

Marta de Vicente Lama¹, Horacio Molina Sanchez², Jesus N. Ramirez Sobrino³
**ASSESSING THE IMPACT OF ACCOUNTING CHOICES
AND THE ECONOMIC CONTEXT ON FIRM'S COMPLIANCE
WITH THE MANDATORY REQUIREMENTS OF IFRS**

This study assesses the disclosure compliance with International Accounting Standard (IAS) 40 "Investment property" and analyses if there is an improvement in the level of disclosure when there is uncertainty at the markets such as under a crisis. Secondly, it examines in the context of accounting choice of the determinants that explain the differences in disclosure levels and investigates the determinants of disclosure compliance concerning the reliability of fair value estimates. The study documents an improvement in disclosure levels during the crisis period and evidences the influence of the country of origin and the accounting choice on the level of compliance with mandatory requirements regarding fair value estimations. This finding suggests that firms take more care about fair values presented in financial statements, relative to disclosed fair values.

Keywords: mandatory disclosure; fair value accounting; IFRS.

**Марта де Вісенте Лама, Хорасіо Моліна Санчез, Хесус Рамірез Собріно
ВИБІР ВАРИАНТІВ БУХГАЛТЕРСЬКОГО ВІДОБРАЖЕННЯ
У КОНТЕКСТІ ДОТРИМАННЯ ФІРМАМИ МСФЗ**

У статті описано процедури розкриття інформації відповідно до Міжнародного стандарту IAS 40 «Інвестиційна власність» та проаналізовано тенденції зміни рівнів розкриття такої інформації у звітності в умовах нестабільності ринків та фінансової кризи. Проаналізовано низку чинників впливу на рівень розкриття такої інформації у звітності, а також ступінь достовірності задекларованої справедливої вартості. Продемонстровано підвищення рівня розкриття інформації в кризовий період, однак при цьому вплив мають також країна походження фірми та місцеві бухгалтерські стандарти, їх узгодженість з міжнародними. У цілому, фірми стали ретельніше ставитися до декларування справедливої вартості згідно з МСФЗ.

Ключові слова: обов'язкове розкриття інформації; відображення справедливої вартості у бухгалтерській звітності; МСФЗ.

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**Марта де Вісенте Лама, Хорасіо Моліна Санчез, Хесус Рамірез Собріно
ВЫБОР ВАРИАНТОВ БУХГАЛТЕРСКОГО ОТОБРАЖЕНИЯ
В КОНТЕКСТЕ СОБЛЮДЕНИЯ ФИРМАМИ МСФО**

В статье описаны процедуры раскрытия информации согласно Международному стандарту IAS 40 «Инвестиционная собственность» и проанализированы тенденции изменения уровней раскрытия такой информации в отчётности в условиях нестабильности рынков и финансового кризиса. Проанализирован ряд факторов влияния на уровень раскрытия такой информации в отчётности, а также степень достоверности заявленной справедливой стоимости. Продемонстрировано повышение уровня раскрытия информации в кризисный период, однако при этом влияние имеют также страна нахождения фирмы и местные бухгалтерские стандарты, их соответствие международным. В целом, фирмы стали более аккуратно относиться к заявлению справедливой стоимости согласно МСФО.

Ключевые слова: обязательное раскрытие информации; отображение справедливой стоимости в бухгалтерской отчётности; МСФО.

¹ Corresponding author. Universidad Loyola Andalucia, Cordoba, Spain.

² Universidad Loyola Andalucia, Cordoba, Spain.

³ Universidad Loyola Andalucia, Cordoba, Spain.

Introduction. The debate on fair value accounting is mainly focused on the trade-off between the relevance and the reliability of financial information. Proponents of fair value accounting argue that this measure is more relevant than the historical cost (Barlev and Haddad, 2003; Barth, 2007). On the other hand, opponents criticize its lack of reliability, a drawback especially important in the case of illiquid assets (Plantin et al., 2008; Laux and Leuz, 2009; Magnan, 2009). The role of mandatory disclosure is either to complement the relevance of financial information, or to provide inputs into the measurement of recognised items displayed on the balance sheet or the income statement to enhance its reliability (Schipper, 2007). Hence, firms might use disclosure as a mechanism to reduce information asymmetries (Healy and Palepu, 2001) and to improve the reliability of fair value estimates, especially when there is uncertainty at the markets such as under crisis.

The choice under International Accounting Standard (IAS) 40 represents a true choice between recognition and disclosure of fair value of an investment property. Furthermore, irrespective of whether fair values are presented in financial statements or disclosed in the notes, IAS 40 requires all firms to disclose several items regarding fair value estimates.

This study assesses the level of compliance with the disclosure requirements under IAS 40 and benefits from a unique standard to study if, given the choice between recognition and disclosure of fair values, managers take similar care about mandatory disclosures on fair value estimations. This paper also examines whether firms use disclosure to reduce investors' uncertainty by increasing the compliance level during the crisis period compared to a pre-crisis period. We study these issues while controlling for the effect of other mandatory disclosure-related factors documented in earlier literature.

Institutional background. This paper focuses on companies domiciled in the UK and Spain which possibly have two of the most distinct accounting traditions of investment property valuation. Particularly, domestic accounting standards prior to the adoption of IFRS varied considerably across the two countries: UK firms reported investment property at fair value, while Spanish firms reported them at historical cost.

In brief, the relevant UK domestic standard "Statement of Standard Accounting Practice 19: Accounting for Investment Properties" (SSAP 19) requires investment property to be reported on the balance sheet at "open market value" and unrealized gains or losses are reported in a revaluation reserve. With regard to disclosure requirements, these are very similar as those required by IAS 40.

In contrast, Spanish firms report investment property at historical cost as domestic standard "Recognition and Valuation Standard 2" (RVS 2) of the "Spanish General Accounting Plan" (SGAP) mandates. Further, disclosure of property fair values is not required.

European countries adopted IFRS on January 1, 2005 for public firms' consolidated accounts. The relevant standard IAS 40 allows two alternative treatments to measure investment property assets: either a cost model, disclosing the fair value of investment properties in the notes, or a fair value method with recognition of fair value changes in net income. Accordingly, IAS 40 requires all firms present fair values for investment property, using either recognition (i.e. under the fair value method), or disclosure (i.e. under the cost method). In addition, IAS 40 mandates

disclosure and compliance requirements with regard to the relevance of accounting information and the reliability of fair value estimates.

This setting leads to a unique opportunity to study the effect of accounting traditions on mandatory disclosure compliance behaviour of firms after IFRS adoption and the extent to which accounting choices influence different levels of compliance.

Literature review. Empirical disclosure literature is very extensive. However, while most disclosure studies address voluntary disclosures, our study addresses compliance with IFRS-required disclosures. Prior research addressing mandatory disclosure with internationally recognised standards examines the relationship between a number of firm-level characteristics and a general disclosure level in the framework of the agency, signalling and proprietary costs theories (Cooke, 1989, 1992; Wallace et al., 1994; Giner, 1997; Glaum and Street, 2003; Ali et al., 2004; Bepari et al., 2014). In brief, these studies document that the level of disclosure is influenced by some firm-level variables such as size, industry-type, profitability, auditor-type and listing status.

Several studies investigate the effect of country-level variables such as the legal system (Jaggi and Low, 2000; Glaum et al., 2013), the size of a national stock market (Glaum et al., 2013) and the impact of culture on financial disclosure of firms in different countries (Zarzeski, 1996; Jaggi and Low, 2000; Archambault and Archambault, 2003; Hope, 2003; Glaum et al., 2013). Closely related to this stream of research is Kvaal and Nobes (2010) study which documents different versions of IFRS practice between countries and a more recent work by Glaum et al. (2013) provides evidence that national traditions impacts compliance in combination with firm-level – factors.

Except for Glaum et al. (2013) and Bepari et al. (2014), the data used in the above studies relate to the periods when the use of IFRS or other internationally recognised standards is mostly voluntary. This study, on the other hand, is based on two years of the data following the EU mandated adoption of IFRS. The 2005 and 2008 annual reports allow us compare the mean disclosure compliance levels in the pre-crisis period to those in the crisis period. Previous research provides little evidence on the impact of the 2008 global financial crisis on firms' compliance. With regard to the IFRS for goodwill impairment testing, the paper of Bepari et al. (2014) which is based on the economic disturbance theory by Sutthachai and Cooke (2009), find that firms' compliance during the crisis period increases compared to the pre-crisis period.

Taken together, this paper contributes to extend previous literature on firms' compliance after the mandatory adoption of IFRS. Furthermore, because our data relates to a pre-crisis and a crisis period, our tests speak directly to the effect of the general financial crisis on firm's compliance with a fair-value based standard.

Hypotheses development. According to IAS 40, the impact of changes in the fair value of investment properties are recognised in the income statement for firms choosing to adopt the fair-value model or disclosed in the notes for firms adopting the cost model. We embark on a comparative analysis between 2005 and 2008 to study two European countries where the boom in housing prices in 2005 and their sharp decline in 2008 had the greatest impacts on investment property volume. Therefore, we expect higher levels of compliance with IAS 40 during the crisis period (2008) as a

mechanism to help market participants reduce uncertainty. Note that firms may use disclosure as a way to provide more information to the market about the reliability of fair values and the inputs used in their estimation to further ensure that managers are not avoiding or accelerating the recognition of changes in fair values during the crisis period. We use the dichotomous variable CRISIS indicating the crisis period (2008) taking the value of 1 and 0 for the pre-crisis period (2005). Consistent with Bepari et al. (2014), the hypothesis is stated as:

H1: The extent of compliance will be higher during the crisis period than during the pre-crisis period.

Although IAS 40 requires firms adopt the cost model to disclose fair value of investment properties in notes, previous studies show that market participants do not perceive that disclosure substitutes for recognition of these fair value amounts (Davis-Fridays et al., 2004; Ahmed et al., 2006; Muller et al., 2011). Also, the findings of Muller et al. (2014) are consistent with market participants at an efficient market perceiving disclosed fair values as having lower reliability than recognised fair values.

On the other hand, as Schipper (2007) points out, managers might choose recognition (disclosure) for more (less) reliable items and take less care in preparing disclosed items. Following this reasoning and assuming the existence of information asymmetry, we expect that managers' incentives to comply with disclosure requirements will be greater if firms recognise their investment properties under the fair-value model. We use the dichotomous variable CHOICE which takes the value of 1 for the firms presenting their investment property assets under the fair-value model and 0 – for the cost model.

H2: The extent of compliance will be higher for the companies which choose the fair value model to recognise investment properties.

Control variables. Prior literature has identified several firm-specific factors that influence the level of firm's compliance with disclosure requirements. Accordingly, we control for the effects of 6 firm-specific characteristics:

COUNTRY – is an indicator variable equal to 1 if firm j is domiciled in the UK, and 0 for Spain.

SIZE – is the natural logarithm of total assets.

IP_INTENSITY – is the ratio between investment properties to total assets.

PROFITABILITY – is the ratio between net income and total assets.

LEVERAGE – is the ratio between total liabilities and equity.

AUDITOR – is coded as a dichotomous variable (1 = Big-4 auditors, 0 = Non-Big-4 auditors).

Research method.

1. Data and sample. Our sample was selected among non-financial and non-insurance listed companies at Spanish continuous market and London Stock Exchange in 2005 and 2008 (896 and 709 units respectively). Companies in the sample were analysed in a two-step procedure. First, a sample was drawn from the listed companies holding investment properties at the year-end started in 2005 (106 in total). At a second step, using the sample already selected for 2005, a sample was drawn from companies beginning at the 2008 accounting period. This procedure reduced the size of our sample as some companies were delisted from the stock exchange market in 2008. In the case of a merger after 2005, we included in our sam-

ple the acquiring company in 2005 and the merged company in 2008. The final matched sample is composed of 87 Spanish and UK listed companies (174 observations) as of 31 December 2005 and 2008. All the information was collected manually.

2. Research design.

2.1. Measuring the disclosure index. For the construction of the dependent variable of the study, the disclosure index, we start our analysis by reading IAS 40 and IAS 17 Leases disclosure requirements⁴ for investment properties and we develop a checklist comprising the following items (Table 1).

Table 1. Items used to calculate the disclosure index, developed by the authors

Item	IAS 40
1	Method used to measure investment property and, in the case that the company applies the cost model, whether it discloses the fair value in notes
2	Methods and significant assumptions to determine the fair value of investment property
3	Use of an independent valuer to assess the fair value of investment property (as measured or disclosed in financial statements)
4	Rental income from investment property
5	Direct operating expenses arising from investment property that generated rental income during the period.
6	Direct operating expenses arising from investment property that did not generate rental income during the period.
7	Restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.
8	Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.
IAS 17	
9	Future minimum lease payments under non-cancellable operating leases.

The disclosure index is an unweighted index, so it scores each item equally. As Beretta and Bozzolan (2008) claim there is no conclusive evidence to support whether an unweighted, or a weighted index represents the quality of disclosure better. However, many researchers are in favour of unweighted indices because they reduce additional subjectivity (Chavent et al., 2006).

We use a dichotomous procedure to develop the disclosure index in which an item is coded as disclosed (1) and not disclosed (0). When a particular item is not required by a firm to comply with, the item is not included in calculating the disclosure index not to penalise firms for non-disclosure. The determination of the index was obtained as follows:

$$Index_j = \frac{1}{n_j} \sum_{i=1}^{n_j} d_i, \tag{1}$$

where $Index_j$ is the unweighted disclosure index for the company j ; n_j is the total number of items expected to be disclosed by company j ; d_i is the number of information items disclosed by the company i .

⁴ In accordance with IAS 17, entities which hold investment properties under financial or operating lease should provide lessee’s disclosure for financial leases and lessor’s disclosure for operating leases.

Data for our dependent variable ($Index_j$) is collected via the comprehensive assessment of investment property and leases footnote disclosures provided in the 2005 and 2008 consolidated financial statements of our sample of Spanish and UK firms.

2.2. Univariate tests and multivariate regressions. Differences in compliance levels between 2005 and 2008 are examined using the parametric and non-parametric univariate tests such as the dependent sample t-test and the Mann-Whitney U test.

In addition, we assess the determinants of compliance with disclosures required by IAS 40 by estimating the following equation with the ordinary least squares technique:

$$index_j = \beta_0 + \beta_1 CRISIS + \beta_2 CHOICE_{jt} + \beta_3 COUNTRY_j + \beta_4 IP_INTENSITY_{jt} + \beta_5 SIZE_{jt} + \beta_6 PROFITABILITY_{jt} + \beta_7 LEVERAGE_{jt} + \beta_8 AUDITOR_{jt} + \varepsilon_t, \quad (2)$$

where $Index_{jt}$ $Index_{jt}$ is the unweighted disclosure index for the company j during period t .

Of primary interest in equation (2) are the differential intercept coefficients β_1 and β_2 which measure the difference in the intercept between the pre-crisis and the crisis period (β_1) and between THE firms choosing the fair-value model and the cost-model (β_2), respectively.

3. Results.

3.1. Descriptive statistics. Table 2 contains the descriptive statistics for independent variables. The findings show that Spanish companies which hold investment properties are larger in size (SIZE) than the UK firms. Profitability figures (PROFITABILITY) show that in 2005 UK companies are 1.78 times more profitable on average than the Spanish ones. However, descriptive statistics for this variable in 2008 show that on average UK firms are almost 7 times less profitable than Spanish firms. This fact is not surprising considering the downturn at the housing market during 2005–2008.

Regarding the investment property intensity (IP_INTENSITY), the descriptive statistics in Table 2 show that the rate was higher on average for UK companies than for the Spanish ones.

Leverage (LEVERAGE) figures show that UK firms are less leveraged than the Spanish ones and there is a significant increase from 2005 to 2008. According to the accounting choice (CHOICE), Table 2 shows that approximately half of the companies chose the fair-value model and the other half – the cost model. However, if we compare the descriptive statistics for this variable per country, the findings show that the majority of the firms that account their investment property under the fair-value model are domiciled in the UK. In Spain, the accounting choice of firms has tended towards the cost model.

3.2. Test of hypotheses. H1 states that compliance with IAS 40 will be higher during the crisis (2008) than during the pre-crisis period (2005).

In Panel A of Table 3 we report the descriptive statistics of the dependent variable (Index).

The average compliance level is 59.98% and 69.20% for the whole sample in 2005 and 2008 respectively. This shows substantial non-compliance with IAS 40 dis-

closure requirements. However, the findings also show an improvement in the level of compliance from 2005 to 2008.

Table 2. Descriptive statistics for independent variables, developed by the authors

Panel A. Descriptive statistics for independent variables in 2005

Variable	Spain (n = 33)		UK (n = 54)		Total (n = 87)	
	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
<i>Non-dichotomous</i>						
SIZE (mln EUR)	7,261.33	12,987.20	3,756.79	7,030.56	5,086.10	9,805.46
PROFITABILITY	4.53	5.92	8.05	6.45	6.71	6.45
IP_INTENSITY	12.22	22.85	42.40	39.79	31.17	37.32
LEVERAGE	1.80	3.27	0.33	5.67	0.89	4.93
<i>Dichotomous</i>						
CHOICE	n = 1	n = 0	n = 1	n = 0	n = 1	n = 0
AUDITOR	4	29	38	16	42	45
	30	3	45	9	75	12

Panel B. Descriptive statistics for independent variables in 2008

Variable	Spain (n = 33)		UK (n = 54)		Total (n = 87)	
	Mean	St. Dev.	Mean	St. Dev.	Mean	St. Dev.
<i>Non-dichotomous</i>						
SIZE (mln EUR)	12,453.64	20,886.41	3,369.70	7,684.37	6,815.33	14,777.25
PROFITABILITY	-2.34	12.79	-14.12	26.09	-9.65	22.66
IP_INTENSITY	8.71	16.84	40.76	38.60	28.61	35.62
LEVERAGE	5.36	11.88	2.88	11.51	3.83	11.65
<i>Dichotomous</i>						
CHOICE	n = 1	n = 0	n = 1	n = 0	n = 1	n = 0
AUDITOR	8	25	38	16	46	41
	31	2	46	8	77	10

Table 3. Descriptive statistics for the dependent variable and univariate testing of changes in the compliance level between the pre-crisis and the crisis periods, developed by the authors

Panel A. Descriptive statistics for the dependent variable

Variable	Pre-crisis (2005)					Crisis (2008)				
	n	Mean	St. Dev.	Min.	Max.	n	Mean	St. Dev.	Min.	Max.
Index (total)	87	0.5998	0.2156	0.1100	1.0000	87	0.6920	0.2095	0.2000	1.0000
Index – Spain	33	0.4924	0.2409	0.1100	1.0000	33	0.5739	0.2371	0.2000	1.0000
Index – UK	54	0.6654	0.1698	0.2000	1.0000	54	0.7641	0.1526	0.4400	1.0000

Panel B. Dependent sample t-test and Mann-Whitney U test

Differences 2005–2008	Dependent sample t-test				Mann-Whitney U test		
	n	Mean difference	t-statistics	Two-tail sig.	n	z-statistics	Two-tail sig.
Index (total)	87	-0.9218	-3.3750	0.001	87	4.8570	0.000
Index – Spain	33	-0.0815	-2.3450	0.025	33	4.5060	0.023
Index – UK	54	-0.0987	-5.5460	0.000	54	2.2810	0.000

Table 3 (Panel A) also shows that Spanish firms display lower compliance than UK companies (0.492 and 0.665 in 2005 vs. 0.574 and 0.764 in 2008). Moreover, the level of compliance in both countries increases from 2005 to 2008.

These results suggest country-level influences, such as domestic accounting standards prior to IFRS adoption, in firms' reporting decisions. And consistent with

the cost benefit approach, these findings may be explained by differences in investment property intensity between the two countries (12.22% in Spain and 42.40% in the UK in 2005 and 8.72% in Spain and 40.76% in the UK in 2008), as descriptive statistics for the IP_INTENSITY variable in Table 2 demonstrates.

Although the findings in Table 3 are interesting and suggestive, we estimate a multivariate regression, as univariate analysis do not control for other factors that have been shown in prior studies to relate to mandatory disclosure compliance levels.

Correlations between the dependent variable and independent variables (not reported for brevity) indicate that INDEX is related to CRISIS, CHOICE, COUNTRY, IP_INTENSITY and PROFITABILITY. The pairwise relationship between the independent variables is modest, with the exception of CHOICE on the one hand and COUNTRY and IP_INTENSITY on the other (Spearman rank correlation coefficients: 0,506 and 0,694, respectively).

The estimates of equation (2) are reported in Table 4. We present the results for the estimation of 3 model variants. Model 1 is estimated as the pooled cross-sectional least square regression while yearly cross-sectional ordinary least square regressions are estimated using Model 2.

The intercept coefficient of the CRISIS variable (β_1) is both positive and significant at the 0.05 level, suggesting that firms' compliance levels increase during the crisis period compared to the pre-crisis period. One important concern with Model 1 is the possible influence of the learning effect of new accounting standards. However, in the UK, a country where domestic accounting standards prior to the adoption of IFRS already mandated disclosure requirements similar to those in IAS 40 information, results in table 4 show a significant improvement in the level of compliance, suggesting that the 'learning effect' has little influence on overall levels of compliance.

Accounting choice (CHOICE) proved to be significantly positively related to disclosure compliance in Model 1 and for the 2008 cross-sectional regression in Model 2 at the 10% level. This finding suggests that firms provide more information on fair value amounts recognised in primary financial statements (fair-value model) than on fair value amounts disclosed in notes (cost model), especially during the crisis.

Turning to the control variables, 4 of the 6 variables have a significant association with the compliance level. As expected, statistically significant positive coefficients of the variable COUNTRY (β_3) in Models 1 and 2 indicate that the compliance level is higher for UK firms than in Spanish firms. We also find a significant and positive association between the disclosure level and the importance of investment properties on the balance sheet (IP_INTENSITY) in Models 1 and 2. This latter finding is consistent with the cost benefit approach of compliance and disclosure and suggests that firms having highly material investment property assets will be more concerned with the potential loss of market confidence on the reported investment property assets than the firms with small amounts of these types of assets

Furthermore, as predicted, the estimated coefficient of SIZE is positive and significant at the 5% and 10% levels in Models 1 and 2, respectively. Other things being equal, compliance is higher in larger firms than small firms. This is consistent with the majority of prior research. Findings on the effect of profitability on firms' compliance show a negative and significant coefficient of the variable PROFITABILITY at the

10% level in the pooled least square regression (Model 1) and during 2008 (Model 2). This evidence suggests that profitability is associated with firms' compliance levels, especially during the crisis period. Finally, our analysis does not confirm the expected relationships between the level of compliance and LEVERAGE and AUDITOR.

Table 4. Results of ordinary least square regressions, developed by the authors

Variable	Expected sign	Model (1)	Model (2)	
		Pooled regression	Yearly cross-sectional regressions	
			2005	2008
Constant		0,287*** (4,226)	0,263*** (2,676)	0,339*** (3,404)
CRISIS	+	0,065** (2,209)		
CHOICE	+	0,069* (1,789)	0,034 (0,559)	0,104* (1,934)
COUNTRY	+	0,100*** (3,156)	0,089* (1,791)	0,112** (2,596)
IP_INTENSITY	+	0,002*** (3,795)	0,002*** (3,224)	0,001* (1,648)
SIZE	+	0,020** (2,553)	0,020* (1,627)	0,020* (1,972)
PROFITABILITY	?	-0,002* (-1,800)	0,001 (0,397)	-0,002* (-1,780)
LEVERAGE	+	0,000 (0,228)	-0,002 (-0,462)	0,000 (0,304)
AUDITOR	+	0,038 (0,888)	0,054 (0,845)	0,038 (0,627)
Number of obs.		174	87	87
Adjusted R ²		0,384	0,302	0,387
F-statistic		14,423***	6,258***	8,769***
Durbin-Watson stat.		1,907	1,835	2,001

* p < 0.1, ** p < 0.05, *** p < 0.01.

Conclusions. This study examines the compliance with IAS 40 "Investment property" disclosure requirements for the sample of UK and Spanish firms applying IFRS. Our data relates to the pre-crisis period (2005) and a crisis period (2008) annual reports which allow us investigate the effect of the general financial crisis on firm's compliance with a fair-value based standard for real estate assets. Furthermore, focusing on IAS 40 enables us examine the effect of accounting choices on firm's disclosure levels since under IAS 40 recognition and disclosure of fair values are concurrently allowable alternatives for investment property assets.

We identify the substantial non-compliance with IAS 40 disclosure requirements. However, using both univariate and multivariate analysis, the findings reveal that the levels of compliance increase during the crisis (2008) compared to the pre-crisis period. This finding supports our hypothesis and extends prior studies that examine firms' compliance with other fair value-based accounting standards (Sutthachai and Cooke, 2009; Bepari et al., 2014).

Accounting choice proved to be a significant determinant of the compliance degree. Firms that recognise their investment property assets at fair value display

higher disclosure levels, especially during the crisis. This finding suggests that, when managers are given the choice between recognition and disclosure of fair values, they take more care about fair values presented in financial statements, relative to disclosed fair values.

In this study we control the effect of other mandatory disclosure-related factors documented in earlier literature, we identify the intensity of investment property, firm size and profitability as influential factors on the compliance level. Besides, we provide evidence that the country of origin influences the compliance. The latter suggests that after the IFRS adoption Spanish and UK firms tend to be influenced by their accounting traditions under local standards. More precisely, UK firms which are familiar with preparing and disclosing similar information under domestic standards display higher disclosure levels than the Spanish firms.

This paper contributes to extend previous literature on firms' compliance after the mandatory adoption of IFRS and because our data relate to the pre-crisis and crisis periods, our tests show directly the effects of the general financial crisis on firms' compliance. Furthermore, this study contributes to the "recognition vs. disclosure" literature in a setting where firms have a true choice between recognition and disclosure of fair value of their investment property. In this sense, our findings are of interest for financial analysts, preparers and regulators. In particular, international standard setters are in continuing deliberations to converge the reporting standards relating to investment properties.

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