previous results suggest that annual reports and financial statements have become a minor source of information for market participants. This contrasts with two previous studies by Arnold and Moizer (1984) with American analysts and by Vergoossen (1997) with Dutch investment analysts, which concluded that financial statements and accounting data were the primary source of information for analysts.

These results suggest that a significant change in preferences has taken place in recent years. One possible reason suggested by Pike *et al*. (1993) is that this shift (preference in personal contact with firm management) may be a response to the allegation that there was a lack of communication between institutional investors and managers. Using this literature, we asked our respondents:

6. Financial information should be disclosed using:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
□ □ □ □ □	A. Press releases (for newspapers, television and magazines)	□ □ □ □ □	C. Conference calls with financial analysts
□ □ □ □ □	B. Internet (company's website)	□ □ □ □ □	D. Meetings with financial analysts

2.2 Performance Measures in Accounting

A fundamental issue in finance and accounting studies focuses on the relation between earnings, or any other performance measure, and stock returns. This section discusses the most important performance measures and the most relevant benchmarks for earnings.

2.2.1 Relevance of the most usual performance measures

> The bottom line is that from a valuating perspective, no general method exists for ranking the quality of different earnings measures. Cornell and Landsman (2003, p. 23)

Financial statements provide several performance measures. Many studies show that operating cash flows and net income are preferred. They are often used to compare firm performance in a given sector or over different periods. Furthermore, performance measures derived from accounting figures are frequently proposed by the finance literature, notably free cash flows and EVA (Economic Value Added). In addition, many firms calculate and communicate pro-forma earnings instead of GAAP earnings. A major issue is therefore to determine whether performance measures presented in financial statements are more relevant than those proposed by the literature in finance or non-GAAP measures disclosed by companies. The relevance of performance measures depends on their information content: the higher the information content, the higher the relevance of the measure. Information content is commonly captured by using either event studies or association studies. Both types of studies posit that the relevance of performance metrics increases with correlation with stock returns.

In this vein, Dumontier and Raffournier (2002) stated three lines of research to consider when analyzing the usefulness of accounting information to market participants. The first one is research on market reactions when new accounting information is published. The analysis of the stock price impact of any newly available data (i.e. event studies) provides insight on the information content, and therefore the usefulness, of the data for market participants (e.g.

Beaver, 1968; Firth, 1981; Kallunki, 1996). The second one encompasses studies on the long-term association between stock returns and accounting numbers (association studies), in order to check whether these numbers are consistent with the information reflected in stock prices (e.g. Ball and Brown, 1968; Leuz and Verrechia, 2000). The last one refers to studies, which observe how investors use accounting data and how market considerations affect accounting choices. We focus here on event studies and association studies.

Event Studies

In efficient capital markets, stock prices quickly reflect any new information. Consequently, as explained by Kothari (2001, p. 116), changes in stock prices or in trading volumes are expected around information releases. If this is a performance measure, such as earnings, which is announced, the magnitude of the stock price or volume impact of the announcement helps determine the relevance of the measure. The relationship between accounting information and stock market data has become extensively investigated when Ball and Brown (1968) have shown that the information conveyed by net income was positively associated with stock price changes. However, it is difficult to determine the respective relevance of each performance measure using event studies because measures of performance are not all subject to specific announcement. Therefore, instead of using event studies, researchers prefer association studies to appreciate the respective value-relevance, and consequently the usefulness, of performance measures.

Association Studies

Association studies regress accounting figures on market data in order to test any significant relationship. Kothari (2001, p. 116) defines an association study as a test of a positive correlation between an accounting performance measure and stock returns, both measured over relatively long time periods (e.g. one year). The purpose of association studies is to test whether performance measures convey the same information as the one that is reflected in stock prices over a given period.

Evidence:

Surveys studies: Pike *et al*. (1993), in their survey research with British and German analysts, observed that the most widely used performance measures were Price-to-Earnings or Price-to-Cash-Flows multiples. In her survey research with analysts, Saghroun (2003) found that earnings are viewed as a major performance measure.

Dechow, Huson and Sloan (1994) found that the majority of firms use earnings as a measure of performance (71%). Graham, Harvey and Rajgopal (2005) showed that for US CEOs the most important performance measures reported to market participants are earnings and cash flows. Earnings are preferred because they provide more information on company value than cash flows.

Event studies: Numerous empirical studies found the same results as Ball and Brown (1968), indicating that earnings convey information to investors: Beaver, Clark and Wright (1979) and Ohlson (1991) in the US; Ali and Pope (1995), Garrod and Hadi (1998), Charitou, Clubb and Andreou (2001) in the UK. Others studies have analyzed the information content of net income and operating cash flows respectively. Ali and Pope (1995) concluded that net income is more informative than cash flows in the US. Charitou, Clubb and Andreou (2001), Cotter (1996) and Haw, Qi and Wu (2001) observed the same result in the UK, Australia and China, respectively. However in Denmark, Plenborg (1999) found that earnings and cash flow have both the ability to explain stock returns.

Association studies: Nichols and Wahlen (2004) find value-relevant information when comparing the association between stock returns and the magnitude of unexpected earnings and operating cash flows. Their results suggest that current period earnings summarize important information to market participants, useful for forecasting future earnings. Not surprisingly, their results also suggest that annual earnings changes[11] contain more value-relevant information than changes in operating cash flows.

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[11] This difference in earnings can be up to 35% the difference in stock returns. (Nichols and Wahlen, 2004)

Lambert and Larcker (1987) document a positive association between the cash compensation of managers and their firms' earnings performance. In this vein, Dechow *et al*. (1994) found that managers’ compensation contracts normally associate managers’ cash compensation and reported earnings. This result suggests that managers have personal incentives to report good earnings.

One aspect of the growing use of non-GAAP earnings is that no universally accepted or consistently applied definition is available for "temporary" items that should be excluded from net income because of low relevance. Bhattacharya, Black, Christensen and Larson (2003, p. 286) define pro-forma earnings as "GAAP earnings adjusted for items that management deems to be 'unusual' or 'non-recurring'".

Entwistle, Feltham and Mbagwu (2010) analyze the value relevance of three earnings measures: traditional Generally Accepted Accounting Principles (GAAP) earnings, pro forma earnings, and Institutional Brokers’ Estimate System (I/B/E/S) earnings. The first one is calculated according to GAAP. The second one is an adjusted non-GAAP earnings number disclosed by management. The last one is an adjusted non-GAAP earnings metric used by analysts. Results show that the three measures are value relevant, but pro-forma earnings are considered the best one since they are more strongly associated with stock returns than GAAP earnings or IBES earnings.

Biddle, Bowen and Wallace (1997) verify if EVA is more associated with stock returns and firm values than earnings. They find that earnings are more associated with stock returns and firm values than EVA. However, in Australia, Worthington and West (2004) find that stock returns are more strongly associated with EVA than residual income, earnings and net cash flow, respectively.

Barton, Hansen and Pownall (2010) compared performance measures ofalmost 20,000 firms between 1996 and 2005 in 46 countries. They found that performance measures that are able to identify changes in operating cash flows (immediately) are most useful and the most value relevant ones to investors. They also showed that operating income before income taxes was the preferred performance measures (see Figure 2).

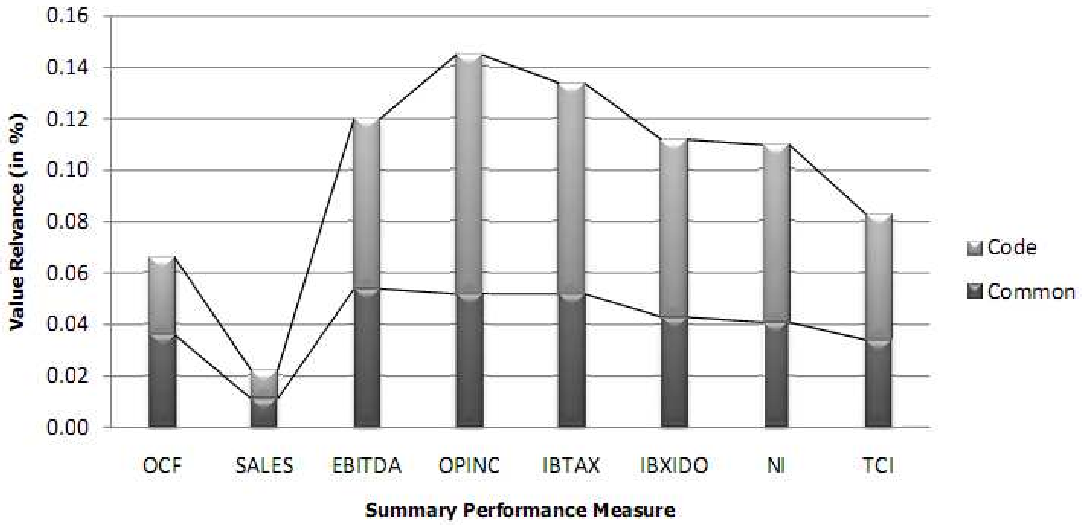

Figure 2: Value relevance of summary performance measures.

Source: Barton, Hansen and Pownall (2010, p. 777)

Variable definitions: OCF (operating cash flows), SALES (total sales), EBITDA (operating earnings before interest, income taxes, depreciation, and amortization), OPINC (operating income before income taxes), IBTAX (income before income taxes), IBXIDO (income before extraordinary items and discontinued operations), NI (net income) and TCI (total comprehensive income).

Complementary studies: Niskanen *et al*. (1994) in a study of Finnish firms support the hypothesis that earnings based on IAS provide more incremental information than those based on Finnish GAAP. Therefore, the adoption of IAS-IFRS may contribute to increase the value relevance of accounting figures and to reduce information asymmetry, especially for firms in low-regulated countries. This hypothesis is validated by Leuz and Verrechia (2000). They find that German firms that switched to IAS or US GAAP exhibit lower bid-ask spreads and higher share turnover than firms using German GAAP, suggesting that the switch to an international standard increases the information content of accounting figures. Furthermore, Morais and Curto (2008) provide evidence on the higher value relevance of both book value of equity and net income resulting from the application of IFRS. They find that the mandatory adoption of IFRS has resulted in an increase of the value-relevance of net income for EU firms that have adopted IFRS when the switch became mandatory.

Ali and Hwang (2000) find that value relevance of accounting information is lower for countries with bank-oriented financial systems as opposed to market-oriented ones. In the same vein, Barton *et al*. (2010) observe weak value relevance of net income and comprehensive income in common-law countries.

Finally, there is no apparent theoretical or empirical basis for consistently preferring one measures of performance to another. To value companies accurately, investors must have adequate disclosure of the essential business relationships among associated companies. Moreover, the quality of information depends on the contractual environment of the firm (Watts, 2003) and on the economic incentives of managers to publish high quality accounting data (Ball, 2001).

Stemming from the research dedicated to the respective usefulness of the various performance measures, we asked our respondents:

7. The most important measures of firm performance are:

Strongly Disagree 1	2	3	4	Strongly Agree 5		Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Cash flows from operations	☐	☐	☐	☐	☐	D. Free cash flows
☐	☐	☐	☐	☐	B. Net incomes	☐	☐	☐	☐	☐	E. Pro forma earnings
☐	☐	☐	☐	☐	C. Economic value added (EVA)	☐	☐	☐	☐	☐	F. Revenues

Major studies devoted to the performance measures for firms' are synthesized in Table 8.

Table 8: Studies on performance measures for frims'.

Performance Measures				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Survey studies				
Pike *et al*. (1993)	questionnaire survey	92 Uk analysts and 47 German analysts in 1991	To examine the changes in the approch to appraising ordinary shares by UK investment analysts over the past decade, and to compare the approaches and goals adopted and information sources employed by UK analysts in evaluanting shares with those of their German counterparts	Results show that price/earnings and price/cash flows are the preferred measures by analysts. Thecnical analysis have more importance for German than Britain analysts.
Dechow, Huson and Sloan (1994)		182 restructuring charges between 1982 and 1989		CEO cash compensation is shielded from restructuring charges relative to other components of earnings. The degree to which executive compensation is adjusted for a restructuring charge depends on the characteristics of the restructuring. Restructurings require a large charge to earnings but can have a positive impact on the economic well-being of a firm.
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003 with 401 CFOs	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	Results presented that earnigs are preferred by 51% of CFOs, followed by pro forma earnings (12%), cash flow from operations (12%) and revenues(12%).
Event Studies				
Ball and Brown (1968)	OLS income regression model	income numbers 1946 to 1966.	To assess the usefulness of the existing accounting income numbers by eximining their information content and timeliness.	Of all the information about an individual firm which become available during a year, one half or more is captured years' income number.
Nichols and Wahlen (2004)	descriptive statistics, 3 models: Ball and Brown 1968;	Annual earnings, returns for	To summarize the theory and evidence on how accounting earnings information relates to firms'	Results provide empirical evidence on the relation between earnings and stock returns. Annual stock returns are significantly related to the sign of annual earnings changes. Earnings

	Kormendi and Lipe 1987; Bernard and Thomas 1989.	31,923 firm-year obs. over 1988 – 2001. Efficiency tests, quarterly earnings, daily returns for 90,470 firm-quarter obs. over 1988 – 2002	stock returns, particularly for the benefit of students, practitioners, and others who may not yet have been exposed to this literature.	persistence helps to explain differences in the relation between stock returns and earnings. Share prices react rapidly to the arrival of new information in quarterly earnings.
Charitou, Clubb and Andreou (2001)	multivariate regression models	Japanese dataset consisting of 6,662 firm-year observations for the period 1984–93.	To extend the growing empirical literature on the association of earnings and cash flows with security returns.	Results provide empirical evidence that cash flows (earnings) have information content beyond earnings (cash flows) in explaining security returns, and that cash flows (earnings) play a more (less) important role in the marketplace when earnings are transitory.
Plenborg (1999)	regression	Danish stock exchnge. Between 1983 to 1992 with 121 obs. per year.	To examine the information content of earnings and cash flows, and the information content of cash flow after investments (CFAI) and net cash flow (NCF).	Results show that: (1) earnings are relatively more informative than cash flows; (2) the aggregated effect of cash flows has incremental information content beyond that of earnings; (3) after controlling for the effect of earnings, CFO (NCF) is negatively (positively) associated with the contemporaneous annual stock return at conventional significance levels. The coefficient on CFAI is not statistically different from zero; (4) over longer return intervals, the incremental information content of cash flows beyond earnings is maintained.
Association Studies				
Bhattacharya, Black, Christensen and Larson (2003)	descriptive statistics,	1,149; years 1998–2000.	To investigate whether market participants perceive pro forma	Results show that (1) pro forma announcers report frequent GAAP losses and are mostly concentrated in the service

	cumulative size-adjusted abnormal returns, regression models	actual pro forma press releases.	earnings to be more informative and more persistent than GAAP operating income.	and high-tech industries. (2) pro forma earnings are more informative and more permanent than GAAP operating earnings. Evidence suggests that market participants believe pro forma earnings are more representative of ‘‘core earnings’’ than GAAP operating income.
Barton, Hansen and Pownall (2010)	regression	117,474 firm-years representing 19,784 firms between 1996 and 2005	To examine the value relevance of a comprehensive set of summary performance measures including sales, earnings, comprehensive income, and operating cash flows.	While value relevance peaks for measures “above the line,” no single measure dominates around the world. Instead, a measure is more relevant when it captures, directly and quickly, information about firms’ cash flows. Results suggest that, when it comes to equity valuation, accounting researchers and standard-setters should focus not on what performance measure is “best”, but on the attributes that investors find most relevant.
Biddle, Bowen and Wallace (1997)	regression	6,174 firm-year obs. for 773 firms.	To test assertions that EVA is more highly associated with stock returns and Þrm values than accrual earnings, and evaluates which components of EVA, if any, contribute to these associations.	Relative information content tests reveal earnings to be more highly associated with returns and Þrm values than EVA, residual income, or cash ßow from operations. Incremental tests suggest that EVA components add only marginally to information content beyond earnings.
Worthington and West (2004)	Pooled time-series, cross-sectional data	110 Australian firms over the period 1992–1998	To examine whether the trademarked variant of residual income known as EVA is more highly associated with stock returns than other commonly-used accounting-based measures.	Relative information content tests reveal returns to be more closely associated with EVA than residual income, earnings and net cash flow, respectively. An analysis of the components of EVA confirms that the GAAP-related adjustments most closely associated with EVA are significant at the margin inexplaining stock returns
Entwistle, Feltham and Mbagwu (2010)	regression	data of S&P 500 firms between 2000 and 2004	To explore whether pro forma earnings, GAAP earnings, and I/B/E/S earnings are value relevant and, more important, which in comparative terms has the greatest value relevance.	All three earnings measures are value relevant. Pro forma earnings are significantly more value relevant than Institutional Broker’s Estimate System (I/B/E/S) earnings, which in turn are more value relevant than Generally Accepted Accounting Principles (GAAP) earnings.

Complementary Studies				
Niskanen *et al.* (1994)				
Leuz and Verre-chia (2000)	simple OLS estima-tion of the cost of capital model, cross sectional analysis	102 greman firms in 1998	To observe German firms that have switched from the German to an international reporting regime (e.g. U.S. GAAP), thereby committing themselves to increased levels of disclosure.	They found in a cross-sectional analysis that firms that commit to either IAS or U.S. GAAP exhibit lower percentage bid-ask spreads and higher share turn-over than firms using German GAAP.
Morais and Curto (2008)	several measures of earnings management, regression	34 Portuguese listed firms before and after the adoption of IFRS	To investigate whether adopting IASB standards is associated with higher earnings quality and higher value relevance.	Results show that firms, during the period when they adopt IASB standards, report less smooth earnings than those firms in periods when they adopted national accounting standards, which seems to suggest an improvement in earnings quality. However, the value relevance of accounting information decreases with the adoption of IASB standards.
Ali and Hwang (2000)	regression	1986-95 data from manufacturing firms from 16 countries,	To explore relations between measures of the value relevance of financial accounting data and several country-specific factors suggested in prior research.	Results show that (1) value relevance is lower for countries with bank-oriented financial systems. A few banks supply most of the capital needs in bank-oriented systems, because in such systems, banks have direct access to company information. (2) Value relevance is lower for countries where private-sector bodies are not involved in the standard-setting process.(3) value relevance is lower when tax rules significantly influence financial accounting measurements.
Paglietti (2009)	descriptive statistics and price-levels regression	960 firm-year observations concerning Italian listed companies observed from 2002 to 2007	To study the impact of the IFRS mandatory adoption in a typical code-law European country such as Italy. It aims to investigate how and whether the accounting information quality changes following IFRS implementation.	Results confirm the overall increase in the value relevance under IFRS. The research also documents changes in Italy's country-specific factors in the period surrounding IFRS adoption that may contribute to an improvement in accounting quality.

2.2.2 Earnings Benchmark

> The moves of the market are based, not on current reality, but on investors' views of the future. Leonard Silk (1983).

Studies advise that stock market react when firms beat or miss earnings benchmarks. Therefore, as explained by Hawkins *et al.* (1984), earnings expectations are an important determinant of stock prices. The usual thresholds used as earnings benchmarks are previous year earnings, analysts earnings forecast, earnings of main competitors and zero (i.e. earnings are a profit, net income is positive).

In this section we discuss the relevant earnings benchmarks. We investigate why companies try to meet such benchmarks and what happens when companies miss them.

2.2.2.1 The relevant benchmarks for earnings

Theory: Bernstein (1993) consider that earnings expectations have a life cycle. This cycle influences the investors' earnings benchmarks, as illustrated in Figure 3:

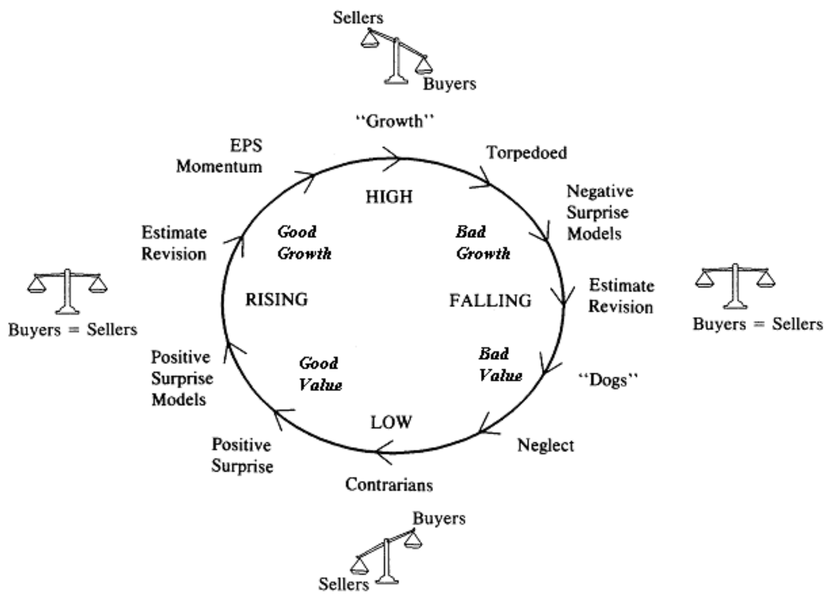

Figure 3: Earnings' expectations life cycle.

Source: Adapted from Bernstein (1993, p. 90-92)

Contrarians: Investors commonly known as "contrarians" invest in stocks with low earnings expectations (unattractive or overly risky). *Positive Surprises*: Eventually a low-expectations company begins to disseminate more optimistic information; the stock regains investor attention and it may begin to increase. (Good Value period). *Positive Surprise Models*: Stock-picking models that search for significant variations between analysts' earnings expectations and actual reported earnings highlight stocks that enjoy positive earnings surprises. *Estimate Revisions*: The consensus begins to raise earnings estimates in response to rising earnings expectations following an earnings surprise. (Good Growth period). *EPS Momentum*: Investors that follow earnings momentum themes begin to buy the stock as estimates and reported earnings continue to rise, and as year-to-year earnings comparisons begin to improve. *Growth*: When strong earnings momentum continues for a long enough periods, a stock is termed a "growth" stock by the consensus. Rather, most investors agree that these stocks are indisputably superior. Earnings expectations for the stocks are very high; hence this is the point on the cycle where there is the maximum risk of disappointment. *Torpedoed*: An earnings disappointment occurs. Its earnings expectations and price sink. (Bad Growth period). *Negative Surprise Models*: The same models from Stage 3 begin to highlight stocks with lower-than-expected earnings as potential sell candidates. *Estimate Revision*: The consensus begins to lower earnings estimates in response to the earnings disappointment. *Dogs*: After disappointing for a long enough period, these stocks are shunned by investors and they generally avoid these stocks. (Bad Value period). *Neglect*: Investors have become so disinterested in the stocks or group that brokerage firms begin to believe that research coverage of the group may not be profitable, hence coverage begins to dissipate. The lack of available research information may set the stage for a renewed cycle.

Stakeholders relate their investment decisions to earnings benchmarks and their cycle life. Dumontier and Raffournier (2002) explain that expected earnings are generally estimated in two ways. Presuming that earnings follow a random process, some studies take the earnings of a given year as the following years' expected earnings. Other studies use the analysts' consensus forecast as the best available measure of expected earnings. Under the information content hypothesis, positive unexpected earnings should, in general, lead to positive abnormal returns, and negative unexpected earnings to negative abnormal returns (Kallunki, 1996). If investors use previous year earnings and consensus analyst forecast to estimate future earnings, these two measures can be used as relevant earnings benchmarks.

DeGeorge *et al.* (1999) observe that firms have a hierarchy of thresholds regarding earnings. Heading the list they suggest profit, followed by earnings changes, and thereafter by analyst's forecast. The first threshold, profit, has a psychology importance to investors because it makes distinction between positive numbers and negative numbers. The two others thresholds depend on the current performance relative to the one of the previous period and to the one expected by analysts. Others earnings benchmarks have been proposed in the literature, notably changes in earnings of main competitors (Burgstahler and Dichev, 1997).

Evidence: Most event studies aimed to determine how stock markets react at earnings announcements using two earnings benchmarks: last year/quarter earnings and analysts' earnings forecasts. For Lev (2003), last year (or quarter) earnings is a good benchmark because a series of past earnings growth suggests a sustainable improvement in the firm's operations. Accordingly, Graham, Harvey and Rajgopal (2005), in their survey with for 401 American CFOs, find last period earnings as the best benchmarks for 85.1% of respondents. Regarding analysts' earnings forecasts, Hawkins, Chamberlin and Daniel (1984) investigate if revisions in consensus earnings estimates affect stock prices. Results confirmed this hypothesis. Furthermore, revisions in earnings forecasts (collected by I/B/E/S) can be used to predict subsequent stock price performance. In this vein, Graham, Harvey and Rajgopal (2005) find that analyst estimates are considered important by 73.5% of CFOs. In his survey with analysts, CFOs and fund managers, Barker (1998) observe that the trend in the industry is an important benchmark for many respondents, mainly when the sector is homogenous and competitive.

Using this literature, we asked our respondents:

8. The most relevant benchmarks for earnings are:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐☐☐☐☐	A. Previous year EPS (Earnings per Share)	☐☐☐☐☐	C. Reporting a profit (i.e., EPS >0)
☐☐☐☐☐	B. Analyst consensus forecast of EPS for current year	☐☐☐☐☐	D. Change in earnings of main competitors

2.2.2.2 Companies try to meet earnings benchmarks

> During the boom years, corporate America increasingly emphasized a short-term focus, fueled by an obsession with quarter-to-quarter earnings. In some cases this focus was sharpened by the temptation that inherently resulted from massive amounts of stock options granted to corporate insiders. Analysts, some tainted by conflicts of interest, became cheerleaders for the game of "hitting the numbers". And winning that game, rather than creating the conditions for sound, long-term strength and performance, became the primary goal. Finally, the perception that uninterrupted earnings growth was the hallmark of sound corporate progress caused too many managers to adjust financial results - in ways that were sometimes large and sometimes small, but in all cases unacceptable - to meet projected results. Donaldson (2003)

Theory: Management has incentives (e.g. Barth *et al.*, 1999; Donaldson, 2003) to meet or exceed benchmarks (loss-avoidance or zero earnings level, earnings improvement or changes, and analyst forecasts). Previous studies[12] investigate the reasons why companies try to meet earnings benchmark. According to Graham, Harvey and Rajgopal (2005) they have five motivations:

1) To build credibility with market participants, to maintain the external reputation of the management team, and to insure customers and suppliers that business is stable. These reasons suggest that meeting earnings benchmarks increase the credibility of management teams, and help assure stakeholders that company perfoms well;

2) To help employees achieve bonuses. This idea suggests that earnings are linked to bonus plans, so that managers have personal incentives to reach earnings benchmark;

3) To avoid violation of debt-covenants, and to achieve or preserve the desired credit rating. Meeting earnings benchmarks conveys favourable signal to creditors and rating agencies;

4) To reduce stock price volatility and to convey future growth prospects to investors. When managers reach thresholds they suggest that the firm performs as expected, which reassures investors and reduces stock price volatility.

5) To maintain or to increase stock prices and/or dividends. All things equal, the decrease in stock price volatility resulting from meeting earnings benchmark has a negative impact on the rate of return required by shareholders and, consequently, a positive impact on stock price.

<u>Evidence:</u>

> […] the market hammers the stock price when the firm fails to meet the consensus estimate. Graham, Harvey and Rajgopal (2005, p.43).

Dechow and Skinner (2000) and Graham, Harvey and Rajgopal (2005) find that companies try to meet earnings benchmarks principally to influence stock prices by increasing management credibility and reducing price volatility. When firms announce earnings that suddenly differ from the market expectations (thresholds), share prices generally react in the same way as the earnings news. Graham, Harvey and Rajgopal (2005) find that 66% of CEOs

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[12] Graham, Harvey and Rajgopal (2005); Dechow and Skinner (2000), Trueman (1986), Barker (1998), Farrell and Whidbee (2003).

try to meet earnings benchmarks to maintain or increase stock price and 82% to reduce stock price volatility. Barth *et al.* (1999) find that if a company reports continuous growth, annual earnings are priced at a premium with reference to other firms (persistence hypothesis).

In surveys, Trueman (1986) and Barker (1998) validate the idea that disclosures are used to assure and to promote management skill. Farrell and Whidbee (2003) indicate that CEOs think that meeting earnings benchmarks helps maintain the external reputation of the management team, mainly to board members, investors and analysts. Furthermore, earnings reports are important to customers and suppliers, bankers and workers. These agents are apprehensive with the firm's viability and profitability. Graham, Harvey and Rajgopal (2005) find that reaching earnings expectations build credibility with market participants (86%), assure customers and suppliers that business is stable (58%), convey future growth prospects to investors (74%) and avoid violating debt covenants (26%).

Dechow *et al*. (1994) find that CEOs compensation is related to accounting and stock prices measures. Based on this premise, Matsunaga and Park (2001) investigate what happens with CEOs annual bonuses if they miss earnings benchmarks. Results provide evidence that CEOs have personal incentives (obtain their annual bonus) to meet thresholds. Graham, Harvey and Rajgopal (2005) find that 40% of CEOs agree with the idea that meeting earnings benchmarks help employees achieve their bonuses.

Some researchers suggest that earnings benchmarks are used as a guide to interpreting enterprise financial position. An extensive number of studies in accounting develop theoretical and empirical evidence on the relation between earnings information and stock returns[13]. However, DeGeorge *et al*. (1999) argue that managers may be hesitant to disclose large gains in earnings because it may increase their performance target in the future.

[13] Beaver, Clarke and Wright (1979), Collins and Kothary (1989), Kothari and Sloan (1992), Ball, Kothari and Watts (1993).

Stemming from these previous research results, we asked our respondents:

9. Companies try to meet earnings benchmarks:

Strongly Disagree 1 2 3 Strongly Agree 4 5		Strongly Disagree 1 2 3 Strongly Agree 4 5	
□□□□□	A. To build credibility with market participants	□□□□□	F. To maintain or increase dividends
□□□□□	B. To help employees achieve bonuses	□□□□□	G. To maintain the external reputation of the management team
□□□□□	C. To avoid violating debt-covenants	□□□□□	H. To convey future growth prospects to investors
□□□□□	D. To achieve or preserve a desired credit rating	□□□□□	I. To reduce stock price volatility
□□□□□	E. To maintain or increase stock prices	□□□□□	J. To assure customers and suppliers that business is stable

2.2.2.3 Missing an earnings benchmark is detrimental

Theory: Previous literature showed that the desire to meet earnings benchmarks can lead to earnings management. Firms can increase or decrease net incomes in order to reach certain "goals" of reference to investors or to avoid penalties. Degeorge, *et al*. (1999, p. 2) define earnings management as "the strategic exercise of managerial discretion in influencing the earnings figure reported to external audiences."

Missing an earnings benchmark affects the confidence of market participants in the firm's ability to hit or slightly surpass earnings targets (Brown and Caylor, 2006). Some reasons given by CFOs to Graham, Harvey and Rajgopal (2005) can explain why companies are penalized when they miss earnings benchmark.

1) The amount of time spent explaining why benchmarks are missed. Managers have to waste a lot of time with analysts to explain why earnings benchmark are not meet.

2) Investors may think that firm has previous undisclosed problems, outsiders may think that the firm lacks flexibility to meet the benchmark. This can create uncertainty about the firm's future prospects.

3) The uncertainty about why a firm misses earnings benchmark can increase the possibility of lawsuits and scrutiny of all aspects of earnings releases.

Evidence: Graham, Harvey and Rajgopal (2005) find evidence explaining why managers should not miss earnings benchmarks. They demonstrate that companies spend a lot of time in explaining why benchmarks were missed (58% of CEOs agree with this) and that investors imagine previously unknown problems.

Leading on from the above research, we asked our respondents the following:

10. Missing an earnings benchmark hurts because:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
□ □ □ □ □	A. Investors might think the firm has previously un-disclosed problems	□ □ □ □ □	D. Outsiders might think that the firm lacks the flexibility to meet the benchmark
□ □ □ □ □	B. A lot of time must be spent to explain why benchmarks are missed	□ □ □ □ □	E. It leads to increased scrutiny of all aspects of earnings releases
□ □ □ □ □	C. It increases the possibility of lawsuits	□ □ □ □ □	F. It creates uncertainty about future prospects

Major studies devoted to consequences for firms that miss earnings benchmarks are synthesized in Table 9.

Table 9: Studies dedicated to consequences to firms' on missing an earnings benchmark.

Earnings Benchmark				
The most relevant benchmarks for earnings				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Graham, Harvey and Hajgopal (2005)	interview and questionnaire survey	2003 with 401 CFOs	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	To build credibility with market participants (86%) and to maintain or increase stock price (82%).
DeGeorge et al. (1999)	Two-Period Model with Last Period's Earnings as Threshold	5,387 firms providing partial or complete data over the 1974-96 period	To study eamings management as a response to implicit and explicit rewards for attaining specific levels of earnings, such as positive eamings, an improvement over last year, or the market's consensus forecast.	Results identify three thresholds that help drive EM: report profits, performance relative to the prior comparable period and relative to analysts" earnings projections.
Barker (1998)	semi-structured interviews, participants observations and questionnaires	42 analysts (42 questionnaires and 32 interviews), 40 CFOs and 16 firms (fund managers)	This paper develops a grounded theory of the market for information, based upon an empirical analysis of the economic incentives of finance directors, analysts and fund managers with respect to stock market information flows.	This theory implies that the literature has paid insufficient attention to the role of accounting information in direct communication between firms and fund managers and, thus to the role of analysts in share price determination has been overstated and superficially understood.
Companies try to meet earnings benchmarks				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003 with 401 CFOs	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	
Matsunaga and Park (2001)	Regression, the change in the CEO	3,651 firm-year obs., total	To investigate the effects of missing quarterly earnings benchmarks on	Results showed a significant incremental adverse effect on CEO annual cash bonuses when the firm's quarterly earnings

	cash bonus on the number of quarters during the year that the firm failed to meet the benchmark level of earnings.	1,324 different firms and 129 executives (10 %) have five obs., between 1993 and 1997.	the CEO's annual bonus.	fall short of the consensus analyst forecast or the earnings for the same quarter of the prior year, for at least two quarters during the year. Results suggest that CEO bonus payments provide CEOs with economic incentives to meet quarterly analyst earnings forecasts and earnings from the same quarter of the prior year.
Dechow and Skinner (2000)	theoretical		To reconcile different views (academics, practitioner/regulator) — why does earnings management seem both prevalent and problematic in practice (to the extent it has become a focus of regulatory attention), but is not consistently documented in the academic literature?	Academics: (1) A prolonged focus on incentives tbat may be less important tban capital market incentives for earnings management, (2) A difficulty in modeling earnings management. Regulators: (1) No earnings management" is clearly not an optimal solution, (2) If information is clearly disclosed, then one should expect sophisticated market participants to understand the implications of these policies for stock prices. (3) tbe innovations of creative accounting.
Missing an earnings benchmark is detrimental				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003 with 401 CFOs	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	Results show that miss earnings benchmark create uncertainity about future prospects (80%) and outsiders may think that there are some unknown problems (60%)

2.3 Earnings Quality and Earnings Management

Earnings are commonly used by stakeholders to observe company performance, to judge management quality and to make their investment decisions (Graham, Harvey and Rajgopal, 2005; Lev, 2003). Earnings quality may therefore have a considerable impact on financial choices based on accounting information, and accountants have to pay attention to accounting methods and earnings quality insofar as quality in earnings affect the reliability of accounting number. According to Kamp (2002), earnings quality means more than just meeting accounting standard requirements.

In this section we present the literature on the measures, determinants and consequences of earnings quality and on earnings management.

2.3.1 Earnings Quality: Meaning and Determinants

> The quality of earnings refers to how closely income is correlated with cash flows—the higher the correlation, the higher the earnings quality. Chasteen *et al*. (1992, p.329).

2.3.1.1 Concepts and proxies linked to earnings quality

Theory: Bricker *et al*. (1995) observe that financial analysts define "earnings quality" in economic and accounting terms. In economic terms, they associate higher quality earnings with a smaller range of values around mean earnings forecast. In accounting terms, they relate earnings quality to conservative accounting principles. In the same idea, Dechow *et al*. (2010) suggest that stronger consensus in analyst' forecasts reflects higher earnings quality, and strongly conservative accounting principles restrict the space for earnings management, increasing earnings quality. In the literature the definiton of "quality" when it is applied to earnings can be linked to the proxies listed in Table 10, as resumed by Dechow *et al*. (2010):

Table 10: Individual proxies for earnings quality

Theory	**Strengths and weaknesses**
Persistence	
Firms with more persistent earnings have a more ‘‘sustainable’’ earnings/cash flow stream that will make it a more useful input into DCF-based equity valuations	Pros: Fits well with earnings as a summary metric of expected cash flows useful for equity valuation. Cons: Persistence depends both on the firm’s fundamental performance as well as the accounting measurement system. Disentangling the role of each is problematic. Persistence may be achieved in the short run by engaging in earnings management
Magnitude of accruals	
Extreme accruals are low quality because they represent a less persistent component of earnings	Pros: The measure gets directly at the role of an accruals-based accounting system relative to a cash-flow-based system Cons: Fundamental performance is likely to differ for firms with extreme accruals versus less extreme accruals. Thus the lower persistence of the accrual component could be driven by both fundamental performance and the measurement rules
Residuals from accrual models	
Residuals from accrual models represent management discretion or estimation errors, both of which reduce decision usefulness	Pros: The measure attempts to isolate the managed or error component of accruals. Cons: Tests of the determinants/consequences of earnings management are joint tests of the theory and the abnormal accrual metric as a proxy for earnings management. Correlated omitted variables associated with fundamentals, especially performance, are of concern given the dependence of normal accruals on fundamentals and the endogeneity of the hypothesized determinants/consequences with the fundamentals
Smoothness	
Smoothing transitory cash flows can improve earnings persistence and earnings informativeness. However, managers attempting to smooth permanent changes in cash flows will lead to a less timely and less informative earnings number	Pros: Income smoothing appears to be a common corporate practice in many countries around the world Cons: It is difficult to disentangle smoothness of reported earnings that reflects smoothness of the (i) fundamental earnings process; (ii) accounting rules; and (iii) intentional earnings manipulation
Timely loss recognition (TLR)	
There is a demand for TLR to combat management’s natural optimism. TLR represents high quality earnings	Pros: Aims at disentangling the measurement of the process from the process itself by assuming that returns appropriately reflect fundamental information Cons: The net effect of TLR on earnings quality is unknown because TLR results in lower persistence during bad news periods than during good news periods (Basu, 1997). Both persistence and TLR affect the decision usefulness of earnings. TLR is a return-based metric.
Benchmarks	
Unusual clustering in earnings distributions indicates earnings management around targets. Observations at or slightly above targets have low quality earnings	Pros: The measure is easy to calculate, the concept is intuitively appealing, and survey evidence suggests earnings management around targets Cons: In addition to statistical validity issues, evidence that kinks represent opportunistic earnings management is mixed, with credible alternative explanations including non-accounting issues. It is difficult to distinguish firms that are at kinks by chance versus those that have manipulated their way into the benchmark bins

	ERCs
Investors respond to information that has value implications. A higher correlation with value implies that earnings better reflect fundamental performance	Pros: The measure directly links earnings to decision usefulness, which is quality, albeit specifically in the context of equity valuation decisions Cons: Assumes market efficiency. In addition, inferences are impaired by correlated omitted variables that affect investor reaction (including endogenously determined availability of other information), measurement error of unexpected earnings, and cross-sectional variation in return-generating processes
	External indicators of earnings misstatements
Firms had errors (AAERs and restatement firms) or are likely to have had errors (internal control deficiencies) in their financial reporting systems, which implies low quality	Pros: Unambiguously reflect accounting measurement problems. The researcher does not have to use a model to identify low quality firms Cons: For AAERs: small sample sizes and selection issues. For restatements and SOX firms: problems with distinguishing intentional from unintentional errors or ambiguities in accounting rules that lead to errors

Source: Dechow *et al*. (2010, p.351-352)

Several authors agree with the eight proxies of earnings quality presented by Dechow *et al*. (2010). For Graham *et al*. (1962, *apud* Sloan, 1996) and Hope (2003) earnings power (quality) reflects the capacity of a firm to maintain the same earnings in the long run (persistence). In the same way, Lev (2003) defines earnings quality in term of prediction of future performance. He states that “a high earnings quality figure is one which improves the prediction of future earnings or cash flow, thereby facilitating the valuation of assets”. Then, quality means that earnings (or any other accounting figure) provide a good, true and unbiased measure of performance. Dechow *et al*. (2010, p. 350) suggest that "persistent earnings will yield better inputs to equity valuation models, and hence a more persistent earnings number is of higher quality than a less persistent earnings number." In this line, Beaver (1998) argues that earnings persistence represents to investors the firm’s earnings level that will occur in future periods.

Sloan (1996) finds that the persistence of earnings performance depends on the magnitude of accruals. Lev (2003) defines accruals[14] as the difference between earnings and cash flows

[14] And Dechow *et al*. (2010, p. 358) suggest that researches in earnings quality can be related to normal accruals or abnormal accruals. For them, "the normal accruals are meant to capture adjustments that reflect fundamental performance, while the abnormal accruals are meant to capture distortions induced by application of the accounting rules or earnings management".

(e.g. depreciation and amortization charges, provisions for bad debts, provisions for product warranties, etc.). Many accruals require estimates, which can favour manipulation. Dechow *et al*. (2010) suggest that earnings including more cash flows than accruals are more persistent.

In this same perspective, Dechow *et al*. (2010) suggest timely loss recognition as another proxy to earnings quality. Timely loss recognition is the ability of earnings to reveal unfavourable value-relevant information. Timely loss recognition is therefore often associated with conservative accounting (Basu, 1997). Timely loss recognition is more observed in common law than in code law countries (Ball *et al*., 2000) because common law countries, that tend to be market oriented offer higher investor protection[15].

Conservatism is another proxy for earnings quality. Conservatism leads to recognize possible losses in earnings, and to forget potential gains. Conservatism also leads to undervalued assets and overvalued debt. For Imhoff (1992), conservative accounting methods imply higher earnings quality because conservatism reduces information asymmetry between managers andoutsiders. Watts (2002), Gibson (1989) and Needles *et al*. (1990) agree with the idea that conservative accounting figures provide positive signals to market participants concerning earnings quality[16].

Finally, Holthausen and Verrecchia (1988) suggest that investor responsiveness to earnings is a direct proxy for earnings informativeness, and therefore for earnings quality.

<u>Evidence</u>: Barth *et al*. (2006) made a portfolio of measurable accounting information items to establish quality. Along with other authors, they find timeliness (Soderstrom and Sun, 2007;

[15] According to Coelho, Cia and Lima (2010), private and public mechanisms of enforcement, such as conservatism accounting principles, governance and auditors, are often used by countries, industries and firms to in order to help investors and managers reduce the asymmetry information and increasing earnings quality, it improves the relation between market participants and firms.

[16] For Watts (2002, p. 2) "Conservatism is defined as the differential verifiability required for recognition of profits versus losses. In its extreme form the definition incorporates the traditional conservatism adage: 'anticipate no profit, but anticipate all losses.'"

Nichols and Wahlen, 2004; Ball, Kothari and Robin, 2000; Ball, Robin and Wu, 2003), earnings management (Leuz, Nanda and Wysocki, 2003) and value-relevance (Soderstrom and Sun, 2007; Nichols and Wahlen, 2004; Land and Lang, 2002; Ali and Hwang, 2000) as pre-requirements for quality.

Dechow and Dichev (2002) found that abnormal accruals are associated with positive persistence, although earnings of firms in this situation contain more estimation error than others that will be rectified in future periods reducing the persistence of earnings. Moreover, Dechow *et al*. (2010) suggest that stakeholders are able to distinguish between abnormal and normal accruals; however they do not fully reproduce it into stock prices.

Nichols and Wahlen (2004) emphasize the magnitude of information included in accounting accruals and find that variations in annual earnings are more value-relevant than variations in annual cash flows from operations. Furthermore, they predict and find that the association between stock returns and earnings is more significant for firms with high earnings persistence than for firms with low earnings persistence. These results suggest that earnings' persistent is a good proxy for quality because it makes earnings a more useful input into equity valuation models. Conversely, Barton, Hansen and Pownall (2010) find that persistence is negatively associated with value-relevance and, consequently, with quality because persistence may be achieved by engaging in earnings managements.

Managed earnings are also identified as a proxy for earnings quality. Dechow *et al*. (2010) suggest that smoothed earnings are not systematically associated with earnings quality they may result from earnings managements. Dechow *et al*. (2010) observe that smoothing cash flows may improve earnings persistence and informativeness. They observe that smoothing earnings is a common practice. Graham, Harvey and Rajgopal (2005) find that 88% of CEOs consider that firms with smoothed earnings are perceived as less risky by market participants.

Bricker *et al*. (1995) provide fairly evidence that the conservatism principle is another proxy to earnings quality. Lopes (2001) analyzes conservatism in the accounting figures of public firms in Brazil between 1995 and 1999, and presents evidence that stock prices absorbe more bad news than accounting figures, contradicting thus the conservatism principle. Corroborating with Lopes, also using market-to-book value equity as measure of conservatism, Rangel and Teixeira (2003) find that Brazilian public firms do not display conservative accounting figures. This finding is confirmed by Coelho and Lima (2007). Santos (2006) used the same model as Basu (1997) to compare conservatism in Brazilian and American public firms over the period 1999-2004. The hypothesis that compliance with US GAAPs leads to more conservative figures than compliance with BR GAAPs was not confirmed.

Barker and Imam (2008) find that analysts use both accounting-based and non-accounting-based information when assessing earnings quality. The authors also find that non-accounting-based information linked to earnings quality is prevalent and consistent across sectors. When analysts are positive about accounting aspects of earnings quality, it is not related to non-accounting aspects. If they are negative about accounting aspects of earnings quality, then it is related to accounting and non- accounting aspects. The evidence suggests that if accounting-based and non-accounting-based information reinforces earnings quality, then buy recommendations should be observed to support the importance of accounting-based information on earnings quality, despite a greater prevalence of non-accounting terms and themes in analysts' reports. In addition, the majority of analysts perceive the relationship between earnings and cash flow from operations as an important determinant of earnings quality.

2.3.1.2 Determinants of earnings quality

Theory: Some research explains that financial executives try to increase earnings quality using different mechanisms. According to Soderstrom and Sun (2007), the conversion to IFRS has affected the quality of financial reporting. Accounting standards are therefore one of the determinants of overall accounting quality. Figure 4 evidences the determinants of accounting quality suggested by Soderstrom and Sun (2007).

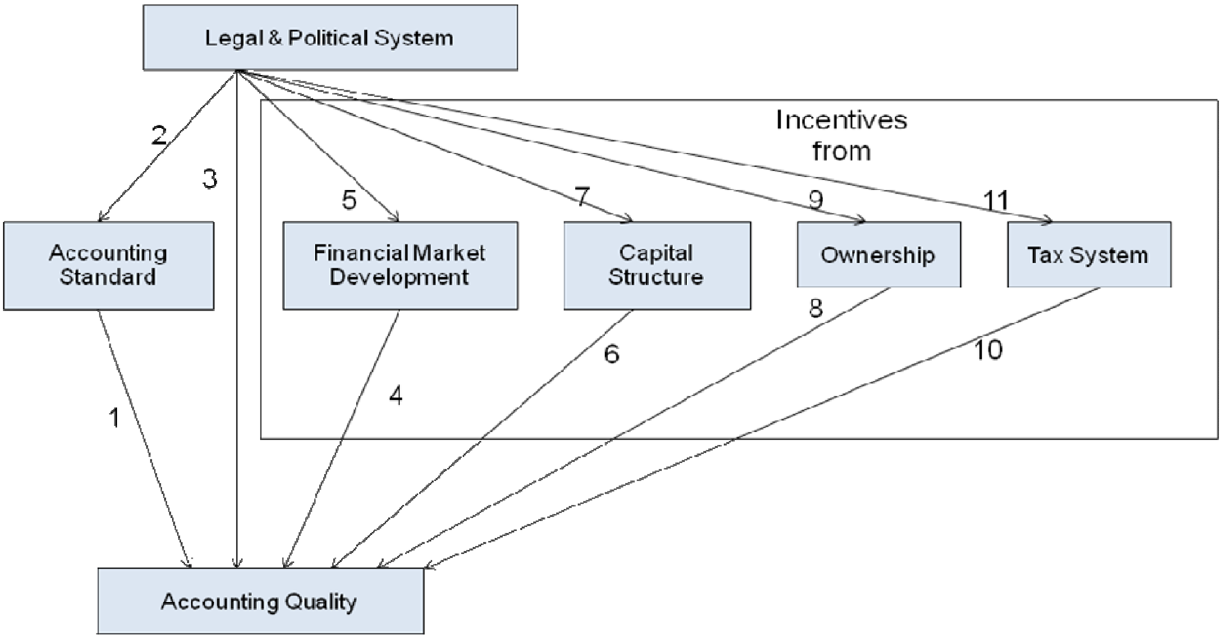

Figure 4: Determinants of accounting quality.

Source: Soderstrom and Sun (2007 p. 688).

According to Figure 4, the legal and the political systems affect accounting standards and these two influence accounting quality directly. Moreover, the legal and the political systems affect financial market maturity, capital structure, ownership and tax system, which in turn influences accounting quality indirectly. Several studies confirm that accounting quality is higher in countries with a common law origin and high protection of shareholders than in code law countries with high risk of government expropriation (e.g. Ball, Kothari, & Robin 2000; Ali and Hwang, 2000). Furthermore, strong investor protection and low risk of government expropriation assure investors a return on their investments and increase the number of investors disposed to provide financing. La Porta *et al*. (1998) observe that the nature of legal rules and the quality of law enforcement establishes the dimension of capital markets. La Porta, Lopez-De-Silanes, Shleifer and Vishny (1997) report that French civil-law countries have both the weakest investor protections and the least developed capital markets (equity and debt markets) in contrast to common-law countries.

In addition to the determinants of accounting quality from Soderstrom and Sun (2007), Dechow *et al*. (2010) present the following determinants of earnings quality.

1) Firms characteristics: firm performance, debt, firm growth and investment, and firm size. Firm characteristics are positively related to earnings quality with the exception of debt.
2) Financial reporting practices: accounting methods, other financial reporting practices and principles based versus rules based methods. The quantity of accounting methods available to managers is inversely related to earnings quality.
3) Governance and controls: board of directors, managerial turnover, and audit committee. Internal control procedures are viewed as leading to more earnings quality.
4) Auditors: effort, effectiveness, expertise and size. Firms with Big-X auditors are associated with higher earnings quality.
5) Capital market incentives: litigation risk and earnings benchmarks. Litigation risk can affect the cost/benefit relation of opportunistic choices (earnings management, as firm's accounting choices), and consequently, earnings quality.
6) External factors: capital requirements (when earnings management is strong), political processes, tax regulation (affect accounting choices). These external factors may be positively (capital requirements) or negatively (accounting choices) related to earnings quality.

Depending on the conditions to which a firm is subject, particular historical measures of earnings will affect future forecasts (earnings benchmarks) differently. For instance, the accounting methods chosen by a company can affect earnings quality (e.g. fair value versus historical costs). Previous studies argue that fair value can bring benefits to stakeholders when they try to evaluate a company's risk and return, because fair value can give a better idea of the current value of a firm than historical costs. However, on the other side, fair value increases volatility in earnings, which negatively affect earnings quality. We discuss fair value in sub section 2.4.2.

<u>Evidence</u>: Some studies (e.g. Soderstrom and Sun, 2007; Barth *et al.*, 2008; Bartov *et al.*, 2005) investigate the quality of accounting information after changes in accounting standards. Using an international sample, Barth, Landsman and Lang (2008) provide evidence of higher accounting quality resulting from IFRS adoption. They present evidence that IFRS-adopting firms demonstrate less earnings management, more value-relevant figures and more timely loss recognition of earnings, resulting in higher earnings quality. Gebhardt and Novotny-

Farkas (2010) find that both net income smoothing and timely loss recognition tend to decrease following mandatory IFRS adoption.

2.3.1.3 Consequences of earnings quality

Soderstrom and Sun (2007) argue that the international accounting literature provides evidence that accounting quality has economic consequences, such as lower cost of capital (Leuz and Verrecchia, 2000), higher efficiency of capital allocation (Bushman *et al*., 2011; Sun, 2006) and higher international capital mobility (Young and Guenther, 2002). Dechow *et al*. (2010) observe other consequences of earnings quality, such as: 1) Litigation propensity (negative relation with earnings quality): restatements can be used as proof by shareholders in litigation process. 2) Audit opinions: affect earnings quality and investors can use it to evaluate possible investments. 3) Market valuations: earnings benchmark is positively related to earnings quality. 4) Real Activities: positive association between earnings quality and investment efficiency. High earnings quality reduces information asymmetry between managers and suppliers of capital. 5) Executive-level labor market outcomes: restatements, misstatements or auditor resignations are associated with poor earnings quality. It may motivate Board's turnover decision and earnings management. 6) Cost of equity/debt capital: it has a negative relation with earnings quality. 7) Analysts: variations in analyst forecasting is associated with earnings quality. Consensus in forecasts is associated with high earnings quality and dispersion is associated with less earnings quality.

Thus, we ask the following question to our public:

11. When applied to earnings, "quality" means:

Strongly Disagree — Strongly Agree 1 2 3 4 5		Strongly Disagree — Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Ability to predict future performance (i.e. future earnings and future cash flows)	☐ ☐ ☐ ☐ ☐	D. Lack of significant irregularities
☐ ☐ ☐ ☐ ☐	B. Ability to consistently reproduce similar results over time	☐ ☐ ☐ ☐ ☐	E. Prompt release of earnings information
☐ ☐ ☐ ☐ ☐	C. Ability to reflect consistently upon underlying business events		

12. The quality of earnings increases with:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. The number of methods allowed to recognize one event	☐ ☐ ☐ ☐ ☐	E. The use of historical costs (instead of fair value)
☐ ☐ ☐ ☐ ☐	B. The magnitude of accruals	☐ ☐ ☐ ☐ ☐	F. Principles-based (instead of rules-based) accounting standards
☐ ☐ ☐ ☐ ☐	C. Conservatism in accounting figures	☐ ☐ ☐ ☐ ☐	G. Rules-based (instead of principles-based) accounting standards
☐ ☐ ☐ ☐ ☐	D. The use of fair value (instead of historical costs)		

Major studies devoted to means and determinants for earnings quality are synthesized in Table 11.

Table 11: Studies dedicated to consequences to firms' on missing an earnings benchmark

Earnings Quality				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Barton *et al*. (2010)	regression	117,474 firm-years representing 19,784 firms between 1996 and 2005	To examine the value relevance of a comprehensive set of summary performance measures including sales, earnings, comprehensive income, and operating cash flows.	While value relevance peaks for measures "above the line," no single measure dominates around the world. Instead, a measure is more relevant when it captures, directly and quickly, information about firms' cash flows. Results suggest that, when it comes to equity valuation, accounting researchers and standard-setters should focus not on what performance measure is "best", but on the attributes that investors find most relevant.
Sonderstrom e sun (2007)	theoretical		To provide a review of the literature on adoption of different Generally Accepted Accounting Principles (GAAP).	Accounting standards, legal and political systems, and incentives of financial reporting all affect accounting quality. Accounting quality after IFRS adoption hinges on three factors: (1) the quality of the standards; (2) a country's legal and political system; and (3) financial reporting incentives.
Ali and Hwang (2000)	regression	1986-95 data from manufacturing firms from 16 countries,	To explore relations between measures of the value relevance of financial accounting data and several country-specific factors suggested in prior research.	Results show that (1) value relevance is lower for countries with bank-oriented financial systems. A few banks supply most of the capital needs in bank-oriented systems, because in such systems, banks have direct access to company information . (2) Value relevance is lower for countries where private-sector bodies are not involved in the standard-setting process. (3) value relevance is lower when tax rules significantly influence financial accounting measurements.
Nichols and Wahlen (2004)	descriptive statistics, 3 models: Ball and Brown 1968; Kormendi and Lipe 1987; Bernard and Thomas 1989.	Annual earnings, returns for 31,923 firm-year obs. over 1988 – 2001. Efficiency tests, quarterly earnings, daily	To summarize the theory and evidence on how accounting earnings information relates to firms' stock returns, particularly for the benefit of students, practitioners, and others who may not yet have	Results provide empirical evidence on the relation between earnings and stock returns. Annual stock returns are significantly related to the sign of annual earnings changes. Earnings persistence helps to explain differences in the relation between stock returns and earnings. Share prices react rapidly to the arrival of new information in quarterly earnings.

		returns for 90,470 firm-quarter obs. over 1988 – 2002	been exposed to this literature.	
Bricker *et al*. (1995)	content analysis	479 sell-side financial analyst full-text reports	To investigates sell-side financial analysts' interpretations of the phrase 'earnings quality' and their preference for accounting methods.	The results show that analysts associate high earnings quality with near-term earnings predictability. This predictability is defined in an economic sense (low level of eamings volatility) and in an accounting sense (management discretion over the establishment and adjustment of certain conservative reserves, allowances, and off-balance-sheet assets). Limited association was found between eamings quality and the application of conservative accounting methods.
Barth et al. (2008)	They construct an accounting quality metrics based on cross-sectional data. Sumary statistics variances, correlations, and regression.	all firm-years for which the IAS firm and its matched NIAS firm both have data	To examine whether application of International Accounting Standards (IAS) is associated with higher accounting quality.	Results show that firms applying IAS from 21 countries generally evidence less earnings management, more timely loss recognition, and more value relevance of accounting amounts than do matched sample firms applying non-U.S. domestic standards. Firms applying IAS generally evidence an improvement in accounting quality between the pre- and postadoption periods.
Barker and Imam (2008)	semi-structured interviews and content analysis	2002 with 10 pan-European brokerage firms	sell-side analysts perceptions of earnings quality and evaluates the value of these recommendations	1) analysts use both accounting-based and non-accounting-based information when assessing earnings quality 2) when accounting and non-accounting information provide conflicting signals with regards to earnings quality, it is the accounting-based view that provides the dominant signal 3) when making investment recommendations, it is again the accounting-based signal that is dominant.

2.3.2 Rule-Based or Principle-Based Orientation

> Rules supply accountants and auditors with ex ante guidance that encourages them to behave in a manner that avoids legal sanctions. Principles, applied with ex ante judgment, may provide plaintiffs' lawyers the opportunity to challenge those judgments after outcomes are known. Rules provide a measure of protection, while principles create legal uncertainty. Becker *et al*. (2007, p. 3)

According to Hoogendoorn (2006), there is a tension between principle-based and rule-based approaches. Nelson (2003) argues that one reason why relatively younger standard-setting regimes (e.g. IFRS vs. USGAAP) appear more principle-based is that they have not had much time to create rules to communicate clearly and to constrain aggressive reporting. Therefore all accounting standards can be viewed, in the beginning of their conception and use, as principle-based standards. According to Shortridge and Myring (2004), the dilemma arises when particular standards come up for consideration and standards setters need to determine the suitable level of detailed guidance to realize adequate comparability and consistency in financial statements. Then principles-based accounting standards often become rules-based in an attempt to enlarge comparability and consistency. The key relies in the right balance between rules to communicate clearly and not so many rules that practitioners are overwhelmed by.

Nelson (2003) defines (p. 91) "rules" as limitations, exceptions, subsequent precedents, implementation guidance, etc. He completes by defining a "standard" as a group of principles and rules that apply to a given accounting issue. While rules are sometimes inevitable, the intention of standard setters is not to offer detailed guidance or rules for every possible situation. In doubt, the user of the "standard" is directed back to the principles. To illustrate the discussion about rule-based and principle-based accounting standards, the author gave an example from a leasing operation[17]. Leases normally link material assets and a contract for a

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[17] According to Shortridge and Myring (2004) "principles-based accounting for leases is addressed in six IASB pronouncements and one interpretation. In contrast, U.S. GAAP related to lease accounting is addressed in 20 Statements, nine FASB Interpretations, 10 Technical Bulletins, and 39 EITF Abstracts. The depth of GAAP coverage of leases is characteristic of the rules-based accounting system in the U.S."

well-defined series of cash flows. SFAS no. 13, for example, uses numerical thresholds to specify criteria regarding the proportion of lease life and the amount of fair value. These accounting subjects are linked to rules, but do not necessarily require them. Standard-setters have therefore to decide the degree to which the accounting standards are to be rules-based. Less expected attributes and more inherent conclusion characterize accounting standards that are more principle-based.

Shortridge and Myring (2004) present advantages and disadvantages of principles-based accounting. The benefits are the guidelines that can be applied to numerous situations and these guidelines would result in simpler standards. Moreover these principles allow professional (accountants and auditors) to apply professional judgment in assessing the essence of a transaction. It demands that accountants and auditors use their judgment rather than relying on detailed rules. In addition, principles need to be easier and "flexible" to comprehend and apply to a large range of transactions. When standards are based on rules they are insufficiently flexible to accommodate future developments in the marketplace. The use of principles-based accounting standards may present more truthfully company's actual performance because it can reduce manipulations of the rules. Conversely, there are potential negative aspects with the adoption of principles-based approach. A lack of detailed guidelines could produce inconsistencies in the use of standards across firms (e.g. determine if liabilities are probable or only reasonably possible). Moreover, the lack of examples may reduce comparability and consistency in financial accounting reports between firms. Finally, professionals (accountants and auditors) seem to prefer rules-based standards, maybe because of their apprehensions of probable litigation over their professional judgment in the nonexistence of specific rules.

To reduce the potential negative aspects in a principles-based approach, accounting regulation and auditing can be viewed as enforcement mechanisms in markets when there are incentive problems (Nelson, 2003; Watts, 2002; Paglietti, 2009 and Hoogendoorn, 2006). Accounting standards provide guidelines for managers on how to make accounting decisions, and provide outside investors with a means of interpreting these decisions. Compliance with these standards is enforced by external auditors, who assure that managers' figures are reasonable, thus reducing earnings management. However, as suggested by Shortridge and Myring (2004), auditors are not likely to support rules that require them to exercise their professional judgment, especially given their legal liability risk.

In this vein, firms with aggressive reporting can be constrained by a combination of incentives for accurate or conservative reporting. Communication and constraints may operate at cross purposes, since the details necessary to communicate accurately can also create opportunities for transaction structuring. Nelson (2003) observes that in the last decade we have seen an improvement in public concern about aggressive reporting, as well as increased enforcement activity by regulators. In this vein, Bricker *et al*. (1995) state that conservative accounting principles are preferred by analysts because problems in understanding user accounting preferences owing to cultural differences can disturb the understanding of accounting terms, consequently reducing earnings quality.

<u>Evidence:</u> Nelson's (2003) results suggest that auditors are more likely to misreport in the direction favored by their clients when the appropriate accounting treatment is uncertain. Nelson provides evidence that the aggressiveness of reporting decisions increases with the imprecision/flexibility of the relevant (principle-based) reporting standards. This author further argues that practitioners consciously or unconsciously make financial reports consistent with their incentives. Precise standards (rule-based) appear to help auditors discourage aggressive reporting (e.g. accounting opportunities in transaction structuring or clients that cannot justify their preferred position in accounting figures). In conclusion, if the penalties for these actions are severe, preparers will report more conservatively to avoid this risk (rule-based), and if standards are imprecise/flexible, reporting choices can be justified via aggressive interpretation of standards (principle-based).

Beijerink (2008) made a comparision between earning quality under IFRS and under US-GAAP determined by the value relevance, timeliness, persistency and predictability of the reported earnings. He finds that value relevance and timeliness characterize a market-based pattern, while persistency and predictability characterize a accounting-based pattern. Results show that IFRS provide significantly more value relevant and timelier figures than US-GAAP.

In relation to the smoothed pattern of earnings, Graham *et al.* (2005) observed that 96.9% of CFOs of firms under study, that comply with (rule-based) US GAAP, answered that they prefer smoothed earnings path. Beuselinck, Joos and Meulen (2007) compared accounting earnings in 14 EU countries in the period 1990-2005 (beginning of the mandatory use of principle based IFRS). They evidenced that smoothed earnings pattern is more observed in high leverage firms than in low leverage firms.

The idea of opportunistic accounting figures is discussed by Nelson *et al*. (2002). For these authors, the main motivation for companies to manage accounting figures (using the flexibility of accounting standards) is to punctually achieve a smoothed earnings pattern at specific and unique moments (i.e. IPOs, SEOs, bond issues), to attract investors and to maintain high stock prices. Jermakowicz and Gornik-Tomaszewski (2006) find that firms are more likely to disclose financial information under IFRS when they are participating in seasoned equity offerings. Moreover, firms prefer local GAAP when US GAAP require more disclosures and restrict accounting measure methods relative to their domestic GAAP.

Thus, we ask the following question to our public:

14. Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

Strongly Disagree / Strongly Agree 1 2 3 4 5		Strongly Disagree / Strongly Agree 1 2 3 4 5	
☐☐☐☐☐	A. In light of this, companies manage accounting figures continuously to get a smooth pattern of earnings	☐☐☐☐☐	C. This is a pure theoretical assumption. In real life, accounting figures are never managed.
☐☐☐☐☐	B. In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.		

2.3.3 Management of Accounting Figures

> Earnings management can be defined as non-neutral financial reporting in which managers intervene intentionally in the financial reporting process to produce some private gain. Schipper (1989 apud Nelson, Elliot and Tarpley, 2002).

In this section we discuss earnings management, reasons for smoothing earnings, methods used to manage accounting figures and consequences of earnings managements.

Earnings are managed because firm managers have incentives to do this (Hansen, 2010, p. 459) in numerous ciscumstances, such as attract investors (DeGeorge *et al*., 1999), maximize bonus plans (Bruggemann, Hitz and Sellhorn, 2010) etc. DeGeorge *et al*. (1999) argue that because investors use earnings as relevant information for their investment decisions, managers have strong incentives to manage earnings to beat earnings benchmarks and attract more investors.

2.3.3.1 Reasons for smoothed earnings

There is income smoothing when firms constitute reserves of undisclosed earnings at times considered favorable, and reduce these reserves in less favorable times, in order to decrease earnings volatility. Possible reasons for doing this are discussed by Graham *et al.* (2005). They observe that firms with smoothed earnings are perceived as less risky by investors, customers and suppliers suggesting a more stable business, which reduces required returns. Furthermore, smoothed earnings can suggest higher future growth prospects, and they make it easier for analysts and investors to predict future earnings. Finally, smoothed earnings can increase managers' bonus payments. Smoothed earnings can also promote a reputation for transparent and accurate reporting and help achieve or preserve a desired credit rating.

In this vein, Revsine (1991, p.18) observe that "accounting manipulation through the use of income smoothing can bring benefits to shareholders, as it can offer a reduction in earnings volatility and an increase in stock value". These two consequences suggest that smoothed earnings can consequently increase earnings quality. However, for Dechow *et al*. (2010) smoothed earnings are not associated with earnings quality, in exception of the USA.

Evidence: Several evidences in the literature discuss earnings management. In Canada, the survey questionnaire by KPMG (2004) shows that 54% of CEOs claim that there is no manipulation of accounting figures in their company, and, 83% are aware of the difference between estimation problems and falsification. Moreover, 55% of CEOs explain they are obliged to assign a yearly conformity declaration to assure that accounting figures are not manipulated. In this case, the president and the CEO or CFO are responsible for preventing accounting manipulation. This study also shows that 72% of CEOs believe that a) manipulation is an internal problem of compliance, or b) they are informed by their internal auditors of possible management in accounting figures.

Martinez and Castro (2009), in their research with public firms in Brazil, find that the excessive practice of earnings smoothing may affect the quality of accounting figures, transforming financial reports into artificial parts, without relevance for stakeholders. Furthermore, companies with smoothed earnings exhibit less systematic risk than others. Corroborating with this finding, Graham, Harvey and Rajgopal (2005) find that CFOs (96%) of US firms prefer smoothed earnings because their firm is then perceived as less risky by investors (88%), because it makes it easier for analysts and investors to predict future earnings (79%), because it reduces the cost of equity (57%). Moreover, smoothed earnings suggest to customers and suppliers that business (firm) is stable (66%).

Corroborating the results of Graham *et al.* (2005), Nelson *et al*. (2002) in their survey questionnaire with auditors observed that smoothed earnings are preferable for listed firms because they convey higher future growth prospects and they make it easier for stakeholders to predict future earnings. They also claim thatsmoothed earnings are favored because they increase bonus payments. In contrast, Graham *et al.* (2005) documented that only 15% of CFOs agree that bonus payment is a reason to smooth earnings. They also found that earnings are not smoothed to achieve or preserve a desired credit rating (only 42% of respondents agree with this option).

Booth *et al*. (1996) provide evidence that an important part of the instability in stock markets comes from the market reaction to announcements of firms that do not have smoothed earnings. This suggests that the assimilation of accounting information is complicated when earnings are not smoothed. This consideration can motivate smoothing practices and opportunistic accounting figures. Martinez and Castro (2009) studied Brazilian listed firms and they found that earnings smoothing is essential at the moment of deciding the firms' capital structure. They found that firms with smoothed earnings are perceived as less risk by creditors resulting in a lower cost of debt.

Finally, Ball, Kothari, and Robin (2000) and Leuz, Nanda, and Wysocki (2003) argue that income smoothing is more prevalent in code-law than in common-law countries because of differences in accounting rules, corporate governance and legal environment. However, Brown and Higgins (2001) report that managers in the US are more likely to engage in earnings management than those of other countries.

Thus, we asked the following question:

13. A smooth earnings path is preferred because it:

Strongly Disagree — Strongly Agree 1 2 3 4 5		Strongly Disagree — Strongly Agree 1 2 3 4 5	
□ □ □ □ □	A. Is perceived as less risky by investors	□ □ □ □ □	F. Promotes a reputation for transparent and accurate reporting
□ □ □ □ □	B. Reduces the return required by investors (i.e., smaller risk premium)	□ □ □ □ □	G. Makes it easier for analysts/investors to predict future earnings
□ □ □ □ □	C. Conveys higher future growth prospects	□ □ □ □ □	H. Increases bonus payments
□ □ □ □ □	D. Assures customers/suppliers that business is stable	□ □ □ □ □	I. Clarifies true economic performance
□ □ □ □ □	E. Achieves or preserves a desired credit rating		

2.3.3.2 Methods used to manage earnings

> Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers. Healy and Walen (1999, p.368)

According to the literature, earnings can be managed by changing accounting methods, changing accounting hypotheses or by influencing real activities. Accounting methods are regulated (authorized or forbidden) by standards setters. Fair value versus historical cost and linear versus declining balance depreciation are examples of accounting methods. Accounting hypotheses depend on the criteria used for event recognition. For instance, the fair value of a financial asset can be estimated using a mean market price or a year-end market price, assets can be depreciated over short or longer periods of time. Real activities management is based on the idea that managerial decisions affect cash flows and, consequently, net incomes.

Theory: Several studies evidenced that there are many ways for managers to exercise their own judgment thus affecting accounting figures. According to Healy and Wahlen (1999) this can be made through changes in accounting methods (e.g. the straight-line or accelerated depreciation methods; the LIFO, FIFO or weighted average inventory valuation methods) or changes in accounting hypotheses (e.g. judgment to estimate future economic events such as expected lives and salvage values of long-term assets, obligations for pension benefits and other post-employment benefits, deferred taxes, and losses from bad debts and asset impairments). Managers can also influence working capital items (e.g. inventory levels, the timing of inventory shipments or purchases, receivable policies), which influences cost allocations and net revenues. Furthermore, they can decide to defer some expenditure (e.g. research and development, advertising or maintenance). Finally, they have to arrange company transactions (e.g. lease contracts instead of direct acquisition of fixed assets). All these decisions and judgements will affect accounting figures intentionally or not.

Lev (2003) argues that evidence on earnings manipulation is easier to find in the case of fictitious revenues resulting from changes in accounting methods or in accounting hypotheses, than in the case of manipulations of real business activities (e.g. asset sales). In the case of fictitious revenues accounting manipulations do not affect cash flows. Manipulation of real activities involves a change in investments or operating activities with has a direct impact on cash flows.

Evidence: Martinez (2006) finds that in Brazil the variability of accounting results is considered when decisions are made for the recognition of expenses. He finds that expenses related to depreciation, provision for doubtful debts and non-operating revenues are used to reduce the variability of accounting results. Moreover, variations in the amortization of goodwill/negative goodwill of investments, provision for losses on investments and reserves are correlated with actions to reduce the variability of results. This suggests that earnings are managed for smoothing purposes. Dechow *et al*. (1994) find evidence associating bonus plans to earnings management, the majority of bonus plans (71%) being based on accounting measures of performance.

Graham, Harvey and Rajgopal (2005) find that managers meet earnings targets through real actions. Almost 80% of CFOs claim that they do not hesitate to reduce spending in R&D, advertising and maintenance to meet earnings benchmarks. In the same way, they observe that managers are able to delay some new projects to meet targets. This suggests that, surprisingly, earnings management is achieved via real actions as opposed to accounting manipulations.

Thus, we asked the following question to our respondents:

15. Earnings are managed by:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Changing accounting methods
☐	☐	☐	☐	☐	B. Changing accounting hypotheses, related to depreciations, provisions, discount rates.
☐	☐	☐	☐	☐	C. Influencing real activities

2.3.3.3 The stock market consequences of earnings management

According to Healy and Palepu (1993) accounting research is based on the efficient market hypothesis, assuming that investors "see through" accounting figures. However, Vergoossen (1997) suggests that analysts have a limited understanding of issues related to recognition and measurement. As such, they take accounting earnings for granted without being able to detect earnings management.

Evidence: Saghroun (2003) observes with a survey (based on interviews) that analysts think that firm's results are easily manipulated by executives. Jones (1991) was one of the first to study potential motivation for earnings management. She hypothesised that companies that benefit from import relief (e.g., tariff increases and quota reductions) intentionally decrease earnings for the period of import relief[18] investigations by the United States International Trade Commission (ITC). She provided evidence that earnings are managed to benefit from wealth transfer. When ITC earnings before taxes are important, managers manipulate accruals to decrease reported earnings.

Balsam *et al*. (2009) verified the association between unexpected discretionary accruals and stock return at 10-Q filing dates. They observed the stock price reaction for companies that were potential candidates for earnings management[19]. They found a negative association between unexpected discretionary accruals and stock returns around 10-Q filing dates, suggesting that investors adjust stock prices when they became aware of earnings manipulation. Therefore earnings management does not bias stock prices on the long run.

[18] For Jones (1991, p.194) "import relief is a wealth transfer from a group of diffuse losers (consumers) to a group of concentrated winners (all other contracting parties of domestic producers receiving import relief)."

[19] Firms that meet earnings benchmark as quarterly earnings or consensus analysts. They consider that this firms managed accruals to meet earnings targets.

Thus, we asked the following question to our respondents:

16. Managing earnings is:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Useful because users of accounting information (investors, creditors, …) are unsophisticated and they don't differentiate between managed and unmanaged figures
☐ ☐ ☐ ☐ ☐	B. Useless because users of accounting information (investors, creditors, …) can see through managed accounting numbers
☐ ☐ ☐ ☐ ☐	C. Useless because smoothed earnings are not preferable.

Major studies devoted to motives and consequences for firms use earnings management are synthesized in Table 12.

Table 12: Studies dedicated to motives and consequences of earnings management

Earnings Management				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Nelson *et al.* (2002)	survey	253 audit partners and managers from one Big 5 firm	To report analyses of data obtained from auditors about specific experiences they had with clients who they believed were attempting to manage earnings by questionnaire	Results indicate that: 1) managers are more likely to attempt earnings management, and auditors are less likely to adjust earnings management attempts, which are structured (not structured) with respect to precise (imprecise) standards. 2) managers are more likely to make attempts that increase current-year income, but auditors are more likely to require that those attempts be adjusted, that managers are more likely to make attempts that decrease current-year income with unstructured transactions and/or when standards are imprecise, and that auditors are more likely to require adjustment of attempts that they identify as material or that are attempted by small clients.
Hansen (2010)	regression	all firms-years 1988-2003 compustat and consensus of I/B/E/S forecast	To exame firms around the loss-avoidance (zero earnings level) benchmark,	Firms just above the benchmark have significantly higher discretionary accruals. Controlling for alternative benchmarks, he find that firms with small profits have discretionary accruals that are significantly higher than the resulting sample of firms with small losses.
Graham, Harvey and Rajgopal (2005)	interview and questionnaire survey	2003 with 401 CFOs	To determine the key factor that drive decisions related to performance measures and voluntary disclosure	Smooth earnings are perceived as less risky by investors (88%), it is easy for investor to predict future earnings.
Dechow et al. (1994)		182 restructuring charges between 1982 and		CEO cash compensation is shielded from restructuring charges relative to other components of earnings. The degree to which executive compensation is adjusted for a restructuring charge depends on the characteristics of the restructuring. Restructurings require a large charge to earnings but can have a positive impact on the economic well-

		1989		being of a firm.
Martinez and Castro (2009	panel data	listed brazilian firms between 2003 and 2007	To nvestigate the association between the degree of smoothing and its effect on capital structure and cost of debt	Companies that promote income smoothing are likely to have a lower cost of debt and a capital structure with more long-term indebtedness.
Paglietti (2009)	descriptive statistics and price-levels regression	960 firm-year observations concerning Italian listed companies observed from 2002 to 2007	To study the impact of the IFRS mandatory adoption in a typical code-law European country such as Italy. It aims to investigate how and whether the accounting information quality changes following IFRS implementation.	Results confirm the overall increase in the value relevance under IFRS. The research also documents changes in Italy's country-specific factors in the period surrounding IFRS adoption that may contribute to an improvement in accounting quality.
Bricker et al. (1995)	content analysis	479 sell-side financial analyst full-text reports	To investigates sell-side financial analysts' interpretations of the phrase 'earnings quality' and their preference for accounting methods.	The results show that analysts associate high earnings quality with near-term earnings predictability. This predictability is defined in an economic sense (low level of eamings volatility) and in an accounting sense (management discretion over the establishment and adjustment of certain conservative reserves, allowances, and off-balance-sheet assets). Limited association was found between eamings quality and the application of conservative accounting methods.

Beijerink (2008)	comparative research	twenty two firms listed on the DJ Eurostoxx 50	To compare the quality of reported earnings under IFRS andUS-GAAP. Comparesthe information quality based on the earning quality of both accounting standards	IFRS is significantly more value relevant and timelier than US-GAAP with respect to the reported earnings.
Jermakowicz and Gornik-Tomaszewski (2006)	survey	112 responses	To examine implementation of International Financial Reporting Standards (IFRS) by European Union (EU) companies.	Results show that (1) a majority of respondents have adopted IFRS for more than just consolidation purposes; (2) the process is costly, complex, and burdensome; (3) companies do not expect to lower their cost of capital by implementing IFRS; (4) the more comprehensive the approach to conversion, the more respondents tend to agree with the benefits and costs of the transition; (5) companies expect increased volatility in financial results; (6) the complexity of IFRS as well as the lack of implementation guidance and uniform interpretation are key challenges in convergence; and (7) a majority of respondents would not adopt IFRS if not required by the EU Regulation.
DeGeorge et al. (1999)	Two-Period Model with Last Period's Earnings as Threshold	5,387 firms providing partial or complete data over the 1974-96 period	To study eamings management as a response to implicit and explicit rewards for attaining specific levels of earnings, such as positive eamings, an improvement over last year, or the market's consensus forecast.	Results identify three thresholds that help drive EM: report profits, performance relative to the prior comparable period and relative to analysts" earnings projections.

Brown et al. (2009)	regression	40,123 firm-month observations from 13 European countries during 2002-2007	To examine (1) whether analysts' forecast accuracy and the extent to which they disagree have declined since the mandatory adoption of International Financial Reporting Standards (IFRS) in the European Union (EU) in 2005, and (2) whether differences between countries in their enforcement of accounting standards are a contributing factor	(1) Analysts' forecast errors and dispersion are indeed significantly smaller in the post-IFRS period, implying an increase in overall quality of financial reporting following widespread mandatory adoption of IFRS. (2) Enforcement proxies that focus on accounting enforcement and public and private enforcement in securities markets are more closely associated with properties of analysts' forecasts than more general regulation proxies . (3) The accounting enforcement proxies are statistically significant variables in our models, indicating analysts' forecasts are more accurate and less disperse when enforcement is more developed. (4) Enforcement proxies do not strongly influence the size of the forecast error or the extent to which analysts disagree, suggesting that country institutional differences may be less important than is commonly believed.
KPMG (2004)	survey	Canadian CFOs	To observe the opinion of CFOs about earnings management	54% of CEOs said that in their company there was no manipulation of figures, and, 83% knew the difference between problem estimation and falsification

2.4 Inputs of IFRS in Europe and Brazil

> IFRS compliance leads to more informative accounting disclosure. Dumontier and Maghraoui (2007, p. 4)

In this section we review the history of IFRS adoption in the countries under study. We discuss the motives, benefits and consequences of IFRS adoption, the impacts of fair value accounting and the problems associated with the first adoption of IFRS.

Nowadays, all major economies have established an agenda to converge to or adopt IFRS in a near future[20] (IFRS 2010b). The global movement to unify accounting rules has already touched more than 140 countries (Iudicibus *et al*. 2010; Daske *et al*. 2008). The goal of the IFRS Foundation and the IASB was to develop a set of high-quality, understandable, enforceable and globally accepted financial reporting standards based on clear principles. These standards were aimed at improving transparency and at disclosing comparable financial information to help stakeholders make economic decisions (Alexander and Servalli, 2010). To this end, IASB worked in cooperation with all stakeholders (e.g. investors, regulators, auditors, academics) to develop the International Financial Reporting Standards (IFRS).

The time of the first adoption of IAS/IFRS was an exceptional period of deep change in accounting practices (Daske *et al*., 2008). Zain (2009) observes that any IFRS convergence effort begins with an initial assessment of the company through an analysis of differences between local GAAP and IFRS. The IASB issued IFRS 1, First-Time Adoption of International Financial Reporting Standards, in June 2003, to help companies in transition to this new accounting framework.

IFRS 1 provides applicable guide to entities applying IFRS for the first time. The standard explains the steps a firm must follow to adopt IFRS for accounting figures. An entity must

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[20] The IASB and the US FASB to complete their convergence project by June 2011.

prepare an opening IFRS balance sheet at the date of transition to IFRS. This balance sheet is the first step of the transition process. In preparing this statement, the firm needs to adjust the amounts reported for the same date under local GAAP. IFRS 1 requires IFRS to be effective at the reporting date of the entity's first IFRS accounting statements applied retrospectively, with certain limited mandatory and optional exceptions.

History of IFRS adoption in Europe

For years, some European firms reported voluntarily under international standards. Studies have shown that a growing number of European companies, including multinationals, voluntarily adopted international standards before the IAS regulation (Street, Gray and Bryant, 1999; Taylor and Jones, 1999). In March 2000, the European Council proposed the European Parliament the generalized application of the international accounting standards.

> The Lisbon European Council of 23 and 24 March 2000 emphasized the need to accelerate completion of the internal market for financial services, set the deadline of 2005 to implement the Commission's Financial Services Action Plan and urged that steps be taken to enhance the comparability of financial statements prepared by publicly traded companies. Publicly traded companies must be required to apply a single set of high quality international accounting standards for the preparation of their consolidated financial statements. ... these Directives cannot ensure the high level of transparency and comparability of financial reporting from all publicly traded Community companies which is a necessary condition for building an integrated capital market which operates effectively, smoothly and efficiently. It is therefore necessary to supplement the legal framework applicable to publicly traded companies. European Union (2001)

On 13 June 2000, the 'EU Financial Reporting Strategy: the way forward' was published. The objective was to propose that "all listed EU firms prepare their consolidated financial statements in accordance with one single set of accounting standards, namely International Accounting Standards (IAS[21])" (European Union, 2001). This regulation was expected to help eliminate barriers to cross-border trading in securities and, consequently, increase market efficiency and reduce the cost of raising capital for EU companies. The adoption of IFRS was considered a crucial element in establishing a single European capital market. Then, the European Council proposed the mandatory adoption of IFRS (for consolidated financial statements) on 1 January 2005.

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[21] On 1 April 2001, the board renamed IAS as International Financial Reporting Standards (IFRS).

> Consolidated accounts of publicly traded companies for each financial year starting on or after 1 January 2005, and also companies governed by the law of a Member State, were to prepare their consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2) if, on their balance sheet date, their securities are admitted to trading on a regulated market of any Member State […] European Union (2002)

On September 11, 2002, the Parliament and the Council of the European Union (EU) approved European Community Regulation No. 1606/2002 requiring all EU listed companies to use the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) to prepare their consolidated financial statements, but not their statutory accounts, from January 1st, 2005. Member states had the option to extend this requirement to individual company accounts and to consolidated accounts of non-listed companies. To be able to disclose under IFRS in 2005, firms started to use IFRS in 2004 to create comparative financial statements. This regulation covered all listed firms including banks and insurance companies. The IAS regulation introduced the biggest changes to financial reporting in Europe in 30 years. Approximately 7000 European listed firms were affected directly and their subsidiaries were affected indirectly by this regulation.

For Jermakowicz and Gornik-Tomaszewski (2006), the regulation gives countries an option to extend this requirement to individual financial statements and to unlisted companies. Continental EU members, with a relation between accounting information and taxation, permit individual accounting figures in IFRS for additional disclosure purposes. In UK and Italy, the national legislator also chose the use of IFRS for individual accounts of listed companies, thus taking a different orientation from most European countries. In Italy, the adoption of individual accounts of listed companies was voluntary in 2005 but mandatory from 2006. Austria, Belgium, France, and Germany prohibited the use of IFRS for individual financial statements. Germany permitted IFRS in secondary individual financial statements prepared for information purposes only.

In conclusion, European regulators expected IFRS adoption to improve the transparency and comparability of accounting reports, with economic consequences on equity and debt markets (e.g., lower cost of capital). This was supposed to bring positive effects at the macroeconomic level (e.g., increase in growth and employment).

History of IFRS adoption in Brazil

After 1990, the new accounting rules published by Brazilian Securities Commission (CVM) were all in accordance with those published by IASB. In 2000, the FHC[22] government started the convergence process to switch from the local Brazilian GAAPs (BR GAAPs) to IFRS. In 2005, the Federal Accounting Council (CFC) created the Committee for Accounting Pronouncements (CPC), an agency responsible for the publication of technical studies of individual accounting statements adapted to the Brazilian market and based on pronouncements of the IASB, including interpretations (IFRICs). Parallel to this, the IBRACON translated the texts of the IASB and published the Portuguese version of IFRS[23].

Based on this initial scenario of the domestic regulatory framework it is important to observe that in Brazil there are three regulators: the Central Bank (to financial institutions), the SUSEP (to insurance companies) and the CVM (to listed companies). The movement to IFRS adoption was initiated by the Brazilian Central Bank. The gradual convergence from BR GAAP to IFRS was set in progress in 2006 for financial intermediaries under the supervision of the Central Bank, which had accepted only four CPC's pronouncements with little relevance, so the individual financial statements for banks continue to follow BR GAAP.

In 2007 the CVM and the Brazilian Insurance Supervisor (SUSEP) issued similar rulings. These developments were followed by a decision by the Brazilian congress to approve a law requiring the progressive convergence of BR GAAP to IFRSs for the individual accounts of all listed companies from 2008 (IFRS 2010). The gradual convergence to IFRS was set in progress in 2008 for listed companies (individual and consolidated financial statements) with a deadline in 2010 for full convergence for consolidated financial statements[24] only.

The SUSEP (regulatory organism of insurance companies) accepted almost half of CPC's pronouncements that were already applied to the individual financial statements. The gradual

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[22] President Fernando Henrique Cardoso.

[23] Perhaps the biggest problem with this model is the difficulty of updating standards by Ibracon. Brazilians firms are adopting IFRS in 2010 translated into Portuguese, which does not include updates that occurred after the publication the 2010 edition of the IASB.

[24] The replacement process of BR GAAP by IFRS for individual financial statements was started but it still not completed.

application of CPCs has been worked out by the Central Bank and by SUSEP as "elimination of disparities"[25] between standards in order to match the Brazilian GAAP to IFRS. In addition, after the edition of Brazilian laws no. 11.638/07 and 11.941/09 and with the CPC creation in 2005, all accounting rules published in 2008 and 2009 were in complete compliance with those published by IASB (Iudicibus *et al*. 2010).

In January 2010 the MoU (Memorandum of Understanding) was signed between Brazilian accounting bodies and the IASB, which confirmed the end of 2010 as the target date for full convergence and established a framework for future cooperation between these bodies. The memorandum was considered an incentive for all market participants to be more organized, thus facilitating their own implementation (IFRS 2010). In Brazil, after approving the law 11.638/07[26] and the rules of CPC, listed firms had to present their accounting reports in accordance with IFRS rules[27]. The first adoption date was 31 December 2010 (first IAS/IFRS reporting with IFRS comparatives for 2009). The opening balance and transition date was January 1, 2009.

2.4.1 Benefits and consequences of IFRS adoption

The adoption of IFRS in more than 140 countries was expected to improve financial reporting, and consequently, capital market efficiency. For PricewaterhouseCoopers (2006), investors and fund managers believed that IFRS could impact all firms' key financial indicators, independently of firm size, and consequently of their investment decisions. The same study shows that the switch to IFRS was significant. It has affected some perceptions of companies' value and investment decisions by fund managers.

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[25] The SUSEP demanded a consolidated financial statements under IFRS regardless the size of assurance company. Thus, if a financial group has more than one company in the business of insurance (e.g. an insurer and a company pension plan), it will have to IFRS consolidated into two ones, one to agree with the Susep resolutions and other to agree with the Central Bank resolutions.

[26] This law delegated to CFC, CPC, CVM and Central Bank the function to construct and to approve the new Brazilian accounting rules. These rules must be the Brazilian version of IFRS.

[27] The adoption of law is obligatory for firms with R$ 300 million (US$ 167 million) of revenues and for listed firms since the accounting reports of 2008.

2.4.1.1 Benefits from the IFRS adoption

For Jermakowicz and Gornik-Tomaszewski (2006) the benefits expected from IFRS adoption result from higher information quality, greater comparability and timeliness of accounting data, less information asymmetry, better access to foreign capital markets and lower cost of capital. The expected costs are tied up resources, high cost of transition and increased volatility of earnings and balance sheet items mainly because of the use of fair value. Figure 5 illustrates the association between the expected benefits.

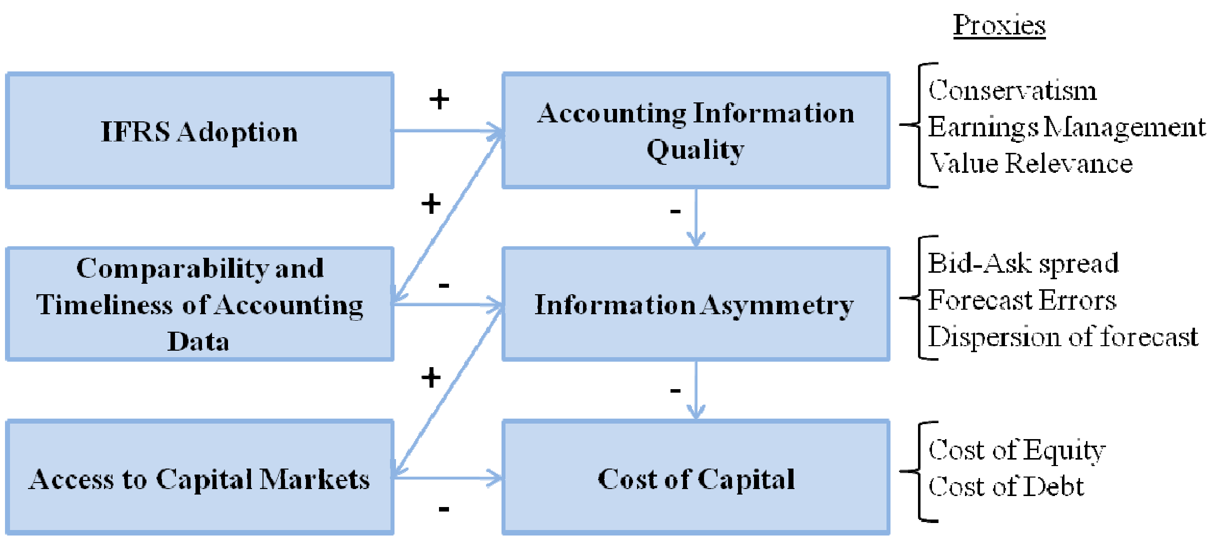

Figure 5: Expected benefits from IFRS adoption

The adoption of IFRS is expected to increase the quality of accounting information, resulting in more comparable and timely accounting data and in lower information asymmetry. Less information asymmetry between firm management and investors on the one hand, and between investors themselves on the other hand, makes access to capital markets easier, notably the access to foreign markets. Easier access to finance reduces firms' cost of capital.

According to this idea, Amaro Gomes[28] explains that for Brazil "high quality accounting is an essential step in the development of the country, attracting investment, reducing the cost of

[28] Amaro Luiz de Oliveira Gomes, former Head of Financial System Regulation Department of the Central Bank of Brazil, joined the IASB on July 2009 for a five-year term. This text can be find at http://www.ifrs.org/News/Features/Spotlight+on+Brazil%E2%80%99s+plans+to+adopt+IFRSs.htm

capital and providing access to international markets". In addition Tombini[29] claims that:

> High-quality corporate reporting is essential for attracting and protecting investors not only because of comparability but also due to its close relationship with good governance, accountability and responsibility, enhancing investors' confidence in the information prepared in such an environment.

He concludes by saying:

> […] the adoption of high-quality financial reporting requirements by enterprises, built on accounting standards that are consistent, comprehensive, and based on clear principles, can reduce the severity of market disturbances since market participants are well informed and thus, are not as likely to overreact to information on current conditions[…]

Earnings Quality

IFRS adoption was expected to increase earnings quality, notably by providing more value-relevant accounting figures (Daske *et al*., 2008). Rebouças (2009) suggests that the adoption of IAS/IFRS in Brazil will increase the relevance of accounting figures, provide data of higher quality and generate additional information useful to all users of accounting outputs[30].

Investigating the mandatory IFRS adoption using a sample of 152 European firms Gaeremynck, Thornton and Verriest (2009) provide evidence showing that better governed firms adopt IFRS in a more transparent and less opportunistic way, increasing thus earnings quality.

Comparability and Timeliness of Accounting Data

Other expected benefit of IFRS adoption is easier comparable accounting figures and timely loss recognition. These standards should lead firms to release more comparable accounting

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[29] Alexandre Tombini is the Deputy Governor for Financial System Regulation and Organization for the Banco Central de Brasil.This text can be find at
http://www.ifrs.org/News/Features/Spotlight+on+Brazil%E2%80%99s+plans+to+adopt+IFRSs.htm

[30] Demaria and Dufour (2007) find no strong impact of the IAS/IFRS disclosure on stock prices.

figures (Daske *et al*., 2008; IASB, 2008). Hoogendoorn (2006) highlights that IFRS adoption creates new possibilities for comparison between European firms by reducing balance sheet and income statement format differences. In addition, Jermakowicz and Gornik-Tomazewski (2006) considers that the timeliness of disclosed information is perceived as a notable benefit by firms.

Information Asymmetry

Expected benefits of IFRS adoption are also related to information asymmetry. Empirical evidence shows that the adoption of IFRS increases the value relevance of accounting figures, decreasing information asymmetry between both insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers). Dumontier and Maghraoui (2007), using a sample of German firms that switched to IFRS during the 1999-2002 period, find that after IFRS adoption firms presented lower bid-ask spreads than before (only for larger firms). Overall, these results suggest that the switch to IFRS imposes additional disclosures when compared to German GAAP. Hung and Subramanyam (2007) evaluate the value relevance of German GAAP and IAS by regressing stock prices on book values and net incomes. They observe that book values of equity are more relevant under IAS and net incomes under German GAAP.

Prior to 2005, Swiss firms could comply either with EU directives, (IAS) or Swiss GAAP on a voluntary basis. Auer (1996) compared the stock price reactions to earnings announcements before and after the adoption of the new standards. He provides evidence that the switch from Swiss GAAP to IAS was accompanied by an increase of stock price reaction at the earnings announcements dates. This result suggests that earnings based on IAS have more information content than those based on Swiss GAAP, and consequently the switch to IFRS led to higher accounting quality. Corroborating this idea, Paglietti (2002) maintains that accounting quality does not depend on the high quality of accounting standards only, but is also a function of the country's complex institutional setting. Daske *et al*. (2008) find that mandatory adopters of IAS/IFRS experienced an increase in market liquidity related to better disclosures[31].

Wang, Young, and Zhuang (2008) and Landsman, Maydew, and Thornock (2011) investigate the information content of earnings announcements, as measured by abnormal returns, during the early stages of mandatory IFRS adoption. They find an increase in the information content of earnings announcements after IFRS adoption for code-law countries. Pae, Thornton, and Welker (2008) find that investors expect mandatory IFRS adoption to reduce both agency costs associated with ownership concentration and information asymmetry in EU firms.

Easier Access to Capital Markets

Tyrral, Woodward and Rakhimbekova (2007, p. 92) argue that IFRS are supposed to provide greater transparency in financial statements (as suggested by the European Union Act 2002), which should attract increased foreign investments. It was not evident in Italy where no consistent increase in inward foreign investments has been reported during the recent years (after IFRS adoption), whereas outward foreign investments have increased. In the same line, KPMG (2009) finds that 65% of investment executives and analysts think that if the USA switches to IFRS, it will make their capital markets more attractive to foreign investors.

In Brazil, Pedro Malan[32] observe that the application of IFRS will bring more quality and comparability for accounting figures, resulting in higher development for Brazilian firms in international capital markets (IFRS, 2010b).

Ashbaugh (2001) analyzed 211 annual reports of non-US companies listed in the London Exchange to observe determinants related to voluntarily reporting of financial information under IFRS or US GAAP. Results showed that voluntary use of IFRS or US GAAP occurs when firms' stocks are negotiated in foreign markets and when the information voluntarily

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[31] Other authors, like Diamond and Verrecchia (1991) and Kim and Verrecchia (1994), made the relation between voluntary information and asymmetry information also.

[32] Pedro Sampaio Malan participate in the Fernando Henrique Cardoso (FHC) government as head of Central Bank (1993-1994) and as minister of finance for Brazil (1995-2002).

disclosed under IFRS or US GAAP results in more standardized financial information than the one resulting from local GAAP adoption. Moreover, he found that firms prefer to disclose financial information under IFRS in case of seasoned equity offerings.

Cost of Capital

Another expected benefit of IFRS adoption is a decrease in the firm's cost of capital. Kosi and Florou (2009) present evidence that mandatory IFRS adopters are more likely to issue public bonds and experience a decrease in bond yield spreads, because ofS enhancement in the quality and comparability of their financial statements. In addition, Daske *et al*. (2008) observe that the cost of capital of mandatory adopters of IFRS has decreased by 26% the year before IFRS implementation. The impact of the implementation of IAS/IFRS was stronger in countries with reasonable enforcement regimes and with strong motivation for firms to be more transparent.

Jermakowicz and Gornik-Tomaszewski (2006) in their study of 112 European firms in 2004 find that 42% of respondents disagreed that conversion to IFRS would lower the cost of capital, confirming the conclusions reached by Daske, Hail, Leuz, and Verdi (2008) that IFRS adoption does not necessarily reduce the expected costs of equity capital. The lack of agreement with the proposition that the conversion to IFRS will reduce the cost of capital is unexpected because this factor is a mentioned advantage of global accounting harmonization (KPMG, 2000). Empirical evidence contradicts this view. Li (2010) finds that in EU countries with strong enforcement systems, the cost of equity capital decreased after the mandatory adoption of IFRS.

2.4.1.2 Unintended Consequences

The mandatory or voluntary adoption of IFRS can have less expected consequences, such as more efficient monitoring of the company by shareholders or creditors and therefore better shareholder or creditors protection. Furthermore, the impact of IFRS can be heterogeneous between countries.

Hoogendoorn (2006) observes that the implementation of IAS/IFRS is a real challenge in many countries, and it is nearly impossible to expect full or near-full comparability. Common accounting standards alone may not be sufficient to provide the benefits of common accounting practices. The convergence of accounting practices in different countries requires effective implementation and enforcement of accounting standards (e.g., Ball 2006 and Daske *et al*. 2008). Moreover, Heras, Moreira, and Teixeira (2010) evidence that accounting choices under IFRS differ in European countries and institutional factors (such as tax, financial, and enforcement systems) can increase these differences.

Daske *et al*. (2008) find that the impact of IFRS is weaker in countries where local GAAPs are close to IAS/IFRS or where a strategy to minimize the effects of IFRS adhesion has already been adopted. They also observe an increase in stock market liquidity, after IFRS adoption, in countries where firms have incentives to be transparent and where legal enforcement is strong. In this way, Jermakowicz and Gornik-Tomaszewski (2006) results related to France, Germany, Belgium and UK show that 30% of the respondents adopt IFRS for both consolidated and individual accounts. Almost all French respondents use or intend to use IFRS for consolidation purposes only.

Christensen, Lee, and Walker (2009) find evidence that mandatory IFRS adoption leads to significant wealth transfers between lenders and shareholders through its impact on debt covenants that are based on rolling GAAP. Other studies from non-IFRS settings indicate that mandatory IFRS adoption triggers similar unintended wealth transfers due to its influence on individual (e.g., compensation plans) and collective contracts (e.g., dividend payouts). With IFRS adoption, firms increased their disclosure, reducing information asymmetry, and thus restoring the quality of accounting information and investor confidence.

Bruggeman, Hitz and Sellhorn (2010), in their research on the economic consequences of mandatory IFRS adoption, provide evidence from non-IFRS settings, suggesting that mandatory application of IFRS has a material impact on contractual outcomes and promotes opportunistic behaviour. They divide economic consequences into intentional (official pronouncements and objectives of IASB – informational effects such as transparency and comparability) and unintentional consequences (not made explicit by regulators consequences related to its impact on contractual outcomes). They suggest that mandatory IFRS adoption changes accounting numbers in certain contracts. To mitigate these changes, contractual parties adjust the contractual clauses. However, such adjustments require re-negotiations that are costly and sometimes even impossible. Furthermore, contracts under local GAAP may be less efficient after mandatory IFRS adoption. This loss in efficiency leads to redistribution of cash flows because new arrangements that are made (e.g. new arrangement creates adverse incentives that result in deadweight agency costs). According to the autors, the accounting consequences of mandatory IFRS adoption are limited by incentives at the firm and jurisdictional levels. According to Laux and Leuz (2009), it is not clear that these contractual problems are linked to changes in the accounting system. These problems could also be caused by adjusting contracts and regulations. Thus, it is not obvious whether the standards themselves are the source of the problem.

Jermakowicz and Gornik-Tomaszewski (2006) find that the adoption process is complex and the interpretation of standards is difficult, even for auditors or other specialists. The standards are sometimes unclear, unstable, and are not always completely or permanently established. At the end of each year, IASB publishes an updated IFRS version. According to the Observatoire de la Communication Financiere (2006), the main problem of IFRS adoption mentioned by managers is that most market participants are unable to understand figures resulting from the application of IFRS.

In summary, this stream of research suggests that European and Brazilian investors share the stock market regulators'expectations related to net economic benefits and costs resulting from mandatory IFRS adoption.

Thus, referring to this evidence in the literature we ask the following:

17. The adoption of IFRS results in:

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐☐☐☐☐	A. More easily comparable accounting figures	☐☐☐☐☐	D. Figures of higher quality
☐☐☐☐☐	B. More value relevant accounting figures	☐☐☐☐☐	E. More additional information (disclosures)
☐☐☐☐☐	C More timely loss recognition	☐☐☐☐☐	F. Financial statements that are difficult to understand by most users

18. The adoption of IFRS leads to:

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐☐☐☐☐	A. More efficient monitoring of the company by shareholders and therefore better shareholder protection	☐☐☐☐☐	C. A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
☐☐☐☐☐	B. More efficient monitoring of the company by creditors and therefore better creditor protection	☐☐☐☐☐	D. A decrease in the firm's cost of capital

2.4.2 Fair Value vs. Value Relevance

> Fair value accounting is the major characteristic of IFRS. By incorporating economic events in a more timely fashion, it promises to make financial statements more informative for investors. Ball (2006, p.12).

The International Accounting Standards Board (IASB), in "Fair Value Measurement" (2009, p. 8) defines fair value as "the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction". FAS 157 defines fair value as ''the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

IASB (2009c, p. 22) explains these definitions as follows. "When an asset is acquired or a liability is assumed in an exchange transaction for that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability". Conversely, "the fair value of the asset or liability represents the price that would be received to sell the asset or paid to transfer the liability". Firms do not need neither to "sell assets at the prices paid to acquire them" nor "transfer liabilities at the prices received to assume them." Fair value is usual for assets whose book value is based on mark-to-market valuations.

Fair Value (FV) is the rational and unbiased estimate value of the possible market price of a good, service, or asset, taking into account objective factors such as costs (acquisition, production, distribution, or replacement), actual utility of social productive capability; and supply vs. demand. It takes also into account subjective factors such as risk characteristics, cost of and return on capital, individually perceived utility.

Under both US GAAP and IFRS, fair values can be used for fixed and financial assets and for financia liabilities. Unrealized gains and losses resulting from fair value adoption may or may not affect net income, depending on asset (and liability) classification.

2.4.2.1 Fair Value Measures

According to IASB (2009c) market participants can use three alternative levels to measure fair values. When quoted prices in active markets for identical assets or liabilities are available, these prices must be used as the measurement for FV. In the absence of such prices, observable inputs (e.g. quoted prices, credit data, and yield curve) and other relevant market information are accepted as quoted prices from identical or similar assets in inactive markets. In case of unobservable inputs, an entity should use both valuation models (mark-to-model approach, income approach or cost approach[33]) and all relevant information available. It is

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[33] The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Valuation techniques often use market multiples derived from a set of comparables. Multiples might be in ranges with a different multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering factors specific to the measurement. Valuation techniques include matrix pricing. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but relying on the securities' relationship to other benchmark quoted securities.

important to observe that "unobservable inputs" are not based on independent sources as "observable inputs" but on the reporting entity's own premises about the hypotheses that market players would use. It is recognized that an entity might have to make significant adjustments to an unobserved price in order to arrive at the price at which a transaction would have taken place (IASB Expert Advisory Panel, 2008). The FV of the asset or liability must be measured using the hypotheses that market players would use in pricing the asset or liability. Valuation models used to calculate FV must be consistently applied. (IASB, 2009c).

2.4.2.2 Fair Value and Comprehensive Income

According to Batsch (2005), the comprehensive income is based on a redefinition of the concept of profit, and the notion of performance. The idea is that accounting has to provide a measure of equity capital changes, i.e. of the enrichment of shareholders. Therefore, the relevant accounting result, i.e. the comprehensive income, is no longer the difference between revenues and expenses for a given period., It is the difference between "stocks" of equity capital between the end and the beginning of the accounting period. Thus, comprehensive income measures the difference of value of net assets, excluding the impact of transactions with shareholders.

FASB defines comprehensive income as "the change in equity [net assets] of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners". Skinner (1999) observes that

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The *income approach* uses valuation techniques to convert future amounts (eg cash flows or income and expenses) to a single present (discounted) amount. The FV measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Those valuation techniques include present value techniques, option pricing models such as the Black-Scholes-Merton formula and a binomial model, which incorporate present value techniques and reflect both the time value and intrinsic value of an option; and the multi-period excess earnings method, which is used to measure the FV of some intangible assets.
The *cost approach* reflects the currently amount that would be required to replace the service capacity of an asset. From the perspective of a market participant (seller), the price that would be received for the asset is based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence (physical deterioration, functional or technological obsolescence and economic obsolescence), and is broader than depreciation for financial reporting purposes (an allocation of historical cost) or tax purposes. The current replacement cost approach is generally appropriate for measuring the FV of tangible assets using an in-use valuation premise because a market participant would not pay more for an asset than the amount for which it could replace the service capacity of that asset. (IASB, 2009c, p. 23-24)

comprehensive income is the total of net income and other items that are not reported in the income statement because they have not been realized (e.g. unrealized gains and losses on 'available for sale' securities, net loss associated with the minimum liability pension adjustment and foreign currency translation gains or losses, etc.). Although they are essential, these items are not part of net income. They cannot be distributed as dividends because they are not yet realized. They are therefore included in comprehensive income to give market participants a more comprehensive view of the firm's financial position.

Just like the income of any shareholder is composed of dividends' flow and potential capital gains, i.e.changes in share prices, comprehensive income aims to approximate these two dimensions. This new approach introduces two differences with respect to the current accounting practice. It extends the accounting result by incorporating new elements and it introduces market values rather than a simply costs difference. SFAS 130 (1997) observes that the "comprehensive income" differs from "net income" because it includes the unrealized changes in financial assets, the impact of currency fluctuations and corrections of pension liabilities.

The generalized use of fair value in accounting leads entities to report unrealized gains or losses in their equity. This raises the question of the opportunity to provide detailed information on these gains and losses in a specific statement, i.e. the comprehensive income statement. According to Teller and Dumontier (2001) the relevance of the accounting system can be more or less reduced because of economic mutations. These mutations can usually be observed in the development of services and IT companies. The main assets of these firms are their human capital. In the same way, Collins *et al*. (1997) observe that financial reports of such firms cannot reflect their true value, because their assets have intangible characteristics and they cannot be recognized as intangible assets in financial statements. Thus these authors believe that the traditional accounting model cannot reflect all expected future cash flows. This model is therefore losing its pertinence. In light of this, the comphreensive income statement may complement the information conveyed by the traditional accounting net income (Smith and Reither, 1996; Hirst and Hopkins, 1998).

Kanagaretnam, Mathieu and Shehata (2009), in their research with Canadian companies, investigate whether requiring firms to release a comprehensive income statement offers incremental value relevance over the historical cost earnings approach. Results evidence that available for sale and cash flow hedges components are associated with prices and market returns. The comprehensive income is more strongly associated with both stock prices and returns than net income. However, they observe that net income is a better benchmark for future net incomes than comprehensive income.

Dhaliwal, Subramanyam and Trezevant (1999) investigate the capability of comprehensive income and net income to reflect company's performance as revealed in stock returns. They investigate which comprehensive income adjustments improve the capability of income to summarize company's performance. They do not find evidence that comprehensive income is strongly linked to returns or predicts future operating cash flows better than net income. This does not support the contention that comprehensive income is a better measure of firm performance than net income.

2.4.2.3 Pros and Cons to the Fair Value Approach

Laux and Leuz (2009) observed that the use of fair-value accounting and mark-to-market accounting was strongly discussed during the last financial crisis. Proponents argue that fair values of assets or liabilities reflect current market conditions and hence provide timely information, thereby increasing transparency (objectives of FASB and IASB statements, IASB, 2009a) and encouraging corrective actions. According to Byford and Wagner (2009), fair value accounting has advantages such as: (a) avoiding complex retrospective calculations; (b) providing opportunity for owner of land assets; and (c) allowing negatives to reduce over time. Moreover, according to Laux and Leuz (2009, p. 18), "investors require an accounting standard that reports a relevant and useful value of financial instruments regardless of the direction of markets. Fair value accounting with robust disclosures provides more reliable, timely, and comparable information." But the controversy persists on whether fair value is helpful in providing transparency and whether it leads to undesirable actions on the part of banks and companies (such as manipulations). Opponents of the FV claim that: (a) FV is not relevant but potentially misleading for assets that are held for a long period, in particular those held to maturity; (b) prices could be distorted by market inefficiency, investor irrationality or liquidity problems; (c) fair values based on models are not reliable, and (d) FV contributes to the procyclicity of the financial system.

In the same way, Laux and Leuz (2009) observe that FV may not provide the best information to users, but in many cases historical costs do not provide good information either because they do not reflect the current value of assets. Furthermore, fair value can increase procyclicity in booms and in busts. In booms, fair value and asset write-ups allow banks to increase leverage, making the financial system more vulnerable and financial crises more severe. The historical cost approach does not accept asset write-ups in booms and build reserves, which can be drawn upon in crisis. However, this idea ignores the fact that fair value provides signs offering advice to avoid crises and hence may force banks to take appropriate measures earlier, in order to reduce their impact. Consequently, adjusting banking regulation may be more effective than changing the accounting system, insofar as accounting figures have to provide objective information on the financial position of entities, regardless the potential use or misunderstanding of reported figures.

Laux and Leuz (2009) made a comparison between US GAAP and IFRS and observed that they both allow deviations in certain circumstances. The standards clearly declare that quoted market prices from sales in a doubt situation (forced or unnatural) should not be used. It is a protection mechanism against negative spillovers from troubled banks. The standards permit the use of valuation techniques to obtain FV for inactive markets and the reorganization of FV assets into a group to which historical cost and less severe impairment tests are applied. They conclude that both US GAAP and IFRS have instruments to stay away from negative spillovers in troubled markets leading to a descending spiral.

By allowing some deviations from market price, standard setters need to distinguish between situations in which a market price is misleading and/or a manager merely claims that this is so in order to avoid a "write-down" (reducing the book value of an asset because it is overvalued compared to the market value). Without restrictive guidance, the standards could be easily evaded. Thus, standard setters need to decide between relevance and reliability: FVs models may be more relevant in certain situations but quoted market prices are easier to verify and harder to manipulate. Deviations from market prices under existing FV standards require substantial judgement by the preparers and the auditors. Managers and auditors have personal costs and risks (litigation) related to deviations from market prices that can be used as enforcement mechanisms. Litigation risks and legal enforcement are weaker in Europe than in the USA, but the opposition to fair value is stronger in Europe. However, there is empirical evidence that European companies are usually less liable to impairments because most banks established support of historical cost (Ball *et al*., 2000; Leuz, Nanda, & Wysocki, 2003). The trade-off between relevance and reliability suggest that fair values introduce volatility in financial statements in ‘‘normal times” and it can produce contamination effects in times of crisis.

2.4.2.4 Empirical Studies in Fair Value

Empirical studies present some evidence showing that the adoption of fair value has a strong impact on accounting figures complying with IFRS. The adoption of fair value results in more value relevant accounting figures and in unjustified increase in the volatility of earnings and equity. Furthermore, the adoption of fair value is costly.

The idea that the adoption of fair value has strong impact on accounting figures complying with IFRS is discussed by Murcia and Santos (2010). They find that the adoption of IFRS had a positive impact on the accounting figures of Brazilian listed companies. Furthermore, these companies do not disclose systematically all required information, such as the criteria used to calculate fair value of financial instruments and the information concerning transactions with derivatives.

For Hoogendoorn (2006), the fair value and impairment approaches bring significant differences between firms. Mandatory IFRS adoption has been criticized for both the flexibility of the standards and the encroachment of the fair value paradigm. Jermakowicz and Gornik-Tomaszewski (2006) find that most European companies agree that equity based on IFRS is expected to be higher than in local GAAP. For these authors, the problem in the conversion process is the use of fair value as the primary basis of asset/liability measurement. Boukari and Richard (2007) present evidence that IFRS adoption, resulted in a descrease of French firms' equity by 1.3%. In contrast, their consolidated net income increased by 42%, mainly because companies removed the amortization of goodwill.

Numerous studies present evidence showing that the adoption of fair value results in more value-relevant accounting figures. Bartov, Goldberg and Kim (2005) find higher value relevance for earnings in IFRS or US-GAAP than for those in German GAAP. Hung and Subramanyam (2007) find that adjustments for book value between both IFRS and German GAAP are value relevant, not those for earnings. Aharony, Barniv and Falk (2010) find that the value relevance of goodwill, R&D expenses and re-evaluation of property increased after the adoption of IFRS in the European Union.

The adoption of fair value accounting is expected to be costly. Jermakowicz and Gornik-Tomaszewski (2006) find evidence that major changes to performance-based executive and employee compensation systems may be required. In addition, Laux and Leuz (2009) argue that litigation risks to managers, directors and auditors are increased.

Based on this literature, we ask the following question:

19. About Fair Value accounting you can say:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. The adoption of fair value has a strong impact on accounting figures complying with IFRS
☐	☐	☐	☐	☐	B. The adoption of fair value results in more value relevant accounting figures
☐	☐	☐	☐	☐	C. The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.
☐	☐	☐	☐	☐	D. The adoption of fair value accounting is costly
☐	☐	☐	☐	☐	E. It is useful to present unrealized capital gains in a specific comprehensive income statement.

2.4.3 Problems related to the first application of IFRS

The first adoption of IFRS may bring several unexpected problems to firms. Some problems are internal, associated with auditors and CFOs responsibilities. The information systems have to be reorganized. The information required by IFRS is not available in its entirety or it is available but must be re-processed in depth. Application of IFRS requires in-depth training of the people involved in the adoption process. The lack of clarity of several IFRS standards requires in-depth analysis and interpretation. The overall costs associated with the adoption of IFRS are not significantly high but fees charged by consultants involved in the adoption process may be heavy. External problems resulting from the first adoption of IFRS are related to investors (analysts). The application of IFRS requires specific training because the new standards differ significantly from those used previously and accounting figures under IFRS are not easily comparable with those disclosed in statements complying with national GAAP.

The objective of IFRS 1 is to provide a guide to help entities adopt IFRS. Upton (2010) observes that countries realize that they have cultural, legal or political difficulties when they start the convergence to IFRS adoption. In the light of this, countries normally decide to adapt their local GAAP insofar as the amounts reported in the financial statements are the same as in IFRS. Upton claims that the direct full application of IFRS is less costly than a part by part and necessarily long-term convergence process. Furthermore, all countries need a plan before starting the transition process, involving accounting professionals, companies, financial and pension regulators. Afterwards, they need an IFRS team involving every sector that will be affected by the convergence. Countries must have a plan to solve the problems emerging during this process. They must create an infrastructure of knowledge for IFRS practitioners. Finally, the IASB participation is important to help countries in this convergence process. According to Brüggemann, Hitz, Sellhorn (2010), the problems and costs related to the adoption of IFRS are to be reduced if these principles are systematically applied.

Hoogendoorn (2006, p. 2) discusses the main problems linked to IFRS adoption, such as compliance (high costs of compliance and deep involvement of the auditors in achieving full compliance with IFRS), interpretation (auditors around the world instigating security regulators to minimize not only diversity of IFRS interpretation and application, but also to improve consistency in practices); complexity (IFRS is hard to read and understand for most market participants, it is unclear and unstable and some issues are difficult to implement[36]); comparability (an increase in comparability of financial statements is expected e, but many authors see comparability being significantly impeded by the lack of balance sheet and income statement formats). Finally, Hoogendoorn concludes that full or almost-full comparability is almost impossible.

Some researches investigate the benefits, costs and problems arising during the first years of the mandatory IFRS adoption. The Observatoire de la Communication Financière (OCF, 2006) in their study with French companies and analysts find the following (Table 13):

[36] e.g. financial instruments, including embedded derivatives and hedge accounting - IAS 32/39, Pensions - IAS 19, purchase accounting - IFRS 3, IAS 38, impairment testing -IAS 36.

Table 13: Results of OCF's research.

IFRS' impacts on the markets' perception of the value of company	Almost all companies think that the swift to IFRS didn't bring impacts on the markets' perception of the value of company.
IFRS' impacts on the financial analysts activity	70% answer that your activity was changed totally or partially with the swift to IFRS. IFRS had no impact on the valuation methods or on discount rates used.
The main IFRS subjects for financial markets for analysts and managers	Impairment of non financial assets, segment information, financial instruments, pensions and provisions for liabilities/Assets,
The benefits	Industry comparisons and better understanding of the operating performance of firms.
Factors have limited the expected benefits of the swift to IFRS	Analysts and managers have distinct opinions. For analysts the factors are lack of accuracy of information provided by managers and heterogeneity in the presentation of notes. For managers, the main problem is the difficulty to market participants to understand the IFRS. All managers consider that market participants have been few or no questions on IFRS, especially institutional investors, hedge funds and analysts.

Source OCF (2006)

Jermakowicz and Gornik-Tomaszewski (2006), in their study with 112 European firms in 2004 (transition period), conclude that the majority of respondents have adopted IFRS for more than just consolidation purposes; the process is costly, complex, and burdensome (hard to implement and understand); companies expect an increase in the volatility of financial results (as compared to results that would have been reported under national standards); impact on profit and loss account (fair value approach[37]); lack of IFRS implementation guidance; lack of uniform interpretation of IFRS (the same account treatment is not the main point); final rules not being ready for the 2005 deadline; continuing debate of IAS 39; constant change of IFRS, transformation of IASB decisions in EU Regulations; running of parallel accounting systems; preparation of comparative financial statements for the past years (not in the same accounting standard); lack of IFRS knowledge among employees and auditors; training of accounting staff and management; to change the mindset of finance personnel and change of the IT structure. IASB and Jermakowicz and Gornik-Tomaszewski

[37] Recognition of more financial assets and liabilities (including derivatives) at fair value; tougher rules on the requirement to record special-purpose vehicles or similar structures on balance sheet; more rigorous asset impairment reviews; a compulsory annual impairment test of goodwill; and the requirement to recognize actuarial gains and losses in the financial statements.

(2006) consider that the complexity of IFRS, the lack of implementation guidance and of uniform interpretation are key challenges in convergence; and a majority of respondents would not adopt IFRS if not required by the EU regulation.

These studies put in evidence that a good IT infrastructure is vital for the success of IFRS adoption. Hoogendoorn (2006), Jermakowicz and Gornik-Tomaszewski (2006) and Upton (2010) discuss this issue. IFRS convergence has great impact on IT infrastructure used to support data of accounts, consolidation, management of multiple GAAPs simultaneously. Jermakowicz and Gornik-Tomaszewski (2006) suggest that the most effective approach to implementing IFRS from the IT point of view would be a parallel running of the two accounting systems, based on the same financial databases. This approach however may not be available for most firms owing to its high cost (Upton, 2010). Moreover, Zain (2009) underlines that information systems have to be reorganized because some data required by IFRS are not available or need to be re-processed.

Another important item evidenced by previous research is the lack of IFRS knowledge among employees and auditors. For Zain (2009), the organisational area requires great time investment because it also has an impact on the business. To begin with, companies need to assess their internal IFRS capacity to assess the required training for their teams, both during and subsequent to the first implementation. He also observes that managers must be involved from the beginning to confirm commitment and authority in allocating resources for the planning process IAS/IFRS convergence. For Jermakowicz and Gornik-Tomaszewski (2006), a training program for a firm's staff is necessary to teach different systems of business operation, performance measurement, and communication with the markets. They document that audit firms play a crucial role in this training program. The deep involvement of internal auditors increases the risk of compliance, because they are heavily involved in preparing financial reports.

As suggested by the Observatoire de la Communication Financière (2006), the application of

IFRS has resulted in changes/problems in the analysts' job. Zain (2009) observes that the analysis of the first financial statements complying with IAS/IFRS requires specific training because these standards differ significantly from those used previously. In this way, PricewaterhouseCoopers (2006), in their research with fund managers, documents that firms have clearly explained market participants the impacts of IFRS adoption on their accounting figures. Most fund managers consider that the IFRS information provided by companies in 2005 was fairly clear and understandable. The study by PricewaterhouseCoopers (2006) shows that the switch to IFRS impacted the estimation of the value of companies followed by fund managers, mainly because financial information was more comparable and offered greater transparency.

Other possible problems related to the IFRS adoption are associated with the relevance of analysts' forecasts and recommendations. Rebouças (2009) suggest that in Brazil, the implementation of IAS/IFRS improves the relevance of analysts' forecasts and recommendations. Using forecast accuracy, disagreement between analysts and information precision of individual forecasts as factors of transparency, Bruggeman, Hitz and Sellhorn (2010) and Horton, Serafeim, and Serafeim (2010) document a general improvement in the information environment of firms that adopt IFRS, especially for firms with greater differences between local GAAP and IFRS. Similarly, Brown, Preiato and Tarca (2009) show a decrease in forecast errors and in forecast dispersion between local and foreign analysts that follow mandatory IFRS adopters both in the EU and in Australia (between 2002 and 2007) because accounting figures under IFRS are more informative than those complying with local GAAP. Using a sample of 665 UK firms, Panaretou, Shackleton, and Taylor (2009) find that forecast dispersion is significantly stronger for firms that use derivatives, maybe because of the new hedge accounting rules under IFRS.

We formulated our survey questions in function of results find in the literature. We asked CFOs and auditors (internal view) one specific question:

20. The first application of IFRS was costly because:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
□ □ □ □ □	A. Information systems had to be reorganized, the information required by IFRS being not available in its entirety	□ □ □ □ □	D. It required in-depth training of the people involved in the adoption process
□ □ □ □ □	B. The information required by IFRS was available but it had to be re-processed in depth	□ □ □ □ □	E. Fees charged by consultants involved in the adoption process were (are) high
□ □ □ □ □	C. The lack of clarity of several IFRS standards required an in-depth analysis and interpretation of these standards	□ □ □ □ □	F. The overall costs associated with the adoption of IFRS were not significantly high

We asked financial analysts the following specific questions:

20. Analyzing the first financial statements complying with IFRS:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
□ □ □ □ □	A. Required a specific training because these standards differ significantly from those used previously
□ □ □ □ □	B. Was complex because of accounting figures that they were not easily comparable with those disclosed in the previous statements

21. Switching to IFRS:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
□ □ □ □ □	A. Has increased the time spent to process accounting information and financial statements	□ □ □ □ □	C. Has improved the relevance of our forecasts and recommendations
□ □ □ □ □	B. Has decreased the time spent to process accounting information and financial statements	□ □ □ □ □	D. Has diminished the relevance of our forecasts and recommendations

Major studies devoted to the benefits and consequences of IFRS adoption are synthesized in Table 14. They allow us to determine whether practitioners' perceptions are similar to those of academics.

Table 14: Studies devoted to benefits and consequences for firms with the IFRS adoption

IFRS adoption				
Author	**Methodology**	**Sample**	**Objective**	**Results**
Ashbaugh (2001)	Multivariate logit regression	annual report of 211 non-US firms listed with the London Exchange	To investigate the factors associate with non-US firms voluntarily reporting financial information under IFRS or USGAAP.	Non-USA companies disclose financial information on IFRS or US GAAP when their stocks are more widely negotiated in foreign equity markets and when IFRS or U.S. GAAP results in more standardized financial information relative to their domestic-GAAP reports. Moreover, firms are more likely to report IAS financial information in seasoned equity offerings, and USGAAP required more than under their local GAAPs. Results suggest that non-US firms disclose accounting information under IFRS to receive benefits based in more standardized financial information, and when it is less costly than implement USGAAPs.
Horton, Serafeim and Serafeim (2010)	descriptive analysis, multivariate regressions	2235 firms mandatory adopters and 635 voluntary adopters in 9 countries	To eximine the effect of mandatory IFRS adoption on firms' information enviroment.	The analysts forecast consensus erros decrease after the mandatory IFRS adoption. For the voluntary adopter the effect exist but it is less intense.
Jermakowicz and Gornik-Tomaszewski (2006)	survey	112 responses	To examine implementation of International Financial Reporting Standards (IFRS) by European Union (EU) companies.	Results show that (1) a majority of respondents have adopted IFRS for more than just consolidation purposes; (2) the process is costly, complex, and burdensome; (3) companies do not expect to lower their cost of capital by implementing IFRS; (4) the more comprehensive the approach to conversion, the more respondents tend to agree with the benefits and costs of the transition; (5) companies expect increased volatility in financial results; (6) the complexity of IFRS as well as the lack of implementation guidance and uniform interpretation are key challenges in convergence; and (7) a majority of respondents would not adopt IFRS if not required by the EU Regulation.
Daske et al. (2008)	regression	1988 to 2004 across 24 countries	To examine the economic consequences of voluntary IFRS adoptions around the world.	Results show that the average effects of voluntary IFRS reporting on these proxies are generally modest, especially when compared to other forms of commitment such as cross-listing in the U.S. However, “serious” adopters experience significantly stronger effects on the cost of capital and market liquidity than label adopters.

Dumontier and Maghraoui (2007)	event study	German firms that switched to IAS-IFRS during the 1999-2002 period	To observe whether the increased accounting disclosures associated with the adoption of IAS-IFRS reduces information asymmetry among market participants, information asymmetry being proxied by bid-ask spreads.	Results show that (1) firms switching to IAS-IFRS tend to exhibit after the IAS-IFRS adoption lower bid-ask spreads than before the adoption. (2) switching to IAS-IFRS increases the information content of large firms' financial statements relative to local GAAP, the additional information set related to the new disclosures requiring about two years to be fully integrated in spreads
Auer (1996)	OLS regression, CAR	Swiss GAAP to either IAS (20 companies) or EC-Directives (15 companies) within the period 1985-1993.'* In total, this corresponds to 247 earnings announcements	To examine the information content of earnings announcements, i.e. abnormal returns resulting from unexpected earnings, for listed firms which have changed the accounting standard used for presenting Swiss GAAP consolidated financial statements to either EC-Directives or IAS.	Results show that IAS-based earnings announcements convey a statistically significant higher information content than earnings announcements based on the Swiss GAAP if a variance-approach is used. For investors in the Swiss capital market, the switch from Swiss GAAP to IAS has therefore increased the information content of financial statements.

3 RESEARCH DESIGN

Ethical, methodological, and statistical procedures were employed to provide an answer to our main research question: Are IFRS expected to satisfy investors' information needs identically in developed capital market enviroments and in less developed market enviroments? The first section dedicated to the methodological procedures presents classification, sampling and data collection procedures. The second section describes the statistical procedures used for instrument and questionnaire's validation.

Our survey used a questionnaire administrated in line with three types of participants (CFOs, analysts and auditors) from different countries. The steps followed to complete this research are described in Figure 6. They are as follow:

1) Elaboration of the questionnaire based on relevant literature;
2) Translation of the questionnaire from English to French and to Portuguese;
3) Validation of the questionnaire using qualified and independent experts;
4) Adjustment of the questionnaire based on experts' comments;
5) Pre-test of the on-line version of the questionnaire with students and practitioners;
6) Administration of the survey by sending an Internet link to the target participants;
7) Collection of responses and data processing.

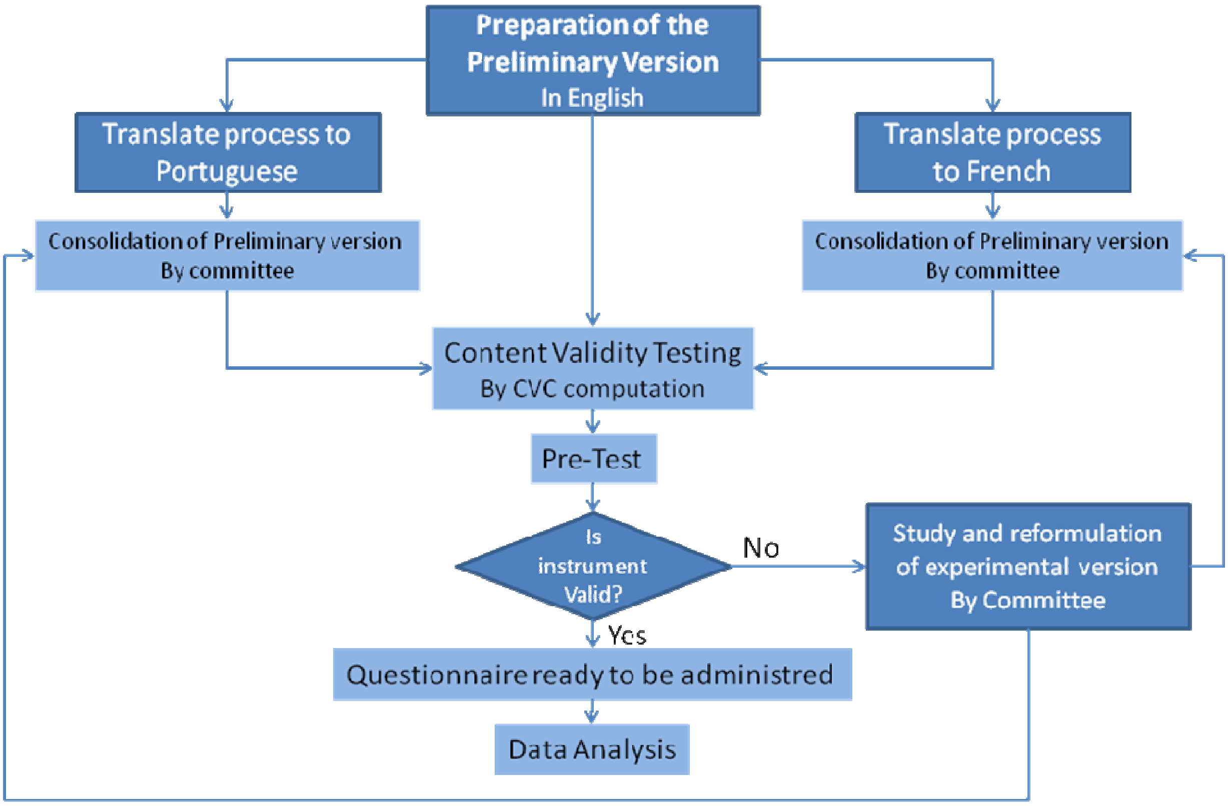

Figure 6: Validation questionnaire process

Source: Adapted from Vallerand (1989)

Figure 6 presents the sequence of steps that were followed in order to obtain a valid version of the original questionnaire in English, in French and in Portuguese: preparation, translation and consolidation of the preliminary version; content validity test and questionnaire pre-test. The first two steps concern the translation of the questionnaire while the last one concerns the statistical validation procedure. The next section describes how each of these phases was conducted.

3.1 Ethical Procedures

This research relied on the voluntary support of thirty-two financial professionals from the English, French and Portuguese academic or practitioner communities ('judges'). Ten participants evaluated the English version of the questionnaire, ten the French version and ten the Portuguese version. This research also relied on the voluntary support of four translators (bilingual financial academics and official translators, two for the Portuguese version and two for the French version, see Table 15). All participants (translators, judges and respondents) were assured of total confidentiality regarding information provided. They were also answered that the information was intended to purely scientific purposes, and that any release of specific information would be anonymous and aggregated with other participants' answers. Finally, participants were assured that they would in no way be held responsible for the information they provided in response to the questionnaire or for opinions expressed in any publication based on this research.

Table 15: Answers, by language, during questionnaire's validation process.

	Translators	Judges	Others[38]
English		10	16
French	2	10	28
Portuguese	2	10	22

It was important to reassure participants as to their anonymity for several reasons. First of all, some financial information may be considered strategic to their firm, and its indiscriminate release may be seen inappropriate. In such situations, if anonymity is not guaranteed, respondents may refrain from answering certain questions, or may withhold the truth. Secondly, given that public firms are committed to fair disclosure, their answers to a private questionnaire may be regarded as a breach of disclosure. Finally, managers may become legally liable for the disclosure of inside information, which might be leaked into the market.

3.2 Methodological Procedures

In this part, the research is classified and the samples, together with the procedures used to collect the data, are presented.

3.2.1 Classification

This study is not a conventional finance and accounting study because only primary data were used. According to Silva and Menezes (2001), a study can be classified by its nature or its approaches to the problem under study. According to Gil (1991), it can also be classified by its objectives and technical procedures. Here, the study can be classified as follows:

[38] During the pre-test we receive responses from professors, students (MBA, master and PhD), financial and IT professionals, and language teachers.

- Nature: the research is an applied study that tries to solve specific issues from the knowledge it generates;
- Approach: the study is partly qualitative (Martins and Theóphilo, 2007), and partly quantitative. The questionnaire is used to transform the qualitative information into figures, in order to validate, classify and analyze results. The research use descriptive statistics and multiple correspondence analyses to process collected data and reach conclusion.
- Objectives: this research is descriptive and exploratory, as it aims to describe the population characteristics, based on a representative sample.
- Technical procedures: this study is a survey[39], because it asks people, whose behavior is being analyzed, direct questions about a particular topic. (Gunther, 1999; Martins, 2002)

This is an exploratory study with no a priori hypotheses because of the experimental character of the EU and Brazilian approach to the accounting harmonization, and the very broad and diverse spectrum of companies affected by the IFRS regulation, representing various countries, industries, accounting traditions, and strategies.

3.2.2 Analysts, Auditors and Financial Officers

The theoretical and empirical literature analyzed in the first part of the dissertation clearly shows that firms (and their CFOs) and investors (or financial analysts) are directly involved in the accounting process. As such, it seemed obvious to send our questionnaire to both CFOs and financial analysts to capture their opinion on the topics under study in this research. We also have decided to send the questionnaire to auditors in so far as they are also major players in the accounting process, even though they are not mentioned frequently in the first part of the dissertation.

Our first idea was to use the same questionnaire as Graham *et al.* (2005) with the same type of respondents, CFOs. CFOs are actively involved in the construction of accounting information. Thus, they present an internal view of the usefulness of financial reports. However, to better

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[39] The advantages and advantages of questionnaires as a survey method are discussed in Moser and Kalton (1985).

understand how this information is processed by stock market participants, an external view was necessary. Then, we included in our sample financial analysts, who are major market players insofar as they are shareholders' main advisers (e.g. Pike, Meerjanssen and Chadwick, 1993; Arnold and Moizer, 1984; Barker and Imam, 2008, Saghroun, 2003). Using CFOs and financial analysts helped us determine whether they both have the same expectations and the same views of accounting figures and accounting information. Furthermore, during the review of the literature we perceived that auditors were other players that could help to better understand our research questions. Auditors have an important role in the accounting process because they control and endorse the information disclosed by companies.

Kothari (2001) shows that capital providers require firms to hire an independent auditor as a condition of financing, even when this is not required by the regulation of the country where the firm operates because they guarantee the credibility of disclosed figures. Arruñada and Paz-Ares (1997) made a questionnaire study with audit partners, commercial loan officers and financial analysts, on the relationship between auditor and client because this relationship may be prejudicial to the auditors' neutrality and impartiality. They focused on the presumption that this relation (auditor vs. client) may facilitate the expectation of economic gains for the audit firm and may also prejudice their judgment and independence. Their responses showed no evidence of a significant relationship between tenure and the perception of auditor independence. Mandatory rotation would seem to mask the valuable informational effect that a change of auditor gives to the market. The impact on the rigor of the audit process affects the audit failures, the role of cumulative knowledge developed by audit teams and the investment made in new knowledge by audit firms.

3.2.3 Sampling Selection and Data Collection Procedures

All public corporations from the São Paulo Stock Exchange (Bovespa) directory and all public corporations from EU stock markets made up the CFO target population. This population consists of almost 8,000 enterprises. We sent our questionnaire to all companies that were registered in the Thomson database. Only 3,306 out of the 8,000 companies provided correct e-mail addresses for their financial officers. In addition to the above-mentioned public, we sent the questionnaire to APIMEC registered financial analysts in

Brazil and to all financial analysts following IFRS adopters listed in the Capital IQ[40] database. E-mails were sent to about 7,000 analysts, but only 4,389 provided a correct e-mail address. The last group comprises auditors from auditing enterprises in Brazil and in Europe. We found 1,663 correct e-mail addresses from auditors and contact information for these two publics in the Capital IQ database and companies websites. Regarding Europe, these auditors had all audited financial statements of EU companies complying with IFRS. At the end, we had 401 completed questionnaires by CFOs (12.12% return rate), 274 completed questionnaires by financial analysts (6.24% return rate) and 120 completed questionnaires by auditors (7.21% return rate).

All selected potential respondents initially received an e-mail (see appendix 2) with a link to the research website. The link was explained the purpose of the survey. Following survey completion, if necessary, some participants were contacted by telephone for a follow-up[41]. The usual confidentiality reassurance was given via a document addressed to all participants.

In fact, we constructed two questionnaire websites with different question order. The answers were controlled by a user and password[42] mechanism. For each questionnaire, we used a software to change the order of the items of each question for each new respondent in order to prevent the questions at the beginning of the questionnaire from being those more likely to be answered. Finally, a paper version was also used. Indeed, based on the work of Klassen and Jacobs (2001), several ways to send back the questionnaire were offered to the participants: by post, by fax, by e-mail, and by a website built specifically to that end. Table 16 shows the distribution of respondents[43].

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[40] Capital IQ is a private international database. It provides personal information for financial analysts issuing earnings forecasts and recommendations.

[41] Some participants that responded to our questionnaire by e-mail, and some missing answers were demanded to complete the questionnaire if possible. In other cases, some respondents send us e-mails to explain more about IFRS rules in their countries or in their companies.

[42] Website: http://www.surveymonkey.com/s/accounting_reports password: IFRS or http://www.surveymonkey.com/s/accounting_reports_2010 password: 2010.

[43] These companies are from Germany, Austria, Belgium, Brazil, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Great Britain (UK), Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Switzerland, Sweden, Turkey, Ukraine

Table 16: Number of questionnaires answered by language and ways to answer.

	Exploitable		Non Exploitable		Total
	Paper Version	Website	Paper Version	Website	
English	41	563	8	757	1369
French	13	96	2	137	248
Portuguese	4	107	2	154	267
Total	58	766	12	1048	1884

As a consequence, three versions of the questionnaire for each language and for each type of respondent were used, differing only in their layout[44]. As a result, we had 27 versions of the questionnaire: three languages, three types of respondents (because, as explained in the first part of the dissertation, questions dedicated to inputs of IFRS differ substantially from one type of respondents to the other) and three layouts (one paper version and two website versions).

CFOs were invited to participate in three successive waves. The first one started on March 15th, 2010. The second one started on July 1st, 2010. The third one started on September 1st, 2010. Data collection from CFOs ended on October 31th, 2010[45]. Auditors and financial analysts were also invited to participate in three successive waves. The first one started on May 15th, 2010. The second one started on August 1st, 2010. The third one started on September 5th, 2010. Data collection from auditors and financial analysts were finished on October 31st, 2010.

As shown in table 7, we collected sufficient information to partition our sample in various ways (58 + 766 = 824 completed questionnaires). The partitioning is expected to reveal significant differences between categories of respondents. Only completed questionnaires are considered in this research. 1060 questionnaires are not used because they are incomplete.

[44] In total, nine different questionnaires in layout for financial directors, nine for auditors and nine for financial analysts. One group of nine was in a 'word' version (paper) and for the other two we constructed two distinct websites.

[45] While inviting our respondents to participate in our survey, more than 50 firms (mostly Swiss) answered our e-mail to say that they do not IFRS.

3.3 Statistical Procedures

Section 3.3.1 describes the collecting instrument for each group of respondents, along with the procedures used to validate the questionnaire, before it was sent to the respondents. Section 3.3.2 describes the treatment of the collected data.

3.3.1 The instruments

The questionnaire has five sections, of which four are aimed at validating key issues of the financial accounting theory (Role of Accounting Information, Performance Measures, Earnings Quality and Earnings Management and Inputs of IFRS). The last one is used to characterize the respondents. The first section has six questions about the role of accounting information. They are designed to introduce the nature of the topics of the questionnaire, i.e. accounting information to the respondents. For Jolibert and Jourdan (2006), the first part of a questionnaire has to be used to introduce the subject on which respondents will be questioned[46]. The second section has four questions devoted to performance measures. The third section has six questions dedicated to earnings quality and earnings management. In both sections, the questions refer to mandatory reports only. These three sections ask the same questions to CFOs, financial analysts and auditors. The final section deals with the contributions of IFRS to accounting practices. For this section we have two different versions. One version is directed to auditors and financial directors (four questions - internal view). The other version targets financial analysts (five questions – external view). The questionnaire ends by asking for information about the respondents and their firm.

Three research instruments were used. The first questionnaire is devoted to Chief Financial Officers (CFOs), Finance Directors, Controllers or similar. It is composed of a list of 32 questions containing 129 sub-items. Among these, twenty questions include 111 ended sub-items with a five point Likert scale (Likert, 1932). Each respondent only needs to choose the answer that he finds the most appropriate. The second questionnaire is for auditors. It comprises a list of 28 questions containing a total of 119 sub-items. Among these 28

[46] All versions (word and websites) started with the role of accounting information section and ended with the characteristics.

questions, 20 questions are the same as the ones to the CFOs. The last questionnaire is dedicated to financial analysts. It comprises a list of 29 questions containing 119 sub-items. Among these, 19 questions are the same as the ones to other respondents. Two theoretical questions about IFRS are special for this group. The last questions of each version are addressed to the characterization of the sample (company and respondent) according to the respondent and it can differ between them. This last group of questions is not subjected to the analysis presented here. The three questionnaires are presented in Appendix 3 of the research.

In order to achieve the required comparability, it is necessary to ensure that the survey questions have the same meaning for all respondents despite differences in language, culture, and institutional setting. Graham and Harvey (2001, p. 189) highlight the potential problems inherent in a survey approach: "Surveys measure beliefs and not necessarily actions. Survey analysis faces the risk that the respondents are not representative of the population of firms, or that the survey questions are misunderstood." Therefore, it is imperative that the survey researcher takes all possible steps to minimize individual subjectivity interference in the translation, administration, and interpretation of the survey. In this research, the same questionnaire, written in English, and translated into Portuguese and French was used in each country, thus ensuring that the survey instrument carries the same meaning in Brazil and the European Union. Furthermore, the procedures used for translation guarantee that such biases are minimized.

3.3.2 Translation Procedures

The translation procedures employed in his research are those recommended by Vallerand (1989). The cross-cultural use of questionnaires raises specific methodological problems, and the translation of instruments must be carried out in a systematic manner, to take into account the differences in language, values, culture, customs, and social context of the respondents.

Vallerand (1989) suggests the following alternatives.

- Employing the instrument in its original language (English in this case), which may limit the population of respondents;
- Developing a new instrument in an alternative language (Portuguese and French in this case), which may reduce comparability to the original survey; or,

- Validating the original instrument in each alternative language in the population of interest (in this case, English, French and Portuguese).

This research implements the third alternative by complying with the process proposed by Vallerand (1989). It is described below.

3.3.2.1 Preparation of the preliminary version and translation process

This research implements the Vallerand's techniques in three distinct phases so that the translated questionnaire may be used for international comparisons. In preparing the preliminary version of the questionnaire, three alternative techniques are possible (Vallerand, 1989):

- Traditional translation: This technique may result in differences in interpretation between the original version and the translated version because of language, psychological, and knowledge biases of the translators. Even when employing "neutral" certified translators, this technique may result in substantial biases. Despite these shortcomings, this technique is the most frequently employed.
- Committee translation: This technique offers some safeguards against individual translator bias, since the translation is discussed in a committee or a translation group. However, despite the group discussions, it is possible that biases persist. The active participation of the authors of the original questionnaire in the committee is one means of ensuring that the translated version remains faithful to the original. However, group discussions are often lengthy and subjective, and consensus is hard to achieve.
- Back translation: This technique relies on multiple translators working individually, an independent committee evaluating their work. The first step is to obtain one or more translations of the original instrument into the language of interest. This task is usually assigned to bilingual individuals familiar with the subject (i.e. the jargon) of the questionnaire. The translated version is then translated back into the original language, and an independent committee evaluates the faithfulness of the backtranslated version to the original instrument, providing any adjustments regarded as necessary. It is imperative that the backtranslators do not have access to the original instrument or even knowledge of it. If the backtranslated version is similar to the original version in wording and meaning, then the translation process has been successful. If differences exist between the backtranslated version and the original, one the committee must provide changes in the

translated version or even require new translations of the same instrument for comparison and consolidation into a new version. Given the systematic procedure and controls involved, this technique assures that individual biases are removed from the translated version. Furthermore, it allows for objective comparison between the original and the translated versions of the questionnaire.

We used a mix of the second and third techniques[47]. The original[48] English version was translated into Portuguese by two bilingual Brazilians, one is a professional translator and the other is a finance professor in Brazil. These two independently translated versions were then combined into a single translated version validated by a two-person committee which validated the final version. The original English version was independently translated into French by two bilingual French speakers, one is a professional translator and the other one is a finance professor in France. These two independently translated versions were then combined into a single translated version validated by a two-person committee. The finalized version of each questionnaire was sent to “judges” for evaluation. They evaluated language clarity and the practical pertinence of all questions.

3.3.2.2 Consolidation of the preliminary version

The main goal of this phase is to obtain the most faithful foreign language version of the original instrument. According to Vallerand (1989), an independent committee of two or three people, none of whom is one of the translators, should be formed. In this phase, the equivalence in wording and meaning between the original and translated questionnaires is verified. This phase is crucial to the achievement of an accurate translation because it results in a working version of the instrument. In order to reduce individual biases, this task was performed by consensus. The presence of one of the original translators as a consultant is desirable in order to clarify any questions the committee may have. The procedure involved two steps:

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[47] We started our study with the backtranslation idea, but we give up because trilingual individuals in French, Portuguese and English were very difficult to find.

[48] After reviewing existing literature, we developed a first draft of the questionnaire in English. This version was discussed with five accounting and finance professors.

- The translated versions are compared to each other and to the original instrument. If the questions are identical, i.e. have exactly the same wording, the item is approved and the committee moves on to the next question.
- If there are differences in wording, the committee must evaluate whether there are any differences in meaning. If there are differences in meaning, the committee must examine which of the versions is closest to the original instrument, and make adjustments in the translated version. Differences in meaning often result from a literal translation of a term or expression that may then diverge in meaning from the original intent of the questionnaire.

In this study, an independent committee of two people evaluated the two translated versions against the original version of the instrument, and made adjustments to the Portuguese and French translation where they thought necessary. The committee consisted of two finance faculty members and a finance graduate student. One of the original translators stood by in order to clarify questions of the committee. All perceived differences in wording and meaning were discussed by the committee, which then suggested modifications in the Portuguese and the French versions of the questionnaire.

Therefore, for the statistical evaluation of the content validity, only the remaining 111 ended sub-items for the managers', auditors' and financial analysts' questionnaire were analyzed. After the consolidation by a committee, the last version of questionnaire was sent to judges, for content validity testing evaluation.

3.3.3 Content validity procedures

According to Hoppen, Lapointe, and Moreau (1997), two techniques can be used to evaluate the content validity of a questionnaire: pre-tests using a sample of subjects or evaluation by a panel of judges. In this step, the language clarity and practical pertinence of each question was evaluated. Content validity is subjective and non-quantitative in the strictest sense of the term, and verifies whether the instrument indeed measures the content it sets out to measure (Vallerand, 1989).

With the objective of making the instrument as clear as possible, a panel of 20 judges tested the content validity of the instrument. Each judge received an evaluation sheet encompassing three criteria (see appendix 1):

(a) Clarity of Language: This criterion aims to evaluate the language used in the questionnaire, keeping in mind the target population of auditors, financial analysts and CFOs. As such, the judges were asked: “Is the items sufficiently clear (no ambiguous) and understandable for this population?”
(b) Practical Pertinence: This criterion refers the relevance of the question to the daily activities of the average auditors, financial analysts and CFOs. Specifically, the judges were asked: “Is the item relevant to this population?”
(c) Theoretical Dimension: This criterion deals with the relevance of the question to one of the four subject matter areas addressed by the questionnaire (Role of Accounting Information, Performance Measures, Earnings Quality and Earnings Management and Inputs of IFRS). The judges were asked: “Do you think the item is useful for understanding the respondent's perception of A) Role of Accounting Information, B) Performance Measures, C) Earnings Quality and Earnings Management and D) Inputs from IFRS? Select only one dimension, the one that best fits the item under consideration.

The judges’ instructions included a five-point Likert scale[49] for rating clarity of language and practical pertinence, and a coded letter system (A, B, C, and D) for classifying the four theoretical dimensions of each question (see Table 17). The questionnaire also allowed the judges to provide additional comments on any specific question.

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[49] Likert’s scale (1932), which is commonly used in psychometric questionnaires, measures the respondent’s degree of agreement with a given statement. The relationship between the elements of the scale is ordinal and not necessarily cardinal. Traditionally, a five-point scale is the most widely used in survey research, although seven and nine point scales are also found in the literature.

Table 17: Instructions to judges.

CLARITY OF LANGUAGE	PRACTICAL PERTINENCE	THEORETICAL DIMENSION
1 – Very little clear	1 – Very little pertinent	A – Role of Accounting Information
2 – A little clear	2 – A little pertinent	B – Performance Measures
3 – Fairly clear	3 – Fairly pertinent	C – Earnings Quality and Earnings Management
4 – Mostly clear	4 – Mostly pertinent	D – Inputs of IFRS
5 – Very much clear	5 – Very much pertinent	
IMPORTANT: mark only ONE alternative for each category.		

The evaluation sheet was sent to each judge along with a covering letter stating the purpose of the research, the confidentiality policy, and the return address. The judges (see Table 18) consisted of ten academics, six Chief Financial Officers (CFOs) or similar, six financial analysts and eight auditors. For each group of judges, two were selected from Brazil, and three from Europe, none of whom had participated in the previous parts of the process[50].

Table 18: Distribution and return of evaluation sheets[51].

	EVALUATIONS SENT	EVALUATIONS RETURNED
ACADEMICS	10	9
CFOs	6	3
AUDITORS	8	4
FINANCIAL ANALYSTS	6	4
TOTAL	30	20

The selection criteria for the judges were experience in academic or executive positions, and diversity in terms of educational background and industry experience. Ten academics with geographically diverse doctoral education backgrounds were selected along with twenty CFOs, auditors or financial analysts from different industries in companies and countries (see Table 19).

[50] Those parts are the elaboration of the questionnaire and its validation by the committee.

[51] We have relied mostly on academics throughout this research. We aggressively tried to obtain the cooperation of financial executives in the implementation of this research, but we were not as successful as we would have liked. One reason is that academics are more likely to comprehend the importance of academic research. We realize that this may induce a bias in the analyses that follow. In order to minimize this bias, we engaged several academics whose previous professional experience included executive and consulting positions in finance.

Table 19: Return of evaluation sheets by type of judges and language.

	ENGLISH	PORTUGUESE	FRENCH	TOTAL
ACADEMICS	3	2	4	**9**
CFOs	0	2	1	**3**
ANALYSTS	2	1	1	**4**
AUDITORS	1	2	1	**4**
TOTAL	**6**	**7**	**7**	**20**

In order to evaluate the content validity of language clarity and practical pertinence, we employed the Content Validity Coefficient (CVC) proposed by Hernández-Nieto (2002). This coefficient measures the degree of concordance among the judges regarding each question, as well as for the survey instrument as a whole. This coefficient also evaluates the validity of content, which is not present in other methods such as Cohen's Kappa.[52] To run this test, Hernández-Nieto (2002) recommends a minimum of three judges and the use of a five point Likert scale.[53] If a given question was deemed unsatisfactory in terms of clarity of language, it had to be adjusted before the questionnaire was delivered to the population. If a given question was deemed unsatisfactory in terms of practical pertinence, it had to be discarded from the analysis of the survey results.

According to Hernández-Nieto (2002), the CVC is computed as follows:

1) Using the judges' scores, the average score of each item (*Mx*) is computed as follows:

$$M_x = \frac{\sum_{i=1}^{J} x_i}{J} \tag{1}$$

where Σx_i is the sum of the judges' scores for a given item and J is the number of judges.

2) Based on the average score, the individual *CVC* is computed for each item (CVC_i):

$$CVC_i = \frac{M_x}{V_{máx}} \tag{2}$$

where $V_{máx}$ represents the maximum score the item could achieve.

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[52] Cohen's Kappa is a statistical measure of reliability between two judges that takes into account the agreement occurring by chance (Cohen, 1960). A multiple judge agreement measure is in the Fleiss's Kappa (Fleiss, 1971).

[53] While the *CVC* indicates the equivalence of content, it does not provide the metric properties of the translated version (Vallerand, 1989, Hernández-Nieto, 2002). The metric properties of a survey concerns characteristics such as its validity, reliability, and consistency.

3) The error (Pe_i) is calculated for each item in order to account for any possible bias of the judges as:

$$Pe_i = \left(\frac{1}{J}\right)^J \tag{3}$$

4) Given the above, the final *CVC* for each item (CVC_c) is:

$$CVC_c = CVC_i - Pe_i \tag{4}$$

5) The overall Content Validity Coefficient for the whole instrument (CVC_t) for the two evaluated aspects (clarity of language and practical pertinence) is calculated as:

$$CVC_t = Mcvc_i - Mpe_i \tag{5}$$

where $Mcvc_i$ stands for the average of the content validity coefficients of the items in the questionnaire (CVC_t) and Mpe_i is the average of the items' errors (Pe_i).

Hernández-Nieto (2002) recommends accepting only questions in which the CVC_c exceeds 0.8. However, given the judges differences in background (academics versus executives), a critical value of 0.7 was used, based on Balbinotti (2004) and Balbinotti *et al*. (2007). Thus, any item, which CVC_c falls short of 0.7, was deemed unsatisfactory.

The adherence of the questions to a given theoretical dimension was evaluated by inspecting the concordance of the judges. In the case of a tie, the item was classified as ambiguous. Following this evaluation, some questions were rewritten (seven questions and thirteen items) and some were deleted (one question and four items). Finally, the adjusted questionnaire was designed (Vallerand, 1989) and subsequently ready to be delivered.

Before sending our questionnaire to the target respondents, we decided to do a pre-test for 20 days to check the time required to complete the questionnaire, and to ensure the correct functioning of the website. Our respondents (see Table 20) were financial and IT professionals, language teachers, MBA students and professors of finance and accounting.

Table 20: Number of respondents for the pre-test.

	French	English	Portuguese
Complete	14	9	12
Incomplete	14	7	10
Total	**28**	**16**	**22**

On March 14th we stopped our pre-test. During the pre-test period, some design and IT adjustments were made in the website. The average time taken to answer our questionnaire was 15 minutes.

In order to obtain a measure of the responses' reliability, interviews by e-mail with selected[54] respondents were conducted approximately one month after all questionnaires were received. No inconsistencies were found between the questionnaire responses and the interview findings.

3.4 Summary Statistics and Data Issues

We did not use any of the 1884 questionnaires that were not fully completed. This resulted in 824 exploitable questionnaires. We deleted eight respondents that were identified as professors, tax lawyers or database analysts. We also eliminated all CFOs[55] or similar as well as auditors that worked in countries not accepting IFRS rules. Finally, our database includes 795 complete questionnaires. Our respondents are divided into analysts, auditors and CFOs.

Regarding CFOs, Table 21 presents summary information about characteristics of their firms. The survey collected demographic information frequently used in research that considers conditioning effects of IFRS usefulness. In particular, the survey instrument asks for firm characteristics to observer for potential agency issues (CFO characteristics and corporate insider stock ownership), size effects (sales revenue), growth opportunities (P/E), informational effects (stock exchange), industry effects, and variables specific to financial

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[54] In our questionnaire on web site, our select respondents didn't need to identify themselves, them to become in contact with some respondents that we were sure that they answer our questionnaire we contacted respondents that answer our research by e-mail. Normally, in these answers, we have all their personal/professional information.

[55] The questionnaires were answered by senior managers holding positions such as CFO, CEO, Vice-President, Investment Director, Head of Equity Research, and Head of Accounting Valuation.

reporting practices (number of analysts). Note that the statistics are based on the non-missing values for each particular variable.

The companies range from small (24.44% of the sample firms have sales of less than € 50 million; Table 21, Panel A) to very large (14.71% have sales of at least € 5 billion; Table 21, Panel A). Furthermore, 18.45% of the firms do not have any analyst coverage, while 20.70% are covered by at least 16 analysts (Table 21, Panel B). In comparison, the Graham *et al.* (2005) sample was composed of 50% of (American) firms that had at least 7500 employees and U$ 1 billion of revenues. Despite that, our samples presented 30% and 35% respectively of firms is these two groups. Our sample also presented a reliable indicator for stock markets. More than 50% of CFOs work in firms with less than 20% of insider's investors (Table 21, Panel A).

Table 21: Number of employees, revenues, analysts and insiders of our CFOs sample.

Panel A: Frequency of answers by number of employees and revenues.

Employees	Obs	%
< 100	71	17.71
100-499	59	14.71
500-999	34	8.48
1000-2499	59	14.71
2500-4999	44	10.97
5000-7499	24	5.99
7500-9999	20	4.99
10000	90	22.44

Sales	Obs	%
< €50 millions	98	24.44
€50-€100 millions	40	9.98
€100-€499 millions	89	22.19
€500-€999 millions	43	10.72
€1-€4.9 billions	72	17.96
€5 billions +	59	14.71

Panel B: Frequency of answers by number of analysts that follow a firm and shareholders inside the firm.

Analysts	Obs	%
1-5	142	35.41
6-10	63	15.71
11-15	39	9.73
>16	83	20.70
None	74	18.45

Insiders	Obs	%
<5%	149	37,16
5-10%	38	9,48
11-20%	28	6,98
>20%	186	46,38

In terms of age (see Table 22), we can perceive that our sample is largely composed of young respondents (the majority has less than 40 year old). Maybe their skills in the computer world increase their participation. Seventy percent of analysts are less than 40 years old and eighty percent of auditors and CFOs are less than 50 years old.

Table 22: Age of our respondents:

Age	Analyst		Auditor		**CFOs**	
	Obs	%	Obs	%	Obs	%
< 40	193	70,44	52	43,33	154	38,4
40-49	57	20,8	44	36,67	157	39,15
50-59	19	6,93	17	14,17	70	17,46
60 +	5	1,82	7	5,83	20	4,99
Total	274		120		401	

Our results suggest that the younger analysts are more representative in a study using financial analysts. Pike *et al*. (1993) found an average age for financial analysts of 34.3 years. We found that most of our analysts were less than forty years old. Previous research conducted by Graham and Harvey (2001), Graham, Harvey and Rajgopal (2005) and Benetti, Decourt, Terra (2007) presented evidence that American and Brazilian CFOs vary in age from 50 to 59 years old. Our results presented the 40-49 year range as the most common in our CFOs respondents or less than this. In relation to education (Table 23), the referred authors found no strong evidence for CFOs. The college degree or less than this level was the most common in their research. In our research, we found that the great majority of our respondents had more than a college degree, suggesting that the development of the stock market demanded an increase in the level of education (or the use of internet, maybe a potential bias).

Table 23: Education of our respondents.

	Analyst		**Auditor**		**CFO%**	
	Obs.	**%**	**Obs.**	**%**	**Obs.**	**%**
<= college degree	76	28%	37	31%	97	24%
> college degree	198	72%	83	69%	304	76%
Total	274		120		401	

Afterwards, we analysed how many years our respondents usually stayed in their last job (see Table 24). Pike at al. (1993) found that analysts normally have eight years' expertise. Our results presented that analysts are evenly divided. The majority has less than seven years for analysts. Graham and Harvey (2001) and Graham, Harvey and Rajgopal (2005) and Benetti, Decourt, Terra (2007) found that the great majority of CFOs stay in their job more than nine years. The great majority of our CFOs stay in their job more than seven years. Our analyses showed that 82% of auditors have less than seven years of expertise.

Table 24: Time in job of our respondents.

	Analyst		**Auditor%**		**CFO**	
	Obs.	%	Obs.	%	Obs.	%
>= 7 years	152	55%	98	82%	169	42%
< 7 years	122	45%	22	18%	232	58%
Total	274		120		401	

Our results also suggest that analysts follow thirteen (13.51) firms in two (1.8) distinct sectors. Pike *et al*. (1993) observed also that analysts follow, on average, three distinct sectors. In terms of auditors, our results show that our respondents audit, on average, five (5.6) public and twenty three (23.6) private firms per year, in four (4.26) distinct sectors.

3.5 Classification of Countries

In order to determine whether answers to our questionnaire depend on the country where the responded is located, we divided the countries of our respondents into six groups, although this was not our first idea. We started with the idea of a single cross-country comparison Brazil (as an example of less developed capital market environment) and the European Union (as an example of more developed capital market environment). When we started analyzing answers from the questionnaire, we observed that a significant number of respondents from other countries had participated in our research.

As the survey was sent to CFOs and auditors of European (EU) firms or Brazilian firms, we expected answers coming from these countries only. It was not the case. We received questionnaires from auditors that were not European and Brazilian. This is not really surprising since European or Brazilian firms may be audited by auditors located in a foreign country. More surprisingly, we received many questionnaires coming from CFOs who mentioned that their firm headquarter was not in the EU or in Brazil either. This may come from a mistake in the firm country provided by the databases that we used to get the CFOs' addresses (Capital IQ or Thomson Financial). This may also come from a change in CFOs' employers. Questionnaires sent by CFOs of firms not located in the EU or in Brazil were used in our study if IFRS were applied in the country of the CFOs' firm.

We did the same with the answers of auditors that came from countries that were not European or Brazil. Their questionnaires were used in our study, if the audited firm published its accounts in a country that applied IFRS at the time of study. In the case of analysts we considered that their location was not a problem, they could work anywhere. The only constraint is that they provide forecasts or recommendations on firms complying with IFRS. So in the next of the study, we do not take into account the location of the analysts. To sum up, all questionnaires under study came from:

- CFOs of firms complying with IFRS or firms located in a country applying IFRS;
- Auditors of firms complying with IFRS or firms located in a country applying IFRS;
- Analysts issuing forecasts or recommendations on stocks of firms applying IFRS, regardless the location of these analysts. As a consequence, the country where the analyst is located is irrelevant in the next of the study.

We verified which of these countries use IFRS, and we excluded from our analysis countries that did not use or accept IFRS. IASB presents the map below (Figure 7), showing countries that adopted IFRS in blue (or gray), and countries that have an ongoing process of convergence in yellow (or white).

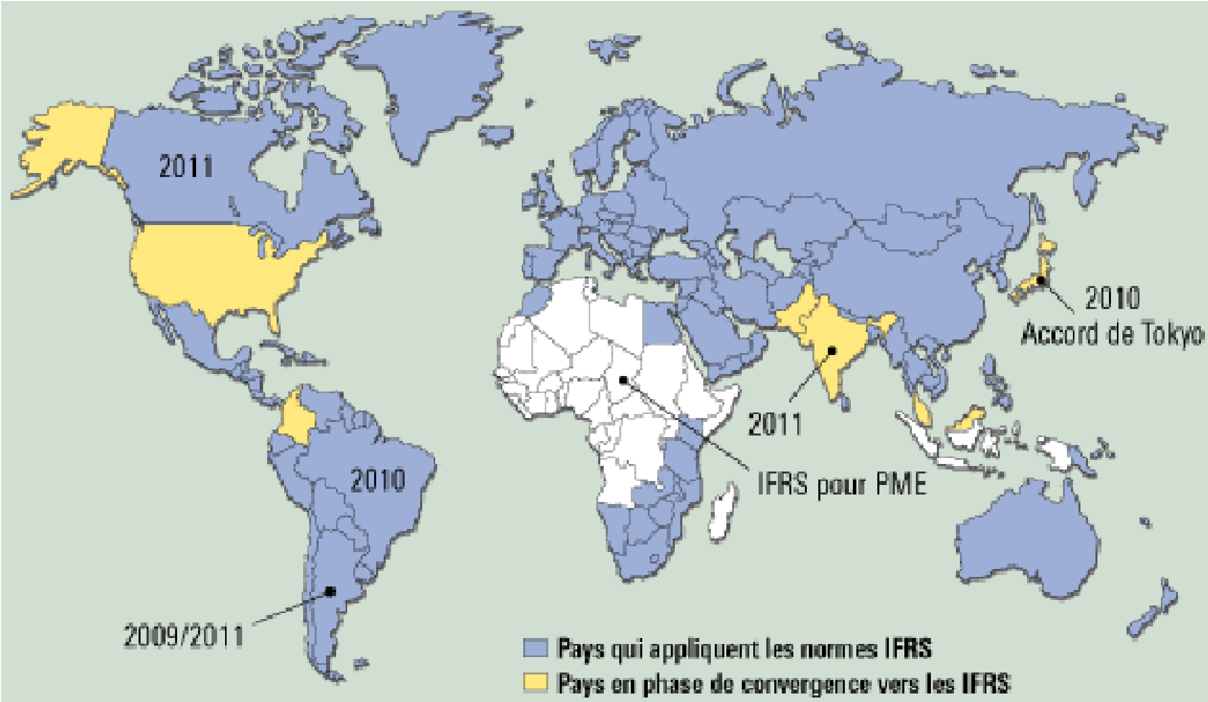

Figure 7: Countries that adopted or are in convergence process to IFRS

Source: IASB[56]

The criterion concerning auditors and CFOs is that they have to be located in a country using IFRS to be considered as able to give a valid answer. As explained earlier, this constraint is irrelevant for analysts and we used all analysts' valid answers. Regarding CFOs and auditors we created six groups of countries to analyze their answers. Using the public information of the IASB, the previous results of relevant literature and websites of countries with accounting information, we classify our respondents in six groups. Table 25 presents all countries with participants in our survey, our classification “Zone” (Brazil, Europe 1, Europe 2, Europe 3, Eastern Europe and Others), the year that European countries became part of the European Union and the year of IFRS adoption.

Table 25: Countries of our respondents.

Pays	Zone	Year of EU accession	Year of IFRS adoption
Algeria	Others		Applied since 2009
Australia	Others		Required from 2005
Austria	Europe3	1995	Required from 2005
Belgium	Europe2	1957	Required from 2005
Brazil	Brazil		Required from 2010
Bulgaria	Eastern Europe	2007	Required from 2005

56 PME is the same of SME. White countries in Africa do not started the convergence process yet.

Canada	Others		Required from 2011
Cayman Islands	Others		IFRS permitted for consolidated and standalone/separate financial statements
China	Others		Substantially converged national standards
Croatia	Others		Adoption process
Cyprus	Eastern Europe	2004	Required from 2005
Czech Republic	Eastern Europe	2004	Required from 2005
Denmark	Europe3	1973	Required from 2005
Estonia	Eastern Europe	2004	Required from 2005
Finland	Europe3	1995	Required from 2005
France	Europe2	1957	Required from 2005
Germany	Europe3	1957	Required from 2005
Greece	Others	1981	Required from 2005
Hong Kong	Others		Starting in 2005, Hong Kong Financial Reporting Standards (HKFRS) are identical to International Financial Reporting Standards
Hungary	Eastern Europe	2004	Required from 2005
India	Others		India is converging with IFRSs over a period beginning 1 April 2011
Indonesia	Others		Convergence process ongoing; a decision about a target date for full compliance with IFRSs is expected to be made in 2012
Ireland	Europe1	1973	Required from 2005
Italy	Europe2	1957	Required from 2005
Japan	Europe3		Permitted from 2010 for a number of international companies; decision about mandatory adoption by 2016 expected around 2012
Kazakhstan	Others		Required for consolidated and standalone/separate financial statements
Korea	Others		Required from 2011
Luxembourg	Europe2	1957	Required from 2005
Malta	Europe1	2004	Required from 2005
Mexico	Others		Required from 2012
Netherlands	Europe1	1957	Required from 2005
Nigeria	Others		No required / permitted
Norway	Europe3		Accepted from 2005
Peru	Others		Required for consolidated and standalone/separate financial statements
Pakistan	Others		This IFRS will be effective for the annual periods beginning on or after 1 January 2013.
Philippines	Others		Required for consolidated and standalone/separate financial statements
Poland	Eastern Europe	2004	Required from 2005
Portugal	Europe2	1986	Required from 2005
Qatar	Others		Required for consolidated and standalone/separate financial statements
Romania	Eastern Europe	2007	Required from 2005
Russia	Eastern Europe		Required for banking institutions and some other securities issuers; permitted for other companies

Singapore	Others		In Singapore the Accounting Standards Committee (ASC) is in charge of standard setting. Singapore closely models its Financial Reporting Standards (FRS) according to the IFRS, with appropriate changes made to suit the Singapore context. Before a standard is enacted, consultations with the IASB are made to ensure consistency of core principles
Slovakia	Eastern Europe	2004	Required from 2005
Slovenia	Eastern Europe	2004	Required from 2005
South Africa	Others		Required from 2005
South Korea	Others		Required from 2011
Spain	Europe2	1986	Required from 2005
Sweden	Europe3	1995	Required from 2005
Switzerland	Europe3		Required from 2005
Taiwan	Others		They will be required to prepare financial statements in accordance with Taiwan-IFRS starting from January 1, 2013
Thailand	Others		Not required / permitted
Turkey	Others		Required from 2008
Ukraine	Eastern Europe		No except for public joint stock companies, which are required to prepare IFRS financial statements
USA	Others		Allowed for foreign issuers in the US since 2007; target date for substantial convergence with IFRSs is 2011 and decision about possible adoption for US companies expected in 2011.
United Arab Emirates	Others		Required from 2003
United Kingdom	Europe1	1973	Required from 2005

Sources: Adapted from websites Standards Forum[57], IFRS Foundation[58], PWC[59], and European Countries[60]

In summary, our groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA). In the next two subsections, we present a review of the literature on the classification of accounting systems and we explain how we classified sampled countries.

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[57] http://www.estandardsforum.org/browse
[58] http://www.ifrs.org/Use+around+the+world/Use+around+the+world.htm
[59] http://www.pwc.com/us/en/issues/ifrs-reporting/country-adoption
[60] http://europa.eu/abc/european_countries/index_en.htm, http://europa.eu/about-eu/member-countries/index_en.htm

3.5.1 History of the Classification of Accounting Systems

Previous research has shown that accounting practices follow distinct patterns in different parts of the world. Mueller (1967 *apud* Gray, 1988) provides a useful starting point. Mueller identified four distinct approaches to accounting development in western nations with market-orientated economic systems. These patterns were: (1) macroeconomic (business accounting is related to national economic policies); (2) microeconomic (accounting is viewed as a branch of business economics); (3) independent discipline (accounting is a service and its development depends on business practice); and (4) uniform accounting (accounting is a mechanism for management and control).

Subsequently, in 1973, 1975 and 1979, Price Waterhouse published several reports on accounting information and practices around the world . Using their data of accounting principles and reporting practices, and applying factor analysis, Frank (1979) obtained four groups of countries with similar economic and social factors. Frank reached the conclusion that financial accounting and environment factors were related. In addition, his results supported the idea that accounting similarities can be found between countries in similar environments. Nair and Frank (1980) separated the PWC databases in measurement and disclosure practices and classified forty four countries using statistical analysis. Then, in order, to find the relationship between disclosures and, accounting practices, they used the cultural dimensions identified by Geert Hosftede, such as individualism versus collectivism, large versus small power distance, strong versus weak uncertainty avoidance, and masculinity versus femininity[61] to classify sampled countries. Because these countries had different levels of development they used 'spheres of influence' to classify in groups, such as British Commonwealth (Group 1), Latin America/South European (Group 2), Northern and Central European (Group 3), and United States models (Group 4). They (p. 429) presented four groups with “measurement practices” classification (see Table 26).

61 Cultural dimensions of Geert Hosftede, see Nair and Frank (1980)

Table 26: Accounting groups by measurement practices.

Group 1	Group 2	Group 3	Group 4
Australia	Argentina	Belgium	Canada
Bahamas	Bolivia	France	Japan
Fiji	Brazil	Germany	Mexico
Jamaica	Chile	Italy	Panama
Kenya	Colombia	Spain	Philippines
Netherlands	Ethiopia	Sweden	United States
New Zealand	India	Switzerland	
Pakistan	Paraguay	Venezuela	
Republic of Irland	Peru		
Rhodesia	Uruguay		
Singapore			
South Africa			
Trinidad and Tobago			
United Kingdom			

Based on these studies, and using the data collected by Price Waterhouse, Nobes (1983) focused on Western countries to make a country classification according to the financial reporting practices (measurement and valuation) of listed companies. He observed strong differences in accounting characteristics between the US and continental European countries. Observing factors such as the type of users of accounts of listed firms; the degree to which law or standards prescribe in detail and exclude the free judgment in accounting practices; the impact of tax rules on accounting measures; conservatism and prudence in accounting practices; the strict application of the historical cost principle; the likelihood of replacement cost adjustments in main or supplementary accounts; the consolidation technuiques of accounting information; the ability to be generous with provisions, and the uniformity between firms in the use of rules, he classified 14 countries.

His classification corresponds to the two types of legal systems (common law, sometimes called non-legalistic and code law, sometimes called legalistic). According to Nobes (1983) the high-scored countries, in the factors analysis, correspond to the "micro" group, and the low-scored countries belong to the "macro" group. The micro group comprises Netherlands, UK, Ireland, Australia, New Zealand, Canada and USA. The macro group comprises France, Belgium, Spain, Italy, Germany, Japan and Sweden. Thus, his study proposed a classification based on evolution and "general knowledge" of background factors. Nobes (1983) also made a relation with the Mueller's four subclasses (macroeconomic, microeconomic, independent discipline and uniform accounting). He suggested that the "business economics, theory" is the microeconomic approach, the "business practice, pragmatic" is the independent discipline approach, the "government, tax, legal" is the uniform accounting approach and the "government, economics" is the macroeconomic approach. Thus, based on these criteria, Nobes (1983) presented the country classification below (see Figure 8).

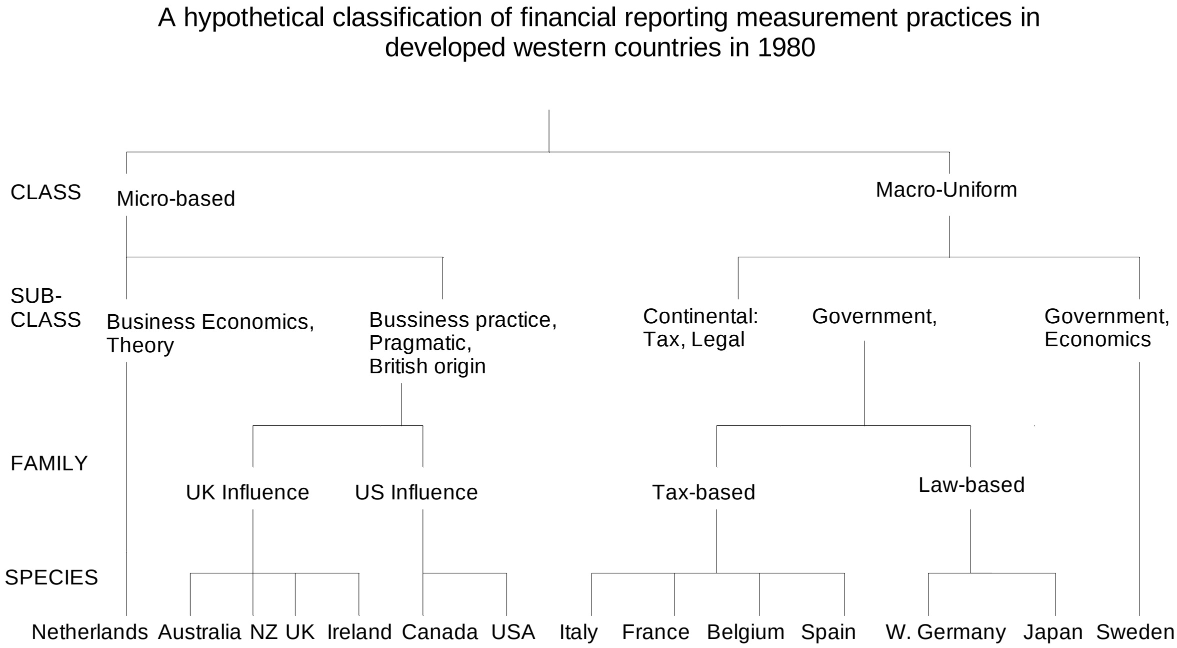

Figure 8: Nobes's classification of Accounting Systems - 1983

Source: Nobes (1983)

Finally, he observed the same factors using a cluster approach to detect similarities between countries. He obtained four-group clusters: "Group 1": Australia, Canada, New Zealand and USA; "Group 2": Netherlands, Ireland, UK, and "Group 3": Belgium, France, Italy, Spain; and "Group 4": Germany, Japan and Sweden.

In the same vein, using the study of Nair and Frank (1980) as its theoretical basis, Gray (1988) associated accounting and culture, and established four accounting sub-values for his study: professionalism versus statutory control (related to accountants' behaviour because they can adopt different degrees of independent attitudes and professional judgments); uniformity vs. flexibility (one of the objectives of IASB; IASB, 2009a, 2009b); conservatism vs. optimism (related to the attitudes of accountants) and secrecy vs. transparency (increasing conflicts to preserve security and power). The relationship between professionalism vs. statutory control and flexibility vs. uniformity helped him divide countries into four groups. By relating optimism and transparency, he obtained only two groups. Analyzing his results we can observe that more flexible and professional countries are also more optimistic and transparent (e.g. Nordic and Anglo-Saxon groups). The more uniform countries with statutory control are more secretive and conservative (e.g. Japan, Near Eastern, and less-developed Asian and Latin groups).

Doupnik and Salter (1995) classified fifty countries using the micro- and macro- idea (common and code law also), and country characteristics used by Nobes (1983). They found two micro-groups and seven macro-groups. The former comprises Group 1: Australia, Botswana, Hong Kong, Ireland, Jamaica, Luxembourg, Malaysia, Namibia, Netherlands, Antilles Hollandaise, New Zealand, Niger, Philippines, New Guinea, South Africa, Singapore, Sri Lanka, Taiwan, Trinidad Tobago, UK, Zambia and Zimbabwe; and Group 2: Bermuda, Canada, USA and Israel. We can observe that these authors include more countries in the same sub micro-groups as those determined by Nobes (1983). The latter groups comprise: Group 3: Costa Rica; Group 4: Argentine, Brazil, Chile and Mexico; Group 5: Colombia, Denmark, France, Italy, Norway, Portugal and Spain; Group 6: Finland and Switzerland; Group 7: Belgium, Liberia, Panama, Saudi Arabia, Egypt and Thailand; Group 8: Germany; Group 9: Japan. Latin American group emerges in these macro groups. They suggest that higher inflation and a lower level of economic development are the characteristics that segregate this group. Their results also segregate Belgium from the original group classified by Nobes (1983).

Doupnik and Salter (1995) also analyzed the relationship between measurement and disclosure practices. They found that countries with relatively more conservative accounting practices generally have lower levels of disclosure, and countries with less conservative accounting practices have higher levels of disclosure. This result is consistent with Gray (1988) concerning these two dimensions.

Subsequently, in 1998, Nobes presented a new classification. Rather than focusing on countries, he classified accounting systems. He analyzed in particular, the reasons for international accounting differences by building a simple model of business accounting systems divided into two: Class A (Anglo-Saxon trend), and Class B (Continental European trend). A major change from previous studies is that this model classifies systems, not countries. The author used the financial system and colonial inheritance as factors to classify accounting systems. He documented that the main reason for international differences in accounting figures is based on the different purposes for which these reports are used (Nobes, 1998). He suggested that the accounting system is important in determining the objectives of accounting figures. He defines four categories of firms' accounting systems (Figure 9): insider-dominant/strong-credit, outsider-dominant/strong-credit, insider-dominant/strong-equity, and outsider-dominant/strong-equity.

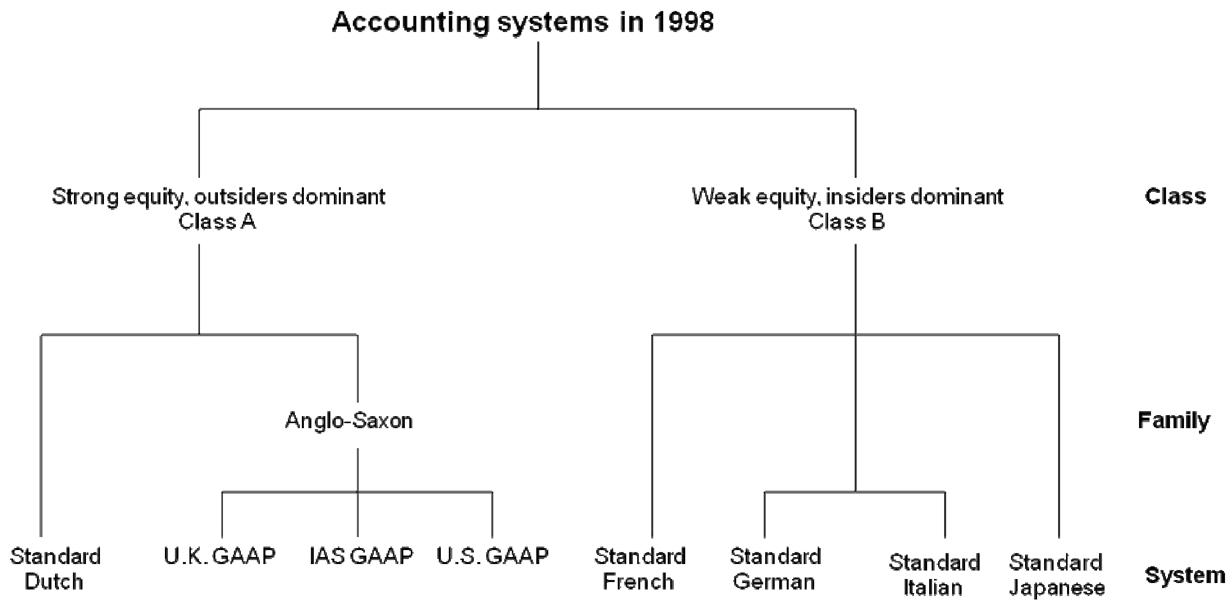

Figure 9: Nobes's classification of Accounting Systems - 1998

Source: Nobes (1998)

Analyzing the relation outsiders vs. insiders, he observed that there is more accounting information in systems where outsiders are dominant (e.g. Anglo Saxon countries).

Another interesting classification, made by Belkaoui (2000), divides countries into ten groups. The criteria used by this author were the level of economic development, businesses complexity, economy and legal system credibility (see table 27).

Table 27: Classification countries by Belkaoui.

Countries	Justification
USA, Canada, Netherlands	IT industry well developed
Australy and Britain Comunity	Commercial law is defined by mother country
Germany and Japan	Bank orientations, good level of development after II World Warn.
Continental Europe	Closer relation between govern and firms
Scandinavian Countries	They have a good development with less level of growing and business activity
Israel and Mexique	Fast economic growing with govern influence.
South America	Less developed market, social and education problems. Agribusiness is dominant. Military control in some countries. Economic instability.
Africa (excepted South África)	Less developed economies and business activity
Development countries in Median Orient	Cultural and ethics problems are frequently when they do businesses with occidental countries
Comunists countries	Total govern control

Source: Belkaoui (2000)

Although Belkaoui did not use accounting factors for his classification, his groups are to a large extend similar to the ones presented for Nair and Frank (1980), Nobes (1983), Gray (1988) and Doupnik and Salter (1995). USA is not in the same group as UK. Germany and Japan are together. Continental European countries contitue one group, and South America another one. The interesting thing is that he classified " Middle East developing countries " and "Comunists countries" that we did not perceive until now.

In the same line as Nair and Frank (1980) and Nobes (1983), and complementing the idea of country classification based on accounting systems, Niyama (2007, p. 16) gave a dual classification of accounting models: Anglo-Saxon and Continental (that we can compare to micro and macroeconomics approaches). The first one is characterized by a present/participative accounting profession, developped stock markets, accounting standards with little governmental influence, and accounting figures focusing on investors. In the second one, accounting professionals are less participative; accounting standards are submitted to much governmental influence and accounting figures focus on banks and governments. Niyama asserts that in both cases, the accounting system is adapted to the legal system (common and code law, respectively).

According to Gray (1988), cultural distinctions are at the origin of differences in accounting rules and practices. Additionally, the objectives of financial information depend on the needs and the nature of economic activities. For Hendriksen and Van Breda (1999) and IASB

(2001), it is essential to know economic, political, social and legal systems to better explain the differences in accounting reports by countries and satisfy information needs of users.

3.5.2 Classification of our Sampled Countries

Our objective in this subsection is to observe whether responses depend on the location of the respondents, notably to determine whether their views on financial accounting depend on their accounting culture and on the philosophy of accounting that prevail in their country prior to the adoption of IFRS. A major research topic in international accounting is to distinguish some pattern (common features) of accounting practices from different countries. As a consequence, we need to characterize the countries where CFOs and auditors (not analysts) are domiciled. To this end, we started from the previous review to define our own typology of countries based on accounting culture and practices.

We used the categorization of Nobes as a starting point to our classification because Nobes (1983) classified fewer countries than Nair and Frank (1980), and he used more accounting characteristics in his classification. In fact, the first and the fourth group of Nair and Frank (1980) is the micro group presented by Nobes, and the third group of Nair and Frank (1980) is the same macro group of Nobes (excluding Japan). Then we used the four-group clustering of Nobes as a first classification (Table 28).

Table 28: Starting point for country accounting classification

US Influence	UK Influence	Continental Europe	Scandinavian Influence
Australia	Netherlands	Belgium	Germany
Canada	Ireland	France	Japan
New Zealand	UK	Italy	Sweden
USA		Spain	

It is important to remember that the goal of our study is to compare Brazil and the European Union, and that countries with a US influence are not in the scope of our study. Based on these principles, our second classification was as follows (Table 29).

Table 29: Second country accounting classification

Others	Europe 1	Europe 2	Europe 3	Brazil
US Influence	*UK Influence*	*Continental Europe*	*Scandinavian Influence*	
Australia	Netherlands	Belgium	Germany	Brazil
Canada	Ireland	France	Japan	
New Zealand	UK	Italy	Sweden	
USA	Malta	Spain	Austria	
Cayman Islands		Luxembourg	Denmark	
Mexico		Portugal	Finland	
Philippines			Norway	
			Switzerland	

Our final classification came with the inclusion of the ex-communists countries that constitute our Eastern Europe group. This reinforced our idea of European countries needed to be divided into four groups. Moreover, we decided to put together all the other countries that participated of our survey.

Therefore, we decided to split our sample into six groups, trying to maintain the cross country comparisons between Brazil and Europe. Using the results presented by Nair and Frank (1980) and Belkaoui (2000), indicating that South America was an independent group, we set Brazil apart as our first group. Then, we split the European countries into four groups. In the first one, "Europe 1", we included countries that were UK-influenced. This grouping is in accordance with the two works of Nobes (1983, 1998), micro-based or Class A respectively. This group includes UK, Malta, the Netherlands and Ireland. For the next two groups we maintained the Nobes' classification presented in 1983 and 1998 as macro-based and Class B. We split his group into two. In the "Europe 2" group (more tax-based oriented) are Belgium, France, Italy, Luxembourg, Portugal and Spain. In the "Europe 3" group (more law-based oriented) are Austria, Denmark, Finland, Germany, Japan, Norway, Sweden and Switzerland. We added Japan to this group because almost all previous literature shows that the accounting systems in Germany and Japan are very close, and are both bank-oriented. The last European group is the "Eastern Europe" group that puts together all ex-communist countries, corroborating thus the Belkaoui' (2000) classification: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia and Ukraine. The final group, the "Others" group, is composed of all other countries (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA) that completed the questionnaire. Our final classification is presented in Figure 10.

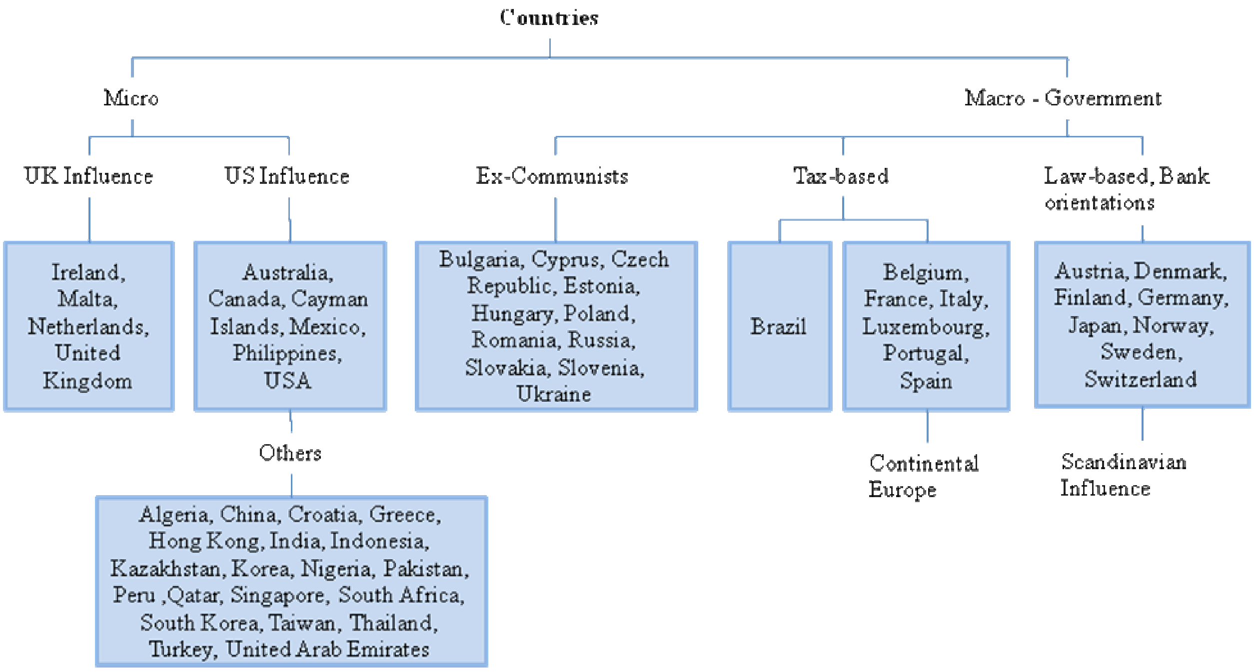

Figure 10: Final country classification of accounting systems

An important contribution to the diversity of our results comes from different accounting cultures. Their interpretation will be partly influenced by the accounting history of the countries under study, and by their previous accountancy practices.

4 UNIVARIATE DATA ANALYSIS

In this chapter we present the univariate tests aimed at comparing the responses to each item of the questionnaire. The results are given by type of respondent and country group. This chapter is presented in the same order as our theoretical framework and questions in the survey instrument. It is divided by subject (Role of Accounting Information, Performance Measures, Earnings Quality and Earnings Management, and IFRS Inputs). Each subject has its main topics (e.g. "The main users of accounting information") and each topic has its related questions and answers. Moreover, our results are displayed: a) by item and by respondent type, and b) by item, respondent type and country type.

For Healy and Palepu (2001), positive accounting theory research has focused on the effect of changes in accounting methods and regulatory decisions, notably in order to redefine standards. We investigate in this section the Role of Accounting Information, Performance Measures, Earnings Quality and Earnings Management, and IFRS Inputs, to see if they are viewed in the same way by our respondents in all countries included in the survey.

4.1 Descriptive Analyses

Descriptive statistics describe the main features of a collection of data quantitatively. Descriptive statistics are distinguished from inferential statistics in that descriptive statistics is a measure computed from a sample to describe a characteristic of the population (to summarize information), rather than use the data to learn about the population that the data are thought to represent. Descriptive statistics are not developed on the basis of the probability theory as inferential statistics. Even when a data analysis draws its main conclusions using inferential statistics, descriptive statistics are generally also presented.

In this study we use descriptive statistics to collecting, summarizing, and describing data (frequencies). We use only primary data collected with a questionnaire survey and we summarize and describe these data using tables and graphs (frequency distributions[62] and bar charts). Inferential statistics are used to drawing conclusions and/or making decisions concerning a population based only on sample data (χ^2 test). We use a nonprobability sample by convenience (respondents are selected without observe their probability of occurrence) and all data are categorical (nominal data, no ordering or direction).

According to Levine *et al*. (2004), surveys may present errors such as coverage error or selection bias (exists if some groups are excluded from the study and have no chance of being selected), non-response error or bias (people who do not respond may be different from those who do respond), sampling error (variation from sample to sample) and measurement error (due to weaknesses in question design, respondent error, and interviewer's effects on the respondent).

Moreover, the χ^2 test assumes that each cell in the contingency table has expected frequency of at least 5. It is useful in situations involving multiple population proportions (activity: CFOs, auditors and analysts; or country groups: Brazil, Europe 1, 2 and 3, Eastern Europe and Others). It is also used to classify sample observations according to two or more characteristics. The χ^2 test statistic approximately follows a chi-squared distribution with one degree of freedom. If $\chi^2 > \chi^2_U$, reject H_0, otherwise, do not reject H_0[63].

$$\chi^2 = \sum_{all\text{ cells}} \frac{(f_o - f_e)^2}{f_e}$$

Where f_o: observed frequency in a particular cell of the table and f_e: expected frequency in a particular cell if H_0 is true. χ^2 test is also used for to determine if there is difference between more than two proportions (in this case each cell in the contingency table has expected frequency of at least 1).

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[62] A frequency distribution is a way to summarize data condensing the raw data into a more useful form and allows for a quick visual interpretation of the data.

[63] H_0: The two categorical variables are independent (i.e., there is no relationship between them), H_1: The two categorical variables are dependent (i.e., there is a relationship between them).

4.2 Role of Accounting Information

4.2.1 The Main Users of Accounting Information

a) Market participants that use accounting information intensively

We asked our respondents which market participants use accounting information intensively. The answers heavily indicate that analysts are seen as intensive users of financial reports for all groups of respondents (98,54% to analysts, 92,50% to auditors and 98,25% to CFOs, see Table 30, Panel A, row A and Figure 11). This result reaffirms the previous results found by Arnold and Moizer (1984); Pike, Meerjanssen and Chadwick (1993); Saghroun (2003) and Barker and Imam (2008). Financial analysts are followed by rating agencies, creditors and institutional investors who are all seen as intensive users of accounting information by all respondents. Employees, suppliers and customers are seen as infrequent users of accounting information.

Less than 43% of respondents see governmental entities as intensive users of accounting data, but 16% of them totally disagree with this view. In the same way, 40% of respondents see suppliers and customers as intensive users of accounting information, but 25% disagree with this view. Finally, employees are seen as the most infrequent users of accounting data. More than 40% of respondents consider they do not use accounting data significantly. Only 38% of respondents see them as intensive users. As a whole, this first analysis suggests that, in conformity with the theoretical framework of both US GAAP and IFRS, market participants at large (i.e. analysts, rating agencies, shareholders, fund managers, institutional investors and creditors) are seen as the first beneficiaries of accounting information regardless the type of respondent under consideration (i.e. analysts, CFOs or auditors). Governmental entities, employees and suppliers and customers are seen as secondary users of this information.

To refine the previous analysis, we decided to observe whether our respondents have different opinions according to their country. Only financial directors and auditors are thus analyzed since the country where analysts are located is not expected to impact their opinion. Our respondents provide distinct evidence of differences between countries. The least important users of accounting information, for these two participants, are the employees (see Table 30, Panel B and C, row H Figure 11). We can observe that less than 40% of auditors believe that employees are important, but in “Europe 1”[64] this number is much more significant, less than 7%. The most recurrent are analysts, institutional investors and creditors.

The CFO answers indicate for all groups that the least important users of accounting information are employees, suppliers and customers (see Table 30, Panel C, rows H and I, and Figure 11). For auditors, the main users are dispersed. In items A, B, D, E and F we have a 100% agreement between auditors that these agents do not use accounting figures. CFOs strongly agree that analysts, institutional investors and creditors are market players that use accounting information intensively. The case of Brazil is worth mentioning since governmental entities are considered as intensive users of accounting data (81.4% of Brazilian CFOs agree with this), which is not the case in other countries. In the same way, Brazilian CFOs (65.12%) see customers and suppliers as intensive users of accounting data. This is not the case of the other respondents.

[64] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

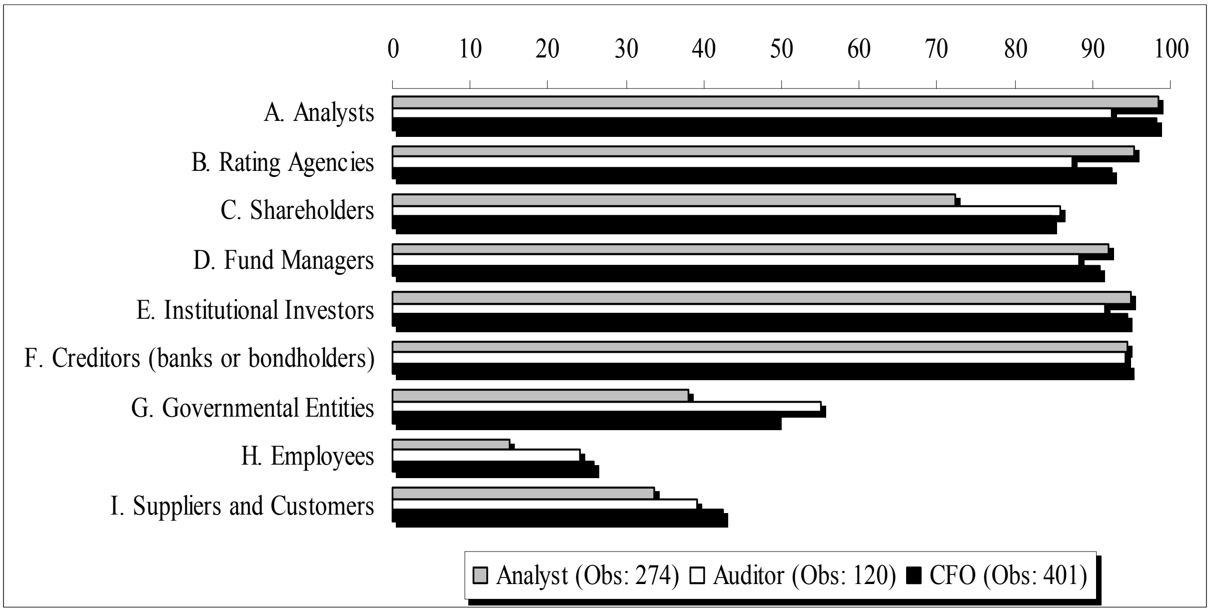

Figure 11: Users that use accounting information intensively.

Table 30: Question 1: Market participants mentioned below use accounting information intensively ..

Panel A: Responses by activity.

	Analyst (Obs.: 274)			Auditor (Obs.: 120)			CFO (Obs.: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Analysts	98.54	0.36	4.82	92.50	0.00	4.46	98.25	0.75	4.65	NA
B. Rating Agencies	95.26	0.36	4.62	87.50	2.50	4.32	92.52	1.75	4.52	NA
C. Shareholders	72.26	9.85	3.86	85.83	5.00	4.17	84.79	2.74	4.13	***
D. Fund Managers	91.97	1.46	4.39	88.33	1.67	4.27	91.02	1.50	4.31	NA
E. Institutional Investors	94.89	0.36	4.47	91.67	0.00	4.41	94.51	1.00	4.42	NA
F. Creditors (banks or bondholders)	94.53	0.73	4.58	94.17	1.67	4.39	94.76	0.75	4.48	NA
G. Governmental Entities	37.96	14.96	3.26	55.00	16.67	3.43	49.38	15.71	3.44	***
H. Employees	14.96	51.82	2.55	24.17	45.00	2.73	25.94	36.41	2.87	***
I. Suppliers and Customers	33.58	30.66	3.01	39.17	18.33	3.24	42.39	22.94	3.23	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs.: 28)		Eastern Europe (Obs.: 19)		Europe 1 (Obs.: 15)		Europe 2 (Obs.: 22)		Europe 3 (Obs.: 24)		Others (Obs.: 12)	
	agree	disagree	agree	Disagree	Agree	disagree	agree	disagree	agree	disagree	agree	Disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	89.29	0.00	84.21	0.00	93.33	0.00	100.00	0.00	95.83	0.00	91.67	0.00
B.	96.43	0.00	73.68	5.26	80.00	0.00	90.91	0.00	87.50	4.17	91.67	8.33
C.	89.29	3.57	78.95	0.00	73.33	13.33	100.00	0.00	83.33	8.33	83.33	8.33
D.	92.86	3.57	78.95	0.00	80.00	0.00	100.00	0.00	79.17	4.17	100.00	0.00
E.	96.43	0.00	78.95	0.00	93.33	0.00	100.00	0.00	87.50	0.00	91.67	0.00
F.	92.86	3.57	89.47	0.00	86.67	6.67	100.00	0.00	95.83	0.00	100.00	0.00
G.	67.86	14.29	57.89	0.00	53.33	13.33	36.36	22.73	45.83	25.00	75.00	25.00
H.	39.29	21.43	10.53	63.16	6.67	66.67	27.27	31.82	16.67	62.50	41.67	33.33
I.	42.86	25.00	21.05	26.32	40.00	20.00	50.00	9.09	41.67	8.33	33.33	25.00

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs.: 52)		Europe 2 (Obs.: 134)		Europe 3 (Obs.: 117)		Others (Obs.: 40)		
	agree	**disagree**	**agree**	**disagree**	**Agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	100.00	0.00	100.00	0.00	96.15	1.92	97.01	1.49	99.15	0.00	100.00	0.00	**NA**
B.	97.67	0.00	93.33	0.00	98.08	0.00	89.55	2.24	90.60	2.56	95.00	2.50	**NA**
C.	93.02	2.33	80.00	6.67	82.69	3.85	86.57	2.24	81.20	2.56	85.00	2.50	**NA**
D.	97.67	0.00	86.67	0.00	92.31	1.92	89.55	3.73	88.89	0.00	95.00	0.00	**NA**
E.	95.35	0.00	100.00	0.00	98.08	0.00	93.28	2.24	93.16	0.85	95.00	0.00	**NA**
F.	100.00	0.00	93.33	0.00	96.15	0.00	91.79	0.75	94.87	1.71	97.50	0.00	**NA**
G.	81.40	6.98	53.33	6.67	48.08	17.31	52.24	14.18	35.04	20.51	47.50	17.50	***
H.	39.53	18.60	13.33	53.33	23.08	34.62	36.57	32.84	14.53	40.17	17.50	52.50	***
I.	65.12	6.98	26.67	20.00	42.31	25.00	48.51	21.64	28.21	29.91	45.00	22.50	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Market participants who have the strongest influence on stock prices

We asked analysts, auditors and CFOs about the perceived marginal price-setter for firms' stocks. The survey evidence shows that CFOs and auditors view institutional investors, followed by analysts, as the most important marginal investors in stock market (Table 31, Panel A, rows E and A, and Fig. 12). Hedge funds are in the third place. For analysts our results show institutional investors, followed by hedge funds, as the most important, with analysts in third place (Table 31, Panel A, rows E, C and A and Fig. 12).

Conditional analyses in panel B highlight several facts. When we divide our sample into groups of countries, we perceive that institutional investors are the most important price setter for auditors and CFOs. Analysts are the main price-setters only for the "Europe 2" group. For auditors in the "Others" group, hedge funds are the most important price-setters. The second and the third places vary between hedge funds and analysts for CFOs (Panel C), but for auditors (Panel B) it can vary between analysts, rating agencies and hedge funds, depending on the country's group (variable locality).

One important thing is that individual investors are in the last position for all respondents in all panels, suggesting that they are less influent in stock price setting (Table 31, Panel A, B and C, row D and Fig. 12). In contrast, Graham, Harvey and Rajgopal (2005) put individual investors in the third position of influence.

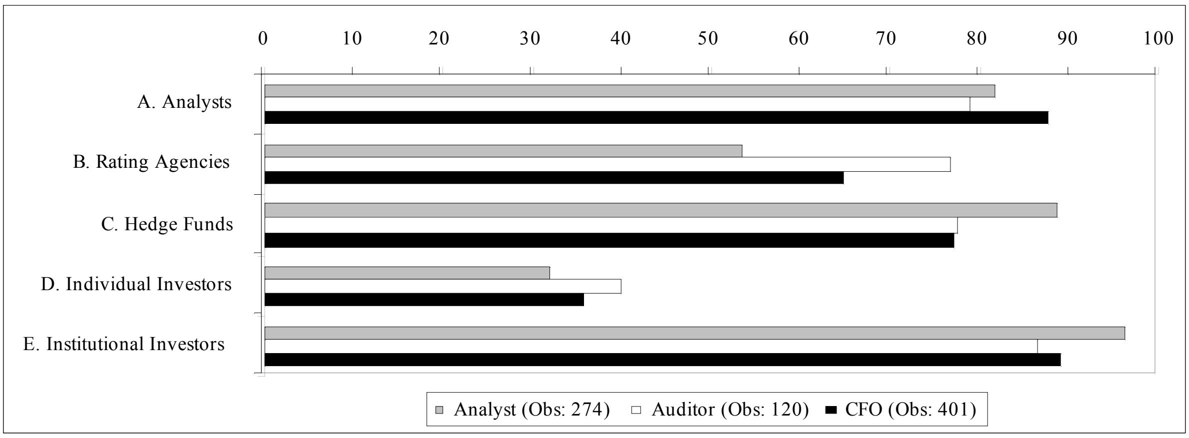

Figure 12: Market setters in the stock price.

Table 31: Question 2: Market participants with the strongest influence on stock prices ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Analysts	81.75	4.74	3.95	79.17	4.17	3.95	87.53	2.74	4.20	NS
B. Rating Agencies	53.65	16.42	3.46	76.67	4.17	3.94	64.59	10.97	3.72	***
C. Hedge Funds	88.69	2.19	4.29	77.50	5.00	3.95	77.31	4.24	4.03	***
D. Individual Investors	32.12	40.15	2.86	40.00	40.00	2.98	35.91	32.92	3.04	*
E. Institutional Investors	96.35	1.09	4.57	86.67	1.67	4.21	89.28	1.75	4.31	NA

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	Disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	82.14	0.00	68.42	10.53	80.00	0.00	90.91	0.00	79.17	8.33	66.67	8.33
B.	89.29	0.00	78.95	0.00	33.33	20.00	90.91	4.55	70.83	4.17	83.33	0.00
C.	85.71	0.00	78.95	5.26	66.67	13.33	81.82	4.55	62.50	8.33	91.67	0.00
D.	50.00	25.00	42.11	42.11	33.33	60.00	31.82	40.91	37.50	50.00	41.67	25.00
E.	92.86	3.57	78.95	0.00	100.00	0.00	81.82	4.55	83.33	0.00	83.33	0.00

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	88.37	4.65	73.33	6.67	86.54	5.77	90.30	1.49	87.18	0.85	85.00	5.00	**NA**
B.	76.74	6.98	73.33	6.67	50.00	17.31	74.63	6.72	49.57	17.09	77.50	5.00	**NA**
C.	88.37	4.65	80.00	0.00	75.00	1.92	78.36	5.97	72.65	5.13	77.50	0.00	**NA**
D.	55.81	11.63	26.67	33.33	25.00	42.31	35.82	32.09	40.17	35.04	20.00	40.00	**
E.	90.70	2.33	80.00	0.00	96.15	0.00	85.07	2.99	91.45	0.00	90.00	5.00	**NA**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.2.2 Mandatory Information

Bad versus good news

The accounting literature recognizes that managers have distinct incentives to disclose information (e.g., Coelho, Cia and Lima, 2010; Kallunki, 1996; Skinner 1994; Bagnoli, Clement and Watts 2005). Auditors, CFOs and analysts in our survey agree with the opinion that accounting disclosures must be regulated. In general, the most important factor is because managers would tend to disclose good news and retain bad news if disclosure were only voluntary. In accordance with our expectations, CFOs agreement is less marked than for other participants (Table 32, Panel A, row B and Fig. 13). Only 32.42% of our CFOs declare no preferential bias for disclosing good or bad news.

Processing cost of information

Saghroun (2003) observed that standardization reduces processing costs. This item, in our questionnaire, was not preferred by our respondents. Only, when we divide our sample into different groups of countries (Table 32, Panel B, row C and Fig. 13) we observe that auditors in all countries agree with this general opinion. However CFOs in Brazil and in Eastern Europe (Table 32, Panel C row C and Fig. 13) disagree with this opinion and find the item "reduce of processing cost of information" as the most important one. On the other hand, more than 50% of CFOs in Europe 1, Europe 2 and Europe 3, and auditors of Europe 2 deny that the standardization of disclosures reduces processing costs. In general, for auditors and CFOs, the objective "to reduce processing cost" is the least perceived by participants as justifying regulation of accounting disclosure. (Table 32, Panel B and C, rows C and Fig. 13).

Major vs. Smaller Investors

In general, analysts and auditors agree more than CFOs that managers will favor major investors and ignore small one. Observing answers by countries group, Brazilian auditors believe much more than European countries in this possible behavior of managers. For the other side, Brazilians CFOs showed a similar level of agreement and disagreement of European CFOs.

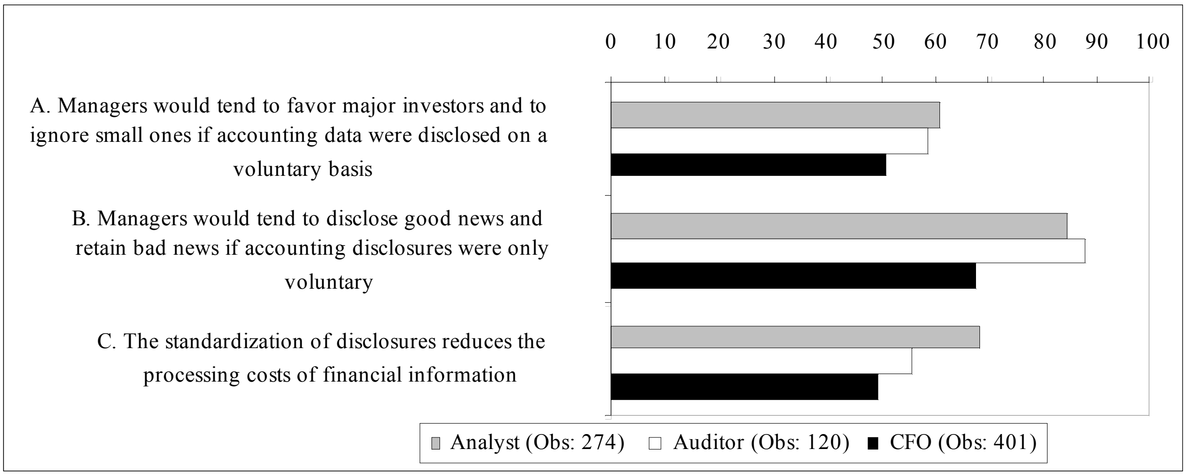

Figure 13: Reasons to regulate accounting disclosure.

Table 32: Question 3: Accounting disclosures must be regulated because .

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis	60.22	17.88	3.58	58.33	15.83	3.60	50.87	25.69	3.29	**
B. Managers would tend to disclose good news and retain bad news if accounting disclosures were only voluntary	83.94	7.66	4.13	87.50	3.33	4.22	67.58	19.45	3.65	***
C. The standardization of disclosures reduces the processing costs of financial information	67.88	13.87	3.78	55.83	25.00	3.39	49.38	28.43	3.24	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	Agree	Disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	75.00	7.14	52.63	5.26	46.67	33.33	59.09	27.27	58.33	4.17	41.67	33.33
B.	92.86	0.00	73.68	5.26	80.00	0.00	77.27	13.64	100.00	0.00	100.00	0.00
C.	57.14	10.71	57.89	21.05	60.00	20.00	36.36	45.45	66.67	25.00	58.33	33.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	Agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	
	%	%	%	%	%	%	%	%	%	%	%	%	khi2
A.	60.47	23.26	40.00	33.33	57.69	21.15	45.52	31.34	45.30	23.08	70.00	20.00	*
B.	65.12	20.93	53.33	20.00	71.15	23.08	57.46	27.61	74.36	11.11	85.00	10.00	**
C.	72.09	11.63	73.33	20.00	36.54	34.62	43.28	33.58	49.57	27.35	52.50	27.50	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.2.3 Voluntary Information

Voluntary disclosure policies are integral to the earnings reporting process. Firms voluntarily disclose information which is not required by regulators bodies (e.g. SEC, FASB, IASB, CVM) in an effort to diminish distinct perceptions between market participants, and benefit from improved terms of exchange with these parties in the stock market. Healy and Palepu (2001) identify reasons for voluntary accounting disclosure as an important question for accounting research.

a) Our participants' reasons for communicating voluntary information not required by accounting standards

We examined eight items or five motivations that the literature has identified as driving managers' voluntary disclosure decisions (information asymmetry, increased analyst coverage, corporate control contests, stock compensation, and management talent) and four constraints on voluntary disclosure (litigation risk, proprietary costs, political costs, and agency costs) (see Healy and Palepu, 2001). We also introduced two motivations for voluntary disclosure that have not received extensive attention: the limitations of mandatory disclosure and setting a disclosure precedent that may be hard to maintain.

Information asymmetry

Barry and Brown (1985, 1986) and Merton (1987) argue that when managers have more information than do outsiders, investors demand an information risk premium. Companies can reduce their cost of capital by reducing information risk through increased voluntary disclosure. Diamond and Verrecchia (1991) and Kim and Verrecchia (1994) suggest that voluntary disclosure reduces information asymmetry between uninformed and informed investors, and thus increases the liquidity of a firm's stock. We asked the executives whether the cost of capital or reduction of information risk is a motivation for voluntary disclosures. Nearly four-in-five respondents agree with the information risk motivation (Table 33, Panel A, row H and Fig. 14). In a related question, when asked whether voluntary disclosures increase the predictability of their companies' future prospects, 71.53% of analysts, 55% of auditors and 76.06% of CFOs are in agreement (Table 33, Panel A, row C and Fig. 14). The importance of predictability is consistent with the earlier theme that the market hates negative surprises. In fact, the predictability of financial results appears to be a unifying feature for

CFOs. In this vein, Graham *et al*. (2005) found that for CFOs uncertainty reduction about the firms' prospects is the most important motivation for making voluntary disclosures.

A further advantage of releasing bad news is that it can help a firm develop a reputation for providing timely and accurate information. CFOs place a great deal of importance on acquiring such a reputation: 92.1% of the survey respondents believe that developing a reputation for transparent reporting is the key factor in motivating voluntary disclosures (Table 33, Panel A, row G and Fig. 14).

However, only 47.81% of analysts, 30.83% of auditors and 46.38% of CFOs agree with the cost of capital motive behind financial disclosure (Table 33, Panel A, row A and Fig. 14). This result is contrary to our expectations because previous literature (Barry and Brown, 1984, 1986; Botosan, 1997, Botosan and Plumlee, 2002) provides evidence that voluntary disclosure reduces cost of capital.

Increased analyst coverage

Lang and Lundholm (1996) and Eccles *et al*. (2001) argue that if company's private information is not clear by required disclosure, voluntary disclosure can clarify this information for stakeholders, and hence increases the number of analysts following the firm. The survey results (Table 33, Panel A, row F and Fig. 14) offer support for this motivation (more than 60% for our three respondents). Conditional analysis presents evidence that this motivation is a little bit more important for CFOs than auditors.

Stock price motivations

Healy and Palepu (1993, 2001) hypothesize that the risk of job loss accompanying poor stock and earnings performance encourages CFOs to use corporate disclosures to reduce the likelihood of undervaluation and the need to explain away poor earnings performance. Survey evidence suggests that almost 60% of analysts and CFOs, and 50% of auditors believe that voluntary disclosures correct an undervalued stock price (Table 33, Panel A, row B and Fig. 14) as found by French and Roll (1986), Roll (1988) and Graham *et al.* (2005). Conditional analyses reveal that this reason is not relevant for Brazilian auditors when compared with the other countries. The proportion of agreement with this item stands around 50% (Table 33, Panel B, row B and Fig. 14).

In relation to liquidity, the idea of Diamond and Verrecchia (1991) and Kim and Verrecchia (1994), that an increase in voluntary disclosure adjusts the stock price and increases liquidity, is not so clear in our results. In general, liquidity is not seen as an important motive to voluntary disclosure for our respondents.

Management skills hypothesis

Trueman (1986) argues that a talented manager has incentive to make voluntary disclosures to signal his or her skills. The survey evidence for this motivation is significant, although this motivation ranks on the bottom line in terms of importance for analysts and managers, but not for auditors (Table 33, Panel A, row E and Fig. 14). Conditional analysis for auditors documents hat for Brazil and Europe 2 this is an important motivation for voluntary disclosures (Table 33, Panel B, row E and Fig. 14). Conditional analysis also presents the same result for CFOs in Brazil (Table 33, Panel C, row E and Fig. 14).

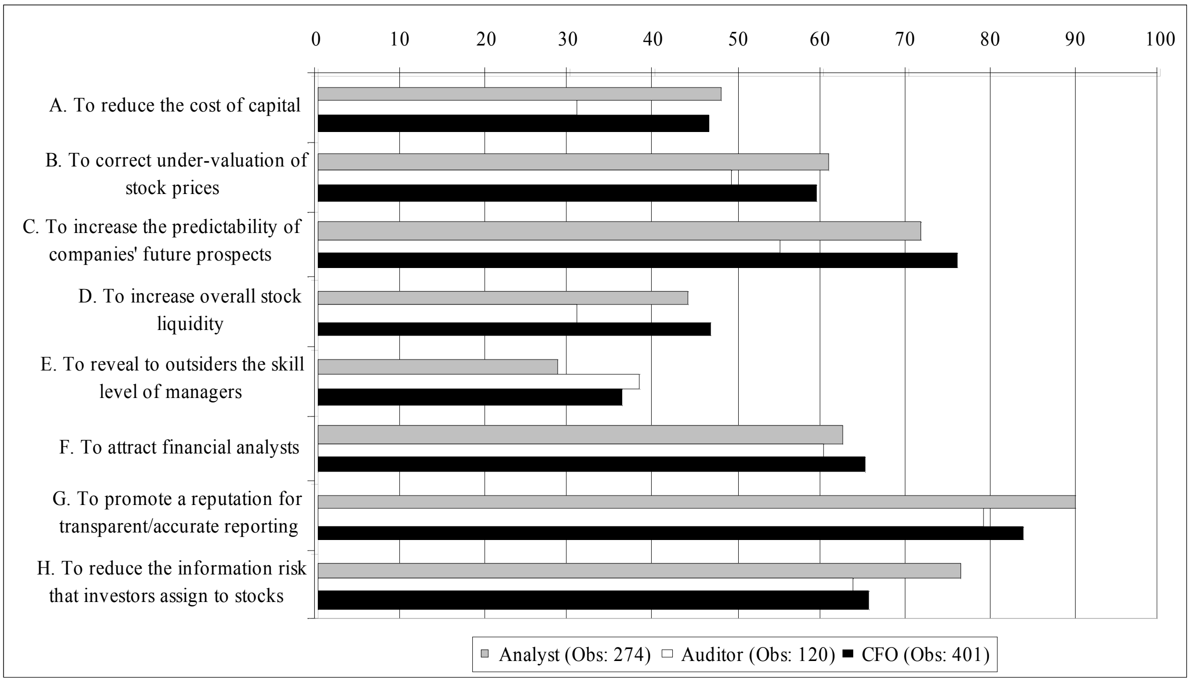

Figure 14: Reasons for communicate voluntary information.

Table 33: Question 4: Reasons for communicating voluntary information that is not required by accounting standards ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. To reduce the cost of capital	47.81	21.53	3.31	30.83	34.17	3.01	46.38	20.20	3.33	***
B. To correct under-valuation of stock prices	60.95	11.68	3.58	49.17	18.33	3.38	59.35	14.96	3.49	NS
C. To increase the predictability of companies' future prospects	71.53	9.12	3.77	55.00	12.50	3.52	76.06	6.48	3.83	***
D. To increase overall stock liquidity	44.16	20.44	3.25	30.83	28.33	3.01	46.88	17.21	3.34	**
E. To reveal to outsiders the skill level of managers	28.47	28.83	2.97	38.33	34.17	3.02	36.16	29.68	3.06	**
F. To attract financial analysts	62.41	12.04	3.56	60.00	11.67	3.55	65.09	9.98	3.64	NS
G. To promote a reputation for transparent/accurate reporting	90.15	2.55	4.18	79.17	6.67	3.96	83.79	5.99	4.06	**
H. To reduce the information risk that investors assign to stocks	76.28	4.74	3.85	63.33	12.50	3.56	65.34	8.48	3.67	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	Agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	39.29	21.43	21.05	31.58	33.33	33.33	40.91	45.45	25.00	33.33	16.67	50.00
B.	28.57	21.43	47.37	0.00	46.67	20.00	59.09	27.27	58.33	20.83	66.67	16.67
C.	64.29	3.57	52.63	10.53	33.33	26.67	63.64	9.09	37.50	20.83	83.33	8.33
D.	42.86	10.71	31.58	26.32	20.00	33.33	40.91	22.73	16.67	50.00	25.00	33.33
E.	57.14	14.29	31.58	31.58	6.67	66.67	50.00	31.82	33.33	37.50	33.33	41.67
F.	57.14	7.14	63.16	5.26	40.00	20.00	68.18	18.18	66.67	8.33	58.33	16.67
G.	85.71	3.57	78.95	5.26	80.00	0.00	72.73	13.64	66.67	12.50	100.00	0.00
H.	67.86	3.57	68.42	0.00	40.00	20.00	63.64	22.73	54.17	20.83	91.67	8.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**Agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	67.44	9.30	53.33	20.00	46.15	30.77	32.84	22.39	55.56	13.68	40.00	30.00	***
B.	62.79	20.93	46.67	6.67	63.46	19.23	50.75	14.18	67.52	12.82	60.00	15.00	*
C.	83.72	0.00	73.33	0.00	73.08	7.69	73.88	7.46	78.63	5.13	72.50	15.00	**NA**
D.	76.74	6.98	26.67	20.00	48.08	30.77	39.55	17.91	46.15	15.38	47.50	12.50	***
E.	67.44	16.28	46.67	13.33	26.92	34.62	34.33	29.10	30.77	35.04	32.50	30.00	***
F.	67.44	4.65	80.00	20.00	57.69	25.00	63.43	8.21	66.67	6.84	67.50	7.50	**NA**
G.	93.02	2.33	86.67	0.00	90.38	0.00	79.10	8.21	85.47	6.84	75.00	10.00	NA
H.	67.44	4.65	73.33	0.00	76.92	7.69	53.73	13.43	75.21	5.13	55.00	10.00	NA

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Questions as to the motives for limiting voluntary disclosure not required by accounting standards.

In this question, analysts, auditors and CFOs agree that the main reasons to limit voluntary disclosure is related to not divulgating "company secrets" and because it may be difficult to continue with the same level of disclosure (Table 34, Panel A, rows A and E, and Fig. 15). This last motive is the same as the one found by Graham *et al.* (2005). Avoiding unwanted scrutiny by regulators, stockholders and bondholders did not receive more than a 50% agreement by our respondents in general. Interestingly, in this question we did not observe such consensus in answers as for the other ones. This suggests that there may exist another more important motive than those discussed in our literature review.

Disclosure precedent

The most common reason for which executives limit voluntary disclosure is related to setting a precedent, as found by Graham *et al.* (2005). More than 60% of the survey participants agree that a constraint on current disclosure is the desire to avoid setting a disclosure precedent that will be difficult to maintain in the future (Table 34, Panel A, row E, and Fig. 15). Conditional analysis provides evidence that this is not a relevant preoccupation for auditors and CFOs in countries of Eastern Europe group (Table 34, Panel B and C, row E, and Fig. 15).

Litigation costs

Based on the arguments of Skinner (1994) that possible lawsuits can affect voluntary disclosures, we asked to our respondents if it is a possible motive to reduce voluntary disclosure. The survey provides moderately supportive evidence: around 45% of the respondents agree or strongly agree with the litigation cost hypothesis (Table 34, Panel A, row D, and Fig. 15). This evidence is in accordance with the results found by Graham *et al.* (2005). Conditional analyses reveal that litigation costs are more important for auditors and CFOs (Table 34, Panel B and C, row D, and Fig. 15).

Proprietary cost hypothesis

Several researchers, as Healy and Palepu (1993), argue that we do not observe full disclosure due to proprietary costs, reflecting concern that some disclosures might damage the firm's competitive position (see Hayes and Lundholm, 1996; Verrecchia 2001). Nearly four-fifths of survey respondents agree or strongly agree that giving away company secrets is an important barrier to voluntary disclosure (Table 34, Panel A, row A, and Fig. 15). Conditional analysis by country agrees with the general view.

Agency costs (shareholders and bondholders)

Agency issues may represent an important tension that explains lack of full disclosure, as suggested by Nagar, Nanda and Wysocki (2003). Managers acknowledge that career concerns and external reputation are important drivers of the need to meet earnings benchmarks and voluntarily disclose information. However, they weakly agree that they limit voluntary disclosures to avoid unwanted attention from stakeholders (Table 34, Panel A, row C, and Fig. 15). When we specifically ask whether avoiding unwanted scrutiny from bondholders and stockholders is a constraint on voluntary disclosure, less than 33% of the CFOs survey participants reply that unwanted scrutiny is an important factor, but around 50% of analyst and auditors agree with this item (Table 34, Panel A, row C, and Fig. 15). However, previous evidence by Hoarau and Teller (2007) showed that shareholders use accounting figures to monitor managers. Conditional analysis shows that auditors from Eastern Europe and Europe 3 agree that it is the second most important item motivating voluntary disclosure (Table 34, Panel B and C, row C, and Fig. 15).

Political costs (regulators)

In conformity with the positive theory literature, that evidences the role of political costs in accounting decisions (Watts and Zimmerman, 1978, 1986), our evidence provides a weak consensus with the political cost argument (statistically significant, and around 40% for all activities). A majority of survey participants disagrees or strongly disagrees with the hypothesis that avoiding unwanted attention from regulators is a significant barrier to voluntary disclosure (Table 34, Panel A, row B, and Fig. 15). We admit that managers might not want to voluntarily disclose information that could be used against by them regulators. Conditional analysis provide evidence that CFOs in Eastern Europe agree with this assumption, and rank this item in second place of importance to limit voluntary information (Table 34, Panel C, row B, and Fig. 15).

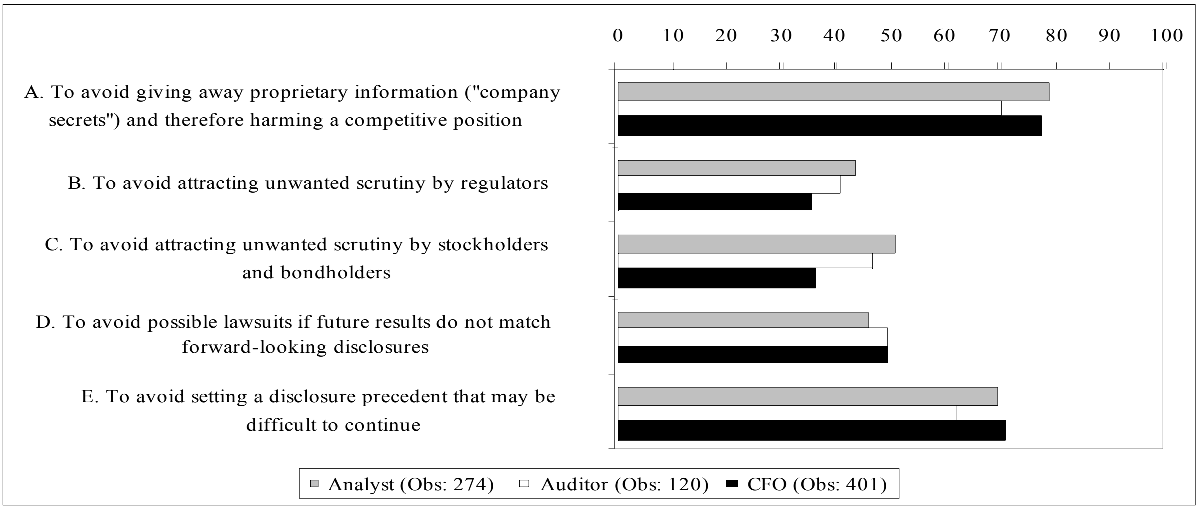

Figure 15: Reasons for not communicate voluntary information.

Table 34: Question 5: The motives to limit voluntary disclosure of financial information not required by accounting standards ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. To avoid giving away proprietary information ("company secrets") and therefore harming a competitive position	78.47	9.49	3.96	70.00	18.33	3.79	77.31	10.22	3.94	NS
B. To avoid attracting unwanted scrutiny by regulators	43.07	22.26	3.25	40.83	25.83	3.22	35.41	33.67	3.03	**
C. To avoid attracting unwanted scrutiny by stockholders and bondholders	50.73	19.34	3.38	46.67	23.33	3.28	36.41	32.92	3.04	***
D. To avoid possible lawsuits if future results do not match forward-looking disclosures	45.99	23.36	3.29	49.17	22.50	3.28	48.88	27.93	3.25	NS
E. To avoid setting a disclosure precedent that may be difficult to continue	69.34	10.95	3.72	61.67	15.83	3.58	70.82	13.22	3.70	NS

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	53.57	32.14	68.42	5.26	80.00	6.67	81.82	18.18	75.00	12.50	66.67	33.33
B.	39.29	28.57	36.84	10.53	46.67	20.00	31.82	40.91	41.67	29.17	58.33	16.67
C.	39.29	32.14	47.37	10.53	46.67	20.00	36.36	40.91	66.67	8.33	41.67	25.00
D.	50.00	21.43	31.58	21.05	53.33	26.67	50.00	22.73	50.00	25.00	66.67	16.67
E.	57.14	28.57	31.58	15.79	80.00	13.33	77.27	9.09	58.33	16.67	75.00	0.00

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	81.40	6.98	46.67	33.33	76.92	11.54	81.34	8.96	76.07	11.11	75.00	5.00	**NA**
B.	44.19	32.56	53.33	26.67	32.69	28.85	27.61	39.55	33.33	34.19	55.00	22.50	*
C.	46.51	30.23	40.00	20.00	42.31	26.92	29.85	38.06	35.04	34.19	42.50	27.50	**NS**
D.	58.14	20.93	40.00	26.67	59.62	23.08	47.76	34.33	43.59	24.79	47.50	30.00	**NS**
E.	67.44	20.93	40.00	33.33	84.62	5.77	70.15	13.43	69.23	10.26	75.00	15.00	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.2.4 Media used to Disseminate Accounting Information

Voluntary and mandatory disclosures take various forms: press releases, investor and analyst meetings, conference calls, newsletters, and field visits with existing and potential institutional investors. In general, all respondents agree that financial information needs to be disclosed on the web (Table 35, Panel A, row B, and Fig. 16), supporting the idea of Lev and Zarowin (1999). They documented that IT innovations created internet facilities, and the Internet is a cheaper option for companies and investors.

Results in Table 35 do not confirm the ones by Arnold and Moizer (1984), Pike *et al*. (1993) and Barker (1998), maintaining that direct contacts with firms are more important than others ways of getting information (Table 35, Panel A, B and C, row B, and Fig. 16). This option appears in second place for analysts and CFOs, whereas from the auditors' point of view, this option is in the last place. Conference calls with analysts are not considered so interesting for auditors, except in Brazil. Press releases continue to be relevant in the opinion of our respondents, thus confirming previous research. Analysis of answers shows that nowadays the preferences of market players are changing. In support of this, Arnold and Moizer (1984) also presented evidence that the items most influencing the firm's annual reports are: unqualified audit report, value added statements, employee newsletters, government industry statistics and trade journals.

Arnold and Moizer (1984) also found that analysts followed forty one firms regularly, year by year (in average) and more than twenty six firms on an irregular basis (in average). Pike *et al*. (1993) observed that analysts in UK and Germany followed twenty eight and thirty six firms respectively. Here, our analysts document that they follow, on average, thirteen firms per year. One possible explanation for this is that in the last three decades we have had more than four important crises in financial and accounting systems, such as "firms.com", "Enron", "crash in Mexico, Argentine and Greece" and the financial crises in 2007. These crises changed auditing and accounting rules following the adoption SOX in 2002 and the adoption of IFRS from 2005 onwards. As a consequence, they also changed analysts' jobs. Our results suggest that now analysts tend to be more concentrated in fewer companies.

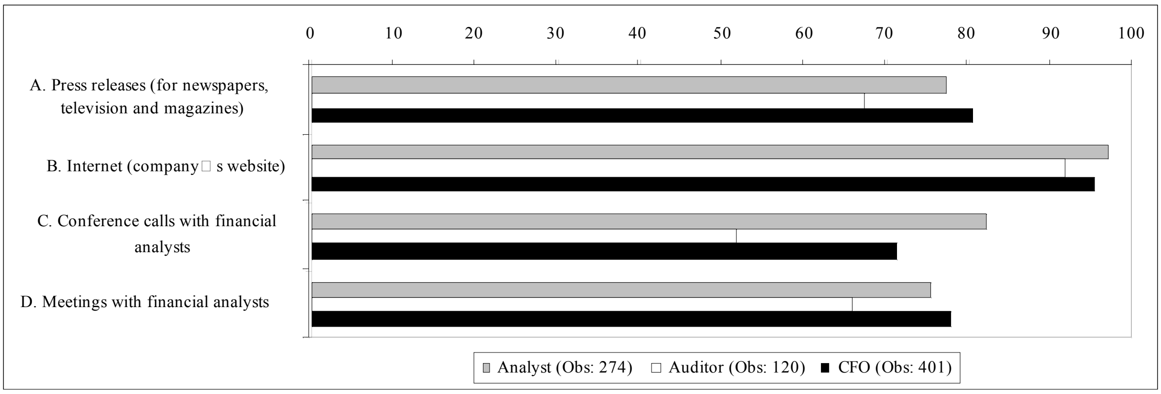

Figure 16: Preferred medias to communicate company's information by activity.

Table 35: Question 6: How Financial information should be disclosed...

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Press releases (for newspapers, television and magazines)	77.37	8.39	4.06	67.50	10.83	3.73	80.30	7.98	4.01	*
B. Internet (company's website)	97.08	1.09	4.59	91.67	2.50	4.31	95.26	1.25	4.48	NA
C. Conference calls with financial analysts	82.12	10.22	4.05	51.67	18.33	3.39	71.32	12.72	3.79	***
D. Meetings with financial analysts	75.55	13.87	3.92	65.83	13.33	3.63	77.81	9.98	3.92	**

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	Agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	78.57	14.29	52.63	15.79	60.00	6.67	63.64	4.55	66.67	16.67	83.33	0.00
B.	92.86	0.00	89.47	5.26	93.33	0.00	95.45	4.55	87.50	4.17	91.67	0.00
C.	82.14	3.57	26.32	36.84	26.67	26.67	50.00	4.55	50.00	25.00	58.33	25.00
D.	85.71	0.00	31.58	31.58	60.00	13.33	81.82	0.00	62.50	25.00	58.33	16.67

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	Agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	74.42	4.65	80.00	6.67	82.69	9.62	77.61	11.19	85.47	4.27	77.50	10.00	**NA**
B.	95.35	2.33	100.00	0.00	98.08	0.00	97.76	0.75	92.31	0.85	90.00	5.00	**NA**
C.	76.74	11.63	66.67	26.67	67.31	21.15	70.90	9.70	75.21	8.55	62.50	20.00	**NS**
D.	76.74	13.95	73.33	26.67	73.08	19.23	82.09	5.22	80.34	5.98	65.00	15.00	**N**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.3 Performance Measures in Accounting

4.3.1 Relevance of the most usual performance measures

The general opinion about the most important measure of a firm's performance is cash flow from operations, in accordance with the findings of Dechow *et al*. (1994) and Nichols and Wahlen (2004). In second place, we observe free cash flow for analysts and CFOs, and net income for auditors. (Table 36, Panel A, rows A and D, and Fig. 17)

According with the previous literature (Dechow *et al*., 1994; Beaver, 1998), conditional averages in each country provide evidence that net income is considered the second most important item by auditors in almost all countries, with the exception of "Europe 2" and "Others" (Table 36, Panel B, row B, and Fig. 17). For CFOs, net income is considered among the two principle items in "Eastern Europe" only (Table 36, Panel C, row B, and Fig. 17).

US CFOs surveyed by Graham *et al.* (2005) considered that net income as the most important metric to gauge firm performance. Table 36 panel A shows that cash flow from operation is seen as the most important measure of firm performance by our analysts, CFOs and auditors. Table 36 panel A shows that two measures are viewed as important by the three types of respondents with at least 75% of respondents agreeing to say they are among the most important ones: Cash flows from operations and free cash flows. Net incomes were considered important only for CFOs and auditors, surprisingly not by analysts while they traditionally base their forecasts on earnings, not on cash flows. In this question we also observe that Brazilian and Europeans (only Europe 2) auditors consider EVA as an important measure of firm performance.

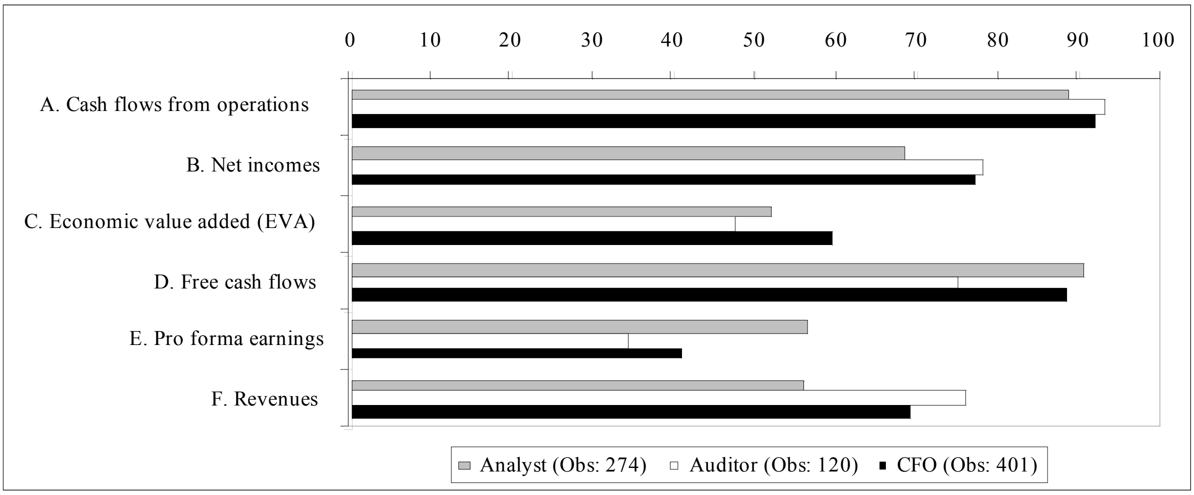

Figure 17: The most important performance measures

Table 36: Question 7: The most important measures of firm performance ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Cash flows from operations	88.69	2.92	4.24	93.33	2.50	4.28	91.77	2.00	4.23	NS
B. Net incomes	68.25	10.58	3.73	78.33	5.83	3.96	77.31	8.48	3.93	*
C. Economic value added (EVA)	52.19	17.15	3.47	47.50	15.83	3.43	59.60	10.97	3.63	**
D. Free cash flows	90.51	2.19	4.38	75.00	5.00	3.93	88.53	2.24	4.26	***
E. Pro forma earnings	56.57	14.60	3.51	34.17	31.67	3.07	40.90	21.45	3.24	***
F. Revenues	56.20	17.88	3.46	75.83	10.00	3.75	69.08	11.72	3.73	***

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	96.43	0.00	84.21	10.53	93.33	6.67	95.45	0.00	91.67	0.00	100.00	0.00
B.	92.86	0.00	73.68	5.26	73.33	6.67	72.73	18.18	79.17	4.17	66.67	0.00
C.	64.29	14.29	31.58	5.26	26.67	20.00	59.09	0.00	41.67	45.83	50.00	0.00
D.	89.29	3.57	57.89	0.00	73.33	13.33	77.27	9.09	70.83	4.17	75.00	0.00
E.	46.43	14.29	36.84	21.05	26.67	60.00	27.27	31.82	33.33	41.67	25.00	33.33
F.	85.71	3.57	73.68	10.53	66.67	13.33	77.27	9.09	66.67	16.67	83.33	8.33

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	95.35	4.65	73.33	13.33	92.31	0.00	94.03	0.00	89.74	2.56	92.50	2.50	NA
B.	90.70	4.65	93.33	0.00	78.85	7.69	67.91	12.69	76.92	8.55	87.50	2.50	NA
C.	86.05	2.33	60.00	20.00	57.69	11.54	62.69	10.45	45.30	14.53	65.00	7.50	NA
D.	90.70	2.33	73.33	0.00	94.23	1.92	91.04	1.49	84.62	3.42	87.50	2.50	NA
E.	41.86	16.28	33.33	6.67	48.08	7.69	37.31	20.15	41.03	30.77	45.00	27.50	**
F.	74.42	9.30	66.67	6.67	67.31	13.46	69.40	11.94	70.94	10.26	60.00	17.50	**NS**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.3.2 Earnings Benchmark

a) The most relevant benchmarks for earnings

Several performance benchmarks have been proposed in the literature (e.g., Burgstahler and Dichev, 1997; Barker, 1998; DeGeorge, Patel, Zeckhauser, 1999 and Graham, Harvey and Rajgopal, 2005), such as previous years' earnings, analysts' consensus estimates, or changes in earnings of main competitors. The survey evidence indicates that all four measures are of different importance for respondents: (i) previous year EPS (48.91% of analysts, 61.67% of auditors and 65.84% of CFOs agree that this metric is important); (ii) analyst consensus estimates (75.55%, 44.17%, 56.36%); (iii) reporting a profit (28.83%, 47.50%, 55.36%); and (iv) change in earnings of main competitors (66.42%, 69.17%, 59.35%) (Table 37, Panel A, rows A, B, C and D and Fig. 18). Before sending the survey, we expected the analyst consensus estimate to be one of the most important earnings benchmark, but this was confirmed only for analysts. Results in Table 37 indicate that auditors and CFOs tend to agree or strongly agree that previous year's EPS and change in earnings of main competitors are the most important benchmarks (Table 37, Panel A, rows A and D, and Fig. 18). For Graham *et al.* (2005), the most important benchmark was net income of the same quarter the year before. We did not put this option in our questionnaire because it was not applicable in several countries of our research. On the other hand we included the last option, "main competitors" (Barker, 1998), and we observe that it was more important than we expected and observed in the literature. In summary, analyst consensus forecast is an important benchmark for analysts only. CFOs and auditors prefer previous year EPS.

These results indicate that many executives care about both previous earnings and main competitors earnings; however, the figures in Table 37, Panel A indicate nothing about the importance of missing one of these targets. Later, we present evidence that analysts, auditors and CFOs believe that there is a severe market reaction to missing the consensus figure.

Responses conditioned per country provide evidence that auditors agree that the change in earnings of main competitors is the first or second most relevant benchmark (Table 37, Panel B, row D, and Fig. 18). CFOs also agree, with the exception of "Europe 1" and "Europe 3" (Table 37, Panel C, row D, and Fig. 18). In four countries out of six for auditors and two out of six for CFOs, this option is the first one proving that it is more relevant than previous years' earnings or analysts' consensus estimates as suggested by the accounting literature (Table 37, Panel B and C, row D, and Fig. 18). In almost all countries for auditors and CFOs, previous EPS also appear as an important earnings benchmark, confirming previous results reported by Graham *et al.* (2005) (Table 37, Panel B and C, row A, and Fig. 18). Interestingly we observe that for Brazilian auditors and CFOs the most important benchmark is change in earnings of main competitors. This benchmark is also important for European auditors (more evidenced in "Europe 2" and "Europe 3").

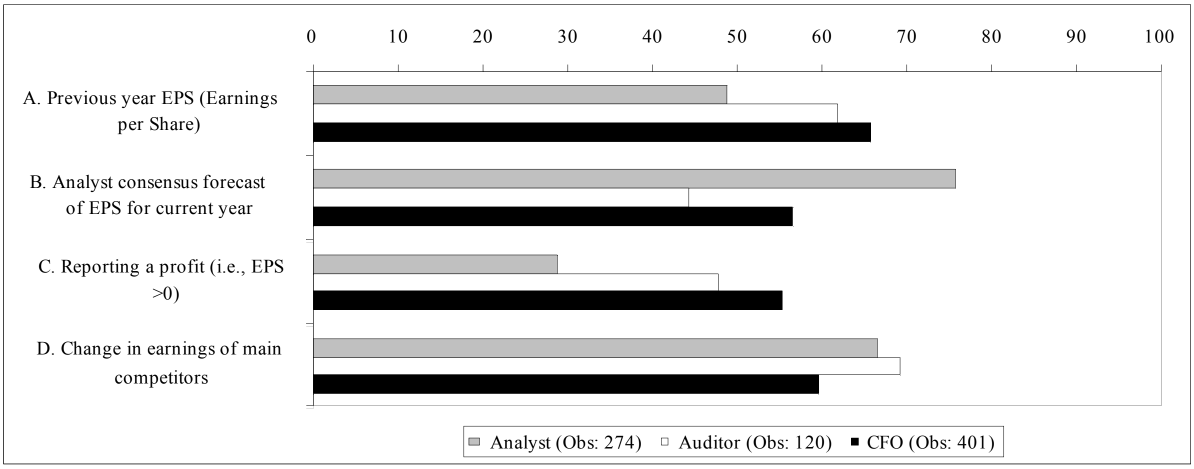

Figure 18: The most relevant benchmark

Table 37: Question 8: The most relevant benchmarks for earnings ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Previous year EPS (Earnings per Share)	48.91	22.26	3.33	61.67	15.83	3.53	65.84	12.47	3.66	***
B. Analyst consensus forecast of EPS for current year	75.55	7.66	3.90	44.17	22.50	3.25	56.36	15.71	3.50	***
C. Reporting a profit (i.e., EPS >0)	28.83	40.88	2.84	47.50	23.33	3.29	55.36	22.94	3.40	***
D. Change in earnings of main competitors	66.42	9.49	3.69	69.17	10.83	3.72	59.35	15.46	3.54	*

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	71.43	14.29	63.16	15.79	33.33	20.00	59.09	9.09	58.33	20.83	83.33	16.67
B.	71.43	3.57	47.37	15.79	26.67	33.33	31.82	27.27	41.67	33.33	25.00	33.33
C.	57.14	10.71	52.63	26.32	46.67	20.00	22.73	45.45	58.33	12.50	41.67	33.33
D.	92.86	0.00	57.89	10.53	46.67	20.00	68.18	9.09	62.50	20.83	75.00	8.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		**Eastern Europe (Obs: 15)**		**Europe 1 (Obs: 52)**		**Europe 2 (Obs: 134)**		**Europe 3 (Obs: 117)**		**Others (Obs: 40)**		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	74.42	6.98	53.33	6.67	67.31	9.62	67.91	15.67	59.83	14.53	70.00	7.50	**NS**
B.	72.09	11.63	73.33	6.67	67.31	9.62	50.75	18.66	53.85	15.38	45.00	22.50	**NS**
C.	76.74	9.30	33.33	13.33	53.85	30.77	45.52	30.60	58.12	17.09	67.50	22.50	***
D.	81.40	6.98	73.33	6.67	63.46	23.08	57.46	15.67	47.01	17.09	67.50	12.50	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Companies try to meet earnings benchmarks

The accounting literature, summarized by Healy and Wahlen (1999), Dechow and Skinner (2000), provides several motivations for why managers might exercise accounting discretion to achieve some desirable earnings goal: employee career and bonuses, bond covenants, stakeholder motivations, and stock price motivations.

Stock price driven motivation

Research suggests that firms' stakeholders care about earnings benchmarks. Skinner and Sloan (2002) show that growing firms that fail to meet earnings benchmarks (such as analyst expectations) suffer large negative price reactions on the earnings announcement date. The general survey evidence is highly consistent with the importance of stock price motivations to meet or beat earnings benchmarks. In our results 85.04% of analysts, 90.83% of auditors and 85.54% of CFOs believe that meeting benchmarks builds credibility with the capital market (Table 38, Panel A, row A, and Fig. 19). In conformity with the intuition of Nichols and Wahlen (2004) presented in chapter 2.2.2, around 80% of respondents agree that meeting benchmarks helps maintain or increase the firm's stock price (Table 38, Panel A, row E, and Fig. 19). Consistent with these results and in the same vein of Lev (2003), respondents believe that meeting benchmarks conveys favourable future growth prospects to investors (around 80% also, Table 38, Panel A, row H, and Fig. 19). In short, the dominant reasons for meeting or beating earnings benchmarks relate to stock prices. Our results are in accordance with those found by Graham *et al.* (2005) with CFOs in EUA.

Stakeholder motivations

In conformity with Burgstahler and Dichev (1997), our respondents agree that firms try to meet earnings benchmarks to maintain their reputation with stakeholders (around 70% of agreement), customers and suppliers (around 65% of agreement), but analysts and auditors do not attribute the same importance to this item (Table 38, Panel A, row G and J, and Fig. 19). Responses by country show that the stakeholder motivation is especially important for auditors in Europe 1 and for CFOs of Eastern Europe (Table 38, Panel B and C, row G and J, and Fig. 19).

Employee bonuses and career concerns

Several papers in the accounting literature documented agency problems when managers have their revenues linked to earnings. Dechow *et al*. (1994) and Lev (2003) argue that managers exercise accounting discretion to maximize the value of their bonus compensation (agency problem, Jensen and Meckling, 1976). The survey evidence does not provide support for the employee bonus motivation. There is no statistical difference between analysts, auditors and CFOs with this motivation and our results present this option as the least important reason explaining why managers try to meet earnings benchmark. (Table 38, Panel A, rows G and J, and Fig. 19). Furthermore, around three-fourths of the survey respondents agree or strongly agree that managers' concern about their external reputation helps explain the desire to hit the earnings benchmark (Table 38, Panel A, rows G and J, and Fig. 19).

It it is nevertheless plausible that executives prefer to admit a stock price motivation rather than a bonus motivation, for exercising accounting discretion to meet earnings benchmark. We note however that evidence presented in Table 38 (rows G and H) suggests that managers' career concerns and external reputation are important drivers of financial reporting practices. Therefore, agency considerations (Jensen and Meckling, 1976) may play an important role in financial reporting decisions, even if bonus payments do not.

Bond covenants

Some research proposes that meeting earnings benchmarks might be able to reduce the probability of violating a covenant, and hence the expected cost of debt (Watts and Zimmerman 1990). The survey evidence gives little support to the bond covenant hypothesis (compared to the other ones, around 60% of our respondents agree with this option) for meeting earnings benchmarks (Table 38, Panel A, row C, and Fig. 19). This finding is consistent with the Dechow and Skinner (2000) review of the earnings management literature. While unconditional support for the bond covenant motivation is low, we find that auditors of firms in Europe 1 consider bond covenants to be relatively more important (Table 38, Panel B, row C, and Fig. 19).

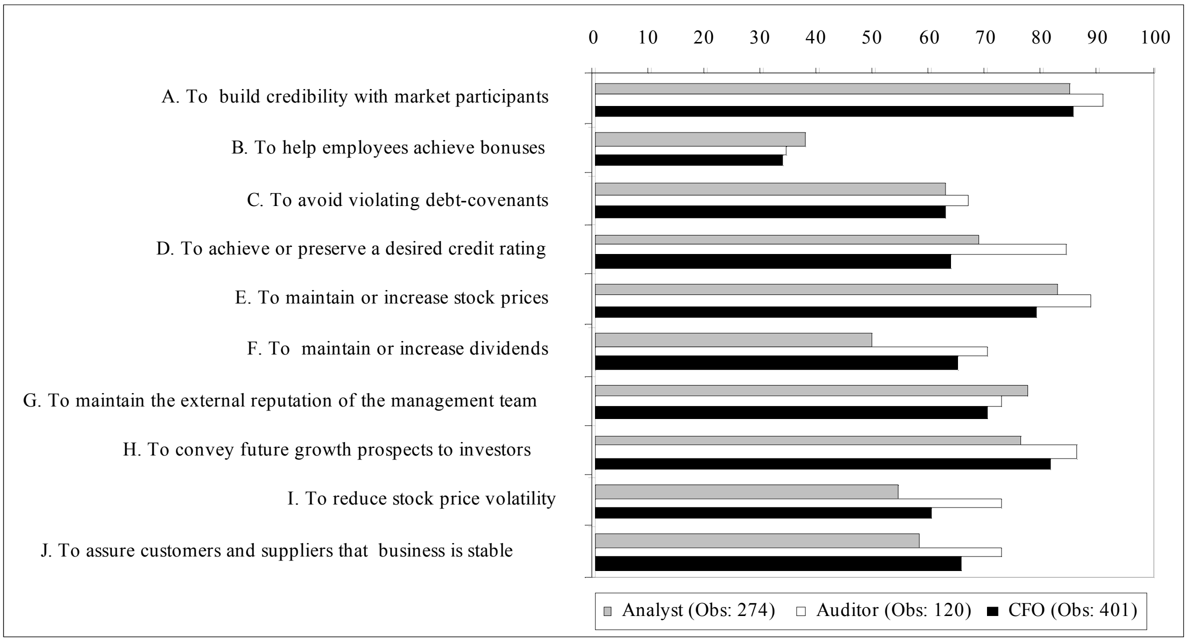

Figure 19: Meet earnings benchmarks

Table 38: Question 9: Companies try to meet earnings benchmarks ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. To build credibility with market participants	85.04	2.55	4.01	90.83	0.83	4.14	85.54	4.24	4.00	NS
B. To help employees achieve bonuses	37.59	29.93	3.09	34.17	35.00	2.96	33.67	29.93	3.03	NS
C. To avoid violating debt-covenants	62.41	12.41	3.59	66.67	12.50	3.62	62.59	12.22	3.61	NS
D. To achieve or preserve a desired credit rating	68.61	7.66	3.66	84.17	2.50	4.03	63.84	9.23	3.63	***
E. To maintain or increase stock prices	82.48	4.38	3.99	88.33	2.50	4.10	79.05	5.24	3.93	NS
F. To maintain or increase dividends	49.64	18.25	3.36	70.00	10.83	3.70	65.09	8.73	3.67	***
G. To maintain the external reputation of the management team	77.37	4.38	3.84	72.50	8.33	3.77	70.32	6.48	3.74	NS
H. To convey future growth prospects to investors	76.28	4.01	3.86	85.83	0.83	4.06	81.55	3.24	3.96	NS
I. To reduce stock price volatility	54.38	14.96	3.44	72.50	5.83	3.80	60.10	12.72	3.53	**
J. To assure customers and suppliers that business is stable	58.03	12.41	3.51	72.50	6.67	3.78	65.59	10.72	3.61	*

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	92.86	0.00	78.95	0.00	100.00	0.00	95.45	0.00	83.33	4.17	100.00	0.00
B.	35.71	28.57	31.58	31.58	46.67	20.00	36.36	36.36	33.33	45.83	16.67	50.00
C.	60.71	17.86	63.16	5.26	80.00	0.00	68.18	13.64	70.83	12.50	58.33	25.00
D.	92.86	0.00	78.95	0.00	80.00	6.67	81.82	4.55	79.17	4.17	91.67	0.00
E.	92.86	0.00	84.21	5.26	86.67	0.00	81.82	4.55	87.50	4.17	100.00	0.00
F.	82.14	0.00	63.16	15.79	73.33	20.00	72.73	4.55	62.50	12.50	58.33	25.00
G.	67.86	0.00	73.68	5.26	93.33	0.00	68.18	27.27	62.50	12.50	83.33	0.00
H.	96.43	0.00	68.42	0.00	73.33	0.00	95.45	0.00	83.33	0.00	91.67	8.33
I.	78.57	3.57	73.68	5.26	46.67	13.33	81.82	4.55	66.67	8.33	83.33	0.00
J.	71.43	0.00	68.42	5.26	73.33	13.33	77.27	9.09	66.67	8.33	83.33	8.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	
	%	%	%	%	%	%	%	%	%	%	%	%	khi2
A.	93.02	4.65	86.67	6.67	94.23	3.85	79.10	6.72	84.62	2.56	90.00	0.00	**NA**
B.	39.53	30.23	40.00	33.33	51.92	25.00	29.85	28.36	29.06	31.62	27.50	35.00	**NS**
C.	62.79	9.30	46.67	20.00	69.23	19.23	62.69	13.43	61.54	7.69	62.50	12.50	**NS**
D.	76.74	4.65	60.00	0.00	59.62	7.69	58.96	11.19	65.81	10.26	67.50	10.00	**NA**
E.	88.37	0.00	73.33	13.33	92.31	5.77	72.39	7.46	72.65	4.27	95.00	2.50	**NA**
F.	83.72	6.98	46.67	6.67	65.38	9.62	67.16	7.46	58.97	11.11	62.50	7.50	**NA**
G.	76.74	4.65	86.67	13.33	82.69	3.85	61.94	7.46	66.67	6.84	80.00	5.00	**NA**
H.	95.35	0.00	73.33	13.33	88.46	1.92	78.36	5.22	76.07	2.56	87.50	0.00	**NA**
I.	72.09	11.63	60.00	20.00	73.08	7.69	50.75	14.18	60.68	12.82	60.00	12.50	**NS**
J.	76.74	4.65	66.67	13.33	67.31	13.46	61.94	11.94	64.10	10.26	67.50	10.00	**NA**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

c) Missing an earnings benchmark is detrimental

To further understand the desire to meet earnings benchmarks, we explicitly analyzed the consequences of failing to meet such benchmarks. Table 39 and Fig. 20 summarizes the results. Generally, the first three consequences of failure in meeting earnings benchmarks are an increase in the uncertainty about future prospects (85.77% for analysts, 82.50% for auditors and 80.55% for CFOs), a perception among outsiders that there are previously unknown problems at the firm (66.06%, 67.50% and 64.34%) and that it leads to increased scrutiny on all aspects of earnings releases (61.68%, 70.83% and 61.58%). (Table 39, Panel A, rows A, E and F, and Fig. 20).

If the management is unable to meet an earnings benchmark, then the market concludes that the firm is ikely to have poor future prospects, which depresses the firm's stock price. The other factor motivating managers to avoid missing earnings benchmarks relates to the time spent in providing explanations (around 55%), especially in meetings or conference calls to analysts (Table 39, Panel A, row B, and Fig. 20). This suggests that if CFOs meet the earnings target, they can devote the conference call to the positive aspects of the firm's future prospects. By contrast, if the company fails to meet the target figure, the tone of the meeting with direct contact becomes negative, and a lot of time is spent explaining why the firm was unable to meet the consensus estimate. Analysts can easily threaten the credibility of the current earnings figure and the forecast of future earnings. Such a negative environment can affect the stock price and even a debt-rating downgrade. In general, nobody likes unpleasant surprises, and surprised stakeholders become defensive. Actions taken to meet or beat earnings benchmarks reduce this probability.

Conditional analyses by both activity and country provide evidence that our respondents disagree with the item suggesting that to miss earnings benchmarks increases the possibility of lawsuits (Table 39, Panel A, B and C, row C, and Fig. 20).

Two other possible reasons also provide interesting evidence in conditional analysis. The first one suggests that missing earnings benchmarks create uncertainty about future prospects. We observed that this is so important that none of auditors or CFOs of firms in "Europe 1" and no CFOs in "Others" groups disagree with this option. The other reason is related to previously un-disclosed problems. In auditors' conditional analysis, none of them disagree with this motive in "Europe 1" and the "Others" groups.

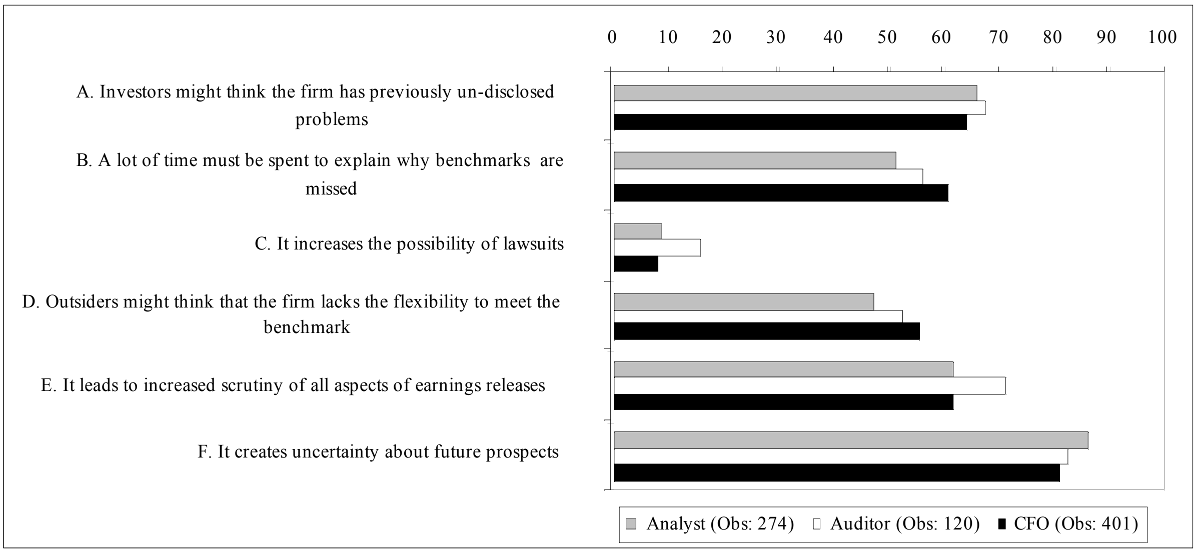

Figure 20: Missing an earnings benchmarks is detrimental

Table 39: Question 10: Missing an earnings benchmark is detrimental ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Investors might think the firm has previously un-disclosed problems	66.06	11.68	3.65	67.50	9.17	3.72	64.34	15.21	3.57	NS
B. A lot of time must be spent to explain why benchmarks are missed	51.46	16.42	3.41	55.83	19.17	3.45	60.60	14.71	3.56	NS
C. It increases the possibility of lawsuits	8.76	55.84	2.41	15.83	50.00	2.58	7.98	51.87	2.47	*
D. Outsiders might think that the firm lacks the flexibility to meet the benchmark	47.45	21.17	3.32	52.50	16.67	3.43	55.61	16.96	3.41	NS
E. It leads to increased scrutiny of all aspects of earnings releases	61.68	8.39	3.63	70.83	6.67	3.73	61.85	10.72	3.59	NS
F. It creates uncertainty about future prospects	85.77	4.01	4.11	82.50	5.83	3.98	80.55	4.99	3.94	NS

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	71.43	10.71	63.16	10.53	60.00	0.00	63.64	18.18	66.67	8.33	83.33	0.00
B.	39.29	17.86	36.84	26.32	73.33	6.67	77.27	9.09	62.50	29.17	50.00	25.00
C.	17.86	39.29	10.53	52.63	6.67	60.00	22.73	50.00	16.67	58.33	16.67	41.67
D.	64.29	14.29	42.11	21.05	40.00	6.67	50.00	22.73	58.33	8.33	50.00	33.33
E.	85.71	0.00	52.63	15.79	60.00	6.67	86.36	4.55	66.67	4.17	58.33	16.67
F.	89.29	3.57	73.68	15.79	73.33	0.00	81.82	4.55	83.33	4.17	91.67	8.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		**Eastern Europe (Obs: 15)**		**Europe 1 (Obs: 52)**		**Europe 2 (Obs: 134)**		**Europe 3 (Obs: 117)**		**Others (Obs: 40)**		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**Disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	65.12	13.95	53.33	20.00	67.31	19.23	63.43	12.69	63.25	16.24	70.00	15.00	**NS**
B.	51.16	27.91	66.67	13.33	69.23	19.23	61.19	12.69	58.12	12.82	62.50	7.50	**NS**
C.	13.95	39.53	6.67	46.67	5.77	63.46	4.48	52.99	7.69	47.86	17.50	60.00	**NA**
D.	60.47	16.28	73.33	20.00	55.77	15.38	51.49	20.90	55.56	16.24	57.50	7.50	**NS**
E.	79.07	6.98	46.67	13.33	73.08	11.54	60.45	11.19	55.56	10.26	57.50	12.50	NA
F.	79.07	4.65	73.33	13.33	90.38	0.00	73.88	8.21	82.05	4.27	90.00	0.00	NA

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.4 Earnings Quality and Earnings Management

4.4.1 Earnings Quality: Meaning and Determinants

a) Meaning of ‘Quality' when applied to earnings

Dechow *et al*. (2010) and Soderstrom and Sun (2007) presented proxies and determinants of earnings quality, such as persistence, conservatism, timely loss recognition, accounting and legal systems. Thus, to further understand what quality means when it is associated with earnings, we explicitly asked about the possible meanings for quality to our respondents. We suggested that quality comes from the ability to predict future performance, the ability to consistently reproduce similar results over time, the ability to reflect consistently upon underlying business event, the lack of significant irregularities and prompt release of earnings information. Analysts (76,64%), auditors (85%) and CFOs (86,03%) favor the definition of ‘quality’ as the ability to consistently reflect the underlying business events (Table 40, Panel A, row C, and Fig. 21). According to Chasteen *et al.* (1992) and Barker and Imam (2008), earnings quality is related to the ability of earnings to predict future performance. This option was the second more appreciated by our respondents (Table 40, Panel A, row A, and Fig. 21).

The hypothesis of persistence (“ability to consistently reproduce similar results over time”, Hope, 2003) and timeliness (“prompt release of earnings information”, Soderstrom and Sun, 2007) were the least representative options in our survey results (Table 40, Panel A, rows B and E, and Fig. 21). It is an interesting result because these two determinants also were discussed by Dechow *et al*. (2010) with lot of emphasis, showing that timeliness and persistence are associated with higher earnings quality. Timeliness also is associated with more conservative accounting principles.

The agreement on the possible meanings for quality differs when we analyse answers by country. Brazilian auditors and CFOs present a legal vision. The lack of significant irregularities has high accordance between these respondents. Conditional responses by country show that auditors and CFOs favor the ability to predict future performance. This definition of quality is in the same line of Lev (2003) and Paglietti (2009) that quality in earnings improves the prediction of future cash flows or earnings. Another interesting result is that auditors and CFOs do not have the same agreement in relation to the ability of consistently reproduce similar results over time. Auditors disagree with this meaning, however for CFOs this is a possible signal of quality in earnings.

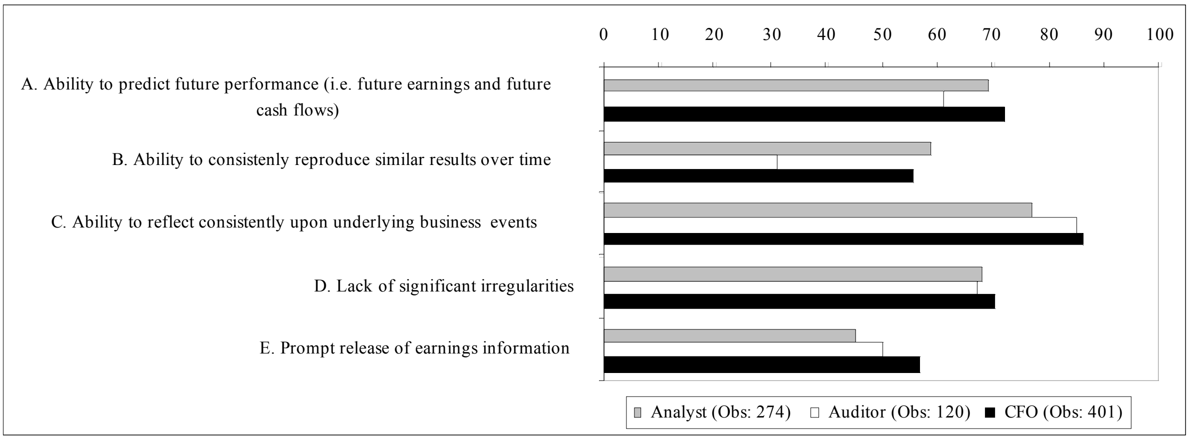

Figure 21: Quality as applied to earnings

Table 40: Question 11: Quality as applied to earnings..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Ability to predict future performance (i.e. future earnings and future cash flows)	69.34	9.49	3.82	60.83	18.33	3.54	71.82	8.73	3.76	**
B. Ability to consistenly reproduce similar results over time	58.76	18.61	3.52	30.83	40.00	2.93	55.36	19.95	3.44	***
C. Ability to reflect consistently upon underlying business events	76.64	5.11	3.96	85.00	2.50	4.08	86.03	2.00	4.09	**
D. Lack of significant irregularities	68.25	10.22	3.77	66.67	15.00	3.68	70.07	8.98	3.80	NS
E. Prompt release of earnings information	45.26	23.36	3.26	50.00	25.00	3.26	56.36	17.71	3.48	**

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	57.14	21.43	63.16	5.26	60.00	13.33	50.00	31.82	79.17	8.33	50.00	33.33
B.	21.43	35.71	52.63	21.05	26.67	33.33	9.09	63.64	37.50	45.83	50.00	33.33
C.	92.86	3.57	57.89	5.26	73.33	6.67	100.00	0.00	87.50	0.00	91.67	0.00
D.	85.71	3.57	52.63	21.05	53.33	13.33	68.18	22.73	54.17	20.83	83.33	8.33
E.	60.71	17.86	42.11	15.79	26.67	26.67	40.91	50.00	54.17	25.00	75.00	8.33

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	81.40	6.98	80.00	6.67	80.77	3.85	64.18	13.43	75.21	5.98	62.50	10.00	NA
B.	65.12	18.60	40.00	13.33	65.38	11.54	44.78	34.33	56.41	13.68	70.00	5.00	***
C.	93.02	4.65	86.67	6.67	86.54	1.92	93.28	0.75	82.91	1.71	62.50	2.50	NA
D.	81.40	2.33	33.33	20.00	76.92	9.62	76.12	8.21	62.39	8.55	65.00	15.00	NA
E.	67.44	9.30	46.67	13.33	53.85	19.23	52.99	17.16	58.12	19.66	57.50	22.50	**NS**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Earnings quality increase

In the literature, determinants expected to increase earnings quality are the number of methods allowed to recognize one event, the magnitude of accruals, conservatism in accounting figures, the use of fair value or historical costs, and principle based or rule based accounting standards (Soderstrom and Sun, 2007; Dechow *et al*., 2010). Our respondents provide evidence that conservatism (57.30% for analysts, 55% for auditors and 55,11% for CFOs), the use of fair value (44.89%, 52.50% and 47.38% respectively) and principle-based standards (36.50%, 67.50% and 47.13% respectively) are the more relevant determinants to increase the quality of earnings (Table 41, Panel A, rows C, D and F, and Fig. 22).

On the other hand, our research found that the "number of methods enabling recognition of an event", "historical costs" and "rule-based standards" are not factors that increase earnings quality (Table 41, Panel A, rows A, E and G, and Fig. 22). Auditors and CFOs agree more than analysts that principle based accounting standards are a good determinant of earnings quality. Moreover, auditors and CFOs disagree more than analysts that rule based accounting principles help increase earnings quality.

Conditional responses by auditors show that they really disagree with the number of methods allowed to recognize one event in "Europe 1" and historical costs in "Others" as determinant of high earnings quality (Table 41, Panel B, row A, and Fig. 22). Brazilian auditors agree more than European auditors that the use of fair value and principle based accounting standards can increase the quality of earnings. This result is interesting because the mandatory use of IFRS for Brazilian companies started in December 31, 2010, and European companies use these standards since 2005. It suggests that Brazilian auditors have an optismtic vision on the usefulness of fair-value accounting and principle-based accounting compared with the vision of European auditors. In contrast, more conservative accounting figures and the use of historical costs are more expected to increase earnings quality for European auditors than for Brazilian ones.

These optimistic auditors' vision about fair value and principle based accounting principles is shared by Brazilian CFOs also. However Brazilian CFOs have the same opinion as European

CFOs in relation to historical costs and conservatism as determinants of earnings quality. Corroborating with this optimistic view, none of the CFOs in Eastern Europe disagree that principle-based standards can increase the quality of earnings (Table 41, Panel B, rows F, and Fig. 22).

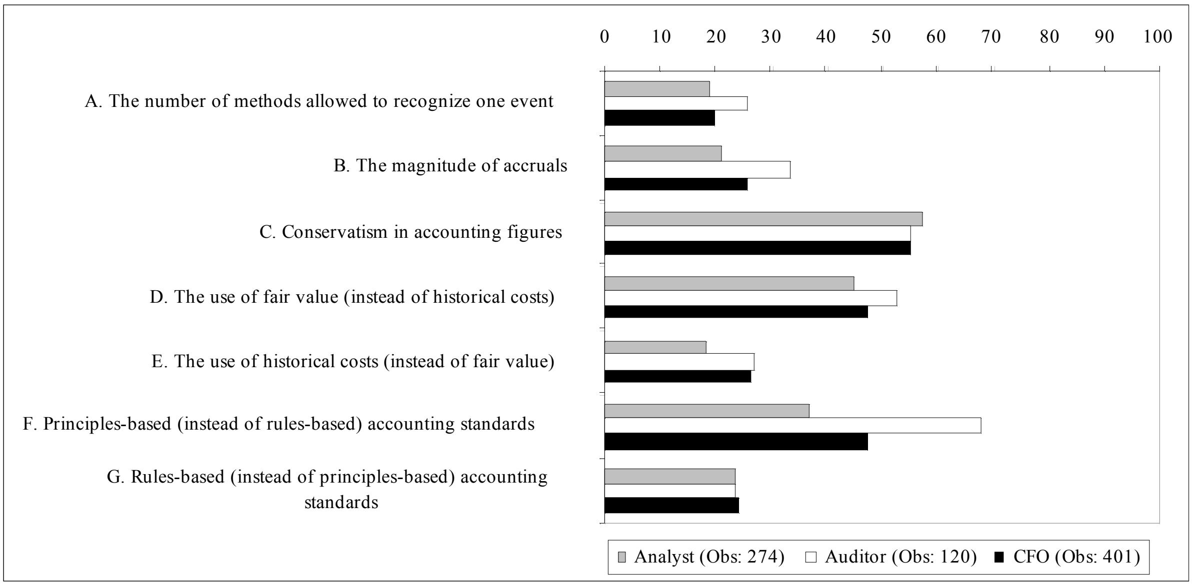

Figure 22: Earnings quality increase

Table 41: Question 12: Earnings quality increase

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. The number of methods allowed to recognize one event	18.61	45.62	2.34	25.83	49.17	2.64	19.95	48.63	2.63	NS
B. The magnitude of accruals	20.80	25.91	2.71	33.33	40.83	2.89	25.44	29.68	2.94	***
C. Conservatism in accounting figures	57.30	12.04	3.47	55.00	23.33	3.33	55.11	18.45	3.42	**
D. The use of fair value (instead of historical costs)	44.89	21.53	3.10	52.50	27.50	3.33	47.38	25.69	3.24	*
E. The use of historical costs (instead of fair value)	17.88	41.24	2.43	26.67	45.83	2.73	26.43	39.40	2.88	**
F. Principles-based (instead of rules-based) accounting standards	36.50	15.33	3.14	67.50	15.00	3.75	47.13	16.21	3.42	***
G. Rules-based (instead of principles-based) accounting standards	23.36	28.47	2.70	23.33	55.00	2.62	23.69	41.65	2.78	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	42.86	32.14	31.58	42.11	0.00	46.67	18.18	72.73	29.17	54.17	16.67	50.00
B.	46.43	35.71	42.11	26.32	13.33	53.33	36.36	50.00	20.83	45.83	33.33	33.33
C.	46.43	28.57	47.37	15.79	53.33	33.33	68.18	22.73	54.17	25.00	66.67	8.33
D.	71.43	10.71	42.11	21.05	33.33	53.33	54.55	36.36	33.33	37.50	83.33	8.33
E.	10.71	67.86	21.05	42.11	46.67	33.33	31.82	40.91	45.83	33.33	0.00	50.00
F.	67.86	17.86	63.16	15.79	86.67	6.67	63.64	18.18	66.67	12.50	58.33	16.67
G.	17.86	67.86	26.32	42.11	6.67	86.67	40.91	36.36	16.67	58.33	33.33	33.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	60.47	20.93	13.33	53.33	11.54	65.38	12.69	55.22	16.24	44.44	25.00	45.00	***
B.	44.19	25.58	6.67	20.00	21.15	38.46	23.88	31.34	21.37	25.64	35.00	32.50	**
C.	58.14	13.95	40.00	26.67	57.69	19.23	58.21	15.67	52.14	19.66	52.50	25.00	**NS**
D.	69.77	11.63	53.33	13.33	32.69	36.54	44.03	29.10	41.88	27.35	67.50	15.00	***
E.	30.23	46.51	13.33	46.67	30.77	36.54	25.37	38.81	27.35	35.04	22.50	47.50	**NS**
F.	67.44	9.30	46.67	0.00	51.92	17.31	44.03	18.66	41.88	14.53	45.00	25.00	*
G.	39.53	48.84	6.67	40.00	23.08	48.08	23.88	41.79	19.66	35.04	25.00	45.00	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.4.2 Rule-Based or Principle-Based Orientation

Before the introduction of IFRS, US GAAP were accepted extensively as the international set of accounting standards to guarantee high quality in financial statements. Since the mandatory adoption of IFRS in 2005 for all European listed firms, IFRS and US GAAP are seen as the only international accounting standards. This has generated several discussions on the quality of the information conveyed by these two sets of standard (US GAAP and IFRS).

a) Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

The most striking finding from this question is that analysts, auditors and CFOs disagree that earnings management is a purely theoretical assumption. However, auditors and analysts believe more than CFOs that accounting figures are managed (Table 42, Panel A, row C, and Fig. 23).

Another interesting result concerns earnings management practices. Analysts believe more than the other respondents that accounting figures are managed on special occasions and that companies smooth earnings continuosly. Auditors seem to agree that firms manage earnings also to get smoothed earnings. However CFOs, that agreed previously that accounting figures are managed, disagree more than agree with either the special occasions' motivation or the smoothed earnings explanations. CFOs in general do not agree with the explanations concerning this question (Table 42, Panel A, and Fig. 23). This result is not in the same direction as Graham *et al.* (2005) results who found clearly that American CEOs have preference for smoothed earnings. However it is in conformity with KPMG (2004) who found that the majority of Canadian CEOs declared that there is no earnings manipulations in their companies.

Conditional responses per country present evidence that auditors do not believe that earnings management is a purely theoretical assumption only (Table 42, Panel B, row C, and Fig. 23). We also observe that "special occasions" is a relevant explanation for earnings management in almost all countries, except for Brazil and Eastern Europe where auditors seem to prefer smoothing pattern of earnings as the motivation for earnings management (Table 42, Panel B, row B, and Fig. 23).

Regarding CFOs' results on "c) … accounting figures are never managed", we note that in "Brazil" and in "Europe 2", the opinions are divided. Respondents agree and disagree in the same intensivity. In the other countries, we observe that respondents disagree more than they agree. They even disagree more than respondents located in "Brazil" and "Europe 2". Moreover, CFOs in countries other than "Brazil" and "Europe 2"believe that accounting figures are managed and the two item almost are identically accepted by them, such as "a) .. smooth pattern" and "b) .. special occasions" (Table 42, Panel C, rows A, B and C, and Fig. 23). From this question we can conclude that earnings are seen as managed by CFOs.

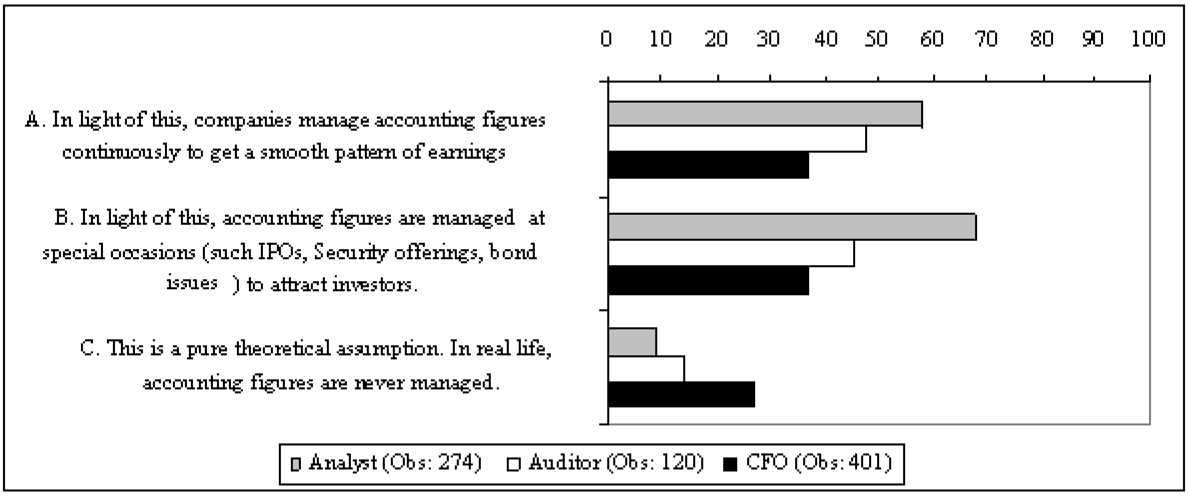

Figure 23: Flexibility in accounting standards

Table 42: Question 14: Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. In light of this, companies manage accounting figures continuously to get a smooth pattern of earnings	58.03	16.79	3.50	47.50	30.00	3.18	36.16	39.40	2.89	***
B. In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.	67.15	11.68	3.70	45.00	33.33	3.12	36.41	38.90	2.92	***
C. This is a pure theoretical assumption. In real life, accounting figures are never managed.	9.12	77.01	2.01	13.33	71.67	2.27	26.68	48.13	2.71	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	42.86	42.86	57.89	5.26	46.67	33.33	36.36	50.00	58.33	16.67	41.67	25.00
B.	17.86	64.29	47.37	15.79	66.67	20.00	40.91	40.91	58.33	25.00	58.33	8.33
C.	17.86	71.43	5.26	68.42	6.67	73.33	22.73	63.64	12.50	75.00	8.33	83.33

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	37.21	51.16	46.67	33.33	40.38	36.54	24.63	51.49	40.17	29.91	52.50	20.00	***
B.	34.88	48.84	60.00	26.67	40.38	30.77	29.10	49.25	33.33	31.62	57.50	30.00	***
C.	37.21	39.53	13.33	60.00	7.69	65.38	38.06	38.81	18.80	49.57	30.00	57.50	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.4.3 Management of Accounting Figures

a) Reasons for smoothed earnings:

Graham *et al.* (2005) found that the majority of US CFOs prefer a smoothed earnings path. However Barth, Elliot and Finn (1999) did not find the same result. Referring to the results of Graham *et al.* (2005,) we asked analysts, auditors and CFOs why smoothed earnings are preferred.

Our conditional analysis by activity shows that a smoothed earnings path is perceived as less risky by investors (79.56% for analysts, 72.50% for auditors and 71.57% for CFOs, Table 43, Panel A, row A, and Fig. 24), which confirms the result by Graham *et al.* (2005). Around 50% of our respondents believe that investors demand a smaller risk premium in case of smoothed earnings. They also believe that smothed earnings help achieve and preserve higher credit rating (Table 43, Panel A, rows B and E, and Fig. 24). Another frequent explanation for preferring smoothed earnings is that they make it easier for analysts and investors to predict future earnings (69.34%, 59.17%, 67.33%), and it assures customers/suppliers that business is stable (61.31%, 67.50%, 60.10%) (Table 43, Panel A, rows G and D, and Fig. 24).

The least accepted explanations are that smoothed earnings are preferred to increase bonus payments (32.48%, 31.67%, 41.901% of our respondents disagree with this option), as suggested by Brüggemann, Hitz and Sellhorn (2010), and clarify true economic performance (31.75%, 41.67%, 28.68% disagree with this option). In fact, analysts, auditors and CFOs significantly disagree with these two reasons as a justification to smoothed earnings path (Table 43, Panel A, rows H and I, and Fig. 24).

Responses conditional by groups of countries reveal that auditors and CFOs consider that firms with smoothed earnings are perceived as less risky by investors (Table 43, Panel B and C, row A, and Fig. 24). Indeed, for “Eastern Europe” and “Europe 1”, no CFO disagrees with that point of view. The possible explanation that smoothed earnings help analysts/investors predict future performance is more frequently observed in the CFOs conditional analysis (Table 43, Panel C row G, and Fig. 24).

For auditors the two explanations that smoothed earnings promote a reputation for transparent and accurate reporting and clarify true economic performance are not compatible with the concept of smothed earnings. These two answers present high consensus in auditors' opinion in "Europe 2" and "Others" groups. A different opinion was observed for CFOs in "Europe 2" for whom, the explanation that smoothed earnings can increase bonus payment is the worst possible explanation (Table 43, Panel B and C, rows F, H and I, and Fig. 24).

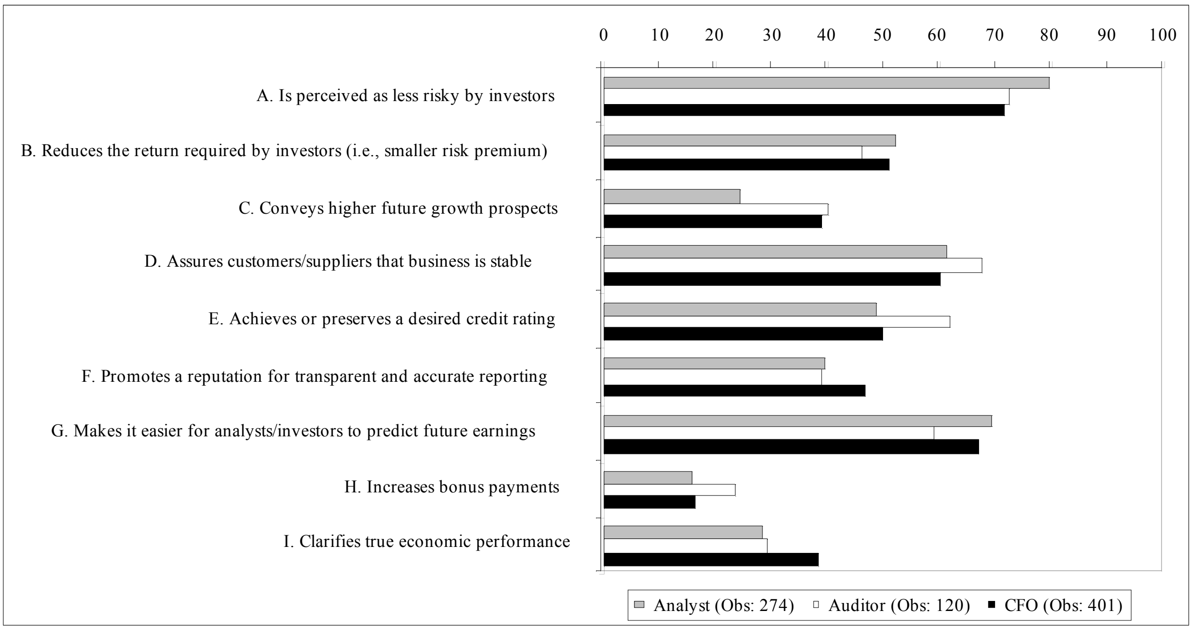

Figure 24: Preference for smoothed earnings path

Table 43: Question 13: Preference for a smoothed earnings path

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		Agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Is perceived as less risky by investors	79.56	5.11	3.88	72.50	15.00	3.70	71.57	10.22	3.72	***
B. Reduces the return required by investors (i.e., smaller risk premium)	51.82	16.42	3.39	45.83	21.67	3.28	51.12	20.20	3.34	NS
C. Conveys higher future growth prospects	24.45	29.56	2.92	40.00	26.67	3.12	38.90	26.68	3.15	***
D. Assures customers/suppliers that business is stable	61.31	10.22	3.54	67.50	12.50	3.63	60.10	13.22	3.50	NS
E. Achieves or preserves a desired credit rating	48.54	10.58	3.38	61.67	14.17	3.55	50.12	15.21	3.37	**
F. Promotes a reputation for transparent and accurate reporting	39.42	22.63	3.14	39.17	35.00	3.05	46.63	24.94	3.22	***
G. Makes it easier for analysts/investors to predict future earnings	69.34	8.76	3.68	59.17	15.83	3.52	67.33	12.97	3.63	NS
H. Increases bonus payments	15.69	32.48	2.79	23.33	31.67	2.91	16.46	41.90	2.70	**
I. Clarifies true economic performance	28.47	31.75	2.89	29.17	41.67	2.79	38.40	28.68	3.08	***

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	Disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	53.57	17.86	89.47	0.00	66.67	20.00	68.18	27.27	83.33	8.33	83.33	16.67
B.	46.43	25.00	63.16	5.26	40.00	20.00	22.73	45.45	58.33	12.50	41.67	16.67
C.	53.57	14.29	42.11	10.53	46.67	26.67	13.64	63.64	33.33	20.83	58.33	25.00
D.	60.71	10.71	73.68	10.53	66.67	6.67	59.09	22.73	79.17	8.33	66.67	16.67
E.	53.57	17.86	68.42	5.26	73.33	0.00	40.91	40.91	62.50	4.17	91.67	8.33
F.	35.71	28.57	57.89	10.53	40.00	33.33	18.18	77.27	41.67	20.83	50.00	41.67
G.	39.29	17.86	68.42	5.26	66.67	6.67	36.36	40.91	79.17	8.33	83.33	8.33
H.	17.86	28.57	36.84	0.00	33.33	20.00	18.18	59.09	12.50	41.67	33.33	33.33
I.	39.29	28.57	36.84	15.79	20.00	60.00	13.64	77.27	25.00	33.33	41.67	41.67

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	65.12	9.30	86.67	0.00	82.69	0.00	58.21	20.90	75.21	6.84	92.50	2.50	**NA**
B.	55.81	16.28	60.00	20.00	55.77	19.23	37.31	29.10	60.68	12.82	55.00	17.50	**
C.	55.81	16.28	20.00	40.00	38.46	32.69	32.84	31.34	40.17	17.95	45.00	35.00	**
D.	58.14	11.63	66.67	6.67	63.46	5.77	51.49	22.39	67.52	8.55	62.50	10.00	*
E.	48.84	18.60	53.33	6.67	42.31	9.62	41.79	21.64	57.26	11.97	67.50	10.00	**
F.	46.51	27.91	46.67	13.33	53.85	15.38	34.33	35.82	58.97	15.38	42.50	30.00	***
G.	65.12	13.95	80.00	13.33	80.77	3.85	52.99	21.64	72.65	7.69	80.00	10.00	***
H.	27.91	27.91	33.33	40.00	15.38	42.31	8.96	50.00	19.66	35.90	15.00	47.50	*
I.	51.16	23.26	26.67	26.67	36.54	42.31	35.82	39.55	39.32	13.68	37.50	25.00	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Earnings management

We asked our respondents how earnings are managed in order to determine whether earnings management results from changes in accounting hypotheses or from real activities manipulation, as presented in the literature (Leuz, Nanda and Wysocki (2003). Our results provide evidence that for analysts and auditors, earnings are first managed by changing accounting hypotheses (Table 44, Panel A, row B, and Fig. 25), as suggested by Nelson *et al*. (2002) and Laux and Leuz (2009). However, the view of CFOs differs. They state that changes in real activity are the most usual way to manage net income. Previous results documented by Watts (2002) and Graham *et al.* (2005) are in conformity with this views (Table 44, Panel A, row C, and Fig. 25).

These first results document the fact that producers and users of accounting information do not share the same ideas on how earnings are managed. This is the second time we observe CFOs taking a more "secure" position in comparison with the other respondents. CFOs agree more and disagree less than the other respondents that earnings management is a theoretical assumption. According to Graham *et al.* (2005), this is possibly because influencing in real activities is less susceptible to litigation than changes in accounting methods or hypotheses.

The least accepted earnings management technique by our respondents is changes in accounting methods (17.15% for analysts, 33.33% for auditors and 44.39% for CFOs, Table 44, Panel A, row A, and Fig. 25).

Conditional answers provide evidence that auditors from developed stock market countries think that the main way to manage earnings is by influencing real activities. Brazilian auditors do not share this idea. They clearly agree that earnings are managed by changes in accounting methods or hypotheses, but they disagree with the “influences in real activities”, discording with all other country groups.

In the case of CFOs, managing real activities is the way preferred in almost all countries. Once more, CFOs of “Brazil” and “Europe 2” present the same behavior that differs from the other groups (Table 44, Panel B and C, row C, and Fig. 25).

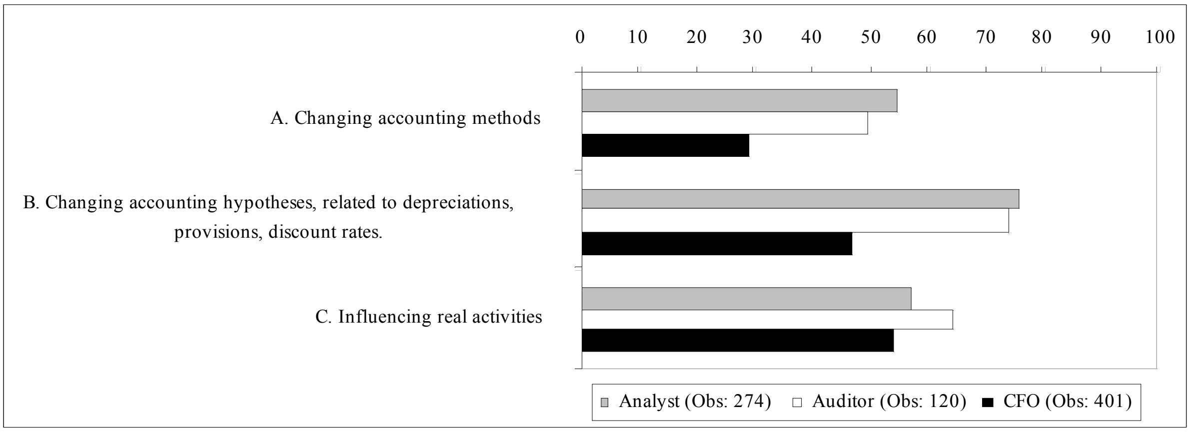

Figure 25: Earnings Management

Table 44: Question 15: Earnings management ..

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Changing accounting methods	54.74	17.15	3.43	49.17	33.33	3.14	28.68	44.39	2.78	***
B. Changing accounting hypotheses, related to depreciations, provisions, discount rates.	75.91	6.57	3.81	74.17	13.33	3.77	46.63	30.17	3.14	***
C. Influencing real activities	56.57	14.96	3.52	64.17	20.00	3.56	53.87	21.20	3.37	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	Disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	50.00	39.29	57.89	5.26	66.67	26.67	31.82	50.00	41.67	41.67	58.33	25.00
B.	78.57	14.29	78.95	0.00	66.67	20.00	63.64	18.18	75.00	12.50	83.33	16.67
C.	35.71	42.86	68.42	10.53	80.00	20.00	68.18	18.18	66.67	12.50	91.67	0.00

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	48.84	27.91	53.33	26.67	23.08	44.23	24.63	52.99	23.93	43.59	32.50	42.50	**
B.	60.47	20.93	53.33	26.67	53.85	23.08	43.28	37.31	38.46	27.35	55.00	35.00	**
C.	48.84	32.56	60.00	13.33	71.15	9.62	43.28	33.58	55.56	11.11	65.00	15.00	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

c) Earnings Management: Useful or not?

This question aims to know if our respondents consider accounting management useful or not. Their answers revealed that neither external users (analysts, 55.11%), nor internal users (auditors and CFOs, 45.00% and 54.86%) agree with the fact that market participants are incapable of distinguishing managed fom unmanaged accounting figures (Table 45, Panel A, row A, and Fig. 26). But, when we ask if managing earnings is useless because market participants can detect managed earnings, analysts and CFOs only weakly agree and the majority of auditors do not agree at all (Table 45, Panel A, row B, and Fig. 26). This result is in accordance with Vergoossen (1997) that financial analysts use accounting earnings information but they are unable to really detect earnings management.

In addition to the Vergoossen's (1997) idea, responses conditional by auditors presented evidence that in "Brazil", "Europe 1" and "Europe 3" auditors more agree than disagree with the assumption that market participants are unsophisticated and that, they cannot detect management in accounting figures. However when we compare this answer with the second option ("useless because they can detect") all country groups more disagree than agree with this assumption, contraring the previous one. One possible explanation for this impression in "Brazil" is that accounting systems are changing and users have not had enough training in new accounting standards and are ill-adapted to the accounting changes (Table 45, Panel B and C, row A and B, and Fig. 26). In the auditors' opinion, smoothed earnings are preferred for "Europe 2" participants.

CFOs answers show that respondents in all countries are more in accordance than not that users are sophisticated. Confused anwers are observed for countries in "Europe 1" and "Eastern Europe" groups. First, CFOs disagree that users of accounting information are unsophisticated (item a). Second, they also disagree that users are sophisticated (item b). Brazilians CFOs have divided opinions about the sophistication of use of accounting information. In general, smoothed earnings are preferred by CFOs. For instance, in Eastern Europe none of CFOs respondents believe that smoothed earnings is not preferable (Table 45, Panel A, B and C, row C, and Fig. 26). We can also observe that smoothed earnings are preferred by all users (in average 50%), confirming the assumptions of Graham *et al.* (2005).

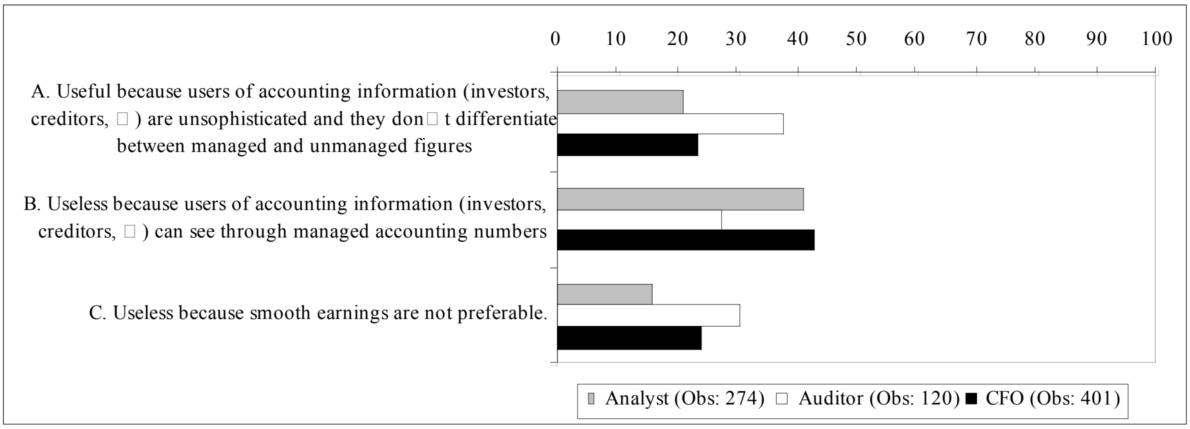

Figure 26: Earnings Management: Useful or not?

Table 45: Question 16: Earnings management .

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. Useful because users of accounting information (investors, creditors, …) are unsophisticated and they don't differentiate between managed and unmanaged figures	21.17	55.11	2.54	37.50	45.00	2.82	23.19	54.86	2.55	**
B. Useless because users of accounting information (investors, creditors, …) can see through managed accounting numbers	41.24	33.94	3.08	27.50	56.67	2.65	42.89	34.41	3.09	***
C. Useless because smoothed earnings are not preferable.	16.06	48.18	2.64	30.00	45.83	2.78	24.19	41.90	2.80	***

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	50.00	39.29	36.84	42.11	40.00	33.33	36.36	59.09	37.50	33.33	8.33	75.00
B.	21.43	64.29	21.05	52.63	33.33	60.00	40.91	45.45	20.83	62.50	33.33	50.00
C.	32.14	39.29	10.53	63.16	20.00	40.00	50.00	31.82	29.17	54.17	33.33	50.00

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	
	%	%	%	%	%	%	%	%	%	%	%	%	khi2
A.	39.53	55.81	33.33	40.00	19.23	53.85	19.40	58.96	20.51	52.14	27.50	55.00	*
B.	46.51	44.19	26.67	66.67	34.62	46.15	52.99	25.37	36.75	30.77	40.00	37.50	***
C.	23.26	53.49	0.00	46.67	11.54	53.85	37.31	29.10	18.80	43.59	22.50	50.00	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.5 Inputs of IFRS in Europe and Brazil

4.5.1 Benefits and consequences of IFRS adoption

a) Effects of IFRS adoption (1)

The objectives of IASB (2008) are the most clearly supported by our respondents. Indeed, all respondents agree with the increase in comparability of accounting figures resulting from IFRS adoption (72.26% for analysts, 76.67% for auditors and 73.57% of CFOs). They also agree with the higher information content of IFRS data. Results show data 66% of analysts, 87% of auditors and 81% of CFOs consider that IFRS convey more additional information. Moreover, an increase in the value relevance of accounting data under IFRS was observed (Table 46, Panel A, rows A, B, D and E, and Fig. 27).

Our respondents agree that IFRS adoption results in financial statements that are difficult to understand by users and that there is more timely loss recognition (Table 46, Panel A, rows C and F, and Fig. 27). CFOs that are the producers and auditors that are the controllers of accounting figures agree (in average 50%) that these statements are difficult to understand. Interestingly, analysts tend to disagree with this option. Indeed, analysts found IFRS statements easier to understand than CFOs and auditors. We confess that this result was unexpected and contrary to previous results (Jermakowicz and Gornik-Tomaszewski, 2006; Hoogendoorn, 2006). One possible explanation is that analysts observe companies all around the world, and therefore increase their undertsanding of IFRS statements compared with CFOs and auditors.

Responses from auditors per country confirm the relevance of IASB (2008) objectives. But our results present a different opinion on the ability of accounting users to fully understand IFRS implications (Table 46, Panel B, row F, and Fig. 27). It is interesting to observe the optimistic view and the huge expectations of Brazialian auditors (recent users), when compared with European auditors. Auditors in “Brazil”, “Eastern Europe” and “Others” groups do not agree with this users’ difficulty in understanding financial statements complying with IFRS. One possible explanation is that in “Brazil”, even before IFRS, some Brazilian public firms were used to publish their accounts in local Gaap (BR GAAP) as well as in US GAAP, notably those that issued ADRs in the US. Therefore, because they apply US GAAP regulaly, these firms are not disturbed by the adoption of IFRS inasmuch as they do not strongly differ from US GAAP. Another possible explanation is related to the audit firms. In Brazil, the Big Four (Deloitte, PriceweterhouseCoopers, ErnestYoung and KPMG) dominate the audit market. They have higher experience in different accounting standards. They may therefore feel able to apply IFRS with no difficulty as soon as these standards will become mandatory.

The same behaviour is observed for CFOs in these country groups in conditional analyses (Table 46, Panel C, row C, and Fig. 27). Brazilian CFOs have higher expectations with regard to the adoption of IFRS. The fact that countries in the “Europe 1” group view accounting figures complying with IFRS as conveying more additional information is somewhat tricky, since the accounting standards used in these countries prior to IFRS adoption were not significant different from IFRS.

Another interesting observation is that for auditors domiciled in “Europe 1, 2 and 3” (basically the European Union), IFRS adoption is likely to result in accounting data that are not easy to understand by most users. The same behaviour is observed for CFOs in these groups of countries (Table 46, Panel B and C, row C, and Fig. 27).

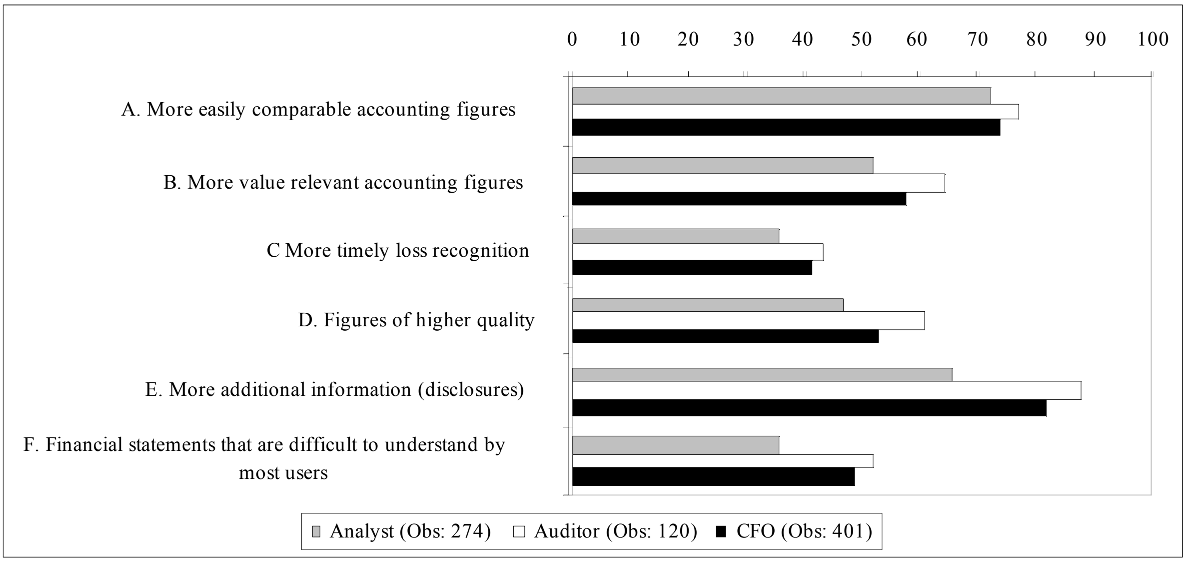

Figure 27: Effects of the IFRS adoption

Table 46: Question 17: The effects of IFRS adoption.

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. More easily comparable accounting figures	72.26	15.69	3.74	76.67	15.83	3.79	73.57	13.47	3.76	NS
B. More value relevant accounting figures	51.82	15.33	3.39	64.17	13.33	3.62	57.61	16.71	3.46	NS
C More timely loss recognition	35.77	15.33	3.21	43.33	25.00	3.22	41.65	22.44	3.21	***
D. Figures of higher quality	47.08	17.88	3.30	60.83	16.67	3.58	52.62	16.21	3.40	NS
E. More additional information (disclosures)	65.69	6.57	3.65	87.50	4.17	4.23	81.55	5.24	4.03	***
F. Financial statements that are difficult to understand by most users	35.40	39.42	3.00	51.67	31.67	3.31	48.88	33.42	3.29	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	Agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	96.43	0.00	78.95	10.53	66.67	20.00	72.73	22.73	66.67	20.83	66.67	33.33
B.	89.29	0.00	73.68	0.00	33.33	33.33	54.55	22.73	54.17	16.67	66.67	16.67
C.	67.86	3.57	36.84	21.05	33.33	46.67	36.36	27.27	29.17	41.67	50.00	16.67
D.	75.00	3.57	68.42	5.26	40.00	26.67	63.64	18.18	45.83	29.17	66.67	25.00
E.	92.86	3.57	73.68	10.53	86.67	0.00	95.45	0.00	87.50	4.17	83.33	8.33
F.	14.29	53.57	31.58	52.63	66.67	20.00	86.36	4.55	79.17	12.50	33.33	50.00

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	90.70	2.33	93.33	6.67	71.15	13.46	70.15	16.42	70.09	14.53	72.50	15.00	**NS**
B.	72.09	9.30	60.00	6.67	42.31	25.00	53.73	20.15	55.56	14.53	80.00	12.50	**
C.	55.81	18.60	20.00	26.67	30.77	23.08	43.28	24.63	39.32	19.66	50.00	25.00	**NS**
D.	74.42	6.98	60.00	13.33	25.00	26.92	54.48	15.67	52.14	17.09	57.50	12.50	***
E.	83.72	6.98	53.33	20.00	82.69	3.85	88.06	3.73	79.49	4.27	72.50	7.50	**NA**
F.	27.91	51.16	6.67	80.00	59.62	13.46	54.48	32.09	54.70	26.50	37.50	47.50	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Effects of IFRS adoption (2)

In general our respondents agree that IFRS adoption improves the monitoring of firms by shareholders and creditors, thus decreasing information asymmetry between insiders and outsiders (Table 47, Panel A, row A and B, and Fig. 28). Our respondents also share the view that the adoption of IFRS does not result in a decrease of firms' cost of capital (Table 47, Panel A, row D, and Fig. 28).

Responses of auditors present evidence that auditors from countries such as "Brazil" and "Eastern Europe" strongly agree with the notion that IFRS improve the monitoring of firms by shareholders and creditors if we compare their responses with those of the other groups (Table 47, Panel B, rows A and B, and Fig. 28). Only for Brazilian auditors, adoption of IFRS reduces firms' cost of capital. For the other countries, IFRS adoption is likely to improve monitoring by shareholders and decrease information asymmetry.

Answers from financial directors of all countries (excepted "Europe 1") show that better monitoring by shareholders and creditors and decreased information asymmetry are expected from IFRS adoption. For Brazilian and European ("Eastern Europe") CFOs, the adoption of IFRS reduces the cost of capital for firms. This effect may be perceived in these countries because accounting figures resulting from the adoption of IFRS, are more relevant and reliable. This may increase the number of investors that invest in these markets, increasing the number of sources of financing, and reducing cost of capital. For the other country groups, a reduction in firms' cost of capital is not expected from of IFRS adoption (Table 47, Panel B and C, rows C and D, and Fig. 28). Auditors and CFOs in "Europe 1" tend to disagree more than they agree with these possible consequences of IFRS adoption.

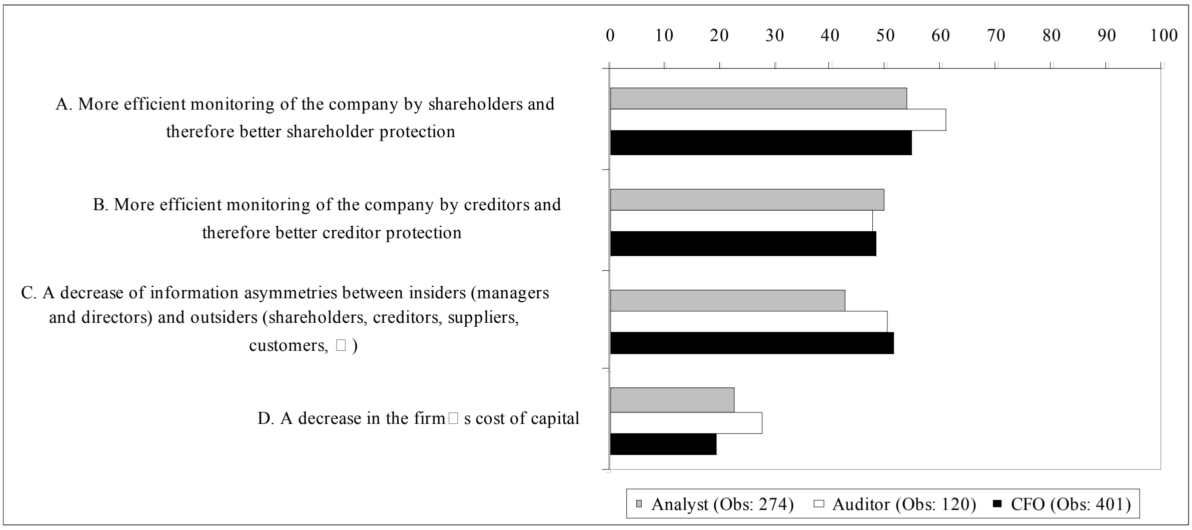

Figure 28: Effects of the adoption of IFRS leads

Table 47: Question 18: The effects of the adoption of IFRS

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. More efficient monitoring of the company by shareholders and therefore better shareholder protection	53.28	19.34	3.37	60.83	17.50	3.47	54.36	19.20	3.36	NS
B. More efficient monitoring of the company by creditors and therefore better creditor protection	49.64	16.06	3.36	47.50	19.17	3.28	47.88	23.69	3.24	NS
C. A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)	42.34	22.99	3.20	50.00	23.33	3.33	51.12	24.69	3.29	*
D. A decrease in the firm's cost of capital	22.63	30.29	2.88	27.50	35.83	2.86	18.95	33.42	2.81	NS

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	Disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	82.14	0.00	73.68	5.26	26.67	40.00	50.00	22.73	58.33	25.00	58.33	25.00
B.	64.29	7.14	68.42	0.00	20.00	40.00	36.36	27.27	29.17	29.17	66.67	16.67
C.	60.71	17.86	47.37	5.26	26.67	40.00	59.09	27.27	58.33	29.17	25.00	25.00
D.	46.43	21.43	15.79	31.58	20.00	53.33	18.18	50.00	29.17	37.50	25.00	25.00

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	
	%	%	%	%	%	%	%	%	%	%	%	%	khi2
A.	69.77	6.98	93.33	6.67	34.62	34.62	50.75	24.63	55.56	11.11	57.50	22.50	***
B.	67.44	9.30	73.33	13.33	21.15	38.46	48.51	24.63	46.15	22.22	55.00	25.00	***
C.	72.09	13.95	73.33	13.33	34.62	34.62	53.73	25.37	48.72	23.08	40.00	30.00	**
D.	48.84	20.93	26.67	13.33	7.69	44.23	13.43	40.30	19.66	25.64	15.00	40.00	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.5.2 Fair Value and Value relevance

a) The implications of Fair Value accounting

We asked our respondents one specific question about the most controversial point of IFRS: fair value. In general, our survey's participants agree with the suggested consequences of the adoption of fair value. The consequence that "fair value has great impact in accounting figures" was the most approved by respondents, followed by "fair value accounting is costly", that is strongly approved by auditors and CFOs (Table 48, Panel A, row A and D, and Fig. 29). In this question, auditors and CFOs tend to agree more than analysts with the consequences of the fair value approach. Another interesting point is that auditors are the respondents that disagree the most with the positive impact of fair value on the volatility of earnings and equity.

The analysis of responses by auditors provides another evidence for the option "The adoption of fair value results in an unjustified increase in the volatility of earnings and equity". Brazilian and European auditors have distinct opinions. While Brazilian auditors disagree (71.43%) with this option, European auditors agree (50% in mean). Regarding the impact of fair value on the value relevance of accounting figures, Brazilian auditors believe much more than European auditors in the positive impact of fair value accounting on the value relevance of IFRS figures. Finally, Brazilian auditors are more in accordance than European ones that presenting unrealized capital gains in a specific comprehensive income statement is useful. The other agreement between auditors is that the adoption of IFRS is costly. In "Eastern Europe" countries, none of the auditors disagree with this opinion. Finally, auditors consider that the adoption of IFRS impacts accounting figures. This view is shared by all auditors in "Brazil" and "Europe 1, 2 and 3" country groups (Table 48, Panel B, row A, B, C, D and E, and Fig. 29).

In the case of CFOs, results show that for Brazilian CFOs "the adoption of fair value results in more value relevant accounting figures" is the best explanation for the use of fair value; however, this is the option the least chosen by European Union ("Europe 1, 2 and 3") countries. Around 55% of CFOs of the three European groups believe that fair value adoption increases volatility of earnings. In contrast, Brazilian CFOs disagree with this. Moreover, CFOs in all countries tend to agree with the fact that fair value is costly (Table 48, Panel C, row A, B, C, D and E, and Fig. 29).

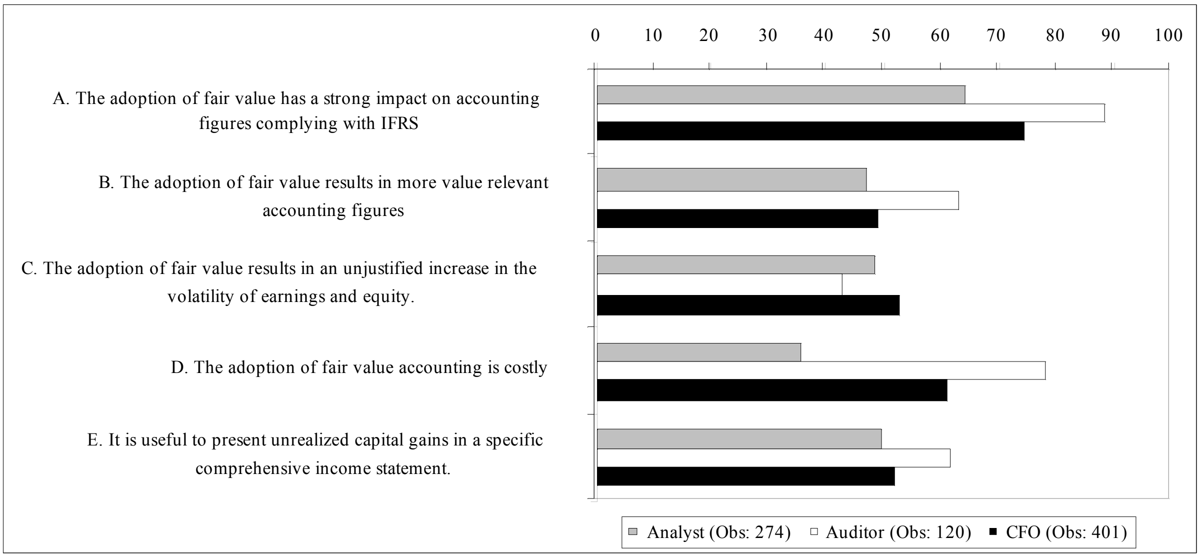

Figure 29: The implications of Fair Value

Table 48: Question 19: The implications of Fair Value accounting.

Panel A: Conditional averages by activity.

	Analyst (Obs: 274)			Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	%	%	Mean	Khi2
A. The adoption of fair value has a strong impact on accounting figures complying with IFRS	64.23	4.74	3.71	88.33	1.67	4.04	74.56	5.49	3.85	***
B. The adoption of fair value results in more value relevant accounting figures	47.08	21.90	3.25	63.33	14.17	3.57	49.13	22.44	3.26	**
C. The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.	48.54	22.99	3.36	42.50	43.33	3.03	52.87	20.95	3.44	***
D. The adoption of fair value accounting is costly	35.77	17.52	3.23	78.33	10.83	3.82	60.85	13.47	3.62	***
E. It is useful to present unrealized capital gains in a specific comprehensive income statement.	49.64	18.61	3.32	61.67	13.33	3.52	51.62	17.21	3.36	NS

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	92.86	0.00	78.95	5.26	86.67	0.00	90.91	0.00	87.50	0.00	91.67	8.33
B.	82.14	3.57	47.37	15.79	53.33	6.67	68.18	18.18	45.83	29.17	83.33	8.33
C.	10.71	71.43	57.89	26.32	60.00	20.00	50.00	40.91	54.17	37.50	33.33	50.00
D.	82.14	10.71	89.47	0.00	73.33	13.33	90.91	4.55	66.67	16.67	58.33	25.00
E.	75.00	3.57	47.37	15.79	53.33	20.00	63.64	18.18	58.33	16.67	66.67	8.33

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	**agree**	**disagree**	
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**khi2**
A.	67.44	6.98	53.33	6.67	65.38	0.00	84.33	4.48	73.50	5.98	72.50	12.50	**NA**
B.	76.74	6.98	53.33	6.67	32.69	25.00	50.75	26.87	40.17	24.79	60.00	20.00	***
C.	27.91	34.88	40.00	33.33	53.85	15.38	62.69	19.40	52.14	17.09	52.50	25.00	**
D.	62.79	16.28	46.67	13.33	65.38	9.62	66.42	14.18	51.28	12.82	67.50	15.00	**NS**
E.	51.16	20.93	60.00	13.33	53.85	11.54	52.99	19.40	45.30	15.38	60.00	20.00	**NS**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

4.5.3 Problems related to the first application of IFRS

a) Was the first application of IFRS costly?

Auditors (92.50%) and CFOS (76.06%) are strongly in agreement with the idea that IFRS adoption is costly because it requires in-depth training of the people involved in the adoption process. The lack of clarity of some standards and the IT problems, as well as the costs related to the IFRS adoption, are also ranked high by these respondents. Such problems selected by auditors and CFOs are in accordance with the problems reported by Hoogendoorn(2006) and IASB (2008). (Table 49, Panel A, row A, C and D, and Fig. 30).

For auditors and CFOs, the costs associated with the first application of IFRS are relevant. In almost all country groups, auditors and CFOs agree with this, except in "Eastern European"countries in which none of the CFOs found the adoption process costly. Our results show that auditors are more firmly convinced that this process is costly than CFOs. One example of this observation is demonstrated in item D, when auditors do not disagree with this option. The same behaviour is not observed for CFOs (Table 49, Panel B and C, row F, and Fig. 30).

Specific analyses show that Brazilian auditors agree more than others that the first application of IFRS demands information that was previously not available or that needed to be re-processed. Moreover, a significative percentage of European auditors from "Europe 1" countries disagree with the fact that the first application of IFRS led in an increase of the fees of consultants.

In general, CFOs do not consider that the overall costs related to the first adoption of IFRS is not higher than previous one. One exception is CFOs from "Eastern Europe" countries. Nobody in these countries disagree with this option. Brazilian CFOs agree more than European ones that information systems need to be reorganizd and that an in-depth training is important in this adoption process.

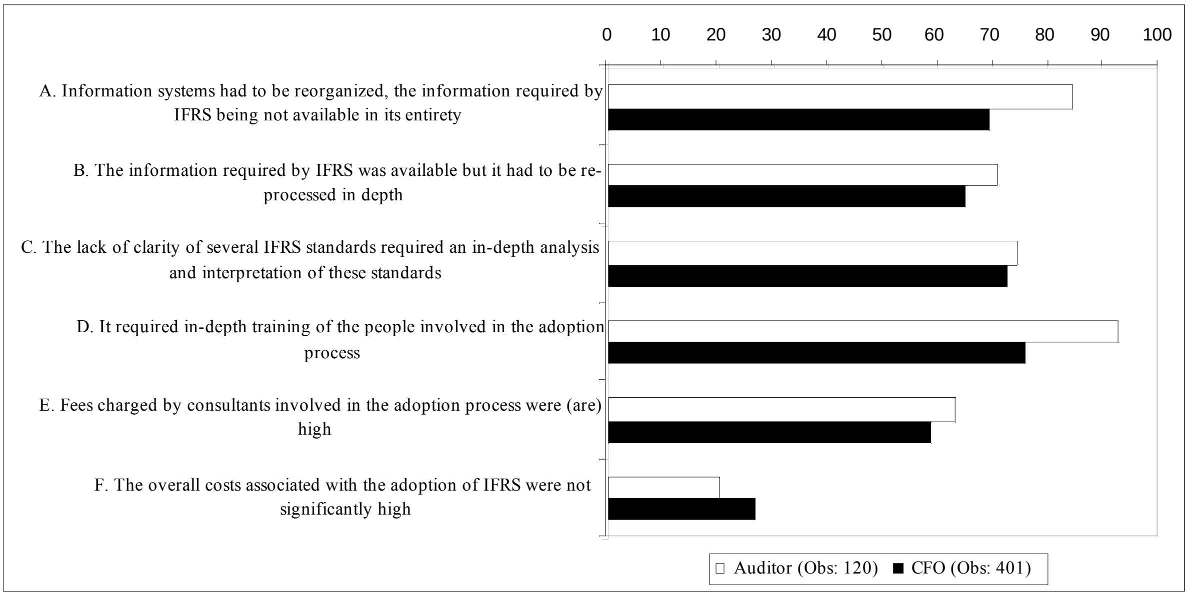

Figure 30: First application of IFRS

Table 49: Question 20: Why the first application of IFRS was costly

Panel A: Conditional averages by activity. Only Auditors and CFOs..

	Auditor (Obs: 120)			CFO (Obs: 401)			
	agree	disagree		agree	disagree		
	%	%	Mean	%	%	Mean	Khi2
A. Information systems had to be reorganized, the information required by IFRS being not available in its entirety	84.17	3.33	4.05	69.33	8.48	3.78	***
B. The information required by IFRS was available but it had to be re-processed in depth	70.83	18.33	3.56	64.59	11.72	3.62	***
C. The lack of clarity of several IFRS standards required an in-depth analysis and interpretation of these standards	74.17	10.00	3.78	72.57	7.48	3.82	NS
D. It required in-depth training of the people involved in the adoption process	92.50	0.83	4.20	76.06	6.98	3.87	***
E. Fees charged by consultants involved in the adoption process were (are) high	63.33	14.17	3.58	58.85	12.22	3.64	NS
F. The overall costs associated with the adoption of IFRS were not significantly high	20.00	59.17	2.56	26.93	46.63	2.74	**

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Panel B: Responses of auditors conditional on countries group.

	Brazil (Obs: 28)		Eastern Europe (Obs: 19)		Europe 1 (Obs: 15)		Europe 2 (Obs: 22)		Europe 3 (Obs: 24)		Others (Obs: 12)	
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	disagree
	%	%	%	%	%	%	%	%	%	%	%	%
A.	92.86	0.00	73.68	0.00	66.67	13.33	86.36	9.09	95.83	0.00	75.00	0.00
B.	71.43	21.43	68.42	10.53	53.33	26.67	95.45	4.55	58.33	33.33	75.00	8.33
C.	71.43	17.86	68.42	0.00	73.33	20.00	72.73	9.09	79.17	8.33	83.33	0.00
D.	96.43	0.00	89.47	0.00	73.33	6.67	95.45	0.00	95.83	0.00	100.00	0.00
E.	64.29	17.86	57.89	5.26	53.33	33.33	68.18	9.09	70.83	12.50	58.33	8.33
F.	25.00	67.86	10.53	47.37	26.67	60.00	22.73	63.64	20.83	58.33	8.33	50.00

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

Panel C: Responses of CFOs conditional on countries group.

	Brazil (Obs: 43)		Eastern Europe (Obs: 15)		Europe 1 (Obs: 52)		Europe 2 (Obs: 134)		Europe 3 (Obs: 117)		Others (Obs: 40)		
	agree	disagree	agree	disagree	agree	disagree	agree	disagree	agree	Disagree	agree	disagree	
	%	%	%	%	%	%	%	%	%	%	%	%	khi2
A.	79.07	9.30	73.33	0.00	71.15	5.77	71.64	10.45	60.68	8.55	72.50	7.50	**NA**
B.	69.77	13.95	66.67	0.00	59.62	17.31	72.39	8.96	59.83	11.11	52.50	17.50	**NS**
C.	76.74	9.30	53.33	6.67	73.08	5.77	77.61	6.72	65.81	9.40	77.50	5.00	**NA**
D.	93.02	0.00	60.00	13.33	82.69	5.77	71.64	9.70	72.65	8.55	80.00	0.00	**NA**
E.	67.44	9.30	33.33	20.00	65.38	7.69	57.46	17.91	54.70	11.11	67.50	2.50	*
F.	27.91	55.81	46.67	0.00	21.15	59.62	35.07	45.52	21.37	44.44	15.00	47.50	***

The “agree” column gives the percentage of strongly agree and agree answers for this question. The “disagree” column gives the percentage of strongly disagree and disagree answers for this question. The NA – not applicable; NS – not significant; Khi2 test ***, **, *: 1%, 5%, and 10% of level of significant respectively by activity.

Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

b) Analysis of the first financial statements complying with IFRS

In this question we observe that the percentage of analysts that believe in an increase or a decrease in the time for processing accounting information is not so relevant. In general, almost 40% of respondents think that the adoption of IFRS does not impact the time spent to understand accounting data or financial statements. On the other hand, analysts are convinced that financial statements under IFRS do not diminish the relevance of their forecasts (Table 50, Figure 31). The results suggest that almost 50% of respondents have not perceived a change in forecasts' accuracy.

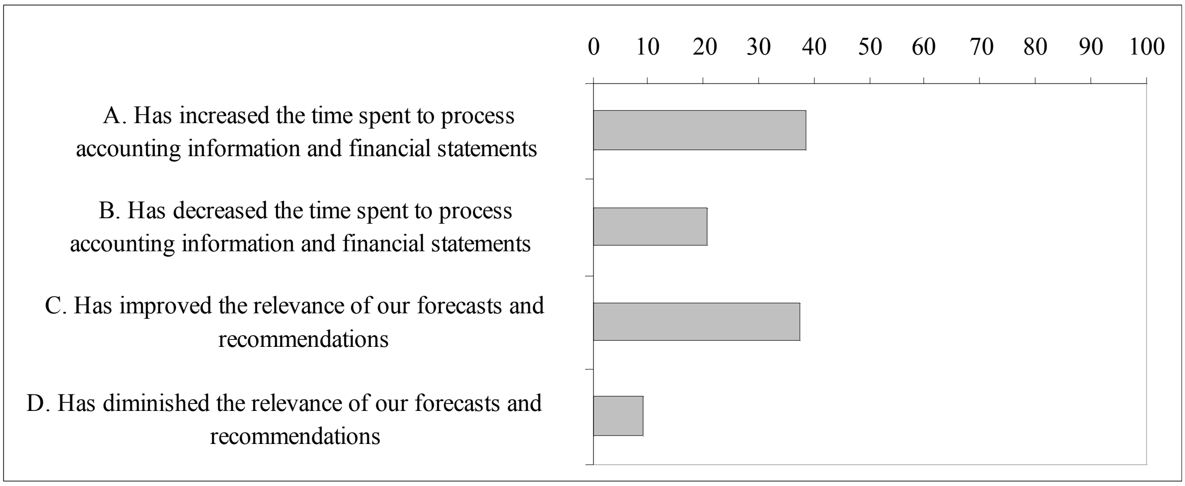

Figure 31: Analysis of the first financial statements complying with IFRS

Table 50: Question 20: Analysis of the first financial statements complying with IFRS

	Analyst (Obs: 274)		
	agree	**disagree**	
	%	**%**	**Mean**
A. Has increased the time spent to process accounting information and financial statements	38.69	21.17	3.27
B. Has decreased the time spent to process accounting information and financial statements	20.80	38.69	2.73
C. Has improved the relevance of our forecasts and recommendations	37.23	16.42	3.21
D. Has diminished the relevance of our forecasts and recommendations	9.12	52.92	2.51

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

c) Switching to IFRS ..

In this question we can perceive that the lack of special training in understanding IFRS statements is a problem for analysts (49.27%). However, this is still a bigger problem for auditors and CFOs (see questions 17 and 20, and Table 51, Figure 32).

In question 17, analysts strongly agree that accounting figures under IFRS are more easily comparable. However, this increase in comparability was not detected if the previous financial statements were not in IFRS. Indeed, the different accounting methods and hypotheses complicate the analysts' job. Almost 50% of them believe that this adoption requires specific training. Finally, about 60% of analysts think that accounting data under IFRS differ from the ones in the previous statements, making more difficult the comparability between accounting figures.

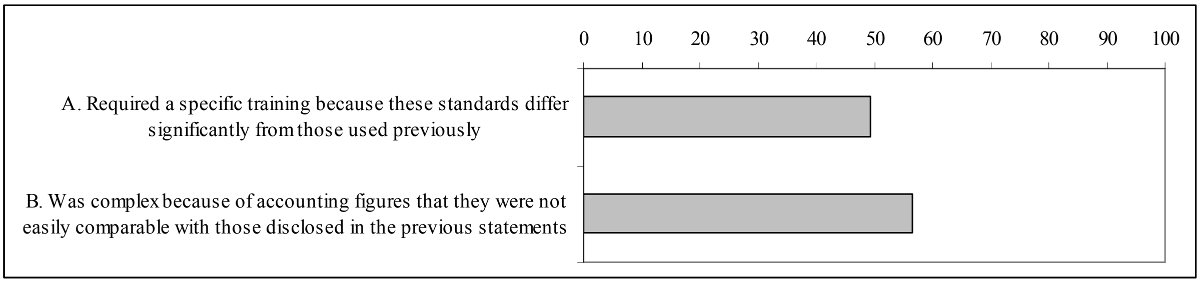

Figure 32: Switching to IFRS

Table 51: Question 21: Switching to IFRS ..

Panel A: Frequencies by activity analysts..

	Analyst (Obs: 274)		
	agree	**disagree**	
	%	**%**	**Mean**
A. Required a specific training because these standards differ significantly from those used previously	49.27	16.42	3.41
B. Was complex because of accounting figures that they were not easily comparable with those disclosed in the previous statements	56.57	14.96	3.53

The "agree" column gives the percentage of strongly agree and agree answers for this question. The "disagree" column gives the percentage of strongly disagree and disagree answers for this question. Khi2 test was calculated however the result was NA – not applicable.

4.6 Conclusions from the Descriptive Analyses

The major contributions of these univariate analyses can be considered by focusing on global results, differences between activities and differences between countries.

Our respondents consider that the main users of accounting information are analysts, although the main price-setters are institutional investors. For Europen countries employees are the less important users of accounting information. Furthermore, disclosure of mandatory and voluntary information to users of accounting information minimizes information asymmetry and provides all market participants with equal access to accounting information. CFOs and auditors agree more than analysts with the reasons/benefits to disclose additional information voluntarily. Moreover investors favor access to accounting information through the internet. European respondents also appreciate press releases and Brazilian respondents appreciate direct meetings with firm management.

Our respondents agree that the prefered performance measure is cash flows and the most important benchmarks are analyst forecasts and changes in main competitors' earnings. We observe that Brazilian respondents also use pro forma earnings as a measure of performance, more than other respondents. For Brazilian auditors, consensus in analysts forecast is the preferred benchmark. Analysts agree with this opinion. However, CFOs prefer previous EPS and auditors favor changes in earnings of main competitors. Meeting earnings benchmark increases management credibility and avoids uncertainity about future prospects. European respondents believe more than others that missing earnings benchmark increases the possibility of lawsuits.

In general, conservative accounting is seen as a proof of quality and the use of fair value and principle based accounting standards are seen to reflect business event and predict future performance consistently. CFOs agree more than auditors with these views. Respondents tend to consider that earnings are managed by changing accounting hypotheses, and that smoothed earnings are preferred because they reflect less risky business. In general, European respondents believe that earnings management is useless, although CFOs agree that influences in real activities are the most common way to manage earnings. Brazilian respondents consider earnings management as useful. They think that earnings are managed specially by changing accounting hypotheses.

Finally, IFRS adoption is viewed as bringing more comparability and information to accounting figures. European CFOs agree that the greatest benefit from IFRS adoption is the increase in available information and in the quality and relevance of the information. For Brazilian CFOs, higher comparability and improved monitoring by external users are the main contributions of IFRS adoption. Furthermore, the first adoption of IFRS was not seen as a minor task by most respondents. Information systems must be adapted and the people involved in the adoption must be trained. Moreover, the fair value approach was considered as costly and with strong impacts on accounting data. European respondents tend to agree more than Brazilian ones with the positive impact of fair value on earnings volatility.

5 MULTIVARIATE DATA ANALYSES

5.1 Multiple Correspondence Analysis

The method chosen in this study is MCA (Multiply Correspondence Analyses). According to Greenacre and Blasius (1994), MCA is conceptually similar to principal component analysis, but it applies to categorical data instead of continuous data. We use MCA by means of alternating least squares, which is a generalization of correspondence analysis[65] for cross tabulation of two variables to the cross tabulation of more than two variables. The method relies on the measurement of variables according to defined categories and their relative frequencies for each category. This method is an exploratory tool that takes advantage of the relationship between the variables under study to determine the proximity between the categories without requiring assumptions on the variable distributions or on the homogeneity of error. Especially suitable for the analyses of a multiway table of two variables, MCA can be extended to the analysis of tables with more than two variables with complex associations. As MCA performs an analysis of integer variables, our variables (all items of our questionnaire) were labeled by assuming the following values: 1, 2, 3, 4, 5 and 6 (at maximum)[66].

According to Hair *et al*. (2005), MCA takes into account the relative frequency of individuals in each pre-defined category. These frequencies determine a correspondence matrix with column vectors corresponding to variables and row vectors called centroids, corresponding to the weighted average frequencies for each variable. The correspondence matrix allows the direct representation of the respondents as points, forming a cloud of points distributed in a unique space, establishing thus the proximity of the variable categories. As explained by Hair *et al*. (2005), the associations between variables are uncovered by calculating chi-square distances between the different categories of variables and between the respondents. The criterion of comparison between any two categories j and k is thus given by distance metric dissimilarity

[65] Correspondence analysis is a descriptive technique for the graphical analysis of observations in a series of categorical variables. It aims to facilitate the interpretation of relations between the variables involved in a given study. The correspondence analysis analyzes a two-way contingency table.

[66] Variables 1 to 5 and suplementary variables activity (CFO, auditor and analyst) 1 to 3 and location (Brazil, Europe 1, Europe 2, Europe 3, Eastern Europe and Others) 1 to 6.

$D2_{j,\,k} = n\ [(n_j - n_{j,\,k} / n_{j,\,k}) + (n_k - n_{j,\,k} / n_j n_k)]$

where $n_{j,\,k}$ is the raw frequency of individuals in both category j and category k, n_j is the raw frequency of individuals who experienced the category j, n_k is the raw frequency of individuals reported in category k. The associations between categories and individuals are represented graphically by using maps in order to make easier the interpretation of the structures in the data. This interpretation refers to the fact that two categories of one variable, necessarily mutually exclusive, are separated in space. Oppositions between rows and columns are maximized to uncover the underlying dimensions that describe the best central position in the data. Two categories that are infrequent are separated from all others and categories that are common to the group of individuals are necessarily forthcoming. As in principal component analysis, the first axis denotes the most important dimension, the second axis denotes the second most important one, and so on.

In short, the MCA method is a categorical measurement of numerical data, relating these categorical data to linear combinations of original variables. The main goal of correspondence analysis is to reduce a set of information into a graphical representation in two axes, by establishing relationships between groups of variables and allowing a simplified representation of simultaneous relations. The coordinates indicate the degree of significance of each category in each dimension. The coordinates of each category are displayed on each dimension in a chart, allowing the identification of interrelationships between categories, from the chi-square distance between them. According to Greenacre and Blasius (1994) this method is useful for analyzing simultaneously a population of "n" individuals (analysts, auditors and CFOs) described by nominal variables "j" (attributes - items) or categories associated with these variables, reducing the dimensionality of the system in an attempt to simplify the representation of the universe under study.

According to Hair *et al*. (2005), the analysis of multiple correspondence analysis encompasses the following aspects: 1) it facilitates the construction of typologies of individuals through a comparison of all units of observation through the categories of the observed characteristics, 2) it clarifies the relationship between the observed characteristics, 3) it summarizes the set of quantitative variables observed a small number of qualitative variables related to the set of variables studied and 4) it allows us to understand the relationship between the categories of observed characteristics.

As mentioned earlier, the first step of the MCA method is to categorize the variables under study, or recode them into a new dimensional scale. To this end, each variable (sub items in the questionnaire) was recoded to reduce the coding scale[67]. The recoding scheme is describe in the following Table 52:

Table 52: Recoding schemes

	Initial codes	**New codes**
Panel A		
	Strongly Agree + Agree	3
	Indifferent	2
	Strongly Disagree + Disagree	1
Panel B	Strongly Agree	3
	Agree	2
	Others (Indifferent + Disagree+ Strongly Disagree)	1
Panel C	Others (Strongly Agree + Agree + Indifferent)	3
	Disagree	2
	Strongly Disagree	1

5.2 Empirical Results and Inferences

The overall goal is to determine whether there are similarities (or significant differences) between respondents depending on their activity (CFOs, analysts and auditors) or country. To determine similarities/differences between respondents, we run a MCA, non-parametric factor analysis. As any factor analysis, MCA aims to reduce all the variables (questions and items) under study in a smaller set of dimensions. It also aims to determine how respondents are correlated the dimensions depending on their activity or country.

This section summarizes the results obtained from our questionnaire survey. We associate our descriptive statistical results with the findings in Multiply Correspondence Analysis (MCA). Through MCA it is possible to identify groups according to the degree of closeness between

[67] In the questionnaire each question has five possible response categories: Strongly Agree, Agree, Indiferent, Disagree and Strongly Disagree.

the categories of variables in the questionnaire.

In the survey, we collected sufficient information to partition our sample in various ways. The partitioning reveals significant differences between respondents' categories (activities) or countries. The three steps of MCA are:

a) Determine the number of dimensions to take into consideration to capture the variables (questions and items) under study;

b) Analyze each factor to label the dimension that it represents;

c) Plot respondents by country groups (Brazil, Europe 1, Europe 2, Europe 3, Easter Europe, Others) and/or activity types (CFOs, analyst or auditor) on the selected dimension[68] to identify similarities and differences.

We use the default method of MCA (suggested in the manual of Stata, 2007), which is a CA (Correspondence Analysis) of the Burt matrix[69] for the data, followed by simple scale adjustments. We choose the principal normalization[70], which scales the coordinates by the principal inertias.

Table 53 presents the principal inertias (*eigenvalues)* for the first four axes. Observing the percentage of contribution of each axis and the screen plot leads us to select the first four axes only. They explain at least 66.88% of the total inertia[71].

[68] Dimensions = factors = axes extracted. The default is 2 dimensions. The number of dimensions is no larger than the number of categories' in the active (items) variables (regular and crossed) minus the number of active variables, and it can be less. It not considers supplementary variables.
[69] The Burt method performs a correspondance analysis of the Burt matrix, a matrix of the two-way corss tabulations of all pairs of variables.
[70] Normalize (principal) specifies that coordinates are returned in standard normalization. Principal coordinates are standard coordinates multiplied by the square root of the corresponding principal inertias.
[71] Inertia is the contribution of individual dimenstion. The percentages of inertia accounting for the dimensions are in decrising order as indicate by the singular values. The first dimension accounts for the most inertia, followed by the second dimension, etc.

Table 53: Inertia values for total variables.

Dimension	principal inertia	percent	cumul percent
dim 1	.0083842	30.69	30.69
dim 2	.0052234	19.12	49.81
dim 3	.0025593	9.37	59.18
dim 4	.0021027	7.70	66.88
dim 5	.0010089	3.69	70.57
dim 6	.0007584	2.78	73.34
dim 7	.0004689	1.72	75.06
dim 8	.0003468	1.27	76.33
dim 9	.0002408	0.88	77.21
dim 10	.0002076	0.76	77.97

Table 53 displays decomposition of almost total inertia into orthogonal dimensions. The first dimension accounts for 30.69% of the inertia, the second one for 19.12%. Since the dimensions are orthogonal, we may add the contributions of the two dimensions and say that the two leading dimensions account for 49.81% of the total inertia. The variables (items) are plotted on the scatter graph below (Figure 33).

This graph contains all variables (items in the questionnaire). As explained before (Table 52), each variable has (on average) three possible values: Strongly Agree + Agree (value = 3); Indifferent (value = 2) and Strongly Disagree + Disagree (value = 1). Some variables presented another division: Strongly Agree (value = 3); Agree (value = 2) and Others (value = 1; Indifferent + Disagree+ Strongly Disagree) or Strongly Disagree (value = 1); Disagree (value = 2) and Others (value = 3; Indifferent + Agree+ Strongly Agree). Observing the graph, we immediately notice a global tendency in behavior: “Strongly agree” (left), “Indifferent” (bottom right), “Others “(top right) and “Strongly disagree” (top).

The analysis of the contribution score of the items that are important[72] to dimension one shows that for the first dimension (horizontal, axis of Figure 33), the following items present relevant contribution for the explanation of the axis (see Table 54).

[72] Important questions contribute more than other questions for the explanations of the axe.

Table 54: Question and items that contribute to the first dimension.

Question	Item	Value	Description of question or item
8			*The most relevant benchmarks for earnings are*
	D	strongly agree	change in earnings of main competitors
9			*Companies try to meet earnings benchmarks*
	A	strongly agree	To build credibility with market participants
	D	strongly agree	To achieve or preserve a desired credit rating
	E	strongly agree	To maintain or increase stock prices
	F	strongly agree	To maintain or increase dividends
	G	strongly agree	To maintain the external reputation of the management team
	H	strongly agree	To convey future growth prospects to investors
	J	strongly agree	To assure customers and suppliers that business is stable
10			*Missing an earnings benchmark hurts because*
	A	strongly agree	Investors might think the firm has previously un-disclosed problems
	E	strongly agree	It leads to increased scrutiny of all aspects of earnings releases
	F	strongly agree	It creates uncertainty about future prospects
13			*A smoothed earnings path is preferred because it*
	A	strongly agree	Is perceived as less risky by investors
	G	strongly agree	Makes it easier for analysts/investors to predict future earnings

The analysis of the questions that contribute most to the definition of this dimension (Table 54) reveals that the items from question 10 are those related to legal aspects. The others items are those related to risk perception by stakeholders. They define the behavior of respondents placed on the right hand side of the graph. Both "legal aspects" and "less risk perception" define the disciplinary role of accounting information. We label this first dimension the "disciplinary role of accounting".

Therefore, on the right hand side (positive side of the axis) we have respondents and countries that place a strong disciplinary role in accounting information ("Brazil" and "Others" country groups[73] and auditor activity). On the left hand side (negative side of the axe) we have respondents and countries that ascribe a weak disciplinary role to accounting data (all European countries, CFO and analyst activities).

[73] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

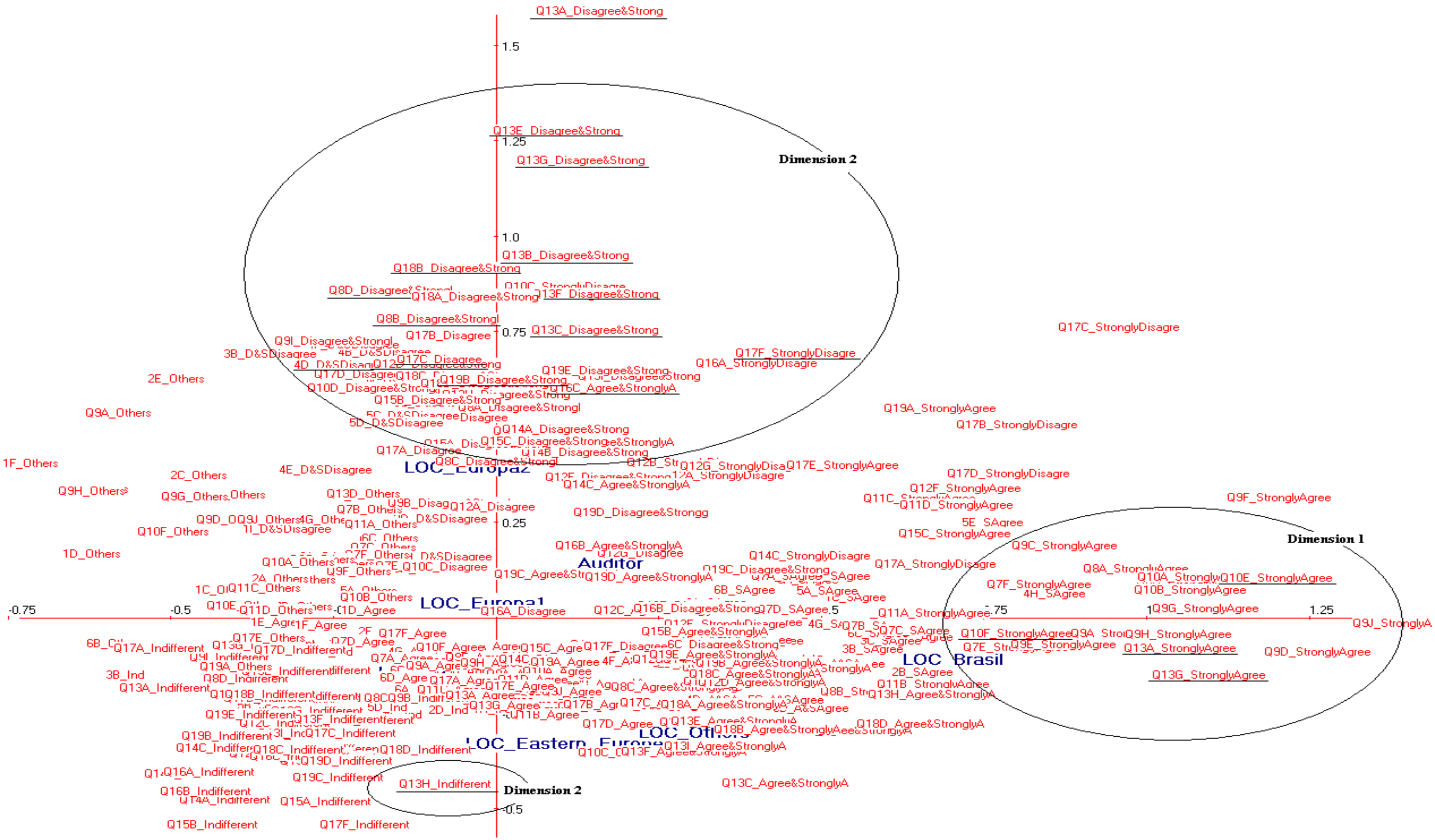

Figure 33: Scatter graph for total variables (axes 1 and 2).

The following items (Table 55) are those that characterize the second axis,.

Table 55: Question and items that contribute to the second dimension.

Question	Item	Value	Description of question or item
3			*Accounting disclosures must be regulated because*
	A	strongly disagree + disagree	Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis
4			*The reasons for communicating voluntary information that is not required by accounting standards are*
	D	strongly disagree + disagree	To increase overall stock liquidity
5			*The motives to limit voluntary disclosure of financial information not required by accounting standards are*
	B	strongly disagree + disagree	To avoid attracting unwanted scrutiny by regulators
8			*The most relevant benchmarks for earnings are*
	B	strongly disagree + disagree	Analyst consensus forecast of EPS for current year
	D	strongly disagree + disagree	Change in earnings of main competitors
10			*Missing an earnings benchmark hurts because*
	C	strongly disagree	It increases the possibility of lawsuits
11			*When applied to earnings, "quality" means*
	B	strongly disagree + disagree	Ability to consistently reproduce similar results over time
12			*The quality of earnings increases with*
	D	strongly disagree + disagree	The use of fair value (instead of historical costs)
13			*A smoothed earnings path is preferred because it*
	A	strongly disagree + disagree	Is perceived as less risky by investors
	B	strongly disagree + disagree	Reduces the return required by investors (i.e., smaller risk premium)
	C	strongly disagree + disagree	Conveys higher future growth prospects
	E	strongly disagree + disagree	Achieves or preserves a desired credit rating
	F	strongly disagree + disagree	Promotes a reputation for transparent and accurate reporting
	G	strongly disagree + disagree	Makes it easier for analysts/investors to predict future earnings
	H	strongly disagree + disagree and indifferent	Increases bonus payments
	I	strongly disagree + disagree	Clarifies true economic performance
16			*Managing earnings is*
	C	strongly agree + agree	Useless because smoothed earnings are not preferable.
17			*The adoption of IFRS results in*
	C	Disagree	More timely loss recognition
	F	strongly disagree +	Financial statements that are difficult to understand by most users

		strongly agree	
18			*The adoption of IFRS leads to*
	A	strongly disagree + disagree	More efficient monitoring of the company by shareholders and therefore better shareholder protection
	B	strongly disagree + disagree	More efficient monitoring of the company by creditors and therefore better creditor protection
	C	strongly disagree + disagree	A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
	D	strongly disagree + disagree	A decrease in the firm's cost of capital
19			*About Fair Value accounting you can say*
	B	strongly disagree + disagree	The adoption of fair value results in more value relevant accounting figures

These items contribute the most to the definition of the second dimension (vertical axis of Figure 33). We define this dimension considering that respondents placed in the top of the graph do not believe a) that managers favor major investors more strongly than small ones, b) that voluntary information increases stock liquidity, c) that earnings smoothing is a good signal to stakeholders, d) that the adoption of IFRS is difficult, e) that IFRS increase the value relevance of accounting data, f) that IFRS promote better monitoring of firms by shareholders and creditors. In summary, these respondents believe that accounting users are sophisticated, that they know the accounting culture, principles and tools. Therefore, we label this dimension "Belief in accounting users sophistication". At the top (positive part of the axis) we have respondents and countries that have a strong belief in accounting users' sophistication, such as CFOs and auditors, and "Europe 1" and "Europe 2"[74] country groups. At the bottom (negative part of the axe) we have respondents (analysts) and countries ("Brazil", "Eastern Europe", "Europe 3" and "Others") that have a weak belief in accounting users' sophistication (Figure 33).

The next graph (Figure 34) is the same as the previous one (Figure 33). The only difference is that we plotted on the scatter graph only supplementary variables[75] (activity "analyst, auditor and CFO" and locality "Brazil, Europe 1, Europe 2, Europe 3, Eastern Europe and Others") to

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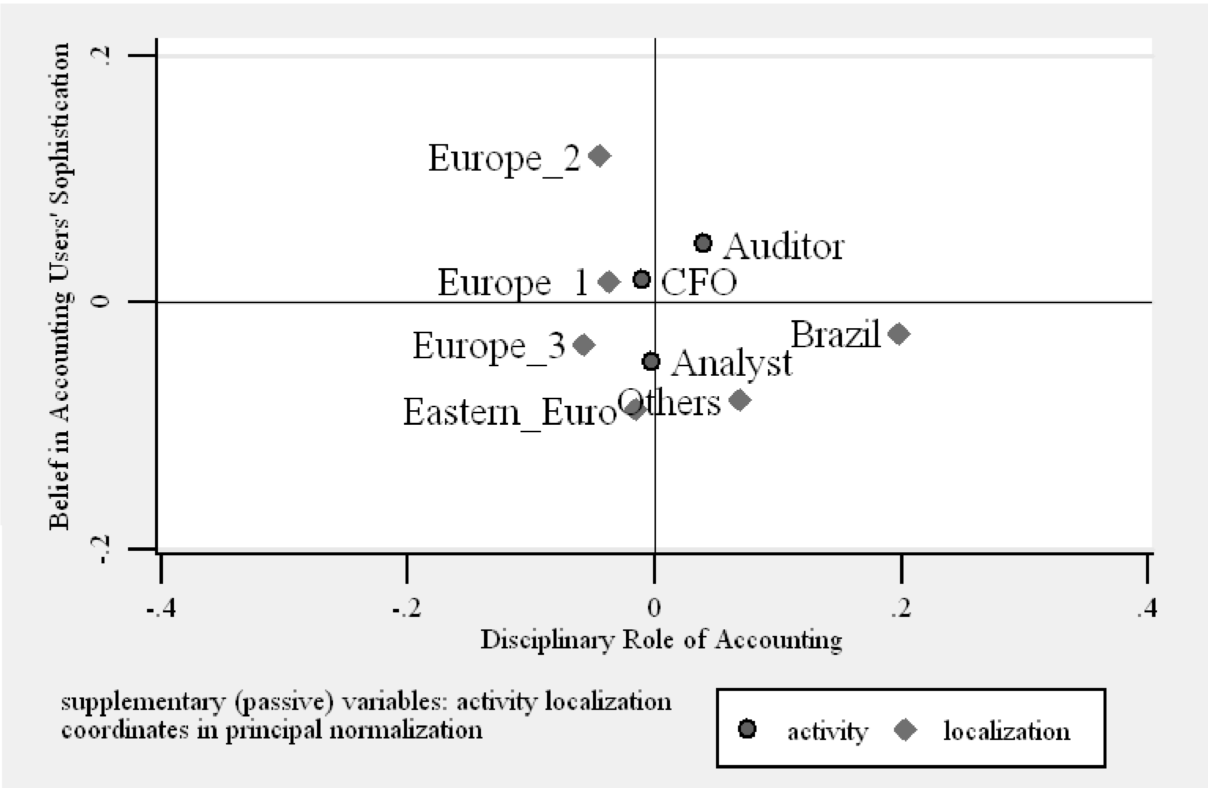
[74] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

[75] Supplementary variables do not affect the MCA results. They represent the group of respondents that presented some behavior in the graph.

provide a clear view of the positions of our respondents, by type and by country. Respondents from European countries exhibit fairly weak belief in the disciplinary role of accounting. In contrast, respondents from "Brazil" do believe in this disciplinary role. Auditors, analysts and CFOs share the same moderate view on the disciplinary dimension of accounting information. Regarding the belief in users' sophistication, we see that analysts are somewhat neutral, while auditors tend to believe in users' sophistication.

Respondents from "Europe 2" countries[76] exhibit strong belief in accounting users' sophistication, while respondents from "Eastern Europe" countries are those who believe the least in such sophistication. Respondents from "Brazil" and from "Europe 1" and "Europe 3" countries share ambivalent views.

Figure 34: Activity and Locality for all questions.



[76] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

Table 56: Comparative between activity and countries or dimension 1 and 2.

Activity or Country Group	*Disciplinary role of accounting*	*Belief in accounting users sophistication*
CFO	Not significant	+
Analyst	Not significant	-
Auditor	+	+
Brazil	+	Not significant
Europe 1	Not significant	Not significant
Europe 2	-	+
Europe 3	-	-
Eastern Europe	Not significant	-
Others	+	-

Using the concepts founded in our analysis we can say that auditors are more adherent to the first dimension "disciplinary role of accounting" and believe that users of accounting information are more sophisticated (they can see through earnings, second dimension) than others. Analysts and CFOs (Table 56) do not have statistical significance for the dimension "disciplinary role of accounting". However they are significant for dimension two. They present a divergent behavior in relation to the belief in accounting users' sophistication. Financial directors believe that accounting information users are sophisticated, they can see through accounting numbers. Analysts tend to think that users are not sophisticated.

In a second stage, we analyze the groups of countries[77] in relation to their significance with dimension 1 and 2. We notice that respondents from European countries largely share their attitude towards the disciplinary role of accounting, but they do not have the same positions in relation to users' sophistication. We observe that respondents in "Europe 2" countries have opposite idea from those of "Eastern Europe", suggesting that respondents in Europe 2 countries strongly see users of accounting information as refined. Respondents from ex-communist countries think that users cannot see through accounting figures. This result also suggests that "Eastern Europe" users are more encouraging to smoothed earnings. With these two dimensions we can observe that respondents from "Europe 2" and “Europe 3" have less

[77] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

belief in the disciplinary role of accounting than those from the "Others" group. We also see that respondents from "Brazil" have a strong “legal” perspective. For this analysis, respondents from "Eastern Europe" and "Europe 1" countries do not exhibit significant behavior. On the other hand, we observe that for "Europe 2" respondents, users of accounting information are sophisticated, which is not so true for the other groups of countries. With respect to this second dimension "Brazil" and "Europe 1" are not statistically significant.

Next, we replicate the same analysis with the next two dimensions (three “Need of wide diffusion of accounting information” and four “Usefulness of IFRS”, see Figure 35). In this analyze we observe strong differences between respondents by countries and by activities. The analysis of the contribution scores of the questions that are important to dimensions three and four shows that the following questions contribute the most to the third dimension (horizontal axis of Figure 35).

Table 57: Question and items that contribute to the third dimension.

Question	Item	Value	Description of question or item
6			*Financial information should be disclosed using*
	A	Agree	Press releases (for newspapers, television and magazines)
	B	Agree	Internet (company’s website)
9			*Companies try to meet earnings benchmarks*
	F	Agree	To maintain or increase dividends
12			*The quality of earnings increases with*
	A	Disagree	The number of methods allowed to recognize one event
	E	Disagree	The use of historical costs (instead of fair value)
	G	Disagree	Rules-based (instead of principles-based) accounting standards

Table 57 shows that the 3rd dimension is related to the need of updated accounting information that reflects the firm position. Indeed, principle based accounting standards and fair value accounting are expected to result in more relevant data than rule based standards and historical costs. Therefore, we label this dimension "Need of wide diffusion of accounting information". On the right hand side (positive side of the horizontal axis of Figure 35) we have respondents (analyst) and countries[78] ("Europe 1", "Europe 3", "Eastern Europe" and "Others") that have a strong need of easily available of accounting information. On the left hand side (negative side of the axe) we have respondents (CFOs and auditors) and countries ("Brazil", "Europe 2") that think that accounting data availability is not a major issue.

[78] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

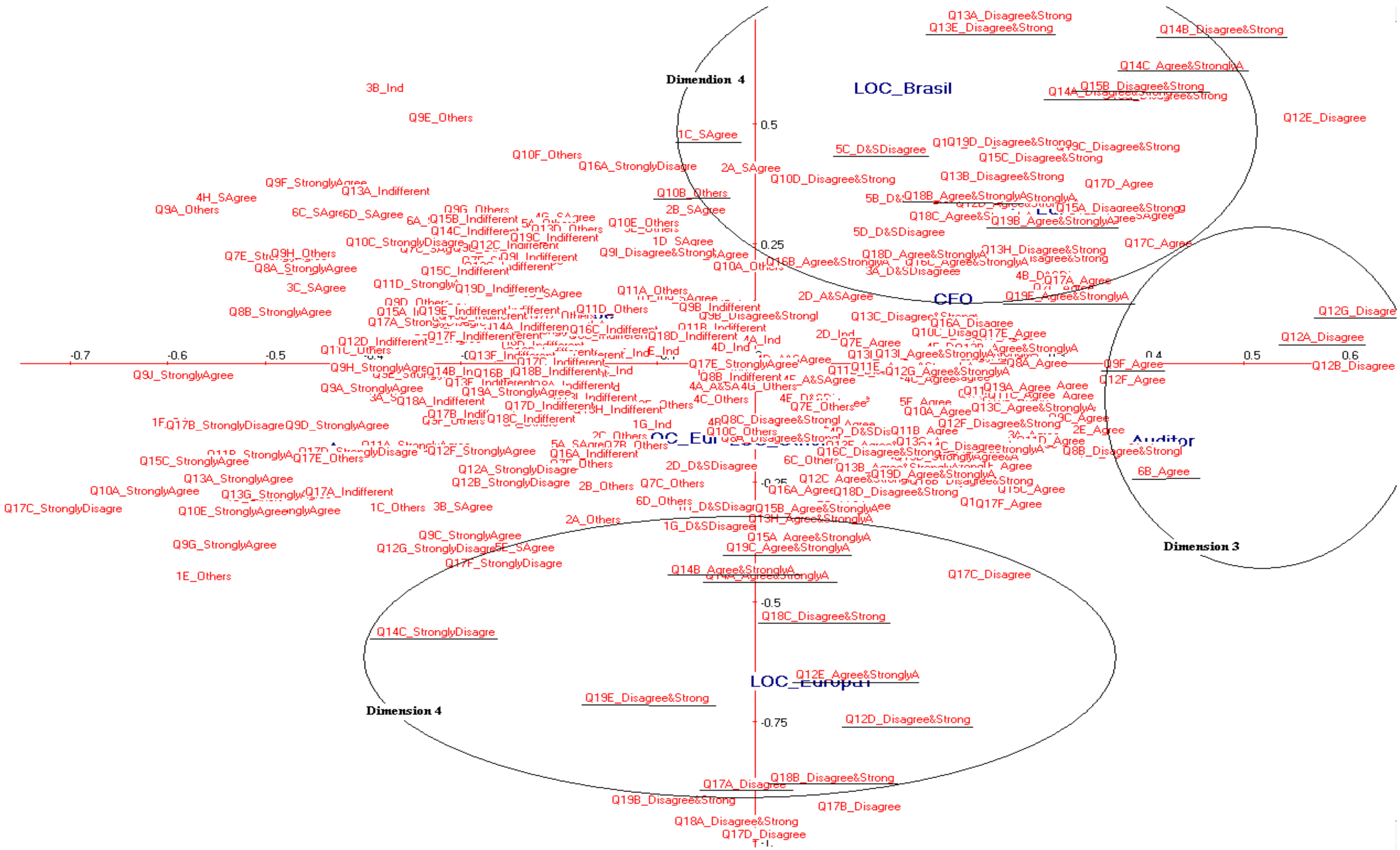


Figure 35: Scatter graph for total variables (axes 3 and 4).

The following items (Table 58) are relevant to characterize the fourth axis.

Table 58: Question and items that contribute to the fourth dimension.

Question	Item	Value	Description of question or item
1			*Market participants mentioned below use accounting information intensively*
	C	strongly agree	Shareholders
5			*The motives to limit voluntary disclosure of financial information not required by accounting standards are*
	C	strongly disagree + disagree	To avoid attracting unwanted scrutiny by stockholders and bondholders
10			*Missing an earnings benchmark hurts because*
	B	Others (indifferent + strongly disagree + disagree)	A lot of time must be spent to explain why benchmarks are missed
12			*The quality of earnings increases with*
	D	strongly disagree + disagree and strongly agree + agree	The use of fair value (instead of historical costs)
	E	disagree and strongly agree + agree	The use of historical costs (instead of fair value)
13			*A smoothed earnings path is preferred because it*
	E	strongly disagree + disagree	Achieves or preserves a desired credit rating
14			*Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules*
	A	strongly disagree + disagree and strongly agree + agree	In light of this, companies manage accounting figures continuously to get a smoothed pattern of earnings
	B	strongly disagree + disagree and strongly agree + agree	In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.
	C	strongly disagree and strongly agree + agree	This is a pure theoretical assumption. In real life, accounting figures are never managed.
15			*Earnings are managed by*
	B	strongly disagree + disagree	Changing accounting hypotheses, related to depreciations, provisions, discount rates.
17			*The adoption of IFRS results in*
	A	disagree	More easily comparable accounting figures
	B	disagree	More value relevant accounting figures
	D	disagree and agree	Figures of higher quality
	F	Disagree	Financial statements that are difficult to understand by most users
18			*The adoption of IFRS leads to*
	A	Strongly disagree + disagree and Strongly agree + agree	More efficient monitoring of the company by shareholders and therefore better shareholder protection
	B	strongly disagree + disagree and Strongly agree + agree	More efficient monitoring of the company by creditors and therefore better creditor protection

	C	strongly disagree + disagree	A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
19			*About Fair Value accounting you can say*
	B	Strongly disagree + disagree	The adoption of fair value results in more value relevant accounting figures
	C	strongly disagree + strongly agree and Strongly agree + agree	The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.
	E	strongly disagree + disagree and Strongly agree + agree	It is useful to present unrealized capital gains in a specific comprehensive income statement.

Table 58 shows that this dimension is characterized by respondents who agree with the usefulness of accounting information to market participants, the importance of the fair value approach to transmit relevant accounting information, the benefits of IFRS adoption, and the ability of accounting users for understanding financial reports under IFRS. Therefore, we label this dimension "Usefulness of IFRS". At the top (positive part of the vertical axis of Figure 35) we have respondents (CFOs) and countries[79] (“Brazil”, “Europe 2” and “Eastern Europe”) that have a strong belief in the usefulness of IFRS. At the bottom (negative part of the axis) we have respondents (auditors and analysts) and countries (“Europe 1”, “Europe 3” and “Others”) that have a weak belief in the usefulness of IFRS.

The next graph (Figure 36) shows the activity of our respondents influences their view of the role of accounting information. Moreover, when we observe the groups of countries, we find no homogeneity between European countries, contrary to what was found before.

[79] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

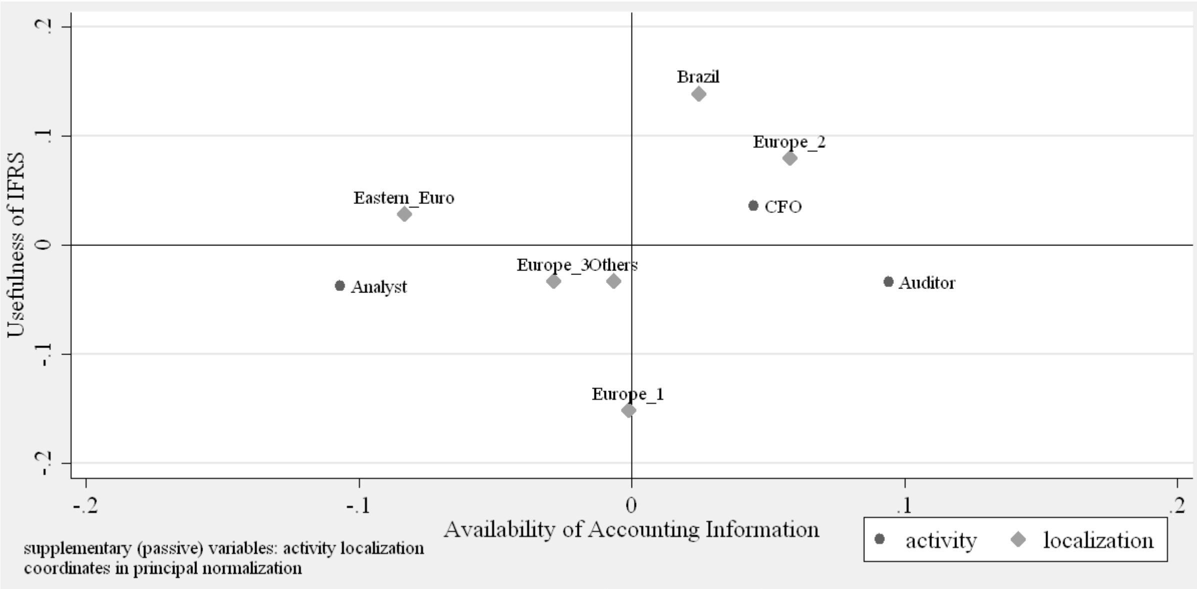


Figure 36: Activity and Locality for all questions.

Table 59: Comparative between activity and countries or dimension 3 and 4.

Activity or Country Group	*Need of wide diffusion of accounting information*	*Usefulness of IFRS*
CFO	+	+
Analyst	-	-
Auditor	+	-
Brazil	Not significant	+
Europe 1	Not significant	-
Europe 2	+	+
Europe 3	-	-
Eastern Europe	-	+
Others	Not significant	-

We observe (Table 59) that auditors and CFOs have greater need of wide diffusion of accounting information than analysts. This result is in accordance with the fact that analysts appreciate direct contact with firms to obtain information. Auditors are afraid of litigations costs, so they favor large diffusion of information to avoid future problems. CFOs prefer larger diffusion to reduce the information risk, but this diffusion must be sustainable in the future. For the other side of the axis, auditors and analysts do not share the same view as CFOs in relation to the usefulness of IFRS and fair value accounting. Auditors and analysts are opposed to this dual idea, CFOs are favorable.

For the groups of countries[80], the graph suggests that respondents of "Europe 1" and those of "Brazil" have opposite views. Respondents from "Brazil" agree with, and respondents from "Europe 1" and "Others" disagree with the usefulness of IFRS and with the relevance of fair value accounting. This result is in accordance with the role and the historical perspective of the stock markets in these countries. Market participants in "Europe 1" and "Others" do not see the interest of mandatory adoption of IFRS because they believe that their national accounting rules were at least as as good as IFRS from a capital market perspective. Another interesting result is related to Brazilian participants. They represent a less developed market and they start discovering IFRS. These respondents present completely different behavior from those of European countries with more developed capital markets and that are more experienced in the use of IFRS.

Espondents of "Europe 3" and "Europe 2" country groups present opposite views regarding the usefulness if IFRS. While "Europe 2" countries believe in the usefulness of IFRS and in the need of wide diffusion of accounting information, "Europe 3" countries do not. Here we need to observe that these two groups of countries have different historical sources of financing. "Europe 3" countries have strong relation with banks. The same is not true for "Europe 2" countries. This traditional use of banks as source of financing reduces the interest in the wide diffusion of IFRS for financing purposes. Finally, respondents from "Eastern Europe" countries believe in the usefulness of IFRS, but do not agree with the need of wide diffusion of accounting figures. Eastern Europe countries have a long history of management opacity.

It is important to observe that many European listed firms, especially in Continental Europe, continue to make statutory financial statements according to local GAAPs, because these national accounting standards are used as measures for taxation, profit distribution, and

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[80] Country groups are "Brazil" (Brazil), "Europe 1" (Ireland, Malta, Netherlands, United Kingdom), "Europe 2" (Belgium, France, Italy, Luxembourg, Portugal, Spain), "Europe 3" (Austria, Denmark, Finland, Germany, Japan, Norway, Sweden, Switzerland), "Eastern Europe"(Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine), "Others" (Algeria, Australia, Canada, Cayman Islands, China, Croatia, Greece, Hong Kong, India, Indonesia, Kazakhstan, Korea, Mexico, Nigeria, Pakistan, Peru, Philippines, Qatar, Singapore, South Africa, South Korea, Taiwan, Thailand, Turkey, United Arab Emirates, USA).

financial service supervision. This dual system generates high costs for these firms.

5.3 Conclusions of the Multiple Correspondence Analysis

Regarding all the previous results together (the four dimensions synthesized in Table 60) we observe that countries ("Europe 2") and activities (CFOs and Auditors) that believe in the sophistication of users of accounting information are the same as those who demand wide diffusion of accounting information. In addition, with regard to countries ("Eastern Europe" and "Europe 3") and activities (analysts) who consider that accounting information users are not sophisticated, the large diffusion of accounting information is not seen as important.

Table 60: Comparative between activity, countries and dimensions.

Dimensions	Country (+)	Country (-)	Activity (+)	Activity (-)
1 - Disciplinary	Brazil	Europe 2, 3	Auditor	-
2 - Sophistication	Europe 2	Eastern Europe, Europe 3	CFO, Auditor	Analyst
3 - Diffusion	Europe 2	Eastern Europe, Europe 3	CFO, Auditor	Analyst
4 - IFRS	Brazil, Europe 2, Eastern Europe	Europe 1, 3	CFO	Analyst, Auditor

More detailed analyses by country groups show that respondents in "Europe 3" countries do not agree with each dimension under study: they do not believe in the disciplinary role of accounting information, in accounting users' sophistication, in the need to convey timely accounting information, in the relevance of IFRS adoption. Conversely, respondents in "Europe 2" countries do not agree with the disciplinary role of accounting, but they see accounting users as sophisticated, and as users who need large diffusion of accounting information to take their investment decision. They also believe that the benefits of principle based accounting standards (IFRS) are perceived and appreciated by these users.

Finally, Brazilian respondents believe in the disciplinary role of accounting information (strongly related to the legal and fiscal system) and they agree with the benefits that the adoption of IFRS can bring to investors. Eastern Europe countries are those with the most different behavior. Their respondents do not think that accounting users can see trough accounting figures. Consequently, they consider that large diffusion of accounting information is not important. However, they believe in the benefits of IFRS adoption to stock market participants, which is rather contradictory.

Regarding respondents' activity we observe that auditors, coherent with their job, believe that accounting information play a disciplinary role. They also see users of accounting information as sophisticated users who need wide disclosure of accounting information. The direct consequence of the supposed sophistication of accounting users is that they do not really need accounting data to take their decisions. The adoption of IFRS is therefore not expected to bring them strong benefits.

Regarding CFOs and analysts, we observe that they have opposite views. CFOs believe that wide disclosure is important because users of accounting information are sophisticated. They also believe that financial statements compliant with IFRS are relevant. Analysts do not share these views. They consider that accounting users are not sophisticated and they do not think that IFRS are useful. This result is quite puzzling since almost all empirical evidence in the literature suggests that analysts are the most important users of accounting information. Therefore the most important users of accounting information do not see themselves as sophisticated. The weak interest of analysts for IFRS may be explained by their preference for direct contacts with the management of companies they follow.

6 CONCLUSIONS

This research proposed a specific study of the opinion of producers of accounting data (i.e. financial officers), users of that data (i.e. financial analysts who are shareholders' main advisers), and controllers of accounting information (i.e. auditors) concerning the role of accounting information, the relevance of performance measures, earnings management and earnings quality as well as the inputs of IFRS. Thus, we analyzed theory and empirical evidence on the capital market consequences associated with the related topics in order to design a questionnaire aimed at capturing the opinion of both the producers and users of accounting information on major theoretical issues of financial accounting. Indeed, one of our objectives was to present a new 'working tool' for accounting research. Our results, based on a questionnaire (in three languages), present evidence of similarities and differences in the view of our respondents in relation to their activity and to the country where they are domiciled.

Our results report the opinions and motivations of analysts, auditors and financial executives' about earnings management and mandatory disclosure. Our survey evidence provides contribution on different dimensions. Firstly, we established some facts about financial reporting. Secondly, respondents rated the descriptive validity of academic theories on the role of mandatory and voluntary disclosures; on performance measures and earnings benchmarks, on earnings quality and earnings management. They also provided opinion about IFRS adoption. Thirdly, the survey suggests new explanations for several phenomena that have not yet received extensive attention in the academic literature.

We find that financial analysts, creditors and institutional investors are the market participants that use accounting information the most, and that institutional investors are strong stock price-setters. Our results also demonstrate that employees are not seen as intensive users of accounting figures and individual investors as having low impacts on stock prices.

Our results indicate that voluntary disclosure is an important tool in the CFOs' arsenal. Firms are seen to make voluntary disclosures for three main reasons: (i) to promote a reputation of transparent and accurate reporting; (ii) to reduce the information risk assigned to their stocks; and (iii) to increase the predictability of their future prospects. In addition, voluntary disclosure is not so important to reveal the skill level of management to outsiders, but it can affect stock price liquidity. The biggest barriers to voluntary disclosure are the fear of exposing "strategic information" to competitors, as well as concerns about setting a disclosure precedent that may be difficult to maintain in the future. Analysts, auditors and managers think that financial information needs to be disclosed on companys' website and state that managers would tend to release good news and retain bad ones if accounting information was not regulated.

The strong association between cash flow or earnings (net income) and performance measures (returns) explains why investors, managers, analysts, the financial press, auditors, securities regulators and others place so much importance on cash flow and earnings. Here, it is important to observe that auditors attribute more importance to earnings than analysts and CFOs. Reinforcing these results, we found that previous year EPS and changes in earnings of main competitors are seen the most important benchmarks by all respondents.

We find that our respondents have a different opinion on why managers want to meet or beat earnings benchmarks. They want to meet benchmarks to (i) build credibility with the market participants; (ii) maintain or increase stock price; (iii) improve the external reputation of the management team; and (iv) convey future growth prospects. Failure to hit earnings benchmarks (i) creates uncertainty about a firm's prospects, (ii) raises the possibility of deeper hidden problems in the firm, and (iii) leads to increased scrutiny of all aspects of earnings releases. Moreover, managers are concerned about spending considerable time after the earnings announcement explaining why they missed the benchmark, rather than presenting their vision of the firm's future. However, for our respondents, missing earnings benchmark does not increase the possibility of lawsuits.

In relation to "quality" of accounting figures, we observed that for our respondents, a company needs to be persistent in relation to earnings, conservative in relation to accounting principles, and coherent in disclosing business events in accounting figures through years. This helps assure better prediction of future performance and shows that the company has no significant irregularities in its accounting disclosures. In terms of items that can increase earnings quality, our respondents are more in favour of the use of conservatism principle.

Our results present evidence that firms with smoothed earnings are perceived as less risky by investors. Smoothed earnings facilitate the prediction of future earnings, which in turn increases stock prices. But these results are not the same in all countries. Smoothed earnings also reassure suppliers and customers that the business is stable. However, managers have no personal incentives for smoothed earnings. Our respondents do not believe that smoothed earnings increase managers' bonus payments. The opinion about the use of earnings management techniques to smooth earnings was not commonly shared in this study. Another surprising finding is that earnings management is said to be achieved mainly by manipulating real actions as opposed to manipulations of accounting methods or hypotheses, as suggested by analysts and auditors. This tendency to substitute real economic actions in place of accounting discretion might be a consequence of the stigma attached to accounting fraud in the post-Sarbanes-Oxley and to the use of fair value during the last financial crisis. Our results clealy show that our respondents do not believe that accounting figures are never managed, but analysts tend to agree that managers do this on special occasions only. Surprisingly, analysts and CFOs see themselves as sophisticated enough to detect earnings management, but auditors, who are not accounting users, do not share the same opinion.

This study also analyzes the respondents' views on IFRS adoption. Our results should be relevant to international regulators and institutions involved in the accounting harmonization process, either because in some countries listed companies were required to apply IFRS for statutory accounts, or because the results provide evidence on the impact of IFRS in countries with different characteristics. Our respondents consider that the adoption of IFRS results in improved information and in increased comparability of accounting figures. Moreover, auditors consider having greater difficulties in understanding the new accounting standard than analysts.

Managers, analysts and auditors consider that IFRS adoption has increased management monitoring efficiency, resulting thus in better investor protection. Our respondents also expect from the adoption of IFRS a reduction in firms' cost of capital equity.

Another interesting issue in the adoption of IFRS is the use of fair value. Our findings provide evidence that the fair value approach is expected by all respondents to have a strong impact on accounting figures; to be costly; and to increase the value-relevance of accounting figures. Furthermore, providing information on unrealized gains in a comprehensive income statement is seen as very useful. On the other hand auditors are in doubt with the impact of fair value on earnings volatility and on eanings quality.

In relation to the problems associated with the first adoption of IFRS, auditors and CFOs thaink that the adoption of IFRS is costly because IT systems need to be reorganized, because available information needs to be reprocessed; and because it is important to train those who are involved in the adoption process since IFRS are difficult to understand. Analysts consider that IFRS require specific training and that comparing accounting figures complying with different standards is not easy. Furthermore, they declare that IFRS aoption has improved the accuracy of their forecasts, but they take more time to process available accounting data.

To summarize our study, let us recall our initial questions:

1) What are the new needs for accounting information in economies with capital markets that have become increasingly important?

Respondents agree that more predictable earnings (more relevant and comparable accounting figures) are for market participants because they do not like the uncertainty created by firms failing to meet or beat earnings benchmark. Secondly, accounting users do not require constraining accounting rules that may lower eanings management opoortunities. They think they are sophisticated enough to detect managed earnings, which mitigates potentially harmful earnings management consequences. Thirdly, our respondents wish large and timely diffusion of financial information, notably on corporate websites. Finally, training in IFRS and changes in IT systems to prepare IFRS adoption is considered urgent need.

2) Are IFRS expected to better satisfy these needs?

Our respondents see IFRS as bringing more transparent, accurate and comparable accounting figures, which should improve the value relevance of those figures.

3) Do these needs depend on the firm economic environment s and, notably, the size of capital markets where companies' shares are traded?

The enforcement and the skills related to IFRS depend on the stock market and the country where the firm is located. Respondents in countries with long stock market tradition more readily believe in accounting users' sophistication. Therefore, they do not see the adoption of IFRS as being as relevant as respondents in countries with weak capital market oriented tradition. Thus, we can conclude that IFRS do not satisfy investors' information needs identically all countries, notably in the EU and in Brazil, because the role and the historical perspective of the stock market, the legal structure, and the historical sources of financing of firms are not the same. Of course, it is not possible to draw definite conclusions from these results, since IFRS have been used for less than one year in some countries under study. However, the empirical analysis shows solid concerns in favor of their future consolidation that, as previously discussed, will also depend on the full coordination between financial reporting practice and regulatory environment.

6.1 Research Limitations

The first limitation of this study is a general limitation of non-US studies that replicate research previously conducted in the USA, without questioning the applicability and relevance of the methodology and hypotheses in a different context. Accounting systems and financial markets are the results of historical and cultural traditions. Gray (1988) proposed several hypotheses relating the characteristics of accounting systems to cultural variables, but interest in his work was short-lived. Generally speaking, Europe provides a unique field of investigation for accounting research, because of its economic, cultural and legal diversity.

The second limitation comes from the hypotheses underlying the study. Our results are based on the presumptions that: (1) there are no errors in the data; (2) for all Brazilian firms that answered the questionnaire have fiscal years ending in December 31, (3) there is no need to consider early IFRS adopters (voluntary adoption) separately from late adopters (mandatory IFRS adoption); (4) our sample is not potentially biased because all respondents have significant experience with IFRS. Our sample may not be representative of the population of all the 8000 firms subject to the IFRS regulation. The firms that responded to our survey are varied, but they are all public firms. We targeted this group of companies for two reasons: (1) it is easier to find information about such companies, including the names and e-mail addresses of relevant respondents, and (2) these companies are better prepared for conversion to IFRS and are expected to be more willing to respond to a survey.

A third limitation is related to the questionnaire ane to the use of Multiple Correspondence Analysis. Our instrument was long and perhaps too time-consuming to complete. As always, there is a limitation typical to all surveys: the response error resulting from respondents failing to report fully and accurately. Regarding the statistical technique used in this study, it is worth emphasizing that Multiple Correspondence Analysisis an exploratory technique, not a confirmatory one. As such, the results do not have a predictive character. They cannot be extrapolated to other countries or stakeholders, or even for the same countries or stakeholders to other time intervals. Furthermore, the associations identified in this study do not determine causal relationships between the variables. They only give indications of associations that could be investigated in further studies.

Finally, the analyses presented in this study are only preliminary. More in-depth analyses are forthcoming. For instance, we concentrated on conditional answers by activity and country. It is important to verify whether the conclusions presented here can be different when analyzing answers based on other firm and respondents characteristics such as size, price/earnings ratio, leverage, industry, rating, age, tenure, education, and others.

6.2 Future Research

We identify here fundamental questions that remain unanswered, and changes in the economic environment that raise new questions and suggestions for future research. We believe that future research can fruitfully explore, in greater depth, why and how firms comply with IFRS as well as the implications of these new standards for financial reporting policies.

We suggest three questions for future research: (1) “Which types of mandatory and voluntary disclosures provided by firms are credible and which are not?” (2) “How does mandatory and voluntary disclosure affect analyst and institutional investor interest in the firm?” (3) “How does mandatory and voluntary disclosure affect a firm's cost of capital?”

While the financial statements are audited and driven by accounting standards requirements, total discretion in non-accounting information may feed analysts and, more generally, all users of corporate information more effectively. One question is therefore whether greater standardization and control in the reporting of non-accounting information may reduce bias in analysts’ research reports and increase corporate stewardship. In this view, the intense lobbying and political interference with the standard setting process during the last financial crisis provides a fertile ground for further study on fair value accounting (litigation, enforcement and lobbying, for example). The fair-value debate is far from over and much remains to be done. Furthermore, both the intended and the unintended consequences of mandatory IFRS adoption deserve further scrutiny and provide guidance for future research.

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Appendix 1: Instruction for Judges

English

**Research: THE ECONOMIC IMPLICATION OF CORPORATE FINANCE REPORTING
IN BRAZILIAN AND EUROPEAN FINANCIAL MARKETS**

Instructions

Dear Mr(s):

Given your knowledge and experience we would appreciate your help. Please read each question in the following survey carefully.

This questionnaire is part of a research project coordinated by Prof. Iran Siqueira Lima, Doctor of Accounting from University of Sao Paulo and Prof. Pascal Dumontier, Doctor of Business Administration from University Pierre Mendes France of Grenoble. The questionnaire will be administered through Internet to administrative and financial directors of large European groups, auditors and financial analysts. The research is being conducted by Miss Cristiane Benetti, a doctoral student from the University of Sao Paulo (USP) and the University of Grenoble (UPMF).
Using the evaluation grid below, please evaluate the clarity, the practical relevance and adequacy of each item for the 4 theoretical dimensions under study (Role of Accounting Information, Performance Measures, Earnings Quality and Earnings Management, Input from IFRS). Respondents are expected to be CFOs, auditors or financial analysts.

CLARITY OF LANGUAGE: Is the item sufficiently clear (non ambiguous) and understandable for this population?
PRACTICAL RELEVANCE: Is the item relevant to this population?
THEORETICAL RELEVANCE: Do you think the item is useful to help understand the respondent's perception of A) Role of Accounting Information B) Performance Measures C) Earnings Quality and Earnings Management and D) Input from IFRS? Select only one dimension, the one that fits the best with the item under consideration.

Use the COMMENTS field to suggest a new wording for the statement or to indicate other eventual comments you may have.

Please,complete the evaluation grid (**click on the tab labeled "Form" below**), using the scales below:

CLEAR LANGUAGE	**PRACTICAL RELEVANCE**	**DIMENSION THEORY**
1 – Completely unclear	1 – Not pertinent	A – Role of Accounting Information
2 – Lacking clarity	2 – Slightly pertinent	B – Performance Measures
3 – Moderately clear	3 – Pertinent	C – Earnings Quality and Earnings Management
4 – Mostly clear	4 – Mostly pertinent	D – Inputs from IFRS
5 – Completely clear	5 – Extremely pertinent	

IMPORTANT: For each category, check only one.

Please fill in the following form and e-mail or fax it to the following address:

Cristiane Benetti_
Cristiane.Benetti@upmf-grenoble.fr
Fax: 33 (0) 476 54 60 68
150, rue de la Chimie (BP 47)
38040 GRENOBLE cedex 9 – France

THANK YOU FOR YOUR HELP!

Prof Iran Siqueira Lima and Prof. Pascal Dumontier
University of Sao Paulo and University of Grenoble

Appendix 2: Email: Invitation to participate of survey

In English

Dear Madam or Sir

We would like you to take 10 to 15 minutes of your time to answer this on-line questionnaire. The questionnaire, that is part of a research project conducted by Cristiane Benetti (University of Sao Paulo and University of Grenoble) dealing with accounting information, performance measures and IFRS adoption. Conducted in 21 countries, this survey is addressed to financial officers, financial analysts and auditors.

By clicking on the link below, you will have a direct access to the questionnaire.

http://www.surveymonkey.com/s/accounting_reports_2010

Password: 2010

If you need any further information, do not hesitate to contact me. I also send a word version of the questionnaire (if you prefer).

Your answers will help better understand how users and preparers of accounting information appreciate the relevance of IFRS adoption. I do thank you.

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In French

Bonjour Monsieur, Madame

Nous souhaiterions que vous preniez 10 à 15 minutes de votre temps pour répondre à ce questionnaire en ligne. Celui-ci entre dans le cadre d'un projet de recherche doctoral conduit par Cristiane Benetti (Université de Sao Paulo et Université de Grenoble). Il traite de l'information comptable, des mesures de performance et de l'adoption des IFRS. Cette enquête qui s'adresse aux responsables financiers, auditeurs et analystes financiers, est conduite dans 21 pays simultanément. En cliquant sur le lien ci-dessous, vous aurez directement accès au questionnaire.

http://www.surveymonkey.com/s/accounting_reports_2010
mot de passe : 2010

Pour toute information complémentaire, n'hésitez pas à me contacter. Je vous envoie aussi une version word du questionnaire (si vous préférez).

En acceptant de répondre à ces questions, vous nous permettez de mieux comprendre comment les préparateurs ou utilisateurs de l'information comptable perçoivent le bien fondé du passage aux IFRS. Je vous en remercie.

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In Portuguese

Caro Senhor (a)

Gostaríamos que você utilizasse de 10 a 15 minutos do seu tempo para responder a este questionário on-line. O questionário é parte de um projeto de pesquisa realizado por Cristiane Benetti (Universidade de São Paulo e Universidade de Grenoble) e trata sobre as informações contábeis, as medidas de desempenho e adoção do IFRS. Esta pesquisa está sendo realizada em 21 países simultaneamente e é dirigida aos gestores financeiros, analistas financeiros e auditores.

Ao clicar no link abaixo, você terá acesso directo ao questionário.

http://www.surveymonkey.com/s/accounting_reports_2010

Password: 2010

Se você precisar de qualquer informação adicional, não hesite em contactar-me. Eu também envio uma versão word do questionário (se você preferir).

Suas respostas ajudarão a entender melhor como os usuários e os preparadores das informações contábeis apreciam a relevância da adoção do IFRS.

Muito Obrigada pela atenção!

Cristiane Benetti

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Appendix 3: Questionnaires

UNIVERSITY OF SAO PAULO
Doctoral Program in Accounting
UNIVERSITY OF GRENOBLE
Doctoral Program in Business Administration
SURVEY ON FINANCIAL REPORTINGS

All answers will be held in strict confidence. The questions are organized in 5 sets. The first one is aimed at determining how you consider the 'role of accounting information'. The second and the third ones intend to know about 'performance measures' and 'earnings quality and earnings management'. The fourth set is dedicated to IFRS. The last one is devoted to additional information about your self or your firm.

A. Role of accounting information

1. Market participants mentioned below use accounting information intensively:

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ A. Analysts
☐☐☐☐☐ B. Rating Agencies
☐☐☐☐☐ C. Shareholders
☐☐☐☐☐ D. Fund Managers
☐☐☐☐☐ E. Institutional Investors

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ F. Creditors (banks or bondholders)
☐☐☐☐☐ G. Governmental Entities
☐☐☐☐☐ H. Employees
☐☐☐☐☐ I. Suppliers and Customers

2. Market participants who have the strongest influence on stock prices are:

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ A. Analysts
☐☐☐☐☐ B. Rating Agencies
☐☐☐☐☐ C. Hedge Funds

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ D. Individual Investors
☐☐☐☐☐ E. Institutional Investors

3. Accounting disclosures must be regulated because:

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ A. Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis
☐☐☐☐☐ B. Managers would tend to disclose good news and retain bad news if accounting disclosures were only voluntary
☐☐☐☐☐ C. The standardization of disclosures reduces the processing costs of financial information

4. The reasons for communicating voluntary information that is not required by accounting standards are:

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ A. To reduce the cost of capital
☐☐☐☐☐ B. To correct under-valuation of stock prices
☐☐☐☐☐ C. To increase the predictability of companies' future prospects
☐☐☐☐☐ D. To increase overall stock liquidity

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ E. To reveal to outsiders the skill level of managers
☐☐☐☐☐ F. To attract financial analysts
☐☐☐☐☐ G. To promote a reputation for transparent/accurate reporting
☐☐☐☐☐ H. To reduce the information risk that investors assign to stocks

5. The motives to limit voluntary disclosure of financial information not required by accounting standards are:

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ A. To avoid giving away proprietary information ("company secrets") and therefore harming a competitive position
☐☐☐☐☐ B. To avoid attracting unwanted scrutiny by regulators
☐☐☐☐☐ C. To avoid attracting unwanted scrutiny by stockholders and bondholders

Strongly Disagree 1 2 3 4 5 Strongly Agree

☐☐☐☐☐ D. To avoid possible lawsuits if future results do not match forward-looking disclosures
☐☐☐☐☐ E. To avoid setting a disclosure precedent that may be difficult to continue

6. Financial information should be disclosed using:

Strongly Disagree (1) – Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Press releases (for newspapers, television and magazines)
☐	☐	☐	☐	☐	B. Internet (company's website)
☐	☐	☐	☐	☐	C. Conference calls with financial analysts
☐	☐	☐	☐	☐	D. Meetings with financial analysts

B. Performance measures

7. The most important measures of firm performance are:

Strongly Disagree (1) – Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Cash flows from operations
☐	☐	☐	☐	☐	B. Net incomes
☐	☐	☐	☐	☐	C. Economic value added (EVA)
☐	☐	☐	☐	☐	D. Free cash flows
☐	☐	☐	☐	☐	E. Pro forma earnings
☐	☐	☐	☐	☐	F. Revenues

8. The most relevant benchmarks for earnings are:

Strongly Disagree (1) – Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Previous year EPS (Earnings per Share)
☐	☐	☐	☐	☐	B. Analyst consensus forecast of EPS for current year
☐	☐	☐	☐	☐	C. Reporting a profit (i.e., EPS >0)
☐	☐	☐	☐	☐	D. Change in earnings of main competitors

9. Companies try to meet earnings benchmarks:

Strongly Disagree (1) – Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. To build credibility with market participants
☐	☐	☐	☐	☐	B. To help employees achieve bonuses
☐	☐	☐	☐	☐	C. To avoid violating debt-covenants
☐	☐	☐	☐	☐	D. To achieve or preserve a desired credit rating
☐	☐	☐	☐	☐	E. To maintain or increase stock prices
☐	☐	☐	☐	☐	F. To maintain or increase dividends
☐	☐	☐	☐	☐	G. To maintain the external reputation of the management team
☐	☐	☐	☐	☐	H. To convey future growth prospects to investors
☐	☐	☐	☐	☐	I. To reduce stock price volatility
☐	☐	☐	☐	☐	J. To assure customers and suppliers that business is stable

10. Missing an earnings benchmark hurts because:

Strongly Disagree (1) – Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Investors might think the firm has previously un-disclosed problems
☐	☐	☐	☐	☐	B. A lot of time must be spent to explain why benchmarks are missed
☐	☐	☐	☐	☐	C. It increases the possibility of lawsuits
☐	☐	☐	☐	☐	D. Outsiders might think that the firm lacks the flexibility to meet the benchmark
☐	☐	☐	☐	☐	E. It leads to increased scrutiny of all aspects of earnings releases
☐	☐	☐	☐	☐	F. It creates uncertainty about future prospects

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C. Earnings quality and Earnings management

11. When applied to earnings, "quality" means:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Ability to predict future performance (i.e. future earnings and future cash flows)	☐ ☐ ☐ ☐ ☐	D. Lack of significant irregularities
☐ ☐ ☐ ☐ ☐	B. Ability to consistently reproduce similar results over time	☐ ☐ ☐ ☐ ☐	E. Prompt release of earnings information
☐ ☐ ☐ ☐ ☐	C. Ability to reflect consistently upon underlying business events		

12. The quality of earnings increases with:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. The number of methods allowed to recognize one event	☐ ☐ ☐ ☐ ☐	E. The use of historical costs (instead of fair value)
☐ ☐ ☐ ☐ ☐	B. The magnitude of accruals	☐ ☐ ☐ ☐ ☐	F. Principles-based (instead of rules-based) accounting standards
☐ ☐ ☐ ☐ ☐	C. Conservatism in accounting figures	☐ ☐ ☐ ☐ ☐	G. Rules-based (instead of principles-based) accounting standards
☐ ☐ ☐ ☐ ☐	D. The use of fair value (instead of historical costs)		

13. A smooth earnings path is preferred because it:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Strongly Disagree 1 2 3 4 5 Agree	
☐ ☐ ☐ ☐ ☐	A. Is perceived as less risky by investors	☐ ☐ ☐ ☐ ☐	F. Promotes a reputation for transparent and accurate reporting
☐ ☐ ☐ ☐ ☐	B. Reduces the return required by investors (i.e., smaller risk premium)	☐ ☐ ☐ ☐ ☐	G. Makes it easier for analysts/investors to predict future earnings
☐ ☐ ☐ ☐ ☐	C. Conveys higher future growth prospects	☐ ☐ ☐ ☐ ☐	H. Increases bonus payments
☐ ☐ ☐ ☐ ☐	D. Assures customers/suppliers that business is stable	☐ ☐ ☐ ☐ ☐	I. Clarifies true economic performance
☐ ☐ ☐ ☐ ☐	E. Achieves or preserves a desired credit rating		

14. Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. In light of this, companies manage accounting figures continuously to get a smooth pattern of earnings	☐ ☐ ☐ ☐ ☐	C. This is a pure theoretical assumption. In real life, accounting figures are never managed
☐ ☐ ☐ ☐ ☐	B. In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.		

15. Earnings are managed by:

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ A. Changing accounting methods
☐☐☐☐☐ B. Changing accounting hypotheses, related to depreciations, provisions, discount rates.
☐☐☐☐☐ C. Influencing real activities

16. Managing earnings is:

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ A. Useful because users of accounting information (investors, creditors, …) are unsophisticated and they don't differentiate between managed and unmanaged figures
☐☐☐☐☐ B. Useless because users of accounting information (investors, creditors, …) can see through managed accounting numbers
☐☐☐☐☐ C. Useless because smooth earnings are not preferable.

D. Inputs from IFRS

17. The adoption of IFRS results in:

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ A. More easily comparable accounting figures
☐☐☐☐☐ B. More value relevant accounting figures
☐☐☐☐☐ C. More timely loss recognition

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ D. Figures of higher quality
☐☐☐☐☐ E. More additional information (disclosures)
☐☐☐☐☐ F. Financial statements that are difficult to understand by most users

18. The adoption of IFRS leads to:

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ A. More efficient monitoring of the company by shareholders and therefore better shareholder protection
☐☐☐☐☐ B. More efficient monitoring of the company by creditors and therefore better creditor protection

Strongly
Strongly Disagree — Agree
1 2 3 4 5

☐☐☐☐☐ C. A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
☐☐☐☐☐ D. A decrease in the firm's cost of capital

19. About Fair Value accounting you can say:

Strongly Disagree — Strongly Agree
1 2 3 4 5

☐☐☐☐☐ A. The adoption of fair value has a strong impact on accounting figures complying with IFRS
☐☐☐☐☐ B. The adoption of fair value results in more value relevant accounting figures
☐☐☐☐☐ C. The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.

Strongly
Strongly Disagree — Agree
1 2 3 4 5

☐☐☐☐☐ D. The adoption of fair value accounting is costly
☐☐☐☐☐ E. It is useful to present unrealized capital gains in a specific comprehensive income statement.

20. The first application of IFRS was costly because:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Information systems had to be reorganized, the information required by IFRS being not available in its entirety	☐ ☐ ☐ ☐ ☐	D. It required in-depth training of the people involved in the adoption process
☐ ☐ ☐ ☐ ☐	B. The information required by IFRS was available but it had to be re-processed in depth	☐ ☐ ☐ ☐ ☐	E. Fees charged by consultants involved in the adoption process were (are) high
☐ ☐ ☐ ☐ ☐	C. The lack of clarity of several IFRS standards required an in-depth analysis and interpretation of these standards	☐ ☐ ☐ ☐ ☐	F. The overall costs associated with the adoption of IFRS were not significantly high

E. Additional Information

21. Please fill in the blanks

Your company's credit rating is approximately (e.g., AA-, BBB+, no rating, etc): ……………………..
Your company's total debt/total assets ratio is approximately (e.g., 0.0, 0.32 etc): ……………………
During the last year, your company reported a profit: ☐ true ☐ false
Your company's Price/Earnings ratio over the last 3 years has averaged (e.g., 18, n/a): ……………
Your company's growth rate in revenue over the last 3 years has averaged (e.g., -4%, 5%): ……..……..
The current price of your company's common stock is (e.g., $25.12): …………………………………..
Your company is approximately (years old): ……………………………

22. Headquarter localization of your company

☐ Belgium ☐ Finland ☐ Ireland ☐ Spain
☐ Brazil ☐ France ☐ Italy ☐ Sweden
☐ Czech Republic ☐ Germany ☐ Norway ☐ Switzerland
☐ Denmark ☐ Great Britain (UK) ☐ Portugal ☐ Turkey
☐ Other:……………………………….

23. Stock exchanges where your firm is listed

☐ NYSE (USA) ☐ London ☐ Milan
☐ Nasdaq/Amex (USA) ☐ Paris ☐ Madrid
☐ BOVESPA (Brazil) ☐ Frankfurt ☐ Lisbon
☐ Other:……………………………….

24. Main sector of your company

☐ Retail/Wholesale ☐ Communications/Media ☐ Consulting/Service
☐ Mining/Construction ☐ Bank/Finance/Insurance ☐ Public Utility
☐ Tech [Software/Biotech] ☐ Manufacturing ☐ Transportation/Energy
☐ Other:……………………………….

25. Number of employees of your company

☐ < 100 ☐ 500-999 ☐ 2500-4999 ☐ 7500-9999
☐ 100-499 ☐ 1000-2499 ☐ 5000-7499 ☐ 10000+

26. On a fully diluted basis, what percentage of your common stock is owned by corporate insiders?

☐ <5% ☐ 5-10% ☐ 11-20% ☐ >20%

27. How many analysts currently follow your stock?

☐ None ☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ 16+

28. Annual sales(euros/reais) of your company

☐ < €50 million (< R$125 million) ☐ €500-€999 million (R$1.25-R$2.5 billion)
☐ €50-€100 million (R$125-R$250 million) ☐ €1-€4.9 billion (R$2.5-R$12.5 billion)
☐ €100-€499 million (R$250 million - R$1.25 billion) ☐ €5 billion + (R$12.5 billion +)

29. Your Age

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

30. Your Time in Job

☐ < 3 years ☐ 3-6 years ☐ 7-9 years ☐ 10+ years

31. Your Education

☐ High school ☐ College degree ☐ non-MBA masters
☐ Some college ☐ MBA ☐ > Master degree

32. If you want to receive the conclusions of this research, please write your email here:
………………………………………………………………

Thank you !

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All answers will be held in strict confidence. No individual responses will be reported. Please answer all questions by providing your own opinion. The questions are organized in 5 sets. The first one is aimed at determining how you consider the 'role of accounting information'. The second and the third ones intend to know about 'performance measures' and 'earnings quality and earnings management'. The fourth set is dedicated to IFRS. The last one is devoted to additional information about your self or your firm.

A. Role of accounting information

1. Market participants mentioned below use accounting information intensively:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Analysts
☐ ☐ ☐ ☐ ☐	B. Rating Agencies
☐ ☐ ☐ ☐ ☐	C. Shareholders
☐ ☐ ☐ ☐ ☐	D. Fund Managers
☐ ☐ ☐ ☐ ☐	E. Institutional Investors
☐ ☐ ☐ ☐ ☐	F. Creditors (banks or bondholders)
☐ ☐ ☐ ☐ ☐	G. Governmental Entities
☐ ☐ ☐ ☐ ☐	H. Employees
☐ ☐ ☐ ☐ ☐	I. Suppliers and Customers

2. Market participants who have the strongest influence on stock prices are:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Analysts
☐ ☐ ☐ ☐ ☐	B. Rating Agencies
☐ ☐ ☐ ☐ ☐	C. Hedge Funds
☐ ☐ ☐ ☐ ☐	D. Individual Investors
☐ ☐ ☐ ☐ ☐	E. Institutional Investors

3. Accounting disclosures must be regulated because:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis
☐ ☐ ☐ ☐ ☐	B. Managers would tend to disclose good news and retain bad news if accounting disclosures were only voluntary
☐ ☐ ☐ ☐ ☐	C. The standardization of disclosures reduces the processing costs of financial information

4. The reasons for communicating voluntary information that is not required by accounting standards are:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. To reduce the cost of capital
☐ ☐ ☐ ☐ ☐	B. To correct under-valuation of stock prices
☐ ☐ ☐ ☐ ☐	C. To increase the predictability of companies' future prospects
☐ ☐ ☐ ☐ ☐	D. To increase overall stock liquidity
☐ ☐ ☐ ☐ ☐	E. To reveal to outsiders the skill level of managers
☐ ☐ ☐ ☐ ☐	F. To attract financial analysts
☐ ☐ ☐ ☐ ☐	G. To promote a reputation for transparent/accurate reporting
☐ ☐ ☐ ☐ ☐	H. To reduce the information risk that investors assign to stocks

5. The motives to limit voluntary disclosure of financial information not required by accounting standards are:

Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. To avoid giving away proprietary information ("company secrets") and therefore harming a competitive position
☐ ☐ ☐ ☐ ☐	B. To avoid attracting unwanted scrutiny by regulators
☐ ☐ ☐ ☐ ☐	C. To avoid attracting unwanted scrutiny by stockholders and bondholders
☐ ☐ ☐ ☐ ☐	D. To avoid possible lawsuits if future results do not match forward-looking disclosures
☐ ☐ ☐ ☐ ☐	E. To avoid setting a disclosure precedent that may be difficult to continue

6. Financial information should be disclosed using:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Press releases (for newspapers, television and magazines)	☐ ☐ ☐ ☐ ☐	C. Conference calls with financial analysts
☐ ☐ ☐ ☐ ☐	B. Internet (company's website)	☐ ☐ ☐ ☐ ☐	D. Meetings with financial analysts

B. Performance measures

7. The most important measures of firm performance are:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Cash flows from operations	☐ ☐ ☐ ☐ ☐	D. Free cash flows
☐ ☐ ☐ ☐ ☐	B. Net incomes	☐ ☐ ☐ ☐ ☐	E. Pro forma earnings
☐ ☐ ☐ ☐ ☐	C. Economic value added (EVA)	☐ ☐ ☐ ☐ ☐	F. Revenues

8. The most relevant benchmarks for earnings are:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Previous year EPS (Earnings per Share)	☐ ☐ ☐ ☐ ☐	C. Reporting a profit (i.e., EPS >0)
☐ ☐ ☐ ☐ ☐	B. Analyst consensus forecast of EPS for current year	☐ ☐ ☐ ☐ ☐	D. Change in earnings of main competitors

9. Companies try to meet earnings benchmarks:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. To build credibility with market participants	☐ ☐ ☐ ☐ ☐	F. To maintain or increase dividends
☐ ☐ ☐ ☐ ☐	B. To help employees achieve bonuses	☐ ☐ ☐ ☐ ☐	G. To maintain the external reputation of the management team
☐ ☐ ☐ ☐ ☐	C. To avoid violating debt-covenants	☐ ☐ ☐ ☐ ☐	H. To convey future growth prospects to investors
☐ ☐ ☐ ☐ ☐	D. To achieve or preserve a desired credit rating	☐ ☐ ☐ ☐ ☐	I. To reduce stock price volatility
☐ ☐ ☐ ☐ ☐	E. To maintain or increase stock prices	☐ ☐ ☐ ☐ ☐	J. To assure customers and suppliers that business is stable

10. Missing an earnings benchmark hurts because:

Strongly Disagree – Strongly Agree 1 2 3 4 5		Strongly Disagree – Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Investors might think the firm has previously un-disclosed problems	☐ ☐ ☐ ☐ ☐	D. Outsiders might think that the firm lacks the flexibility to meet the benchmark
☐ ☐ ☐ ☐ ☐	B. A lot of time must be spent to explain why benchmarks are missed	☐ ☐ ☐ ☐ ☐	E. It leads to increased scrutiny of all aspects of earnings releases
☐ ☐ ☐ ☐ ☐	C. It increases the possibility of lawsuits	☐ ☐ ☐ ☐ ☐	F. It creates uncertainty about future prospects

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C. Earnings quality and Earnings management

11. When applied to earnings, "quality" means:

Strongly Disagree – Strongly Agree

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Ability to predict future performance (i.e. future earnings and future cash flows)
☐	☐	☐	☐	☐	B. Ability to consistenly reproduce similar results over time
☐	☐	☐	☐	☐	C. Ability to reflect consistently upon underlying business events
☐	☐	☐	☐	☐	D. Lack of significant irregularities
☐	☐	☐	☐	☐	E. Prompt release of earnings information

12. The quality of earnings increases with:

Strongly Disagree – Strongly Agree

1	2	3	4	5	
☐	☐	☐	☐	☐	A. The number of methods allowed to recognize one event
☐	☐	☐	☐	☐	B. The magnitude of accruals
☐	☐	☐	☐	☐	C. Conservatism in accounting figures
☐	☐	☐	☐	☐	D. The use of fair value (instead of historical costs)
☐	☐	☐	☐	☐	E. The use of historical costs (instead of fair value)
☐	☐	☐	☐	☐	F. Principles-based (instead of rules-based) accounting standards
☐	☐	☐	☐	☐	G. Rules-based (instead of principles-based) accounting standards

13. A smooth earnings path is preferred because it:

Strongly Disagree – Strongly Agree

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Is perceived as less risky by investors
☐	☐	☐	☐	☐	B. Reduces the return required by investors (i.e., smaller risk premium)
☐	☐	☐	☐	☐	C. Conveys higher future growth prospects
☐	☐	☐	☐	☐	D. Assures customers/suppliers that business is stable
☐	☐	☐	☐	☐	E. Achieves or preserves a desired credit rating
☐	☐	☐	☐	☐	F. Promotes a reputation for transparent and accurate reporting
☐	☐	☐	☐	☐	G. Makes it easier for analysts/investors to predict future earnings
☐	☐	☐	☐	☐	H. Increases bonus payments
☐	☐	☐	☐	☐	I. Clarifies true economic performance

14. Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

Strongly Disagree – Strongly Agree

1	2	3	4	5	
☐	☐	☐	☐	☐	A. In light of this, companies manage accounting figures continuously to get a smooth pattern of earnings
☐	☐	☐	☐	☐	B. In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.
☐	☐	☐	☐	☐	C. This is a pure theoretical assumption. In real life, accounting figures are never managed.

15. Earnings are managed by:

Strongly Disagree (1) … Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Changing accounting methods
☐	☐	☐	☐	☐	B. Changing accounting hypotheses, related to depreciations, provisions, discount rates.
☐	☐	☐	☐	☐	C. Influencing real activities

16. Managing earnings is:

Strongly Disagree (1) … Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Useful because users of accounting information (investors, creditors, …) are unsophisticated and they don't differentiate between managed and unmanaged figures
☐	☐	☐	☐	☐	B. Useless because users of accounting information (investors, creditors, …) can see through managed accounting numbers
☐	☐	☐	☐	☐	C. Useless because smooth earnings are not preferable.

D. Inputs from IFRS

17. The adoption of IFRS results in:

Strongly Disagree (1) … Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. More easily comparable accounting figures
☐	☐	☐	☐	☐	B. More value relevant accounting figures
☐	☐	☐	☐	☐	C. More timely loss recognition
☐	☐	☐	☐	☐	D. Figures of higher quality
☐	☐	☐	☐	☐	E. More additional information (disclosures)
☐	☐	☐	☐	☐	F. Financial statements that are difficult to understand by most users

18. The adoption of IFRS leads to:

Strongly Disagree (1) … Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. More efficient monitoring of the company by shareholders and therefore better shareholder protection
☐	☐	☐	☐	☐	B. More efficient monitoring of the company by creditors and therefore better creditor protection
☐	☐	☐	☐	☐	C. A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
☐	☐	☐	☐	☐	D. A decrease in the firm's cost of capital

19. About Fair Value accounting you can say:

Strongly Disagree (1) … Strongly Agree (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. The adoption of fair value has a strong impact on accounting figures complying with IFRS
☐	☐	☐	☐	☐	B. The adoption of fair value results in more value relevant accounting figures
☐	☐	☐	☐	☐	C. The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.
☐	☐	☐	☐	☐	D. The adoption of fair value accounting is costly
☐	☐	☐	☐	☐	E. It is useful to present unrealized capital gains in a specific comprehensive income statement.

20. The first application of IFRS was costly because:

Strongly Disagree 1 2 3 4 5 Strongly Agree		Strongly Disagree 1 2 3 4 5 Strongly Agree	
☐ ☐ ☐ ☐ ☐	A. Information systems had to be reorganized, the information required by IFRS being not available in its entirety	☐ ☐ ☐ ☐ ☐	D. It required in-depth training of the people involved in the adoption process
☐ ☐ ☐ ☐ ☐	B. The information required by IFRS was available but it had to be re-processed in depth	☐ ☐ ☐ ☐ ☐	E. Fees charged by consultants involved in the adoption process were (are) high
☐ ☐ ☐ ☐ ☐	C. The lack of clarity of several IFRS standards required an in-depth analysis and interpretation of these standards	☐ ☐ ☐ ☐ ☐	F. The overall costs associated with the adoption of IFRS were not significantly high

E. Additional Information

21. As an auditor, how many listed firms do you control every year? …………………

22. As an auditor, how many non-listed firms do you control every year? …………………

23. These firms belong to the following industries

☐ Retail/Wholesale
☐ Mining/Construction
☐ Tech [Software/Biotech]
☐ Communications/Media
☐ Bank/Finance/Insurance
☐ Manufacturing
☐ Consulting/Service
☐ Public Utility
☐ Transportation/Energy
☐ Other:………………………………

24. Your Office Localization

☐ Belgium
☐ Brazil
☐ Czech Republic
☐ Denmark
☐ Finland
☐ France
☐ Germany
☐ Great Britain (UK)
☐ Ireland
☐ Italy
☐ Norway
☐ Portugal
☐ Spain
☐ Sweden
☐ Switzerland
☐ Turkey
☐ Other:………………………………

25. Your Age

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

26. Your Time in Job

☐ < 3 years ☐ 3-6 years ☐ 7-9 years ☐ 10+ years

27. Your Education

☐ High school
☐ Some college
☐ College degree
☐ MBA
☐ non-MBA masters
☐ > Master degree

28. If you want to receive the conclusions of this research, please write your email here:

……………………………………………………………………

Thank you !

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UNIVERSITY OF SAO PAULO
Doctoral Program in Accounting
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SURVEY ON FINANCIAL REPORTINGS

All answers will be held in strict confidence. No individual responses will be reported. Please answer all questions by providing your own opinion. The questions are organized in 5 sets. The first one is aimed at determining how you consider the 'role of accounting information'. The second and the third ones intend to know about 'performance measures' and 'earnings quality and earnings management'. The fourth set is dedicated to IFRS. The last one is devoted to additional information about yourself or your firm.

A. Role of accounting information

1. Market participants mentioned below use accounting information intensively:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Analysts
☐	☐	☐	☐	☐	B. Rating Agencies
☐	☐	☐	☐	☐	C. Shareholders
☐	☐	☐	☐	☐	D. Fund Managers
☐	☐	☐	☐	☐	E. Institutional Investors
☐	☐	☐	☐	☐	F. Creditors (banks or bondholders)
☐	☐	☐	☐	☐	G. Governmental Entities
☐	☐	☐	☐	☐	H. Employees
☐	☐	☐	☐	☐	I. Suppliers and Customers

2. Market participants who have the strongest influence on stock prices are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Analysts
☐	☐	☐	☐	☐	B. Rating Agencies
☐	☐	☐	☐	☐	C. Hedge Funds
☐	☐	☐	☐	☐	D. Individual Investors
☐	☐	☐	☐	☐	E. Institutional Investors

3. Accounting disclosures must be regulated because:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Managers would tend to favor major investors and to ignore small ones if accounting data were disclosed on a voluntary basis
☐	☐	☐	☐	☐	B. Managers would tend to disclose good news and retain bad news if accounting disclosures were only voluntary
☐	☐	☐	☐	☐	C. The standardization of disclosures reduces the processing costs of financial information

4. The reasons for communicating voluntary information that is not required by accounting standards are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. To reduce the cost of capital
☐	☐	☐	☐	☐	B. To correct under-valuation of stock prices
☐	☐	☐	☐	☐	C. To increase the predictability of companies' future prospects
☐	☐	☐	☐	☐	D. To increase overall stock liquidity
☐	☐	☐	☐	☐	E. To reveal to outsiders the skill level of managers
☐	☐	☐	☐	☐	F. To attract financial analysts
☐	☐	☐	☐	☐	G. To promote a reputation for transparent/accurate reporting
☐	☐	☐	☐	☐	H. To reduce the information risk that investors assign to stocks

5. The motives to limit voluntary disclosure of financial information not required by accounting standards are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. To avoid giving away proprietary information ("company secrets") and therefore harming a competitive position
☐	☐	☐	☐	☐	B. To avoid attracting unwanted scrutiny by regulators
☐	☐	☐	☐	☐	C. To avoid attracting unwanted scrutiny by stockholders and bondholders
☐	☐	☐	☐	☐	D. To avoid possible lawsuits if future results do not match forward-looking disclosures
☐	☐	☐	☐	☐	E. To avoid setting a disclosure precedent that may be difficult to continue

6. Financial information should be disclosed using:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Press releases (for newspapers, television and magazines)
☐	☐	☐	☐	☐	B. Internet (company's website)
☐	☐	☐	☐	☐	C. Conference calls with financial analysts
☐	☐	☐	☐	☐	D. Meetings with financial analysts

B. Performance measures

7. The most important measures of firm performance are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Cash flows from operations
☐	☐	☐	☐	☐	B. Net incomes
☐	☐	☐	☐	☐	C. Economic value added (EVA)
☐	☐	☐	☐	☐	D. Free cash flows
☐	☐	☐	☐	☐	E. Pro forma earnings
☐	☐	☐	☐	☐	F. Revenues

8. The most relevant benchmarks for earnings are:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Previous year EPS (Earnings per Share)
☐	☐	☐	☐	☐	B. Analyst consensus forecast of EPS for current year
☐	☐	☐	☐	☐	C. Reporting a profit (i.e., EPS >0)
☐	☐	☐	☐	☐	D. Change in earnings of main competitors

9. Companies try to meet earnings benchmarks:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. To build credibility with market participants
☐	☐	☐	☐	☐	B. To help employees achieve bonuses
☐	☐	☐	☐	☐	C. To avoid violating debt-covenants
☐	☐	☐	☐	☐	D. To achieve or preserve a desired credit rating
☐	☐	☐	☐	☐	E. To maintain or increase stock prices
☐	☐	☐	☐	☐	F. To maintain or increase dividends
☐	☐	☐	☐	☐	G. To maintain the external reputation of the management team
☐	☐	☐	☐	☐	H. To convey future growth prospects to investors
☐	☐	☐	☐	☐	I. To reduce stock price volatility
☐	☐	☐	☐	☐	J. To assure customers and suppliers that business is stable

10. Missing an earnings benchmark hurts because:

Strongly Disagree 1	2	3	4	Strongly Agree 5	
☐	☐	☐	☐	☐	A. Investors might think the firm has previously un-disclosed problems
☐	☐	☐	☐	☐	B. A lot of time must be spent to explain why benchmarks are missed
☐	☐	☐	☐	☐	C. It increases the possibility of lawsuits
☐	☐	☐	☐	☐	D. Outsiders might think that the firm lacks the flexibility to meet the benchmark
☐	☐	☐	☐	☐	E. It leads to increased scrutiny of all aspects of earnings releases
☐	☐	☐	☐	☐	F. It creates uncertainty about future prospects

C. Earnings quality and Earnings management

11. When applied to earnings, "quality" means:

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Ability to predict future performance (i.e. future earnings and future cash flows)	☐ ☐ ☐ ☐ ☐	D. Lack of significant irregularities
☐ ☐ ☐ ☐ ☐	B. Ability to consistenly reproduce similar results over time	☐ ☐ ☐ ☐ ☐	E. Prompt release of earnings information
☐ ☐ ☐ ☐ ☐	C. Ability to reflect consistently upon underlying business events		

12. The quality of earnings increases with:

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. The number of methods allowed to recognize one event	☐ ☐ ☐ ☐ ☐	E. The use of historical costs (instead of fair value)
☐ ☐ ☐ ☐ ☐	B. The magnitude of accruals	☐ ☐ ☐ ☐ ☐	F. Principles-based (instead of rules-based) accounting standards
☐ ☐ ☐ ☐ ☐	C. Conservatism in accounting figures	☐ ☐ ☐ ☐ ☐	G. Rules-based (instead of principles-based) accounting standards
☐ ☐ ☐ ☐ ☐	D. The use of fair value (instead of historical costs)		

13. A smooth earnings path is preferred because it:

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. Is perceived as less risky by investors	☐ ☐ ☐ ☐ ☐	F. Promotes a reputation for transparent and accurate reporting
☐ ☐ ☐ ☐ ☐	B. Reduces the return required by investors (i.e., smaller risk premium)	☐ ☐ ☐ ☐ ☐	G. Makes it easier for analysts/investors to predict future earnings
☐ ☐ ☐ ☐ ☐	C. Conveys higher future growth prospects	☐ ☐ ☐ ☐ ☐	H. Increases bonus payments
☐ ☐ ☐ ☐ ☐	D. Assures customers/suppliers that business is stable	☐ ☐ ☐ ☐ ☐	I. Clarifies true economic performance
☐ ☐ ☐ ☐ ☐	E. Achieves or preserves a desired credit rating		

14. Accounting standards offer flexibility allowing managers to release opportunistic accounting figures, without breaking accounting rules.

Strongly Disagree … Strongly Agree 1 2 3 4 5		Strongly Disagree … Strongly Agree 1 2 3 4 5	
☐ ☐ ☐ ☐ ☐	A. In light of this, companies manage accounting figures continuously to get a smooth pattern of earnings	☐ ☐ ☐ ☐ ☐	C. This is a pure theoretical assumption. In real life, accounting figures are never managed.
☐ ☐ ☐ ☐ ☐	B. In light of this, accounting figures are managed at special occasions (such IPOs, Security offerings, bond issues,…) to attract investors.		

15. Earnings are managed by:

Strongly Disagree … Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. Changing accounting methods
☐☐☐☐☐ B. Changing accounting hypotheses, related to depreciations, provisions, discount rates.
☐☐☐☐☐ C. Influencing real activities

16. Managing earnings is:

Strongly Disagree … Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. Useful because users of accounting information (investors, creditors, …) are unsophisticated and they don't differentiate between managed and unmanaged figures
☐☐☐☐☐ B. Useless because users of accounting information (investors, creditors, …) can see through managed accounting numbers
☐☐☐☐☐ C. Useless because smooth earnings are not preferable.

D. Inputs from IFRS

17. The adoption of IFRS results in:

Strongly Disagree … Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. More easily comparable accounting figures
☐☐☐☐☐ B. More value relevant accounting figures
☐☐☐☐☐ C More timely loss recognition
☐☐☐☐☐ D. Figures of higher quality
☐☐☐☐☐ E. More additional information (disclosures)
☐☐☐☐☐ F. Financial statements that are difficult to understand by most users

18. The adoption of IFRS leads to:

Strongly Disagree … Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. More efficient monitoring of the company by shareholders and therefore better shareholder protection
☐☐☐☐☐ B. More efficient monitoring of the company by creditors and therefore better creditor protection
☐☐☐☐☐ C. A decrease of information asymmetries between insiders (managers and directors) and outsiders (shareholders, creditors, suppliers, customers, …)
☐☐☐☐☐ D. A decrease in the firm's cost of capital

19. About Fair Value accounting you can say:

Strongly Disagree … Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. The adoption of fair value has a strong impact on accounting figures complying with IFRS
☐☐☐☐☐ B. The adoption of fair value results in more value relevant accounting figures
☐☐☐☐☐ C. The adoption of fair value results in an unjustified increase in the volatility of earnings and equity.
☐☐☐☐☐ D. The adoption of fair value accounting is costly
☐☐☐☐☐ E. It is useful to present unrealized capital gains in a specific comprehensive income statement.

20. Analyzing the first financial statements complying with IFRS:

Strongly Disagree — Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. Required a specific training because these standards differ significantly from those used previously

☐☐☐☐☐ B. Was complex because of accounting figures that they were not easily comparable with those disclosed in the previous statements

21. Switching to IFRS:

Strongly Disagree — Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ A. Has increased the time spent to process accounting information and financial statements

☐☐☐☐☐ B. Has decreased the time spent to process accounting information and financial statements

Strongly Disagree — Strongly Agree (1 2 3 4 5)

☐☐☐☐☐ C. Has improved the relevance of our forecasts and recommendations

☐☐☐☐☐ D. Has diminished the relevance of our forecasts and recommendations

E. Additional Information

22. How many firms do you follow? ……………….

23. Are they in (a few) specific industries?

☐ Retail/Wholesale
☐ Mining/Construction
☐ Tech [Software/Biotech]
☐ Communications/Media
☐ Bank/Finance/Insurance
☐ Manufacturing
☐ Consulting/Service
☐ Public Utility
☐ Transportation/Energy
☐ Other:……………………………….

24. Are you specialized in a specific geographic area?

☐ Oceania
☐ Europe
☐ Asia
☐ South America
☐ Union Europe
☐ Africa
☐ North America
☐ East Europe
☐ Other : ….......................
☐ Latin America
☐ Emerging Markets

25. Your Office Localization

☐ Belgium
☐ Brazil
☐ Czech Republic
☐ Denmark
☐ Finland
☐ France
☐ Germany
☐ Great Britain (UK)
☐ Ireland
☐ Italy
☐ Norway
☐ Portugal
☐ Spain
☐ Sweden
☐ Switzerland
☐ Turkey
☐ Other:……………………………….

26. Your Age

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

27. Your Time in Job

☐ < 3 years ☐ 3-6 years ☐ 7-9 years ☐ 10+ years

28. Your Education

☐ High school
☐ Some college
☐ College degree
☐ MBA
☐ Non-MBA masters
☐ > Master degree

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Thank you !

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Programa de Doutorado em Ciências de Gestão

PESQUISA SOBRE RELATÓRIOS FINANCEIROS

upmf Grenoble
Université Pierre Mendès-France
Sciences sociales & humaines

Todas as respostas serão mantidas em sigilo. As perguntas são divididas em 5 blocos. O primeiro investiga sua opinião sobre "o papel das informações contábeis. O segundo e o terceiro questionam sobre « as medidas de desempenho » e sobre «a qualidade e o gerenciamento dos resultados » ". O quarto bloco é dedicado ao IFRS. O último pergunta « informações adicionais » sobre você e o seu negócio.

A - O papel da Informação contábil

1. Os usuários abaixo utilizam muito a informação contábil

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Analistas de mercado (investimento/financeiro)
☐	☐	☐	☐	☐	B Agências de Classificação de Risco (Rating)
☐	☐	☐	☐	☐	C Acionistas da empresa
☐	☐	☐	☐	☐	D. Gestores de fundos
☐	☐	☐	☐	☐	E. Investidores Institucionais
☐	☐	☐	☐	☐	F. Credores (bancos ou obrigacionistas)
☐	☐	☐	☐	☐	G. Entidades Governamentais
☐	☐	☐	☐	☐	H. Empregados e parceiros sociais da empresa
☐	☐	☐	☐	☐	I. Fornecedores e Clientes da empresa

2. Os participantes do mercado que têm forte influência sobre o preço da ação são:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Analistas de mercado (investimento/financeiro)
☐	☐	☐	☐	☐	B Agências de Classificação de Risco (Rating)
☐	☐	☐	☐	☐	C. Gestores de fundos
☐	☐	☐	☐	☐	D Investidores Individuais
☐	☐	☐	☐	☐	E. Investidores Institucionais

3. A informação contábil deve ser normalizada porque :

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Os gestores tedem a favorecer os grandes investidores e a ignorar os pequenos investidores se as divulgações contábeis forem somente voluntárias
☐	☐	☐	☐	☐	B. Os gestores tendem a divulgar somente notícias boas e a reter más notícias se as divulgações contábeis forem somente voluntárias
☐	☐	☐	☐	☐	C. A padronização da informação reduz o custo de processamento das informações financeiras

4. Os motivos pelos quais as empresas divulgam informações voluntárias que não são exigidas pelas normas contábeis são:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Reduzir o custo de capital
☐	☐	☐	☐	☐	B. Corrigir a subvalorização do preço das ações
☐	☐	☐	☐	☐	C. Aumentar a previsibilidade dos prospectos futuros das companhias
☐	☐	☐	☐	☐	D. Aumentar a liquidez geral das ações
☐	☐	☐	☐	☐	E. Revelar aos usuários externos o nível de competência dos gestores
☐	☐	☐	☐	☐	F. Atrair analistas financeiros
☐	☐	☐	☐	☐	G. Promover a reputação para transparência/relatórios com maior acurácia
☐	☐	☐	☐	☐	H. Reduzir o prêmio de risco informacional que os investidores atribuem as ações

5. Os motivos para limitar a comunicação voluntária das informações financeiras não requeridas pelas normas contábeis são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1 2 3 4 5

☐☐☐☐☐ A. Evitar a divulgação de informações estratégicas que possam reduzir sua vantagem competitiva
☐☐☐☐☐ B. Evitar de atrair a atenção das agências reguladoras
☐☐☐☐☐ C. Evitar de atrair a atenção dos acionistas e credores (obrigacionistas)
☐☐☐☐☐ D. Evitar possíveis problemas jurídicos, se os resultados futuros não corresponderem as informações previamente fornecidas
☐☐☐☐☐ E. Evitar estabelecer um precedente de transparência que possa ser difícil de dar prosseguimento

6. A informação financeira deve ser divulgada por meio de:

Discordo Fortemente (1) – Concordo Fortemente (5)

1 2 3 4 5

☐☐☐☐☐ A. Comunicado de Imprensa (com destino a jornais, televisão e revistas)
☐☐☐☐☐ B. Internet (website da empresa)
☐☐☐☐☐ C. Video conferências com analistas de mercado
☐☐☐☐☐ D. Reunião com analistas de mercado

B. Medidas de Desempenho

7. As medidas de desempenho mais importantes são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1 2 3 4 5

☐☐☐☐☐ A. Fluxo de caixa das operações
☐☐☐☐☐ B. Resultado Líquido
☐☐☐☐☐ C. Valor Econômico Adicionado (EVA)
☐☐☐☐☐ D. Fluxo de caixa livre (free cash flow)
☐☐☐☐☐ E. Resultados Pro-forma
☐☐☐☐☐ F. Receitas

8. As referências mais pertinentes para apreciar o nível dos resultados (earnings benchmarks) são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1 2 3 4 5

☐☐☐☐☐ A. Lucro por ação (EPS) do ano anterior
☐☐☐☐☐ B. Consenso dos analistas na previsão do lucro por ação
☐☐☐☐☐ C. Divulgação de resultado positivo (ou seja, lucro por ação > 0)
☐☐☐☐☐ D. Variações nos resultados dos principais concorrentes da empresa

9. As empresas tentam alcançar certos níveis de resultado (earnings benchmarks) para:

Discordo Fortemente (1) – Concordo Fortemente (5)

1 2 3 4 5

☐☐☐☐☐ A. Construir credibilidade junto aos participantes do mercado
☐☐☐☐☐ B. Permitir que seus empregados recebam os bônus
☐☐☐☐☐ C. Evitar a violação das cláusulas contratuais (restritivas) de seus contratos de empréstimos
☐☐☐☐☐ D. Alcançar ou preservar uma classificação de risco de crédito desejada
☐☐☐☐☐ E. Manter ou aumentar os preços das ações
☐☐☐☐☐ F. Manter ou aumentar os dividendos
☐☐☐☐☐ G. Manter a reputação externa da equipe gestora
☐☐☐☐☐ H. Transmitir boas perspectivas de crescimento futuro para os investidores
☐☐☐☐☐ I. Reduzir a volatilidade do preço das ações
☐☐☐☐☐ J. Sinalizar aos clientes e fornecedores que o negócio é estável

10. Não atingir o resultado esperado (earnings benchmark) é desvantajoso porque:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente		Discordo Fortemente 1 2 3 4 5 Concordo Fortemente	
☐ ☐ ☐ ☐ ☐	A. Os investidores podem pensar que a empresa possui problemas prévios não divulgados	☐ ☐ ☐ ☐ ☐	D. Os usuários externos podem pensar que a empresa não possui mais nenhuma margem de manobra para atingir o resultado desejado
☐ ☐ ☐ ☐ ☐	B. Será necessário muito tempo para explicar essa situação	☐ ☐ ☐ ☐ ☐	E. Aumenta a atenção para os resultados que serão publicados
☐ ☐ ☐ ☐ ☐	C. Aumenta a possibilidade de processos judiciais	☐ ☐ ☐ ☐ ☐	F. Cria incerteza sobre as perspectivas futuras da empresa

C. Qualidade e Gerenciamento dos Resultados Contábeis

11. Quando aplicada a resultado, "qualidade" significa:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente		Discordo Fortemente 1 2 3 4 5 Concordo Fortemente	
☐ ☐ ☐ ☐ ☐	A. Capacidade para prever desempenho futuros (ou seja, os lucros futuros e fluxos de caixa futuros)	☐ ☐ ☐ ☐ ☐	D. Ausência de irregularidades significativas
☐ ☐ ☐ ☐ ☐	B. Capacidade de reproduzir o mesmo resultado no futuro	☐ ☐ ☐ ☐ ☐	E. Liberação imediata de informações sobre o resultado
☐ ☐ ☐ ☐ ☐	C. Capacidade de refletir consistentemente a realidade econômica da empresa		

12. A qualidade dos resultados contábeis aumenta com:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente		Discordo Fortemente 1 2 3 4 5 Concordo Fortemente	
☐ ☐ ☐ ☐ ☐	A. O número de métodos permitidos para reconhecer um evento	☐ ☐ ☐ ☐ ☐	E. O uso do custo histórico (ao invés do valor justo)
☐ ☐ ☐ ☐ ☐	B. A magnitude dos accruals (ajustes do regime de competência para o regime de caixa)	☐ ☐ ☐ ☐ ☐	F. O uso de padrões contábeis baseados em princípios (principles-based) ao invés de baseado em regras/lei (rules-based)
☐ ☐ ☐ ☐ ☐	C. O conservadorismo dos números contábeis	☐ ☐ ☐ ☐ ☐	G. O uso de padrões contábeis baseados em regras/lei (rules-based) ao invés de baseada em princípios (principles-based)
☐ ☐ ☐ ☐ ☐	D. O uso do valor justo (ao invés do custo histórico)		

13. O resultado líquido suavizado é preferido na medida que:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente		Discordo Fortemente 1 2 3 4 5 Concordo Fortemente	
☐ ☐ ☐ ☐ ☐	A. é percebido como menos arriscado pelos investidores	☐ ☐ ☐ ☐ ☐	F. Promove uma reputação pela transparência e por relatórios precisos
☐ ☐ ☐ ☐ ☐	B. Reduz a taxa de retorno exigido pelos investidores (isto é, prêmio de risco menor)	☐ ☐ ☐ ☐ ☐	G. Torna mais fácil para os analistas e investidores preverem resultados futuros
☐ ☐ ☐ ☐ ☐	C. Transmite boas perspectivas de crescimento futuro	☐ ☐ ☐ ☐ ☐	H. Aumenta o pagamento de bônus
☐ ☐ ☐ ☐ ☐	D. Sinaliza a clientes e fornecedores que o negócio é estável	☐ ☐ ☐ ☐ ☐	I. Evidencia o verdadeiro desempenho econômico
☐ ☐ ☐ ☐ ☐	E. Atinge ou preserva a classificação de risco de crédito desejada		

14. As normas contábeis oferecem flexibilidade suficiente que permitem as empresas reportarem números contábeis oportunos, sem violar as regras contábeis.

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Sendo assim, as empresas manipulam os números contábeis regularmente para obterem resultados estáveis
☐	☐	☐	☐	☐	B. Sendo assim, os números contábeis são manipulados somente em ocasiões especiais (tal como: oferta pública inicial - IPO, oferta secundária de ações - SEOs, emissões de obrigações, ...) para atrair investidores.
☐	☐	☐	☐	☐	C. Essa é uma premissa puramente teórica. Na vida real, os números contábeis não são manipulados.

15. Para manipular os números contábeis, as empresas:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Alteram os práticas contábeis mais seguidamente que o necessário
☐	☐	☐	☐	☐	B. Alteram as hipóteses contábeis, relacionadas a depreciações, provisões, taxas de atualizaçao, .., por exemplo
☐	☐	☐	☐	☐	C. Influenciam a atividade real

16. Gerenciamento de Resultado é:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Útil, pois os usuários das informações contábeis (investidores, credores, ...) não são capazes de perceber a diferença entre os números manipulados e os não manipulados
☐	☐	☐	☐	☐	B. Inútil, porque os usuários das informações contábeis (investidores, credores, ...) são capazes de detectar os números contábeis manipulados
☐	☐	☐	☐	☐	C. Inútil, porque os resultados estáveis não são os preferidos.

D. Contribuições do IFRS

17. A adoção do IFRS resulta:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Numa elaboração de números contábeis mais facilmente comparável entre as empresas
☐	☐	☐	☐	☐	B. Numa elaboração de números contábeis mais relevantes para avaliar a empresa
☐	☐	☐	☐	☐	C. No reconhecimento de perdas em um tempo oportuno
☐	☐	☐	☐	☐	D. Em números contábeis de maior qualidade
☐	☐	☐	☐	☐	E. Em mais informações complementares (divulgações)
☐	☐	☐	☐	☐	F. Em demonstrações financeiras que são difíceis de serem compreendidas pela maioria dos usuários

18. A adoção do IFRS leva as empresas a ter:

Discordo Fortemente 1	2	3	4	Concordo Fortemente 5	
☐	☐	☐	☐	☐	A. Um monitoramento mais eficiente da empresa pelos acionistas e, assim, uma melhor proteção de seus interesses
☐	☐	☐	☐	☐	B. Um monitoramento mais eficiente da empresa pelos credores e, assim, uma melhor proteção de seus interesses
☐	☐	☐	☐	☐	C. A redução da assimetria de informação entre os insiders (gestores e diretores) e outsiders (acionistas, credores, fornecedores, clientes ...)
☐	☐	☐	☐	☐	D. Uma diminuição do custo de capital das empresas

19. Sobre a contabilização pelo valor justo, você considera que:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. A adoção do valor justo tem um forte impacto nos números contábeis em conformidade com o IFRS

☐☐☐☐☐ B. A adoção do valor justo resulta em números contábeis mais relevantes para avaliação da empresa

☐☐☐☐☐ C. A adoção do valor justo resulta em um aumento injustificado da volatilidade dos resultados e do capital próprio.

☐☐☐☐☐ D. A adoção da contabilidade pelo valor justo é custosa.

☐☐☐☐☐ E. É útil apresentar os ganhos de capital não realizados em uma conta de resultado global. (Comprehensive Income Statement)

20. A primeira aplicação do IFRS foi (é) custosa porque:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Os sistemas de informação tiveram (têm) que ser reorganizados, pois as informações requeridas pelo IFRS não estavam (estão) disponíveis na sua totalidade

☐☐☐☐☐ B. As informações exigidas pelo IFRS estavam (estão) disponíveis, mas elas tiveram (têm) que ser re-processadas de forma aprofundada

☐☐☐☐☐ C. A falta de clareza de várias normas do IFRS requereram (requerem) uma profunda análise e interpretação destas normas

☐☐☐☐☐ D. Foi (é) necessária uma formação aprofundada das pessoas envolvidas no processo de adoção

☐☐☐☐☐ E. Os honorários cobrados pelos consultores envolvidos no processo de adoção foram (são) altos

☐☐☐☐☐ F. Os custos da transição para o IFRS não foram (são) significativamente elevados

E. Informações Adicionais

21. Por favor, responda as questões :

A classificação de risco de crédito da sua empresa é de aproximadamente (por exemplo, AA-, BBB +, sem avaliação, etc): ……………..

O quociente dívida total sobre ativos totais da sua empresa é de aproximadamente (por exemplo, 0,0, 0,32, etc): ……………..

Durante o ano passado, sua empresa teve lucro. (verdadeiro ou falso) ☐ verdadeiro ☐ falso

O quociente preço/lucro (price/earnings ratio) da sua empresa cresceu em média, nos últimos 3 anos (por exemplo, 18, n / a): ……………..

A taxa de crescimento anual da sua empresa, em termos de faturamento nos últimos 3 anos foi, em média (por exemplo, -4%, 5%): ……………..

O preço atual das ações da sua empresa é (por exemplo, $ 25,12): ……………..

Sua empresa tem aproximadamente (anos de existência): ……………..

22. Localização da sede da empresa

☐ Alemanha ☐ Espanha ☐ Irlanda ☐ República Tcheca
☐ Bélgica ☐ Finlândia ☐ Itália ☐ Suécia
☐ Brasil ☐ França ☐ Noruega ☐ Suíça
☐ Dinamarca ☐ Grã-Bretanha (UK) ☐ Portugal ☐ Turquia
☐ Outro (especifique, por favor) : ……………………………….

23. Por favor, selecione as bolsas de valores nas quais a sua empresa esta listada

☐ NYSE (USA) ☐ Paris ☐ Lisboa
☐ Nasdaq / Amex (USA) ☐ Frankfurt ☐ Outra (especifique, por favor)
☐ Bovespa (Brasil) ☐ Milão ……………………………………….
☐ Londres ☐ Madri

24. Número de empregados da sua empresa

☐ < 100 ☐ 500-999 ☐ 2500-4999 ☐ 7500-9999
☐ 100-499 ☐ 1000-2499 ☐ 5000-7499 ☐ 10000+

25. Setor de atividade da sua empresa

☐ Varejo / Atacado
☐ Mineração / Construção
☐ Tech [Software / Biotech]
☐ Comunicações / Mídia
☐ Manufaturados
☐ Banco / Financeiras / Seguradoras
☐ Consultoria / Serviços
☐ Utilidade Pública
☐ Transportes / Energia
☐ Outro (especifique, por favor): …………………………..

26. Qual a porcentagem de ações ordinárias que é detida pelos gestores da empresa?

☐ <5% ☐ 5-10% ☐ 11-20% ☐ >20%

27. Quantos analistas de mercado seguem atualmente a ação da sua empresa?

☐ Nenhum ☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ 16+

28. Receita (Euro / Real)

☐ < €50 milhões (< R$125 milhões)
☐ €50-€100 milhões (R$125-R$250 milhões)
☐ €100-€499 milhões (R$250 milhões - R$1.25 bilhões)
☐ €500-€999 milhões (R$1.25-R$2.5 bilhões)
☐ €1-€4.9 bilhões (R$2.5-R$12.5 bilhões)
☐ €5 bilhões + (R$12.5 bilhões +)

29. Qual a sua idade?

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

30. Há quanto tempo você esta no atual cargo nesta empresa?

☐ < 3 anos ☐ 3-6 anos ☐ 7-9 anos ☐ 10+ anos

31. Qual o seu grau de instrução mais alto?

☐ Ensino Médio
☐ Ensino Superior Incompleto ou Curso Técnico
☐ Ensino Superior Completo
☐ Pos-Graduação, Especialização e MBA
☐ Mestrado
☐ > Mestrado

32. Se você deseja receber um resumo executivo com os resultados dessa pesquisa, por favor informe seu e-mail: ……………………………………………………………………

Obrigada!

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UNIVERSIDADE DE SÃO PAULO
Programa de Doutorado de Contabilidade
UNIVERSIDADE DE GRENOBLE
Programa de Doutorado em Ciências de Gestão

PESQUISA SOBRE RELATÓRIOS FINANCEIROS

Todas as respostas serão mantidas em sigilo. As perguntas são divididas em 5 blocos. O primeiro investiga sua opinião sobre "o papel das informações contábeis. O segundo e o terceiro questionam sobre « as medidas de desempenho » e sobre «a qualidade e o gerenciamento dos resultados » ". O quarto bloco é dedicado ao IFRS. O último pergunta « informações adicionais » sobre você e sua empresa.

A - O papel da Informação contábil

1. Os usuários abaixo utilizam muito a informação contábil :

Discordo Fortemente 1	2	3	Concordo Fortemente 4	5	
☐	☐	☐	☐	☐	A. Analistas de mercado (investimento/financeiro)
☐	☐	☐	☐	☐	B. Agências de Classificação de Risco (Rating)
☐	☐	☐	☐	☐	C. Acionistas da empresa
☐	☐	☐	☐	☐	D. Gestores de fundos
☐	☐	☐	☐	☐	E. Investidores Institucionais
☐	☐	☐	☐	☐	F. Credores (bancos ou obrigacionistas)
☐	☐	☐	☐	☐	G. Entidades Governamentais
☐	☐	☐	☐	☐	H. Empregados e parceiros sociais da empresa
☐	☐	☐	☐	☐	I. Fornecedores e Clientes da empresa

2. Os participantes do mercado que têm forte influência sobre o preço da ação são:

Discordo Fortemente 1	2	3	Concordo Fortemente 4	5	
☐	☐	☐	☐	☐	A. Analistas de mercado (investimento/financeiro)
☐	☐	☐	☐	☐	B. Agências de Classificação de Risco (Rating)
☐	☐	☐	☐	☐	C. Gestores de fundos
☐	☐	☐	☐	☐	D. Investidores Individuais
☐	☐	☐	☐	☐	E. Investidores Institucionais

3. A informação contábil deve ser normalizada porque :

Discordo Fortemente 1	2	3	Concordo Fortemente 4	5	
☐	☐	☐	☐	☐	A. Os gestores tedem a favorecer os grandes investidores e a ignorar os pequenos investidores se as divulgações contábeis forem somente voluntárias
☐	☐	☐	☐	☐	B. Os gestores tendem a divulgar somente notícias boas e a reter más notícias se as divulgações contábeis forem somente voluntárias
☐	☐	☐	☐	☐	C. A padronização da informação reduz o custo de processamento das informações financeiras

4. Os motivos pelos quais as empresas divulgam informações voluntárias que não são exigidas pelas normas contábeis são:

Discordo Fortemente 1	2	3	Concordo Fortemente 4	5	
☐	☐	☐	☐	☐	A. Reduzir o custo de capital
☐	☐	☐	☐	☐	B. Corrigir a subvalorização do preço das ações
☐	☐	☐	☐	☐	C. Aumentar a previsibilidade dos prospectos futuros das companhias
☐	☐	☐	☐	☐	D. Aumentar a liquidez geral das ações
☐	☐	☐	☐	☐	E. Revelar aos usuários externos o nível de competência dos gestores
☐	☐	☐	☐	☐	F. Atrair analistas financeiros
☐	☐	☐	☐	☐	G. Promover a reputação para transparência/relatórios com maior acurácia
☐	☐	☐	☐	☐	H. Reduzir o prêmio de risco informacional que os investidores atribuem as ações

5. Os motivos para limitar a comunicação voluntária das informações financeiras não requeridas pelas normas contábeis são:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Evitar a divulgação de informações estratégicas que possam reduzir sua vantagem competitiva
☐☐☐☐☐ B. Evitar de atrair a atenção das agências reguladoras
☐☐☐☐☐ C. Evitar de atrair a atenção dos acionistas e credores (obrigacionistas)
☐☐☐☐☐ D. Evitar possíveis problemas jurídicos, se os resultados futuros não corresponderem as informações previamente fornecidas
☐☐☐☐☐ E. Evitar estabelecer um precedente de transparência que possa ser difícil de dar prosseguimento

6. A informação financeira deve ser divulgada por meio de:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Comunicado de Imprensa (com destino a jornais, televisão e revistas)
☐☐☐☐☐ B. Internet (website da empresa)
☐☐☐☐☐ C. Video conferências com analistas de mercado
☐☐☐☐☐ D. Reunião com analistas de mercado

B. Medidas de Desempenho

7. As medidas de desempenho mais importantes são:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Fluxo de caixa das operações
☐☐☐☐☐ B. Resultado Líquido
☐☐☐☐☐ C. Valor Econômico Adicionado (EVA)
☐☐☐☐☐ D. Fluxo de caixa livre (free cash flow)
☐☐☐☐☐ E. Resultados Pro-forma
☐☐☐☐☐ F. Receitas

8. As referências mais pertinentes para apreciar o nível dos resultados (earnings benchmarks) são:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Lucro por ação (EPS) do ano anterior
☐☐☐☐☐ B. Consenso dos analistas na previsão do lucro por ação
☐☐☐☐☐ C. Divulgação de resultado positivo (ou seja, lucro por ação > 0)
☐☐☐☐☐ D. Variações nos resultados dos principais concorrentes da empresa

9. As empresas tentam alcançar certos níveis de resultado (earnings benchmarks) para:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Construir credibilidade junto aos participantes do mercado
☐☐☐☐☐ B. Permitir que seus empregados recebam os bônus
☐☐☐☐☐ C. Evitar a violação das cláusulas contratuais (restritivas) de seus contratos de empréstimos
☐☐☐☐☐ D. Alcançar ou preservar uma classificação de risco de crédito desejada
☐☐☐☐☐ E. Manter ou aumentar os preços das ações
☐☐☐☐☐ F. Manter ou aumentar os dividendos
☐☐☐☐☐ G. Manter a reputação externa da equipa gestora
☐☐☐☐☐ H. Transmitir boas perspectivas de crescimento futuro para os investidores
☐☐☐☐☐ I. Reduzir a volatilidade do preço das ações
☐☐☐☐☐ J. Sinalizar aos clientes e fornecedores que o negócio é estável

10. Não atingir o resultado esperado (earnings benchmark) é desvantajoso porque:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Os investidores podem pensar que a empresa possui problemas prévios não divulgados
☐☐☐☐☐ B. Será necessário muito tempo para explicar essa situação
☐☐☐☐☐ C. Aumenta a possibilidade de processos judiciais
☐☐☐☐☐ D. Os usuários externos podem pensar que a empresa não possui mais nenhuma margem de manobra para atingir o resultado desejado
☐☐☐☐☐ E. Aumenta a atenção para os resultados que serão publicados
☐☐☐☐☐ F. Cria incerteza sobre as perspectivas futuras da empresa

C. Qualidade e Gerenciamento dos Resultados Contábeis

11. Quando aplicada a resultado, "qualidade" significa:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Capacidade para prever desempenho futuros (ou seja, os lucros futuros e fluxos de caixa futuros)
☐☐☐☐☐ B. Capacidade de reproduzir o mesmo resultado no futuro
☐☐☐☐☐ C. Capacidade de refletir consistentemente a realidade econômica da empresa
☐☐☐☐☐ D. Ausência de irregularidades significativas
☐☐☐☐☐ E. Liberação imediata de informações sobre o resultado

12. A qualidade dos resultados contábeis aumenta com:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. O número de métodos permitidos para reconhecer um evento
☐☐☐☐☐ B. A magnitude dos accruals (ajustes do regime de competência para o regime de caixa)
☐☐☐☐☐ C. O conservadorismo dos números contábeis
☐☐☐☐☐ D. O uso do valor justo (ao invés do custo histórico)
☐☐☐☐☐ E. O uso do custo histórico (ao invés do valor justo)
☐☐☐☐☐ F. O uso de padrões contábeis baseados em princípios (principles-based) ao invés de baseado em regras/lei (rules-based)
☐☐☐☐☐ G. O uso de padrões contábeis baseados em regras/lei (rules-based) ao invés de baseada em princípios (principles-based)

13. O resultado líquido suavizado é preferido na medida que:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. é percebido como menos arriscado pelos investidores
☐☐☐☐☐ B. Reduz a taxa de retorno exigido pelos investidores (isto é, prêmio de risco menor)
☐☐☐☐☐ C. Transmite boas perspectivas de crescimento futuro
☐☐☐☐☐ D. Sinaliza a clientes e fornecedores que o negócio é estável
☐☐☐☐☐ E. Atinge ou preserva a classificação de risco de crédito desejada
☐☐☐☐☐ F. Promove uma reputação pela transparência e por relatórios precisos
☐☐☐☐☐ G. Torna mais fácil para os analistas e investidores preverem resultados futuros
☐☐☐☐☐ H. Aumenta o pagamento de bônus
☐☐☐☐☐ I. Evidencia o verdadeiro desempenho econômico

14. As normas contábeis oferecem flexibilidade suficiente que permitem as empresas reportarem números contábeis oportunos, sem violar as regras contábeis.

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Sendo assim, as empresas manipulam os números contábeis regularmente para obterem resultados estáveis
☐☐☐☐☐ B. Sendo assim, os números contábeis são manipulados somente em ocasiões especiais (tal como: oferta pública inicial - IPO, oferta secundária de ações - SEOs, emissões de obrigações, ...) para atrair investidores.
☐☐☐☐☐ C. Essa é uma premissa puramente teórica. Na vida real, os números contábeis não são manipulados.

15. Para manipular os números contábeis, as empresas:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Alteram os práticas contábeis mais seguidamente que o necessário
☐☐☐☐☐ B. Alteram as hipóteses contábeis, relacionadas a depreciações, provisões, taxas de atualizaçao, .., por exemplo
☐☐☐☐☐ C. Influenciam a atividade real

16. Gerenciamento de Resultado é:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Útil, pois os usuários das informações contábeis (investidores, credores, ...) não são capazes de perceber a diferença entre os números manipulados e os não manipulados
☐☐☐☐☐ B. Inútil, porque os usuários das informações contábeis (investidores, credores, ...) são capazes de detectar os números contábeis manipulados
☐☐☐☐☐ C. Inútil, porque os resultados estáveis não são os preferidos.

D. Contribuições do IFRS

17. A adoção do IFRS resulta:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Numa elaboração de números contábeis mais facilmente comparável entre as empresas
☐☐☐☐☐ B. Numa elaboração de números contábeis mais relevantes para avaliar a empresa
☐☐☐☐☐ C. No reconhecimento de perdas em um tempo oportuno

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ D. Em números contábeis de maior qualidade
☐☐☐☐☐ E. Em mais informações complementares (divulgações)
☐☐☐☐☐ F. Em demonstrações financeiras que são difíceis de serem compreendidas pela maioria dos usuários

18. A adoção do IFRS leva as empresas a ter:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Um monitoramento mais eficiente da empresa pelos acionistas e, assim, uma melhor proteção de seus interesses
☐☐☐☐☐ B. Um monitoramento mais eficiente da empresa pelos credores e, assim, uma melhor proteção de seus interesses

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ C. A redução da assimetria de informação entre os insiders (gestores e diretores) e outsiders (acionistas, credores, fornecedores, clientes ...)
☐☐☐☐☐ D. Uma diminuição do custo de capital das empresas

19. Sobre a contabilização pelo valor justo, você considera que:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. A adoção do valor justo tem um forte impacto nos números contábeis em conformidade com o IFRS

☐☐☐☐☐ B. A adoção do valor justo resulta em números contábeis mais relevantes para avaliação da empresa

☐☐☐☐☐ C. A adoção do valor justo resulta em um aumento injustificado da volatilidade dos resultados e do capital próprio.

☐☐☐☐☐ D. A adoção da contabilidade pelo valor justo é custosa.

☐☐☐☐☐ E. É útil apresentar os ganhos de capital não realizados em uma conta de resultado global. (Comprehensive Income Statement)

20. A primeira aplicação do IFRS foi (é) custosa porque:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Os sistemas de informação tiveram (têm) que ser reorganizados, pois as informações requeridas pelo IFRS não estavam (estão) disponíveis na sua totalidade

☐☐☐☐☐ B. As informações exigidas pelo IFRS estavam (estão) disponíveis, mas elas tiveram (têm) que ser re-processadas de forma aprofundada

☐☐☐☐☐ C. A falta de clareza de várias normas do IFRS requereram (requerem) uma profunda análise e interpretação destas normas

☐☐☐☐☐ D. Foi (é) necessária uma formação aprofundada das pessoas envolvidas no processo de adoção

☐☐☐☐☐ E. Os honorários cobrados pelos consultores envolvidos no processo de adoção foram (são) altos

☐☐☐☐☐ F. Os custos da transição para o IFRS não foram (são) significativamente elevados

E. Informações Adicionais

21. Quantas empresas listadas em bolsa você audita por ano? ………………

22. Quantas empresas não listadas em bolsa você audita por ano? ………………

23. Por favor, selecione quais os setores que estas empresas pertencem:

- ☐ Varejo / Atacado
- ☐ Mineração / Construção
- ☐ Tech [Software / Biotech]
- ☐ Comunicações / Mídia
- ☐ Manufaturados
- ☐ Banco / Financeiras / Seguradoras
- ☐ Consultoria / Serviços
- ☐ Utilidade Pública
- ☐ Transportes / Energia
- ☐ Outro (especifique, por favor): …………………………..

24. Localizaçao do seu escritório

- ☐ Alemanha
- ☐ Bélgica
- ☐ Brasil
- ☐ Dinamarca
- ☐ Espanha
- ☐ Finlândia
- ☐ França
- ☐ Grã-Bretanha (UK)
- ☐ Irlanda
- ☐ Itália
- ☐ Noruega
- ☐ Portugal
- ☐ República Tcheca
- ☐ Suécia
- ☐ Suíça
- ☐ Turquia
- ☐ Outro (especifique, por favor) : ……………………………….

25. Qual a sua idade?

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

26. Há quanto tempo você esta nessa profissão?

☐ < 3 anos ☐ 3-6 anos ☐ 7-9 anos ☐ 10+ anos

27. Qual o seu grau de instrução mais alto?

☐ Ensino Médio
☐ Ensino Superior Incompleto ou Curso Técnico
☐ Ensino Superior Completo
☐ Pos-Graduação, Especialização e MBA
☐ Mestrado
☐ > Mestrado

28. Se você deseja receber um resumo executivo com os resultados dessa pesquisa, por favor informe seu e-mail: ………………………………………………………………….

Obrigada!

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UNIVERSIDADE DE SÃO PAULO
Programa de Doutorado em Ciências Contábeis
UNIVERSIDADE DE GRENOBLE
Programa de Doutorado em Ciências de Gestão
PESQUISA SOBRE RELATÓRIOS FINANCEIROS

Todas as respostas serão mantidas em sigilo. As perguntas são divididas em 5 blocos. O primeiro investiga sua opinião sobre "o papel das informações contábeis. O segundo e o terceiro questionam sobre « as medidas de desempenho » e sobre «a qualidade e o gerenciamento dos resultados » ". O quarto bloco é dedicado ao IFRS. O último pergunta « informações adicionais » sobre você e a sua empresa.

A - O papel da Informação contábil

1. Os usuários abaixo utilizam muito a informação contábil

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Analistas de mercado (investimento/financeiro)
☐☐☐☐☐ B Agências de Classificação de Risco (Rating)
☐☐☐☐☐ C Acionistas da empresa
☐☐☐☐☐ D. Gestores de fundos
☐☐☐☐☐ E. Investidores Institucionais
☐☐☐☐☐ F. Credores (bancos ou obrigacionistas)
☐☐☐☐☐ G. Entidades Governamentais
☐☐☐☐☐ H. Empregados e parceiros sociais da empresa
☐☐☐☐☐ I. Fornecedores e Clientes da empresa

2. Os participantes do mercado que têm forte influência sobre o preço da ação são:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Analistas de mercado (investimento/financeiro)
☐☐☐☐☐ B. Agências de Classificação de Risco (Rating)
☐☐☐☐☐ C. Gestores de fundos
☐☐☐☐☐ D. Investidores Individuais
☐☐☐☐☐ E. Investidores Institucionais

3. A informação contábil deve ser normalizada porque :

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Os gestores tedem a favorecer os grandes investidores e a ignorar os pequenos investidores se as divulgações contábeis forem somente voluntárias
☐☐☐☐☐ B. Os gestores tendem a divulgar somente notícias boas e a reter más notícias se as divulgações contábeis forem somente voluntárias
☐☐☐☐☐ C. A padronização da informação reduz o custo de processamento das informações financeiras

4. Os motivos pelos quais as empresas divulgam informações voluntárias que não são exigidas pelas normas contábeis são:

Discordo Fortemente 1 2 3 4 5 Concordo Fortemente

☐☐☐☐☐ A. Reduzir o custo de capital
☐☐☐☐☐ B. Corrigir a subvalorização do preço das ações
☐☐☐☐☐ C. Aumentar a previsibilidade dos prospectos futuros das companhias
☐☐☐☐☐ D. Aumentar a liquidez geral das ações
☐☐☐☐☐ E. Revelar aos usuários externos o nível de competência dos gestores
☐☐☐☐☐ F. Atrair analistas financeiros
☐☐☐☐☐ G Promover a reputação para transparência/relatórios com maior acurácia
☐☐☐☐☐ H. Reduzir o prêmio de risco informacional que os investidores atribuem as ações

5. Os motivos para limitar a comunicação voluntária das informações financeiras não requeridas pelas normas contábeis são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Evitar a divulgação de informações estratégicas que possam reduzir sua vantagem competitiva
☐	☐	☐	☐	☐	B. Evitar de atrair a atenção das agências reguladoras
☐	☐	☐	☐	☐	C. Evitar de atrair a atenção dos acionistas e credores (obrigacionistas)
☐	☐	☐	☐	☐	D. Evitar possíveis problemas jurídicos, se os resultados futuros não corresponderem as informações previamente fornecidas
☐	☐	☐	☐	☐	E. Evitar estabelecer um precedente de transparência que possa ser difícil de dar prosseguimento

6. A informação financeira deve ser divulgada por meio de:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Comunicado de Imprensa (com destino a jornais, televisão e revistas)
☐	☐	☐	☐	☐	B. Internet (website da empresa)
☐	☐	☐	☐	☐	C. Video conferências com analistas de mercado
☐	☐	☐	☐	☐	D. Reunião com analistas de mercado

B. Medidas de Desempenho

7. As medidas de desempenho mais importantes são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Fluxo de caixa das operações
☐	☐	☐	☐	☐	B. Resultado Líquido
☐	☐	☐	☐	☐	C. Valor Econômico Adicionado (EVA)
☐	☐	☐	☐	☐	D. Fluxo de caixa livre (free cash flow)
☐	☐	☐	☐	☐	E. Resultados Pro-forma
☐	☐	☐	☐	☐	F. Receitas

8. As referências mais pertinentes para apreciar o nível dos resultados (earnings benchmarks) são:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Lucro por ação (EPS) do ano anterior
☐	☐	☐	☐	☐	B. Consenso dos analistas na previsão do lucro por ação
☐	☐	☐	☐	☐	C. Divulgação de resultado positivo (ou seja, lucro por ação > 0)
☐	☐	☐	☐	☐	D. Variações nos resultados dos principais concorrentes da empresa

9. As empresas tentam alcançar certos níveis de resultado (earnings benchmarks) para:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Construir credibilidade junto aos participantes do mercado
☐	☐	☐	☐	☐	B. Permitir que seus empregados recebam os bônus
☐	☐	☐	☐	☐	C. Evitar a violação das cláusulas contratuais (restritivas) de seus contratos de empréstimos
☐	☐	☐	☐	☐	D. Alcançar ou preservar uma classificação de risco de crédito desejada
☐	☐	☐	☐	☐	E. Manter ou aumentar os preços das ações
☐	☐	☐	☐	☐	F. Manter ou aumentar os dividendos
☐	☐	☐	☐	☐	G. Manter a reputação externa da equipa gestora
☐	☐	☐	☐	☐	H. Transmitir boas perspectivas de crescimento futuro para os investidores
☐	☐	☐	☐	☐	I. Reduzir a volatilidade do preço das ações
☐	☐	☐	☐	☐	J. Sinalizar aos clientes e fornecedores que o negócio é estável

10. Não atingir o resultado esperado (earnings benchmark) é desvantajoso porque:

Discordo Fortemente — Concordo Fortemente (1 2 3 4 5)

☐☐☐☐☐ A. Os investidores podem pensar que a empresa possui problemas prévios não divulgados

☐☐☐☐☐ B. Será necessário muito tempo para explicar essa situação

☐☐☐☐☐ C. Aumenta a possibilidade de processos judiciais

☐☐☐☐☐ D. Os usuários externos podem pensar que a empresa não possui mais nenhuma margem de manobra para atingir o resultado desejado

☐☐☐☐☐ E. Aumenta a atenção para os resultados que serão publicados

☐☐☐☐☐ F. Cria incerteza sobre as perspectivas futuras da empresa

C. Qualidade e Gerenciamento dos Resultados Contábeis

11. Quando aplicada a resultado, "qualidade" significa:

Discordo Fortemente — Concordo Fortemente (1 2 3 4 5)

☐☐☐☐☐ A. Capacidade para prever desempenho futuros (ou seja, os lucros futuros e fluxos de caixa futuros)

☐☐☐☐☐ B. Capacidade de reproduzir o mesmo resultado no futuro

☐☐☐☐☐ C. Capacidade de refletir consistentemente a realidade econômica da empresa

☐☐☐☐☐ D. Ausência de irregularidades significativas

☐☐☐☐☐ E. Liberação imediata de informações sobre o resultado

12. A qualidade dos resultados contábeis aumenta com:

Discordo Fortemente — Concordo Fortemente (1 2 3 4 5)

☐☐☐☐☐ A. O número de métodos permitidos para reconhecer um evento

☐☐☐☐☐ B. A magnitude dos accruals (ajustes do regime de competência para o regime de caixa)

☐☐☐☐☐ C. O conservadorismo dos números contábeis

☐☐☐☐☐ D. O uso do valor justo (ao invés do custo histórico)

☐☐☐☐☐ E. O uso do custo histórico (ao invés do valor justo)

☐☐☐☐☐ F. O uso de padrões contábeis baseados em princípios (principles-based) ao invés de baseado em regras/lei (rules-based)

☐☐☐☐☐ G. O uso de padrões contábeis baseados em regras/lei (rules-based) ao invés de baseada em princípios (principles-based)

13. O resultado líquido suavizado é preferido na medida que:

Discordo Fortemente — Concordo Fortemente (1 2 3 4 5)

☐☐☐☐☐ A. é percebido como menos arriscado pelos investidores

☐☐☐☐☐ B. Reduz a taxa de retorno exigido pelos investidores (isto é, prêmio de risco menor)

☐☐☐☐☐ C. Transmite boas perspectivas de crescimento futuro

☐☐☐☐☐ D. Sinaliza a clientes e fornecedores que o negócio é estável

☐☐☐☐☐ E. Atinge ou preserva a classificação de risco de crédito desejada

☐☐☐☐☐ F. Promove uma reputação pela transparência e por relatórios precisos

☐☐☐☐☐ G. Torna mais fácil para os analistas e investidores preverem resultados futuros

☐☐☐☐☐ H. Aumenta o pagamento de bônus

☐☐☐☐☐ I. Evidencia o verdadeiro desempenho econômico

14. As normas contábeis oferecem flexibilidade suficiente que permitem as empresas reportarem números contábeis oportunos, sem violar as regras contábeis.

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Sendo assim, as empresas manipulam os números contábeis regularmente para obterem resultados estáveis
☐☐☐☐☐ B. Sendo assim, os números contábeis são manipulados somente em ocasiões especiais (tal como: oferta pública inicial - IPO, oferta secundária de ações - SEOs, emissões de obrigações, ...) para atrair investidores.
☐☐☐☐☐ C. Essa é uma premissa puramente teórica. Na vida real, os números contábeis não são manipulados.

15. Para manipular os números contábeis, as empresas:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Alteram os práticas contábeis mais seguidamente que o necessário
☐☐☐☐☐ B. Alteram as hipóteses contábeis, relacionadas a depreciações, provisões, taxas de atualizaçao, .., por exemplo
☐☐☐☐☐ C. Influenciam a atividade real

16. Gerenciamento de Resultado é:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Útil, pois os usuários das informações contábeis (investidores, credores, ...) não são capazes de perceber a diferença entre os números manipulados e os não manipulados
☐☐☐☐☐ B. Inútil, porque os usuários das informações contábeis (investidores, credores, ...) são capazes de detectar os números contábeis manipulados
☐☐☐☐☐ C. Inútil, porque os resultados estáveis não são os preferidos.

D. Contribuições do IFRS

17. A adoção do IFRS resulta:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Numa elaboração de números contábeis mais facilmente comparável entre as empresas
☐☐☐☐☐ B. Numa elaboração de números contábeis mais relevantes para avaliar a empresa
☐☐☐☐☐ C. No reconhecimento de perdas em um tempo oportuno

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ D. Em números contábeis de maior qualidade
☐☐☐☐☐ E. Em mais informações complementares (divulgações)
☐☐☐☐☐ F. Em demonstrações financeiras que são difíceis de serem compreendidas pela maioria dos usuários

18. A adoção do IFRS leva as empresas a ter:

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ A. Um monitoramento mais eficiente da empresa pelos acionistas e, assim, uma melhor proteção de seus interesses
☐☐☐☐☐ B. Um monitoramento mais eficiente da empresa pelos credores e, assim, uma melhor proteção de seus interesses

Discordo Fortemente — Concordo Fortemente
1 2 3 4 5

☐☐☐☐☐ C. A redução da assimetria de informação entre os insiders (gestores e diretores) e outsiders (acionistas, credores, fornecedores, clientes ...)
☐☐☐☐☐ D. Uma diminuição do custo de capital das empresas

19. Sobre a contabilização pelo valor justo, você considera que:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. A adoção do valor justo tem um forte impacto nos números contábeis em conformidade com o IFRS
☐	☐	☐	☐	☐	B. A adoção do valor justo resulta em números contábeis mais relevantes para avaliação da empresa
☐	☐	☐	☐	☐	C. A adoção do valor justo resulta em um aumento injustificado da volatilidade dos resultados e do capital próprio.
☐	☐	☐	☐	☐	D. A adoção da contabilidade pelo valor justo é custosa.
☐	☐	☐	☐	☐	E. É útil apresentar os ganhos de capital não realizados em uma conta de resultado global. (Comprehensive Income Statement)

20. Analisando as primeiras demonstrações financeiras em conformidade com o IFRS:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. É necessário um treinamento específico, pois estes padrões diferem significativamente dos utilizadas anteriormente
☐	☐	☐	☐	☐	B. Foi complexo porque os números contábeis não eram facilmente comparáveis com os divulgados nas demonstrações anteriores

21. A passagem para o IFRS:

Discordo Fortemente (1) – Concordo Fortemente (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Tem aumentado o tempo gasto para processar as informações contábeis e as demonstrações financeiras
☐	☐	☐	☐	☐	B. Tem diminuido o tempo gasto para processar as informações contábeis e as demonstrações financeiras
☐	☐	☐	☐	☐	C. Tem melhorado a relevância das nossas previsões e recomendações
☐	☐	☐	☐	☐	D. Tem deteriorado a relevância de nossas previsões e recomendações

E. Informações Adicionais

22. Quantas empresas você acompanha (analisa)? ………

23. A quais setores essas empresas pertencem?

- ☐ Varejo / Atacado
- ☐ Mineração / Construção
- ☐ Tech [Software / Biotech]
- ☐ Comunicações / Mídia
- ☐ Manufaturados
- ☐ Banco / Financeiras / Seguradoras
- ☐ Consultoria / Serviços
- ☐ Utilidade Pública
- ☐ Transportes / Energia
- ☐ Outro (especifique, por favor): …………………………..

24. Você é especializado em alguma área geográfica? (Se 'sim', porfavor assinale a(s) área(s)).

- ☐ América do Sul
- ☐ América do Norte
- ☐ América Latina
- ☐ Europa
- ☐ União Européia
- ☐ Europa do Leste
- ☐ Mercados Emergentes
- ☐ Ásia
- ☐ África
- ☐ Oceania
- ☐ Outra (especifique, por favor) ………………………………………..

25. Localização do seu escritório

- ☐ Alemanha
- ☐ Bélgica
- ☐ Brasil
- ☐ Dinamarca
- ☐ Espanha
- ☐ Finlândia
- ☐ França
- ☐ Grã-Bretanha (UK)
- ☐ Irlanda
- ☐ Itália
- ☐ Noruega
- ☐ Portugal
- ☐ República Tcheca
- ☐ Suécia
- ☐ Suíça
- ☐ Turquia
- ☐ Outro (especifique, por favor) : ……………………………….

26. Sua Idade

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

27. Há quanto tempo você está nessa profissão?

☐ < 3 anos ☐ 3-6 anos ☐ 7-9 anos ☐ 10+ anos

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☐ Mestrado
☐ > Mestrado

29. Se você deseja receber um resumo executivo com os resultados dessa pesquisa, por favor informe seu e-mail: ………………………………………………………………….

Obrigada!

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UNIVERSITE DE SAO PAULO
Doctoral Program in Accounting
UNIVERSITE DE GRENOBLE
Doctoral Program in Business Administration
SURVEY ON FINANCIAL REPORTINGS

Toutes les réponses seront confidentielles. Les questions sont réparties en 5 catégories. La première vise à déterminer comment vous considérez le «rôle de l'information comptable». Les deuxième et troisièmes ont l'intention de connaître les «mesures de performance» et «la qualité des bénéfices et des gains de gestion». La quatrième consacre aux IFRS. La dernière demande des informations supplémentaires sur votre entreprise.

A - Rôle de l'information comptable

1. Les operateurs ci-dessous utilisent beaucoup l'information comptable:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation
☐	☐	☐	☐	☐	C. Les actionnaires de l'entreprise
☐	☐	☐	☐	☐	D. Les gestionnaires de fonds
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels
☐	☐	☐	☐	☐	F. Les créanciers de l'entreprise (banques ou obligataires)
☐	☐	☐	☐	☐	G. L'Etat ou ses représentants
☐	☐	☐	☐	☐	H. Les salariés et les partenaires sociaux de l'entreprise
☐	☐	☐	☐	☐	I. Les fournisseurs et clients de l'entreprise

2. Les opérateurs qui influencent le plus le cours des actions sont:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation de la dette
☐	☐	☐	☐	☐	C. Les fonds spéculatifs (hedge funds)
☐	☐	☐	☐	☐	D. Les investisseurs individuels
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels

3. L'information comptable doit être normalisée parce que:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Les dirigeants auraient tendance à privilégier les investisseurs les plus importants et à ignorer les autres si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	B. Les dirigeants auraient tendance à ne divulguer que les bonnes nouvelles si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	C. La normalisation réduit les coûts de traitement de l'information comptable

4. Les entreprises divulguent volontairement des informations dont la publication n'est pas requises par les normes comptables pour:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Réduire le coût de leur financement
☐	☐	☐	☐	☐	B. Remédier à une sous-évaluation ponctuelle de leurs actions
☐	☐	☐	☐	☐	C. Accroître la visibilité de leurs perspectives d'avenir
☐	☐	☐	☐	☐	D. Accroître la liquidité de leurs actions
☐	☐	☐	☐	☐	E. Révéler aux opérateurs la compétence de leurs équipes dirigeantes
☐	☐	☐	☐	☐	F. Attirer les analystes financiers
☐	☐	☐	☐	☐	G. Conforter leur réputation en matière de transparence
☐	☐	☐	☐	☐	H. Réduire la prime de risque informationnel requise par les investisseurs

5. Les entreprises évitent de divulguer des informations dont la publication n'est pas requise par les normes comptables pour:

Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)		Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)	
☐ ☐ ☐ ☐ ☐	A. éviter de divulguer de l'information stratégique qui pourrait réduire un avantage compétitif	☐ ☐ ☐ ☐ ☐	D. Limiter les risques de poursuite dans les cas où les résultats futurs ne confirment pas l'information prévisionnelle émise
☐ ☐ ☐ ☐ ☐	B. éviter d'attirer l'attention des organismes de contrôle	☐ ☐ ☐ ☐ ☐	E. éviter tout précédent qui ne pourrait pas être maintenu ultérieurement
☐ ☐ ☐ ☐ ☐	C. éviter d'attirer l'attention des actionnaires ou obligataires		

6. L'information financière devrait être diffusée par le biais de:

Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)		Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)	
☐ ☐ ☐ ☐ ☐	A. Communiqués de presse (à l'attention des journaux, TV, radios ou magazines)	☐ ☐ ☐ ☐ ☐	C. Conférences téléphoniques avec les analystes financiers
☐ ☐ ☐ ☐ ☐	B. Internet (le site web de l'entreprise)	☐ ☐ ☐ ☐ ☐	D. Réunions avec les analystes financiers

B. Les Mesures de Performance

7. Les mesures de performance les plus importantes sont:

Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)		Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)	
☐ ☐ ☐ ☐ ☐	A. Le cash flow d'exploitation	☐ ☐ ☐ ☐ ☐	D. Le free cash flow
☐ ☐ ☐ ☐ ☐	B. Le résultat net	☐ ☐ ☐ ☐ ☐	E. Les résultats *pro forma*
☐ ☐ ☐ ☐ ☐	C. L'economic value added (EVA)	☐ ☐ ☐ ☐ ☐	F. Le chiffre d'affaires

8. La référence la plus pertinente pour apprécier le niveau du résultat net est:

Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)		Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)	
☐ ☐ ☐ ☐ ☐	A. Le résultat net de l'année précédente	☐ ☐ ☐ ☐ ☐	C. Le fait que le résultat net soit positif
☐ ☐ ☐ ☐ ☐	B. Le résultat net prévu par les analystes financiers (le consensus)	☐ ☐ ☐ ☐ ☐	D. La variation des résultats nets des principaux concurrents de l'entreprise

9. Les entreprises essaient d'atteindre certains niveaux de résultat net pour:

Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)		Pas du tout d'accord … Tout à fait d'accord (1 2 3 4 5)	
☐ ☐ ☐ ☐ ☐	A. Accroître leur crédibilité auprès des opérateurs de marché	☐ ☐ ☐ ☐ ☐	F. Maintenir ou augmenter les dividendes
☐ ☐ ☐ ☐ ☐	B. Permettre à leurs employés de percevoir des bonus	☐ ☐ ☐ ☐ ☐	G. Conforter la réputation de leur équipe managériale
☐ ☐ ☐ ☐ ☐	C. éviter de violer les clauses restrictives (covenants) de leurs contrats de prêt	☐ ☐ ☐ ☐ ☐	H. Signaler aux investisseurs leurs bonnes perspectives de croissance
☐ ☐ ☐ ☐ ☐	D. être bien évaluées par les agences de notation	☐ ☐ ☐ ☐ ☐	I. Réduire la volatilité de leurs cours boursiers
☐ ☐ ☐ ☐ ☐	E. Soutenir leur cours de bourse	☐ ☐ ☐ ☐ ☐	J. Signaler aux clients et fournisseurs la stabilité de leur activité

10. Ne pas atteindre un résultat net attendu est pénalisant parce que:

Pas du tout d'accord (1) – Tout à fait d'accord (5): 1 2 3 4 5

☐☐☐☐☐ A. Les investisseurs peuvent croire que cela signale des difficultés jusqu'alors tenues cachées

☐☐☐☐☐ B. Il faut consacrer beaucoup de temps à l'explication de la situation

☐☐☐☐☐ C. Cela accroît les risques de poursuite judiciaire par les investisseurs

☐☐☐☐☐ D. Les observateurs peuvent considérer que l'entreprise ne dispose plus d'aucune marge de manœuvre qui lui aurait permis d'atteindre le résultat souhaité

☐☐☐☐☐ E. Cela accroît l'attention qui sera portée aux résultats futurs

☐☐☐☐☐ F. Cela est source d'incertitude sur les perspectives d'avenir de l'entreprise

<u>C. La qualité et la gestion des résultats comptables</u>

11. Appliqué aux résultats comptables, "qualité" signifie

Pas du tout d'accord (1) – Tout à fait d'accord (5): 1 2 3 4 5

☐☐☐☐☐ A. Capacité à prévoir la performance future (les bénéfices futurs ou les cash flows futurs)

☐☐☐☐☐ B. Capacité du résultat à se renouveler à l'identique

☐☐☐☐☐ C. Capacité à traduire la réalité économique de l'entreprise

☐☐☐☐☐ D. Absence d'irrégularités significatives

☐☐☐☐☐ E. Un délai de publication le plus faible possible

12. La qualité des résultats comptables augmente avec:

Pas du tout d'accord (1) – Tout à fait d'accord (5): 1 2 3 4 5

☐☐☐☐☐ A. Le nombre de méthodes comptables autorisées pour comptabiliser un événement donné

☐☐☐☐☐ B. L'ampleur des charges et produits calculés (accruals)

☐☐☐☐☐ C. La capacité des chiffres comptables à prendre en compte les mauvaises nouvelles (prudence)

☐☐☐☐☐ D. L'usage de la juste valeur (au lieu du coût historique)

☐☐☐☐☐ E. L'usage du coût historique (au lieu de la juste valeur)

☐☐☐☐☐ F. Des normes comptables faisant référence à des principes (principles-based) plutôt qu'à des règles (rules-based)

☐☐☐☐☐ G. Des normes comptables faisant référence à des règles (rules-based) plutôt qu'à des principes (principles-based)

13. Des résultats nets lissés sont souhaitables dans la mesure où cela:

Pas du tout d'accord (1) – Tout à fait d'accord (5): 1 2 3 4 5

☐☐☐☐☐ A. Est perçu par les investisseurs comme le signe d'un risque moindre

☐☐☐☐☐ B. Réduit le taux de rendement requis par l'investisseur

☐☐☐☐☐ C. Signale des opportunités de croissance favorables

☐☐☐☐☐ D. Signale aux clients et fournisseurs la stabilité de l'activité

☐☐☐☐☐ E. Entraine une meilleure évaluation par les agences de notation

☐☐☐☐☐ F. Conforte la réputation de l'entreprise en matière de transparence

☐☐☐☐☐ G. Facilite la tâche des analystes en matière de prévision des résultats futurs

☐☐☐☐☐ H. Augmenter les bonus des dirigeants

☐☐☐☐☐ I. Permet de mieux appréhender la vraie performance de l'entreprise

14. Les normes comptables offrent suffisamment de flexibilité pour permettre aux entreprises de produire des chiffres comptables opportunistes, sans enfreindre les règles comptables.

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. De ce fait, les entreprises manipulent leurs chiffres comptables régulièrement pour produire des résultats nets lissés

☐☐☐☐☐ B. De ce fait, les chiffres comptables sont manipulés ponctuellement, lors d'événements particulièrement importants (introductions en bourse, augmentations de capital, émissions d'obligations ...) dans le but d'attirer les investisseurs

☐☐☐☐☐ C. Cette affirmation ne reflète pas la réalité. Les entreprises ne manipulent pas leurs chiffres comptables.

15. Pour manipuler leurs chiffres comptables, les entreprises:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Changent de méthodes comptables plus souvent que nécessaire

☐☐☐☐☐ B. Changent les hypothèses comptables, relatives aux dépréciations, provisions, taux d'actualisation .. par exemple

☐☐☐☐☐ C. Agissent sur leurs décisions de gestion

16. Manipuler les résultats comptables, c'est:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Utile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) ne sont pas capables de faire la différence entre des chiffres manipulés et des chiffres non manipulés

☐☐☐☐☐ B. Inutile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) de se rendre compte de ces manipulations

☐☐☐☐☐ C. Inutile parce que le fait de produire des bénéfices lissés est sans intérêt

<u>D.Les apports des IFRS</u>

17. L'adoption des IFRS entraine:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. La production de chiffres comptables plus facilement comparables d'une entreprise à l'autre

☐☐☐☐☐ B. La production de chiffres comptables plus pertinents pour évaluer l'entreprise

☐☐☐☐☐ C. La comptabilisation des pertes en temps opportun

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ D. La production de chiffres de meilleure qualité

☐☐☐☐☐ E. Un accroissement du volume d'information dans les notes aux états financiers

☐☐☐☐☐ F. Des états financiers moins compréhensibles pour les utilisateurs non-experts

18. L'adoption des IFRS permet:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Un meilleur contrôle par les actionnaires et par conséquent une meilleure sauvegarde de leurs intérêts

☐☐☐☐☐ B. Un meilleur contrôle par les créanciers et par conséquent une meilleure sauvegarde de leurs intérêts

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ C. Une réduction de l'asymétrie d'information entre les dirigeants ou administrateurs et les tiers (actionnaires, créanciers, clients, fournisseurs, salariés…)

☐☐☐☐☐ D.Une baisse du coût du financement des entreprises

19. Pour ce qui concerne la Juste Valeur, vous considérez que:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
☐☐☐☐☐	A. L'adoption de la juste valeur a un fort impact sur les chiffres comptables en IFRS	☐☐☐☐☐	D. L'adoption de la juste valeur est coûteuse
☐☐☐☐☐	B. L'adoption de la juste valeur permet de produire des chiffres comptables plus utiles pour évaluer l'entreprise	☐☐☐☐☐	E. Qu'il est utile de présenter les plus ou moins-values latentes dans un compte de résultat global (Comprehensive Income Statement)
☐☐☐☐☐	C. L'adoption de la juste valeur entraine un accroissement injustifié de la volatilité des résultats et des fonds propres		

20. La première application des IFRS fut coûteuse parce que:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
☐☐☐☐☐	A. Les systèmes d'information ont dû être réorganisés, les informations requises par les IFRS n'étant souvent pas disponibles en totalité	☐☐☐☐☐	D. Il a fallu former une grande variété de personnels impliqués dans le processus d'adoption
☐☐☐☐☐	B. Les informations requises par les IFRS étaient le plus souvent disponibles mais nécessitaient de profonds retraitements	☐☐☐☐☐	E. Les honoraires des consultants impliqués dans le processus d'adoption étaient élevés
☐☐☐☐☐	C. Le manque de clarté de plusieurs normes IFRS ont nécessité une analyse approfondie et l'interprétation de ces normes	☐☐☐☐☐	F. Les coûts générés par le passage aux IFRS ne furent pas significativement élevés

E. Informations supplémentaires

22. Compléter les espaces vides, s'il vous plait:

La notation de crédit de votre entreprise est (par exemple AA-, BBB+,…) : …………………..

Le ratio dette totale sur actif total de votre entreprise s'élève à (par exemple 35%, 45%)…………………..

L'année dernière, votre entreprise a réalisé un bénéfice ☐ vrai ☐faux

Le ratio de capitalisation de vos bénéfices (price/earnings ratio) s'est élevé en moyenne à …………… durant ces 3 dernières années.

Le taux de croissance annuel de votre chiffre d'affaires s'est élevé en moyenne à ……….. durant ces 3 dernières années.

Le cours de bourse de votre entreprise s'élève environ à ………………………..

Votre entreprise a environ ……… années d'existence.

23. Localisation du siège social de votre entreprise

☐ Allemagne	☐ Espagne	☐ Irlande	☐ République tchèque
☐ Belgique	☐ Finlande	☐ Italie	☐ Suède
☐ Brésil	☐ France	☐ Norvège	☐ Suisse
☐ Danemark	☐ Grande-Bretagne (UK)	☐ Portugal	☐ Turquie

☐ Autre (spécifiez, s'il vous plaît) ……………………………….

24. Places de cotation de votre entreprise

☐ NYSE (USA)	☐ Paris	☐ Lisbonne
☐ Nasdaq et Amex (USA)	☐ Francfort	☐ Autre (spécifiez, s'il vous plaît)
☐ Bovespa (Brésil)	☐ Milan	………………………………………..
☐ Londres	☐ Madrid	

25. Secteur d'activité de votre entreprise

- ☐ Commerce de détail / de gros
- ☐ Mines / Construction
- ☐ Services Publics
- ☐ Consulting / Services
- ☐ Transport / Energie
- ☐ Communication / Media
- ☐ Banque / Finance / Assurance – Sociétés Financières
- ☐ Industrie de transformation / Production Industrielle
- ☐ Technologie [Logiciel / Biotechnologies / Électroniques]
- ☐ Autre (spécifiez, s'il vous plaît) : …………………………..

26. Nombre d'employés de votre entreprise

- ☐ < 100
- ☐ 100-499
- ☐ 500-999
- ☐ 1000-2499
- ☐ 2500-4999
- ☐ 5000-7499
- ☐ 7500-9999
- ☐ 10000+

27. Quelle part du capital de votre entreprise est-elle détenue par les actionnaires dominants?

☐ <5% ☐ 5-10% ☐ 11-20% ☐ >20%

28. Combien d'analystes suivent l'action de votre entreprise?

☐ Aucun ☐ 1-5 ☐ 6-10 ☐ 11-15 ☐ 16+

29. Chiffres d'affaires (euros / reais)

- ☐ < €50 millions (< R$125 millions)
- ☐ €50-€100 millions (R$125-R$250 millions)
- ☐ €100-€499 millions (R$250 millions - R$1.25 milliards)
- ☐ €500-€999 millions (R$1.25-R$2.5 milliards)
- ☐ €1-€4.9 milliards (R$2.5-R$12.5 milliards)
- ☐ €5 milliards + (R$12.5 milliards +)

30. Votre Age

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

31. Votre ancienneté dans le poste où dans une fonction équivalente dans l'entreprise

☐ < 3 années ☐ 3-6 années ☐ 7-9 années ☐ 10+ années

32. Votre Formation

- ☐ lycée/baccalauréat
- ☐ CAP/BEP/BEPC/BT
- ☐ BAC +3 (licence)
- ☐ MBA
- ☐ Master
- ☐ > Master

33. Si vous souhaitez recevoir les conclusions de cette étude, indiquez votre adresse e-mail ici :
…………………………………………………………………

Merci Beaucoup!

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UNIVERSITY OF SAO PAULO
Doctoral Program in Accounting
UNIVERSITY OF GRENOBLE
Doctoral Program in Business Administration
SURVEY ON FINANCIAL REPORTINGS

Université Pierre Mendès-France
Sciences sociales & humaines

Toutes les réponses seront confidentielles. Les questions sont réparties en 5 catégories. La première vise à déterminer comment vous considérez le «rôle de l'information comptable». Les deuxième et troisièmes ont l'intention de connaître les «mesures de performance» et «la qualité des bénéfices et des gains de gestion». La quatrième consacre aux IFRS. La dernière demande des informations supplémentaires sur votre entreprise.

A - Rôle de l'information comptable

1. Les operateurs ci-dessous utilisent beaucoup l'information comptable:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation
☐	☐	☐	☐	☐	C. Les actionnaires de l'entreprise
☐	☐	☐	☐	☐	D. Les gestionnaires de fonds
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	F. Les créanciers de l'entreprise (banques ou obligataires)
☐	☐	☐	☐	☐	G. L'Etat ou ses représentants
☐	☐	☐	☐	☐	H. Les salariés et les partenaires sociaux de l'entreprise
☐	☐	☐	☐	☐	I. Les fournisseurs et clients de l'entreprise

2. Les opérateurs qui influencent le plus le cours des actions sont:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation de la dette
☐	☐	☐	☐	☐	C. Les fonds spéculatifs (hedge funds)

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	D. Les investisseurs individuels
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels

3. L'information comptable doit être normalisée parce que:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les dirigeants auraient tendance à privilégier les investisseurs les plus importants et à ignorer les autres si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	B. Les dirigeants auraient tendance à ne divulguer que les bonnes nouvelles si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	C. La normalisation réduit les coûts de traitement de l'information comptable

4. Les entreprises divulguent volontairement des informations dont la publication n'est pas requises par les normes comptables pour:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Réduire le coût de leur financement
☐	☐	☐	☐	☐	B. Remédier à une sous-évaluation ponctuelle de leurs actions
☐	☐	☐	☐	☐	C. Accroître la visibilité de leurs perspectives d'avenir
☐	☐	☐	☐	☐	D. Accroître la liquidité de leurs actions

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	E. Révéler aux opérateurs la compétence de leurs équipes dirigeantes
☐	☐	☐	☐	☐	F. Attirer les analystes financiers
☐	☐	☐	☐	☐	G. Conforter leur réputation en matière de transparence
☐	☐	☐	☐	☐	H. Réduire la prime de risque informationnel requise par les investisseurs

5. Les entreprises évitent de divulguer des informations dont la publication n'est pas requise par les normes comptables pour:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
□□□□□	A. éviter de divulguer de l'information stratégique qui pourrait réduire un avantage compétitif	□□□□□	D. Limiter les risques de poursuite dans les cas où les résultats futurs ne confirment pas l'information prévisionnelle émise
□□□□□	B. éviter d'attirer l'attention des organismes de contrôle	□□□□□	E. éviter tout précédent qui ne pourrait pas être maintenu ultérieurement
□□□□□	C. éviter d'attirer l'attention des actionnaires ou obligataires		

6. L'information financière devrait être diffusée par le biais de:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
□□□□□	A. Communiqués de presse (à l'attention des journaux, TV, radios ou magazines)	□□□□□	C. Conférences téléphoniques avec les analystes financiers
□□□□□	B. Internet (le site web de l'entreprise)	□□□□□	D. Réunions avec les analystes financiers

B. Les Mesures de Performance

7. Les mesures de performance les plus importantes sont:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
□□□□□	A. Le cash flow d'exploitation	□□□□□	D. Le free cash flow
□□□□□	B. Le résultat net	□□□□□	E. Les résultats *pro forma*
□□□□□	C. L'economic value added (EVA)	□□□□□	F. Le chiffre d'affaires

8. La référence la plus pertinente pour apprécier le niveau du résultat net est:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
□□□□□	A. Le résultat net de l'année précédente	□□□□□	C. Le fait que le résultat net soit positif
□□□□□	B. Le résultat net prévu par les analystes financiers (le consensus)	□□□□□	D. La variation des résultats nets des principaux concurrents de l'entreprise

9. Les entreprises essaient d'atteindre certains niveaux de résultat net pour:

Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5		Pas du tout d'accord 1 2 3 Tout à fait d'accord 4 5	
□□□□□	A. Accroître leur crédibilité auprès des opérateurs de marché	□□□□□	F. Maintenir ou augmenter les dividendes
□□□□□	B. Permettre à leurs employés de percevoir des bonus	□□□□□	G. Conforter la réputation de leur équipe managériale
□□□□□	C. éviter de violer les clauses restrictives (covenants) de leurs contrats de prêt	□□□□□	H. Signaler aux investisseurs leurs bonnes perspectives de croissance
□□□□□	D. être bien évaluées par les agences de notation	□□□□□	I. Réduire la volatilité de leurs cours boursiers
□□□□□	E. Soutenir leur cours de bourse	□□□□□	J. Signaler aux clients et fournisseurs la stabilité de leur activité

10. Ne pas atteindre un résultat net attendu est pénalisant parce que:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Les investisseurs peuvent croire que cela signale des difficultés jusqu'alors tenues cachées
☐	☐	☐	☐	☐	B. Il faut consacrer beaucoup de temps à l'explication de la situation
☐	☐	☐	☐	☐	C. Cela accroît les risques de poursuite judiciaire par les investisseurs
☐	☐	☐	☐	☐	D. Les observateurs peuvent considérer que l'entreprise ne dispose plus d'aucune marge de manœuvre qui lui aurait permis d'atteindre le résultat souhaité
☐	☐	☐	☐	☐	E. Cela accroît l'attention qui sera portée aux résultats futurs
☐	☐	☐	☐	☐	F. Cela est source d'incertitude sur les perspectives d'avenir de l'entreprise

<u>C. La qualité et la gestion des résultats comptables</u>

11. Appliqué aux résultats comptables, "qualité" signifie

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Capacité à prévoir la performance future (les bénéfices futurs ou les cash flows futurs)
☐	☐	☐	☐	☐	B. Capacité du résultat à se renouveler à l'identique
☐	☐	☐	☐	☐	C. Capacité à traduire la réalité économique de l'entreprise
☐	☐	☐	☐	☐	D. Absence d'irrégularités significatives
☐	☐	☐	☐	☐	E. Un délai de publication le plus faible possible

12. La qualité des résultats comptables augmente avec:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Le nombre de méthodes comptables autorisées pour comptabiliser un événement donné
☐	☐	☐	☐	☐	B. L'ampleur des charges et produits calculés (accruals)
☐	☐	☐	☐	☐	C. La capacité des chiffres comptables à prendre en compte les mauvaises nouvelles (prudence)
☐	☐	☐	☐	☐	D. L'usage de la juste valeur (au lieu du coût historique)
☐	☐	☐	☐	☐	E. L'usage du coût historique (au lieu de la juste valeur)
☐	☐	☐	☐	☐	F. Des normes comptables faisant référence à des principes (principles-based) plutôt qu'à des règles (rules-based)
☐	☐	☐	☐	☐	G. Des normes comptables faisant référence à des règles (rules-based) plutôt qu'à des principes (principles-based)

13. Des résultats nets lissés sont souhaitables dans la mesure où cela:

Pas du tout d'accord (1) – Tout à fait d'accord (5)

1	2	3	4	5	
☐	☐	☐	☐	☐	A. Est perçu par les investisseurs comme le signe d'un risque moindre
☐	☐	☐	☐	☐	B. Réduit le taux de rendement requis par l'investisseur
☐	☐	☐	☐	☐	C. Signale des opportunités de croissance favorables
☐	☐	☐	☐	☐	D. Signale aux clients et fournisseurs la stabilité de l'activité
☐	☐	☐	☐	☐	E. Entraine une meilleure évaluation par les agences de notation
☐	☐	☐	☐	☐	F. Conforte la réputation de l'entreprise en matière de transparence
☐	☐	☐	☐	☐	G. Facilite la tâche des analystes en matière de prévision des résultats futurs
☐	☐	☐	☐	☐	H. Augmenter les bonus des dirigeants
☐	☐	☐	☐	☐	I. Permet de mieux appréhender la vraie performance de l'entreprise

14. Les normes comptables offrent suffisamment de flexibilité pour permettre aux entreprises de produire des chiffres comptables opportunistes, sans enfreindre les règles comptables.

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. De ce fait, les entreprises manipulent leurs chiffres comptables régulièrement pour produire des résultats nets lissés

☐☐☐☐☐ B. De ce fait, les chiffres comptables sont manipulés ponctuellement, lors d'événements particulièrement importants (introductions en bourse, augmentations de capital, émissions d'obligations ...) dans le but d'attirer les investisseurs

☐☐☐☐☐ C. Cette affirmation ne reflète pas la réalité. Les entreprises ne manipulent pas leurs chiffres comptables.

15. Pour manipuler leurs chiffres comptables, les entreprises:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Changent de méthodes comptables plus souvent que nécessaire

☐☐☐☐☐ B. Changent les hypothèses comptables, relatives aux dépréciations, provisions, taux d'actualisation .. par exemple

☐☐☐☐☐ C. Agissent sur leurs décisions de gestion

16. Manipuler les résultats comptables, c'est:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Utile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) ne sont pas capables de faire la différence entre des chiffres manipulés et des chiffres non manipulés

☐☐☐☐☐ B. Inutile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) de se rendre compte de ces manipulations

☐☐☐☐☐ C. Inutile parce que le fait de produire des bénéfices lissés est sans intérêt

D.Les apports des IFRS

17. L'adoption des IFRS entraine:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. La production de chiffres comptables plus facilement comparables d'une entreprise à l'autre

☐☐☐☐☐ B. La production de chiffres comptables plus pertinents pour évaluer l'entreprise

☐☐☐☐☐ C. La comptabilisation des pertes en temps opportun

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ D. La production de chiffres de meilleure qualité

☐☐☐☐☐ E. Un accroissement du volume d'information dans les notes aux états financiers

☐☐☐☐☐ F. Des états financiers moins compréhensibles pour les utilisateurs non-experts

18. L'adoption des IFRS permet:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Un meilleur contrôle par les actionnaires et par conséquent une meilleure sauvegarde de leurs intérêts

☐☐☐☐☐ B. Un meilleur contrôle par les créanciers et par conséquent une meilleure sauvegarde de leurs intérêts

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ C. Une réduction de l'asymétrie d'information entre les dirigeants ou administrateurs et les tiers (actionnaires, créanciers, clients, fournisseurs, salariés…)

☐☐☐☐☐ D. Une baisse du coût du financement des entreprises

19. Pour ce qui concerne la Juste Valeur, vous considérez que:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. L'adoption de la juste valeur a un fort impact sur les chiffres comptables en IFRS	☐ ☐ ☐ ☐ ☐	D. L'adoption de la juste valeur est coûteuse
☐ ☐ ☐ ☐ ☐	B. L'adoption de la juste valeur permet de produire des chiffres comptables plus utiles pour évaluer l'entreprise	☐ ☐ ☐ ☐ ☐	E. Qu'il est utile de présenter les plus ou moins-values latentes dans un compte de résultat global (Comprehensive Income Statement)
☐ ☐ ☐ ☐ ☐	C. L'adoption de la juste valeur entraine un accroissement injustifié de la volatilité des résultats et des fonds propres		

20. La première application des IFRS fut coûteuse parce que:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. Les systèmes d'information ont dû être réorganisés, les informations requises par les IFRS n'étant souvent pas disponibles en totalité	☐ ☐ ☐ ☐ ☐	D. Il a fallu former une grande variété de personnels impliqués dans le processus d'adoption
☐ ☐ ☐ ☐ ☐	B. Les informations requises par les IFRS étaient le plus souvent disponibles mais nécessitaient de profonds retraitements	☐ ☐ ☐ ☐ ☐	E. Les honoraires des consultants impliqués dans le processus d'adoption étaient élevés
☐ ☐ ☐ ☐ ☐	C. Le manque de clarté de plusieurs normes IFRS ont nécessité une analyse approfondie et l'interprétation de ces normes	☐ ☐ ☐ ☐ ☐	F. Les coûts générés par le passage aux IFRS ne furent pas significativement élevés

E. Informations supplémentaires

22. Combien d'entreprises cotées en bourse votre cabinet audite-t-il chaque année? ……………….

23. Combien d'entreprises non cotées en bourse votre cabinet audite-t-il chaque année? ……………….

24. De quels secteurs d'activité ces entreprises relèvent-elles?

☐ Commerce de détail / de gros
☐ Mines / Construction
☐ Services Publics
☐ Consulting / Services
☐ Transport / Energie
☐ Communication / Media
☐ Banque / Finance / Assurance – Sociétés Financières
☐ Industrie de transformation / Production Industrielle
☐ Technologie [Logiciel / Biotechnologies / Électroniques]
☐ Autre (spécifiez, s'il vous plaît) : …………………………..

25. Localisation de votre bureau

☐ Allemagne
☐ Belgique
☐ Brésil
☐ Danemark
☐ Espagne
☐ Finlande
☐ France
☐ Grande-Bretagne (UK)
☐ Irlande
☐ Italie
☐ Norvège
☐ Portugal
☐ République tchèque
☐ Suède
☐ Suisse
☐ Turquie
☐ Autre (spécifiez, s'il vous plaît) ……………………………….

26. Votre Age

☐ < 40 ☐ 40-49 ☐ 50-59 ☐ 60+

27. Votre ancienneté dans la profession

☐ < 3 années ☐ 3-6 années ☐ 7-9 années ☐ 10+ années

28. Votre Formation

☐ lycée/baccalauréat
☐ CAP/BEP/BEPC/BT
☐ BAC +3 (licence)
☐ MBA
☐ Master
☐ > Master

29. Si vous souhaitez recevoir les conclusions de cette étude, indiquez votre adresse e-mail ici : ……………………………………………………………………….

Merci Beaucoup !

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UNIVERSITY OF SAO PAULO
Doctoral Program in Accounting
UNIVERSITY OF GRENOBLE
Doctoral Program in Business Administration

SURVEY ON FINANCIAL REPORTINGS

Toutes les réponses seront confidentielles. Les questions sont réparties en 5 catégories. La première vise à déterminer comment vous considérez le «rôle de l'information comptable». Les deuxième et troisièmes ont l'intention de connaître les «mesures de performance» et «la qualité des bénéfices et des gains de gestion». La quatrième consacre aux IFRS. La dernière demande des informations supplémentaires sur votre entreprise.

A - Rôle de l'information comptable

1. Les operateurs ci-dessous utilisent beaucoup l'information comptable:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation
☐	☐	☐	☐	☐	C. Les actionnaires de l'entreprise
☐	☐	☐	☐	☐	D. Les gestionnaires de fonds
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels
☐	☐	☐	☐	☐	F. Les créanciers de l'entreprise (banques ou obligataires)
☐	☐	☐	☐	☐	G. L'Etat ou ses représentants
☐	☐	☐	☐	☐	H. Les salariés et les partenaires sociaux de l'entreprise
☐	☐	☐	☐	☐	I. Les fournisseurs et clients de l'entreprise

2. Les opérateurs qui influencent le plus le cours des actions sont:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les analystes financiers
☐	☐	☐	☐	☐	B. Les agences de notation de la dette
☐	☐	☐	☐	☐	C. Les fonds spéculatifs (hedge funds)
☐	☐	☐	☐	☐	D. Les investisseurs individuels
☐	☐	☐	☐	☐	E. Les investisseurs institutionnels

3. L'information comptable doit être normalisée parce que:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Les dirigeants auraient tendance à privilégier les investisseurs les plus importants et à ignorer les autres si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	B. Les dirigeants auraient tendance à ne divulguer que les bonnes nouvelles si les divulgations comptables n'étaient pas contraintes
☐	☐	☐	☐	☐	C. La normalisation réduit les coûts de traitement de l'information comptable

4. Les entreprises divulguent volontairement des informations dont la publication n'est pas requises par les normes comptables pour:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. Réduire le coût de leur financement
☐	☐	☐	☐	☐	B. Remédier à une sous-évaluation ponctuelle de leurs actions
☐	☐	☐	☐	☐	C. Accroître la visibilité de leurs perspectives d'avenir
☐	☐	☐	☐	☐	D. Accroître la liquidité de leurs actions
☐	☐	☐	☐	☐	E. Révéler aux opérateurs la compétence de leurs équipes dirigeantes
☐	☐	☐	☐	☐	F. Attirer les analystes financiers
☐	☐	☐	☐	☐	G. Conforter leur réputation en matière de transparence
☐	☐	☐	☐	☐	H. Réduire la prime de risque informationnel requise par les investisseurs

5. Les entreprises évitent de divulguer des informations dont la publication n'est pas requise par les normes comptables pour:

Pas du tout d'accord — Tout à fait d'accord
1 2 3 4 5

☐ ☐ ☐ ☐ ☐ A. éviter de divulguer de l'information stratégique qui pourrait réduire un avantage compétitif
☐ ☐ ☐ ☐ ☐ B. éviter d'attirer l'attention des organismes de contrôle
☐ ☐ ☐ ☐ ☐ C. éviter d'attirer l'attention des actionnaires ou obligataires
☐ ☐ ☐ ☐ ☐ D. Limiter les risques de poursuite dans les cas où les résultats futurs ne confirment pas l'information prévisionnelle émise
☐ ☐ ☐ ☐ ☐ E. éviter tout précédent qui ne pourrait pas être maintenu ultérieurement

6. L'information financière devrait être diffusée par le biais de:

Pas du tout d'accord — Tout à fait d'accord
1 2 3 4 5

☐ ☐ ☐ ☐ ☐ A. Communiqués de presse (à l'attention des journaux, TV, radios ou magazines)
☐ ☐ ☐ ☐ ☐ B. Internet (le site web de l'entreprise)
☐ ☐ ☐ ☐ ☐ C. Conférences téléphoniques avec les analystes financiers
☐ ☐ ☐ ☐ ☐ D. Réunions avec les analystes financiers

B. Les Mesures de Performance

7. Les mesures de performance les plus importantes sont:

Pas du tout d'accord — Tout à fait d'accord
1 2 3 4 5

☐ ☐ ☐ ☐ ☐ A. Le cash flow d'exploitation
☐ ☐ ☐ ☐ ☐ B. Le résultat net
☐ ☐ ☐ ☐ ☐ C. L'economic value added (EVA)
☐ ☐ ☐ ☐ ☐ D. Le free cash flow
☐ ☐ ☐ ☐ ☐ E. Les résultats *pro forma*
☐ ☐ ☐ ☐ ☐ F. Le chiffre d'affaires

8. La référence la plus pertinente pour apprécier le niveau du résultat net est:

Pas du tout d'accord — Tout à fait d'accord
1 2 3 4 5

☐ ☐ ☐ ☐ ☐ A. Le résultat net de l'année précédente
☐ ☐ ☐ ☐ ☐ B. Le résultat net prévu par les analystes financiers (le consensus)
☐ ☐ ☐ ☐ ☐ C. Le fait que le résultat net soit positif
☐ ☐ ☐ ☐ ☐ D. La variation des résultats nets des principaux concurrents de l'entreprise

9. Les entreprises essaient d'atteindre certains niveaux de résultat net pour:

Pas du tout d'accord — Tout à fait d'accord
1 2 3 4 5

☐ ☐ ☐ ☐ ☐ A. Accroître leur crédibilité auprès des opérateurs de marché
☐ ☐ ☐ ☐ ☐ B. Permettre à leurs employés de percevoir des bonus
☐ ☐ ☐ ☐ ☐ C. éviter de violer les clauses restrictives (covenants) de leurs contrats de prêt
☐ ☐ ☐ ☐ ☐ D. être bien évaluées par les agences de notation
☐ ☐ ☐ ☐ ☐ E. Soutenir leur cours de bourse
☐ ☐ ☐ ☐ ☐ F. Maintenir ou augmenter les dividendes
☐ ☐ ☐ ☐ ☐ G. Conforter la réputation de leur équipe managériale
☐ ☐ ☐ ☐ ☐ H. Signaler aux investisseurs leurs bonnes perspectives de croissance
☐ ☐ ☐ ☐ ☐ I. Réduire la volatilité de leurs cours boursiers
☐ ☐ ☐ ☐ ☐ J. Signaler aux clients et fournisseurs la stabilité de leur activité

10. Ne pas atteindre un résultat net attendu est pénalisant parce que:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. Les investisseurs peuvent croire que cela signale des difficultés jusqu'alors tenues cachées	☐ ☐ ☐ ☐ ☐	D. Les observateurs peuvent considérer que l'entreprise ne dispose plus d'aucune marge de manœuvre qui lui aurait permis d'atteindre le résultat souhaité
☐ ☐ ☐ ☐ ☐	B. Il faut consacrer beaucoup de temps à l'explication de la situation	☐ ☐ ☐ ☐ ☐	E. Cela accroît l'attention qui sera portée aux résultats futurs
☐ ☐ ☐ ☐ ☐	C. Cela accroît les risques de poursuite judiciaire par les investisseurs	☐ ☐ ☐ ☐ ☐	F. Cela est source d'incertitude sur les perspectives d'avenir de l'entreprise

C. La qualité et la gestion des résultats comptables

11. Appliqué aux résultats comptables, "qualité" signifie

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. Capacité à prévoir la performance future (les bénéfices futurs ou les cash flows futurs)	☐ ☐ ☐ ☐ ☐	D. Capacité à traduire la réalité économique de l'entreprise
☐ ☐ ☐ ☐ ☐	B. Capacité du résultat à se renouveler à l'identique	☐ ☐ ☐ ☐ ☐	E. Un délai de publication le plus faible possible
☐ ☐ ☐ ☐ ☐	C. Absence d'irrégularités significatives		

12. La qualité des résultats comptables augmente avec:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. Le nombre de méthodes comptables autorisées pour comptabiliser un événement donné	☐ ☐ ☐ ☐ ☐	E. L'usage du coût historique (au lieu de la juste valeur)
☐ ☐ ☐ ☐ ☐	B. L'ampleur des charges et produits calculés (accruals)	☐ ☐ ☐ ☐ ☐	F. Des normes comptables faisant référence à des principes (principles-based) plutôt qu'à des règles (rules-based)
☐ ☐ ☐ ☐ ☐	C. La capacité des chiffres comptables à prendre en compte les mauvaises nouvelles (prudence)	☐ ☐ ☐ ☐ ☐	G. Des normes comptables faisant référence à des règles (rules-based) plutôt qu'à des principes (principles-based)
☐ ☐ ☐ ☐ ☐	D. L'usage de la juste valeur (au lieu du coût historique)		

13. Des résultats nets lissés sont souhaitables dans la mesure où cela:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord		Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord	
☐ ☐ ☐ ☐ ☐	A. Est perçu par les investisseurs comme le signe d'un risque moindre	☐ ☐ ☐ ☐ ☐	F. Conforte la réputation de l'entreprise en matière de transparence
☐ ☐ ☐ ☐ ☐	B. Réduit le taux de rendement requis par l'investisseur	☐ ☐ ☐ ☐ ☐	G. Facilite la tâche des analystes en matière de prévision des résultats futurs
☐ ☐ ☐ ☐ ☐	C. Signale des opportunités de croissance favorables	☐ ☐ ☐ ☐ ☐	H. Augmenter les bonus des dirigeants
☐ ☐ ☐ ☐ ☐	D. Signale aux clients et fournisseurs la stabilité de l'activité	☐ ☐ ☐ ☐ ☐	I. Permet de mieux appréhender la vraie performance de l'entreprise
☐ ☐ ☐ ☐ ☐	E. Entraine une meilleure évaluation par les agences de notation		

14. Les normes comptables offrent suffisamment de flexibilité pour permettre aux entreprises de produire des chiffres comptables opportunistes, sans enfreindre les règles comptables.

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. De ce fait, les entreprises manipulent leurs chiffres comptables régulièrement pour produire des résultats nets lissés

☐☐☐☐☐ B. De ce fait, les chiffres comptables sont manipulés ponctuellement, lors d'événements particulièrement importants (introductions en bourse, augmentations de capital, émissions d'obligations ...) dans le but d'attirer les investisseurs

☐☐☐☐☐ C. Cette affirmation ne reflète pas la réalité. Les entreprises ne manipulent pas leurs chiffres comptables.

15. Pour manipuler leurs chiffres comptables, les entreprises:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Changent de méthodes comptables plus souvent que nécessaire

☐☐☐☐☐ B. Changent les hypothèses comptables, relatives aux dépréciations, provisions, taux d'actualisation .. par exemple

☐☐☐☐☐ C. Agissent sur leurs décisions de gestion

16. Manipuler les résultats comptables, c'est:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Utile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) ne sont pas capables de faire la différence entre des chiffres manipulés et des chiffres non manipulés

☐☐☐☐☐ B. Inutile parce que les utilisateurs de l'information comptable (investisseurs, créanciers …) de se rendre compte de ces manipulations

☐☐☐☐☐ C. Inutile parce que le fait de produire des bénéfices lissés est sans intérêt

D.Les apports des IFRS

17. L'adoption des IFRS entraine:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. La production de chiffres comptables plus facilement comparables d'une entreprise à l'autre

☐☐☐☐☐ B. La production de chiffres comptables plus pertinents pour évaluer l'entreprise

☐☐☐☐☐ C. La comptabilisation des pertes en temps opportun

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ D. La production de chiffres de meilleure qualité

☐☐☐☐☐ E. Un accroissement du volume d'information dans les notes aux états financiers

☐☐☐☐☐ F. Des états financiers moins compréhensibles pour les utilisateurs non-experts

18. L'adoption des IFRS permet:

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ A. Un meilleur contrôle par les actionnaires et par conséquent une meilleure sauvegarde de leurs intérêts

☐☐☐☐☐ B. Un meilleur contrôle par les créanciers et par conséquent une meilleure sauvegarde de leurs intérêts

Pas du tout d'accord 1 2 3 4 5 Tout à fait d'accord

☐☐☐☐☐ C. Une réduction de l'asymétrie d'information entre les dirigeants ou administrateurs et les tiers (actionnaires, créanciers, clients, fournisseurs, salariés…)

☐☐☐☐☐ D. Une baisse du coût du financement des entreprises

19. Pour ce qui concerne la Juste Valeur, vous considérez que:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. L'adoption de la juste valeur a un fort impact sur les chiffres comptables en IFRS
☐	☐	☐	☐	☐	B. L'adoption de la juste valeur permet de produire des chiffres comptables plus utiles pour évaluer l'entreprise
☐	☐	☐	☐	☐	C. L'adoption de la juste valeur entraine un accroissement injustifié de la volatilité des résultats et des fonds propres
☐	☐	☐	☐	☐	D. L'adoption de la juste valeur est coûteuse
☐	☐	☐	☐	☐	E. Qu'il est utile de présenter les plus ou moins-values latentes dans un compte de résultat global (Comprehensive Income Statement)

20. L'analyse des premiers états financiers en IFRS:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. A nécessité une formation spécifique dans la mesure où ces normes diffèrent significativement de celles préalablement en vigueur
☐	☐	☐	☐	☐	B. Fut complexe car les chiffres produits n'étaient pas aisément comparables à ceux produits antérieurement

21. Le passage aux IFRS:

Pas du tout d'accord 1	2	3	4	Tout à fait d'accord 5	
☐	☐	☐	☐	☐	A. A accru le temps de traitement des états financiers
☐	☐	☐	☐	☐	B. A diminué le temps de traitement des états financiers
☐	☐	☐	☐	☐	C. A amélioré la pertinence de nos prévisions et recommandations
☐	☐	☐	☐	☐	D. A détérioré la pertinence de nos prévisions et recommandations

E. Informations supplémentaires

22. Combien d'entreprises suivez-vous? ……………….

23. De quels secteurs d'activité ces firmes relèvent-elles?

☐ Commerce de détail / de gros
☐ Mines / Construction
☐ Services Publics
☐ Consulting / Services
☐ Transport / Energie
☐ Communication / Media
☐ Banque / Finance / Assurance – Sociétés Financières
☐ Industrie de transformation / Production Industrielle
☐ Technologie [Logiciel / Biotechnologies / Électroniques]
☐ Autre (spécifiez, s'il vous plaît) ……………………………

24. Etes-vous spécialisé sur une zone géographique précise?

☐ Amérique du Sud
☐ Amérique du Nord
☐ Amérique latine
☐ Océanie
☐ Europe
☐ Union Européenne
☐ Europe de l'Est
☐ Marché émergent
☐ Asie
☐ Afrique
☐ Autre (spécifiez, s'il vous plaît) ……………………………….

25. Localisation de votre bureau

☐ Allemagne
☐ Belgique
☐ Brésil
☐ Danemark
☐ Espagne
☐ Finlande
☐ France
☐ Grande-Bretagne (UK)
☐ Irlande
☐ Italie
☐ Norvège
☐ Portugal
☐ République tchèque
☐ Suède
☐ Suisse
☐ Turquie
☐ Autre (spécifiez, s'il vous plaît) ……………………………….

26. Votre Age

☐ < 40
☐ 40-49
☐ 50-59
☐ 60+

27. Votre ancienneté dans la profession

☐ < 3 années ☐ 3-6 années ☐ 7-9 années ☐ 10+ années

28. Votre Formation

☐ lycée/baccalauréat ☐ BAC +3 (licence) ☐ Master
☐ CAP/BEP/BEPC/BT ☐ MBA ☐ > Master

29. Si vous souhaitez recevoir les conclusions de cette étude, indiquez votre adresse e-mail ici :
…………………………………………………………………….

Merci Beaucoup !

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