INNOVAR
VOL. 35. NÚM. 95. ENE.-MAR. 2025 (E102354)

Auditors' Views on the Implementation of an IFRS-based Model: Qualitative Evidence from Portugal

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JEL CODES
M40, M41, M48
RECEIVED
28/05/2022
APPROVED
23/03/2023
PUBLISHED
01/09/2024
SECTION
Accounting

Disclosures: Author declare no institutional or personal conflicts of interest.

Abstract: The export performance of small and medium-sized enterprises (SMEs) is a driver of socio-economic development in developing countries. Despite the limitations they face in technology, performance, and human and financial resources, many of them seek opportunities in international markets. This study aims to fill the gap in understanding the drivers that promote export performance of SMEs in emerging economies by evaluating the influence of the level of internationalization, marketing capabilities, and export assistance on export performance. The internationalization process was analyzed from a strategic perspective using resource-based view (RBV) and network approaches. A descriptive and quantitative study was conducted using an online survey administered to roots and tubers (R & T) export companies in Costa Rica. The results demonstrated a significant positive influence of company size, managerial marketing, and market diversification on export performance. Additionally, a significant negative influence of the level of internationalization on export performance was found. The findings of this study have managerial and policy implications for export managers and policymakers to implement proactive strategies effectively that increase SMEs export performance in developing countries and reduce barriers to their international expansion. Further studies are required to obtain greater robustness of the proposed model and identify significant effects.

Keywords: Export assistance, export performance, internationalization, marketing capabilities, roots and tubers.

Suggested citation: Silva, A. P., Fontes, A. S., & Martins, A. (2025). Auditors' Views on the Implementation of an IFRS-based Model: Qualitative Evidence from Portugal. *Innovar, 35*(95). e102354. https://doi.org/10.15446/innovar.v35n95.102354

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Perspectivas de los auditores sobre la implementación de un modelo basado en las NIIF: evidencia cualitativa de Portugal

Resumen: este trabajo analiza las percepciones de un grupo de auditores en torno a la relevancia y efectividad del Sistema de Normalización Contable (SNC) de Portugal, el cual está basado en las NIIF y fue adoptado en 2010 por empresas no financieras de ese país que no cotizan en bolsa. Asimismo, explora las principales ventajas que han surgido a partir de dicha adopción. El estudio emplea un enfoque interpretativo y cualitativo, mediante la realización de dieciséis entrevistas a auditores en 2017. La evidencia da cuenta de ciertos problemas que persisten tras la aplicación del modelo y, particularmente, de un alto nivel de legitimación de este a partir de la implementación de las NIIF: (i) las razones percibidas para adoptar el SNC van en línea con las motivaciones teóricas que respaldan la convergencia contable; (ii) las normas basadas en principios y el valor razonable fueron consideradas mayormente positivas; y (iii) el modelo basado en las NIIF generó varios beneficios por anticipado. Los hallazgos destacan el potencial de adaptar el modelo NIIF a la realidad de países con sistemas contables que anteriormente diferían significativamente con este, ofreciendo así orientación a los entes reguladores y a los responsables de las políticas contables, tanto locales como internacionales.

Palabras clave: adopción de las NIIF, teoría institucional, legitimidad, investigación cualitativa, percepciones, Portugal.

Opiniões dos auditores sobre a implementação de um modelo baseado nas IFRS: evidência qualitativa de Portugal

Resumo: Este estudo analisa as percepções dos auditores com relação à relevância e eficácia do Sistema de Normalização Contabilística (SNC) baseado nas Normas Internacionais de Contabilidade (IFRS, na sigla em inglês), que foi adotado em 2010 por empresas portuguesas não financeiras e não cotadas. Também se explora as principais vantagens que surgiram dessa adoção. Este estudo emprega uma abordagem interpretativa e qualitativa, que envolve 16 entrevistas com auditores oficiais de contas realizadas em 2017. As evidências sugerem problemas contínuos, mas predominantemente, um nível significativo de legitimação do modelo baseado nas IFRS: 1) as razões percebidas para a adoção do SNC se alinham bem com as motivações teóricas que sustentam a convergência contábil; 2) as normas baseadas em princípios e o valor justo foram amplamente encarados de forma positiva; e 3) o modelo baseado nas IFRS proporcionou vários benefícios esperados. Os resultados iluminam o potencial do modelo IFRS para se adaptar a países com sistemas contábeis que anteriormente diferiam significativamente, oferecendo orientação para reguladores e formuladores de políticas locais e internacionais.

Palavras-chave: adoção das IFRS, teoria institucional, legitimidade, pesquisa qualitativa, percepções, Portugal.

Introduction

Following the global adoption of International Financial Reporting Standards (IFRS), the European Union (EU) enacted Regulation 1606/2002, mandating that EU-listed companies prepare their consolidated financial statements in accordance with the IFRS endorsed by the EU, starting in 2005. This regulation provided member states with the option to permit or require the adoption of EU-endorsed IFRS for listed companies' individual accounts, as well as for the individual and/or consolidated accounts of unlisted companies. In alignment with many other EU countries, the Portuguese Accounting Standards Board (known as Comissão de Normalização Contabilística, CNC) developed an accounting model based on EU-endorsed IFRS, which was made compulsory for Portuguese non-financial unlisted companies beginning January 1, 2010—henceforth denominated IFRS-based model or *Sistema de Normalização Contabilística* (SNC).[1]

Despite the global movement towards accounting convergence with IFRS, the transposition of IFRS to various national contexts represents a significant breakthrough, though its worldwide effects remain somewhat uncertain (Abras & Jayasinghe, 2022; Ball, 2016; Pasko, 2022; Shima & Yang, 2012; Wakil & Petruska, 2022; Yip *et al*., 2022). Local contexts, organizational interests, and actors play crucial roles in the effective implementation of IFRS or IFRS-based models, highlighting the need for more empirical studies (Albu *et al*., 2014, 2020; Amidu & Issahaku, 2019; Bengtsson, 2021; Isidro *et al*., 2020; Li *et al*., 2021; Silva *et al*., 2021; Wijekoon *et al*., 2021). Accounting systems are influenced by economic and political forces. Entities are not merely passive recipients of external pressures and expectations (Oliver, 1991); rather, they possess interests, capacities, and power that shape their decisions (DiMaggio, 1988). Accordingly, institutional theory has frequently been employed to examine how the broader social environment influences institutional practices (Albu *et al*., 2014; Ben Salem & Damak Ayadi, 2022; Dillard *et al*., 2004; Haapamäki, 2022; Maroun & van Zijl, 2016).

Portugal underwent a comprehensive accounting transformation as the adoption of the new Anglo-Saxon model marked a significant departure from the previously established Continental Model, which had been internationally recognized. Transitioning from a Continental to an Anglo-Saxon framework necessitates substantial adjustment efforts, highlighting the critical role of local actors in the successful implementation of IFRS or IFRS-based models within national contexts. Among the various actors involved in this transition, auditors are particularly well-positioned to offer valuable insights into the adoption and implementation processes of IFRS-based accounting systems (Aburous, 2019; Albu *et al*., 2020; Fontes *et al*., 2021). Auditors have been included in IFRS studies (e.g., Albu *et al*., 2020; Nurunnabi, 2017) due to their extensive knowledge of IFRS, their awareness of both national and international contexts, and their access to the experiences of a

[1] The SNC comprises four standardization levels: (i) 28 accounting standards for large and medium-sized entities; (ii) one optional simplified accounting standard for small entities; (iii) one additional optional simplified standard for micro-entities; and (iv) one specific standard for non-profit entities.

wide range of companies. Moreover, through their close collaboration with accountants and managers during auditing activities, auditors play a significant role as enforcers, educators, and advisors, thereby facilitating the success of this change initiative (Aburous, 2019; Albu *et al.*, 2014; Fontes *et al.*, 2021).

Acknowledging this, the present study aims to explore auditors' perceptions regarding the IFRS-based model/SNC, specifically its suitability for the Portuguese context and the principal benefits it has introduced. In 2017, seven years after the formal implementation of the IFRS-based model, sixteen in-depth interviews were conducted with statutory auditors, hereafter referred to as "auditors" for simplicity. A qualitative approach was employed to thoroughly capture their perspectives and experiences.

This study responds to an acknowledged gap in research concerning the effects of global IFRS adoption, since countries exhibit significant heterogeneity in their accounting practices (Dillard *et al.*, 2004). Ball (2006, p. 5) highlighted the considerable disparities among countries in implementing IFRS and warned that harmonization might be masked by "a veneer of uniformity," a concern supported by various studies (e.g., Pasko, 2022). Consequently, this research makes a significant contribution to the accounting literature on IFRS adoption by providing empirical evidence from Portugal—a relatively under-researched European country with a previously adverse context. Unlike most IFRS research, which is predominantly quantitative (e.g., García *et al.*, 2017; Lopes *et al.*, 2016; Nakao & Gray, 2018), this study employs an interpretive and qualitative approach to offer a comprehensive understanding of the transition from a code-law to a common-law institutional logic. By focusing on auditors' perceptions, this study underscores the importance of these key local actors in the IFRS institutionalization process, thus enhancing our understanding of how local contexts influence the material harmonization of IFRS standards (Aburous, 2019; Albu *et al.*, 2014).

The evidence suggests that there is a considerable degree of legitimation and institutionalization of the IFRS-based model. The motivations for adopting the SNC align well with the theoretical motivations underpinning accounting convergence. Two major innovations introduced by the IFRS-based model to the Portuguese accounting system—the principle-based standards and fair value—were largely perceived positively. Furthermore, the SNC appears to resemble the IFRS model sufficiently to have realized several anticipated benefits: contextual advantages at both country and organizational levels, operational efficiencies, and benefits for the statutory auditors' profession. Despite these positive outcomes, the adoption process was not without challenges. Early difficulties, including ongoing issues related to fair value implementation and the preparation of Notes, have persisted.

The following section presents a summary of the relevant literature, outlines the research methodology, provides an account of the major empirical findings, and offers an analysis of their implications. The paper concludes with the theoretical and practical implications of the study, as well as suggestions for future research.

Literature review

IFRS have achieved widespread acceptance and global implementation across countries with both rule-based Continental and principles-based Anglo-Saxon accounting systems (Carmona & Trombetta, 2008; El-Helaly *et al.*, 2020). However, adopting uniform accounting methods and rules is an overly simplistic approach to addressing fundamental differences between various countries and their diverse contexts (Shil & Pramanik, 2009). Empirical evidence suggests that some features of previous accounting models remain evident (Ball, 2016; Caria & Rodrigues, 2014). The mere implementation of standardized rules does not ensure consistent reporting practices (Ball, 2016). Christensen *et al.* (2015) argue that reporting incentives are more influential than accounting standards in determining accounting quality, and it is not justified to assume that IFRS alone enhance accounting quality. In this regard, Ball (2016, p. 545) asserts that "for many of the claimed benefits of IFRS adoption to be realized, uniform implementation would have to occur across a wide range of countries, which seems unlikely and requires more than simply creating regulatory enforcement mechanisms."

Prior to 2010, Portuguese organizations operated within a code-law framework that significantly influenced their accounting practices. This framework was characterized by established rules of conduct, rooted in concepts of justice and morality, and governed by stringent regulations (Ding *et al.*, 2007). The transition to the new accounting system, the SNC, aligned with IFRS, required a substantial effort to shift from a code-law to a common-law institutional framework. This principles-based system introduced profound changes in how financial information is measured and disclosed, marking a complete philosophical shift and placing substantial responsibility on professional judgment (Caria & Rodrigues, 2014; Pereira & Albuquerque, 2022). Guerreiro *et al.* (2012) argue that the successful adoption of an Anglo-Saxon principles-based accounting system hinges on a gradual transformation of the structures of legitimation within the social environment. This transformation involves key agents, including the Portuguese State, individual organizations, and accounting professionals.

Institutional theory has recurrently been applied to explain change in accounting systems (Abras & Jayasinghe, 2022; Deephouse *et al.*, 2017; Dillard *et al.*, 2004; Haapamäki, 2022; Jorissen *et al.*, 2022; Thien & Hung, 2021; Wijekoon *et al.*, 2021). Institutional theorists have greatly enhanced our understanding of the ways in which organizational practices and structures interact with the institutional environment in which organizations operate (Beckert, 1999). It is common practices for organizations to adopt structures, technologies, techniques, and methods that are esteemed in their broader social environment with the objective of establishingsustaining, and managing legitimacy with stakeholders. This helps them gain ongoing support and secure the resources crucial for their survival (Dillard *et al.*, 2004; Ribeiro & Scapens, 2006). For an accounting system to be legitimized, it must reflect and embody the rationalities of the social and cultural system (Alawattage & Alsaid, 2018).

Accounting systems and practices constitute the regulatory framework and operational procedures within organizational contexts. From an institutional perspective, these systems are closely intertwined with the extant rules and norms that frame social and organizational life (Burns & Scapens, 2000). Institutionalization is defined as "the process through which practices are developed and learned" (Dillard *et al.*, 2004, p. 508) and begins with the encoding of principles into rules and routines (Järvenpää & Länsiluoto, 2016). This process can encounter resistance if the new rules and routines challenge existing institutions, potentially preventing their institutionalization (Burns & Scapens, 2000; Järvenpää & Länsiluoto, 2016). Once enacted, these practices evolve into "new ways of doing things" (Järvenpää & Länsiluoto, 2016, p. 156) and become part of the "production and reproduction of established habits of action and thought" (Burns & Scapens, 2000, p. 6).

The impact of fields on standardizing organizations through isomorphic pressures has been explored using the concepts of coercive, mimetic, and normative isomorphism, as identified by DiMaggio and Powell (1983). Coercive isomorphism arises from both formal and informal pressures exerted on organizations by dependent actors and societal cultural expectations. Mimetic isomorphism occurs when organizations, facing environmental uncertainty, emulate other organizations. Normative isomorphism primarily results from professionalization. The concept of isomorphism is rooted in the idea that organizations seek political power and legitimacy (Albu *et al.*, 2014) and can be used to illustrate the inherent benefits and perceived value components of IFRS and the new accounting model.

However, organizational fields are becoming increasingly diverse, and organizations themselves are not monolithic and do not always make uniform decisions. They are complex and pluralistic entities comprising a variety of groups with disparate values, objectives, and interests, which may exhibit differential responses to this diversity (Kraatz & Block, 2017). In his seminal work, Oliver (1991) proposed that organizations can adopt a strategic response to the pressures exerted by their institutional environments. The study proposed that when an organization anticipates that adhering to institutional pressures will bring economic or legitimacy benefits, it is more likely to conform. Conversely, if an organization expects that conformity will yield low legitimacy and economic benefits, it may adopt more proactive resistance strategies (Oliver, 1991). In line with this reasoning, Rodrigues and Craig (2007) propose that international accounting standards are selected not solely for efficiency reasons but also to enhance an organization's reputation as rational, modern, responsible, and compliant with legal standards. Guerreiro *et al.* (2012) argue that organizations evaluate the overall benefits of adopting IFRS by considering both the legitimacy they gain and how well these standards align with their objectives and institutional context. The authors contend that companies' inclination to adopt IFRS is not merely a reaction to institutional pressures but is driven by the inherent significance and relevance of these pressures to them.

Research method

To gain a comprehensive understanding of the transition from a code-law to a common-law institutional logic in accounting, this study employed an interpretive approach grounded in qualitative research methods, focusing on the Portuguese case. The data analyzed stem from extensive face-to-face interviews, some of which have been explored in another publication (Fontes *et al.*, 2021) that examined barriers to the institutionalization of the IFRS-based model and the role of auditors as institutional workers.

The interview script was designed to be structured yet flexible, featuring predominantly open-ended questions. This design facilitated both control over the interview's direction and content, as well as the comparison of responses. Similar to Fontes *et al.* (2021), the interview script for this study included general questions aligned with the primary themes of the research: the relevance and suitability of the SNC, key innovations such as fair value and principle-based standards, and the benefits associated with the IFRS-based model.

A key concern during the interview process was to avoid influencing the interviewees' responses, ensuring that spontaneous answers were encouraged and prioritized in the analysis. The personal interaction and conversational nature of the interviews, facilitated by rearranging questions as needed, helped interviewees feel at ease in sharing their genuine perceptions (Mahama & Khalifa, 2017). A total of sixteen interviews were conducted from May to November 2017. The sample size was determined based on the principle of saturation, which was reached when the final interviews yielded repetitive ideas and insights.

Table 1 summarises the characteristics of the participants in this study. The interviewees included 12 statutory auditors from Portuguese-owned auditing firms and 4 statutory auditors from multinational auditing firms. The sample was intentionally homogeneous (Ellis, 2017) and interviewees were selected based on their level of auditing and accounting knowledge. As a result, 94% (15 out of 16) of the auditors interviewed had over 15 years of practical experience in auditing. All participants had obtained at least a bachelor's degree and had demonstrated their proficiency in the field by passing a series of rigorous professional entrance examinations. Each interview was recorded and fully transcribed prior to analysis.

Table 1. Details of participants.

Auditor (A)	Auditing firm	Education	Age group	Auditing experience (years)	Interview length (minutes)
A1	National	Bachelor's	44-54	≥ 15	25
A2	National	Postgraduate	34-44	10	30
A3	Multinational	Ph. D.	≥ 54	≥ 15	28
A4	National	Ph. D.	≥ 54	≥ 15	53
A5	National	Master's	34-44	≥ 15	59
A6	National	Bachelor's	44-54	≥ 15	36
A7	National	Postgraduate	≥ 54	≥ 15	65
A8	National	Bachelor's	34-44	≥ 15	31
A9	National	Bachelor's	34-44	≥ 15	36
A10	National	Bachelor's	34-44	≥ 15	58
A11	National	Bachelor's	44-54	≥ 15	26
A12	National	Bachelor's	34-44	≥ 15	29
A13	Multinational	Bachelor's	44-54	≥ 15	43
A14	Multinational	Bachelor's	44-54	≥ 15	48
A15	Multinational	Bachelor's	≥ 54	≥ 15	55
A16	National	Master's	≥ 54	≥ 15	62

Source: authors.

Results and discussion

The majority of interviewees (n = 14; 88%) expressed the view that the IFRS-based model was at least enough relevant and appropriate for the Portuguese context. In response to the question of opinion on this topic, the most mentioned terms were harmonization, comparability, globalization, and standardization, which support the well-established reasons for international accounting convergence (e.g., Amidu & Issahaku, 2019; Shima & Yang, 2012). For example, one participant stated that "the aim of SNC adoption should have been international harmonization in terms of recognition, measurement, presentation, and disclosure procedures because international comparability is now a key issue in accountability" (A1). Another noted, "Harmonization is an advantage because it promotes international trade" (A15). Internationalization was widely viewed as a contextual benefit at the business level from adopting the IFRS-based model (n = 10; 63%), while international comparability between companies was significantly recognized as an operational benefit (n = 13; 81%). As auditor 15 observed, "Firms were able to establish more partnerships at the international level."

Further arguments in favor of the relevance and suitability of the IFRS-based model for the Portuguese context centered on the inherent credibility of IFRS, which strengthens the international standing of adopting countries that adopt them, both in commercial relations and in capital markets. This is consistent with the legitimacy postulate and reinforces the arguments of institutional theorists (e.g., Dillard *et al.*, 2004; DiMaggio & Powell, 1983; Oliver 1991). This is evidenced by the following contentions:

> Despite awareness that IFRS were tailored to capital markets' investors, being quite a misfit with business structures mostly composed of SMEs as it is Portugal's, with many of these firms lacking administrative and managerial capacity to apply such standards, a set of institutions and their experts decided to push businesses to evolve through compulsory adoption of standards of acclaimed superior quality and accuracy (A15).

> The need to bring the Portuguese accounting legislation in line with the EU accounting Directives and Regulations, in particular with Regulation (EC) no. 1606/2002, pushed CNC to conceive an accounting system in line with high-quality standards already accepted in many countries and jurisdictions (A6).

This legal obligation, which was decided at an economic and political level, can be identified as a form of coercive isomorphism, as proposed by Dillard *et al.* (2004) and developed by DiMaggio and Powell (1983). This is due to its origin in external pressures and its role as both an instrument of legitimizing practices and a mechanism of domination, as suggested by Guerreiro *et al.* (2012). The most widely recognized benefit of adopting the IFRS-based model was achieving national legitimacy (n = 15; 94%), with improved business reputation being the second most significant advantage (n = 13; 81%). By adopting IFRS, a globally recognized and independent accounting standard, Portugal aligned its accounting practices with international standards and EU norms, leading to greater social acceptance from other countries. This evidence supports the concept of institutional isomorphism described by DiMaggio and Powell (1983). In the wording of auditors, "[the] *adoption of an IFRS-based model improves the country's rating and investors' perception*" (A4); "*As a result of an improved country's image, financial upper hands could access credible and high-value financial information for investments*" (A16); "*Companies who employ such an* *accounting model [IFRS-based model] show a concern with 'doing well', with providing a true and fair view of their financial and economic position*" (A4). The SNC, by focusing on the clarity of financial statements, enhances a company's image and may ease certain business operations (A2, A13). Another perceived benefit of the IFRS-based model was that "*it encompasses a set of standards tailored to handle specific situations other models do not respond to, such as that of biological assets and environmental matters*" (A6).

Upon examining interviewees' perceptions of the relevance of the IFRS-based model to different types of businesses, a prevailing view emerged that greater disclosure and enhanced reliability were major benefits of financial statements prepared under IFRS. Specifically, the reliability and credibility of accounting information were perceived to have improved with the implementation of SNC (n = 12; 75%). Interviewees associated this perception with the new accounting model's better alignment with larger, internationalized companies with widespread ownership. Larger firms, unlike smaller ones, not only have the administrative resources needed to prepare all required disclosures but also need to present a true and fair view to investors and managers to reduce decision-making uncertainty. Similarly, financial statements serve as a crucial control mechanism for widespread capital holders, who favor the increased disclosure and reliability offered by the IFRS-based model. This enhanced transparency also boosts investor confidence, thereby attracting investment. These considerations led two interviewees to view the IFRS-based model as less suited to the Portuguese environment, as it is primarily designed for countries with robust and dynamic capital markets (A15) and larger firms (A2).

Similarly, when focusing on the specific context of (non-financial) unlisted companies, a smaller majority of auditors (n = 10; 63%) considered the IFRS model to be appropriate. The remaining six auditors who disagreed cited size-related limitations as their primary concern, namely, the "*heavy accountability and disproportionate bureaucratic burden squeezing small businesses, lacking administrative capacity to meet the new accounting model requirements*" (A14). It was consistently observed that the favorable perception towards the adequacy of the IFRS-based model at the business level was contingent upon the coexistence of three standardization levels within SNC: the full set of 28 standards, the simplified standard for small entities, and the even further simplified standard for micro-entities. In order to satisfy the requirements of all businesses regardless of their size, the CNC developed three distinct standardization levels. This role of institutional entrepreneur, as described by Guerreiro *et al.* (2012), initiated and theorized the process of change, with the objective of achieving consensus amongst the various stakeholders. This was done in order to legitimize the new accounting model. The SNC represents an adaptation of the EU-endorsed IFRS to the Portuguese setting, with a particular focus on its small business structure, following its formal adoption in 2010. Further simplifications were introduced in 2016 through Decree-law No. 98/2015, which transposed the EU Directive 2013/34. These changes aimed to reduce the administrative burden on SMEs and streamline financial reporting procedures. These adjustments were generally well-received: the SNC as of 2010 was seen as overly demanding in terms of disclosures, and the current framework is considered more suited to most businesses

(A5, 6, 8). While the harmonization of basic principles was seen as desirable, some felt that adequacy should still account for the size of Portuguese enterprises (A8). As interviewee 13 put it:

> In Portugal there are around 30 companies that stand out in terms of size and internationalization of their business affairs; thus, while these need an accounting model that offers more information and greater comparability at the international level, the bulk of companies that landscape the Portuguese business structure need an adjusted, simplified model.

Disclosure and the preparation of Notes were identified as a significant challenge in the accounting change process. While Notes are acknowledged as crucial for stakeholders, providing extensive qualitative and quantitative information in a detailed format (A4, 7, 11), they are still not being adequately prepared. The Notes often end up being overly descriptive, with excessive text and insufficiently meaningful content (A1, 3, 9, 10, 12, 14, 16): "(...) *disclosures are almost standard, copied from competitors' and/or from previous years, with very little adaptation*" (A14). This evidence aligns with Christensen *et al*. (2015), who argue that it is unjustified to assume that IFRS inherently improve accounting quality, and with Rodrigues and Craig's (2007) assertion that IFRS are too complex and costly for SMEs in many countries. Consistent with early institutional insights (Burns & Scapens, 2000; Järvenpää & Länsiluoto, 2016), the initial challenge of adopting SNC was resistance to change, as it required the internalization and implementation of entirely new concepts and practices (A3, 10, 12). For example, "*For unlisted companies, goodwill is a very difficult concept to grasp as this sort of companies purchase another business once in a lifetime or, say, every ten years, so they lack the necessary experience*" (A13).

Although there was strong consensus on the general appropriateness of in-country adjustments (n = 13; 81%), further discussion with interviewees revealed some concerns. While the coexistence of three normative frameworks within the Portuguese accounting system was largely seen as inevitable, it was not without criticism. Some argued that this plurality undermines the principles of comparability and harmonization, which are central to accounting convergence. As auditor 2 noted, "*SNC looks more like a patchwork (...) adoption should be 'tout court' (...) the set of standards should be unique".* In Portugal, all simplified norms under SNC are optional. Additionally, any company within a group, regardless of size, and provided it has accounts certified by a statutory auditor, can opt to use the EU-endorsed IFRS instead of SNC, resulting in several vertical options. Concerns about reduced comparability and harmonization due to simplified norms were highlighted by two interviewees who noted that firms in international groups might choose EU-endorsed IFRS over SNC to achieve the necessary comparability for accountability. Similarly, two other interviewees suggested that larger enterprises might select EU-endorsed IFRS to enhance corporate image, attract investors, and distinguish themselves from competitors. This evidence supports Oliver's (1991) theoretical argument that accounting decisions are influenced by expected economic or legitimacy benefits. Second, a critical perspective that calls into question the arbitrary nature of the definition of size categories has emerged: "*What is a small entity? What is a micro-entity? The issue of boundaries setup is not easy because countries are different, they face different* *economic realities*" (A11). This remark conveys Ball's (2006) warning about the variations in IFRS implementation across different countries. The definition of thresholds for the distinction of entities can be considered, according to DiMaggio and Powell (1983), a form of normative isomorphism. In this situation, accounting and auditing professionals and their respective professional associations used their ability to influence the negotiation of limits, legitimized by knowledge and formal education. Third, some interviewees criticized the excessively literal translation of international standards into Portuguese, which adhered to a word-for-word approach (n = 4; 25%). They contended that such literal translations result in awkward and unfamiliar language that is challenging to understand. This, in turn, could hinder the full adoption of the standards and negatively impact accounting convergence. For example, "(...) *impairment was translated into SNC as 'imparidade,' a whole new word in the Portuguese lexicon that gave rise to some discord amongst professionals*" (A6). This comment highlights ongoing issues with impairment that Rodrigues and Craig identified as early as 2007. From a more critical viewpoint, financial statements have become less comprehensible compared to the previous accounting model due to the overly technical language resulting from literal translations (A8, 9). This underscores the necessity of accounting for national idiosyncrasies in the global implementation of IFRS. Additionally, the IFRS-based model is evolving more rapidly than the in-country adjustments, which impedes harmonization (n = 6; 38%). The SNC was not amended between 2010 and 2015, but IFRS continued to evolve during this period (A12, 13, 14). The following statement illustrates this issue:

> When SNC underwent a number of adjustments implemented by the Decree-law no. 98/2015, all changes meanwhile operated on the IFRS should have been endorsed, and a timetable for periodic reviews of SNC should have been agreed upon; at the moment no one knows whether SNC is undergoing further updates, and if so, within what time frame (A13).

In the near future, there is a possibility that the Portuguese accounting system will be founded upon principles that are incongruent with the IFRS (A2, 6, 7, 12, 14). In the wording of auditor 2: "*It was a process of convergence that is becoming one of divergence*." Six interviewees (38%) independently highlighted the amortization of goodwill as a significant difference between SNC and IFRS: under IFRS, goodwill is not amortized, while Decree-law No. 98/2015 mandated its amortization over the useful life, or a maximum of 10 years if the useful life is indefinite. Consequently, many firms switched from SNC to EU-endorsed IFRS (A 3, 12, 14). Some auditors were overly critical of this in-country adjustment, arguing that impairment losses more accurately reflect reality than a predetermined maximum useful life of 10 years, which may not be appropriate in many cases (A 5, 6, 7).

The maintenance of a chart of accounts, which represents an in-country adjustment linked to the previous Continental accounting model and is intended to provide stability by serving as a prescriptive guide that standardizes procedures, was overlooked by interviewees. Its suggested inessentiality stands clear from the following comment:

> The charter of accounts was kept as a result of the pressure exerted by professionals through the respective Associations, being regarded as a key technical support for the correct classification of accounting operations. However, the standards themselves contain all necessary technical guidelines, so the existence of the chart of accounts shall make no difference in terms of IFRS compliance (A2).

The IFRS-based model represents a significant departure from the previous rule-based Portuguese accounting system, which was characterized by a prudent valuation approach. However, the majority of interviewees expressed support for principle-based standards (n = 14; 88%) and indicated a preference for adopting fair value (n = 13; 81%). The arguments presented by interviewees, detailed below, were consistent with the unanimous perception of operational benefits from adopting the IFRS-based model, particularly regarding the usefulness of accounting information (n = 16; 100%).

Illustrative quotations of perceptions of principle-based standards are the following:

> To act according to principles implies having to decide and to take on responsibility (A2);

> Principles make everything more flexible (A13);

> Under rule-based standards, market players will always come up with new situations unforeseen by such rules, thereby opening the door to big financial scandals; to the contrary, under principle-based standards there are guiding principles that apply to every situation at hands, thereby acting as a deterrent to financial scandals (A7).

However, a minority of two auditors viewed principle-based standards unfavorably, arguing that rules offer less room for interpretation due to their precision, efficiency, and ease of implementation. Furthermore, accounting professionals are accustomed to adhering to rules and may not yet be ready to adopt a principle-based approach.

The main argument in favor of fair value as the most appropriate measurement basis is that it increases the security and the certainty of the measurement, thus improving the reliability and relevance of financial statements for stakeholders. By more accurately reflecting the company's true value, fair value facilitates more informed and less risky economic and financial decisions (A1, 12, 14). Although fair value is broadly supported as a measurement basis, auditors have highlighted several issues with its practical implementation. Primarily, there is a lack of sufficient availability and reliability of market values for determining fair value. Secondly, fair value measurement is challenging due to its high level of subjectivity and potential for manipulation, which contributes to resistance to its adoption (A13, 15). Interviewee 13 highlighted this subjectivity by citing the example of two large cellulose companies in Portugal:

> One of them claims it cannot reliably measure the fair value of its eucalyptus plantations, and therefore adopts the cost method; the other one adopts the fair value and claims it is assigning the real value to its forest. If the assets are equal, why the measurement basis adopted is not the same?

Additionally, fair value is frequently used to manipulate financial statements, often to enhance financial autonomy or coverage ratios with banks, which can obscure the true value of a company (A1, 3, 5, 11). A similar point was made by three auditors who felt that adopting the IFRS-based model did not improve comparability between companies, as demonstrated by the following statement: "*Principle-based standards and the use of fair value may open up more room for manipulation because there are fewer rules and greater subjectivity, thereby causing comparability loss*" (A8). Evaluating experts present another concern: the identities of these experts, their level of professional training, and the sources of their training remain unclear (A3, 4, 6, 12, 13, 15). Additionally, the unfavorable cost/benefit ratio of fair value is a significant deterrent, particularly for smaller, resource-constrained companies. The high costs associated with evaluations are not offset by tax benefits (A6, 12). In light of these concerns, three respondents opposed the adoption of fair value. The arguments put forward are based on the concept of historical cost. They argue that it provides greater stability, because it represents a fixed amount that does not fluctuate, making it more reliable and suitable for financial reporting. This is particularly pertinent for resource-constrained micro-entities and small businesses that face challenges with the costs associated with fair value adoption (A11, 15).

Finally, the effect of adopting the IFRS-based model on the profession of statutory auditors was evaluated. It is noteworthy that none of the interviewees perceived the effect as negative; in fact, the majority (n = 11; 69%) viewed it as overall positive. The perceived benefits are related to an increase in the reputation and visibility of auditors' work (n = 12; 75%) and an improvement in the quality of their work (n = 10; 63%). The complexity of the standards has led other professionals, especially accountants, to seek auditors' expertise and assistance, such as in preparing the Notes. Consequently, auditors have taken on a pedagogical role, building trust and credibility with clients (A2, 6, 7, 8, 10, 13, 16). This aligns with Guerreiro *et al.* (2012), who argue that adopting the IFRS-based model necessitates a gradual shift in legitimacy structures within the social environment, including the roles of professionals. Overall, auditors acknowledged that the IFRS-based model has increased complexity and responsibility, both in training staff and in the work itself (n = 7; 44%). None of the interviewees felt that the IFRS-based model expedited task completion; unlike the straightforward application of rule-based standards, the subjectivity inherent in IFRS, particularly in areas requiring professional judgment, is highly time-consuming (A1, 3, 4, 5). Consequently, the necessity for more rigorous analysis has increased (A5, 6), and the greater volume of financial information and disclosure necessitates a more time-consuming review process (A7, 11, 12).

Conclusions

This interpretive and qualitative research study is grounded in an institutional theoretical framework, as outlined in the section devoted to the literature review. The rich data obtained from in-depth personal interviews with 16 auditors in Portugal provides an in-depth understanding of the institutional context and its influence on the effects of adopting the IFRS-based model. This study contributes to the existing literature on the IFRS adoption by offering empirical evidence from a European country that initially faced significant challenges in the initial phase of the accounting change process. The previous accounting model in Portugal was based on a code-law institutional logic, which differs from the common-law approach underlying IFRS. Furthermore, the Portuguese capital market is relatively small, as is the business sector, which is predominantly small-scale and bank-financed. Despite these challenges, the study reveals promising evidence that could potentially encourage other countries with similar characteristics to consider undertaking a comparable accounting change process.

This research demonstrates that the perceived motivations for adopting the SNC are consistent with the theoretical motivations commonly associated with accounting convergence. The alignment between these motivations and theoretical underpinnings can serve as an indicator of the legitimacy of the new accounting model. Futhermore, the introduction of the IFRS-based model into the Portuguese accounting system was met with considerable approval , particularly in regard to the implementation of principle-based standards and fair value measurement. Despite criticisms of certain in-country adaptations, the SNC aligns sufficiently with the IFRS model to deliver several benefits. The existing literature demonstrates the advantages of this approach, including contextual benefits at the national and business levels, operational improvements, and positive effects on the profession of statutory auditors. Despite the fact that 94% of surveyed statutory auditors concurred that the IFRS-based model is more pertinent to larger companies, the issue of size has been effectively addressed by the introduction of a simplified standard for micro-entities and by Decree-Law No. 98/2015. This standard introduced new simplifications and modifications to the size criteria underlying the several levels of SNC standardization. However, the view persists that the coexistence of three dimension-adjusted normative frameworks under the SNC creates a 'patchwork' effect, which may potentially undermine the comparability and harmonization principles that are central to accounting convergence.

The maintenance of a chart of accounts is an indicator of resistance to the process of change, which Burns and Scapens (2000) refer to as the "Power of the system," i.e., the power of existing institutions to persuade and resist change imposed on them. Encouragingly, the maintenance of a chart of accounts turned out to be an overlooked adaptation in the country.

Despite several challenges encountered during the adoption of the IFRS-based model in Portugal—some of which, such as those related to fair value implementation and Notes preparation, persist—there is evidence that seven years after its adoption a significant legitimation and institutionalization of the new accounting model has been attained. The results of this study on the ongoing issues with IFRS adoption should be of interest to Portuguese regulators (such as the CNC and the Portuguese Securities Market Commission) and professional associations (including the Portuguese Certified Accountants Association and the Auditors Association), as they may inform strategies to address these challenges. Additionally, international bodies such as the International Accounting Standards Board and the Accounting Regulatory Committee may find our findings useful for enhancing the future of international accounting convergence. Consistent with Aburous (2019) and others, we argue that examining the perceptions and behaviors of local actors provides a comprehensive view of how IFRS/IFRS-based models are interpreted in practice and can, therefore, influence their implementation.

Lastly, while qualitative research offers deeper and more nuanced insights into the phenomenon under study, it is important to acknowledge that its findings cannot be broadly generalized. Future research could extend our findings by employing a larger sample and exploring the perceptions of other professional groups, such as accountants, tax officials, and bank credit analysts. Statutory auditors, who typically work with larger companies, may have had more optimistic perceptions compared to external accountants serving predominantly small businesses. Additionally, future research could investigate other countries with code-law traditions to identify common patterns regarding the effects of IFRS adoption in nations previously following code-law institutional logics. Such research could further explore auditors' roles and levels of support in the IFRS institutionalization process across different national contexts, aiding the IASB and other international institutions in enhancing the success of international accounting convergence. Finally, given that many early obstacles to IFRS adoption may become less significant over time, longitudinal studies are needed to assess whether these challenges dissipate spontaneously or require targeted institutional efforts to overcome.

Legislation

Decree Law 98/2015, of June 2, which amended SNC to incorporate the 2013 EU Directive. Diário da República (Official Gazette), 1st series, No. 106, 2 June 2015.

Directive (EU) 34/2013 of the European Parliament and of the Council, of 26 June, on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. Official Journal of the European Union, L 182/19, 26 June 2013.

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