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School of Business

Master's thesis

Accounting

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Successful IFRS standard change implementation process after the initial IFRS implementation

1.12.2014

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ABSTRACT

Title: Successful IFRS standard change implementation process after the initial IFRS implementation

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Thesis (MSc): LUT School of Business, Accounting 2014

Containing: 107 pages, 23 figures, 4 tables and 1 attachment

Examiners: Professor Satu Pätäri, Professor Pasi Syrjä

The main objective of the study was to form a strategic process model and project management tool to help IFRS change implementation projects in the future. These research results were designed based on the theoretical framework of Total Quality Management and leaning on the facts that were collected during the empirical case study of IAS 17 change. The usage of the process oriented approach in IFRS standard change implementation after the initial IFRS implementation is rationalized with the following arguments: 1) well designed process tools lead to optimization of resources 2) With the help of process stages and related tasks it is easy to ensure the efficient way of working and managing the project as well as make sure to include all necessary stakeholders to the change process.

This research is following the qualitative approach and the analysis is in describing format. The first part of the study is a literature review and the latter part has been conducted as a case study. The data has been collected in the case company with interviews and observation.

The main findings are a process model for IFRS standard change process and a check-list formatted management tool for up-coming IFRS standard change projects. The process flow follows the main cornerstones in IASB's standard setting process and the management tool has been divided to stages accordingly.

Key words: IFRS, standard change, TQM, project management tool, process design

TIIVISTELMÄ

Otsikko:	Menestyksekäs IFRS standardimuutoksen implementointiprosessi ensimmäisen IFRS käyttöönoton jälkeen
Tekijä:	Kaisa Simola, Pro Gradu
Pro Gradu:	LUT Kauppakorkeakoulu, Laskentatoimi 2014
Sisältö:	107 sivua, 23 kaaviota, 4 taulukkoa ja 1 liite
Tarkistajat:	Professori Satu Pätäri, Professori Pasi Syrjä

Tutkielman tärkeimpänä tavoitteena on muodostaa teorian ja empiirisen tutkimuksen avulla kerätyn aineiston pohjalta strateginen porrasmalli tukemaan suurien tulevien IFRS standardien muutosprosessin tueksi. Tämänkaltaisen IFRS standardimuutosprojektin tueksi muodostetun prosessimallin ja projektinhallintatyökalun käyttäminen muutoksen toteuttamisen tukena on perusteltu kahdella tapaa: 1) huolellinen suunnittelu ja mallintaminen johtavat resurssien optimointiin 2) prosessiportaiden avulla voidaan varmistaa projektijohtamisen tehokkuus ja kaikkien bisneksen kannalta tärkeiden näkökulmien sisällyttäminen prosessiin.

Tutkimus on toteutettu kvalitatiivisesta tutkimusnäkökulmasta, ja sen analyysi on kuvailevaa syväanalyysiä. Alussa tehdyn kirjallisuusanalyysin jälkeen empiirinen tutkimus on toteutettu case -tutkimuksena. Tiedon keruu case – yrityksessä on suoritettu haastatteluiden ja havainnoinnin avulla.

Tutkielman tuloksena on prosessimalli IFRS standardimuutos prosessille, jossa prosessin kulmakiviin on sidottu empiirisen tutkimuksentuloksista selviäviä päätöskohtia. Tuloksena prosessin läpimenoa tukemaan muodostetaan tutkimusaineiston perusteella myös strateginen porrasmalliin muotoiltu projektinhallinta väline.

Avainsanat: IFRS, standardimuutos, kokonaisvaltainen laadunhallinta, projektinhallintatyökalu, prosessin suunnittelu

FOREWORDS

My time in LUT has given me many memorable experiences. My university studies ended up to take more time than planned during the first student years. Now all the difficulties with the last appointments in Lappeenranta whilst the work duties being in Helsinki have been solved and the final work (lots of late hours) has all been put to this dissertation paper in hand.

I would like to thank all of my co-students who have made my university time memorable in LUT and also helped me with my studies by studying late hours at school as well as being flexible with all the team work schedules. I have received uncountable number of encourages both from my friends and family members during the past couple of years to work towards the three letters: KTM. Now it is finally time to celebrate those three letters that will be added after my name.

An additional thank you goes to my examiner Satu Pätäri who has always been helpful and extra quick with all of her responses. I would have never completed this paper in time unless she was so committed to sacrifice her time whenever I needed help with my thesis.

THANK YOU ALL FOR YOUR HELP AND FAITH!

Kaisa Simola

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List of Abbreviations

BoM	Board of Managers
BPC	Business Process Change
BPM	Business Performance Management
BSE	Bombay Stock Exchange
CFO	Chief Financial Officer
DP	Discussion Paper
EBIT	Earnings Before Interest and Taxes
ED	Exposure Draft
EU	European Union
FA	Financial Accounting
FASB	Financial Accounting Standard Board
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IR	Investor Relations
IS	Information Systems
IT	Information Technology
MoU	Memorandum of Understanding
NYSE	New York Stock Exchange
SEC	Securities and Exchange Commission
SFAS	Statements of Financial Accounting Standards (US)
TQM	Total Quality Management
USA	United States of America
US GAAP	United States Generally Accepted Accounting Principles

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1 Introduction

1.1 Motivation and background

Whilst the economy is becoming more and more global every day, the financial world has raised two important words into the topics: comparability and convergence. When it becomes to public financial information, there has already been a massive increase in global comparability in relation to the previous situation where every country was using it's own generally accepted accounting principles (GAAP) for reporting purposes. However, the need for a cross border accounting regulations is more topical and crucial today when the capital market has become global, so in the future the world should be focusing even more on financial convergence across the international borders.

The International Accounting Standard Committee (IASC) has been working since 1973 with a goal to establish internationally accepted financial standards that would improve the quality of financial statements all around the world. The standards originally published by IASC are called as International Financial Reporting Standards (IFRS). Generally, the purpose of standardization is to create predictability; a standardized product or service is the same wherever and whenever delivered. This basic idea is also behind the accounting standards, which main purpose is to create value by making financial statements comparable all over the world. Financial information should be the same wherever and whenever presented. (Tomaszewski et al 2010., Zeff 2007, Jeppesen 2007)

For a long period of time the United States Generally Accepted Principles (US GAAP) formed the most dominant basis for financial accounting. During the past few years the US GAAP reporting model, and also some other

GAAP reports, have failed to keep companies' books transparent causing several corporate accounting scandals and bankruptcies. The scandals started by US companies in 2002 when Enron Corporation collapsed because of billions of dollars equity off-balance sheet accounting. The Enron scandal was only a start to a series of corporate collapses followed by several other high-profile corporate scandals, such as WorldCom, Tyco and Xerox in USA, Ahold Royal in the Netherlands and Equitable Life in the UK. Because of these accounting scandals and several bankruptcies the investing public hasn't lost faith to US GAAP reporting model, and turned the attention on a need for reforms in accounting field. (Deloitte 2011)

While the US accounting system has been struggling, the IFRS standards have achieved success all over the world starting with the European Union's (EU) decision in 2005 to set IFRS standards mandatory to all listed companies in its region (over 8000 companies). After the EU's decision the IFRS has reached popularity all around the world. In 2010 more than 12 000 public companies in more than 100 countries had adapted IFRS, including 90 jurisdictions where all domestic companies are mandated to adapt IFRS. The amount of jurisdictions requiring IFRS adoption is equivalent to 61% of all jurisdictions with stock exchange. Also in USA some companies are required to report under IFRS, to meet the reporting requirements of an international parent or investor company, so the IFRS is already in partial use in USA market too. (Gherai & Balaciu 2011, Gornik-Tomaszewski 2010, Peter 2010)

The major difference between the US GAAP and IFRS is that the first mentioned is rule based while the IFRS is based on overriding principles and their interpretations. The problem with strictly defined rules in US GAAP has become a detour of asking the question: "Is there a rule that says I cannot do this?". The Chairman of Securities and Exchange Commission (SEC) said in his speech in 2002 that USA is also seeking to move towards principle based set of accounting standards. This announcement moved gradually the general focus towards the IFRS. In 2008 SEC published a convergence plan, which meaning is to be a roadmap towards IFRS. This announcement strengthened the belief that principal based IFRS standards could be the future trend in every market all over the world. (Zeff 2007, Tomaszewski et all 2010, Fajardo & Merrill 2010 s. 51)

More reasons for a sudden success of IFRS over the US GAAP can be discovered when looking closer the evolution of the world. Lately the power of the New York Stock Exchange (NYSE) has decreased whilst the other markets have continued to grow. Example of a relative change is that in 2003 NYSE was 41 times the size of Bombay Stock Exchange (BSE) and 31 times the size of Shanghai exchange. In 2009 NYSE was only 9 times the size of BSE and 3,6 times the size of Shanghai's. This kind of change has forced USA to join to the international conversation of convergence and open its mind to see other options for better accounting quality.

Bolt-Lee and Smith (2009) summarized the current situation in their article by writing: "*Conversion from US GAAP to IFRS is a heavily discussed topic in the corporate world."* While it is not certain that US entities would shift to IFRS, it can be announced that the only certainty for financial reporting in the coming years is that it will face continuous change. To thrive and succeed in a changing environment, a company will require a sustainable reporting infrastructure, both in its finance function and throughout the rest of the organization. (Tomaszewski et al. 2010; Fajardo & Merrill 2010 s. 51, Bichut 2005)

The official co-operation between the colleague –counterparties, The International Accounting Standard Board (IASB) in Europe and the Financial

Accounting Standard Board (FASB) in USA, started in 2002. The first common movement towards convergence high quality standards was called the Norwalk Agreement. Four years later in 2006 the agreement called Memoratum of Understanding (MoU) was issued. In this common work paper IASB's and FASB's joint projects were listed and scheduled regarding the standard convergence priorities. The figure 1 represents the content of the MoU. (Tomaszewski et al. 2010, IASB)

Exhibit 1. The 2008 Memorandum of Understanding: Plans for Completion by 2011

Topic	Convergence Objective
Financial statement presentation	to develop a new format for the financial statements
Revenue recognition	to create a revenue recognition standard that companies can apply consistently across various industries and transactions
Leases	to ensure that the assets and liabilities arising from lease contracts are recognized in the statement of financial position
Financial instruments	to simplify hedge accounting and to reconsider recognition and measurement requirements for financial instruments
Liabilities and equity distinctions	to reach consensus on a preferred model
Consolidations policy and procedure	to improve financial reporting by enterprises involved with variable interest entities and to reconsider consolidation guidance for voting interest entities
Fair value measurement	IASB: to develop guidance similar to FAS 157; FASB: to improve disclosure about fair value measurements and to review FAS 157 in light of IASB's deliberations
Derecognition	to develop a common standard
Post employment benefits (including pensions)	to place the full obligation on balance sheet and re-examine measurement

Figure 1: The content of the MoU (IASB)

Canada and India took the IFRS in use in 2011 following Mexico in 2012 whilst other big countries such as Japan and USA are seriously considering change to the mandatory usage of IFRS. Because of these facts the

IFRS's initial implementation will soon to be the thing for many companies. Whilst the IFRS has become the most international regulation basis, the standard setting board is not resting: the amount of ongoing standard improvement projects is higher than ever. There are two main reasons to change the existing standards: 1) to continue improving the quality of financial reporting and offer even better international accounting curriculum 2) the US GAAP's 25 000 pages of rules could be replaced with the 2 500 paged IFRS book, so it is obvious that some of the standards need to be re-modified before the possible shift. (Conrtrollers report 2011, IASB)

The list of IFRS standard changes in process today is even longer than the joint project list in the figure 1. IFRS Foundation's web page lists about 10 standards that are predicted to be re-exposured and published in a few years. The increased number of IFRS changes means that all the IFRS applying companies will have to implement a long list of changes in short period of time. While the initial IFRS implementation is considered to be a major task and it is emphasized that meeting the requirements of the IFRS is much more than just a technical accounting issue, the later implementation of new standards or standard changes has not been as popular topic in researches.

Dominique Bichut's advice to companies initially implementing IFRS is: "*IFRS report is a major achievement that should be the start of a journey towards obtaining business benefits from the shift."* This piece of advice that includes the business improvement perspective should not be forgotten when implementing single new standards or standard changes after the initial IFRS implementation. IFRS adaptors can be seen in two different categories: those who take a serious advantage of the new international way of accounting and those who use the flexibility of the principle based standards only to get an international stamp to their reports without making a real change. (Bichut 2005)

Those companies that move IFRS concept deeper in their business performance management (BPM) processes are the ones who can gain all the benefits of IFRS approach. Some companies are already experiencing extensive benefits from their shift to IFRS, and these are the organizations that approached the change as an opportunity to position themselves for a future success, rather than simply an exercise in meeting externally imposed mandates. If the new standards are implemented without putting an effort to get the advantages of their application, the quality of IFRS reporting will decrease every time when a new standard becomes effective. To reach the goals that IASB's designed standards to have, it is necessary to seriously focus on every standard implementation process and the process's results. (Daske et al. 2007, http://ssrn.com/abstract=979650, Bichut 2005, IASB 2005, Rusnak 2009)

So far all IFRS standard changes have been so simple and small, that they have been executed in companies just as small technical accounting changes. The truth is that in the future when the content of entire standards (example IAS 17 and IAS 19) is about to change, bigger changing projects and change analysis should be considered and taken in to use in many companies. It is easy to underestimate the volume and complexity of the work involved in implementing IFRS new standards and wide standard changes. However, these projects will not be exceptions in the future anymore, because of the turbulent accounting field and economic crisis.

The goal of this study is to orientate companies for a successful IFRS standard change implementation after the initial IFRS implementation by focusing on all the different implementation steps and change analysis that need to be completed in order to succeed in the project. The biggest ongoing standard changes are leases and revenue recognition, and these two standard change drafts have already forced the IFRS applying companies to start preparations for more extensive IFRS change implementation project. (Bichut 2005, iasb updates 2014)

1.2 Objectives and research questions

The purpose was to make a pragmatic thesis which could help people in group finance function to implement massive IFRS standard changes in the future. Thus the main objective of this study is to define a strategic step model for supporting an IFRS –standard change's implementation process. The motivation to use a process framework as a help in change implementation process is justified with two reasons: 1) Planning and clear instructions lead to a minimum of human intervention 2) To verify that all important implementation steps will lead to improvements in day-to-day management of business processes are included. Part of this is to ensure that management has a full understanding of the impacts of their IFRS related decisions on the business. The meaning of a strategic implementation tool is to help companies to execute IFRS –standard change implementation in an efficient and most beneficial way and to support the successful implementation as being a checklist for implementers.

This paper on hand is positioned in the field of accounting study to construct further the very narrow research completed about the IFRS change implementation's real effects on large companies. Even though some research has been done from the number perspective searching for the standard change's impact on companies' key figures, very few articles have been written about the other possible impacts such as need for changes the entire business model, need to revise contracting strategies and need to buy new software to store new data. There is a clear lack of IFRS change's implementation process tools, since no major standard changes have yet been implemented. This kind of frameworks have been created for initial IFRS implementation, which obviously is considered to be important opportunity to both revise accounting processes and possibly also rethink the business processes. This study seeks to provide the same strategic help in a form of a process management tool to the case company and other similar companies.

In addition to the above mentioned main purpose, this study also seeks to reduce the lack of academic research related to the upcoming IFRS 17 Leases standard change. Although many of the big four accounting companies have published articles about the soon-to-happen change, there is very limited independent academic research on this specific subject.

The main research question is:

How to implement an IFRS –standard change in a sufficient and most value adding way after the initial IFRS implementation?

When searching the answer to the main research question, below represented sub question are used as support.

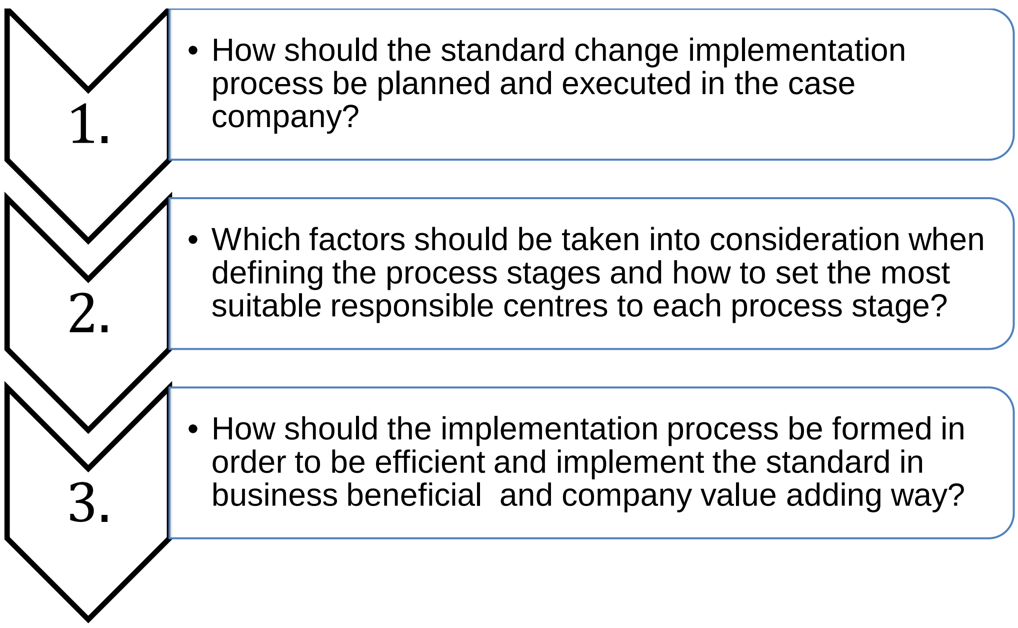

Figure 2: Sub questions in searching the answer to the main question

The base behind the need and idea of building up a strategic implementation tool for IFRS change implementation is the existing research and a theoretical approach leaning on them. The evidence is collected using the help of this theoretical approach by interviews and through observations in the case company. Closer look to research method and research structure is provided in later subchapters.

1.3 Scope of the study

The scope of the study is limited to incorporate corporations all over the world that are applying the IFRS standards in financial reporting, both mandatory and voluntary users. Because the EU's decision in 2002 it is mandatory to all companies listed in EU's any stock exchange markets to use this set of standards, and therefore at least all the EU listed companies are included in to the scope. Also many other countries are requiring the adaption of IFRS. As mentioned before the USA is considering a gradual conversion to IFRS, which means that the IFRS change implementation might be the truth in the future also in USA.

The case company is a large sized stock listed Finnish company with almost 20 000 employees and more than 50 business locations all around the world. Because of the case study method used to exercise the research, the final goal is to provide a suitable strategic tool for this specific company. For the reason that only one company is used in this case study, the best fitting scope for possible usage of the built up process model and implementation tool is much as possible similar companies to the case company: international, large sized and headquartered in EU. More detailed description of the case company is in the chapter 4.4.

The IFRS implementation tool is tested and described with the help of a case standard IAS 17. This standard change causes a considerably large change to the curriculum of accounting leases. The IFRS implementation tool is most useful in situations where a relatively large change is implemented, because smaller changes do not require as much effort as bigger ones. However, the implementation tool aims to take into consideration also different standard change cases than this particular one, to be able to be used in variable standard change situations. The planned research result, a strategic implementation tool, is meant to be a generic framework that could be used in many cases, but in this study it is only limited to be tested with one case.

The case study is executed in a case company, which only has one perspective regarding leases. They are a lessee company with no leases as a lessor. This means that the scope is defined to concern lessee companies, and so leaves out the lessor part of the case standard. The research result, implementation model, is meant to be fitting for other standard change implementations as well, so this scope definition is concerning only the case study part of the research. Related to the standard's setting limitation the term lease is defined in this study only to be equivalent to IASB's definition of a lease.

One important issue regarding a financial function is taxation. Because all the countries have a national taxation laws and regulations this part of the financial entirety is impossible to handle in this study. Thus the scope excludes taxation.

The research paper is limited to be written mostly with an accounting approach because the IFRS implementers in the case company are employees in accounting department. However, in interviews also the case company's staff members from other than financial function are interviewed in order to declare a general IFRS knowledge. The purpose of including also other than financial staff to the study approach is to create an understanding how IFRS application is seen in wider perspective in the company and what kind of effects do the standards have in perspective of business actors.

This study applies an approach that companies would rather want to prepare well for the standard changes than to end up evaluation of already happened changes. Many Finnish companies follow closely the IASB's actions and also consulting houses arrange update trainings continually. This supports the research perspective to assume companies to be willing to prepare the change actions before the actual change moment. The research result, implementation model, points out the importance evaluating the change effects after the implementation, but the main focus of the study is in preparation action before the standard change implementation moment and implementation process when executing the standard change at first.

1.4 Research methodology and data collection

This dissertation is conducted by using a qualitative research methodology, which means that the text is a characterised description. The idea of using qualitative research methodology is to get an in-depth understanding about the research subject by analyzing the topic with the research approach.

The first part of the study is a subject analysis through literature review and a theoretical research which has been done in this area of study. The aim of the theoretical analysis is to gain an understanding how international regulations add quality to financial reporting, how process models can be used in business management according to theory, and how process improvements can add value to companies. Different theories are presented to build up a good theoretical base for an empirical research. The theoretical combination of an institutional theories that build up a base for accounting standard usage and the management theories concerning process oriented business structure and maximizing the effectiveness in a company is described in the below presented figure 3.

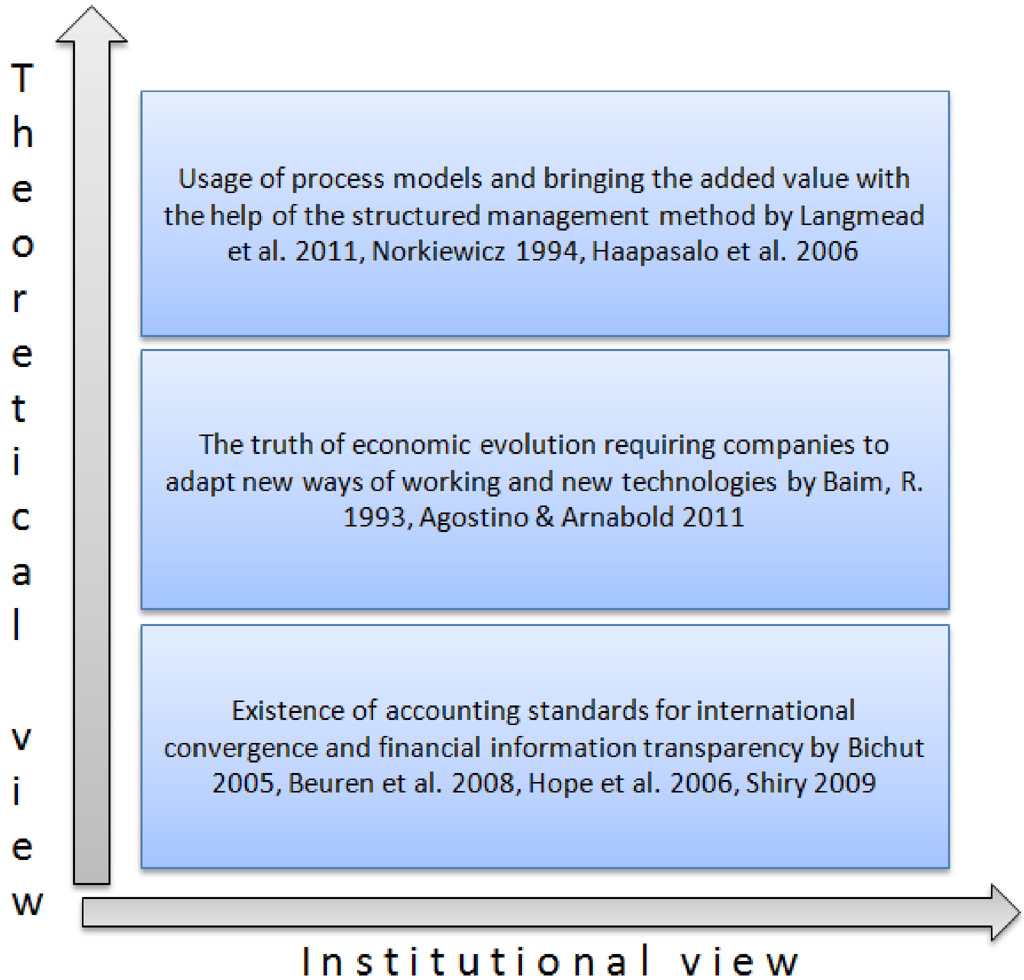

Figure 3: The combination of theoretical background

The data in a theoretical part of the study is collected from scientific databases and consists mostly of earlier written articles and research papers. The Important discussion topics for this study are divided to the following three categories: the need for international accounting regulations and comparison of US GAAP's and IFRS's opportunities to respond to this need (e.g. Bichut 2005, Beuren et al. 2008, Hope et al. 2006, Shiry 2009), the continuous economic evolution causing many implementation projects in firms (e.g. Bichut, D. 2005, Baim, R. 1993, Agostino & Arnabold 2011) and the usage of process models and possibilities to add value by improving processes (e.g. Langmead et al. 2011, Norkiewicz, A. 1994, Haapasalo et al. 2006). These three areas are all related to this research paper since the goal of the study is to form a process model that can be used as a strategic implementation tool when applying IFRS standard change in a business beneficial way. There is a complex and multi-dimensional need for all of these three theoretical views as a base of this study, since the view of applying a process model in IFRS change implementation is new way of thinking.

The latter part of the study is an empirical analysis. The empirical analysis is executed through a case study method. A Case study method and a qualitative approach are used to collect evidence about the theoretical matters presented earlier in theoretical part of the study. The research result, a process model, is then defined by modifying the existing IFRS implementation models with the help of collected evidence by using the inductive reasoning.

The case study is conducted in a large international corporation. The case standard is selected to be IAS 17 "Leases" –standard because the timing for the IAS 17 change implementation is suitable for this study. The IASB and FASB published an exposure draft (ED) of IAS 17 in September 2011 and re-exposured that in 2013. The final standard is predicted to be ready in 2015 and effective in 2016. Further information about the case company and the case standard is provided in chapter 4.

The case study method is a good method to collect evidence for building up a standard implementation tool. The qualitative methodology gives an opportunity to describe the implementation process and the effects of the standard change implementation. Using the case study methodology to research the execution of the implementation process is the best way to answer questions “how?” and “why?”. The methodology also enables the use of triangulation in data collection. Three different data collection models are used in the study: interviews, observation and researching the archives. Both practitioners and academicians will value of the case study. Practitioners will understand better the IFRS change implementation process and presumably also reach a better way to organize the process. Academic world can also gain by understanding the link between quality management and financial accounting methods. However, because the case study approach the results cannot be generalized, and further investigation is needed when examining a new case.

The scientific value of this study is filling the gap in research of IFRS change implementation after the initial IFRS implementation. Many researches and articles are made about implementing new management accounting methods, whilst implementation of financial accounting methods have not received same kind of interest in researches. Researchers have also had loads of interest in first time IFRS implementation. However, the later IFRS adoption after the major shift is lacking of research information. There is loads of related literature available when researching one specific IFRS change implementation e.g. how did IAS 18 change effect to financial statements, but the general process model for helping to success in any IFRS change implementation is not defined. The need for this kind of strategic tool obviously already exists, because the IASB has published a long list of upcoming IFRS changes. These up-coming changes should be implemented to existing IFRS adaption without making a quality of reporting to suffer from new standard implementations.

1.5 Structure of the study

The dissertation paper has been organized as follows. In the chapter 1 the topic and its background are introduced. This chapter also summarizes the scope and limitations and methodology used in the research. Second chapter builds up an understanding for institutional facts behind the topic. This chapter rule the reasoning behind the standard implementation and internationally universal ways of financial accounting. The chapter 3 is a theoretical framework for process optimization. This chapter concludes the management theories for process design and process oriented management style. Using processes helps the organization to form a common understanding of different functions and it also allows to find the functional errors more efficiently. Total Quality Management approach is in a hub of this theoretical chapter 3.

The latter part of the study focuses on the empirical research. The fourth chapter introduces the facts behind the case study. This chapter focuses on the research method, data collection as well as details about the case company X and the case standard IAS 17. Chapter 5 focuses on the findings of the empirical research. This chapter introduces the topics that were discussed during the case interviews, and so puts out the data that were collected for the final results. Also the main findings (the process model and process management tool) are formed in the latest sub-chapter in the chapter 5. The final chapter 6 concludes the paper in hand and also suggest topics for a future related research.

2 Institutional framework

This chapter explains the institutional framework for the study. Case study is related to IAS 17 standard implementation that concerns lease accounting. The way to communicate the result of the change in IFRS to investors and all other stakeholders is the published financial information. In the beginning of this chapter the concept of companies' investor relations and the value of financial information and financial information's quality are described briefly. After that two dominant standard bases, which are the main tackling things against the convergence problem are introduced briefly. At the end of the chapter main differences related to the case standard IAS 17 between the two dominant standard sets are introduced. Since some of the differences in international accounting ways still exist, it naturally leads to improvement and thus changes in standards. The last sub-chapter describes the nature of the change in the case.

2.1 Investor relations and financial communication

Dolphin (2004) wrote that Investor Relations (IR) is the communication of information relating to a company to the financial community, analysts, investors and potential investors. The other way of seeing the truth about the IR is to suggest that to be a strategic corporate marketing activity. However, financial disclosures are a legally determined way to communicate financial information in association with annual accounts to all stakeholders. IR is regularly a part of integrated corporate communications and the objective of IR is to create a long-term interaction between the organizations and their partner groups. (Cole 2004)

According to Allen (2004) the first public company was founded in 1814. The public way of financing companies' activities and expansions became popular soon after the first foundation. During the first hundred years from the initial public funding model execution there were no regulations for financial information publishing. Later the control has become stricter and nowadays there are detailed rules for financial disclosures in each regulation basis. Annual and quarterly filings made by Securities Exchange Commission (SEC) are originally dated back to 1933 and 1934. Originally inspired by SEC the other standard setting board IASB has also made their own filings for financial information. These filings are still the main sources for investing public to follow companies' performance (Fick 2010)

It has become increasingly important for public companies to create good media reputation also when considering financial information. Both private and institutional investors form a substantial stakeholder group, and so the public companies have a need to satisfy the shareholders' will. In his article Dolphin names some benefits that a good IR and well prepared disclosures can create: improves overall corporate performance, attracts quality employees, lowers costs, increases prices and creates competitive barriers. The successful IR decreases the risky position of a company and thus affects positively to a share price. Fick's analysis (2010) also supports the view of benefitting from high quality disclosures. In his paper he claims that disclosure quality effects are for example experience smaller bid-ask spreads, greater analyst coverage, more accurate earnings forecasts, and lower cost of debt and equity capital. (Dolphin 2004)

Even though, Dolphin complains that disclosing more than less is always better, estimating the decent level of disclosed information is more complex balancing process. Any business environment is not stable, and thus requires continuous adaption of new economic scenarios, business methods and governance interactions which all can effect on financial information gathering and publishing. There will always be a natural information asymmetry existing between business managers and investors. (Fick 2010)

The intangible assets and off-balance sheet liabilities are often a significant portion of company’s value. Thus the increasing focus on the disclosing these categories with high quality have naturally been as a focus of investors’ interest. According to Dumitrescu (2012) almost 75% to 90% of some large sized listed companies’ value is constituted by intangible assets (for example this is the case of companies Dell and Coca-Cola). She also states that in many cases the intangible assets could be analysed and disclosed even more extensively. (Dumitrescu 2012)

2.2 Cross boarder comparability and convergence

Twenty years ago a researcher R.K. Goellz (1991) wrote: "Full harmonization of international accounting standards is probably neither practical nor truly valuable”. Nowadays this view has turned completely upside down, and in 2007 Financial Times wrote: “The goal of a single worldwide accounting language has long been a dream. Today it is fast becoming a reality—and the pace is picking up.”

Within a relatively short period of time international convergence of financial accounting has evolved notably fast, and today the widely held view is that IFRS will be adopted eventually in virtually every nation. The driver forcing financial world to move towards one international accounting way have been especially globalization of financial markets and companies’ international operations. Multinational organizations are functioning in so wide area that very large number of differing local GAAPs can be in parallel use while there is also a need for combining the financial information in corporate level. The story towards one common financial accounting language has come to a point where there seems to be only one viable candidate left: the IFRS.

Prior to the middle of the 1990s large companies did not depend primarily on the equity capital markets for long-term financing, because their primary source of finance were banks and family sources. Banks and family did not need as detailed financial information as equity investors, whose only information source is the market information published by stock listed companies. From 1990 onwards the equity capital markets have begun to expand and become more vital in numerous countries around the world, and for this reason also the need for comparability has increased.

The catalyst instrument towards the ultimate goal to become reality has been a wide approval of IFRS accounting. International Financial Reporting Standards represent a principle-based approach to accomplish financial accounting. These principles have enabled the application of IFRS to countries with diverse accounting traditions and varying institutional conditions. Principles are interpreted with the best possible knowledge and expertise, so the only requirement is to guarantee the consistent good level of accounting knowledge in every country and in every company.

One main approach of IFRS is the belief that a true and fair view on accounting issues provides higher quality financial statement data compared to a conservative accounting approach with strict ruling. True and fair view accounting depends on difficult-to-verify information, so the quality of this information depends on management incentives to report reliable information, which is a part of the IFRS approach. The problem with the strict ruling have become the question: “Is this forbidden?” The challenging pert of setting strict rules is that there is most probably always some lack of details that leaves an opportunity for abuse. (Bolt-Lee and Murphy 2009, Carmona and Trombetta 2008)

The most common economic rationales linked to the word convergence are transparency, comparability and quality. Generally the expected advantages of one accounting language include reporting consistency, enhanced global competition and improved financial reporting transparency, manifest, particularly as internationalization of business activity becomes the norm. In summary the change would lead to greater market liquidity, a lower cost of capital and a better allocation of capital. The lower cost of capital would be a result of lowering the riskiness. The most beneficial the change would be to multinational companies, because the cost of capital from different markets will be lower and they can save labor costs when they will no longer need to report under several sets of standards. Many studies have been made to track the benefits and change effects in IFRS adaption and use. However, the benefits of using IFRS and also effects on shifting to IFRS usage vary across firms and can be difficult to trace upon adoption. (Bolt-Lee.and Smith 2009, Epstein,2009, Hail et al. 2007)

The quality of consolidated financial statement is most importantly related to the manner in which standards are enforced. It is quite obvious that a set of standards can only direct companies for a better quality in financial accounting processes, but the real internally controlled accounting work needs to be done with an efficient and expert way to complete the reporting with high quality. The IASB has created the International Financial Reporting Interpretations Committee (IFRIC), a body that proposes official interpretations' subjects that are finally approved by the IASB. The IFRS set of standards offers interpretations to relieve the accounting process and clarify IFRS' bright-lines. (Bolt-Lee.and Smith 2009)

Like mentioned above both comparability and convergence of financial reporting has increased significantly during the past decades, but also there are still some issues that cause differences in reports. One of the highlighted problems is that even though the international set of standards exists nowadays, there are still some national regulations in every country.

IFRS has not set any rules for the taxation, which means that tax regulations are different in every jurisdiction. Tax advantages can affect to the way that companies report.

One of the most common tax advantage examples is related to lease accounting. Funding capital by lease offers companies to get tax deductions in many countries. This has been recognized also by standard setters, and is promised to be fixed in the near future. Standard setting bodies are working towards the goal of high quality and internationally convergence standards every day, and the biggest problems harming the convergence will be taken into account in the standard context sooner or later. (Zeff 2007)

2.3 Two dominant standard bases: IFRS and US GAAP

Since USA is the biggest market in the world, the US GAAP has been dominating global financial reporting for decades. The US GAAP's extensive and detailed reporting requirements designed by the FASB and the SEC were commonly seen as the quality benchmark to which other countries aspired. After many high-profile corporate collapses, US GAAP has received a lot of criticism. According to the critic auditors cannot object to some accounting practices to hide questionable transactions. The practice of very strict rules does not allow flexibility enough to auditors to ensure the fair recognition of all financial information.

IFRS standards do not have the same issue of being built up in a patchwork fashion over time. IFRS is a relatively new standard base and thus had an opportunity to incorporate many already proven best practices. IFRS represents a fresh start in an accounting world. US based SEC's and FASB's final green light towards IFRS was a commitment contract called Memoratum of Understanding issued with IASB in 2002. The explication of this FASB's decision to co-operate with IASB is easily seen: US GAAP's great success as a dominant standard basis has come to an end. SEC confirmed this in 2003 when the board finalized a statement on its short-term convergence project. Even though the convergence co-operation of IASB and FASB has already started and is an on-going process all the time, it only means "convergence" implies moving towards each other, not necessarily being the same. (Lange & Howieson 2006, Rusnak 2009)

One of the biggest reasons why people all around the world are seeing the opportunity in IFRS is that this set of standards has a fresh point of view. The standards are not tending to copy US GAAP, but offering a new start in reporting. Reporting is a window through which the investing world sees company's business performance. The IFRS recognizes this fact, and that is why IFRS affects not only to reporting and accounting but also to investor relations and other areas relying on accounting information including tax, IT, HR, and legal. The best practices of business performance management exist in an environment that reconciles fundamental business strategy with essential drivers, stakeholders, and enablers. Not only the internal views about organizational performance should be taken in to consideration when making decisions, but also the attitudes and expectations investors and customers. The conversion to new standards is a good time to re-evaluate the organization's vision, value drivers, and performance metrics, and then to incorporate such re-evaluation into a loop of continuous refinement and improvement. (Rusnak 2009)

The main difference between IFRS and US GAAP is that the first mentioned is principle based whilst the US GAAP is rule based. For this reason IFRS offers significantly less specific guidance on the details of implementing the new accounting rules, they place the onus on companies and their advisers and auditors to create practices that sufficiently capture the substance of transactions. (Rusnak 2009)

2.4 Differences in lease accounting between IFRS and US GAAP

The application of IFRS is not mandatory in USA yet, but many firms and professional organizations are supporting them. The IFRS is the most topical reporting issue of the 21st Century and regardless of the location in the world it is crucial for analysts, managers and auditors to understand IFRS. It is important to understand the key differences between the two sets of standards: IFRS and US GAAP. This sub-chapter introduces the differences in the current way of accounting leases under the lease standard IAS 17 in IFRS and SFAS 13 in US GAAP. (Smith 2012)

Both standard sets include the classification between the two classes: financial lease (capital lease in US GAAP) and operating lease. It is also common that these two categories of leases have their own accounting rules. However, the classification criteria are differing. Under the IFRS companies' determine the nature of the lease by evaluating the purpose of the leasing activity and the responsibilities related to the transaction. Under the US GAAP companies are required to do four different tests in order to discover the nature of the lease. (FASB, IASB)

IAS 17 standard defines that the classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Risks are possibilities of losses in the asset value. Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realization of a residual value. A lease is classified as a finance lease if it transfers substantially all the risks and rewards to lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards when the ownership of the asset is given to the lessee. The classification evidence should not be only the leasing contract but the truth and fair picture about the nature of the leasing activity. (IASB 2004)

While the IFRS requires its users to consider risks and rewards related to the leased asset when classifying the leases, US GAAP advices to take four below described tests: (Harris&Buchman 2014)

Test 1: Transfer of Ownership Test: If at the end of the lease term, ownership transfers to lessee, then this test is satisfied.

Test 2: Bargain Purchase Option: If the lessee has the option to purchase the lease at a bargain purchase price, then this test is satisfied.

Test 3: Economic Life Test: If the lease term is equal to or greater than 75% of the economic life of the asset, it is a capital lease.

Teat 4: Economic Recovery Test: If the present value of the minimum lease payments is 90 percent or greater of the fair market value of the asset then it is a capital lease.

If one of the tests is satisfied then the lease is classified as financial lease. If all the tests fail then the lease is treated as operating lease.

2.5 Mandatory accounting changes

There are different changes that re-shape organizations and a change may be viewed from a number of perspectives. Usually the word change is associated with a complex process. Things like change resistance and consultants are usually linked to the organizational change. However, in this study a change is discussed from an accounting perspective and defined as an outside imposed process, which goals are well defined. In this chapter couple of theories are introduced to clarify the type of an accounting standard change. (Williams 2007)

T.L. Russ describes two different categories of change: Programmatic and Participatory. Programmatic framework disseminates specific and concrete direction about the change in a linear top-down approach. The programmatic change is externally parametered. Accounting standard change is always classified to this category, because of their nature of being mandatory and because the direction of the change is defined by standard setting board. Change exercising methods are designed with predetermined outcomes and exhibit the following structural elements:

1. The roles in which employees are cast during the change effort are very simple, rigid, and specific.
2. The goals of the change effort are imposed, uniform, single, and clearly defined.
3. The rules of the change effort are very specific, prescriptive, fixed, and constant.
4. The stakeholders and leaders interact through few specified change communication channels, and top-down information transmission is predictable, low in ambiguity, and coordinated using prescribed patterns.
5. The evaluation criteria for assessing the change effort are well defined, predictable, and uniform.

All the changes are different and one way to categorize them into different importance categories is to divide them to macro and micro level changes. At the macro level the most salient issues are in decision-making issues. Micro level changes are often about smaller definition and content redesigning tasks. Notifying the importance and scope of a change is crucial for further change process designing. This is important also when considering the accounting standard changes, because smaller changes can be handled in a different way to those which are important and need more actions and focus to be implemented. (Orman 1998)

3 Theoretical framework for process optimization

The goal of this chapter is to define essential terms used in the study and give a basic understanding why process definition and process optimization are important issues. The chapter begins with the definition of the type of mandatory accounting changes and attaching the benefits of designing also non-business processes to an accounting process. Then the benefits of process improvements are rationalised with the Total Quality Management (TQM) approach, which also offers instructions how to build up an efficient and well-defined process. When the reasoning of process-orientated approach and management style are certified with the TQM theory, previous process models for IFRS initial implementation are presented as a platform for later modifications in the empirical research.

3.1 Benefits and success factors in process modelling

Process modelling in business has gained a general acceptance through research during the past decades. It has been proved that the process modelling is valuable design and a management technique for a variety of purposes. Mapping the processes in all parts of a corporation can lead to a more holistic understanding of how organization works. When the processes are well mapped, the errors can be found more easily in the future. Spending an adequate amount of time in designing processes leads in most cases to a more efficient way of working. (Bandara et al. 2005)

Eagan (1998) wrote a long time ago about the strategic benefits in process modelling. Today it is a commonly accepted idea that process maps are useful in project management. Even though the circumstances are different in each and every project the generic process flow often remains consistent. The objective of a process model's implementation is that the model is not only used in one project, but in all different kind of projects allowing consistence in similar projects and avoiding double designing work.

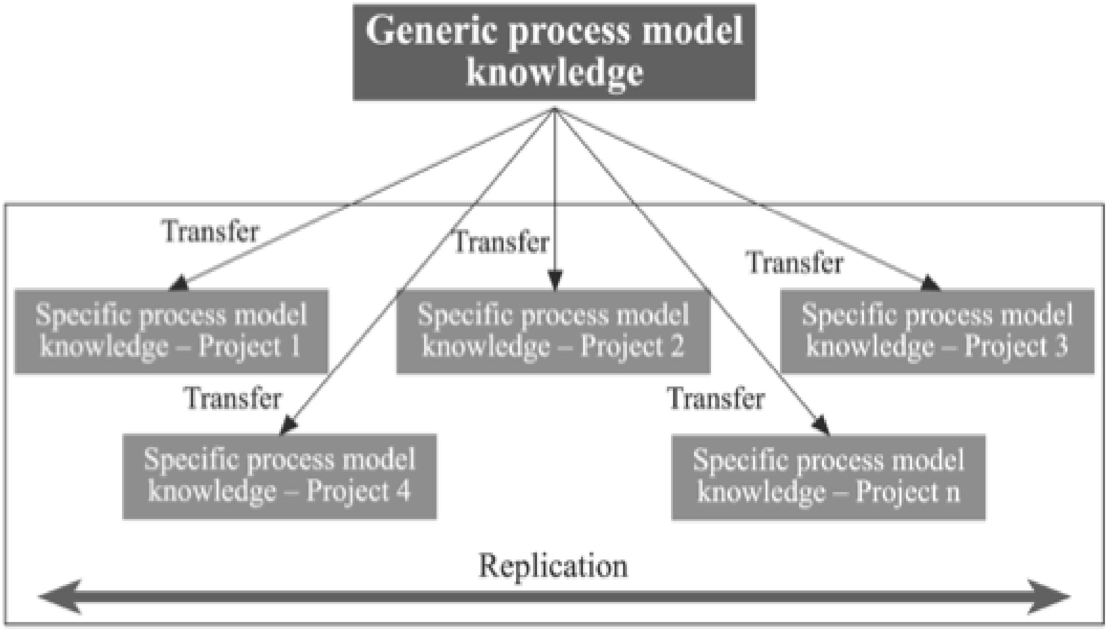

Figure 4: Generic process models usage in several different projects (Tzortzopoulos and Sexton 2005)

Latham (1994) put the focus on definition of different project stages in order to be able to determine each work step. Processes can be broken up into smaller parts, which are smaller versions of the whole operations of which they form a part. This means that smaller processes than important business processes can also be important to map out. This view encourages all organization units to define their processes. (Matsumoto & Stapleton 2005)

Process mapping exercise can be executed in several different ways. The designing work can lead to different results, but the most important thing is that process models can transfer the knowledge and define the process in a reasonable way. The most common failure in this exercise is that the information is not readable to all users and it is misunderstood by later users. A Checklist format is one option to modify process maps. It is considered to be useful for two main reasons: 1) it is familiar format to present information and eliminates the possibility for misunderstandings 2) it is practical in projects.

Process design is challenging work and requires a broad skill set from the modeler. The information about the process comes from staff members and is gathered usually through interviews and observation. Finally the designer needs to have analytical skills as well as talent to communicate and facilitate the process in order to succeed in the design work. The challenge is to form an iterative building method for modeling the process that includes a variety of related people. The designing phase can only lead to a successful process design if the process modeler's analytical skills can combine different elements of the process in suitable way with correct relations. (Buchnan & MaMenemy 2012)

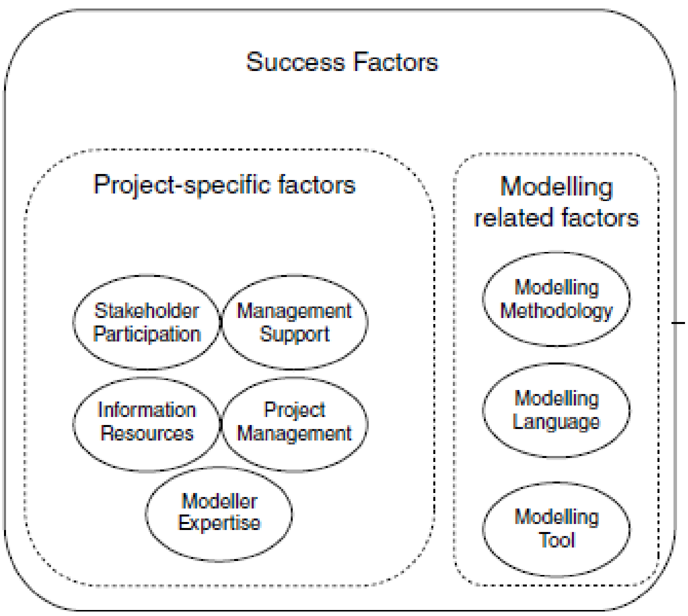

Figure 5: Success factors in process modelling (Bandara et al. 2005

Different perspectives have described the best practices to build up a process model, but only a few studies focused more closely to the critical success factors in any type of process modeling. Bandara et al. researched the process modeling with the goal of reach an effective and efficient process which usage will lead to an improvement in work quality. The success factors were found though case studies and they are shown in the figure 5. The most important initiative when starting the process modeling is management's support. Only with the help of management the process can be set as productive and the funding for the process is also dependent of them. The second important factor is user participation across the modelling process. All stakeholders to a process are the only ones able to give truthful information about the process flow and thus are crucial part of the designing work.

Not only project-specific factors are enough to succeed in the process designation. These factors are very important in order to get the work started and to finish it with the process that is allowed to be transferred to production. However, after the data collection and funding issues are completed the final process design is done by a modeler. This person needs to have both personal good analytical skills and a logical modelling language and tools in use. Only with a structured way to put the processes in sight the organization can manage to understand all processes as meant and learn to work accordingly. (Bandara et al. 2005)

3.2 Continuous process improvements according to TQM

Effective process management includes a set of concepts and practises aiming at better process stewardship. Total Quality Management approach presents theoretical modelling to improve processes by optimizing the way they are exercised. According to TQM a proper process optimization leads always to cost cuts. The summarized idea of the TQM fundamentalism is:

“better, faster, cheaper”. TQM approach’s aim is to integrate quality control and existing management tools in a structured manner. (Haleem et al. 2012)

To understand and to able to use the TQM approach in an efficient way, it is important to define few essential concepts related to the theory. To begin, the most important term “process” is defined. Process is seen as a work that has to be done. To continue, next definition is for “process improvement” which is optimizing the quality, cost and schedule attributes for a work that has to be done (=process). (Baim 1994) Total quality management as a concept name is rarely used anymore, because the new replacing name “continuous process improvement” is more accurate description. (Miller 1994)

Baim (1994) has divided implementation of a continuous process improvement approach to ten different levels. By following these implementation steps a company can certain to reach the benefits of TQM. The ten steps are listed below:

1) Identify processes in each organizational unit
2) Identify all customers for each process
3) Identify process owners to each process
4) Perform process assessment
5) Define process control model
6) Begin a regular measurement of process attributes
7) Implement process improvements
8) Integrate the process control model
9) Establish formal self-assessment routine
10) Integrate process control model into other corporate requirements

Identification of the existing processes is the first action to take when starting the establishment of TQM. In second step processes' customer identification includes both internal and external customers. The internal customer identification should be done with the help of an organisational chart. Defining the customers usually reveals unknown things about the process and if the processes has been out of control. The natural roll from the customer identification is to continue by defining responsibilities asking the question "who completes each process step?". This review ends up with knowledge of process owners.

When assessing the process further, the process flow with its associated actions is defined. The process model that is the result of assessing and defining the process is meant to be helpful both for management and employees. A Process control model, which is defined in the next (fifth) implementation level, can be very simple tool for tracking activities and monitoring performance. After the control tool has been built up, regular process measurement is ready to begin.

The objective of TQM approach (better, faster, cheaper) is reached when the process measurement and control model usage leads to the first improvement ideas. These improvements to processes are implemented in implementation level seven. New process model and integrated monitor system help to set requirements for processes in all organization units. Finally a self-assessment routine could be established by setting a date for process review in each period of time. Implementation level ten reminds that the same method of process improvements can be used within the different organisational units such as in reporting unit, customer service unit and marketing unit. The idea is that the approach does not limit the implementation area to a certain part of business.

The truth is that TQM and continuous process improvement theories have also received loads of critic. The critics accuse that managers should not only think about the processes. They have to understand that a process orientated reality is only one view and going towards a sustainable and profitable growth requires also the understanding of a wider business picture. However, related to the focus of this study where the IFRS change implementation process is only partly affecting the main business, this kind of critic is not accurate.

The comment by Chinta & Kloppenborg (2010) "Process management and various types of projects are both essential to lay a foundation for sustainable, profitable growth" summarizes perfectly TQM theory's relation to this paper in hand. The idea is to emphasize that defining also smaller processes than important business processes is important for a corporation and encourages all employees to use process models as a help in their work. (Chinta & Kloppenborg 2010)

TQM combines methodological approaches with human resource management elements. According to Motwani et al. the evidence recommends to use team-based structure in designing and implementing processes and also renewing processes. The figure 6 shows the five factors, which are linked together and need to be understood in order to be able to end up with successful process definition and model. This combination of different organizational factors is called change environment circle.

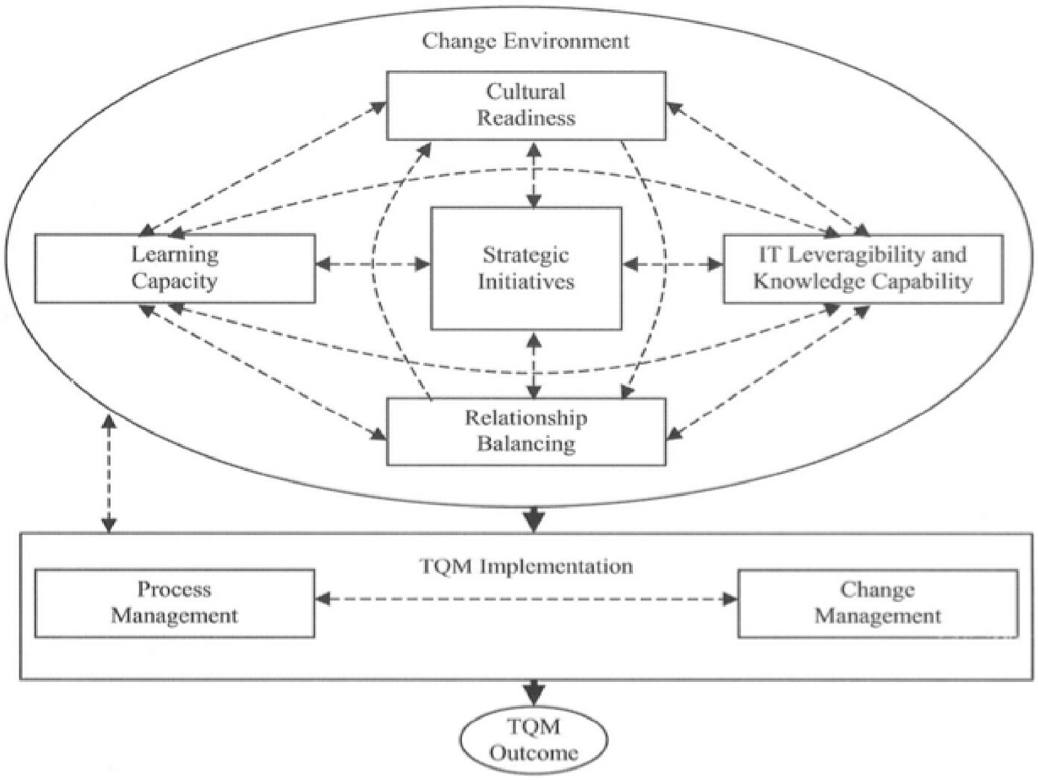

Figure 6: Model of Business Process Change (BPC) (Motwani 2005)

Process change typically begins with strategic initiatives, and for that reason "strategic initiatives" is the centre of the figure 6. However, process changing project includes often learning through small things as opposed to being revolutionary. Successful process management uses process measurement tools to follow-up the processes after process models are defined. Process measurement can be accomplished with the usage of e.g. quality control or case tools. Documentation supports the process observation, and it can be executed e.g. by process flow chart analysis.

The figure 6 shows how the five factors in a change environment circle are linked together. All these factors need to be recognised in order to be able to create a good change environment. Once the factors are in place, change project management and process management initiatives start to occur.

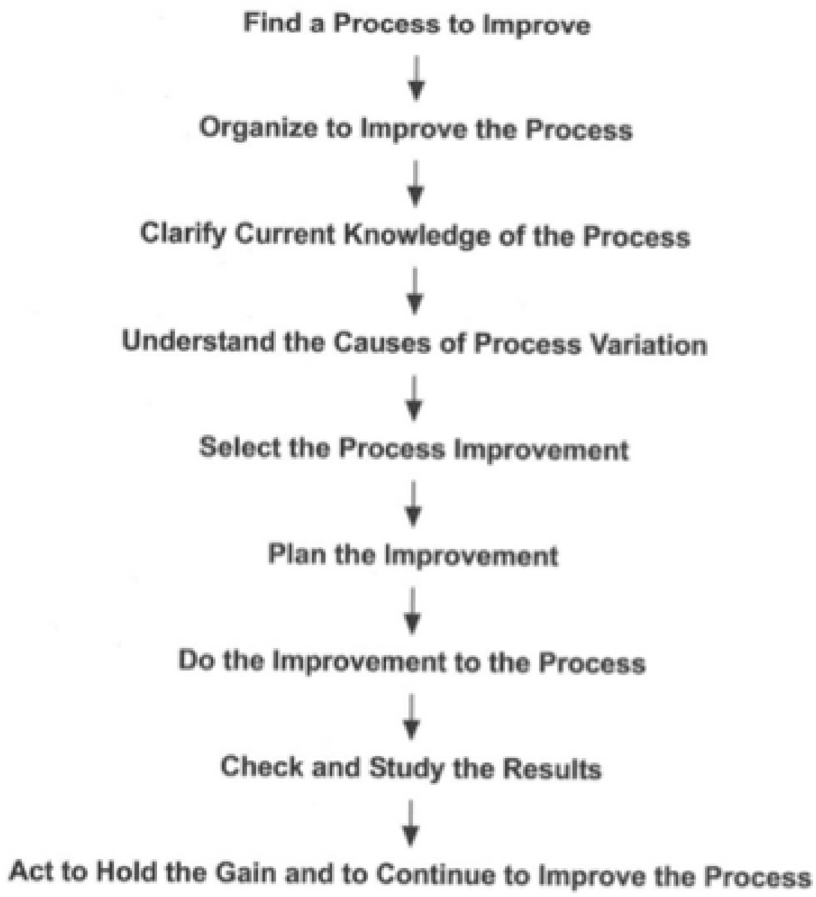

Figure 7: Process improvement model (Motwani et all.,2005)

Motwani et all. present the process improvement flow in the figure 7. This picture gives an overview of the focus points needs to perform according to the TQM approach. One of the most significant conclusions of their study is that there is a strong link between information systems (IS) literature and TQM literature. IS play an important role in process improvement, since nowadays processes are often measured and controlled via information systems. IT's relation to the theoretical framework is described in more detailed way in the chapter 3.3.

3.3 IT supporting the change

Information Technology (IT) creates opportunities to support business in several ways. Being able to choose the best IT solutions from the wide supply pool is a valuable skill. IT contains many diverse technologies that can support a variety of organisational processes, because each part of the business has their own specific needs. IT is meaningful and big part of 21st century's organisation functions and thus usually all kind of process changes cause some IT change needs whether only modifications to the existing systems or purchases of new systems. In the IFRS adaption and also in wide IFRS change implementations the main reason causing a need for IT change is that usually a number of data entry points significantly increases. The new data is required whether in financial statement or disclosures. (Orman 1998)

Especially business processes are usually supported by different IT solutions. These days also many support functions are supported by specialized software. For many years real estate function was ignored in software business, when providers' attention was caught by functions that need more obviously software support such as sales, order management and accounting. Nowadays corporate real estate managers use so systematic approach to map and manage their real estate portfolio that it is hard to manage the function without a proper information system (IS). The need for real estate software has created a market also around this business area. Organizations must understand that IT is a part of any implementation process and recognizing the critical issues concerning the IS solutions solves many issues. (Cooper & Zmud 1990)

The best way to choose the most fitting software for a specific need is to make a decision together with both real estate people and IT staff. The following check list contains very useful information when real estate employees need to take part to the IT decision making. The meaning of the list is to direct the focus in important issues when considering different options. (Orman 1998)

1. Evaluate and understand processes: Map out your processes. It is highly important to understand the core requirements. Recognise all the real needs such as currency needs and language needs.
2. Avoid non-essential features: sellers can promote program capabilities that you don’t need. Keep in mind that all the unnecessary features are not useful and could be confusing to end-users.
3. Benchmark: talk with more than one company that is already using the solution. This is the only way to find out how the system really works and get the answer to the questions like how long is the response time when help is needed.
4. Test the interface with existing systems: prefer software that can transfer the data to the other existing systems, check the interface opportunity.
5. Confirm the IT support and responsibilities: Use legislation help when considering to take hosted version of software to make sure who is responsible to save all data and so on.
6. Ensure costs: investigate all kind of cost types that the vendor could invoice and look at all the implementation costs when making the decision. For example update versions and consultancy can be separate fees that should be taken in to project calculations from the beginning.
7. Certificate that the vendor company’s business has a good future: make sure that the software is able to work in the future, that you will not end up with the collapsed version. Avoid funding initial software development, because that is usually very expensive.

8. Implementation recourses: Evaluate the implementation process and how much effort and recourses are needed to exercise it. Training and data collection can be very laborious.

Much focus has been put to understanding the IT implementation process and it's success factors. It is important to understand the value and meaning of IT solutions for any process change in organization. Also related to this case study the IS as a feeder of a database is meaningful to understand in order to design a comprehensive process framework for IFRS change.

3.4 Initial IFRS implementation tools

IFRS initial implementation is a challenging process that can last over many years with its different actions and evaluations. Controllers report (2011) wrote an article about the IFRS adoption saying: "It may take several years to work through the various stages of initial discussions, heavy planning, the diagnostic period, the design stage, implementation, and parallel reporting before getting to completion. In addition, the transition to IFRS will have far-reaching business consequences, affecting not only external financial reporting, but also business strategies and policies, business processes, people and resources, internal reporting and financial reporting systems." The arising question is how to do the proper analyses and what factors should be considered to make the process in best possible way.

IFRS implementation will soon be topical in Japan and some other countries. The largest work would still be in US markets if SEC will mandate the IFRS in the near future. On-going convergence between US GAAP and IFRS has inspired academic world to establish process models and process tools for initial IFRS implementation as well as preparation frameworks for the IFRS implementation. Financial information is the window through which capital markets view a business's performance, and thus the financial accounting is not only for fulfilling the legal requirements but an opportunity to reform business in a way that makes it more valuable. (Rusnak 2009)

Langmead et al. (2011) thought that since so many organizations are facing the same issues with IFRS implementation would it be helpful to have a tool for assessing the process in universal terms. They designed that tool, which purpose is to provide basis to a company for developing an assessment and implementation instrument for IFRS initial implementation. This tool is mentioned only to act as basis for the final assessment and implementation instrument because no company can avoid the work of modifying the process framework to fit exactly to their own organization. The tool introduced in this chapter is meant to be used mainly by medium to large sized companies with number of over-seas activities.

Langmead et al.'s research paper serves companies a check list formatted process model with a meaning to be used as a process management tool in initial IFRS implementation project. The approach to use process framework in financial accounting change process is that appropriately structured process and well defined process management tool could boost readiness for IFRS implementation and make the execution work more sufficient and efficient. (Langmead et al. 2011)

The process model by Langmead et al. (2011) is divided to five different process stages:

1) Initial Assessment
2) Detailed Analysis
3) Designing the Change Process
4) Managing the Change Process
5) Implement and Monitor

Each of the above mentioned process stages are presented with details in its own figure (8-12). Each implementation stage consists of principal tasks. Principle tasks are pointed to certain responsibility centres within the organization. The responsibility centres are then in charge of setting proper control points to each task.

The first stage is initial assessment. The main idea of this stage is to become familiar with the up-coming changes and understand their relevant components and effects. When the basic understanding of the upcoming phenomenon is created, preliminary evaluation of internal and external capabilities and resources can be exercised. It is likely that CFO and his team take a leading role throughout the process. Thus it is natural that the CFO and his controller team are making the strategic significance analysis and all other early actions. This approach can be successful only with a buy-in of CEO, thus the early actions include also CEO’s and Board of Directors (BoD) familiarization with the up-coming change and its nature.

Responcibility Centers	**Principle tasks**
Controllers	1) Initial identification of current differences
CFO	1) Initial assessment of implications including strategic imlications
Information systems	1) Initial familiarization with possible changes
CEO	1) Familiarization with the nature of tasks and implications
BoD	1) Familiarization with the nature of tasks and implications

Figure 8: Stage one - initial assessment: the principle tasks and responsibility centres (Langmead et al. 2011)

The second stage, detailed analysis, is literally more rigorous. In this stage changes' effects are estimated in different areas e.g. accounting differences, effects on debt covenants and effect on contract policies. In this stage CEO should receive a budget estimate and cost analysis. Also both external and internal auditors should be fully informed and the co-operation with them should begin. In this stage also the other parts of the internal organization are to be involved. Their actions are not yet demanding, but the information about the up-coming change is initially launched.

Responcibility Centers	Principle tasks
Controllers	1) Detailed identification od differences and assessment of likely effects
	2) Consultation with internal andexternal audition
	3) Preparation of preliminary project budget
CFO	1) Initial assessment of nonaccounting implications (debt covenants, contract, it system
	2) cost-benefit analysis
Tax Department	1) Assessment of tax implications
Human Resourcas	1) Initial assessment of impact on training and communications
Information systems	1) Detailed IS analysis
CEO	1) Keep informed
BoD	1) Keep nformed

Figure 9: Stage two - detailed analysis: the principle tasks and responsibility centres (Langmead et al. 2011)

In the stage three, designing the change process, all the relevant information has been gathered and analysed. After the analysis the financial organization has a complete understanding of the costs, benefits and efforts needed for the change implementation. A Timeline for a change process can be designed and trainings can begin to the relevant parties. Beginning the communication to the entire organization is important. It is a massive work to get everyone to speak the same IFRS language. Importance of the common accounting language throughout the organization is that everyone understands the content of the new targets and know how the metrics are used.

Responcibility Centers	**Principle tasks**
Controllers	1) Impact assessment on consolidation and other financial reporting software
	2) Further consultation with auditors
CFO	1) Prepare project budget
	2) Prepare change process including timeline and change management structure
Human Recources	1) begin the familiarity training at all levels of the organisation
Information systems	1) Complete IS analysis
CEO	1) Assess risk management and strategic implications

Figure 10: Stage three – designing the change process: the principle tasks and responsibility centres (Langmead et al. 2011)

The fourth stage is called as managing the change process. This stage includes information flows and process anticipations. Changes continue to be tested and training continues.

Responcibility Centers	**Principle tasks**
Controllers	1) Manage change process including simulation
CFO	1) Draft relevant internal and external communications
Tax department	1) Perform continual assessment as convergenceunfolds
Human Recources	1) continue implementation training
Information systems	1) Bagin the system change
CEO	1) Monitor change management process

Figure 11: Stage four – managing the change process: the principle tasks and responsibility centres (Langmead et al. 2011)

The fifth stage, implement and monitor, is a process stage where the full implementation is executed. Remaining communications both internal and external are completed. First cost-benefit reports can be made and compared with the estimates. Since IFRS is not optional, the overall project provides for compliance with new reporting regulations.

Responcibility Centers	Principle tasks
Controllers	1) Implement all changes
CFO	1) Communicate with investors
Tax department	1) Implement all changes
Human Recources	1) support training tasks
Information systems	1) Implement all changes
CEO	1) Monitor implementation and strategy management

Figure 12: Stage five – implement and monitor: the principle tasks and responsibility centres (Langmead et al. 2011)

India has partly moved to the IFRS reporting because the consolidated results have to be in IFRS format already. Because of this recent shift there are lots of research done in the Indian market about the IFRS implementation's benefits and challenges. Ojha and Tandon (2012) made an analysis in Indian bank sector about the key benefits and key challenges that the IFRS applying companies consider to have after IFRS implementation:

List the benefits of implementation of IFRS in your bank	Transparency in reporting Fair valuation of assets and liabilities Enhancement of brand value of the bank Better integration at global level Less time and efforts due to absence of dual reporting system

Figure 13: IFRS implementation's benefits (Ojha and Tandon 2012)

List the issues and challenges related to implementation of IFRS in your bank	Accounting challenges Compliance burden Tax reporting practices IT related challenges HR related challenges

Figure 14: IFRS implementation's challenges (Ojha and Tandon 2012)

While the benefits in the figure 13 are listed to concern only more or less accounting related topics, these new accounting ways can also lead to beneficial changes in business strategies. Rusnak (2009) states that IFRS conversion represents a phenomenal opportunity to re-think, re-root and re-engage the whole organization around the goal of better performance. Organization's better performance can be the following of the new relevant numeric information that IFRS reporting creates. Usually financial accounting information system (IS) is integrated with wider enterprise-level information system and thus IFRS information is feeder of the database. For example, in the figure 13 one of benefits is fair valuation of assets. By getting better fair valued financial information about current assets and inventories can lead to more relevant inventory budgeting and lower inventory levels by allocating inventories more efficiently. This again affects to company's cash flow positively, which usually increases the share price.

4 Research methodology and case introduction

The purpose of this chapter is to explain the background of the case study. The fourth chapter introduces a starting point for this research with introductions of case standard and variables affecting its change and the case organization. The purpose is also to gain an understanding why a case study research method is relevant for this research by reasoning the methodological choice. The first sub-chapter explains a case study method in general terms and describes a data collection process. The later sub-chapters give more details about specific case details. A little bit more focus is put to case standard and case standard change specification, because this particular standard is used in this research as a base of building the process framework. IFRS standards are designed by IASB and confirmed by EU, thus for identifying all variables affecting to the standard change also the role of these two associations is introduced.

4.1 Qualitative research method: Case study

This research is conducted with qualitative approach. Qualitative research methodology is good for situations where a research subject cannot be tested with quantitative research or when it does not make sense to put the research data in numerical format. The qualitative methodology is very suitable for researching natural situation, which could not be arranged as test situation. Both of the above mentioned pieces of evidence are happening in this case study, where the situation is a real standard change process in a natural corporate environment. Usage of qualitative methodology enables the recognition of process of phenomenon.

In qualitative analysis' results are grouped by themes and explained, since they are not as obvious as quantitative research's results. There is not an obvious level of uncertainty in qualitative results, which can always be defined for quantitative results. Instead the qualitative analysis is always processed with some point of view, and only essential evidence is collected. In this study the point of view chosen is from group finance perspective and the object is to form a standardized process that can be run through in easy to manage and include the best practices way.

This research is done as an empirical study with a case study method. A case study method examines a research target with many different ways and collected data is versatile. Scapens 1990 said: “The case study method is not only a good way to research financial systems to understand them, but also a good way to understand how a system works in practice placed in real business environment.” If changed the word financial system to process, this sentence is perfectly fitting to describe the purpose of this study.

The case study method makes it possible to accomplish a deep analysis in one environment and about one phenomenon by intensively exploring a single case. By choosing one case and going through entire case process, the result in most cases is deeper and more detailed analysis than any result of quantitative analysis or other type of qualitative analysis, which references are collected from different sources. By using a case study method for a case of IFRS standard change allows the interviewees to understand how large one particular standard change could be and what it could mean for their function.

One advantage of using a case study method is to create easily understandable and readable research results. For this particular research it is important that people in different corporate levels and corporate functions and departments can understand the research result (process tool), so that the usage of the tool would be effective and successful in the future. This is supporting the choice of case study method. (Cooper & Morgan 2008, Becker 1970)

The case study method can be divided to different categories regarding how much the researcher is taking part to a research process. This particular case can be set to a category named “observing participant”. It is important that the researcher still keeps objective approach in mind, otherwise in the worst case he could become a part of the research subject. This case study includes some constructive elements, because the meaning of the research is to make a solution, and the researcher is a part of the solution-orientated project. (Kansanen et al., 1993)

Qualitative data is in its most simple basis in a text format. For the research purposes the qualitative data is organized to a form where conclusion themes can easily be separated from a single case. The case study researches the details that are unique for this case, and for this purpose it is important to understand the on-going case properly. At the same time the case study method is targeted to research what are common features to all cases under the theoretical topic. The case study can be described to be a step towards generalization of the case result. The objective is to limit the case in a way that results would be useful in similar other cases, but there is always a need of being critical when using results of case study in other cases. Some extra research about any case is usually needed before the results can be proven to be truthful.

4.2 Data collection

Qualitative data’s characteristics are to be rich, versatile and complex. The healthy critic towards qualitative analysis is usually especially focused on the data; how it has been collected and how reliable it is. There are mainly three different ways to collect qualitative data. To guarantee good quality of the research a triangulation is exercised, and all three methods of collecting qualitative data are used in data collection process for this case study: interviews, observation and researching written material in archives. According to Qu and Dumay (2011) interview is always one of the most important qualitative data collection methods, and also in this case study interviews are acting a meaningful role in data collecting phase.

Interviews were done in two different ways. First four interviews were held to understand the ways of working in the case company. These interviews were personnel interviews and structured as themed interviews. Open interview means that a strict structure of the questions is not set before the interview. The themed interview method is a slightly more structured than open interview, but strict questions are still not designed beforehand. In the themed interview the interviewer has prepared a list of themes for the interview. Theme topics in this study were selected to be the most relevant ones for the case study. The chapter 5 is structured to follow the themes discussed during the interviews.

A themed conversation is a good way to collect data when answers are later analysed and the interviewer needs lots of details in the interview. Also the themed interview is a good way to operate when the research subject is completely or partly positioned in history and when there are only a limited number of interviewees. It requires not only the use of various skills, such as intensive listening and note taking to do qualitative interviews, but also careful planning and sufficient preparation in order to get the most out of them. (Dumay 2011)

The titles of the persons that were interviewed for the case study were: Vice president of group control, Manager of group real estate, Company controller of the parent company and Group controller. Some of the interviews were held in several pieces, meaning that some of the interviewees attended a new themed interview for the reason that more questions came out during the case project. All the interviews were carried out in 2011 and 2012.

Table 1: Background of interviewees

Time of interview		Title
23.10.2011		Company controller
30.11.2011	15.9.2011	Vice president of group control
12.12.2011		Group controller
20.12.2011		Manager of group real estate

In addition to personal interviews also an e-mail interview was conducted in the case company. This brief e-mail interview was a short template sent out in total to 10 officers in the headquarters and 20 company controllers. The meaning of this interview round was to gain an understanding what kind of general IFRS knowledge there exists in the case company. These interviewees conducted in 20 different subsidiaries and from six different departments. In total 50% of all receivers replied to the e-mail interview.

In addition to the interviews, one important source of evidence was observation. The observed data is collected between the late 2010 and early 2012. Participating observation method was used to collect evidence via observation. The researcher remained objective enough during the data collection period, and participated the process only as observer. Also some earlier written evidence was collected from corporate archives and other internal data basis. The case company's public financial information was also reviewed for some purposes.

The reliability of qualitative research plays an important role when evaluating results of a study. The reliability of this paper in hand has been guaranteed primarily through a well-documented data collection process. Interviews were recorded, transcribed and all the answers were analysed afterwards. Observation was documented throughout the process, and the content was carefully analysed. When researching archives the notes were taken regarding the main points. The case study conducting process description and analysed data are reviewed later in this study. To boost the reliability of the research results the interviewed people were chosen with the best consideration to respond to the relevant questions.

4.3 Case standard introduction

The case standard is IAS 17 – Leases. This standard has been chosen for this case study because of two main reasons: 1) ED of IAS 17 was released at the time being when this study was in a starting point, hence it was possible to start case study from a real beginning of a IFRS standard change implementation process. 2) The change of IAS 17 has been described as the biggest change in IFRS so far, and that for this is a good standard chance to study in purpose to include all necessary details to an implementation model meant to be build up as a result of the study.

To conduct a comprehensive understanding of the situation of a legal lease reporting in place, a short summary of standard history is provided in the beginning. The present leases standards, both in US GAAP and IFRS, advice to divide leases to two different categories: financial leases and operational leases (the differences described in detail in the chapter 2.4). This distinction has existed in USA since 1976 and in IFRS since 1983, when the first leases standard was issued. Leasing as a business area has grown fast during the few recent decades and this growth has lead to a situation where leasing as a financing method has also become more popular. Some high profiled American companies suddenly collapsed in 1990's because of hiding funds from their balance sheet. There are several ways to hide liabilities from the published reports, but operational lease is blamed to be one of the most used ways for off-balance sheet accounting. This fact has probably been the catalyst of the on-going lease standard development project.

4.3.1 IASB's standard setting process and EU's role in standard setting

It is important for this study to understand IASB's standard setting process because of different standard implementation actions are linked to this standard setting process in later chapters. IFRS presents its standard setting process divided to six steps:

1. Setting the agenda
2. Planning the project
3. Developing and publishing the discussion paper
4. Developing and publishing the exposure draft
5. Developing and publishing the standard
6. After the standard is issued

IASB has its own researchers that are consistently researching the possible targets of change. The final decision to set new items to the change agenda is made in public IASB meetings by voting. The basis of agenda addition is always priorities to maintain the quality of financial information. The IASB also needs to consider factors related to its convergence initiatives with other accounting standard-setters like SEC. When a new item is added to agenda, the planning can start. In the planning stage a working group for a standard Exposure Draft (ED) preparation is named. This working group is a mix of professional senior members. They plan more detailed schedule for the standard development project and work towards IASB's goals.

When the standard development is almost in a ready form, IASB usually publishes a discussion paper, which includes the following: a comprehensive overview of the issue, possible approaches in addressing the issue, the preliminary views of its authors or the IASB, an invitation to comment. After a discussion paper is published discussions about technical issues related to the draft paper take place in public sessions. After a discussion paper publication the ED is next to be published. This is a mandatory step in standard setting process, and an exposure draft is the IASB's main vehicle for consulting the public. Unlike a discussion paper, an exposure draft sets out a specific proposal in the form of a proposed standard. ED is always published for public commentary.

Development of the final standard is exercised in IASB meetings after receiving comments about the ED. Public comments are went through and possible developments are done based on the ideas from comments received. After the comment period IASB can decide to re-exposure a standard and publish a new ED for public commenting. Or if not so many comments are received during the comment period, IASB can directly publish a new standard version. After an IFRS is issued, the staff and the IASB members hold regular meetings with interested parties, including other standard-setting bodies, to help understand unanticipated issues related to the practical implementation and potential impact of its proposals.

The case standard in this study is IAS 17 leases and the following table presents the schedule of this particular standard project:

Table 2: The timeline for IAS 17 change
(IASB updates 2014: http://www.iasplus.com/en/projects/major/leases)

August 2010	**December 2010**	**May 2013**	**2015**
The IAS 17 ED was published for public comments for the first time. This project is a joint project with FASB.	The first comment period ended: As a result IASB received 786 comment letters.	IASB and FASB published a re-exposure draft for another public comment period.	IASB and FASB are aiming to finish the standard project by publishing a finalized standard in 2015.

The above table presents a summary of a lease standard project. The very first steps of the standard development project happened in 2006, when the standard was added to IASB's agenda through convergence work plan with US GAAP (MoU). The discussion paper was open for comments until July 2009, and after that the working group formed an ED in 2010. The ED received an extremely large amount of comments and also over 200 discussions were held about the contents of the standard proposal. Because of the amount of received feedback IASB has decided to re-exposure this standard in the beginning of 2012 but later this second ED was delayed to publish in the mid 2013. This meant that there was to be another open comment period before the standard will be finalized. The current plan is to get the standard in a final format in 2015 and effective in 2017.

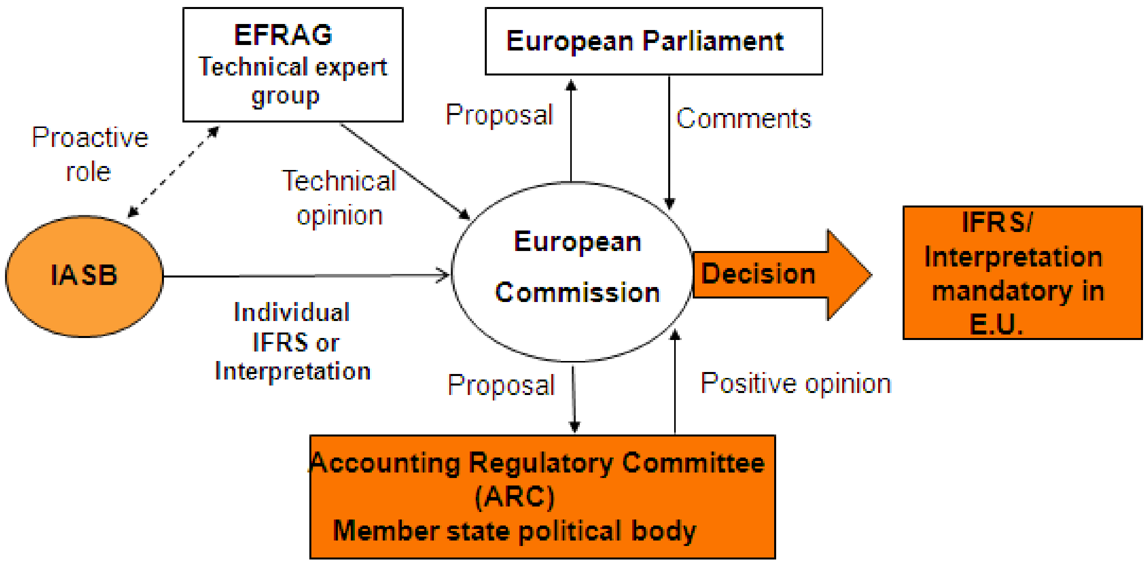

Figure 15: IASB's standard setting process

It has been told in earlier chapters that IFRS application is mandate to all jurisdictions in EU. Because EU has made the decision to follow IFRS, it has also an important role in standard setting process. To understand the standard setting process the above picture explains the relations between the different standard setting parties. The figure 15 shows the standard setting process specifically from EU perspective. European Commission goes through all the standards and interpretations released by IASB, so that the standards present good quality in its region.

4.3.2 Present state of the case standard: IAS 17 – Leases

In order to be able to understand contents of the case standard, it is necessary to begin with IASB's definition of lease: "A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time". As mentioned earlier in the beginning of this chapter, according to IAS 17 leases are divided into two different categories: operational and financial leases. These two different lease types are handled in extremely different ways in bookkeeping. Financial leases are considered occurring as a commitment to a lessee, so they are incorporated to lessee's balance sheet, whilst operational leases are reported only as a rent costs in lessee's income statement.

According to IFRS the basis for categorization is a transfer of risks and rewards. When the main risks and rewards remain as lessor's responsibility the lease is classified as operational lease. The IFRS is a principle based set of standards, which leaves it up to a lessee company to decide whether to classify the lease as financial or operational. Because of different contract types and different circumstances the same kind of lease could be classified as operational and financial lease in different companies. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

Short instructions of the book-keeping of financial and operational leases are presented in this paragraph. At the commencement of the lease term, lessees shall recognize finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present values of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate shall be used. Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

4.3.3 Proposed changes to IAS 17

When considering the standard changes, they could be roughly categorized in two types. The first type of a change affects only the continuity of disclosure, and thus this type of changes are relatively easy to tackle. Then the second type of a change affects company's performance figures and thus shareholders' equity. With the latter type of changes a company needs to consider how significant the change will be with making different estimated figures and adjustments based on IFRS for previous years reporting. The current IFRS 17 Leases standard change is expected to have significant effects on the performance figures of companies with large amounts of operating leases that are currently off-balance sheet items. This change is undoubtedly belonging to the latter change type category.

The new approach of lease accounting is called as a right-to-use model. The meaning of the reform is to eliminate a chance of differences in financial information because of loose classification bases. According to the new approach all of the funding arrangements meeting the needs of a scope of leases will be recognized in the balance sheet. This will guarantee that investors have a truthful picture of all sources of finance that companies are using.

All leases in scope	
Balance sheet	**Income Statement**
• Right-of-use asset* X	• Amortisation expense X
• Liability to make lease payments X	• Interest expense X

Figure 16: IAS 17 change effects

The Standard setter boards tentatively decided that lessees should apply a single accounting approach for all leases, and this approach requires lessee to:

1. Initially recognize a liability to make lease payments and a right-of-use asset, both measured at the present value of the lease payments.
2. Subsequently measure the liability to make lease payments using the effective interest method.
3. Amortize the right-of-use asset on a systematic basis that reflects the pattern of consumption of the expected future economic benefits.

The recognition of leases will not only be revised with a balance sheet recognition requirement, but also the definition about the lease term is planned to change radically. At the moment IASB has defined a lease term with following rules: “The lease term is the non-cancellable period for which the lessee has contracted with the lessor to lease the underlying asset, together with any options to extend or terminate the lease when there is a significant economic incentive for an entity to exercise an option to extend the lease, or for an entity not to exercise an option to terminate the lease”. The definition of a lease term forces companies to go through all of the lease contracts and think about whether to include options to asset value or not. Lease contracts are very multiform and have a variety of different options included, which makes it difficult to track all the options when in lease commencement date. The board has decided that leases should not be re-valuated in every year, but instead a lessee and a lessor should reassess the lease term only when there is a significant change in relevant factors.

The IASB publishes a summary of tentatively reached decisions after every meeting. The above-mentioned outlines are listed in this particular publication. However when it becomes to IFRS standards there are also some smaller details that need to be defined. These kinds of things are for example sale-and-lease back transaction, short-term leases and so on. All of these details can be found in IASB's webpage, but they are not listed here in this study because of they are irrelevant to the study exercising.

4.4 Case company introduction

First some basic facts are introduced about the case company. It is relevant for the case study to set the frames in which environment the study is executed, and thus relevant to a reader to understand the circumstances. The case company is a multinational corporation which headquarters is located in Finland. The company is listed in Nasdaq OMX Helsinki Stock Exchange. The company has over 100 subsidiaries or business locations that cover all continents. Because of these many geographical locations in financial reporting there are several different currencies in use. Company's reporting structure includes many different business lines. Mission for the public listed company is of course to add value to its owners. The case company has a long history and it is still growing and creating added value to its stakeholders.

To understand how a standard change implementation process is rolling through the organization, it is relevant first to define the corner stones of case company's organizational structure. The company has its legal structure with different ownership relations and several legal entities all around the world. This structure is used for financial reporting purposes. Each jurisdiction is responsible for reporting to the group in each period end. The company also has more than one business line and hence the management reporting structure is split accordingly. Then there are some organizational functions supporting all businesses and all legal units, and these functions are called as support functions. Figure 17 is modelling these main areas of corporate structure. Purpose of the model is to picture how legal units in different geographical locations can form a body of a business line. The primary focus of this study is though in financial reporting, which is done in accordance with the ownership structure.

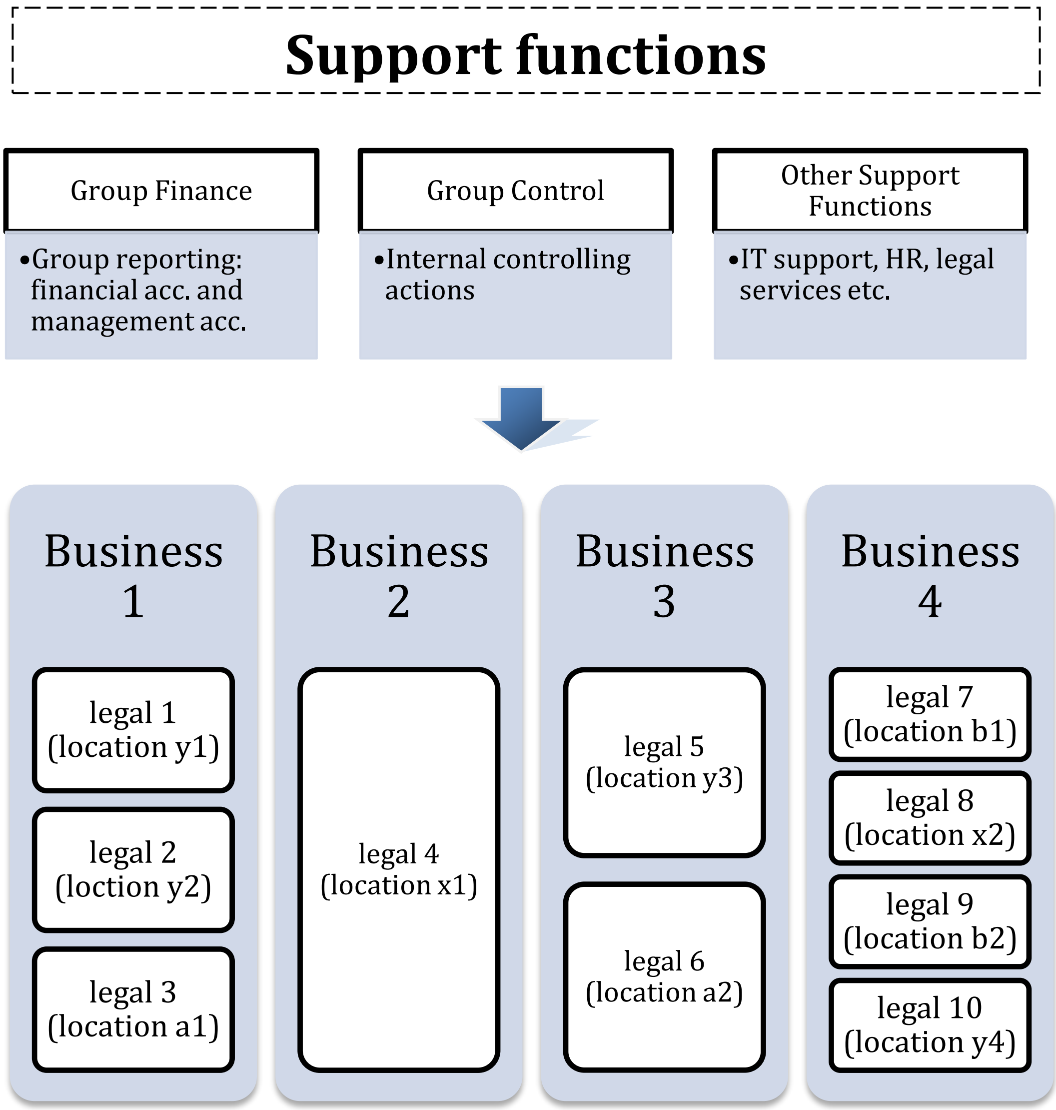

Figure 17: Example of organizational structure in the case company: Support functions are listed on the top of the picture and organisational distinction between both businesses and legal entities below. Locations are marked with letter meaning different continents.

Because of being publicly listed company, the case company's financial group reporting is following certain rules and regulations. These rules are: 1) IFRS 2) Finnish accounting law and regulations 3) Financial Supervision (Standard 5.1.) 4) Securities Market Association: Finnish Corporate Governance Code. All the companies listed in European stock exchange markets have to prepare their financial statements in accordance woth IFRS, which is also the most important regulation basis to apply. National regulations are only supporting and complementing the IFRS.

The company has reported fully according the IFRS needs since 2003. However, some IAS –standards have been applied for group reporting since 1980's. The fact that some of the IAS standards were already in use in the company before EU's 2005 wide transition, is the reason why the shift did not effect to all of the financial figures of the case company in once. The general picture is that the large transition in 2005 did not effect as significantly to the case companies figures and procedures as it did to some other companies' that did not apply IFRS before.

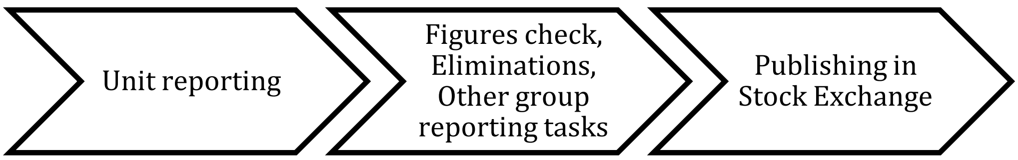

Figure 18: Reporting process in brief

The reporting process is also important to describe for understanding all the key persons involved. In this corporation the group finance and control team compiles financial statements, annual reports and interim reports in accordance with IFRS after receiving all data from legal units. Legal companies in every country first complete their financial statements according to a local GAAP, and then make the necessary IFRS adjustments for group reporting. According to the financial reporting structure all legal companies report their IFRS figures that are prepared in line with group manual to group finance team that is finally responsible for checking the figures and eliminating all internal items. Quarterly and annual group results are published in Helsinki stock exchange. The reporting process is modelled in the figure 18.

5 Empirical research and findings

This chapter introduces the findings of the case study. The contents of the chapter is following the research questions stated in the chapter 1.2. First the initiation circumstances of the standard change implementation process is detailed, with the purpose to clarify how research related topics are currently arranged in the case company. After focusing on the present ways of working, the planned case standard implementation process is discussed through. The case study project was chosen to be IAS 17 standard change implementation in the case company which is listed in Helsinki stock exchange and thus IFRS mandated. The meaning of the case study was to collect evidence based to the theoretical view of process oriented quality management. Different variables researched in the empirical study are later used to help in building up a standard change implementation tool that could lead to a successful standard implementation. After tracking the current standard change implementation process in the case company and its possible challenges, a process framework for similar implementation processes tackling those issues is introduced in the next chapter.

5.1 Process management and process model usage in the case company

The case company's group policy defines that using a process management approach is a part of the group management strategy. The common principle in the company is that strategic changes and development plans can be most effectively implemented through process development. This approach is following the approach of TQM theory introduced earlier in chapter 3.2 and 3.3. Process tracking is incorporated to company's internal control structure that guarantees consistent follow up for processes.

To find a well working way to utilize processes the company has standardized process terminology and process architecture for building coherent process models. The main objective to map out processes is to get a visualized understanding about all the processes that can be easily communicated. The company has a global process hierarchy. According to the company's process hierarchy, business processes are divided to three different categories of which one is called supporting processes. Accounting processes are categorized under this category. A business process is defined to begin with a customer's need and end up with a customer's satisfaction. Customers for each process need to be defined separately. To modify this principle to fit for a financial accounting process: a financial accounting process begins with IASB's requirement and ends up with the legal satisfaction. In every case despite the differing customers the outcome of well-designed business process is increased effectiveness and efficiency. It is also the goal of defining a financial accounting process to minimize the work that needs to be done. In the particular case the goal is to minimize the work that need to be done for a standard change implementation and still getting the best benefits out of the implementation.

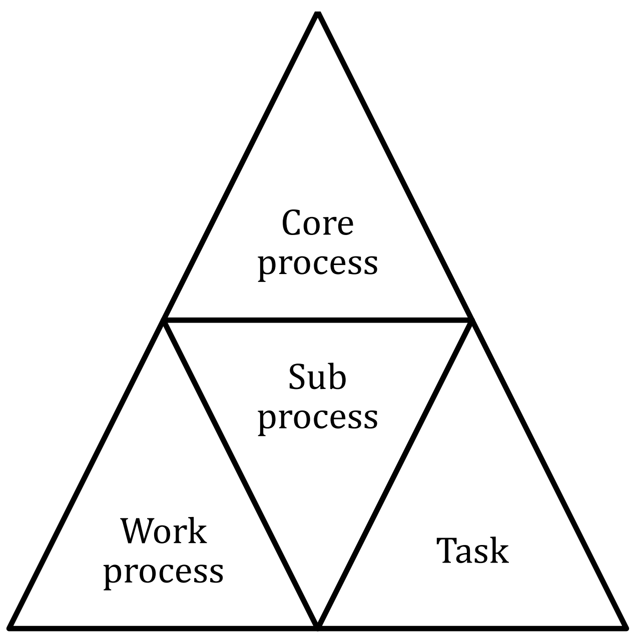

Figure 19: Structure of a process

In a global corporation process maps have to be structured in a global way. The process modelling in the figure19 is an example of the structure of a single process. This picture gives very simple building up instructions for any process: 1) define a core process 2) Divide it to sub-processes 3) Define working processes and give instructions for every task in each work process. In the case company responsibility of developing the processes is shared with different functions. This is a reason why also the finance department is responsible for maintaining its process abstract. It is important to keep in mind when defining the process and building up a process model for IFRS change implementation, that process modelling needs to be roughly in line with all the other process mappings in the company.

5.2 IFRS knowledge at the case company

Knowledge about IFRS and IFRS updates are most related to financial reporting staff members' work, because they are the ones to complete consolidated financial reporting. This fact is easily seen from data collected via a short e-mail interview. Members of group finance and control team generally think that they receive enough information about IFRS and IFRS changes. For getting a wider picture about the IFRS knowledge in the case company an open e-mail interview was sent to some company controllers, members of group real estate team and parent company's controlling team and staff member in corporate planning. This group of interviewed people can be further divided in two groups: 1) company controllers, whose work includes monthly financial reporting tasks 2) other officers, whose work does not include monthly reporting tasks but is somehow related to IFRS usage. A motivation to include also the second group in the interview can be justified with an example. An example of other tasks partially related to IFRS change is in this case could be that real estate officers are the main users of a real estate software that could possibly taken in to use in lease reporting. For the software main users it is important to be aware of lease capitalization when the lease standard change becomes effective. Based on the collected data those who did not take part into monthly reporting activities thought that they are not receiving enough information about IFRS and standard changes. On the other hand, company controllers who have monthly reporting tasks were mostly happy with their IFRS knowledge.

When two prior-mentioned groups were evaluating the stage of IFRS knowledge in the company, members of group finance team were commonly known to be experts with IFRS. Company controllers evaluated their own knowledge being in a good level and other officers thought that it would be useful to know more about IFRS. When the question: “where do you receive information about IFRS?” was asked from company controllers they mentioned professional trainings and courses arranged by different external sources and auditor briefings. When the same question was asked from other officers, answers were more focused on internal sources such as company’s intranet and internal finance web pages. Supervisor and group finance department were mentioned to be sources of IFRS information by both interviewed groups.

When asked about IFRS change’s effect to employees’ way of working all of the replies were in line: Both company controllers and other officers think that IFRS change does not have strong effect on their working tasks. Few answers also expressed that the change effect to their work is not analysed and communicated clearly.

5.3 IFRS change implementation in the case company

To gain an understanding what kind of changes in IFRS has the case company already been implementing in the past, and how they have proceeded in this kind of situations, couple of interviews were done in the case company's group finance function.

The case company has been preparing its financial statement according to IFRS for a long period of time. This means that the case company has implemented several IFRS changes in the history of its IFRS usage. Despite to this fact interviewees told that this particular change of IAS 17 -standard and some other on-going IFRS changes projects such as proposed change to revenue recognition –standard are the most significant changes happened so far. The interviewees told that most of the changes happened in the past have been only small corrections to existing standards or partial changes of a single standard without changing the entire perspective. Change to a standard IAS Financial statement presentation is mentioned as an example of a change that only affected on group control's way of preparing the disclosures, and could be described as a small correction to the existing practices.

Now some of the IASB's pending standard changes are about to change the entire content of the standards and also the perspective of thinking the topic of the standard. Changing the entire content means that the standard is equivalent to a whole new standard, which causes a new situation to companies that need to take in use a single new standard and prepare for usage of the new standard while all the other standards remain in the old form. An interviewee explains the new situation: "Implementing a single new standard is kind of a middle way in between implementing small corrections to existing practices and implementing the entire concept of new set of standards, because it has aspects from both of the implementation types already done in the past. It is important to focus on a standard implementation after the initial implementation to avoid further corrections."

Interviewees were asked to describe the standard change implementation process in the case company and clarify all parties that attend to the implementation process. With the help of the evidence a current IFRS standard change implementation process is gathered in summarized format to the figure 20.

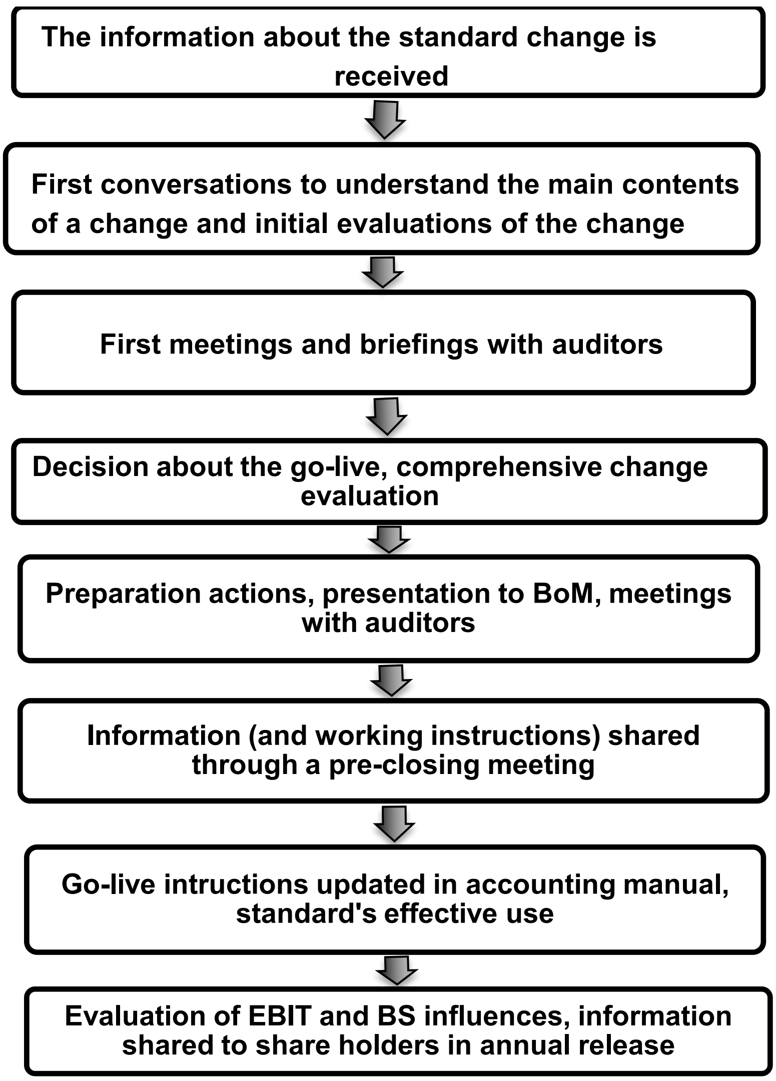

Figure 20: The implementation process model in short

At first the interviewees listed sources from where the first information about standard change is usually received. Interviewee told that the first information can be received directly from the standard decision making body IASB, but also there are several other sources that are consistently informing companies' group controllers such as Ekonomien Keskusliitto (EK) and different auditing firms as well as economy clubs. First information is usually received immediately after IASB's decision to publish a discussion paper (DP) in the near future. This means that the information can be received when IASB is only planning to release a DP, but the designing work is still in process.

Usually the case company takes its first move towards the change preparation only when IASB's plan is to become true and the ED is completely ready. However, if the change is considered to be relevant to company's business, comments for discussion paper can also be given to IASB. When the ED is stated by IASB the standard has reached its first not consistently changing form. After the information about a new released ED is received, first conversations about contents of a change and its initial effects are usually started in the case company. According to the interviews these early conversations are usually held in Group Control department and only Chief Financial Officer (CFO), Group Control's Vice President and his team members are taking part to the conversations in this stage. If the change seems to cause large effects, and the effect of the change is likely to be remarkable, also other parties can be considered to be taken into the conversation in this early stage. If so, the decision to include other people from the company to early conversations is made by the vice president of group control.

In the early conversations CFO, group control's vice president and his team goes through the change and all the possible effects for the company. This is a very early stage and only the main outlines are discussed through. The main reason for not going through all the details of the upcoming change in that the standard is only exposured, and standards are tend to be changing a lot during the standard setting process. The Vice president of Group Control says in the interview that if the change is likely to be remarkable, he arranges a brief meeting to the most important people in a very early stage. In this first short brief the auditors as an external consults are presenting the content of an on-going change and giving advice for preparing to the change. The vice president uses chart of corporate structure as a help when deciding the correct people to invite to the briefing. He mentions that there are some certain recurrences that he uses as basics when preparing the event invitation: “Usually group treasury is invited since almost all changes are related to them somehow. Also controllers from biggest business units are usually taken in. Then there is to consider what kind of change matter it is, and invite people from the related department. In the early stage usually most of invites are sent to Finnish staff, since group reporting is exercised in Finland and one large business is in Finland”.

If the change seems to be very significant and relevant to the company some indicative calculations are also made in this stage to understand and evaluate better the size of the effects. Advice received from external consults is usually exploited in calculation making. When IASB has released the ED there is a comment period of half a year, during which the largest companies take part to IASB’s round table meetings where they have a chance to express their opinion. In the interviews it came out that case company’s CFO thinks that these meetings are the best channels to affect to IASB’s final decision about the new standard form. There is also an opportunity to send a comment letter to IASB, and if the case company has a very strong opinion about the change this option is also used.

When the standard is finalized by IASB also the effective date is announced. One important decision for the case company to make in this stage is to decide whether to apply the standard only when it becomes effective or take an option of earlier implementation. IASB offers companies an opportunity for early implementation, which means to take a new standard in active use earlier than it becomes mandatory to apply. In financial statement and annual report last year's figures are presented for comparison. For this reason it might be clever to change the bookings in accordance of the new standard before the mandatory effective date to have already valid comparison figures. Earlier application of the new standard requires well prepared ways of working and instruction updates to make it possible to apply the standard in an efficient way. The case company is a large company, so it has to consider the early adaption as a serious option when bigger changes in IFRS appear.

When the finalized form of a new standard is released, different preparation actions need to be done. In the interviews these actions are mentioned to be for example updating the accounting manual and group policy, possibly opening new accounts and possibly updates or changes to software solutions. The need for preparation actions depends on the wideness and the content of the change. In the case company Group Control team and more specifically Group Control's Financial Accounting (FA) team makes all the necessary change decisions. However, Group Control's Vice-President is the responsible person for all of the standard changes in action, so the decision about all the necessary change actions is made together with him.

If the change will affect business strategies or company's value in stock exchange market via key figures Board of Manager (BoM) requires a presentation about the up-coming change and its effects in this stage of IFRS change process. For this presentation Group Control's FA team makes initial calculations about the change effect. If the change has an effect to a business decisions, key persons from this part of the business businesses have to be taken into a conversation and they have to be given early instructions about the new way of working. In a case interview one of the interviewees tells that the standard change in IAS 17 is most likely to effect on business through contracts and contract policies. The renewed standards forces companies to evaluate the amount of liability booked to the balance sheet in accordance with the contract terms, so the lease contract policy should be tightened to be able to control the group's gearing and other balance sheet based key figures.

Before standard go-live date one or as many as needed meetings are arranged with company's auditors. Group Control team's prepared changes to financial reporting are discussed through with auditors and they finally confirm the chosen change solutions legal validity. Interviewee says: "It is important to include auditors to a standard change implementation process to make sure that no further clarifications need to be made in the future." Auditors are the authority, which guarantee that the changes are conducted in a legally accepted way. Big four firms have usually the best expertise in standard changes, since they have resources to research the up-coming changes from different perspectives.

When everything is ready for standard change to go-live, the information about the up-coming change is shared through quarterly pre-closing meeting to all company's staff members. The Group Control Vice-President tells in the interview: "The Group Controllers team prepares the final version of a financial statement, so if the change only affects to the Group Control team's way of working the information is only a short announcement in the pre-closing presentation. If the change effects on a way of working in several business areas or in many legal companies, the information about the change is more detailed in the pre-closing presentation with all necessary instructions included." When asking about the IFRS change updates in the case company it comes out that whenever a standard change is coming, the parties who will be affected by the change should study the change on their own time without any further assistance. Staff members are expected to be responsible of updating their own occupational interest, so at the moment no specific IFRS training is arranged.

After the standard has been taken into use, the effects of the standard change are evaluated continuously. All remarkable changes need to be mentioned in the annual report, so all standard changes are taken into consideration when writing about the company's figures. The annual report is a main channel to communicate all financial information with shareholders, so all of the important changes need to be commented in it.

5.4 Lease tracking in the case company

The lease standard divides leases to two different categories. The case company's official annual statement follows the IFRS's lease -standard rules. The assets, which risks and rewards are transferred to a lessee when the leasing contract is signed, are classified as financial leases and the assets, which risks and rewards stays on lessor's side, are classified as operational leases. Also as the standard mandates the case company's financial leases rise depreciations and interest expense in income statement and create a liability in balance sheet and operational leases affects only to income statement as a straight-lined rental expense. Under one percent of the case company's lease contracts are financial leases, which means that the major part of them are currently handled as operational expenses in income statement with no balance sheet effect.

As mentioned below when looking closer to company's lease portfolio, it can be recognized that a major part of the leases are not acquired with financing purposes and so they are classified as operational leases. The company's policy is that when the lease is a finance lease certain details need to be reported to group control. These details are a type of the leased asset and depreciation plan. On the other hand, when the lease is an operational lease rental costs are proceed through accounts payable, and the type of these leased assets are currently not controlled in similar way than with the financial leases.

The lease –standard also presents requirements for disclosures in financial statement concerning leases. These recommendations for well prepared disclosures are to present also following details about operating leases: 1) future minimum lease payments no later than in one year 2) future minimum lease payments in 5 years 3) future minimum lease payments later than 5 years. The case company's disclosure is presenting these minimum recommended requirements. In the case company operational leases are reported in the disclosures by their commitment years left as the IFRS interpretation advices, but the type of these operationally leased assets is not tracked with details.

In company's policy there can be both local and global leasing contracts. This means that all the legal companies can lease some assets by their own if needed. Because the case company has so many locations all over the world, all the leasing contracts are not filed in the same place. One reason for this is that contracts are signed in different places and different people are responsible for them, but also because the original contracts are written in different languages one person cannot read them all.

5.5 IAS 17 change implementation process in the case company

The purpose of this subchapter is to describe a process flow of the case study conducted in the case company with the case standard. Previous subchapters have defined the ways the company is working at the moment. This subchapter focuses on clarifying the implementation of a specific standard IAS 17 change. The meaning of this study documentation is to get detailed information as an evidence about the IFRS change implementation process for building up a process map for IFRS change implementation process in following research result chapter. The process map basics are already defined in interviews presented in chapter 5.2. Also the case study part describes the implementation process by the way of illustration to create integral understanding of the IFRS standard implementation project. The final implementation tool should be following the steps noticed during the case study regarding the IAS 17 standard implementation. The case study description is documented through taking part to the implementation project, so the evidence is gathered mostly through observation.

The IAS 17 change implementation process started with informal conversations in the case company after IASB's announcement to include the IAS 17 standard renewal project to its common work plan with FASB in 2004. First these informal conversations focused more to guessing which kind of changes could be in a view. The real conversation and opinions started later after the ED released in 2010. After the ED was released it was immediately clear that the change would cause significant differences in some companies' balance sheet and increase the amount of administrative work. These were the most topical subjects in first analysis of the ED content also in the case company. Even though the case company does not use leasing as a primary source of finance, it was taken in a serious consideration to evaluate the effects on the up-coming change immediately after ED publishing.

When an ED is released it is available for all Internet users at IFRS Foundation's website. However, usually the big four auditing firms send a monthly IFRS project insight update to all large companies, where the ED content is written in more explanatory way. Soon after the IAS 17 ED was released case company's group control team gathered together and discussed through the main outlines of the up-coming change. This standard change was considered to be so significant that the CFO and Group Control Vice-President decided to arrange the first briefing session with auditors in the early stage. The auditors were invited to give a presentation and answer preliminary questions about the planned change. The Group Control Vice-President invited parent company's head accountants, group control's FA team, vice president, group treasury's vice president and most relevant people from the biggest business units to the hearing.

During the ED's comment period the CFO and the Group Control Vice-President also attended to a round table meeting that IASB arranged in Finland. The most remarkable Finnish companies are invited to these meetings. In addition there are some economy clubs to which CFO and vice president of group control constantly take part, and IFRS changes including the IAS 17 change, were a topic of conversations in these meeting. During the comment period also the option of sending a written opinion about the change was considered. Group's lease portfolio was estimated and valuated with the principles of the new ED and after evaluating the possible effects on group's balance sheet and internal work to be done, the case company did not use the option to send a comment letter to IASB with IAS 17 change.

After the comment period IASB and FASB continued their standard development project, and because of lots of feedback was received during the comment period, standard making board needed to take these comments in further consideration. Several new meetings were held, and after every meeting the bodies releases a summary of tentative decisions reached during re-deliberations. Because these summaries confirmed the fact that the standard change would eliminate the classification of leases and take also operational leases into the balance sheet, some preparation actions were decided to start at the case company already before the final standard release.

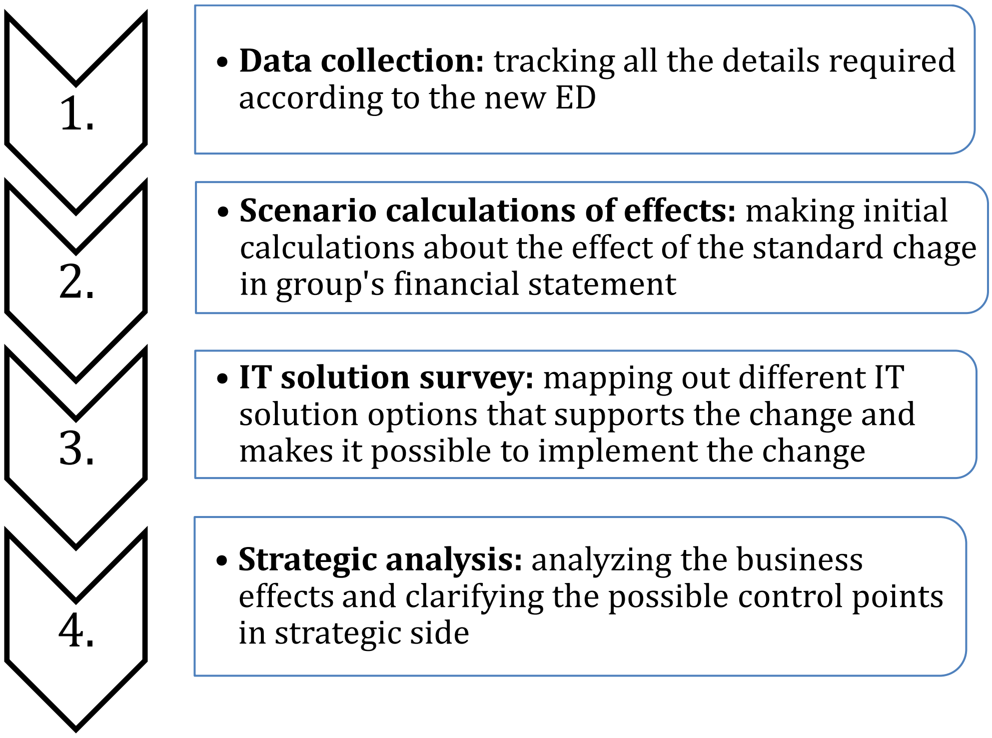

Figure 21: Data collection process

The first action to make was a data collection exercise. As mentioned before, the present way of tracking leases for financial statement has not required very detailed specification of leases and lease types. The first move to make was to prepare a template for collecting all necessary information from all the companies in all around the world. To make an appropriate template for lease data collection there are several things to consider: 1) in which format to build a template 2) how to include all the required information to the template in a simple and standardized format 3) how to write the instructions in a way that every person in every country could understand them similarly. The data template was made in Microsoft Excel. The data was decided to be simple and highlighting the most obvious details about each leasing contract and leased assets. The details that were asked in this initial lease tracking questionnaire were: 1) the type of the asset with eight options; buildings and structure, cars, office equipment, other machinery and equipment, other tangible assets, computers, other hardware, software. 2) Lease type; financial lease, operational lease. 3) Description of the leased asset; e.g. office or warehouse. 4) Location of the leased asset; country, city. 5) Lessor's name and country. 6) Average lease cost/ year 7) Lease term in total. All of this data was new to be collected in the cas company in group level and could be used for further analysis.

Data collection exercise was decided to accomplish in three data collection sets. The first data was collected from pilot group from chosen companies in order to test the collection template and its instructions. In the first pilot data collection set all the legal units with the largest amount of leased assets according to the existing disclosures were taken in to the study. After receiving replies from these parties the data was summarized and some analysis was made. The data collection piloting proved that the instructions have been made to be understandable and replies ended up being in proper format for summarization and analysis. The piloting lease data was discussed through with Group Control's Vice President and only small corrections to the template were done. The data collection was then continued to be exercised in the case company with in total three different data collection sets during a three months period.

After receiving all of the answers, some analysis of the case company's lease portfolio was started. When the data collection is completed the calculations about the change effect can be made according to the best current knowledge about the standard change content. In this case the IAS 17 standard will affect to financial statement in two ways: 1) increase the liability in balance sheet by incorporating also operational leases to the balance sheet 2) increase of the depreciations in income statement raises the balance of financial items because of the increasing interest part booked for lease liabilities. On the other hand, new arrangement decreases lease expenses above the earnings before interest and taxes (EBIT). These effects can be calculated when the details about company's lease portfolio are received as a result of the data collection exercise. The calculated change effect was reported to vice president of group control, who further informs CFO and BoM if necessary. In this case the BoM wants to see the result of these calculations only when the standard is finalized.

When the standard change becomes more certain to be realized in the near future, also software solution for implementing the change needs to be discovered. Usually software consumers are reacting to standard changes when a standard is finalized, but if standard change details have been tentatively decided before that the software consumers can be prepared even earlier. In this case the standard setting boards have announced some certain details in advance, so almost all consumers that offer administrative lease software solutions have prepared for the change in the earlier stage of standard setting process.

Tracking different software options for lease accounting and lease administration is better to start well in advance before the standard becomes effective. In the case company there was not a detailed lease tracking implemented before the new standard requirements, so the survey about the possible options was started after the data collection was completed. Sooner the mapping out of different options is started more options could be evaluated in depth. The IT mapping process was started by the accounting department in co-operation with IT department. To include both staff from finance and from IT was considered to be important for recognizing good options from both perspectives and for reaching a cost-effective solution. In this case a process of tracking different supporting software solutions started from researching whether the existing IT solution in place would have a module for lease accounting. It is usually easier to take an additional module to the existing software better than acquire a new software solution, hence it is well known that IT projects can be very expensive and resource requiring. After researching the existing solutions new solution providers were also researched with the help of Internet, articles and other companies.

During the IT mapping out process decision-makers in accounting and real estate department chose a few potential solution providers to present their demos in order to catch up the variety of different lease tracking software solutions. One of the case company's existing IT providers was also included to the IT mapping exercise with a request of a customization offer for the existing solution. All different options were evaluated. When new solutions were graded some benchmarking with other similar Finnish companies was done. The case company emphasized that it is important to gain an understanding how software really works in practice in other equivalent companies and how software can meet this case's requirements. The seller parties tend to leave certain things unsaid, because their interest is different to customers' needs. During the IT mapping out process the decision makers were listing pros and cons of each different option in consideration. The table 3 is a summary of these notes.

Table 3: Summary of software options' pros and cons

Modifying the existing real estate software	**Acquisition of a new lease administration software**	**Acquisition of a new module in existing reporting software**
Pros: the software basis already exists and users have a clue how to use the program. By being a part of the software modifying process the new version should be ensured to be suitable for the implementer company's purpose.	**Pros:** Taking in use ready and tested software, which is designed by the best expertise is easier than building the software from the scratch because the implementer company does not need to do lots of testing and validating. Solution providers have professional staff members researching the standard change that have been involved to the IASB's standard change project all the way and so have an up-to-date view about the effect software solution vice.	**Pros:** When taking in use a new reporting module for leases to an existing solution other not needed extra functionalities will be eliminated. Extra functionalities mean e.g. lease location maps in lease administration software or other not relevant features. By buying only a financial reporting module update all other functionalities can be left out of the pricing.

Cons: Being a part of software modification process can become very expensive project. The vendor can further implement the solution updates that the first implementer company has funded with them. Being a test user all the functions need to be certified very carefully that the reporting works in a correct way. In addition to a massive amount of testing required for the first implementer there might still be some bugs left in software's production environment.	**Cons:** Adding new software in to the existing IT portfolio causes the double recognition of those leases, which are already tracked in financial reporting software (mainly financial leases). Taking in use a ready version of software means implementing all the functionalities existing in the chosen software even if all of these would not be needed. Solution maintenance costs might increase if the group control team need any help in maintaining the solution after the implementation.	**Cons:** When standardized reports are used they might not be necessary best fitting for the specific company´s needs. If e.g. real estate software solution is selected to collect data for IFRS needs there might not be a suitable interface to the existing accounting software solutions. Interface needs to be built up that the figures can be imported easily to book keeping.

Evaluating the strategic importance of the planned change started already in early stage, but the main strategic work can be completed only when the standard is finalized. In very early stage the company evaluated the meaning of the change to its way of working and its business decisions. In the case of IAS 17 standard change the companies using lease to fund strategically important assets are impacted the most. However, even the case company considers the IAS 17 change being as important that strategic outlines need to be reviewed if all the planned changes will remain as planned in ED when the standard is finalized. In this case, and most

IFRS related changes, group's contract policy is the main topic that should be discussed in terms of strategy change. According to the Vice president of Group Control leasing policy as a funding method will be re-checked in this case for ensuring the finance portfolio to be beneficial for share holders. As long as the company has enough free funds to buy an asset it is an option to choose despite leasing the asset. In these situations it should every time be considered which way to fund an asset has more advantages after both of these types of funding will be booked to the balance sheet.

To evaluate strategic differences and possible advantages of changing group policy, certain calculations from different perspectives need to be done. In this case buying versus leasing report is the best way to evaluate the cost effects in between these two types of finance. Interviewee from the case company considered that in a long run leasing is more expensive than owning an asset and therefore when lease terms per each asset category were collected with the data collection exercise more analysis about the financing costs should be started. As mentioned above the decisions about the group policy adjustments are only prepared when the standard is not finalized and done when the standard is published in a final format. However, the preparing actions can be started earlier since lease contracts are made for many years and leasing portfolio is not easy to modify in a short period of time.

Preparing calculations about the case company's leased assets was done in this stage of the standard change process. As a result it was noticed that some asset categories have very long leasing term. The asset type buildings and structure was noted to bring the largest capitalization effect to group's balance sheet if the standard was to remain unchanged. This category is relatively easy to control in group control department since office and factory buildings are not leased as often as e.g. machinery and equipment that is almost impossible to track in details without lease administrative software. This category was decided to take in tighter control by the controllers remembering the up-coming standard change.

5.6 Standard change implementation process and implementation tool

The purpose of this sub-chapter is to review the empirical findings introduced in the chapter 5 combined with the theoretical framework discussed in the chapter 3. The objective is first to build up a process model according to TQM theory for IFRS standard change process from IFRS mandated company's perspective, and then further form a strategic step model that can be used as a management tool in IFRS change implementation project. Both the process framework and the step model with its all tasks are results of a discussion of the theory and the empirical evidence and are meant to be useful in all similar cases to help an IFRS standard change to be successful.

The basic idea of process frameworks is that they could be used in several projects that have a similar objective and content. IFRS standard base and a standard setting party IASB are explained in the chapter 4.3 and a change in the standard base is always started by their decision and ends up to be mandatory to all IFRS applying companies. In a current road map of IFRS changes the standards presented in the figure 22 are in a hub. These are the standards that are expected to have the widest effects on IFRS appliers' financial statements and to cause the most administrative and strategic work inside companies. Check lists as a management tools can lower the costs of implementation and make the implementation work more structured and effective according to Langmead et all. The implementation tool designed in accordance of the case evidence is planned to be useful in the wider standard change cases that could also be compared to a new standard implementation.

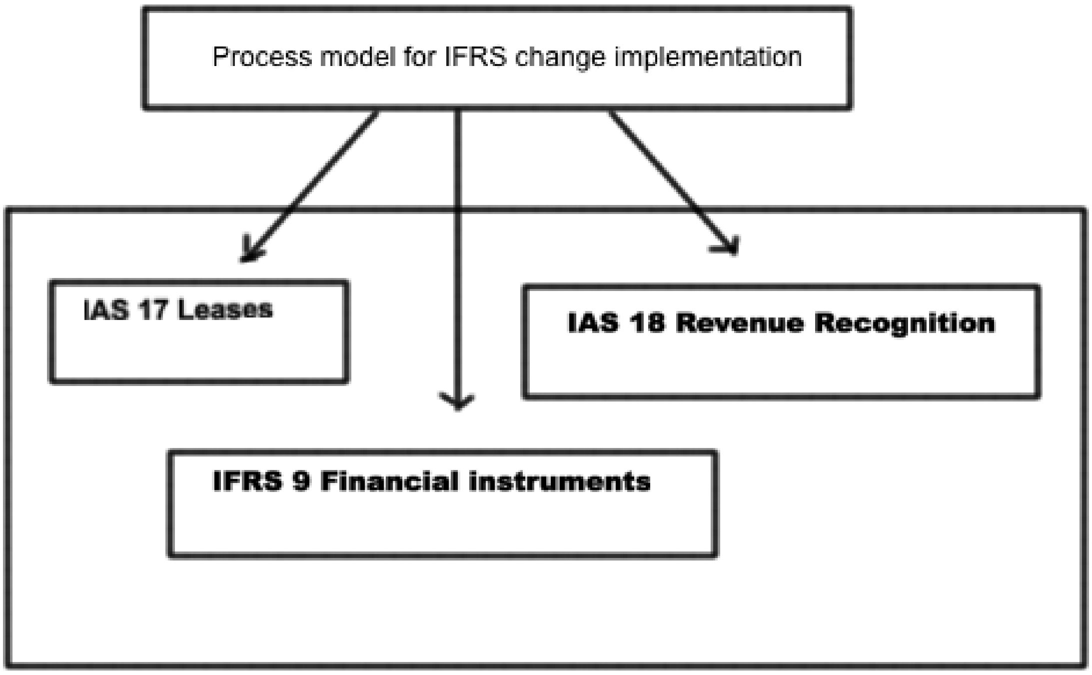

Figure 22: Up-coming wide changes to IFRS

In the chapter 4 the data collected in the interviews and by observation was described in explanatory way. The subchapter 5.3 explained the IFRS standard implementation process in general in an international corporation. There are several decisions to make concerning the IFRS usage and especially a new standard implementation hence the standard base is principle based instead of being rule based like US GAAP. When applying the principle based standards that are legally mandated there is a huge responsibility for the people preparing and owning the figures to give a truthful and transparent picture to the company's share holders and other interested parties. In financial accounting the annual statement is the most important instrument to maintain good investor relations and communicate the truthful picture about the current situation. Company's objective is always to create value to its share holders and therefore the evaluation of each decision to maintain a good quality in financial reporting as well as achieving cost effective outcome is important. The corner stones and decisions concerning them in the standard implementation process are shown in the figure 23 which is presenting the process modelling for IFRS change.

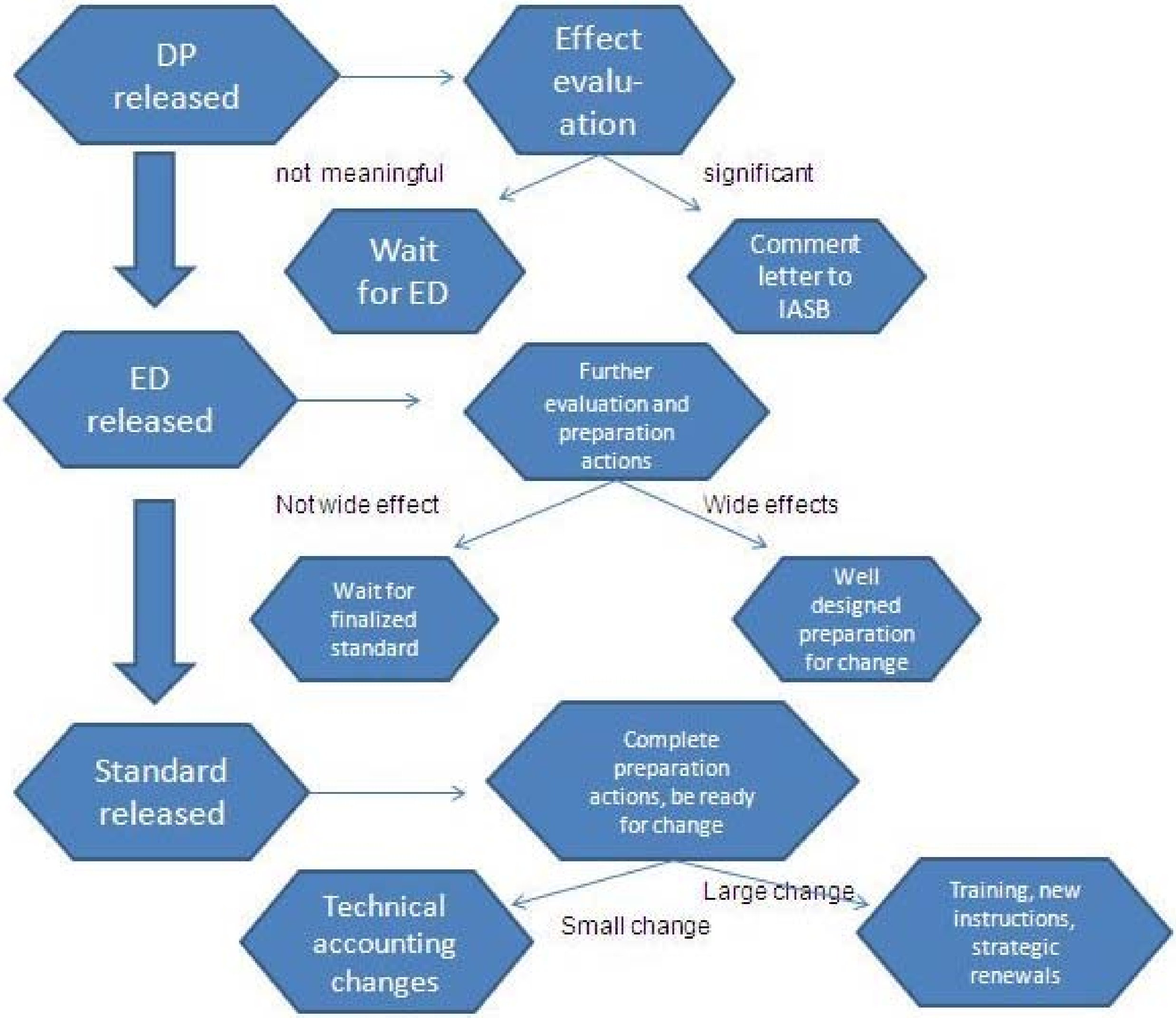

Figure 23: Process model of IFRS change

IFRS standard implementation process is started when the IASB announces a standard to be included to their change agenda. A standard implementation project can be started in this point of time in each IFRS applying company. Some certain preparation and implementation tasks are recognized to be attachable to each standard change project according to the case evidence. These tasks can be linked to the IASB's standard setting process' stages. By copying the theoretical point of view by Langmead et all. these tasks related to a single standard implementation have been listed in a step model format which is meant to be used as a check list tool when managing the IFRS standard change project.

The purpose of forming the tasks in a step modelled check list format is to include all perspectives that need to be considered in IFRS standard implementation in a proper stage of the change process. By defining a coherent process compared to all other processes in a large corporation standard change is added to a process portfolio adding value to company via TQM approach. The main objective in building up a management tool for this kind of projects is to reach effective way for doing a standard change with a standardized list of tasks assigned to responsible centers in organization. The effective way of implementing a standard change means the least administrative work done for the project and the best possible outcome reached.

By adding a standard change process to a variety of corporate process portfolio with the project management tool attached, the designing work related to each of the many up-coming changes can be avoided. Also the carefully prepared list of tasks related to IASB's standard setting process ensures that all preparation actions are done in time and all necessary parties in-house are taken into the project. When a proper process framework is in place and a responsible project manager is named, standard change's effect on company's value and investor relations can be evaluated continuously. The step model for standard change management is described in the following table 4.

Table 4: Step modeled implementation tool for standard change implementation

Step 1: Initial Assessment

Standard setting process	Principle tasks	Responsibility center
Set to IASB's agenda	1) Open the conversation	CFO/VP of Group Control
Discussion paper released	2) Go through the content of the change	VP of Group Control reporting to CFO
	3) Initial assessment of change's effects	
	4) Comment on the new standard if considered to be meaningful	CFO
	5) Initial estimates about standard change's effect on company's published figures	CFO reporting to BoD

Step 2: Detailed analysis

Standard setting process	Principle tasks	Responsibility center
ED released	1) Initial conversations about the standard content	VP of Group Control/FA team
	2) Arrange the first briefing with auditors	VP of Group Control
	3) Comment the ED if the change is considered necessary	CFO
	4) Name a responsible person for a standard change tracking	VP with FA team
	5) Piloting data collection	FA team reporting to VP
	6) Initial assessment to group policy and investor relations	VP/ CFO

Step 3: Designing the standard change project

Standard setting process	Principle tasks	Responsibility center
ED feedback received, tentatively decisions for final standard	1) IASB's round table discussion	VP/ CFO
	2) Design new disclosures	FA team
	3) Design data collection form and data base	VP/FA team reporting to CFO
	4) Analysis of the current situation	FA team
	5) Start co-operation with IT department/other related corporate functions	FA team
	6) Design the information channels for up-coming change	FA team

4) Managing the change project

Standard setting process	Principle tasks	Responsibility center
Standard is finalized, effective date announced	1) Open new accounts	FA team
	2) Correct the accounting manual	VP of Group Control/ FA team
	3) Prepare disclosures with comparative figures	VP of Group Control/ FA team
	4) Test the existing database and implement new periodic data collection form	FA team to controllers
	5) Implement the new software / software update	CFO deciding, FA team implementing

6) Update the formulas for all calculation	FA team
7) Share information through planned internal channels	VP of Group Control
8) Arrange a training	VP of Group Control/ FA team

5) Implement and monitor

Standard setting process	Principle tasks	Responsibility center
Standard effective	2) New disclosure in annual statement	FA team and company controllers
	4) Calculations of final effects	VP and FA team through CFO and CEO
	5) Information shared to investors, change effects reported externally	VP/ CFO/ CEO (external reports both oral and written)
	6) Strategic decision, contract policy updates	CFO and CEO

6 Discussion and conclusions

This chapter summarizes the paper in hand and introduces the main findings of the study. The conclusion is combination of theoretical framework and empirical data collected during the case study. The chapter finally discusses the need for further research and suggests related future research topics.

6.1 Summary and Main Findings

The purpose of this study was to find an answer for how to implement IFRS standard change successfully after the initial IFRS implementation. The theoretical approach was built on the process oriented management theories leaded by the Total Quality Management (TQM) theory. A reference for this decision was taken from Langmead et al. (2011) who used the process management approach for IFRS initial implementation. Regarding to the case study data as well as literature review the newest upcoming chances to single IFRS standards are in many ways comparable to a whole new standards, and based on this fact the process designing work was done in accordance of the case data concerning the IAS 17 Leases standard change. Similarly than process tools in general, also the case study result should work as a management tool in any considerable large IFRS change situation.

The case study was completed as a qualitative research and data was collected by interviews and observations in the case company. Current procedures in the case company and change needs concerning the case standard were discussed through in the interviews and afterwards the data was analysed and put to a process format. To support the process flow a check-list formatted management toll was formed with a purpose to be a project management help in latter up-coming standard change situations. This tool summarizes all important tasks related to the IFRS change as grouped classified in process stages that follow IASB's standard setting process. All the main tasks are bound to a responsibility centre meaning a responsible person in the organization. Together these two main findings the process model (1) and the project management tool (2) are giving an answer to all sub-research questions about the process stages and value adding way of implementing an IFRS standard change after initial implementation.

6.2 Future research

IFRS initial implementation has been a topic of several researches, because the implementation is true in more and more countries when it becomes mandated. However, only a few researches have focused on implementing the latter huge changes to the standards. These changes are as true to all IFRS applying companies as the initial implementation to those companies publicly listed in IFRS mandated stock exchange markets. Most of the articles focusing on the up-coming changes have taken the perspective to count the new key figures in accordance of the current accounting way. This study aimed to take into consideration the possibility to change group policies with the purpose to make the key figures to look better and to apply the new standard in most valuable way. The suggestion for future research is to study more how much management decisions are really affected by IFRS regulation changes. In this study the case company was willing to calculate the lease policy change's possible effect on the balance sheet and consider more efficient ways of funding the business instead if needed. It would be interesting to study how regularly do companies consider to change their policies and processes in accordance on the IFRS change instead of just adjusting the accounting ways.

The second recommended future research objective would be to dick deeper how much the accounting process models help accounting efficiency. Since the process format was made during this case study, the next topic would be to test this toll in the future project in order to notice the improvement in the quality. TQM approach is more used in business process evaluation such as manufacturing processes, but as the thepry points out also smaller and strategically less important processes are important to map out. For this reason it would be important to research closely process orientated management's advantages also in accounting function.

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Appendix

E-mail interview

1) Where do you receive information about IFRS and IFRS changes?
2) Would you describe your IFRS knowledge to be in professional level?
3) How do the IFRS requirements effect on your work duties?
4) Would you be interested to get more information about the IFRS?
5) Which channels are used internally to publish IFRS news?