

S.A. Droniuk, Economist, MA in Finance
National University of "Kyiv-Mohyla Academy"

FIRM-SPECIFIC FACTORS FOR VOLUNTARY IFRS ADOPTION IN UKRAINE

*(Introduced by Doctor of Economics (Dr.hab.),
Professor Oleksander M. Petruk)*

This study examines the firm-specific factors that influence company's decision to voluntarily adopt IFRS in Ukraine. For this purpose a logistic model was developed based on the dataset of 295 Ukrainian non-financial firms in years 2005–2014. The findings of this paper suggest that companies in Ukraine with larger assets, more than a half of foreign capital in the equity and a need to provide their financial statements for further consolidation are more likely to voluntarily implement IFRS. On the contrary, other commonly suggested factors such as listing status, financial leverage, profitability and audit opinion do not influence management incentives to report under IFRS in this country. Moreover, this study extends popular models by adding into analysis unique factors (e.g. availability of standardized internal reports or determination of primary users of the financial statements). These enabled authors to reveal the importance of accessibility to accounting software or ERP systems for Ukrainian company's decision to implement IFRS due to decreased costs of such transition.

Keywords: *International Financial Reporting Standards; IFRS; Ukraine; Ukrainian national accounting standards; voluntary adoption; incentives; logistic model.*

Introduction. Since 2011 Ukraine has stepped on the way of adoption of International Financial Reporting Standards (IFRS). This has been done in order to satisfy the demand of international investors and supranational bodies (e.g. the World Bank and the International Monetary Fund) as well as to strengthen Ukrainian financial environment. There upon Ukrainian Government adopted the Resolution #1223 on obligatory disclosure of financial statements under IFRS for publicly traded companies, banks and insurance companies [4]. What is more, under the Accounting Law of Ukraine other companies may also voluntarily switch to IFRS rather than report under Ukrainian national accounting standards (P(S)BO). This resulted in the so-called early adopters that have been voluntarily reporting using IFRS for a several years. The availability of such companies enabled the authors to discover the key firm-specific factors for voluntary IFRS implementation in Ukraine and to understand incentives for their further prevalence. It may also give an indication of the type of companies which will naturally be in favour of accounting regulation and, adversely, of firms

which standard setters will have to convince [9, p. 216]. Moreover, Ukrainian companies will only switch to IFRS if the benefits outweigh the costs associated with the switch from their local GAAP. By revealing the determinants of IFRS adoption, it is possible to provide indirect evidence of benefits and costs of such implementation in Ukraine [8, p. 488].

The purpose of the research. That is why the research objective is to identify firm-specific factors that influence a choice of a company to voluntarily comply with IFRS in Ukraine. The following tasks were established: to study international methodology of research of factors that influence IFRS adoption decision; to substantiate theoretical aspects and methodological approaches to modeling of company's incentives to use IFRS; to develop a model of management incentives to adopt IFRS in Ukraine and to identify firm-specific factors for voluntary IFRS adoption in Ukraine.

Analysis of the contemporary sources and publications. The problem of IFRS adoption is widely discussed in international literature. Special attention is paid to factors that influence IFRS implementation on the level of a firm. First authors to discuss and research factors for voluntary compliance with IAS (as well as any other set of accounting standards) were P.Dumontier and B.Raffoumier in 1998 [9]. They conducted their research based on Swiss companies. Due to the absence of previous theoretical or empirical background they started their analysis by assuming switching to IAS as a «bonding activity» such as voluntary audit, since IAS were more stringent than Swiss GAAP [9, p. 219–220]. As the result, the same factors determining voluntary audit were for voluntary IAS usage: listing status, internationality, size, ownership structure, leverage, capital intensity, profitability and auditor's reputation.

To continue, D.Street and S.Gray (2001) provided evidence on several factors to be significantly associated with the extent of compliance with IAS required disclosures (i.e. listing status, type of auditor, industry, and country of domicile). They analysed compliance with IAS required disclosures for a large sample of companies (279 entities). These authors reported a significant positive association between the level of compliance with IAS and such factors: having a US listing/filing or a non-regional listing; being in the Commerce and Transportation industry; referring exclusively to the use of IAS in the accounting policy note; being audited by a Big 5+2 firm; and being domiciled in China or Switzerland. In addition, a significant negative association with being domiciled in France, Germany, or other Western European countries and the level of compliance with IAS was found [12, p. 68–69].

Another research on IFRS compliance was also held by M.Glaum and D.Street [12, p. 65–100]. They investigated financial accounts of New Market («NeuerMarkt» on Frankfurt Stock Exchange designed to attract young, innovative growth firms) companies to assess the extent of obligatory compliance with the disclosure requirements of the internationally recognized accounting standards (either IAS or US GAAP) after controlling for other relevant firm characteristics such as size, type of auditor, audit report stating explicitly that IAS or US GAAS were followed, firms cross-listed at US exchanges, country of domicile, industry, profitability, multi-nationality and ownership structure. In addition they included new variables important for New Market companies' compliance: maturity, rate of growth and expected future growth potential. A univariate comparison revealed that companies using US GAAP displayed a higher average level of compliance than companies applying IAS. Moreover, auditor type and audit standard, listing and choice of a standard also influenced compliance level [12, p. 65–100].

Another research paper was written by R.Cuijpers and W.Buijink. Unlike previous authors, they examined determinants of non-local GAAP adoption from the «cost-benefit» point of view. The authors determined consequences of non-local GAAP adoption by testing whether firms using IAS or US GAAP experience lower levels of information asymmetry (measured as a much cited benefit of increased financial reporting transparency) than firms using local GAAP dependent on such factors as stock exchange listings, international operations, country-specific determinants, corporate governance, size, industry [8, p. 488].

Further important step in research of voluntary IFRS adoption was made by J.R. Francis et al. [11, p. 331–360]. Authors turned attention from publicly traded firms to private companies and their decision to voluntary report under IFRS. Such step was substantiated by the fact that private entities had stronger contracting-driven incentives to improve the quality of their financial reporting through voluntary IFRS adoptions, and such decision was truly voluntary decision rather than the consequence of regulatory financial reporting mandates [11, p. 333]. It was also found that firm-specific incentives were stronger than country factors in countries with higher economic development and stronger institutions; while in less developed countries, country factors dominated firm factors in explaining IAS adoptions. Importantly, though, even in less developed countries that had weaker institutions, contracting incentives were still important in explaining a firm's decision to adopt IAS [11, p. 334].

Thus far, researchers' attention has focused almost exclusively on the informational benefits of IFRS adoption. J.Shuang Wu and I.Xiyang Zhang

extended the existing literature by offering a different, stewardship perspective in terms of firm internal performance evaluations [17, p. 1281–1309]. They investigated relationship between firms' decisions to adopt IAS and the performance evaluation demand measured by two variables (closely held shares and labour productivity) based on the sample from Continental Europe firms that voluntarily adopted IFRS or U.S. GAAP from 1988 to 2004 [17, p. 1283–1289]. They found that greater performance evaluation demand (less closely held shares and lower labour productivity) was associated with a higher likelihood of IFRS/U.S. GAAP adoption.

There were also numbers of similar research of voluntary IFRS adoption incentives in both developed and developing countries. For example, A.Fito et al. Were the first to described factors and consequences of transition to IFRS in Spain during 2007–2008. The factors that were determinant for the probability of early transition were size and growth, while the authors did not find any statistical significance for the other proposed determinants such as leverage, profitability, impact on equity or corporate governance [10, p. 61–83]. Another Spanish researchers J.Aledo et al. Indicated that firm-specific factors, such as industry, size, auditor's opinion and capital structure, play an important role in explaining the probability to adopt the optional accounting criteria provided by IFRS [6, p. 26–35]. Mingyi Hung and K.R. Subramanyam conducted investigation using a sample of eighty German firms that voluntary adopted IAS for the first time during 1998–2002. Research suggested that IAS adopters were larger, more likely to cross-list in the United States, and had a greater propensity to raise capital than the typical German firm [13, p. 639]. Continuing with developing countries, Kh.Ahsina retained the traditional variables while adding the uncommon shareholding structure variables (presence of controlling shareholders and presence of institutional shareholders, existence of stock option plans) and listing in foreign stock markets in order to explain the choice of the transition to IFRS by companies listed on the Casablanca stock exchange (Morocco) [5, p. 114–124].

Sample data. In order to understand the determinants of IFRS adoption in Ukraine, we examined Ukrainian firms based on the questionnaire developed by Professor of National University of «Kyiv-Mohyla Academy» Sergiy Ivakhnenkov [14].

As of the February 2014 we have 295 records on Ukrainian companies accumulated in the 2005–2014 time period. Our sample includes companies from all industries except of banks that were not included into the sample due to peculiarities of their activities and reporting principles. As the result, the biggest share of sample firms is devoted to the wholesale and retail trade; repair of motor vehicles and motorcycles industry sector with 26 % of

the entities in this group. The distribution of the sample companies by industry corresponds to the actual situation in Ukraine. This and the representativeness of all industries eliminates biasness of the sample and, consequently, of the research results. Our sample also includes companies from almost all of the regions in Ukraine with the biggest share of the firms registered in Kyiv (45,4 %), Kyiv region (13,6 %) and Lviv region (5,1 %).

To proceed, another important characteristic of the sample is its distribution by the type of the accounting principles used by an entity, because in order to research factors that influence voluntary IFRS adoption by a company, we should compare companies that do report under IFRS in addition to P(S)BO or Ukrainian IFRS and the ones that do not. In our sample almost 60 % of the entities report only under P(S)BO. About one third prepares IFRS statements in addition to P(S)BO financial report. Another standard used together with Ukrainian standards is Generally accepted accounting principles of the United States of America (US GAAP) (4,4 % of all firms). There are also rare example of reporting under other country standards (2,7 %) and under both IFRS and US GAAP (2,0 %).

To sum up, our brief data description shows that the chosen sample of companies is valid, sufficient and representative enough to provide appropriate research results and to eliminate sample bias problems.

Hypothesis development and methodology. We would like to test the following hypotheses:

***H0:** A decision to voluntary prepare financial statement under IFRS depends on companies size, listing status, financial leverage, profitability, audit opinion two years before, owners structure and corporate governance (Table 1).*

The first and the foremost factor validated in many researches to be associated with IFRS adoption decision is company's size. It is assumed to have direct relationship with IFRS implementation because for larger firms disclosing detailed information is less costly (e. g. they produce this information already for internal purpose or cost per unit of disclosure decreases). The variable for firm's size (LASETS) is introduced in the model and is calculated as natural logarithm of average total assets of a company.

Secondly, listing status is also considered to influence accounting choice of management. Although in our questionnaire origin of stock exchange where company's shares are listed is not mentioned, we still add this variable into the model. This is because companies listed on any stock exchange are obliged to disclose more information and, therefore, are more likely to implement IFRS. Categorical variable LIST represents current listing status of a company as well as

its plans to be listed in the nearest future. Such plans can increase management preferences to adopt IFRS.

Table 1
Firm-specific characteristics used to test voluntary IFRS Adoption

General characteristics	Variables	Definition
Decision to adopt IFRS (dependent variable)	ACCST	Accounting standard used by a company: 1 – IFRS is implemented in addition to P(S)BO, 0 – only P(S)BO is used
Size	LASSETS	Natural logarithm of average total assets
Listing status	LIST	Current listing status of a company: 0 – not listed, not planned; 1 – listed on at least one stock exchange, 2 – not listed but planned
Financial leverage	LEV	Represents financial leverage of a company calculated as average total debt divided by average total assets of a company
Profitability	ROA	Return on assets of a company calculated as earnings before tax to average total assets
	ROE	Return on equity of a company calculated as earnings before tax to average equity
Type of auditor/Audit opinion	AUDIT1	Audit opinion in previous year
	AUDIT2	Audit opinion two years back
Owners structure	FORINV	Share of foreign investors in a company's equity: 1 – their share is more than 50 %, 0 – their share is less than 50 %
Corporate governance	CONSOL	A need for further consolidation of financial statements: 1 – there is an obligation for further consolidation, 0 – no need for further consolidation

Another important factor for voluntary IFRS implementation is leverage. In general, firms which depend on external financing disclose more to lower their cost of capital. That is why we predict positive relationship between decision to adopt IFRS and leverage represented by variable LEV.

We also would like to test an impact of company's profitability on the decision to apply IFRS despite of insignificant results in previous research papers. Profitability is measured as return on assets (ROA) and return on equity (ROE) and we expect its positive relationship.

There is no data on type of auditor in our sample; however, there is information on whether audit took place in the previous years in a company as

well as a corresponding audit opinion. We assume that qualified opinion represents management willingness to present fair financial position of a company as the result they disclose more and are more likely to use IFRS. In our latter analysis we are going to choose whether 1- or 2-year-old audit results are to be included into the model (AUDIT1 and AUDIT2) as there may be a time lag between audit undertaken and IFRS adoption.

Furthermore, owner's structure is represented as an availability of foreign investors in company's equity (FORINV). For such owners there are information problems due to differences in accounting between countries. That is why if foreign investors represent high share of equity companies are more likely to use IFRS as a worldwide accounting principles. As a proxy variable for corporate governance we take a need to provide company's financial statements for further consolidation (CONSOL). If a company consolidates its statements it has more incentives to use IFRS.

In order to test our null-hypothesis we used SPSS software package to conduct the analysis.

Before we start we should mention that it is important to understand the direction of relationships. In some cases it is ambiguous to see whether accounting standards of a firm are factors or consequence of some variables. That is why, it should be remembered that the only direct influence of particular accounting standards implementation are changes in financial statement items and notes to financial reports, while all other effects are indirect.

Empirical model and results. We began our analysis with analysis of the numerical variables: LASSETS, LEV, ROA and ROE. The descriptive statistics is presented in Table 2.

Table 2

Descriptive Statistics for Variables LASSETS, LEV, ROA, ROE

		LASSETS		LEV		ROA		ROE	
		Statistic	Std. Error	Statistic	Std. Error	Statistic	Std. Error	Statistic	Std. Error
Mean		9,8815	0,26336	0,4789	0,02387	0,3425	0,12796	0,8271	0,20017
95 % Confidence Interval for Mean	Lower Bound	9,3610	–	0,4318	–	0,0895	–	0,4314	–
	Upper Bound	10,4020	–	0,5261	–	0,5954	–	1,2227	–
5 % Trimmed Mean		9,8698	–	0,4764	–	0,1449	–	0,4000	–
Median		9,6076	–	0,4761	–	0,0854	–	0,2578	–
Variance		10,126	–	0,083	–	2,391	–	5,850	–
Std. Deviation		3,18221	–	0,28843	–	1,54620	–	2,41861	–
Minimum		3,64	–	0,00	–	0,00	–	0,00	–
Maximum		16,82	–	1,00	–	15,99	–	19,86	–
Range		13,18	–	1,00	–	15,99	–	19,86	–
Interquartile Range		4,98	–	0,42	–	0,20	–	0,46	–
Skewness		0,101	0,201	0,175	0,201	8,883	0,201	5,970	0,201
Kurtosis		0,841	0,399	0,954	0,399	82,719	0,399	38,682	0,399

We cannot interpret results for LASSETS as it is logarithmic variable, however we can get some understanding of our sample from other three variables. On average, companies in our data set have 47,6 % of debt financing, 14,5 % return on assets and 40,0 % return on equity (trimmed mean is considered). Half of the companies have ROA higher than 8,5 % and ROE higher than 25,8 %. Moreover, the value of the 5 % trimmed mean (mean that would be obtained if the lower and upper 5 % of values of the variable were deleted) is very different from the regular mean, so there are some outliers. Our case processing summary shows that only 49,5 % of all sample is valid for simultaneous analysis of all four variables (146 cases). What is more, based on our analysis of extreme values we excluded 3 cases as there were outliers for ROA and ROE.

A Kolmogorov-Smirnov and Lilliefors test was performed to check the normality assumption of independent variables (Table 3).

Table 3

Tests of Normality for LASSETS, LEV, ROA, ROE

	Lilliefors test			Kolmogorov-Smirnov one-sample	
	Statistic	df	Sig.	Z	Asymp. Sig. (2-tailed)
LASSETS	0,078	146	0,029	0,966	0,308
LEV	0,073	146	0,053	2,645	0,000
ROA	0,412	146	0,000	5,180	0,000
ROE	0,366	146	0,000	4,631	0,000

The Table 3 indicates that our variables are not normally distributed, we used Spearman correlation coefficient (Table 4).

As it can be seen from the table, correlation between all independent variables is statistically significant but quite low. The only exception is 0,703 correlation between ROA and ROE. As we know both of this variables show company's profitability, that is why such relationship was expected. So, we remove ROE from our further analysis. Correlation between independent and dependent variable ACCST is also shown. There is significant positive correlation between company's assets and decision to adopt IFRS, so we predict the significant parameter before LASSETS in our logit-regression model. All other factors are subject for further analysis.

Table 4

Spearman's rho		LASSETS	LEV	ROA	ROE	ACCST
LASSETS	Correlation Coefficient	1,000	0,142*	0,254**	0,234**	0,384**
	Sig. (2-tailed)		0,047	0,001	0,003	0,000
LEV	Correlation Coefficient	0,142*	1,000	0,342**	0,251**	0,013
	Sig. (2-tailed)	0,047		0,000	0,002	0,857
ROA	Correlation Coefficient	0,254**	0,342**	1,000	0,703**	0,012
	Sig. (2-tailed)	0,001	0,000		0,000	0,879
ROE	Correlation Coefficient	0,234**	0,251**	0,703**	1,000	0,011
	Sig. (2-tailed)	0,003	0,002	0,000		0,894
ACCST	Correlation Coefficient	0,384**	0,013	0,012	0,011	1,000
	Sig. (2-tailed)	0,000	0,857	0,879	0,894	

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed)

After our brief description of factors and their correlation with firm's willingness to voluntarily implement IFRS we can continue with modelling logistic regression – method that combines independent variables to estimate the probability that companies voluntarily report their financial statements under IFRS in addition to compulsory P(S)BO disclosure.

Our initial model is the following:

$$ACCST_j = b_0 + b_1LASSETS_j + b_2LIST_j + b_3LEV_j + b_4ROA_j + b_5AUDIT2_j + b_6FORINV_j + b_7CONSOL_j + e_j, \quad (1)$$

where j – is an index for cases (sample companies); ACCST – is a dependent variable; LASSETS, LIST, LEV, ROA, AUDIT2, FORINV, CONSOL – are independent variables (Table 3); b_i – are parameters estimated by the model before independent variable i ; e_j – error term.

We analysed the sample for its appropriateness for logistic regression. As our sample has high number of missed cases due to unavailable data. Moreover, there are some companies that were entered more than once in different years. In this case we used only the last available case. Moreover, we removed outliers mentioned earlier. Consequently, only 111 cases were included into analysis.

We summarize our logistic regression in the form of factors included in it, corresponding coefficients, standard errors, Wald criterion and p-value from SPSS output (Table 5).

Table 5

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1	<u>LASSETS</u>	<u>0,296</u>	<u>0,121</u>	<u>6,021</u>	<u>1</u>	<u>0,014</u>	<u>1,345</u>
	LIST			0,302	2	0,860	
	LIST(1)	0,518	1,813	0,082	1	0,775	0,596
	LIST(2)	0,135	1,928	0,005	1	0,944	0,873
	LEV	0,139	1,118	0,015	1	0,901	0,870
	ROA	0,392	1,989	0,039	1	0,844	0,676
	AUDIT2			3,344	2	0,188	
	AUDIT2(1)	1,472	0,825	3,185	1	0,074	0,230
	AUDIT2(2)	0,305	0,696	0,192	1	0,661	0,737
	<u>FORINV</u>	<u>1,360</u>	<u>0,651</u>	<u>4,366</u>	<u>1</u>	<u>0,037</u>	<u>3,896</u>
	<u>CONSOL</u>	<u>1,609</u>	<u>0,643</u>	<u>6,264</u>	<u>1</u>	<u>0,012</u>	<u>5,000</u>
	Constant	3,831	2,408	2,532	1	0,112	0,022

Variable(s) entered on step 1: LASSETS, LIST, LEV, ROA, AUDIT2, FORINV, CONSOL.

Significant variable(s) are underlined

Three variables were estimated as being statistically significant at the 5 % level of significance: LASSETS, FORINV and CONSOL. This means that companies that have larger assets with 50 % or more foreign capital in the equity and a need to provide their financial statements for further consolidation are more likely to voluntarily adopt IFRS. The model chi-square is 58,071 (135,100–77,029), which is statistically significant at $p < 0,001$. Cox & Snell R-Square and Nagelkerke R-Square state that the model explains between 40,7 and 57,9 % of the variation in turnout.

Multicollinearity in the logistic regression solution is detected by examining the standard errors for the b coefficients. A standard error larger than 2 indicates numerical problems, such as multicollinearity among the independent variables. From the Table 6 it can be assumed that no multicollinearity exist in this model.

The accuracy rate computed by SPSS was 87,4 % which is greater than the proportional by chance accuracy criteria of 72,8 %. So, the criterion for classification accuracy is satisfied (Table 6).

Table 6

Classification Table of Cases with Explanatory Variables in Equation

		Predicted			
		Selected Cases			
		ACCST		Percentage Correct	
Observed		No	Yes		
Step 1	ACCST	No	73	5	93,6
		Yes	9	24	72,7
Overall Percentage					87,4

Additional factors to describe IFRS adoption decision in Ukraine.

In previous section we developed a model to determine firm-specific factors influencing voluntary decision to adopt IFRS. The main drivers for IFRS implementation in Ukraine were the size of the firm, availability of foreign capital in the equity and a need to provide their financial statements for further consolidation. From our model we can derive the following conclusions: first of all, management apply IFRS if the benefits of such implementation are higher than their costs, secondly, management apply IFRS if IFRS is required from the outside (in our case, from owners or parent companies). Moreover, our brief literature review suggests that the main difficulties of IFRS adoption in Ukraine are: lack of financing [1]; discrepancy of national law [1; 2]; absence of knowledge, experience and skills of accountants [1; 3; 2]; absence of accounting software [1; 2].

So, our model showed that influence of external parties such as parent companies was a key driver of reporting under IFRS rather than management will itself. In order to support or refute this thesis we are going to widen our model with additional variables to control for specific management incentives for IFRS adoption.

First of all, IFRS can be beneficial for management and owners due to its accuracy, timeliness and quality of information. We assumed that if internal users are interested in such qualities of financial statements and other aggregated accounting information than they implement procedures that enhance them. Examples of such procedures are internal controls. So we added to our basic model variables that describe a level of internal control and management involvement into accounting procedures for better

decision making: existence of controlling department, internal audit department, procedures of managerial accounting, and availability of strictly defined internal reports.

We found that there is little difference between basic and extended model with proxies for accuracy, timeliness and quality of information (Table 7). This may support the fact that top-management and owners are not interested in IFRS adoption as a way to improve the qualitative characteristics of financial statements.

Because the need to apply IFRS is generated by external parties (parent companies, foreign owners) we expect some correlation between the decision to implement IFRS and key users of financial reports. That is why we used four other proxies for assumed users of financial statements (shareholders, potential investors and banks); and disclosure of financial reports on company's website. The former may also be an evidence of willingness for greater transparency and understandability – another advantage of IFRS. The results show that these variables are insignificant and do not contribute to the basic model (Table 7). These results are in line with other papers in this field that showed that some firms which resist IFRS adoption have closer relationships with insiders and for such firms financial reporting may consequently serve the purpose of contracting with known insiders rather than relatively anonymous outsiders [7, p. 3]. So the needs of external users do not influence management decision to adopt IFRS in Ukraine.

Table 7

Results of Extended Models

Criterion	-2 Log likelihood	Nagelkerke R Square	Chi-square	Percentage correct IFRS	Percentage correct all	New Variable p-value
Basic model	77,03	0,58	58,07	72,7	87,4	–
Controlling department	76,81	0,58	58,29	75,8	87,4	0,64
Internal audit department	76,51	0,58	58,59	75,8	87,4	0,48
Managerial accounting	75,66	0,59	59,44	72,7	87,4	0,26
Standardized internal reports	76,78	0,58	57,61	72,7	87,3	0,97
Primary users: share-holders	76,16	0,59	58,94	72,7	88,3	0,36
Primary users:	77,01	0,58	58,09	72,7	87,4	0,89

potential investors						
Primary users: banks	75,9	0,59	59,2	72,7	85,6	0,29
Presentation of financial statements on website	75	0,58	56,96	75,0	88,1	0,56
Available ERP solution	72,66	0,61	62,44	72,7	85,6	0,049
Computerized financial and accounting field	69,61	0,62	62,36	75,0	89	0,02 ^a

^aSignificant results only when all areas of accounting and financial procedures are computerized, coefficient before variable was 2,092

Finally, we tested whether availability of accounting software and its type influences management decision to implement IFRS. It can be explained by the fact that ability to use software can decrease cost and effort for IFRS adoption thus creating more benefits. We used two proxies here (1) the availability of ERP systems and (2) the degree of accounting and financial area being computerized in a company (Table 7). We found that availability of ERP system is significant under 5 % confidence level, but with negative sign of coefficient before the variable. Better results are provided by the second variable that showed interesting relations: it was significant for only wholly computerized accounting procedures (on the contrary to insignificant results for the non-computerized and partially computerized accounting). The sign of the coefficient before this proxy variable was positive, so we expect companies with wholly computerized accounting and financial area to have less cost for IFRS adoption and thus conduct such transition.

Summary and conclusions. In this paper we focused on the firms that decided to voluntarily adopt IFRS in Ukraine. Understanding of the firm-specific factors that influenced companies' incentives to freely switch from P(S)BO to IFRS is important in order to see how the IFRS implementation is regarded in this country.

Therefore, we developed a logistic model for firm-specific factors for voluntary IFRS adoption in Ukraine. We used questionnaire developed by Pr. S.V. Ivakhnenkov for 2005–2014 years as a database for our model. Our dependent variable represented whether a company used IFRS voluntarily. Our independent variables were firm's size, listing status, financial leverage, profitability (ROA), audit opinion two year back, share of foreign investors in a company's equity and a need for further consolidation of

financial statements. After we evaluated a logistic model itself, we found that companies with larger assets, more than 50 % of foreign capital in the equity and a need to provide their financial statements for further consolidation are more likely to voluntarily adopt IFRS.

So, our results for management incentives to adopt IFRS showed that IFRS in Ukraine is mostly used due to some external obligation rather than a voluntary act of a firm. Such findings are in line with works of other accounting professionals in Ukraine. Previous researches in Ukraine also presented such key difficulties of IFRS implementation in Ukraine that may explain our findings: lack of financing, discrepancies in the national legal system, absence of knowledge, experience and skills of accountants, absence of appropriate accounting software. In order to support existence of such difficulties we extended our model of management incentives to adopt IFRS by introducing controlling variables. First of all, we added to our basic model proxies for a level of internal control and management involvement into accounting procedures: existence of controlling and internal audit departments, conducting of managerial accounting, and availability of strictly defined internal reports. None of these controlling variables was significant, so IFRS adoption is not regarded as a way to improve the qualitative characteristics of financial statements. We also controlled our basic model by variables representing main users of company's financial statements. Our results showed that these new variables do not contribute to the model significantly, so the needs of external users do not influence management decision to adopt IFRS in Ukraine. Finally, we extended our basic model with two variables for accounting software used in a firm because availability of proper accounting software may decrease cost of IFRS implementation and, consequently, enhance de facto IFRS compliance. The results confirm: the firms with wholly computerized accounting systems are more likely to adopt IFRS.

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ДРОНІУК Софія Андріївна – економіст, магістр з фінансів.

Наукові інтереси:

- бухгалтерський облік та фінансова звітність;
- управлінський облік;
- фінансовий аналіз;
- використання міжнародних стандартів фінансової звітності.

Тел.: (067)837-05-53.

E-mail: sofiiia.droniuk@gmail.com.

ISSN 1994-1749. 2014. Вип. 2 (29).

Проблеми теорії та методології бухгалтерського обліку, контролю і аналізу

Стаття надійшла до редакції 15.05.2014.

Дронюк С.А. Особливі характеристики компанії, що впливають на добровільне застосування МСФЗ в Україні

Дронюк С.А. Особые характеристики компаний, влияющие на добровольное применение МСФО в Украине

Droniuk S.A. Firm-specific factors for voluntary firms adoption in Ukraine

УДК 657.6

Особые характеристики компаний, влияющие на добровольное применение МСФО в Украине / С.А. Дронюк

Данная научная работа изучает особые характеристики компаний, влияющие на добровольное применение ими МСФО в Украине. Для этой цели была построена и оценена логистическая модель на базе 295 украинских небанковских предприятий на протяжении 2005–2014 годов. Результаты исследования утверждают, что компании с большими активами, больше чем половиной иностранного капитала в собственном капитале предприятия и с необходимостью предоставлять свои финансовые отчеты для дальнейшей консолидации более вероятно будут добровольно применять МСФО. В то же время, другие общепринятые характеристики компаний, а именно размещение акций на бирже, финансовый леверидж, прибыльность и аудиторское заключение, не влияют на выбор руководителей об использовании МСФО в Украине. Кроме того, данная работа развивает предыдущие модели через добавление в анализ уникальных факторов (например, наличие стандартизованной внутренней отчетности или определением ключевых пользователей финансовой отчетности). Это дало возможность автору обнаружить зависимость решения украинских компаний о переходе на МСФО от наличия бухгалтерского программного обеспечения и ERP-систем на предприятии из-за меньших издержек на такой переход.

Ключевые слова: Международные Стандарты Финансовой Отчетности; МСФО; Украина; Украинские бухгалтерские стандарты; добровольное применение; стимулы; логистическая модель.

УДК 657.6

Особливі характеристики компанії, що впливають на добровільне застосування МСФЗ в Україні / С.А. Дронюк

Дана наукова робота досліджує особливі характеристики компанії, які можуть вплинути на їхній вибір щодо добровільного застосування МСФЗ в Україні. Для виявлення таких факторів було розроблено та оцінено логістичну модель на базі 295 українських небанківських

підприємств протягом 2005–2014 років. Результати дослідження показують, що компанії в Україні з більшими активами, з часткою іноземного капіталу у власному більше ніж 50 % та з необхідністю надавати фінансову звітність для подальшої консолідації більш ймовірно будуть добровільно використовувати МСФЗ. І, навпаки, такі загальноприйняті фактори як котирування акцій на біржі, фінансовий леверидж, прибутковість та аудиторський висновок не впливають на рішення керівництва щодо застосування МСФЗ в цій країні. Крім того, ця праця розвиває попередні моделі, додаючи до аналізу унікальні фактори (наприклад, наявність стандартизованої внутрішньої звітності чи визначення ключових користувачів фінансової звітності). Це дало змогу виявити залежність рішення щодо переходу на МСФЗ українськими підприємствами від наявності бухгалтерського програмного забезпечення та ERP через менші витрати на такий перехід.

Ключові слова: Міжнародні стандарти фінансової звітності; МСФЗ; Україна; Положення (стандарти) фінансової звітності; добровільне застосування; логістична модель.