



ELSEVIER

Available online at www.sciencedirect.com

ScienceDirect

The International Journal of Accounting 49 (2014) 263–288

**The
International
Journal of
Accounting**



CrossMark

Impacts of Additional Guidance Provided on International Financial Reporting Standards on the Judgments of Accountants

Rajni Mala*, Parmod Chand¹

Department of Accounting and Corporate Governance, Macquarie University, North Ryde, NSW 2109, Australia

Received 2 November 2012
Available online 11 May 2014

Abstract

This pioneering study examines the impact of the provision of additional guidance on International Financial Reporting Standards (IFRS) as a “decision aid” on the accuracy of judgments of the accountants. To extend the prior research on accounting judgment and decision-making, we also examine the interactive effects of task complexity and additional guidance on the judgments of accountants. The results provide evidence that those accountants who are provided with decision aid in the form of additional guidance on IFRS make more accurate judgments than accountants who are not provided with such guidance. Furthermore, the study provides evidence that this additional guidance improves the judgments of accountants when they undertake tasks which they find complex. The results indicate that additional guidance on IFRS needs to be provided and suggests that accountants should exploit any guidance which is currently provided in IFRS and by the International Financial Reporting Standards Interpretations Committee.

© 2014 University of Illinois. All rights reserved.

JEL classification: M480

Keywords: Decision aids; Accounting standards; Additional guidance; Complex task; Judgments

* Corresponding author. Tel.: +61 2 9850 8530; fax: +61 2 9850 8497.

E-mail addresses: rajni.mala@mq.edu.au (R. Mala), parmod.chand@mq.edu.au (P. Chand).

¹ Tel.: +61 2 9850 6137; fax: +61 2 9850 8497.

1. Introduction

Judgment and decision-making is considered to be a critical activity in all organizations. Prior studies in psychology and auditing have provided evidence that the use of “decision aids” has the ability to influence the judgments of individuals and the decisions they make (see Ashton & Ashton, 2007; Bonner, 2007 for a review of these studies). Rohrmann (1986, p.365) defines a decision aid as “any explicit procedure for the generation, evaluation and selection of alternatives (courses of action) that is designed for a practical application and multiple use.” Decision aids are considered to have positive effects on the quality of cognitive processing, information search, problem solving, and accuracy in judgments and decision-making (Bonner, 2007).

The fact that interpreting and applying International Financial Reporting Standards (IFRS) is an integral part of the profession means that it is crucial to examine whether some form of decision aid could enhance the accuracy of judgments of the accountants, because low quality judgments can lead to serious economic consequences for the users of accounting information, as well as for firms.

An understanding of this is important because accounting decision-makers in today’s world are characterized as people who deal with huge amounts of information and need to solve complex tasks with multiple goals by applying regulations (Bonner, 2007; Rahahleh & Siam, 2009). These elements of an accountant’s task can potentially lead to lower quality judgments.

IFRS are developed using the International Accounting Standards Board (IASB) Framework. Hodgdon, Hughes, and Street (2011, p.416) pointed out that IFRS include less interpretive and implementation guidance than some national standards (including US GAAP); hence, many aspects of financial reporting are based upon the judgments underlying the application of IFRS. To assist IFRS users in the interpretation and application of IFRS, an International Financial Reporting Standards Interpretations Committee (IFRSIC) has been set up. IFRSIC provides interpretive guidance by applying a principles-based approach founded on the IFRS *Conceptual Framework* and as established in relevant IFRS. However, the support provided by IFRSIC in the interpretation and application of IFRS is not perceived as sufficient, and the committee has received regular requests from IFRS users for additional guidance on accurately interpreting and applying IFRS (Deloitte, 2008, 2011).

The complexity of accounting standards is seen as another barrier in the interpretation and application of IFRS (Jermakowicz & Gornik-Tomaszewski, 2006; Jermakowicz, Kinsey, & Wulf, 2007; KPMG, 2006; Larson & Street, 2004). Larson and Street (2004) discovered that due to insufficient guidance on the interpretation and application of IFRS, first-time adopters of IFRS found the application of the standards very complicated. To address these concerns, Schipper (2003, 2005) suggested that detailed implementation guidance should be provided to entities when converting to IFRS. Hence, the complexity involved in the application of IFRS and the lack of implementation guidance provided by IFRSIC clearly signify the need for additional guidance on IFRS.

The fact that this need for additional guidance is attracting so much attention in the planned reformation of the world’s prevailing accounting standards indicates that it is imperative for researchers to investigate whether such guidance would act as a decision aid in improving accountants’ judgments. For example, Clor-Proell and Nelson (2007) showed that when examples are provided as implementation guidance on IFRS, it plays an

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات