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Article

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Journal of Accounting and Management Information Systems (JAMIS)

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Albu, Catalin Nicolae (2013) : How Relevant is Size for Setting the Scope of The IFRS for SMEs?, Journal of Accounting and Management Information Systems (JAMIS), ISSN 2559-6004, Bucharest University of Economic Studies, Bucharest, Vol. 12, Iss. 3, pp. 424-439

This Version is available at:

<https://hdl.handle.net/10419/310532>

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HOW RELEVANT IS SIZE FOR SETTING THE SCOPE OF THE IFRS FOR SMEs?

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ABSTRACT

The International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) is currently considered for adoption by national regulators in many emerging economies and a few developed countries. The cost-benefit approach is advanced as useful to investigate how the scope of the IFRS for SMEs should be set. Size is used in many jurisdictions as criterion to set financial reporting obligations, but it is questioned if it represents an appropriate criterion for the scope of the IFRS for SMEs. The aim of this paper is therefore to empirically investigate the applicability and consequences of using various criteria to set the scope of IFRS for SMEs, and to discuss the implications of using size instead of other criteria. Data consists of a sample of 194 questionnaires completed by accountants employed by Romanian SMEs. I find that the choice between size and other criteria is related to placing greater emphasis on preparers or users, or on costs versus benefits. Also, findings suggest that while size is correlated with users-based criteria, the level of agreement between various criteria for setting the scope of the standard is medium. Therefore, in order to capture the cost-benefit tension two criteria might be used in deciding the scope of the standard.

✦ IFRS for SMEs, emerging economies, Romania, quantitative criteria

JEL code: M41, M48

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INTRODUCTION

The International Accounting Standards Board (IASB) issued in 2009 the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) (IASB Foundation, 2009a), as a response to “strong international demand from both developed and emerging economies for a rigorous and common set of accounting standards for smaller companies” (IFRS Foundation, 2010). Recent surveys about the IFRS for SMEs adoption reveal that over 80 countries have adopted or announced plans to do so (IFRS Foundation, 2012).

While in many developed countries the potential adoption “has been associated with certain distrust” (Quagli & Paoloni, 2012: 42), many emerging economies embrace the IFRS for SMEs with high expectations in terms of improving the quality of financial reporting and of attracting foreign capital (United Nations, 2011; Bohusova & Blaskova, 2012; Quagli & Paoloni, 2012). Therefore, much of the existing literature on the IFRS for SMEs is placed in the context of emerging economies (Nerudova & Bohusova, 2008; Albu *et al.*, 2010; Pasekova *et al.*, 2010; Siam & Rahahleh, 2010; Strouhal, 2011; Bunea *et al.*, 2012; Albu *et al.*, 2013a; Uyar & Güngörmüş, 2013).

Albu *et al.* (2013a) investigates the suitability of the IFRS for SMEs for emerging economies, the implementation approach and the scope of the standard. Prior literature also inventories the difficulties associated with international standards implementation in general, including the lack of competencies, the reduced level of compliance, the lack of local institutions to support IFRS implementation (Albu *et al.*, 2011; Bohusova & Blaskova, 2012; Uyar & Güngörmüş, 2013). These findings suggest that the cost-benefit approach in analyzing the potential implementation of the IFRS for SMEs is more complex and subjective in emerging economies. Costs might be higher than in developed economies, and the lack of competencies of local professions represent an important factor; however, benefits in terms of improving the reporting system, at entity, industry or national level are also critical for these countries. Criteria used to set the scope of the standard are also important, affecting the cost-benefit relationship.

This research is motivated by the increasing number of emerging economies embracing the IFRS for SMEs and by the importance of the cost-benefit analysis in deciding the scope of the standard. Size is used in many jurisdictions as a criterion to set financial reporting obligations, but it is questioned if it affects the suitability of the standard for various types of SMEs (Eierle & Haller, 2009). The aim of this paper is to empirically investigate the applicability and consequences of using various criteria to set the scope of IFRS for SMEs, and to discuss the implications of using size instead of other criteria. I administer a questionnaire-based survey to accountants in Romanian SMEs. A total of 194 usable answers were received. Therefore, responses take into consideration professional accountants’ perceptions

about the SMEs and accounting for SMEs in terms of users, use of financial statements, types of funding and international exposure. This research extends the sample and the analysis of Albu *et al.* (2013b) which already suggested that size is a moderate indicator of the existence of users, and that by using size as a criterion to set the scope of the standard some SMEs would fall out of the scope while the standard might be beneficial for them, and that others will have to incur the cost without having direct benefits.

I relate in this paper the various criteria to be used to set the scope of IFRS for SMEs to the cost – benefit analysis and to SMEs stakeholders. More precisely, I find that the choice between size and other criteria is related to placing greater emphasis on preparers or users, or on costs versus benefits. Also, findings suggest that while size is correlated with users-based criteria, the level of agreement between various criteria in setting the scope of the standard is medium (of approx. 60-70%). Also, the level of agreement between the decision based on size or on user-based criteria does not significantly differ if different size thresholds are established (larger SMEs versus all SMEs except for micro-entities). These findings are useful for future research in order to further investigate the suitability of the IFRS for SMEs for various settings and types of entities. Also, they might be of interest for preparers, users, and regulators when investigating and making decisions about accounting standards and their suitability.

The rest of the paper is structured as follows: after a literature review in Section 1, I present the research methodology in Section 2. This is followed by the research results in Section 3. The last section completes the paper, presenting its main conclusion, findings and research limitations.

1. LITERATURE REVIEW

IFRS for SMEs development has been based on user needs, costs and SMEs capabilities (IFRS Foundation, 2012). The adoption decision has to take into consideration the implications on the same levels. Consequently, the cost – benefit relationship and the analysis of all stakeholders become very important in the context of SMEs when analyzing the suitability of the IFRS for SMEs. Research in this area is rather fragmented, both in terms of issues analyzed and geographical coverage. Litjens *et al.* (2012) find that preparers consider costs and benefits of IFRS for SMEs separately, not concurrently. While the cost-benefit relationship is important when judging the reporting requirements, it becomes apparent that costs are more obvious and easier to be assessed than expected benefits. In this regard, Albu *et al.* (2013a) suggest that a significant emphasis on costs when analyzing the suitability of the IFRS for SMEs moves the emphasis in the financial reporting process from users to preparers.

Users and preparers are the most investigated categories of SMEs stakeholders. Quagli and Paoloni (2012) investigate users' and preparers' answers to the "Questionnaire on the public consultation of the IFRS for SMEs" at the European Union (EU) level. They find that preparers manifest stronger opposition to the IFRS for SMEs, while users are more favorable. However, the respondents come from developed countries and the emerging economies of the EU are not represented¹. Using interviews, Albu *et al.* (2013a) find that in four emerging countries all stakeholders manifest a medium support for IFRS for SMEs' possible implementation, variations concerning mainly the implementation approach (mandatory adoption, voluntary adoption or convergence). On the other hand, Uyar and Güngörmüş (2013) find evidence regarding the lack of training as a major obstacle to the implementation in Turkey, a country in which the adoption decision has been made.

When investigating the stakeholders' perception about the IFRS for SMEs implementation, the implementation approach and the scope of the standard have to be taken into consideration. Existing literature suggests variations in stakeholders' opinions, possibly caused by the differences in the economic development of a country (developed vs. emerging), the size, international exposure and other features of SMEs under discussion, the experience of respondents, and the implementation approach (Bunea *et al.*, 2012; Quagli & Paoloni, 2012; Albu *et al.*, 2013a). Therefore, stakeholders' attitude should be nuanced. While the impact of the country's origin and the implementation approach has been tentatively investigated (Quagli & Paoloni, 2012; Albu *et al.*, 2013a), prior findings concerning how the possible scope of the standard relates to stakeholders (and especially users and preparers) are rather fragmented. Jarvis and Collis (2003) suggest that even if the banks and managers/owners are the main users of financial reporting by smaller entities, agency relationships exist between them and stewardship plays an important role. On the other hand, Eierle and Schultze (2013) underline that in smaller entities financial statements are used for decision making by managers, mainly because of the cost-benefit relationship. They suggest that standard setters should not ignore the requirements of managerial information in the process of standard setting.

The scope of the IFRS for SMEs as issued by the IASB is defined to be entities that "do not have public accountability and publish general purpose financial statements for external users" (IASB Foundation, 2009a: par. 1.2.). In IASB's view "size is not a barrier. Any company of any size is eligible to use the IFRS for SMEs, provided it does not have public accountability" (IFRS Foundation, 2010). However, "in deciding which entities should be required or permitted to use the IFRS for SMEs, jurisdictions may choose to prescribe quantified size criteria" (IASB Foundation, 2009b: BC70).

Size is usually measured by the number of employees, sales and total assets. The use of quantified criteria like these ones in deciding the scope of standards creates clarity for all stakeholders (Jarvis and Collis, 2003). Quantitative criteria for differential reporting are already used in various jurisdictions (Jarvis and Collis, 2003) and seem to be the preferred approach for deciding the scope of a possible implementation of the IFRS for SMEs (Bunea *et al.*, 2012; Quagli & Paoloni, 2012). On the other hand, size is not necessarily associated with accountability (IASC Foundation, 2009b: BC63), and the quantitative approach, even if it seems objective, may be distorted² (Bunea *et al.*, 2012). Additionally, little research exists on how size affects the cost-benefit ratio in differential reporting (Jarvis & Collis, 2003).

Eierle and Haller (2009) discuss based on prior literature how size is a proxy for the social and economic importance of a firm, a proxy for the number and heterogeneity of users and user needs. They suggest that larger SMEs may incur higher costs for financial reporting. When empirically investigating if the economic size has implications for accounting and regulatory issues, ambiguous results were obtained. The study reveals that international activities and IFRS knowledge are size-sensitive, but even smaller SMEs might have international exposure. Also, while cost-benefit assessment differs between different size clusters, size is not a factor determining the cost-benefit considerations.

On the other hand, Di Pietra *et al.* (2008) suggest that there are significant differences between user groups of smaller and larger SMEs. The authors cite Kirsch and Meth (2007) arguing that smaller SMEs might have only banks as external users, and banks not necessarily base their decision on general purpose financial statements. While there is some empirical research supporting this statement (Di Pietra *et al.*, 2008), interviews conducted in emerging economies suggest that financial statements are useful for bankers only for credit decisions, but also for various macroeconomic statistics about the entities in an industry, region or country (Albu *et al.*, 2013a). While in a credit decision they may receive additional data from entities, data is not available for other analysis or statistics. In terms of compliance, Aljifri and Khasharmeh (2006, cited in Litjens *et al.*, 2012) find that the level of international standards' adoption is positively correlated with size, while Dang (2011) documents that the association between the size of business and compliance with accounting standards is not significant.

Other authors propose to take into consideration the international exposure too, given that international standards are intended firstly to contribute to the improvement in the comparability. Paoloni (2006 cited in Di Pietra *et al.*, 2008) argues that only entities operating in an international market would benefit from the IFRS for SMEs application. In the same vein, Eierle and Helduser (2013) investigate SMEs' need to provide internationally comparable accounting information. They find that SMEs involved in international financial and lending

operations are more likely to report internationally comparable accounting information as compared to the entities involved in international commercial contracts.

Consequently, there still are concerns about the practical implications of using size as a criterion for differential reporting (Di Pietra *et al.*, 2008) and research is needed in this area. This study intends to address this gap in the current literature, by investigating how various criteria will influence the width of the scope of a possible implementation of the IFRS for SMEs.

2. RESEARCH METHODOLOGY

In order to investigate the scope of standard under various criteria, information about SMEs was collected through questionnaires. A questionnaire was sent to professional accountants working in SMEs, using various channels of communication (personal contacts, local professional bodies support etc.). The research was carried between March and May 2012. While questionnaire-based survey may offer insightful information about SMEs accounting, they are difficult to be distributed and collected, especially in emerging economies. A number of 212 completed questionnaires were received, but 18 were discarded because they were incomplete in a sense that impeded statistical analyses. Therefore, the sample consists of 194 usable questionnaires. The sample description follows:

Table 1. Descriptive demographics of the sample

Size³	Number of entities	% of sample
Micro-entities (0-9 employees)	94	48.45
Small entities (10-49 employees)	42	21.65
Medium-sized entities (50-249 employees)	58	29.9
Total	194	100

The questionnaire comprised general questions about business characteristics, such as size (turnover, number of employees, total assets), the local, regional, national or international orientation of their activity, the users of the financial statements, the source of finance, the usefulness of the financial statements for decision making for users, and some information about their current accounting model. All variables were binary ones, coded for example with 1 if the respondent indicated that the company has the analysts as users of its financial information, and with 0 if the entity does not have analysts as users. 51.54% of the entities in the sample conduct activities locally or regionally, 17.01% nationally, while 31.45% also have international business activities.

The questionnaire did not include any question or reference to the IFRS for SMEs in order to not influence the answers to other questions. It is acknowledged in literature (Bunea *et al.*, 2012; Uyar & Güngörmüş, 2013) that accountants might have a reduced level of knowledge about the IFRS for SMEs and this might create a bias in their responses to other questions. More than that, the scope of the questionnaire was not to gather data about their perception on the suitability of the IFRS for SMEs for their entity, but to collect data about the SMEs and their accounting system.

All entities under research are based in Romania, an emerging economy, member of the EU since 2007. SMEs currently apply national accounting regulations based on the European Directives. Even if the IFRS for SMEs received a negative signal from the EU in terms of adoption, other scenarios (voluntary adoption or convergence) might be still investigated and of interest, since other emerging economies might gain competitive advantages by implementing the standard (Albu *et al.*, 2013). The Romanian environment is characterized by a preference for banking financing, a code-law system and a strong relationship between accounting and taxation (Fekete *et al.*, 2011).

3. RESEARCH RESULTS

Various criteria for setting the scope of the IFRS for SMEs were investigated based on my sample, and the implications of using the size instead of other criteria are discussed. Based on the prior literature, these criteria can be related to size, to the existence of external users, and to the international exposure of the businesses.

If the scope is decided based on size, it has to be decided if only micro-entities are excluded or smaller SMEs too. 29.9% of the businesses in my sample would be concerned by the application of IFRS for SMEs if only larger SMEs would be included in the standard's scope (see Table 1). If only micro-entities are excluded, this proportion increases to 51.55% of the sample entities. In terms of involvement in international contracts, 31.45% of entities are involved and might be interested in providing internationally comparable accounting information.

In order to analyze the users of SMEs, agglomerative cluster analysis was performed⁴. 96 entities were included in the first cluster (49.5% of the sample), and 98 in the second cluster (50.5% of the sample). The description of the two class centroids and central objects follows in Table 2:

Table 2. SMEs clusters based on the perceived existence of users for financial statements

Item	Tax authority	Creditors	Customers	Suppliers	Analysts	Managers	Owners	Competitors	Employees	Press	Public
Class 1 centroid (Class 1 central object)	1.000 (1)	0.292 (0)	0.021 (0)	0.083 (0)	0.010 (0)	0.865 (1)	0.885 (1)	0.000 (0)	0.010 (0)	0.000 (0)	0.031 (0)
Class 2 centroid (Class 2 central object)	0.745 (1)	0.867 (1)	0.765 (1)	0.908 (1)	0.306 (0)	1.000 (1)	1.000 (1)	0.459 (0)	0.296 (0)	0.337 (0)	0.531 (1)

The first cluster comprises entities having the tax authority, the managers and owners as users of their financial statements. The tax authority is in Romania, as expected, perceived as the most important user of the financial statements (87.11% of respondents). These results are in line with the results on SMEs users in other European Continental countries (Sucher & Jindrichovska, 2004; Vellam, 2004; Veneziani & Teodori, 2008; Pasekova *et al.*, 2010). In the Preface to the IFRS for SMEs it is mentioned that “SMEs often produce financial statements only for the use of owner-managers or only for the use of tax authorities or other governmental authorities. Financial statements produced solely for those purposes are not necessarily general purpose financial statements” (IASC Foundation, 2009a: P11). Also, it is underlined that “General purpose financial statements are directed towards the common information needs of a wide range of users that are not in the position to demand reports tailored to their particular information needs” (IASC Foundation 2009b: BC49). Based on this view, the entities falling under the scope of the IFRS for SMEs should be those in the second cluster.

Literature also suggests that the type of funding is important for the financial reporting. In explaining the benefits of global financial reporting standards for SMEs, the IASB mention several times the funding arrangements (financial institutions, venture capital firms, investors) (IASC Foundation, 2009b: BC37). Jarvis and Collis (2003) underline the importance of the stewardship and agency theory for financial reporting in the context of the relationship between banks and SMEs. Eierle and Helduser (2013) also relate the need for international comparability for SMEs to their international financial and lending operations. Therefore, I also investigate the types of funding in the case of the Romanian SMEs in our sample. The cluster analysis results suggest that there are two types of SMEs: those having mainly own funding and those having various types of finance agreements (loans, own funding, leasing etc.). 99 entities (51.03% of the sample) have been assigned to cluster 1, and 95 entities (48.97%) to cluster 2. The class centroids and the central objects for each cluster are described in Table 3:

Table 3. SMEs clusters based on their funding sources

Item	Bank loans	Own funding	Leasing	Other type of funding
Class 1 centroid (Class 1 central object)	0.717 (1)	0.899 (1)	0.667 (1)	0.534 (1)
Class 2 centroid (Class 2 central object)	0.221 (0)	1.00 (1)	0.074 (0)	0.105 (0)

Based on the view that the funding arrangements trigger the financial reporting, SMEs in the first cluster should be included under the scope of the IFRS for SMEs.

The differences between the analysis based on users and that based on the finance type might be explained by the fact that the current arrangements do not necessarily lead to the identification of partners as the users of financial statements. However, on a long-term perspective, the fund providers might become demanding users for general purpose financial statements.

Another issue investigated in this paper is the perceived use of financial statements by various users. I consider this issue important for entities when assessing the cost-benefit relationship. When discussing the assessment of benefits, Litjens *et al.* (2012) base their discussion on the FASB's statement that "the benefit from financial reporting lies in its ability to make a positive difference in reaching decisions" (p. 234). They consider that one of the significant benefits of financial reporting of private firms is the contract monitoring of bank loans, given that the banks are considered an important external user. However, the perceived usefulness of financial statements for users affects their quality, especially in emerging economies such as Romania (Albu *et al.*, 2011).

The preparers' perception on the use of financial statements by users of their entity was assessed on a 6-point Likert scale (0 = not used; 5 = very used). The cluster analysis provided two clusters (106 entities were assigned to cluster 1, i.e., 54.64% of the sample; 88 entities assigned to cluster 2, i.e., 45.36%) with the following class centroid and central objects (see Table 4):

Table 4. SMEs clusters based on perceived use of the financial statements by users

Item	Use by managers	Use by owners	Use by creditors	Use by other users
Class 1 centroid (Class 1 central object)	4.575 (5)	4.057 (4)	3.443 (3)	2.783 (3)
Class 2 centroid (Class 2 central object)	4.091 (4)	3.989 (4)	0.693 (1)	0.977 (1)

The perception is that the entities in the first cluster prepare financial statements of use for more users, and therefore these entities would have benefits from using the IFRS for SMEs.

After characterizing the SMEs in the sample from various perspectives and discussing the entities that might follow under the scope of the IFRS for SMEs based on various criteria, I investigate the rationale and the effects of choosing a criterion instead of another one. The results might be synthesized in Table 5.

Table 5. Comparison of criteria that might be relevant for setting the scope of the IFRS for SMEs

Criterion	Rationale	Entities that would fall under the scope of the IFRS for SMEs application
Size	<ul style="list-style-type: none"> cost (larger SMEs can support the costs of financial reporting) users (larger entities have more users) 	29.9% (larger SMEs); 51.55% (SMEs except for micro-entities)
international exposure	users (international standards improve international comparability)	31.45%
users	users (which are not in the position to demand/obtain tailored reports)	50.5%
funding	users	51.03%
use of financial statements	benefits	54.64%

At a first look, it appears that all but one criterion (international exposure) lead to app. 50% of the sample falling under the scope of the IFRS for SMEs. The next step of the analysis is to investigate the extent to which the same entities fall under the scope of the standard if different criteria are set. The correlation matrix between the clusters previously identified is the following (the ordered or clusters has been changed, in order to be from smaller/fewer to bigger/more where necessary to ease the interpretation of results) (see Table 6):

Table 6. Spearman correlation matrix of the decision based on various criteria

Variables	Size	Users	Funding	Use	Geographical coverage
SIZE	1				
USERS	0.381***	1			
FUNDING	0.309***	0.577***	1		
USE	0.277***	0.527***	0.495***	1	
GEOGRAPHICAL COVERAGE	0.212***	0.182**	-0.069	0.037	1

Note: **, *** significant at the 0.05 and 0.01 levels (2-tailed) respectively.

The results confirm prior suggestions in literature that bigger companies have more users, more diverse funding, higher use of financial statements and a wider geographical coverage.

Based on these results, it might be assumed that size is a good proxy for other criteria and might be used to set the scope of the standard. I also compute the degree of agreement between various criteria with the size as the main criterion (see Table 7):

Table 7. Level of agreement of the decision based on various criteria

Criteria	Size – micro-entities excluded	Size – larger SMEs
users	69.07%	68.04%
funding	65.46%	61.34%
use of financial statements	64.95%	58.76%
geographical coverage	59.28%	68.56%

These results provide significant insights about the features of SMEs and suggest that the use of size as a proxy for other criteria is not without flaws. Also, it seems that the decision to include more or less entities based on size does not significantly influence the level of agreement ($\alpha=0.05$). I further investigate how the decision based on size relates to the decision based on other criteria. Table 8 reports on the decision based on size and the existence of users; values reported are for micro-entities excluded (and larger SMEs in brackets) (where 0 means that the entity will not use the IFRS for SMEs; 1 the entity will use IFRS for SMEs) (see Table 8):

Table 8. Contingency table of the entities under the scope of the IFRS for SMEs for size and users as criteria

Size / Users	0	1	Total
0	65 (85)	29 (51)	94 (136)
1	13 (11)	69 (47)	100 (58)
Total	96	98	194

The table suggests in the case of including more entities under the scope of the standard, 15.98% of the sample will be required to apply the standard without having users (13 entities), while 14.95% entities of the sample (29 entities) have users (29.6% of the entities having users), but are not included under the scope of the standard. In the case of requiring the standard for the larger SMEs, 26.3% of the sample (51 entities) have users (i.e., 52.04% of the entities having users), but are not included under the scope of the standard, and 11.7% are required to apply the standard without having users (11 entities). These results indicate that even if the level of agreement between the two size measures and the users is not significantly different, it has implications on the entities falling outside the scope. More precisely, 29.6% (in the case of SMEs without micro-entities) or 52.04% (in the case of larger SMEs) of the entities having users fall outside the scope of the standard and leads to a significant reduction in the scope of the standard as set out by the IASB.

On the other hand, the level of agreement between the decision based on users and use of financial statements, and between users and funding is higher (76.3%, respectively 78.9%) than the level of agreement between size and the other criteria. Also, the contingency tables on users/funding, and on users/use of financial statements indicate that between 10-15% of the entities in the sample are not included under the scope of the standard, irrespective of how the scope is established on these criteria. Consequently, it might be assessed that all criteria but size might be considered as good proxies for the others (except for size). This seems to imply that the scope of the standard is set either taking into consideration the preparers (the costs of preparing financial statements and size is a proxy for the costs an entity can afford for financial reporting) or on criteria taking into consideration the users.

CONCLUSION

This research is placed in a relative new stream of accounting literature focused on SMEs and especially on the IFRS for SMEs. These entities represent an important part of the economy of every country and received recently much attention especially in relation to the issuance of the IFRS for SMEs in 2009 by IASB. Many emerging economies already decided on the implementation of the IFRS for SMEs (IFRS Foundation, 2012), and the suitability of voluntary adoption is investigated in the context of developed countries, especially in relation to the need for internationally comparable accounting information (Litjens *et al.*, 2012; Eierle & Helduser, 2013).

In this context, this study investigates the issues associated with the decision regarding the scope of the standard based on various criteria. I explore the following criteria: size (relevant for preparers' perspectives and for the cost of preparing financial statements) and the existence of users, types of funding, use of financial statements and geographical coverage (relevant for the users' perspective and for the benefits of preparing financial statements). These criteria are relevant for all the strategies that might be adopted for implementing the standard: mandatory adoption, voluntary adoption or convergence.

I conducted an empirical study on a sample of Romanian SMEs. Data were collected through questionnaires administrated to professional accountants working in SMEs. A total number of 194 usable responses has been received. The results are in line with prior literature that size is correlated with the existence of users, geographical coverage, diversity of funding and the use of financial statements by users. However, investigating the impact of these criteria on the scope of standard I find a moderate level of agreement (app. 60-70%) between size and the other criteria. Interestingly, the level of agreement is not significantly different if a different number of entities (the larger SMEs or all SMEs but the micro-entities)

are included under the scope of the standard, based on size considerations. An in-depth analysis of this situation for size and users criteria reveals that the number of entities left outside the scope of the standard is more important if size is chosen instead of users. More precisely, if the scope is set for larger SMEs, more than half of the SMEs in our sample having users would be left outside the scope of the standard. These results suggest the limitations of using size as a criterion for setting the scope of IFRS for SMEs application, and might lead to compliance and informativeness issues. Therefore, in order to capture the cost-benefit tension two criteria might be used in deciding the scope of the standard.

The results of this study should be interpreted in the context of the methodological implications. First, while the IFRS for SMEs is of interest for many countries, data about SMEs is collected only from one country. Also, the sample is limited because of the difficulties in collecting data through questionnaires. Second, questionnaires capture the perception of those answering the questions and represent an indirect manner to have access to SMEs reality. Research in different settings and/or employing various accounting methodologies is needed in order to advance the knowledge in the area of accounting for SMEs.

ACKNOWLEDGMENTS

The author acknowledges the financial support from the research project CNCIS-UEFISCSU PNII-RU TE_341/2010. I also thank Mădălina Gîrbină and Dan Cuzdriorean for their help in data collection.

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¹ With one exception - 1 of the 81 preparers in the sample comes from Poland.

² Bunea *et al.* (2012) argue that the number of employees might be manipulated via various types of employment contracts, and total assets is influenced by the measurement basis used in accounting.

³ Additional criteria of size (total assets and turnover) are used in the EU. A SME should have less than 50 million € in turnover, and balance sheet total should be less than 43 million € (Commission Recommendation 2003/361/EC).

⁴ Agglomerative cluster analysis is a technique that does not require the specification of any desired number of clusters.