

INSIGHT ON CFOs PERCEPTION OF IAS 36 REPORTING

Abstract

This study seeks to examine preparers' opinions and perception of IAS 36 accounting requirements by directly addressing CFOs and asking them specific questions on IAS 36 implementation, perception, and disclosure practices. It is based on a survey which includes 48 completed questionnaires representing 18% of the firms on the Mercato Telematico Azionario (Italian Stock Exchange). Based on our analysis, IAS 36 is perceived as an atypical standard among IFRS, being detailed, subjective, adaptable to managerial needs and unable to limit creative accounting. Findings also confirm that Italian financial reporting context is considered as having weak enforcement, weak investor protection, and weak auditing power. In addition, the majority of respondents do not see a strong link between IAS 36 requirements and market variables (e.g. cost of equity and the cost of debt) except for stock returns. Finally, results show that impairment of assets has become more difficult during the financial crisis and that Italian national guidelines do not influence recoverable amount estimation process or compliance with mandatory disclosure. The findings should be of interest to a number of parties including firms, auditors, users of financial statements, standard setters and regulatory institutions.

JEL Classifications: M40, M41, M48

Key words: IFRS, IAS 36, Italy, survey, CFO, mandatory disclosure, guidelines, questionnaire.

1. Introduction

Since 2005, all listed companies in the EU have had to compose their annual reports in accordance with International Financial Reporting Standards (IFRS). Among the main objectives of the IFRS were improving the cross-country comparability of financial information, lowering the cost of capital, and increasing market liquidity (Amiraslani et al., 2013). The new set of accounting principles requires management to evaluate and use private information frequently, which had not been previously required by many domestic generally accepted accounting principles (GAAP).

IAS 36 Impairment of Assets has been the most debated of all the IFRS in recent years. One reason is that it requires managers to make frequent assumptions in calculating assets' recoverable amount (Glaum *et al.*, 2013). However, the correct implementation of IAS 36 can be a step forward in reflecting the real economic value of a firm's assets (Amiraslani et al., 2013). IAS 36 has been criticised because the need to apply discretion allows managers to pursue personal objectives, since they are called for subjective judgments and estimates that are unlikely to be verifiable. This can lead to decisions that essentially serve earnings management, reducing the information value to investors (Ramanna and Watts, 2012).

Motivated by this, institutional bodies have studied various aspects related to the implementation and disclosures required by IAS 36 (FRC, 2008; ESMA, 2011, 2013). In particular, the European Securities and Market Authority (ESMA, 2011) raises concerns about the quality of disclosure related to the assumptions and judgments underlying the impairment testing of non-financial assets. For this reason, ESMA (2013) has prioritised a focus on improving the rigour issuers apply in the impairment test and monitoring the application and compliance with IAS 36 requirements. Non-compliance and boilerplating have also attracted the attention of the European Commission (ICAEW, 2007; Ineum Consulting, 2008).

The above expressed concerns are also voiced in research papers, focusing primarily on disclosure practices and timeliness of impairment losses. On the former, some researchers documented European firms non-compliance regarding IAS 36's mandatory disclosure, which may be due jointly to firm- and country-level variables (Glaum et al., 2013; Mazzi et al., 2013). On the latter, researchers are concerned about the timeliness and accuracy of impairment losses. In fact, it has been demonstrated that long-lived asset write-offs are associated with big bath earnings, likely reflecting opportunistic manager behaviour, which are mainly reached by avoiding or managing the timing of impairment losses (Beatty and Weber, 2006; Riedl, 2004). Impairment testing manipulation can be reached mainly exercising discretion in selecting a discount rate (Carling and Finch, 2009) and in defining Cash Generating Units (Petersen and Plenborg, 2010).

One might infer from these researches that IAS 36 application is not completely fair but, rather, distorted for firm- or country-specific reasons. Researchers have challenged the view that IFRS will lead to outcomes that are even across different countries (Ball et al., 2003). The findings in this strand of research suggest that pre-IFRS accounting differences continue to exist post-IFRS adoption (Nobes, 2006; Kvaal and Nobes, 2010, 2012). Moreover, it has been shown that IFRS' ability to inspire accounting harmonisation is threatened by the lack of national institutional enforcement in some European countries as well as in other parts of the world (Pope and McLeay, 2011; Wysocki, 2010).

Much research has been carried out on the topic of impairment testing, yet ESMA (2011, 2013) calls for additional insights. Following this call, it has been noticed that research on preparers' opinions and perception of IAS 36 accounting requirements is lacking. We believe that our study fills this gap by surveying CFOs and asking them specific questions on IAS 36 implementation, perception, and disclosure practices.

The above literature, along with practical considerations, led us to focus on a single country. In fact, the permanence of cultural differences among IFRS adopters may produce misleading results, aggregating data influenced by national traditions and differences. We examine the views of financial statement preparers with regard to impairment testing implementation and related disclosure practices in Italy. We focus on Italy since it constitutes a unique and peculiar environment, since it experienced what Jeanjean and Stolowy (2008) call the transition from rules-based to principles-based accounting standards. Moreover, Italy is one of the countries that has experienced the implications arising from the wide difference between domestic GAAP and IFRS (Ding et al., 2007; Preiato et al., 2012): for example impairment testing procedure required by IAS 36 was first mandated in Italy in 2005. Moreover, Italy is usually considered a country with an underdeveloped stock market, concentrated ownership, weak investor protection, and weak enforcement (Leuz et al., 2003; Leuz, 2010). The above described environment led Italian accounting organisations to produce reports and guidelines for impairment testing (OIC, 2009, 2011a, 2011b; OIV, 2012).

Italy's preparers opinions and perceptions of IAS 36 reporting are investigated through a survey analysis. We submit a questionnaire containing 50 closed questions, most of them on a five-point Likert scale, to all the 268 Italian listed companies' CFOs. 48 completed questionnaires were received, resulting in an approximate 18% response rate.

Results show that IAS 36 is perceived as an atypical accounting standard among the IFRS in the Italian environment. They also demonstrate that financial statements preparers perceive the IAS 36 requirements to be detailed, subjective, adaptable to managerial needs and unable to limit creative accounting. Moreover, our findings confirm that what the extant literature suggests for the Italian financial reporting context (i.e., having weak enforcement, weak investor protection, and weak auditing power) is also perceived by financial statements preparers. In addition, it seems like the majority of respondents do not see a strong link

between IAS 36 disclosure practices and implementation and the cost of equity, the cost of debt and stock volatility. However, results support the view that accounting estimates and disclosure do affect stock returns. Finally, results show that impairment of assets has become more difficult during the financial crisis and that Italian national guidelines do not influence recoverable amount estimation process or compliance with mandatory disclosure.

The remainder of the paper is organised as follows. Section 2 reviews the relevant literature on impairment testing and portraits the Italian environment. Section 3 discusses the research methodology. Section 4 presents the results and Section 5 draws the conclusions.

2. Background

2.1 Debate around impairment testing and its informative value

Of all the IFRS, IAS 36 Impairment of Assets has probably been the most debated in recent years. One reason for this is that it requires managers to make frequent assumptions about issues such as cash flow projection periods, growth rates, discount rates, and circumstances leading to an impairment loss (Glaum *et al.*, 2013). Despite the assumptions required to estimate recoverable amounts, however, the correct implementation of IAS 36 can be a step forward in reflecting the real economic value of a firm's assets (Amiraslani *et al.*, 2013).

Nevertheless, IAS 36 has been criticised because the need to apply discretion allows managers to pursue personal objectives. More specifically, the assumptions required for the application of IAS 36 call for subjective judgments and estimates that are unlikely to be verifiable. This can lead to inflated net assets, aggressively managed earnings, and impairment decisions that essentially serve earnings management, reducing the information value to investors (Amiraslani *et al.*, 2013; Ramanna and Watts, 2012).

Motivated by this, institutional bodies and academics have examined various aspects related to the implementation and disclosures required by IAS 36. The Financial Reporting Council (FRC, 2008) analysed 32 UK annual reports with significant amounts of goodwill reported in the firms' 2007 annual financial statements. The results showed that disclosure was poor and vague. Consistent with these results, a report by ESMA (2011) which looks at more than 1,000 of EU companies' financial statements raises concerns about the quality of disclosure related to the assumptions and judgments underlying the impairment testing of non-financial assets. The ESMA's report identifies a lack of adequate justification for business plans and discount rates, an absence of meaningful disclosures about the events or circumstances leading to impairment, and a substantial non-disclosure about the assumptions used in determining recoverable amounts. Following the financial crisis, ESMA (2013) issued another report, reaching virtually the same conclusions. Based on these findings, ESMA has prioritised a focus on 'improving the rigour issuers apply in the impairment test of goodwill and other intangible assets; and monitoring the application and compliance with IAS 36 requirements' (ESMA, 2013: p. 4). Non-compliance and boilerplating have also attracted the attention of the European Commission (ICAEW, 2007; Ineum Consulting, 2008). ICAEW (2007) report on 2005 financial statements raised concerns about the tendency to apply standard texts, or "boilerplating" for the notes on accounting policies, or presenting accounting policies for activities or operations for which there was no subsequent disclosure of transactions or balances in the financial statements. Ineum Consulting (2008) report on 2006 financial statements notice some progress. In relation to IAS 36 requirements, Ineum Consulting (2008: p. 9) states: 'an example of this "boilerplating" approach is the IAS 36 requirement on Impairment of Assets for which a large part of the companies in our sample used simply the wording stated in IAS 36 without any further explanations relating to the specific nature and circumstances of the group or the methodology used to calculate the

recoverable value. Continuing vigilance, and some form of information to companies, needs to be applied in this area to ensure that the accounting policies notes are the most informative and relevant to each company's business model, operations and circumstances'.

The concerns expressed in the institutional reports are also voiced in research papers, focusing primarily on disclosure practices and timeliness of impairment losses. For example, a generalised non-compliance with the IFRS's mandatory disclosure has frequently been observed (e.g. Aljifri, 2008; Tsalavoutas, 2011). Devalle and Rizzato (2012), Glaum et al. (2013) and Mazzi et al. (2013) have documented European non-compliance, especially regarding IAS 36's mandatory disclosure. This behaviour is determined jointly by firm- and country-level variables, indicating that accounting traditions and other country-specific factors play a role despite the use of common reporting standards under IFRS (Glaum et al., 2013). As a consequence of various firms' disclosure practices, there is much debate in the literature whether corporate disclosure affects financial markets (Artiach and Clarckson, 2011; Beyer *et al.*, 2010; Botosan, 2006; Leuz and Wysocki, 2008). Theoretical studies have focused on the impact of enhanced disclosure on information asymmetries (Verrecchia, 2001), liquidity (Baiman and Verrecchia, 1996; Diamond and Verrecchia, 1991; Kim and Verrecchia, 1994) and estimation risk (Hughes et al., 2007; Jorgensen and Kirschenheiter, 2003; Lambert et al., 2007). All these aspects are directly or indirectly related to financial markets, especially to the cost of raising outside capital (Botosan, 1997). Empirical studies attempting to verify the abovementioned relationships have produced mixed results, especially in terms of the cost of capital (Botosan, 2006). Armitage and Marston (2008) have used interviews with UK finance directors in a different approach to the link between disclosure and the cost of equity/debt capital. They conclude that finance directors perceive a clear link neither between disclosure and the cost of equity nor between disclosure and cost of debt.

Another common concern with the implementation of IAS 36 reporting relates to the timeliness and accuracy of impairment losses. The IFRS Framework (QC.29) defines 'timeliness' as the speed with which changes in assets' economic values are recognized and impairment losses are reflected in earnings. Most of the literature in this field focuses on the US and the SFAS 121 and 142 requirements, the equivalents of those applicable in the EU under IAS 36. Riedl (2004) shows that long-lived asset write-offs are associated with big bath earnings, likely reflecting opportunistic manager behaviour. Similar conclusions are reached by Beatty and Weber (2006), who show that both contracting and market incentives trigger companies' impairment accounting choices. They specifically demonstrate that incentives related to debt contracting, management bonuses, and executive turnover affect firms' decisions to manage the timing of impairment recognition. More recently, Bens et al. (2011) demonstrate that the behaviours described above critically affect financial markets. In fact, they show that the misalignment between actual and expected goodwill impairment losses trigger a significantly negative market reaction to the unexpected components of reported impairments.

In the IFRS context, Amiraslani et al. (2013) investigate the timeliness of bad news recognition and impairments in the post-2005 period and conclude that companies in countries with stronger institutions recognise bad news and impairments more timely. Moreover, Carlin and Finch (2009) show that the discretion in selecting a discount rate is used to opportunistically avoid or manage the timing of impairment losses, to the disadvantage of transparency, comparability, and decision usefulness. Their study finds evidence consistent with this discretionary behaviour while investigating financial statement preparers in Australia. Finally, Petersen and Plenborg (2010) find inconsistencies in Danish companies' definitions of a CGU and their development of estimates for recoverable amounts.

Though the objective of the IASB is to produce comparable accounting information that conveys useful and informative inputs to the market, the literature demonstrates that the application of IAS 36 is far from perfectly enforced and that its requirements are frequently unsatisfied and can be easily distorted for managerial or private reasons. Moreover, the application of the IFRS in general and of IAS 36 in particular varies across countries. Jeanjean and Stolowy (2008) suggest that, for many countries, shifting to the new accounting standards involved a change from a rules-based system to a principles-based one, which may have led to differing post-adoption practices. The latter system frequently requires the application of judgment and the use of private information, which gives managers the opportunity to ‘pursue ulterior reporting motives by managing earnings (and other accounting amounts) in ways that reduce their information value to investors’ (Amiraslani et al., 2013: p. 20). Similarly, the ESMA (2011, 2013) report expresses concern over the quality of the disclosures about the assumptions and judgments underlying impairments of non-financial assets and goodwill.

Moreover, Nobes (2011) argues that identifying impairment indicators (and making assumptions for impairment testing in general) is essentially a matter of judgment. The possibility that the degree of prudence exercised in judgments and estimates varies across companies and countries cannot be excluded. This variance may be due to historical tendencies toward more conservative or liberal accounting practices. Hence, cross-country differences in the timing and amounts of the impairment losses recognized under IAS 36 may occur.

One might infer from these researches that IAS 36 application is not completely fair but, rather, distorted for firm- or country-specific reasons. In this context, factors such as enforcement and audit power become essential in ensuring the correct application of IAS 36 requirements and the preservation of its informative value. Much research has been carried

out on this topic, yet ESMA (2011, 2013) suggests that impairment testing and reporting remain highly important because, in the current economic circumstances, many IFRS preparers will continue to face potential asset impairment. We thus believe that additional insights into IAS 36 accounting practices and perception are needed. Most importantly, research on preparers' opinions and perception of IAS 36 accounting requirements is lacking. We believe that our study fills this gap by surveying CFOs and asking them specific questions on IAS 36 implementation, perception, and disclosure practices.

2.2 Country-specific issues: the Italian environment

We examine the views of financial statement preparers with regard to impairment testing implementation and related disclosure practices in Italy. We focus on Italy since it constitutes a unique and peculiar environment. Italy experienced what Jeanjean and Stolowy (2008) call the transition from rules-based to principles-based accounting standards and is thus one of the countries that has experienced the implications arising from the wide difference between domestic GAAP and IFRS (Ding et al., 2007; Preiato et al., 2012). Moreover, Italian domestic GAAP are oriented towards creditor protection and are therefore different from IFRS, which are market-oriented standards (Gavana et al., 2013). The difference between these two approaches may have led to even more difficulties in shifting from national GAAP to IFRS.

Transitioning to IFRS involved not only a change in accounting model but the introduction of new accounting requirements and treatments for certain assets. The impairment testing procedure required by IAS 36 was first mandated in Italy in 2005. Before 2005, goodwill and indefinite useful life assets were subject to capitalisation and amortisation instead of impairment testing.

Thus, the correct implementation of impairment testing relied entirely on Italy's national enforcement and guidelines rather than experience or traditional practice. Concerning

enforcement and institutional power, Italy is usually classified as a country with an underdeveloped stock market, concentrated ownership, weak investor protection, and weak enforcement (Amiraslani et al., 2013; Leuz et al., 2003; Leuz, 2010).

As a *prima facie* confirmation of weak Italian enforcement, only in 2009 was the first significant report on IFRS adoption and application finally published, a joint effort by three national public organisations (the Banca d'Italia, CONSOB, and ISVAP, 2009).¹ This document underlined the need to enhance compliance with mandatory disclosure and, in particular, to disclose more information about the assumptions underlying the recoverable amount estimation process. The lack of institutional interpretation and guidance caused Italian accounting bodies to issue two different guidelines on crucial aspects of impairment testing, particularly regarding goodwill. The first, 'Application 2: Impairment and Goodwill' (2009), was drawn up by the OIC.² More recently, the OIC (2011a, 2011b) issued specific impairment guidelines for the finance industry (i.e. banks and insurance firms). The second, 'Goodwill Impairment Testing in a Time of Economic and Financial Crisis - Guidance' (2012), was recently proposed in draft form by the OIV.³

The divergence between its domestic GAAP and IFRS and its weak national enforcement make Italy a unique environment in which to test IAS 36's implementation, perception, and disclosure practices. Italy's preparers and professionals have encountered many difficulties, leading to poor impairment testing implementation and disclosure practices. Thus, their opinions and perceptions are particularly useful in painting a clear picture of IAS 36 reporting in Italy.

¹ The Banca d'Italia is the Italian Central Bank. The CONSOB is the Commissione Nazionale per le Società e la Borsa, the Italian securities and markets authority. The ISVAP is the Istituto per la Vigilanza sulle Assicurazioni Private, the Italian insurance private contracts authority.

² The OIC is the Organismo Italiano di Contabilità, a national accounting organisation.

³ The OIV is the Organismo Italiano di Valutazione, a national valuation organisation.

3. Research design

3.1 Questionnaire design and administration

This study uses a direct method to investigate the factors key preparers believe influence IAS 36 accounting and related disclosure and their consequences on financial markets. These aspects are usually studied through an indirect approach designed to quantify variables such as compliance, expected impairment losses, and earnings management. A direct method such as a questionnaire permits the simultaneous investigation of many issues and avoids the need for discretionary choices in explaining the subject matter (Beattie and Smith, 2012).

We developed a questionnaire based on Graham et al. (2005), Navarro-Garcia and Bastida (2010), Petersen and Plenborg (2010), and Beattie and Smith (2012). In order to assess the validity of our research instrument, the questionnaire was discussed with five non-experts (for face validity) and five IFRS experts (for content validity)⁴. Before submitting the survey to the target group, we discussed the issues arising from the validity check and revised the instrument accordingly.

The questionnaire was written in Italian and contained 50 closed questions, most of them on a five-point Likert scale. It was e-mailed directly to the listed companies' CFOs' emails, as these were partially kindly provided by the Associazione Nazionale Direttori Amministrativi e Finanziari (ANDAF), an Italian association for CFOs and CEOs, during June and July 2012. To maximise the response rate, we used a clear and short layout (with only two pages), few questions, piloting, and an institutional and signed cover letter. The questionnaire could be completed online through an ad hoc website or returned via email on an editable PDF or on a scanned manual copy. Additional copies of the questionnaire were sent out after 14, 28, and

⁴ A test can be said to have face validity if it looks like it is going to measure what it is supposed to measure. Face validity is commonly assessed by a review of the survey items by untrained judges. Content validity refers to the extent to which a measure represents all facets of a given topic. Content validity is commonly assessed by the use of recognized subject matter experts to ensure that a survey contains everything it should and doesn't include anything that it shouldn't.

42 days. We confirmed receipt of the questionnaire through direct telephone calls to the investor relators and CFOs.

To assess our research instrument's reliability, we retested our questionnaire on a subgroup of respondents in September 2012. The results showed no statistically significant difference between the two sets of answers, indicating that our research instrument was reliable.⁵

3.2 Sample and respondent firms

We administered the questionnaire to the CFOs of all 268 firms listed on the Italian stock exchange's main market (the Mercato Telematico Azionario, or MTA) as of December 31, 2011. 48 completed questionnaires were received, resulting in an approximate 18% response rate. This response rate can be considered sufficient, since our target group is classified as 'difficult' in the current financial climate (Simsek et al., 2009; Beattie and Smith, 2012) and the typical response rate varies from 10% to 12% (Beattie and Smith, 2012).

Table 1 reports descriptive statistics for the sample firms and the participants' characteristics. Panel A breaks down the sample and respondent firms across industries, and Panel B compares the firms on the basis of industry groupings. A goodness of fit test indicates that there is no statistically significant difference on the basis of industry ($\chi^2 = 5.368$, $p = 0.801$).

PLEASE INSERT TABLE 1 ABOUT HERE

Panel C reports on the participants' age and years of experience with their firms. The mean age of the respondents was 42 (from a minimum of 30 to a maximum of 61), while the mean years of experience was 11. These data suggest that, on average, the participants have considerable experience, are at a mid-career level, and likely provided fairly reliable answers.

⁵ Retest data are available upon request.

3.3 Statistical tests

The literature does not agree on whether data on Likert scaled questions should be analysed through parametric or non-parametric tests. Beattie and Pratt (2003, p. 168) argue for the latter, while Beattie and Smith (2012) consider that the results infrequently differ. We thus employ both parametric and non-parametric tests.

For each question, we used a one-sample *t*-test and a one-sample sign rank Wilcoxon test in order to establish whether the participant mean or median answer was statistically different from the neutral mid-point of 3. Two-sample *t*-tests and two-sample rank sum Mann-Whitney tests were also carried out to compare different sets of answers. Finally, we performed an explanatory factor analysis on some questions in order to verify whether some predefined key-characteristics could be isolated. These tests were all performed with STATA 12 ®.

4. Results

4.1 General approach to IFRS in general and IAS 36 in particular

Our study focuses on IAS 36, a highly contentious accounting standard, in the Italian context. Respondents were initially asked questions about their approach to IFRS requirements in general and IAS 36 requirements in particular. The aggregate responses and the tests described in Section 3.3 are shown in Table 2 below.

PLEASE INSERT TABLE 2 ABOUT HERE

The findings suggest that both IFRS and IAS 36 are generally perceived as appropriate for achieving their intended purpose, attaining a true and fair view and conveying information to the financial markets (questions 1, 2, and 3 scored above the neutral mid-point of 3, $p < 0.01$). Moreover, participants responded that IFRS are also appropriate for making managerial and stakeholder decisions, while IAS 36 requirements are perceived as neither

appropriate or inappropriate (questions 4 and 5 not statistically different from neutral mid-point of 3).

Concerning the appropriateness of limiting creative accounting, subjectivity, and the adaptability to managerial needs (in questions 6, 8, and 9), the mean and median related to the questions on the IFRS requirements in general are not statistically different from the neutral mid-point of 3. However, respondents clearly indicated that IAS 36 contains subjective and adaptable requirements that seem unable to limit creative accounting. The mean and median are significantly higher than 3 at 1% level. These results confirm the concerns expressed by the institutional bodies and research papers reviewed above (e.g. Amiraslani et al., 2013).

Furthermore, the answers to question 10 support the view that both IFRS as a whole and IAS 36 specifically contain fairly detailed requirements (both mean and median are above the neutral mid-point of 3, $p < 0.01$). However, IAS 36 is perceived as being generally more complex (question 7) than other IFRS. Moreover, IFRS requirements as a whole are not considered as difficult to apply as those in IAS 36 because of differences among local accounting standards (question 12 not statistically different from neutral mid-point of 3 for IFRS requirements and above 3 for IAS 36, $p < 0.01$). This result reflects the fact that asset impairment was introduced in Italy only recently and was a new accounting treatment. It is important to note that this perception is not influenced by the taxation system (question 11 not statistically different from neutral mid-point of 3).

To investigate the above findings in more depth and isolate the key aspects of IAS 36 perception, a factor analysis was conducted on the 12 items with orthogonal rotation (varimax).

PLEASE INSERT TABLE 3 ABOUT HERE

The Kaiser-Meyer-Olkin measure verifies the sampling adequacy of an analysis ($KMO = 0.596$ is acceptable according to Kaiser, 1974). Bartlett's test of sphericity ($\chi^2 = 173.83$, $p < 0.01$) indicates that the correlation between items is sufficiently large for factor analysis.

An initial analysis obtained eigenvalues for each data component; four components have eigenvalues over the Kaiser (1960) criterion of 1. These combined factors explain 66.8% of the variance. Table 3 shows the factor loadings after rotation; coefficients below 0.30 were deleted to improve readability. The items clustering on the same components suggest that factor 1 represents appropriateness, factor 2 subjectivity, factor 3 complexity, and factor 4 taxation issues. Cronbach's alpha is used to investigate factor reliability (except that of factor 4, for which this statistic cannot be computed). Both factors 1 and 3 show a high reliability, while factor 2 shows good reliability.

The above findings confirm that IAS 36 is perceived as an atypical accounting standard among the IFRS in the Italian environment. Overall, the results discussed in this section demonstrate that, in the Italian context at least, financial statements preparers perceive the IAS 36 requirements to be detailed, subjective, adaptable to managerial needs and unable to limit creative accounting.

4.2 Informative value of the impairment testing process under IAS 36

As noted in Section 2.1, despite the assumptions required to estimate recoverable amounts, the correct implementation of IAS 36 impairment testing can be a step forward in reflecting the real economic value of a firm's assets (Amiraslani et al., 2013). The informative value of the impairment test is maintained in two ways: a) by following as close as possible the recoverable amount estimation process described in IAS 36 and b) by disclosing in the notes to the accounts the information required by the standard. On that basis, respondents were asked their perception on whether these two ways were influenced by bodies external or

internal to their firms. We also asked specific questions applicable only to mandatory disclosure. The statistics of the corresponding responses and the relevant statistical tests are shown in Table 4.

PLEASE INSERT TABLE 4 ABOUT HERE

For the disclosure-specific questions, the answers show that there was no consensus among the respondents on whether mandatory information disclosed under IAS 36 is sufficient for stakeholders' decisions, is too detailed, or is redundant (questions 1, 2, and 3 are not statistically different from the neutral mid-point of 3). Arguably, this finding provides some explanation on why high levels of non-compliance with the disclosures mandated by IAS 36 has been reported in the prior literature (e.g. Glaum et al., 2013; Mazzi et al., 2013). If preparers are not convinced for the usefulness of such disclosures they may not consider non-disclosure as non-compliance *per se*. Consistent with the answers in the first three questions, a strong consensus is revealed against the prospect of expanding the information required to be disclosed on a mandatory basis regarding impairment testing (the mean and median values in question 4 are significantly lower than the neutral mid-point of 3, $p < 0.01$).

The respondents agree in that the recoverable amount estimation process is not influenced by any external or internal factors (questions 5, 7, and 8 lower than neutral mid-point of 3, $p < 0.01$; question 6 lower than neutral mid-point of 3, $p < 0.10$) such as audit committee and national regulators. Similar results were obtained concerning the influence these organisations have on the corresponding disclosure practices. These findings indicate that what the extant literature suggests for the Italian financial reporting context (i.e., having weak enforcement, weak investor protection, and weak auditing power (Amiraslani *et al.*, 2013; Leuz *et al.*, 2003; Preiato *et al.*, 2012)) is also perceived by financial statements preparers.

The consensus that organisations outside the firm exercise no influence on the application of IAS 36 at the firm level may suggest that the standard's application could be distorted to

serve managerial needs. However, this seems not to be the case, since respondents argue that neither recoverable amount estimations nor mandatory disclosure practices are influenced by managers for reasons relating to performance, macroeconomics, or the stock market (questions 11, 12, and 13).

In section 2.2 above, we highlighted that national accounting bodies have issued many guidelines (OIC, 2009, 2011a, 2011b; OIV, 2012) in order to assist financial statement preparers when it comes to the application of the requirements of IAS 36. Motivated by this, respondents were asked whether these guidelines influence the recoverable amount estimations or disclosure practices. The aggregate answers show insignificant support of such influence on either of the two aspects (question 9 scored below neutral mid-point of 3, $p < 0.10$). Instead, question 10 indicates that practitioners CFOs in Italy follow international guidelines (question 10 scored above neutral mid-point of 3, $p < 0.01$) and some of them mentioned IVS 300 Valuations for Financial Reporting (IVSC, 2011). We believe that such a finding shall be very useful to the Italian regulatory bodies. Finally, the respondents believe that both recoverable amount estimation and disclosure should be revised in light of the recent financial crisis (the mean and median answer in question 14 is above the neutral mid-point of 3, $p < 0.01$).

4.3 Potential impact of the impairment testing process under IAS 36 on market variables

In this section, we focus on the potential market impact of the recoverable amount estimation process and the relevant disclosure provided to financial statements users. Given the theoretical relationships between disclosure and market related variables and the mixed results of empirical studies discussed in section 2.1, we asked CFOs whether they believe the higher reliability of recoverable amount estimation or the higher level of mandatory disclosure has an

impact on any market variables. When an impact is foreseen, we ask to specify whether it is positive or negative. The summary of the responses received are shown in Table 5.

PLEASE INSERT TABLE 5 ABOUT HERE

Regarding cost of equity, only a small percentage of respondents (less than 20%) are of the view that a more reliable recoverable amount estimation or better disclosure reduces the cost of capital, as posited by the theoretical framework. On the contrary, there are some respondents (less than 15%) who hold the view that more information provided under IAS 36 would increase the cost of capital. However, most participants either see no relationship between these variables or cannot speculate on the matter. These results confirm the findings in Armitage and Marston (2008: p. 323) that ‘the majority of interviewees do not see a strong link between the level of disclosure and the cost of equity’. As with some of the findings in the previous section, this finding can provide important insights to standard setters and regulators as to the effect of mandatory disclosure.

The results for the costs of public and private debt are similar. Most respondents (more than 60%) either could not speculate or stated that no relationship between IAS 36 accounting numbers and disclosure and the cost of debt exist. Hence, this finding also confirms the corresponding in Armitage and Marston (2008: p. 326), in which the ‘answers varied as they did for equity’.

As far as stock returns and stock volatility are concerned, the aggregate answers show that roughly one third of respondents believe that there is no relationship between these variables and IAS 36 accounting requirements. However, almost 40% of participants believe that the higher the reliability of the recoverable amount estimation process, the higher the stock returns. The percentage is roughly the same (33.3%) regarding mandatory disclosure level.

As a summary, these findings provide the motivation for revisiting the argumentation regarding the relationship between accounting estimates, disclosure, and the cost of capital while they support the view that accounting estimates and disclosure do affect stock returns.

4.4 Problematic issues in the IAS 36 valuation process

As noted, IAS 36 requires managers to make frequent assumptions on issues such as cash flow projection periods, growth rates, discount rates, and events and circumstances leading to an impairment loss (Glaum *et al.*, 2013). These assumptions are usually unverifiable and subjective and can thus hide earnings management (Ramanna and Watts, 2012; Watts, 2003). However, the calculation of recoverable amounts may also be affected by difficulties in estimating the abovementioned variables. According to the OIV (2012), the financial crisis may have even heightened the difficulty of estimating recoverable amounts. Moreover, the financial crisis has certainly been a triggering event for impairment losses, one reason why this topic remains relevant (ESMA, 2013).

We therefore asked Italian CFOs to rate the level of difficulty encountered while estimating the recoverable amounts under IAS 36 before and during the financial crisis⁶. The aggregate results are shown in Table 6, with answers varying from 1 ('low difficulty/easy') to 5 ('very difficult/problematic').

PLEASE INSERT TABLE 6 ABOUT HERE

According to the CFOs, estimating recoverable amounts before the financial crisis was neither easy nor problematic (questions 2 to 8 are not statistically different from the neutral mid-point of 3), and identifying assets that had to be impaired (question 1 scored above the neutral mid-point of 3, $p < 0.01$) was easy, resulting in a standard use of human and financial resources (questions 9 and 10 are below the neutral mid-point of 3 respectively at 10% and

⁶ We did not specify the beginning of the financial crisis, which impacted industries at various points in time.

5% level). This situation worsened dramatically during the financial crisis; in fact, the two-sample *t*-test and Mann-Whitney test are significant at the 1% level for all questions. The aggregate answers show that calculating variables for estimating recoverable amounts has become more difficult (questions 2 to 8 are statistically higher than the neutral mid-point of 3, $p < 0.01$). The most difficult tasks are estimating fair value, determining a projection basis, and calculating discount and growth rates.

These results show that impairment of assets has become more difficult during the financial crisis. This is in line with the attention on IAS 36 drawn by ESMA (2011, 2013) and can also be considered a justification for the presence of national and international guidelines.

4.5 Problematic guidelines within IAS 36 and additional guidelines provided by Italian authorities

Amiraslani et al. (2013) argue that IFRS outcomes must be jointly considered with preparers' incentives and institutional factors. Some national institutions may be as important as the standards. To thoroughly analyse perceptions of IAS 36, therefore, the role of Italian guidelines must be addressed. Thus, the last section of the questionnaire asked the CFOs about the contribution of the OIC (2009) and OIV (2012) guidelines to the implementation of recoverable amount estimations for impairment test purposes. The aggregate results are shown in Table 7, with answers varying from 1 ('not useful at all') to 5 ('very useful').

PLEASE INSERT TABLE 7 ABOUT HERE

First, all respondents are aware of the OIC (2009) guideline, and approximately 92% of them did use it. However, although the OIV (2012) guideline seems to be well-known (with approximately 85% of respondents aware of it), only 69% of respondents have used it. The aggregate answers show that neither the OIC (2009) nor OIV (2012) guidelines are useful or non-useful in estimating recoverable amounts. In fact, most of the answers are not statistically

different from the neutral mid-point of 3, and those differing positively are significant only at the 10% level. Moreover, respondents feel that both guidelines are not useful in identifying an active market for estimating fair value less the cost to sell. These findings confirm the answers to question 9 described in Section 4.2 (i.e., that national guidelines do not influence recoverable amount estimation process or compliance with mandatory disclosure) and show that national guidelines are not useful in recoverable amount estimation or disclosure practices.

5. Conclusions

The debate surrounding the impairment testing, IAS 36 implementation and disclosure practices has seen many contributions so far. However, institutional bodies and academics call for further analysis in this field. In contrast to most of prior research in the area, this study uses a large-scale direct method to investigate opinions about IAS 36 disclosure practices and informative value. A questionnaire instrument was used to collect the views of 48 Italian listed company CFOs (18% response rate). Italy constitutes a unique and peculiar environment, due to the transition from rules-based to principles-based accounting standards and to the wide differences between domestic GAAP and IFRS. Moreover, Italy is usually classified as a country with an underdeveloped stock market, concentrated ownership, weak investor protection, and weak enforcement. Together with fact that the impairment testing procedure required by IAS 36 was first mandated in Italy in 2005, the above characteristics make Italy's preparers' opinions and perceptions particularly useful in painting a clear picture of IAS 36 reporting.

We find that IAS 36 is considered as an atypical accounting standard among the IFRS in the Italian environment. Our findings demonstrate that IAS 36 requirements are perceived to be detailed, subjective, adaptable to managerial needs and unable to limit creative accounting.

Moreover, factor analysis show that 4 key-aspects can be enucleated in IAS 36 accounting perception, which are appropriateness, subjectivity, complexity and taxation. Financial statements preparers opinion also confirm what the extant literature suggests for the Italian financial reporting context, which is having weak enforcement, weak investor protection, and weak auditing power. In addition, it seems like the majority of respondents do not see a strong link between IAS 36 disclosure practices and implementation and the cost of equity, the cost of debt and stock volatility. These findings provide the motivation for revisiting the argumentation regarding the relationship between accounting estimates, disclosure, and the cost of capital while they support the view that accounting estimates and disclosure do affect stock returns. Finally, results show that impairment of assets has become more difficult during the financial crisis and that Italian national guidelines do not influence recoverable amount estimation process or compliance with mandatory disclosure. The findings should be of interest to a number of parties including firms, auditors, users of financial statements, standard setters and regulatory institutions.

This study contributes to both the general debate surrounding impairment testing and the specific Italian context in terms of both the method used (a direct method not previously used extensively in relation to IAS 36) and the wide range of topics examined (drawn from a detailed review of the extant disclosure literature). Inevitably, the study has limitations, in particular, those characteristic of the questionnaire method used. In particular, the response rate of 18% is not very high (although typical for this target group). Further research should explore further the causes and consequences of IAS 36 reporting, as well as incentives and disincentives for misreporting.

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Table 1 – Descriptive statistics for sample firms and details about participants

PANEL A – REPRESENTATION OF FIRMS ACROSS INDUSTRY GROUPS						
INDUSTRY ^a	FTSE ITA ^b		SAMPLE FIRMS			
	n (%)		n (%)			
Basic Materials	5	(1.9%)	1	(2.1%)		
Consumer Goods	49	(18.3%)	10	(20.8%)		
Consumer Services	32	(11.9%)	6	(12.5%)		
Financials	63	(23.5%)	9	(18.7%)		
Health Care	8	(3.0%)	2	(4.2%)		
Industrials	62	(23.1%)	8	(16.6%)		
Oil & Gas	7	(2.6%)	3	(6.3%)		
Technology	20	(7.5%)	3	(6.3%)		
Telecommunications	4	(1.5%)	1	(2.1%)		
Utilities	18	(6.7%)	5	(10.4%)		
<i>TOTAL</i>	268 (100.0%)		48 (100.0%)			
PANEL B – GOODNESS OF FIT ^c						
STATISTICS	COEFFICIENT		P-VALUE			
Pearson's chi-squared	5.368		0.801			
Log likelihood ratio	4.625		0.866			
PANEL C – PARTICIPANTS' CHARACTERISTICS						
VARIABLE	N	MEAN	MEDIAN	ST DEV	MIN	MAX
<i>Age</i>	40	42	43	8.612	30	61
<i>Experience</i>	41	11	11	6.922	1	25

^a Industry groupings are identified according to the International Classification Benchmark (ICB) industries.

^b All listed firms in the Italian Stock Exchange as of December 2011.

^c Goodness of fit describes how well sample firms fit the population. This test computes goodness of fit tests for the distribution of a discrete (categorical or multinomial) variable.

Age is self-declared participants' age; *Experience* is the self-declared number of years the participant has been employed in that firm.

Table 2 – General approach to the IFRS and to IAS 36 requirements

QUESTION: The first column refers to the IFRS requirements in general, while the second to the IAS 36 requirements in particular. Please, express your agreement on the following statements, using a scale from 1 (totally disagree) to 5 (totally agree).

QUESTION	IFRS				IAS 36				COMPARISON ^a	
	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN	MEDIAN
1. They are generally appropriate for achieving their intended purpose	3.688***	0.657	4***	48	3.521***	0.875	4***	48	1.478*	1.520
2. They are appropriate for attaining a true and fair view	3.458***	0.683	3***	48	3.375***	0.789	3***	48	0.942	0.943
3. They are appropriate for conveying info to the financial markets	3.646***	0.758	4***	48	3.417***	0.942	3***	48	2.040**	1.853*
4. They are appropriate for making managerial decisions	3.167*	0.883	3	48	3.021	0.934	3	48	1.309*	1.140
5. They are appropriate for the decisions made by stakeholders	3.375***	0.761	3***	48	3.042	0.944	3	48	3.188***	3.009***
6. They appropriately limit creative accounting	3.000	1.092	3	48	2.458***	1.184	2***	48	3.642***	3.489***
7. They are complex	3.854***	0.945	4***	48	4.104***	0.805	4***	48	-2.205**	-2.253**
8. They are subjective	3.125	0.914	3	48	3.792***	0.898	4***	48	-5.092***	-4.340***
9. They lend themselves to be adaptable for managerial needs	3.167	0.953	3	48	3.813***	0.842	4***	48	-4.913***	-4.168***
10. They are detailed	3.708***	0.922	4***	48	3.813***	0.867	4***	48	-1.000	-0.780
11. The national taxation system influences their application	2.333***	1.059	2***	48	2.250***	1.082	2***	48	0.850	0.371
12. They are difficult to apply due to differences in local accounting standards	3.021	1.194	3	48	3.500***	1.220	4***	48	-2.802***	-2.871***

^a T-test (two sample Mann-Whitney test) is used to test the statistical difference between IFRS mean (median) answer and IAS 36 mean (median) answer.

^b Stars denote that mean (median) answer is significantly different from neutral mid-point of 3 under T-test (one sample Wilcoxon test).

^c Number of responses received

*, **, *** denote significance at the 10%, 5% and 1% level respectively.

Table 3 – Factor analysis of IAS 36 perception

Item	VARIMAX ROTATED FACTOR LOADINGS ^a			
	Appropriateness	Subjectivity	Complexity	Taxation
1. They are generally appropriate for achieving their intended purpose	0.709			
2. They are appropriate for attaining a true and fair view	0.779			
3. They are appropriate for conveying info to the financial markets	0.772			
4. They are appropriate for making managerial decisions	0.739			
5. They are appropriate for the decisions made by stakeholders	0.794			
6. They appropriately limit creative accounting		-0.787		
7. They are complex			0.849	
8. They are subjective		0.761		
9. They lend themselves to be adaptable for managerial needs		0.702		
10. They are detailed			0.672	
11. The national taxation system influences their application				0.854
12. They are difficult to apply due to differences in local accounting standards			0.570	0.535
<i>Eigenvalues</i>	<i>3.074</i>	<i>1.880</i>	<i>1.712</i>	<i>1.345</i>
<i>% of variance</i>	<i>0.256</i>	<i>0.157</i>	<i>0.143</i>	<i>0.112</i>
<i>Cronbach's alpha</i> ^b	<i>0.826</i>	<i>0.547</i>	<i>0.636</i>	<i>NA</i>
<i>n of responses received</i>	<i>48</i>			
<i>Bartlett test</i> ^c	<i>173.83***</i>			
<i>KMO test</i> ^d	<i>0.596</i>			

^a Extraction method: principal component analysis. Rotation method: varimax producing orthogonal factors.

^b Cronbach's alpha tests factor reliability.

^c Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix (Field, 2009).

^d Kaiser-Mayer-Olkin (KMO) test for sample adequacy. KMO statistic above 0.5 is acceptable (Field, 2009).

Table 4 – Informative value of the impairment testing process carried under IAS 36

QUESTION: The informative value of the impairment test is produced by following the recoverable amount estimation process laid in the Standard (first column) and by disclosing the mandatory information in the notes to the accounts (second column). Please, express your agreement on the following statements regarding the above said aspects of the impairment testing process carried under IAS 36 using a scale from 1 (totally disagree) to 5 (totally agree).

QUESTION	RECOVERABLE AMOUNT ESTIMATION				MANDATORY DISCLOSURE				COMPARISON ^a	
	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN	MEDIAN
1. It is considered to be sufficient for stakeholders' decisions				NA	3.229*	1.016	3	48	NA	NA
2. It is too detailed				NA	2.938	1.019	3	48	NA	NA
3. It is redundant (some requested information is repeated)				NA	2.792*	1.091	3	48	NA	NA
4. It should be expanded				NA	2.271***	0.893	2***	48	NA	NA
5. It is influenced by the internal audit committee	2.542***	1.288	2**	48	2.104***	1.372	2***	48	2.687***	2.705***
6. It is influenced by the independent external auditing firm	2.729*	1.349	2	48	3.125	1.299	3	48	-3.156***	-2.803***
7. It is influenced by the vigilance organism (CONSOB)	2.563***	1.219	2**	48	3.083	1.200	3	48	-3.431***	-3.177***
8. It is influenced by the consequences foreseen by the Law regarding missing or incorrect reporting	2.583***	1.200	3**	48	2.750*	1.101	3	48	-1.741**	-1.880*
9. It is influenced by the presence of national guidelines	2.792*	1.051	3	48	2.792*	1.071	3	48	0.000	0.000
10. It is influenced by the presence of international guidelines	3.396***	0.984	4***	48	3.417***	0.964	4***	48	-0.240	-0.045
11. It is influenced by the management for performance reasons	2.667**	1.155	3*	48	2.292***	1.071	2***	48	2.591***	2.295**
12. It is influenced by the management due to macroeconomic reasons	2.563***	0.965	3***	48	2.417***	1.069	2***	48	1.096	0.773
13. It is influenced by the management for needs tied to the stock market	2.375***	1.160	2***	48	2.125***	1.064	2***	48	2.133**	2.088**
14. It should be revised in light of the recent financial crisis	3.458***	1.237	4**	48	3.396**	1.162	3**	48	0.621	0.559

^a *t*-test (two sample Mann-Whitney test) is used to test the statistical difference between Evaluation process mean (median) answer and Mandatory disclosure mean (median) answer.

^b Stars denote that mean (median) answer is significantly different from neutral mid-point of 3 under T-test (one sample Wilcoxon test).

^c Number of responses received

*, **, *** denote significance at the 10%, 5% and 1% level respectively.

Table 5 – Potential impact of the impairment testing process carried under IAS 36 on market variables

QUESTION: Please express an opinion on the relationship between the informative value defined above (recoverable amount estimation process and mandatory disclosure) and the following market variables. The concept of “negative relationship”, for example, means that when one variable rises the other variable tends to diminish. Given this, express your opinion on the relationship between a higher reliability of the valuation process or a higher level of mandatory disclosure requested by the IAS 36 and the following market variables.

VARIABLE (<i>n=48</i>)	HIGHER RELIABILITY OF RECOVERABLE AMOUNT ESTIMATION <i>n (%)</i>				HIGHER LEVEL OF MANDATORY DISCLOSURE <i>n (%)</i>			
	NO RELATION SHIP	DON'T KNOW	NEGATIVE RELATION SHIP	POSITIVE RELATION SHIP	NO RELATION SHIP	DON'T KNOW	NEGATIVE RELATION SHIP	POSITIVE RELATION SHIP
Cost of equity	19 (39.5%)	14 (29.2%)	8 (16.7%)	7 (14.6%)	12 (25.0%)	12 (25.0%)	7 (14.6%)	5 (10.4%)
Cost of public debt (e.g. bonds)	15 (31.2%)	18 (37.5%)	7 (14.6%)	8 (16.7%)	21 (43.7%)	16 (33.3%)	6 (12.6%)	5 (10.4%)
Cost of private debt (e.g. banking loans)	21 (43.7%)	10 (20.9%)	5 (10.4%)	12 (25.0%)	23 (47.8%)	15 (31.2%)	2 (4.3%)	8 (16.7%)
Stock returns	15 (31.2%)	13 (27.1%)	1 (2.2%)	19 (39.5%)	15 (31.2%)	16 (33.3%)	1 (2.2%)	16 (33.3%)
Stock volatility	19 (39.5%)	16 (33.3%)	6 (12.6%)	7 (14.6%)	21 (43.7%)	16 (33.3%)	7 (14.6%)	4 (8.4%)

Table 6 – Problematic issues in IAS 36 valuation process

QUESTION: Please rate the level of difficulty encountered in the following aspects of the estimation of the recoverable amount in the IAS 36 using a scale from 1 (low difficulty/easy) to 5 (very difficult/problematic). The first column refers to the pre-financial crisis period while the second refers to the crisis period.

QUESTION	PRE-CRISIS				CRISIS				COMPARISON ^a	
	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN ^b	ST DEV	MEDIAN ^b	N ^c	MEAN	MEDIAN
1. Identifying an asset that should be impaired	2.583***	0.895	3***	48	3.083	1.217	3	48	-3.853***	-3.380***
2. Estimating the fair value	3.146	0.799	3	48	4.042***	0.849	4***	48	-6.688***	-4.875***
3. Estimating the value in use	2.979	0.699	3	48	3.833***	0.953	4***	48	-5.739***	-4.484***
4. Determining a projection basis	3.021	0.699	3	48	4.125***	0.866	4***	48	-7.239***	-5.066***
5. Determining a discount rate	2.979	0.729	3	48	3.938***	1.019	4***	48	-6.199***	-4.802***
6. Determining a growth rate	2.979	0.565	3	48	3.979***	0.838	4***	48	-8.396***	-5.414***
7. Identifying an active market	3.042	0.824	3	48	3.625***	1.123	4***	48	-4.100***	-3.464***
8. Mandatory information to be conveyed in the notes to the accounts	2.938	0.836	3	48	3.271**	0.917	3**	48	-2.859***	-2.933***
9. Human resources used	2.833*	0.808	3	48	3.208*	0.967	3*	48	-3.864***	-3.463***
10. Financial resources used	2.729**	0.792	3**	48	3.250*	1.042	3*	48	-5.277***	-4.444***

^a *t*-test (two sample Mann-Whitney test) is used to test the statistical difference between Pre-crisis mean (median) answer and Crisis mean (median) answer.

^b Stars denote that mean (median) answer is significantly different from neutral mid-point of 3 under T-test (one sample Wilcoxon test).

^c Number of responses received

*, **, *** denote significance at the 10%, 5% and 1% level respectively.

Table 7 – Problematic guidelines within IAS 36 and additional guidelines provided by Italian authorities

QUESTION: In Italy two guidelines have been emanated for measuring recoverable amount under IAS 36. The first was drawn up by the Organismo Italiano di Contabilità (OIC) and is titled “Application 2 Impairment and Goodwill”. The second was recently proposed in draft form by the Organismo Italiano di Valutazione (OIV) and is titled “Impairment Test in the Context of Real and Financial Crisis: Guidelines”. Please, rate the level of usefulness that the two documents have in the following aspects regarding the estimation of the recoverable amount in the IAS 36 using a scale from 1 (not useful at all) to 5 (very useful).

QUESTION	OIC				OIV				COMPARISON ^a	
	YES <i>n (%)</i>	NO <i>n (%)</i>	YES <i>n (%)</i>	NO <i>n (%)</i>	MEAN ^b	ST DEV	MEDIAN ^b	<i>N</i> ^c	MEAN	MEDIAN
Is the firm aware of the existence of this guideline?	48 (100.0%)	0 (0.0%)	41 (85.4%)	7 (14.6%)						
Does the firm use this guideline?	44 (91.7%)	4 (8.3%)	33 (68.7%)	15 (31.3%)						
	MEAN ^b	ST DEV	MEDIAN ^b	<i>N</i> ^c	MEAN ^b	ST DEV	MEDIAN ^b	<i>N</i> ^c	MEAN	MEDIAN
1. Identifying an asset that should be impaired	3.167*	0.883	3*	48	3.077	0.739	3	39	0.215	0.498
2. Estimating the fair value	3.167	0.953	3	48	3.077	0.839	3	39	0.443	0.961
3. Estimating the value in use	3.188*	0.891	3	48	3.128	0.801	3	39	0.274	0.367
4. Determining a projection basis	2.917	0.895	3	48	2.974	0.903	3	39	-0.723	-0.876
5. Determining a discount rate	3.167*	0.859	3	48	3.231**	0.742	3**	39	0.000	-0.209
6. Determining a growth rate	3.000	0.799	3	48	3.026	0.843	3	39	0.000	0.607
7. Identifying an active market	2.792**	0.874	3	48	2.769**	0.842	3	39	0.495	0.092
8. Mandatory information to be conveyed in the notes to the accounts	3.208*	0.922	3*	48	3.026	0.873	3	39	1.062	0.427
9. Identifies at-hand resolutions of verifiable issues within the context of the crisis	2.792*	0.944	3	48	2.872	0.864	3	39	-0.206	-0.451

^a *t*-test (two sample Mann-Whitney test) is used to test the statistical difference between OIC mean (median) answer and OIV mean (median) answer.

^b Stars denote that mean (median) answer is significantly different from neutral mid-point of 3 under T-test (one sample Wilcoxon test).

^c Number of responses received

*, **, *** denote significance at the 10%, 5% and 1% level respectively.