Conceptual Issues and Challenges in IFRS Research : Towards a Comprehensive Research Framework

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Abstract

International Financial Reporting Standards (IFRS) constitute a comprehensive set of accounting standards, formulated for harmonization and unification of global accounting practices ; 119 out of 143 jurisdictions require IFRS for most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets. IFRS was adopted in most of Europe and Australia from 2005. Other countries have also started adopting IFRS since then. Some countries have opted for "convergence" - adoption with modifications for merging with domestic standards. Some companies (particularly those listed on stock exchanges) have adopted IFRS voluntarily. IFRS implementation is jointly regulated by the government, professional accounting bodies, and the regulator for securities within the jurisdiction. Extensive global research is being conducted to measure the impact of IFRS on companies, managers, investors, and their economic and financial implications. Research on IFRS implementation is conducted as post - implementation as empirical data keeps coming in. There is great diversity in IFRS research. Apart from regulators and professional accounting bodies, the researchers are academicians, professional practitioners, and consulting firms providing IFRS consultation. Corporate management, economic/legal institutions, and local government are interested in such research. An individual IFRS researcher may or may not be aware of related theoretical paradigms. This paper discussed the main paradigms and related conceptual issues for the benefit of new researchers and existing researchers already working with particular research designs or tools. This paper also brought out a comprehensive research framework for IFRS research, which should be useful for choosing the correct approach and consequently, the relevant design, methodology, and tools.

Key words : **IFRS research, paradigm, research framework**

JEL Classification : M40, M41,M42, M48

Paper Submission Date : February 15, 2016 ; Paper sent back for Revision : July 25, 2016 ; Paper Acceptance Date : September 25, 2016

International Financial Reporting Standards (IFRS) are a common global language to ensure that company accounts are understandable and comparable across international boundaries. They are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries. They are progressively replacing the many different national accounting standards.

International Financial Reporting Standards (IFRS) constitute a comprehensive set of accounting standards, formulated for harmonization and unification of global accounting practices ; 119 out of 143 jurisdictions require IFRS for most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets (IFRS Foundation, 2014).

The historical origin of accounting regulation dates back to the 17th century France. The Code de Commerce

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was drafted in 1673, and from 1807, Napoleon's Laws continued the accounting regulation. After the Rome Treaty of 1957 established the common market, directives about accounting and audit were issued for the growing number of international companies. What followed was the process of harmonization of the accounting regulations. Italy (1991) was the last to harmonize its accounting regulations with the EU Directives.

From the 1960s to 2005, there was growing awakening and activism amongst the professional accounting bodies, particularly in Europe and the USA, to develop international accounting standards which would harmonize the accounting regulation across countries.

In 2001, the International Accounting Standards Committee (IASC) restructured itself as the International Accounting Standards Board (IASB). The IASB stated that the new standards would be published in a series called International Financial Reporting Standards (IFRS) (International Financial Reporting, n.d.).

On June 6, 2002, the European Council of Ministers approved the regulations that would require all EU companies listed on a regulated market to prepare accounts in accordance with International Accounting Standards for accounting periods beginning on or after January 1, 2005.

The major contributions to IFRS research started trickling in from 2005. In writing this paper, we have taken into consideration contribution in the form of concept papers, research papers, reviews, articles, commentaries, expert opinions/professional pronouncements/publications etc. from researchers across 22 countries and five continents, who have adopted IFRS in some form or the other. The period of this research is approximately two years - from 2014 to 2015.

Comprehensive Research Framework - The Research GAP

(1) Most of the research has been conducted on some or the other 'micro' aspect of IFRS or its implementation, without a comprehensive view of different paradigms and important relevant concepts in accounting theory research. For example, in the Indian context, Gupta (2014) examined the impact of accounting treatment as per Ind AS 23 on the financial position and performance of an enterprise, and analyzed the financial consequences thereof.

Gupta (2013) attempted to identify the far reaching revolutionary changes brought about by IFRS in India, in the reporting of corporate financial statements and the requirements of more comprehensive disclosure of information on the face of the Balance Sheet and the Statement of Profit and Loss. He also offered a model framework for converting and restating the old schedule VI format financial statements of a company into new - generation schedule VI format through the case of Reliance Industries Ltd.

Goel (2011) analyzed the global financial reporting scenario descriptively and stressed upon the need for harmonization of international financial reporting. No comprehensive research framework was available on IFRS research.

Kaur (2011) made an attempt to get a conceptual understanding of IFRS and its framework in the Indian context, but the conceptual framework referred to was more from the implementation and impact perspective and not from a research perspective.

(2) Importance of corporate management motivations and behaviour has not been given sufficient attention in IFRS research in spite of extensive literature on 'management of earnings'. Gupta, Kumar, and Gupta (2012) took an early look at challenges, steps needed to be taken to address such challenges, and mapping of the preparation for convergence to IFRS. While challenges before corporate management in IFRS implementation were considered, the motivation of corporate management in 'management of earnings' or other accounting manipulations is out of the scope of this research.

The Paradigms for IFRS Research : Theoretical Background

(1) The "Prescriptive" Paradigm (Normative Accounting Theory) : The main focus of normative accounting theorists was on developing accounting principles. They were mainly concerned with recognition and measurement issues. Normative accounting theorists considered typical accounting questions such as : (a) whether changes in market prices were relevant even though the entity may not be involved in the transaction, (b) The basis (historical cost / market value, etc.) that should be used in preparing financial statements (Chambers, 1966 ; Ijiri, 1975 ; MacNeal, 1970 ; Paton & Littleton, 1940).

(2) Positive Accounting Theory (PAT) (The "Empirical" Paradigm) : While normative accounting theory is more concerned with development of accounting principles, PAT has its origins in the empirical research paradigm. PAT researchers are more concerned with issues like the proven usefulness of accounting information to the stock market, actual bases of measurement used in accounting by management and the reasons for such use (Kabir, 2010).

Positive accounting theory (PAT) research includes accounting research based on capital market by examining

Figure 1. The Firm is a "Nexus of Contracts"

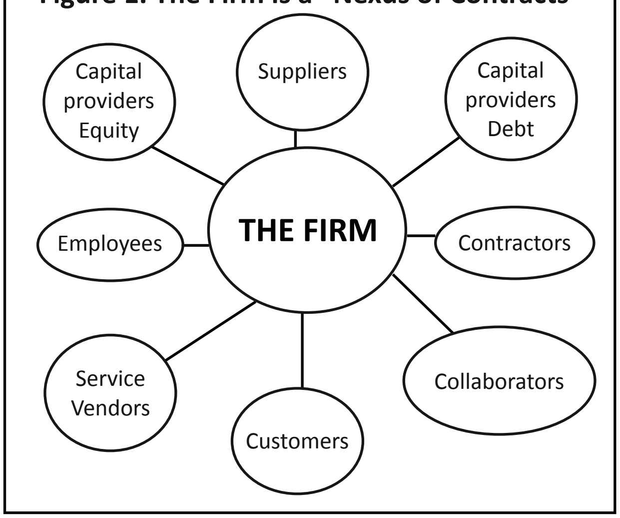
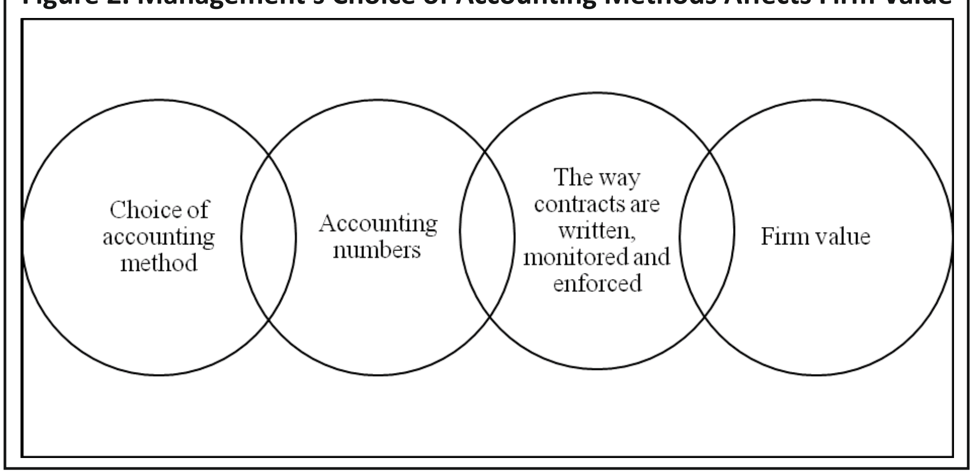


Figure 2. Management's Choice of Accounting Methods Affects Firm Value



the link between accounting numbers and stock prices. It has also tried to research determinants of accounting choices by management. It has been one of the most influential accounting research paradigms during the last six or seven decades.

A breakthrough in PAT research has been the idea that a firm can be looked at as a "nexus of contracts" (Figure 1). Such contracts generally include those with capital (equity/stock) or debt providers, employees, suppliers, customers, contractors, and all other parties with which a firm deals in the ordinary course. The activities of writing, monitoring, and enforcing contracts are based on accounting numbers. Accounting methods used are an integral part of such a set of contracts (Sunder, 1997), since change in the accounting method(s) would change the accounting numbers and the way the contracts are written and managed. Firm value is affected by the accounting methods or choices because of their impact on contracts (refer Figure 2).

The Important Constructs and Related Issues

(1) Value Relevance : Value relevance of accounting numbers has been the most important aspect of capital market - based accounting research. The link between accounting numbers, stock returns, and management's motivation for manipulations in financial reporting has been critically examined by PAT researchers.

The main focus for this branch of research has been considerations in setting accounting standards (Barth, Beaver, & Landsman, 2001). The value relevance of accounting numbers reported under different GAAP's was also critically examined by them. (e.g., German GAAP, International Financial Reporting Standards, and US GAAP) (Clarkson, Hanna, Richardson, & Thompson, 2009 ; Hung & Subramanyam, 2007; Morais & Curto, 2009).

Value relevance is largely understood in the extant literature as the association between accounting amounts and security market values, in particular, only equity investment. It has been contended that, although financial statements have a variety of applications beyond equity investments, for example, management compensation and debt contracts, the possible contracting uses of financial statements in no way diminishes the importance of value relevance research which focuses on equity investments (Barth et al., 2001).

In this context, the following points are worthy of attention of researchers :

(i) Linking accounting numbers only to equity investment/market values is too restrictive a view of "value relevance". Particularly in the context of IFRS adoption, it has been documented that changes in accounting numbers can affect not only equity prices, but can have many financial, economic (both micro and macro), legal, and business implications.

Various impact studies have been conducted documenting effects of IFRS implementation such as dividend pay-outs (Hail, Tahoun, & Wang, 2014) ; bond finance (Florou & Kosi, 2015) ; credit rating (Wu & Zhang, 2014) ; raising external finance (Naranjo, Saavedra, & Verdi, 2015) ; cost of debt and equity capital (Li, 2010 ; Patro & Gupta, 2014) ; provisions and impairment components, goodwill accounting, intangible assets, property plant and equipment, long term debt, total assets, current liabilities, and total liabilities (Blanchette, Racicot, & Sedzro, 2013) ; business combination, provisions, financial instruments (Capkun, Jeny - Cazavan, Jeanjean, & Weiss, 2008 ; Cordazzo, 2008 ; Daske, Hail, Leuz, & Verdi, 2008 ; Goodwin, Ahmed, & Heaney, 2008) ; amounts and timing of foreign direct investment (Amiram, 2012 ; Efobi, Nnadi, Odebiyi, & Beecroft, 2014 ; Gordon, Loeb, & Zhu, 2012 ; Louis & Urcan, 2012 ; Zaidi & Huerta, 2014) ; size and timing of equity issues (Wang & Welker, 2011) ; taxation (Fosbre, Fosbre, & Kraft, 2010), etc.

(ii) Even if relevance of accounting amounts to equity market values alone is considered, there are many indirect effects, implications, and repercussions of reported (and audited) accounting numbers as outlined (but not limited to) above, which may individually and collectively affect equity market prices/firm value/enterprise value.

(iii) Accounting numbers, earnings, and even asset and liability amounts are manipulated (managed) by managements precisely because they are value relevant. Since maximization of equity shareholders' wealth and firm value are the most important objectives of corporate financial management, corporate managements try to manipulate accounting numbers to achieve these objectives in spite of (a) an independent expert (statutory) audit and (b) the framework of accounting regulation through accounting standards (IFRS).

(2) Some Important Value Relevant Accounting Concepts Under IFRS

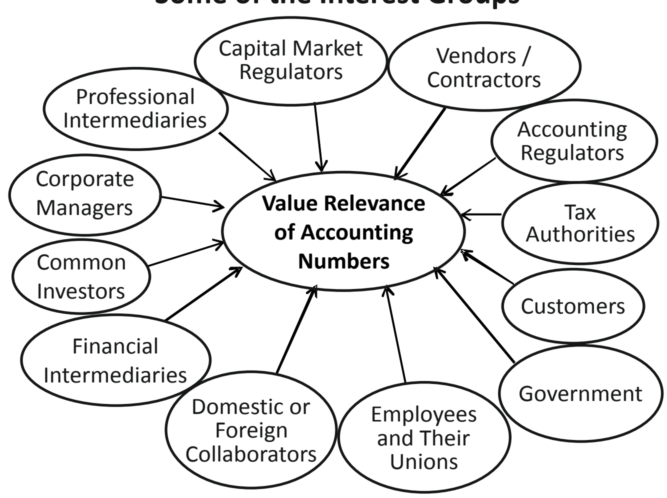
(i) Fair Value : Studies about capital market effects have examined the value - relevance of 'fair value' in different scenarios. Value-relevance of 'fair value' has been documented in some situations (Botosan, Ashbaugh, Beatty, Davis - Friday, Hopkins, Nelson, Ramesh, Uhl, Venkatachalam, & Vrana, 2005 ; Barth, Beaver, & Landsman, 1996 ; Barth et al., 2001; Barth & Clinch, 1998 ; Eccher, Ramesh, & Thiagarajan, 1996 ; Landsman, 2007).

There has always been a debate about whether fair value should be made compulsory for measurement purposes in preparing financial statements. Professional accounting sources have pointed out that fair value estimates can be easily manipulated.

PAT researchers have also documented that estimates of fair value can be manipulated by management. As pointed out by Benston (2006), fairly extensive misuse of fair value by Enron management contributed to its demise. It was pointed out by Byrne, Clacher, Hillier, and Hodgson (2008) that substantial variations in assumptions used in fair value accounting for pensions in the UK were attributable to management's motives to inflate returns on pension scheme assets, and not to changes in economic fundamentals.

(ii) Internally Generated Intangibles : The recognition of internally generated intangibles in financial statements had also generated a debate as brought out by PAT researchers. The disclosure of intangibles in financial statements could lead to accounting numbers manipulation (Lev & Zarowin, 1999 ; Lev, 2001).

Figure 3. Value Relevance of Accounting Numbers : Some of the Interest Groups



(3) Value Relevance – Need for a Paradigm Shift : Value relevance should not be viewed only as the link between accounting numbers and equity market prices. It should be judged from the points of view of all the interested parties (interest groups) for whom accounting numbers are "value relevant" for the purpose of making their decisions. It is suggested as a much broader concept including in its scope the entire gamut of the socioeconomic and corporate financial implications which are separately measurable in the long run (if not in the short run) and which may be systemic or caused by manipulation, so long as any or all academic or non-academic interest groups (stakeholders) could be deemed to be affected by any or all of them.

Value relevance of accounting numbers should usually be considered from the points of view of the following interest groups (stakeholders) (Figure 3) : (a) common investors including foreign and institutional investors ; (b) corporate managers ; (c) capital market regulators ; (d) accounting regulators ; (e) government ; (f) tax authorities ; (g) financial institutions / intermediaries ; (h) domestic or foreign collaborators ; (i) vendors / contractors dealing with corporates ; (j) customers ; (k) employees and their unions ; (l) professional intermediaries such as auditors, merchant bankers, etc. (The list is not exhaustive).

Value Relevance : Some of the possible research questions for impact studies or on "effects" of IFRS are :

(i) Do accounting earnings contain information that can influence stock pricing ?

(ii) Does a change in accounting numbers :

- Increase or decrease stock (equity shares in some countries) prices ?
- Increase or decrease dividend pay-outs?
- Increase or decrease corporate bond prices?
- Increase or decrease the debt content in the capital structure?
- Increase or decrease the cost of debt capital?
- Increase or decrease the cost of capital in the form of stock (equity shares)?
- Affect the maturity and covenants of debt contracts?
- Affect mergers and acquisitions?
- Affect foreign direct investment (FDI)?
- Affect timing and size of IPOs / public issues of securities?
- Affect sectorial/industrial or economic growth of the concerned country?

(iii) Whether the relevance of accounting numbers to the valuation decision is higher after IFRS adoption ?

(iv) How investment analysts have accommodated IFRS in their decision - making processes ?

(v) Whether IFRS adoption has led to changes in corporate financing patterns ?

(vi) Whether IFRS introduction has been associated with firms going private, delisting, changing domicile, or taking other steps to avoid the higher transparency associated with IFRS?

(vii) Whether IFRS adoption is associated with changes in corporate decisions linked to controversial accounting issues such as financial risk hedging, defined benefit pension plans, asset leases, and share option - based compensation (see Pope & McLeay, 2011 for Q. Nos. 4 to 8 above).

(viii) Why do entities within jurisdictions that allow instead of require the use of IFRS, elect to adopt IFRS? Is it to :

- Enhance access to capital (does it affect the cost of capital ?),
- Broaden the investor base (does the mix of investors, particularly from outside the jurisdiction, increase ?),
- Reduce costs (does it allow entities to use IFRS globally instead of having to run multiple GAAP systems, or reduce the reliance on multiple external GAAP experts ?),
- To align their accounting with peers who have already adopted IFRS ?
- To improve the comparability of information used to assess management ?
- Are there characteristics of an economy or an entity that influence the decision (to adopt or to not adopt) ?

(4) Management of Earnings : Management is likely to manage reported earnings to serve its purpose (Watts & Zimmerman, 1986). Three major hypotheses tested under PAT have led to more critical and comprehensive research into the construct - 'management of earnings'.

(i) As per the bonus plan hypothesis, managers of firms choose accounting methods that will increase current period earnings, thereby giving themselves more incentive under the bonus plans.

(ii) As per the debt - equity hypothesis, earnings will be shifted from future periods to the current period to enable meeting of the higher immediate interest cost for firms having relatively higher debt - equity ratios. For this purpose, appropriate accounting procedures will be used.

(iii) The political cost hypothesis says that large firms (rather than small firms) choose accounting methods so as to shift earnings from the current period to future periods, thereby avoiding attention from the government and the public, which might lead to more regulation.

There are various possible scenarios in which managements would like to manage earnings. Some of them are as follows : (a) if management's bonus depends on reported earnings (Healy, 1985), (b) if firms are likely to violate debt covenants (Duke & Hunt, 1990; Press & Weintrop, 1990), (c) if current earnings may be less than last year's earnings, (d) if management would like to avoid loss, (e) if companies are about to issue shares (Teoh, Wong, & Rao, 1998), (f) if there are likely to be major changes in management (Pourciau, 1993).

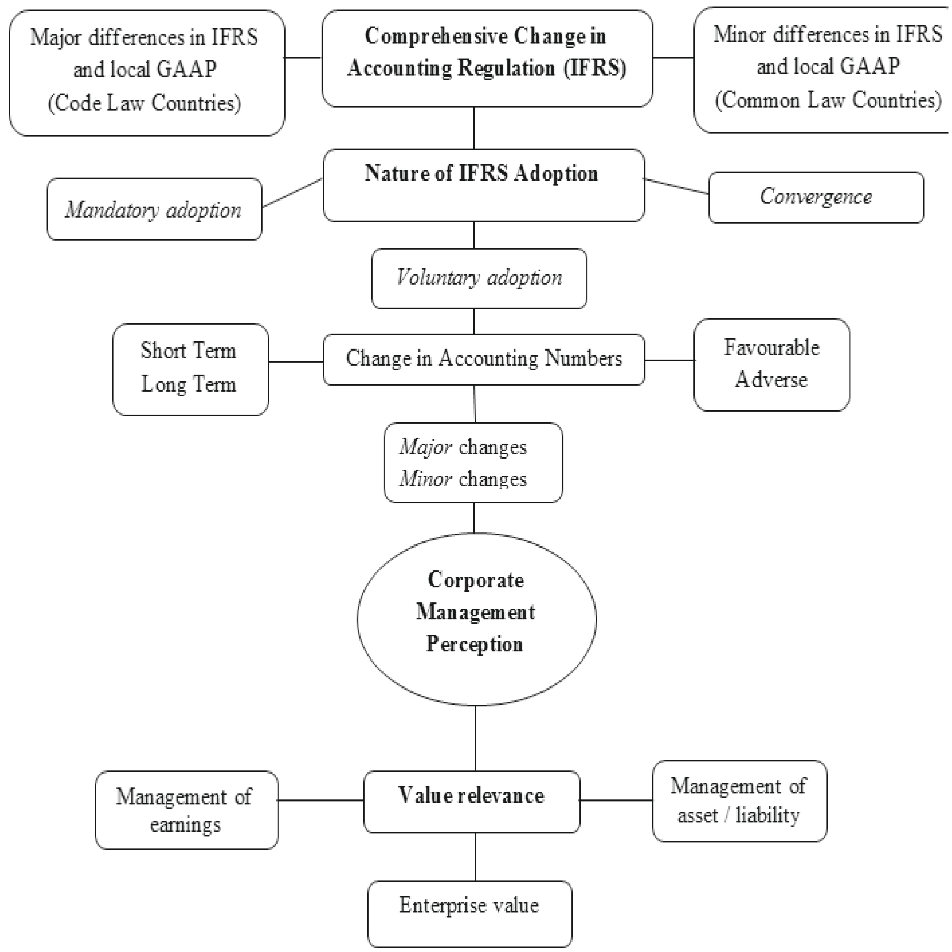
On the other hand, accounting standards (e.g., International Accounting Standards Board [IASB], 2009) recognize that managements use their judgments and estimations in the accounting process. The main responsibility of generating accounting numbers rests with corporate managers. Manipulation of accounting numbers and ,therefore, the possibility that accounting numbers can and will be manipulated (generally called “management of earnings” in the literature) should be considered by researchers. They should consider modification of the constructs, design, and methodologies if they want to go into the motivation of managers, given that some amount of manipulation cannot be ruled out.

Contextual Issues in IFRS Research

Please refer to Figure 4 and Figure 5, the main issues are discussed here.

(1) Legal Framework - Code Law or Common Law Countries : The code law system originated from Roman law and has developed in Continental Europe, for example, Finland and Germany. This system has a wide set of rules,

Figure 4. The Contextual Framework



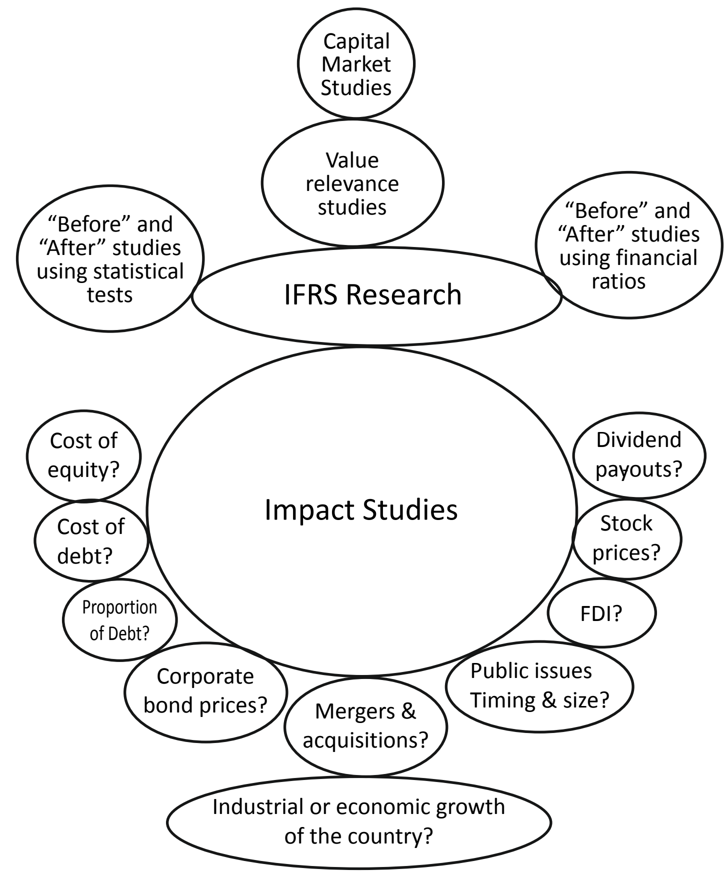
providing guidance for any given legal problems. The company law is relatively detailed, and regulated by governmental agencies (Dunne, Fifield, Finningham, Fox, Hannah, & Helliar, 2008 ; Fifield, Finningham, Fox, Power, & Veneziani, 2011 ; Nobes & Parker, 2010 ; Zeff, 2007).

The common law is law that is not written down in any code or body of legislation. Common law is based on the rule of precedent that guides judges in making decisions in similar cases. It is flexible. Judges can announce new legal doctrines or change old ones.

The common law system originated in the UK, has developed case by case, and does not offer universally applicable rules. Accounting regulations are not directly set by government agencies but through professional bodies in the private sector (Dunne et al., 2008 ; Nobes & Parker, 2010). There is a lower degree of regulation and scope for individual judgment. IFRS are set by the International Accounting Standards Board (IASB) and hence, fall in this latter category (The Common Law System).

In code - law countries, capital provided by the state, banks, or families tend to be more important than in common - law countries, where companies are mainly financed by a large number of private investors (Ball, Kothari, & Robin, 2000 ; La Porta, Lopez - de -Silanes, Shleifer, & Vishny, 1997 ; Nobes, 1998). Domestic accounting standards differ from IFRS more in code-law countries than in common-law countries (Ding, Hope, Jeanjean, & Stolowy, 2007). Code-law countries adopt IFRS to improve investor protection, to make capital

Figure 5. The Empirical Paradigm



markets more accessible for foreign investors, and to improve the quality of their financial information (Hope, Jin, & Kang, 2006). European countries changed their accounting systems towards a more capital market orientated system, after the adoption of IFRS (D'Arcy, 2001). Adoption of IFRS by firms leads to improved accounting quality, that is, less earnings management, more timely loss recognition, and more value - relevant accounting information (Barth, Landsman, & Lang, 2008). By supporting this view, Daske and Gebhardt (2006) reported that disclosure quality has increased significantly under IFRS in the three European countries, that is, Austria, Germany, and Switzerland. Thus, previous studies have suggested that firms in the code-law countries report more useful financial information after the adoption of IFRS.

(2) Pattern of Funding : Companies in some countries have traditionally relied on debt as a main source of funding. Banks or other creditors in such countries may receive information directly from management, or may even participate in firm decision making through board membership (Hope, 2003).

Contrary to this, companies from North America or the Commonwealth have traditionally relied on equity financing. There is an external demand for information on firm performance. Generally, the quality of financial accounting information is higher (from a shareholder perspective) in countries where companies traditionally rely on equity financing rather than debt (D'Arcy, 2001, Ding et al., 2007 ; Hope, 2003).

(3) Voluntary Adoption vs. Mandatory Adoption : Four important drivers influence voluntary adoption of IFRS.

These are : firm size, international exposure, dispersion of ownership, and recent IPOs (Gassen & Sellhorn, 2006). The magnitude of benefits of IFRS adoption is higher for voluntary adopters than for mandatory adopters (Daske et al., 2008). There is a significant increase in the market liquidity and a decrease in firms' cost of capital of mandatory adopters after adopting IFRS. Only those countries (whether voluntary or early adopters) that have strict enforcement mechanisms experience capital - market benefits. Similar is the case of "countries where the institutional environment provides strong incentives to firms to be transparent" (Daske et al., 2008, p.1089).

Since firms vary in their reporting as well as disclosure policies, economic consequences of voluntary IFRS adoptions show significant heterogeneity. In order to explain it, Daske et al. (2008) split firms into two groups: (a) "label" adopters, firms that adopt IFRS for the IFRS brand and (b) "serious" adopters, firms that adopt IFRS as a serious commitment. They found a large decline in the cost of capital of "serious" adopters as compared to "label" adopters. They also found a positive relationship between "serious" adoptions and cost of capital and market liquidity.

Adopting IFRS seriously increases transparency and reduces uncertainty, information asymmetry, and estimation risk, which in turn lead to higher market liquidity and lower cost of capital (Leuz & Verrecchia, 2000 ; Lambert, Leuz, & Verrecchia, 2007).

The Behaviourist Paradigm : The Methodological Position Underlying Earnings Management Research

Why do managers make accounting choices that they do? This is one of the major research areas for some of the PAT researchers. Their methodological approach is similar to that of the behaviourists. As per this approach, observable behaviour provides major clues to underlying mental processes. As per this perspective, accounting numbers in financial statements constitute "observable behaviour" and provide understanding of the "mental processes" of corporate management. For example, profits may be shifted from later years to current year if managers expect a higher interest cost in the current year due to terms and conditions in the debt contract. The "tightness of conditions" can also lead to the accounting choice to increase current period income (Duke & Hunt 1990 ; Press &Weintrop, 1990).

According to Watts and Zimmerman (1986), the validity of such empirical findings may be ensured by using large samples and statistical methods.

PAT researchers have tried to look into the motivation and drivers for managers in making the accounting choices they do. According to intentionalism (the theory that the meaning of any text is determined by the intentions of its author, whether stated or not), the explanation for the accounting choices made must be contained in the mental processes of the agent (the manager) (Fay, 1996) - in the beliefs and reasons that existed in the mind of the manager at the time of making accounting choices.

The main objection to this "behavioural" approach within the empirical paradigm is that, while accounting numbers are no doubt empirical facts or proof or evidence, the conclusions drawn from such empirical studies about the mental processes of corporate management may not always be the only inescapable conclusions.

Just because a particular accounting choice behaviour is regularly undertaken in the same situations does not necessarily mean that it will always be undertaken in exactly the same way (Lessnoff, 1974). This is because human beings do not always act in the same manner in the same situation. Different persons can take different actions in the same situation and the same action in different situations.

(1) Some Research Questions Arising from the Behaviourist Paradigm : Given that one of the alternative accounting methods can be chosen (i.e., the alternatives are within the realms of accounting theory and are not prohibited under relevant accounting standards / GAAP) :

(i) What are the determinants of management choosing certain accounting methods over others ?

(ii) To what extent do incentives (selfish interests) motivate managements in making accounting choices ?

(iii) What are the constraints under which managements can make decisions on accounting choices ?

(iv) Why do managements switch from one accounting method to another ?

(v) What is the motivation of corporate managers in management of earnings ?

(vi) What is the motivation of corporate managers in management of asset and liability values ?

(2) Behavioural Corporate Finance Research is Complementary to IFRS Research : Behavioural finance is a relatively new field. It combines behavioural and cognitive psychological theory with conventional economics and finance in an attempt to explain economic decisions taken by various people such as investors, managers, institutions, etc.

The thinking processes in the human brain often use shortcuts and emotional filters. Because of this, financial decision makers may behave in an irrational manner, go against traditional risk aversion theories, and make forecasting errors. Such problems are also seen in corporate managerial behaviour. This may have repercussions for corporate performance.

In corporate management, often one person or a few people make decisions involving large amounts of money. Their biases can have a direct impact on corporate actions. Therefore, the behavioural aspect of finance is even more important in corporate finance. According to Shefrin (2007), "…..behavioural phenomena also cause managers to take actions that are detrimental to the interests of shareholders" (p. 3) .

According to Baker and Wurgler (2013) :

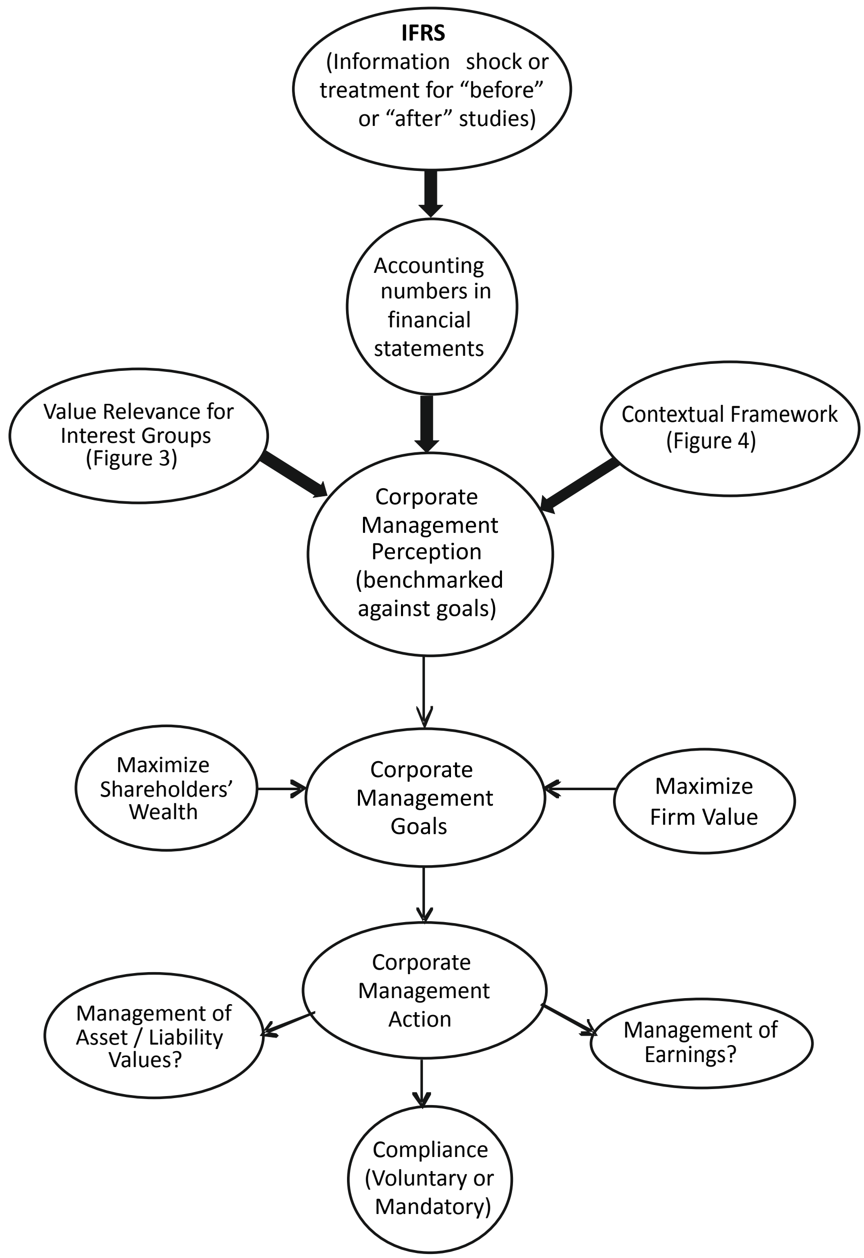
> The behavioural corporate finance literature has matured to the point where one can now sketch out a handful of canonical theoretical frameworks and use them to organize many dozens of empirical studies. Our review of this evidence indicates that behavioural approaches offer a useful complement to the other corporate finance paradigms. They deliver intuitive and sometimes quite compelling explanations for important financing and investing patterns, including some that are difficult to reconcile with existing theory. (p. 405)

In addition to empirical research methods putting emphasis on fact-finding and evidence -gathering, the behavioural paradigm can make extensive use of surveys and detailed interviews to study the "mental processes" of corporate managers leading to the accounting choices they make. This can possibly provide deep insights into "management" (manipulation) of earnings or assets and liability values, along with a detailed analysis. This can also provide data about how managers look at the possible impact of IFRS on various contracts of the firm (Figure 6), so that the rationale behind accounting choices and the accounting numbers reported will be greatly clarified.

The Comprehensive Research Framework

Considering the previous research and the possible impact of IFRS on corporate management perception and action (refer Figure 6),the research framework (Figure 7) emerges. The existing researcher should be able to comprehend the contribution of his/her research in the above context. The new researcher should be able to explore and decide upon his/her research areas for the proposed research.

Figure 6. The Impact of IFRS on Corporate Management Perception and Action

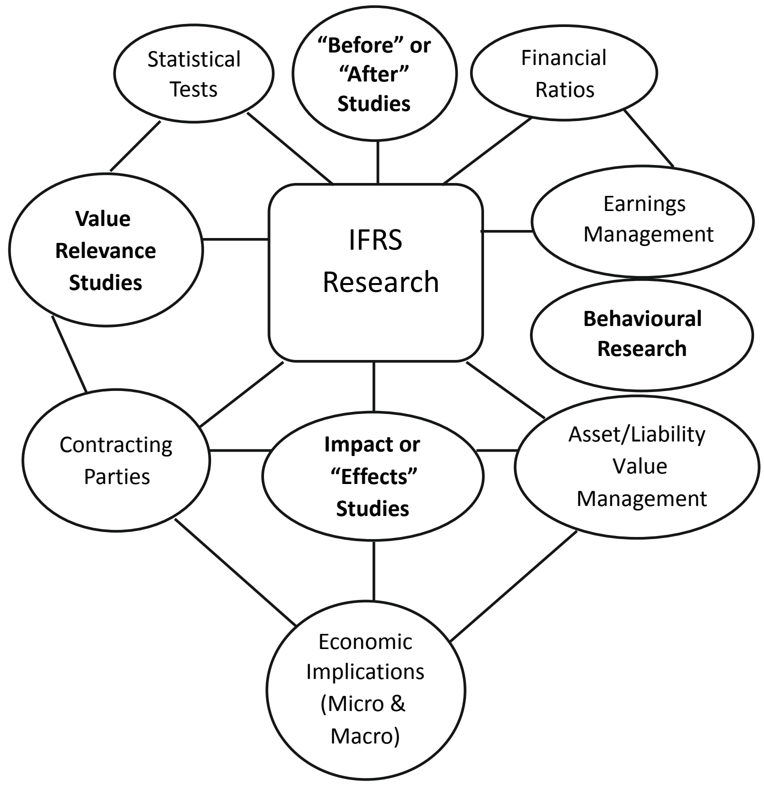


Contribution of this Paper to IFRS Research

(1) To the best of our knowledge, this paper, for the first time, takes a comprehensive look at all research driven by IFRS.

(2) This paper briefly discusses the main paradigms underlying IFRS research so as to be of help to the new researchers to comprehend correctly the relevant conceptual framework before embarking upon such research.

Figure 7. The Empirical Research Framework



(3) Existing IFRS researchers who are already working with particular research designs or tools can also benefit by developing a comprehensive understanding including the relevant paradigms.

(4) This paper discusses the main research paradigms and a few of the related conceptual issues and challenges for researchers in this field. It also brings out a comprehensive research framework for IFRS research, which ought to be of help in choosing the correct approach, design, methodology, and tools.

(5) The paper puts, for the first time, the corporate management and behavioural research at the centre of all IFRS research. Real insights into "management" of earnings and asset/liability values and similar manipulative behaviour of corporate management can be obtained in the light of actions experimentally induced by the IFRS treatment.

Limitations of the Study and Scope for Further Research

The following are the limitations of this study :

(1) We, in writing this paper, have tried to review all the relevant literature; however, there may be unintended omissions due to the vastness of not only IFRS research, but also research on underlying accounting theories.

(2) Though we perceived that great scope lies in behavioural corporate finance research in IFRS, surveys and detailed interviews may fail to fully bring out the motivations of corporate managers, especially if they (managers) are queried about the motivations behind "management" of earnings or asset/liability values. More advanced techniques of questioning and psycho-analysis with reference to the data thus obtained may be called for in such cases.

The following points can be considered as scope for further research under the behavioural paradigm :

(1) While PAT approach continues to retain its dominance as an empirical paradigm, the methodology, design and conceptual framework, or theory building relating to IFRS research are probably going to necessitate a fresh approach. So far, research on IFRS is based on empirical analysis of micro or macro-economic data which yields objective results. However, more emphasis needs to be placed on why particular accounting numbers were put in the financial statements (by the corporate management) rather than some other (numbers), which is a consequence of accounting choices made and is in turn influenced by the "mental processes" of corporate managers, which need to be researched much more.

(2) While behaviourist approach exists within the empirical paradigm, more research is required about the "psyche" of the corporate decision maker in the context of reactionary measures taken to deal with the "information shock' of IFRS. This will soon become a reality considering the development of behavioural corporate finance as a separate field of study and research. For this purpose, survey and detailed interview methods, qualitative studies, case study approach using empirical data for longer periods (5/10 years), mixed methods (quantitative and qualitative) approach, and most importantly, clearer links with psychological research may be established and used.

(3) Corporate management is at the centre of this entire conundrum. For any company, IFRS is an external regulatory force, which the management must comply with and still ensure minimum deviation from the attainment of the usual corporate goals : maximization of shareholder wealth and firm value. Aggressive corporate managements would even like to take advantage of this situation (not necessarily with a negative connotation) in furthering these goals. The entire approach and action of corporate management as a response to IFRS has tremendous potential for research for academicians, practitioners, regulators, and for bridging the intellectual gap between academicians and practitioners in contributing to relevant accounting, financial, and economic theory-building.

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