

Ifrs adoption in spain and the united kingdom: effects on accounting numbers and ...

[Business](#), [Accounting](#)



Tutorial questions for Topic 6 Reading exercise Read Gaston et al (2010) article “ IFRS adoption in Spain and the United Kingdom: Effects on accounting numbers and relevance” and find out the answer for the following questions: Q1 What are the research objectives? (the last 5 paragraphs of section 1) The main purpose of this research is to compare and contrast the quantitative impact of the IFRS adoption on financial reporting in Spain and the UK.

There are two main research objectives. First it explores the economic and financial effect of the IFRS adoption for companies in the two countries. The second objective is to examine whether or not the IFRS will improve the usefulness of financial reporting. It is expected that companies’ market value and book value will increase under the IFRS adoption in both countries (Gaston et al, 2010). If you use direct quotation instead: The first objective of our study is to analyse the impact of IFRS on financial reports issued by companies in Spain and the UK” (Gaston et al, 2010, p306). Q2 What is the research sample size? (section 3. 1 in page 306) 100 companies from the Madrid Stock Exchange General Index (IGBM) and 74 companies from the Financial Time Stock Exchange Index 100 (FTSE 100) (excluding financial institutions, holding companies and insurance firms) are used for this research.

Q3 How many hypotheses are proposed, and what are they? (section 3. 3, p306-308) There are three hypotheses are proposed in this study and they are: “ H01: There are no significant differences in the value of accounting figures and financial ratios determined under local GAAP and IFRS” “ H02:

There are no significant differences in the relative impact of IFRS on the value of accounting figures and financial ratios in the UK and Spain” “ H03:

There are no significant differences in the book values (per local GAAP and IFRS) and market value of firms” “ H04: There are no significant differences

in the Gap(spainlocal), Gap(uklocal) and Gap(spainifrs), Gap(ukifrs) (Gaston et al, 2010, p307). Q4 What are the research findings? (section 5, page 312)

“ H01: There are no significant differences in the value of accounting figures and financial ratios determined under local GAAP and IFRS” H01 is rejected (not true) in both Spanish and British companies because: After IFRS adoption, Spanish firms showing (p308):

Increases in fixed and total assets, long-term liabilities, short-term liabilities and indebtedness. Decreases in current assets, current ratio and solvency

After IFRS adoption, UK firms showing (p309): Increases in fixed and total assets, long-term liabilities, short-term liabilities, operating income, net

income, indebtedness and return on equity. Decreases in current assets, equity and solvency H02: There are no significant differences in the relative

impact of IFRS on the value of accounting figures and financial ratios in the UK and Spain” H02 is rejected (not true) in both Spanish and British

companies because: “ the relative impact of IFRS has been statistically different in Spain and the UK on fixed assets, current assets, long-term and

short-term liabilities, operating and net income, solvency, indebtedness, return on assets and return on equity (Table 8, p309) H03: There are no

significant differences in the book values (per local GAAP and IFRS) and market value of firms” H03 is rejected (not true) in both Spanish and British

companies because “ the market value of firms is statistically different from the book value calculated with both local standards and IFRS” (Table 11, p311). H04: There are no significant differences in the Gap(spainlocal), Gap(uklocal) and Gap(spainifrs), Gap(ukifrs) H04 is rejected (not true) in both Spanish and British companies because there are “ significant differences between accounting and market values... these results are the same both in Spain and UK, as well as they apply local or international standards...the market value is significantly higher than the book value in all cases” (p312)