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Current Finnish Accounting Thought in Relation to International Financial Reporting Standards and Earlier Finnish Accounting Traditions: Results from a Survey of Finnish Accounting Professionals

ABSTRACT

The purpose of this study is to discover the nature of the accounting thought that exists in present-day Finland in relation to the International Financial Reporting Standards and earlier accounting traditions. The data was collected in 2008 by means of a survey of Finnish accounting professionals. It seems that older Finnish accounting professionals still prefer earlier Finnish accounting traditions and are critical of the IFRSs. In the case of some aspects, practical experience of the IFRSs has set up critical attitudes to them. The expenditure-revenue theory is still regarded in Finland in both a positive and a negative light, but professionals who are enthusiastic about them are keen to reject the older Finnish accounting traditions. Based on factor analysis, there are four lines of accounting thought in Finland in relation to the IFRSs and earlier accounting traditions: IFRS enthusiasm, Fair value emphasis, IFRS criticism and Conservative prudence.

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1. INTRODUCTION

International Financial Reporting Standards, the IFRSs proclaimed by the International Accounting Standards Board (IASB), have been adopted in Finland, as in other countries belonging to the European Union, since the beginning of 2005.[1] The adoption of the IFRSs represents a big effort to converge with accounting rules used globally. Hoogendoorn (2006) has argued that the adoption of the IFRSs is a *revolutionary* accounting change in financial reporting. The adoption of IFRSs by small and medium-sized companies may also become a reality at some future date, and it may well be that in coming years scarcely any accounting professional in Finland will be able to totally escape them.

In general, the adoption of the IFRSs can be regarded as a major change in countries belonging to the continental accounting cluster (Eierle 2005; Rodrigues & Craig 2007), where Finland can also be said to be situated. The implementation of the Fourth and Seventh Directives of the European Union in the 1980s–1990s changed traditional financial reporting in many European countries, since the central issue in the Fourth Directive is the requirement to present a true and fair view, whereas the traditional emphasis in continental accounting was placed on defining dividends and taxes (Haller 2002). Accounting traditions such as creditor protection, prudence and close connection between accounting and taxation had an influence on the implementation process of the EU Directives in the Nordic countries (Aisbitt 2008). Baker and Barbu (2007)[2] have stated that in the late 1960s and early 1970s it was believed that accounting harmonization could be quite easily reached as long as dissimilarities between different accounting practices were understood. Later it was realized that understanding was not enough, because historical, cultural, economic, legal and political factors create barriers in the accounting harmonization development. (Baker & Barbu 2007) Lehman (2005) points out local values and the sovereignty of nations and also the fact that local cultures are worth maintaining in the development of accounting harmonization. Rodrigues and Craig (2007) have written about the cultural aspects of accounting harmonization. The convergence of accounting standards could be understood as a dialectical process of thesis, antithesis and synthesis. Accounting harmonization has received strong critical reactions in the form of antitheses set up against theses in support of accounting harmonization. In the end, however, the outcome (synthesis) includes aspects derived from both sides. Nobody has actually claimed that accounting harmonization will be easily achieved, and the mentality

1 The IFRSs are required in financial statements issued by public companies. In separate financial statements and in financial statements issued by non-listed companies, reporting in compliance with the IFRSs is voluntary. If public companies do not have to prepare consolidated financial statements, they must prepare their separate financial statements according to the IFRS system.

2 Baker and Barbu (2007) have analyzed research on international accounting harmonization from 1965 to 2004.

of accounting professionals will not change quickly. New ways of reporting differently also have to be learned and internalized (see e.g. Zeff 2007).

This is a study of the Finnish case in the development of accounting harmonization. Historically speaking, Finland has had its own cultural characteristics in financial reporting. Finnish accounting legislation passed between 1973 and 1997 was based on the expenditure-revenue theory of a Finnish accounting professor, Martti Saario. The Finnish Company Income Tax Act of 1968 (360/1968) also used this theory as its foundation. It can be said that it is relatively unusual elsewhere in the world for some specific theory to hold this kind of position in accounting legislation (see Järvenpää, Pellinen and Virtanen 2007, 57)[3]. Finnish expenditure-revenue theory stressed prudence and historical costs in valuation. The most important function of financial reporting based on this theory was in connection with the calculation of profit, while the balance sheet was regarded simply as a warehouse for capitalized costs. (For more on expenditure-revenue theory, see, e.g., Kettunen 1993; Majala 1994; Lukka and Pihlanto 1994.) Some years after the new Accounting Act of 1973 (655/1973) was passed in Finland, the globalization of business life set up various pressures for change in Finnish accounting legislation towards a more international appearance (Troberg 1992; Pirinen 1996, 2005). The fourth and the seventh directives of the European Union were incorporated into Finnish accounting legislation in 1992 and 1997, while Finland itself joined the EU in 1995. Finnish accounting legislation was reformed once more in 2004 (The 2004 reform of Accounting Act 1304/2004), when the use of IFRSs was incorporated into accounting legislation.

At the start of the new millennium, IFRSs were not a totally new issue in Finnish accounting. They have, in fact, gradually been taking root in Finnish accounting thought and in the content of accounting rules since the 1970s (see Pajunen 2009; Pirinen 1996, 2005; Virtanen 2007, 2009), and some larger Finnish companies prepared secondary financial statements in their international listings based on the IFRS system in the 1980s. Their aim was to produce financial information that would provide a true and fair picture of the financial performance of a company instead of financial statements prepared for taxation purposes[4] (Troberg 1992; Niskanen, Kinnunen and Kasanen 1993; Pirinen 2005). However, at the beginning of the new century the implementation of IFRSs in Finland became explicit as a result of their becoming the obligatory system. As an example, at the start of the millennium, Finnish journals read by accounting professionals, such as *Tilintarkastus* and *Tilisanomat*, were full of articles announcing that the use of IFRSs was the

3 In Germany and in the Netherlands accounting has also been based on theories, whereas in the UK, the USA, Canada, Australia and New Zealand theories have not exerted a great deal of influence. (Järvenpää, Pellinen and Virtanen 2007, 57.)

4 The information content of IAS earnings and earnings based on the Finnish system of accounting regulation of both Finnish and foreign investors has been investigated by Niskanen, Kinnunen and Kasanen (1993), Niskanen, Kinnunen and Kasanen (2000), and Kinnunen, Niskanen and Kasanen (2000).

largest change in accounting practice within living memory and that it was important for accounting professionals to internalize their use as quickly as possible.

The adoption of IFRSs has introduced many new issues into accounting that differ from the traditional Finnish perspective. The position of the balance sheet has become more important, whereas traditional Finnish accounting emphasized the position of the profit and loss statement. Until this point, the value of assets was considered less important in Finnish accounting. The viewpoint of creditors and taxation present in the Finnish accounting remains less important, while IFRSs emphasize the information needs of an investor. (Räty and Virkkunen 2004, 33; Haaramo and Räty 2010.) The use of fair value has become increasingly important in the IFRS system (see e.g. Zeff 2007), whereas it is not typical of Finnish accounting. Finnish accounting has been characterized by its strong connections with taxation (Troberg 1992; Järvenpää 1996). Virtanen (2009) has stated that prudence is still important in Finnish accounting as well as in connection with accounting and taxation, even though these aspects differ from international accounting thinking. The world of traditional Finnish accounting and the world of the IFRSs are indisputably contradictory to each other, and hence it is justified to talk about a major change in accounting thought. The differences between international influences and the local Finnish accounting environment were, however, topical at the time when the EU Directives were originally undergoing implementation.

The adoption of the IFRSs has introduced global traits into local accounting environments, and hence it may now be necessary for accounting professionals in their local environments to forget part of their own historical accounting and its culture. Financial statements according to the IFRS are prepared, but have the IFRSs become psychologically rooted in Finnish accounting? Rodrigues and Craig (2007) talk about decoupling when IFRSs are applied in practice but the regulations may not be fully complied with because of cultural barriers, difficulties with language and terminology, and the intrinsically complex nature of the IFRSs. The purpose of the present study is, then, to find out what kind of accounting thought exists in present-day Finland in relation to both the International Financial Reporting Standards and the earlier accounting traditions. Hence, our specific research question is: *What kind of attitudes do Finnish accounting professionals have with regard to the IFRSs and in relation to Finnish accounting traditions?* While the accounting thought of a particular country consists of rules and practices and also a general framework and doctrine of accounting (see Näsi 1990), the concept of accounting thought as it is used in the present study concentrates on actual opinions and conceptions expressed by accounting professionals.

2. DATA AND METHODOLOGY

The data for this study was collected by means of a survey. In the first part of the questionnaire used in the survey the aim was to discover whether the traditional Finnish mode of accounting thought still exists in present-day Finland. This part of the survey was based on the central assumption that there is a contradiction between traditional Finnish accounting thought and accounting thought based on IFRSs. The questionnaire included statements about *valuation issues*, *the existence of the traditional Finnish accounting thought* and *the existence of prudence*. The second part of the questionnaire dealt with the IFRSs (*thoughts about the IFRSs*). The last of these four statement groups was based on interviews conducted with Finnish accounting professionals in 2007. In these interviews, the IFRSs came in for a considerable amount of criticism. The IFRSs were criticized for causing a lot of work and bureaucracy, but on the other hand many of the interviewees understood the meaning of the IFRSs as a factor of international competitiveness.[5] The questionnaire used in the survey also contained open questions about expenditure-revenue theory and the IFRSs.

A survey of Finnish accounting professionals was made in May 2008 in which the target group consisted of different kinds of accounting professionals working in Finland. The sample was collected from the following groups: 1) chartered accountants, 2) academic accounting teachers and researchers at Finnish universities, 3) accounting teachers at polytechnics and vocational schools, 4) bookkeepers in authorized accounting companies, and 5) people working in the financial administration departments of listed companies. The reason for including these groups was to have a decidedly heterogeneous sample of Finnish accounting professionals. In total, 532 questionnaires were distributed by e-mail, and eventually 125 individuals responded to the survey by the deadline. The response rate was 23.5%. Some people replied by e-mail saying that, in their opinion, they were not the right kind of professionals to complete the survey because they were not particularly familiar with the IFRSs. Here it should also be pointed out that we requested that a certain proportion of the questionnaires should be forwarded to other accounting professionals employed within the same organization if the e-mail had been sent to a listed company or to an organization concerned with business education. In the responses, men and women were represented reasonably fairly: 57.6% of the respondents were men and 42.4% were women. By age, the respondents were distributed as follows:

5 Hoogendoorn (2006) has listed his perceptions about the adoption of the IFRSs from the Netherlands. One of his suggestions was that the IFRSs are very complex even for auditors and other specialists.

TABLE 1. Age distribution of respondents.

Age	Frequency	Percentage
25–30	9	7.2
31–40	29	23.2
41–50	29	23.2
51–60	46	36.8
61–70	12	9.6
Total	125	100

Finally, it should also be pointed out that the sample represented the various types of accounting professionals quite well, as the following Table showing the distribution by profession will indicate:

TABLE 2. Current professions of respondents.

Current profession	Frequency	Percentage
Professor	13	10.4
Auditor (APA)	21	16.8
Auditor (CA)	13	10.4
Other	3	2.4
Lecturer/assistant professor at a university	10	8.0
Assistant/researcher at a university	4	3.2
Accounting teacher at a polytechnic	5	4.0
Accounting teacher at a vocational school	4	3.2
Financial manager in a listed company	28	22.4
Bookkeeper in a listed company	4	3.2
Accounting work in a non-listed company	8	6.4
Bookkeeper in an accounting office	12	9.6
Total	125	100

Most of the respondents were from Southern Finland. In geographical terms, the total number of respondents divided as follows:

TABLE 3. Geographical distribution of respondents.

Location of workplace	Frequency	Percentage
Southern Finland	63	50.4
Western Finland	28	22.4
Central Finland	6	4.8
Eastern Finland	16	12.8
Northern Finland	12	9.6
Total	125	100

The opinions and conceptions of individuals with no particular experience of IFRSs were considered to be as important as those with some experience. Of the respondents, 45.6% had practical experience of preparing or auditing financial statements in accordance with the IFRSs, while 54.4% had no experience of this kind.

The questionnaire included structured statements and open questions. The structured statements included five options for agreement or disagreement on the Likert scale. The mid-point of the scale was *I do not agree or disagree*, which provided an opportunity for respondents to answer in cases where they had no opinion about a particular issue. Descriptive statistics such as frequencies and cross-tabs were applied in the subsequent analysis. Bivariate correlations were explored variously: on one hand, between the statements and background factors (the age and the length of work experience), and on the other hand between the statements. Finally, an exploratory factor analysis was conducted. Answers to open questions were analyzed qualitatively by searching for the different groups to which the respondents appeared to belong. If Chi-Square tests showed statistically relevant results in case of background factors, they were reported. Likewise, if correlations between the age and the length of work experience and the statements showed interesting results, they were also reported, but otherwise they are not mentioned.

3. RESULTS

3.1. Valuation issues

Valuation at fair value has not been typical of Finnish accounting, whereas IFRSs provide many opportunities to use fair values. In the survey the attitudes of Finnish accounting professionals to fair value were explored in the following statements. The Table below shows both the statements used in the survey and also the ways in which the answers to these statements were divided.

TABLE 4. Statements about valuation issues.

1. The opportunity in IFRS financial statements to value assets at fair value is a good thing in financial reporting. (Assets)

	Frequency	Percentage
I completely disagree	7	5.6
I partly disagree	24	19.2
I neither agree nor disagree	17	13.6
I partly agree	64	51.2
I completely agree	13	10.4
Total	125	100

2. The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting. (Financial instruments)

	Frequency	Percentage
I completely disagree	6	4.8
I partly disagree	14	11.2
I neither agree nor disagree	37	29.6
I partly agree	58	46.4
I completely agree	10	8
Total	125	100

3. Valuation in financial statements can be based on estimated cash flows. (Cash-flows)

	Frequency	Percentage
I completely disagree	17	13.6
I partly disagree	36	28.8
I neither agree nor disagree	35	28.0
I partly agree	33	26.4
I completely agree	4	3.2
Total	125	100

4. Valuation at fair value influencing the profit and loss statement enhances the financial information. (Influencing profit)

	Frequency	Percentage
I completely disagree	11	8.8
I partly disagree	39	31.2
I neither agree nor disagree	27	21.6
I partly agree	44	35.2
I completely agree	4	3.2
Total	125	100

Most of the respondents thought that valuating financial instruments and other assets at fair value is a good thing in financial reporting, and 61.6% of the respondents agreed with the statement *The possibility in IFRS financial statements to value assets at fair value is a good thing in financial reporting*, while 54.4 % of respondents agreed with the statement *The possibility in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting*. On the other hand, in the case of the statement *The valuation in financial statements can be based on the estimated cash flows* the respondents were more critical, and 42.4% of the respondents disagreed with this statement, while only 29.6% agreed. Even if the fair value of assets was generally regarded as an acceptable issue in financial reporting, the respondents seemed to be more conservative when there was a question about valuation based on estimated cash flows. In the case of the statement *The valuation at fair value influencing the profit and loss statement makes financial information better* there seemed to be two opposing camps and also one group in the middle that neither agreed nor disagreed: 38.4% of respondents agreed and 40% disagreed.

All of these statements concerning valuation correlated negatively with age and with length of work experience. The influence of age can be explained in terms of critical attitudes towards fair value. The valuation based on estimated cash-flows and the fair value of assets was, however, more difficult to accept in terms of the fair value of the financial instruments. The Table below shows the size of the correlations (Spearman's rho) and their significance levels.

TABLE 5. Correlations between age and length of work experience and statements concerning valuation.

	Assets	***Financial instruments***	***Cash-flows***	***Influencing profit***
Age	**–0.329** **p = 0.000**	**–0.231** **p = 0.009**	**–0.390** **p = 0.000**	**–0.227** **p = 0.011**
Length of work experience	**–0.345** **p = 0.000**	**–0.204** **p = 0.022**	**–0.394** **p = 0.000**	**–0.294** **p = 0.001**

A Chi-Square test showed ($\chi^2(2) = 11.373$, $p = 0.003$) that respondents who had practical experience of IFRSs tended to disagree with the statement *Valuation at fair value influencing the profit and loss statement makes financial information better.* On the other hand, a relatively large number of respondents with no experience of IFRSs held no opinion on this issue. The Table below shows how the responses were divided between these two groups.

TABLE 6. The interdependence of the practical experience of the IFRSs and the statement The valuation at the fair value influencing the profit and loss statement makes financial information better.

Valuation at fair value influencing profit and loss statement makes financial information better.				
Practical experience of IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**32**	**9**	**16**	**57**
No	**18**	**18**	**32**	**68**
Total	**50**	**27**	**48**	**125**

When the influence of the practical experience of the IFRSs in case of the statement *the possibility in IFRS financial statements to value financial instruments at the fair value is a good thing in financial reporting* was explored, the Chi-Square test ($\chi^2 = 12.082(2)$, $p = 0.002$) showed that quite a large number of the respondents with experience of IFRSs disagreed with this statement. On the other hand, a large proportion of the respondents with no IFRS experience had no opinion.

TABLE 7. The interdependence of practical experience of IFRSs and the statement The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.

The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.				
Practical experience of IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**14**	**9**	**34**	**57**
No	**6**	**28**	**34**	**68**
Total	**20**	**37**	**68**	**125**

Gender had an influence on valuation issues in the sense that men seemed to disagree more than women with the statement *The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting* ($\chi^2(2) = 8.720$, $p = 0.013$).

TABLE 8. The interdependence of gender and the statement The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.

The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.				
	I disagree	**I neither agree nor disagree**	**I agree**	**Total**
Women	**4**	**22**	**27**	**53**
Men	**16**	**15**	**41**	**72**
Total	**20**	**37**	**68**	**125**

Most of the financial managers of listed companies were amenable to the idea of the fair value of assets, with 71.43% of them agreeing with the statement *The opportunity in IFRS financial statements to value assets at fair value is a good thing in financial reporting,* and 60.71% agreed with the statement *The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting*. On the other hand, 39.29% of financial managers of listed companies disagreed with the statement *Valuation in financial statements may be based on estimated cash flows,* while 42.86% agreed. This group seems to have been somewhat more conservative about cash-flow based valuation methods, even if attitudes towards fair value in general were quite positive.

Chi-Square tests ($\chi^2 = 17.137(6)$, $p = 0.009$) conducted with the profession showed that among auditors there was a relatively high proportion who disagreed with the statement *The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting*, and amongst teachers and researchers there are many who agreed with this claim. On the other hand, the groups consisting of *Teachers and researchers* and *Others* included numerous respondents with no opinion.

TABLE 9. The interdependence of the profession and the statement The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.

The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.				
Profession	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Teachers and researchers	**3**	**13**	**20**	**36**
Auditors	**9**	**4**	**21**	**34**
Accounting professionals in listed companies	**6**	**7**	**19**	**32**
Others	**2**	**13**	**8**	**23**
Total	**20**	**37**	**68**	**125**

3.2 The existence of traditional Finnish accounting thought

Expenditure-revenue theory, profit and loss orientation, and a close connection with taxation and accounting have all been important traits of traditional Finnish accounting. In the present survey the existence of traditional Finnish accounting thought was explored by means of four statements. The Table below shows these four statements and how their frequencies were divided:

TABLE 10. Statements concerning the existence of traditional Finnish accounting thought.

5. The profit and loss statement is more important than the balance sheet in financial reporting. (The profit and loss statement)		
	Frequency	Percentage
I completely disagree	6	4.8
I partly disagree	36	28.8
I neither agree nor disagree	29	23.2
I partly agree	45	36
I completely agree	9	7.2
Total	125	100

6. The most important task of financial reporting in both small and large firms is to lay a foundation for the distribution of profits. (The most important task)		
	Frequency	Percentage
I completely disagree	2	1.6
I partly disagree	39	31.2
I neither agree nor disagree	32	25.6
I partly agree	43	34.4
I completely agree	9	7.2
Total	125	100

7. Financial reporting should be closely connected to taxation. (Taxation)		
	Frequency	Percentage
I completely disagree	11	8.8
I partly disagree	42	33.6
I neither agree nor disagree	22	17.6
I partly agree	42	33.6
I completely agree	8	6.4
Total	125	100

8. Expenditure-revenue theory is no longer relevant in Finnish accounting thought. (ERT)		
	Frequency	Percentage
I completely disagree	18	14.4
I partly disagree	47	37.6
I neither agree nor disagree	32	25.6
I partly agree	21	16.8
I completely agree	7	5.6
Total	125	100

It appears that respondents were polarised into two opposing camps in the case of the statements *The profit and loss statement is more important than the balance sheet in financial reporting, The most important task of financial reporting in both small and large firms is to lay a founda-*

tion for the distribution of profits and *Financial reporting should be closely connected to taxation*, whereas there was more general agreement in the case of the statement *Expenditure-revenue theory is no longer relevant in Finnish accounting thought*, with more than half of the respondents (52%) disagreeing with this claim.

Age and the length of work experience partly explained attitudes in the case of the statements *The profit and loss statement is more important than the balance sheet in financial reporting* and *Expenditure-revenue theory is no longer relevant in Finnish accounting thought*. The older the respondent was and the more work experience he or she had, the more the respondent emphasized the position of the profit and loss statement and the significance of the expenditure-revenue theory. The correlations were, however, quite small, and there was a statistically very significant result precisely in the correlation between the length of work experience and the statement *The profit and loss statement is more important than the balance sheet in financial reporting*. The Table below shows the correlations and their statistical significance.

TABLE 11. Correlations between age and the length of work experience and the statements The profit and loss statement is more important than the balance sheet in financial reporting and Expenditure-revenue theory is no longer topical in Finnish accounting thought.

	Profit and loss statement	*ERT*
Age	**0.223** **p = 0.012**	**–0.236** **p = 0.008**
Length of work experience	**0.294** **p = 0.001**	**–0.262** **p = 0.003**

On the basis of the Chi-Square tests related to practical experience of IFRSs and these statements, it seems that accounting professionals with practical experience of IFRSs tend to think that financial reporting should not be connected with taxation, whereas accounting professionals with no practical experience of IFRSs seem mainly to think that there should be connections ($\chi^2 = 6.399(2)$, $p = 0.041$).

TABLE 12. Interdependence between practical experience of IFRSs and the statement Financial reporting should be closely connected with taxation. Financial reporting should be closely connected with taxation.

Practical experience of IFRSs	I disagree	I neither agree nor disagree	I agree	Total
Yes	31	7	19	57
No	22	15	31	68
Total	53	22	50	125

The Chi-Square test concerned with geographical location indicated that accounting professionals in Southern Finland tended to disagree more with the statement *Financial reporting should be closely connected with taxation.* ($\chi^2 = 6.146(2)$, $p = 0.046$) than the respondents in other parts of Finland frequently responded neutrally with *I neither agree nor disagree*.

TABLE 13. Interdependence between geographical location and the statement Financial reporting should be closely connected with taxation.

Financial reporting should be closely connected with taxation.				
Geographical location	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Southern Finland	**31**	**6**	**26**	**63**
Other parts of Finland	**22**	**16**	**24**	**62**
Total	**53**	**22**	**50**	**125**

The questionnaire also contained an open question about the significance of the expenditure-revenue theory: *What does expenditure-revenue theory mean to you?* On the basis of the answers, there appear to be three different groups of respondents. The first group considered expenditure-revenue theory old-fashioned as a basis of financial reporting. Justifications for this opinion were based on the practical and reasonable problems of the theory, but they were not based on emotional or cultural factors. The following quotations may be considered typical:

> *It forms a good start for learning the basics of bookkeeping, but a profit and loss statement and a balance sheet based on the theory will not be very informative.*
>
> *[it means]a compulsory principle to be implemented in bookkeeping. Does not give a correct picture of the firm's cash flows. We should be emphasizing liquidity, but the expenditure-revenue theory does not support that.*
>
> *Mainly, it's one of the historical theoretical backgrounds that Finnish accounting practices have been based on.*

The second group of respondents wanted to demonstrate that they had abandoned the old theory and no longer paid it much attention. It would seem that these respondents wanted to distinguish themselves as modern accounting thinkers who had left the old traditions behind:

> *I know that it forms the base of Finnish accounting, but it does not stir up any particular feelings.*
>
> *It scarcely means anything nowadays.*

There was, however, also a third group of respondents. The old theory still meant something for them, even if it was no longer always regarded as the primary principle of modern financial reporting. A few of the responses implied that the theory was also a cultural feature that had a meaning of its own:

> *Old inventions can still be used.*
>
> *It means that when you have learned something as a young professional, you cannot let it go when you are old.*
>
> *It is an interesting and uniquely special characteristic of Finnish accounting.*
>
> *I still use it when I am making basic entries.*

Based on the quantitative results and the open responses concerning expenditure-revenue theory, it can be concluded that the old theory still holds a position in Finnish financial accounting thought; even when respondents wanted to distinguish themselves from more old-fashioned accounting thinkers.

3.3 The existence of prudence

One important difference between traditional Finnish accounting and the IFRSs has been the position of prudence in accounting principles. Prudence has been important in Finland, as it has been in other nations holding to continental accounting, but in the IFRSs this is not the most important of principles. The Table below shows how this issue was explored in the survey and how the responses were divided:

TABLE 14. Statements concerning the existence of prudence.

9. Prudence is an important principle in financial reporting. (Prudence)		
	Frequency	**Percentage**
I completely disagree	**0**	**0**
I partly disagree	**9**	**7.2**
I neither agree nor disagree	**14**	**11.2**
I partly agree	**61**	**48.8**
I completely agree	**41**	**32.8**
Total	**125**	**100**

10. Relevance is a more important principle in financial reporting than prudence. (Relevance)		
	Frequency	**Percentage**
I completely disagree	**2**	**1.6**
I partly disagree	**20**	**16.0**
I neither agree nor disagree	**39**	**31.2**
I partly agree	**47**	**37.6**
I completely agree	**17**	**13.6**
Total	**125**	**100**

The prudence principle was still considered by the respondents to be important, since 81.6% of respondents agreed with the statement *Prudence is an important principle in financial reporting.* Only nine persons partially disagreed with this statement: a professor, four auditors (APA), three lecturers/assistant professors, and one financial manager working for a listed company. These individuals might have been closely familiar with the principles of IFRSs and hence they might have cultivated a more critical attitude to the prudence principle. On the other hand, 51.2% of the respondents thought that relevance is a more important principle than prudence in financial reporting. It seems that prudence is still a very important accounting principle amongst respondents since none responded with *I completely disagree* to the statement about prudence.

The length of work experience and age correlated positively with the statement *Prudence is an important principle in financial reporting* (Spearman's rho = 0.273, p = 0.002; Spearman's rho = 0.289, p = 0.001). The correlation in case of age and this particular statement was statistically very significant, but, on the other hand, the correlation coefficient was relatively small.

Respondents located in Southern Finland seemed to agree more with the statement *Relevance is a more important principle in financial reporting than prudence* than respondents in other parts of Finland ($\chi^2 = 6.758(2)$, $p = 0.034$). On the other hand, a significant proportion of the respondents from other parts of Finland had no opinion about this issue.

TABLE 15. Interdependence between geographical location and the statement Relevance is a more important principle in financial reporting than prudence.

Relevance is a more important principle in financial reporting than prudence.				
Geographical location	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Southern Finland	**12**	**13**	**38**	**63**
Other parts of Finland	**10**	**26**	**26**	**62**
Total	**22**	**39**	**64**	**125**

3.4 Thoughts about the IFRSs

The statements presented so far have been based on definitions of the differences between traditional Finnish accounting thought and accounting thought based on the IFRSs. The concluding part of the statements used in the survey was based on findings from interviews with Finnish accounting professionals conducted in 2007. The first four statements imply that the general attitude to IFRSs is more positive than negative. The Table below shows the positive statements made about IFRSs and how the frequencies were divided in the survey:

TABLE 16. (Positive) statements about attitudes to IFRSs.

11. The use of IFRSs in financial reporting enhances the financial information of listed companies. (Enhances)		
	Frequency	**Percentage**
I completely disagree	**3**	**2.4**
I partly disagree	**18**	**14.4**
I neither agree nor disagree	**35**	**28.0**
I partly agree	**52**	**41.6**
I completely agree	**17**	**13.6**
Total	**125**	**100**
12. It has been easy for me to adopt the IFRS-based way of thinking. (Adopt)		
	Frequency	**Percentage**
I completely disagree	**4**	**3.2**
I partly disagree	**34**	**27.2**
I neither agree nor disagree	**39**	**31.2**
I partly agree	**40**	**32.0**
I completely agree	**8**	**6.4**
Total	**125**	**100**
13. IFRSs are interesting. (Interesting)		
	Frequency	**Percentage**
I completely disagree	**7**	**5.6**
I partly disagree	**20**	**16.0**
I neither agree nor disagree	**35**	**28.0**
I partly agree	**47**	**37.6**
I completely agree	**16**	**12.8**
Total	**125**	**100**
14. My opinion of IFRSs is positive. (Positive)		
	Frequency	**Percentage**
I completely disagree	**7**	**5.6**
I partly disagree	**18**	**14.4**
I neither agree nor disagree	**39**	**31.2**
I partly agree	**50**	**40.0**
I completely agree	**11**	**8.8**
Total	**125**	**100**

It seems that most of the respondents were quite positive towards IFRSs, since 55.2% of them thought that *The use of IFRSs in financial reporting enhances the financial information of listed companies,* while 50.4% thought that *IFRSs are interesting* and 48.8% of respondents considered that *My opinion of IFRSs is positive*. On the other hand, the respondents split into two opposing camps in the case of the statement *It has been easy for me to adopt the IFRSs-based way of thinking*.

There were negative correlations between age and length of work experience, on one hand, and with the positive statements made about IFRSs. Thus, age and length of work experience tend to explain some of the critics of IFRSs. The Table below shows the correlations and the significance levels. The correlation and its statistical significance are evident in case of the statements *The use of IFRSs in financial reporting enhances the financial information of listed companies* and *My opinion of IFRSs is positive.*

TABLE 17. Correlations between age and length of work experience and the statements The use of IFRSs in financial reporting enhances the financial information of listed companies, It has been easy for me to adopt an IFRS-based way of thinking, IFRSs are interesting and my opinion of them is positive.

	Enhances	*Adopt*	*Interesting*	*Positive*
Age	**–0.313** **p = 0.000**	**–0.275** **p = 0.002**	**–0.208** **p = 0.020**	**–0.421** **p = 0.000**
Length of work experience	**–0.325** **p = 0.000**	**–0.219** **p = 0.014**	**–0.235** **p = 0.008**	**–0.431** **p = 0.000**

Respondents with practical experience of IFRSs tended to disagree to some extent with the statement *The use of IFRSs in financial reporting enhances the financial information of listed companies*. On the other hand, a large proportion of respondents with no experience of IFRSs also had no opinion on this issue ($\chi^2 = 11.365(2)$, $p = 0.003$). Table 18 shows the interdependence existing between them in this case.

TABLE 18. The interdependence of practical experience of IFRSs and the statement The use of IFRSs in financial reporting enhances the financial information of listed companies.

The use of IFRSs in financial reporting enhances the financial information of listed companies.				
Practical experience of IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**15**	**9**	**33**	**57**
No	**6**	**26**	**36**	**68**
Total	**21**	**35**	**69**	**125**

Practical experience of IFRS seemed also to influence responses to the statement *It has been easy for me to adopt an IFRS-based way of thinking*. Respondents with IFRS experience tended to agree with this claim, while respondents with no IFRS experience held fewer opinions on this issue, which is understandable ($\chi^2 = 9.016(2)$, $p = 0.011$).

TABLE 19. The interdependence of practical experience of IFRSs and the statement It has been easy for me to adopt an IFRS-based way of thinking.

It has been easy for me to adopt an IFRS-based way of thinking.				
Practical experience of IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**17**	**11**	**29**	**57**
No	**21**	**28**	**19**	**68**
Total	**38**	**39**	**48**	**125**

Gender had some influence in the case of the statement *My opinion of IFRSs is positive*, where the Chi-Square test produced statistically significant results ($\chi^2 = 11.522$ (2), $p = 0.003$). A considerable number of men disagreed with the statement and quite a few women also held no opinion on this issue. It may also be the case that, generally speaking, men critical of IFRSs were keen to respond in the survey. The Table below shows the results of the Chi-Square test.

TABLE 20. The interdependence of gender and the statement My opinion of IFRSs is positive.

My opinion of IFRSs is positive.				
Sex	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Women	**4**	**23**	**26**	**53**
Men	**21**	**16**	**35**	**72**
Total	**25**	**39**	**61**	**125**

The Chi-Square test, together with the profession and the statement *My opinion of IFRSs is positive* ($\chi^2 = 22.966$ (6), $p = 0.001$), produced statistically very significant results. A large proportion of the teachers and researchers tended to agree with this statement, and so, too, did accounting professionals working for listed companies. On the other hand, the opinions held by auditors were more polarized, and a high proportion of auditors held no opinion at all. In addition, the group *Others* frequently answered with *I neither agree nor disagree*.

TABLE 21. Interdependence of profession and the statement My opinion of IFRSs is positive.

My opinion of IFRSs is positive.				
Profession	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Teachers and researchers	**4**	**10**	**22**	**36**
Auditors	**10**	**10**	**14**	**34**
Accounting professionals in listed companies	**5**	**5**	**22**	**32**
Others	**6**	**14**	**3**	**23**
Total	**25**	**39**	**61**	**125**

The Chi-Square test with the statement *it has been easy for me to adopt the IFRS-based way of thinking* and profession showed that the group *Others* usually had no opinion on the issue. The opinions of auditors were polarized ($\chi^2 = 27.194$ (6), $p = 0.000$). Most of the accounting professionals working for listed companies agreed with this claim. The Table below shows how the responses were divided.

TABLE 22. The interdependence of profession and the statement It has been easy for me to adopt an IFRS-based way of thinking.

It has been easy for me to adopt an IFRS-based way of thinking.				
Profession	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Teachers and researchers	**10**	**11**	**15**	**36**
Auditors	**12**	**9**	**13**	**34**
Accounting professionals in listed companies	**10**	**3**	**19**	**32**
Others	**6**	**16**	**1**	**23**
Total	**38**	**39**	**48**	**125**

Statements critical of IFRS in the questionnaire and the responses to these statements were as follows.

TABLE 23. (Critical) statements concerning thoughts about IFRSs.

15. IFRSs make financial reporting too bureaucratic. (Bureaucratic)

	Frequency	Percentage
I completely disagree	1	0.8
I partly disagree	19	15.2
I neither agree nor disagree	27	21.6
I partly agree	51	40.8
I completely agree	27	21.6
Total	125	100

16. Understanding IFRSs requires a new way of thinking. (New way)

	Frequency	Percentage
I completely disagree	1	0.8
I partly disagree	5	4.0
I neither agree nor disagree	17	13.6
I partly agree	63	50.4
I completely agree	39	31.2
Total	125	100

17. IFRSs include too many detailed definitions. (Detailed)

	Frequency	Percentage
I completely disagree	0	0
I partly disagree	17	13.6
I neither agree nor disagree	35	28.0
I partly agree	32	25.6
I completely agree	41	32.8
Total	125	100

18. IFRSs offer too little freedom of action in financial reporting. (Freedom)

	Frequency	Percentage
I completely disagree	7	5.6
I partly disagree	31	24.8
I neither agree nor disagree	54	43.2
I partly agree	22	17.6
I completely agree	11	8.8
Total	125	100

In the course of the survey, 62.4% of respondents agreed with the statement *IFRSs make financial reporting too bureaucratic*, while 58.4% agreed with the statement *IFRSs include too many detailed definitions*. In this respect, most of the respondents were critical of the IFRSs. On the other hand, it was difficult to form an opinion about the statement *IFRSs offer too little freedom of action in financial reporting*, since 43.2% of respondents neither agreed nor disagreed with this. Responses to the statement *An understanding of IFRSs requires a new way of thinking* reveal that the use of IFRSs is likely to represent a big change in an individual's accounting thought, and a large majority of respondents (81.6%) agreed with this statement.

Age and length of work experience correlated positively with the statements *IFRSs make financial reporting too bureaucratic* and *IFRSs include too many detailed definitions*. Hence, it would seem that older accounting professionals identify more negative aspects in IFRSs.

TABLE 24. Correlations between age and length of work experience and the statements IFRSs make financial reporting too bureaucratic and IFRSs include too many detailed definitions.

	Bureaucratic	*Detailed*
Age	**0.288** **p = 0.001**	**0.248** **p = 0.005**
Length of work experience	**0.351** **p = 0.000**	**0.293** **p = 0.001**

The statement *IFRSs include too many detailed definitions* with the practical experience of the IFRSs in the Chi-Square test showed statistically almost significant results ($\chi^2 = 7.141$ (2), $p = 0.028$). It seems that most accounting professionals with IFRS-experience agreed with this claim.

TABLE 25. The interdependence of practical experience of IFRSs and the statement IFRSs include too many detailed definitions.

IFRSs include too many detailed definitions.				
Practical experience about the IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**12**	**11**	**34**	**57**
No	**5**	**24**	**39**	**68**
Total	**17**	**35**	**73**	**125**

The Chi-Square test ($\chi^2 = 6.057(2)$, $p = 0.048$) showed that respondents with IFRS-experience seemed to disagree more with the statement *IFRSs offer too little freedom of action in financial reporting* than respondents with no IFRS-experience, whereas a large proportion of respondents with no IFRS experience had no particular opinion.

TABLE 26. The interdependence of practical experience of IFRSs and the statement IFRSs include too many detailed definitions.

IFRSs offer too little freedom of action in financial reporting.				
Practical experience about the IFRSs	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Yes	**22**	**18**	**17**	**57**
No	**16**	**36**	**16**	**68**
Total	**38**	**54**	**33**	**125**

The profession of the respondents had an influence in the case of the statement *IFRSs offer too little freedom of action in financial reporting* ($\chi^2 = 15.413(6)$, $p = 0.017$). One interesting result is that a relatively large number of teachers and researchers disagreed with this claim. There is, again, a large proportion of the respondents who had no opinion about this issue.

TABLE 27. The interdependence of profession and the statement IFRSs offer too little freedom of action in financial reporting.

IFRSs offer too little freedom of action in financial reporting.				
Profession	**I disagree**	**I neither agree nor disagree**	**I agree**	**Total**
Teachers and researchers	**15**	**17**	**4**	**36**
Auditors	**12**	**12**	**10**	**34**
Accounting professionals in listed companies	**9**	**10**	**13**	**32**
Others	**2**	**15**	**6**	**23**
Total	**38**	**54**	**33**	**125**

In order to elicit more information about attitudes to IFRSs, the questionnaire included an open question: *In your opinion, what benefits and weak points do IFRSs possess?* It was found that the respondents could be divided into three different groups in terms of their responses. The first group was very positive towards IFRSs:

The purpose of the IFRSs was to create comparability between financial statements made in different countries. It is important to find what is important and what is not. It is unwise to concentrate on the smaller details as a first step.

(benefits:) excitement, some sort of congruence across different countries, 'market-valuedness' – a closer correspondence between the balance sheet and reality, continuous development – in comparison with directives, for example, we can be glad that the teachers of accounting will not run out of work, the transparency and comparability of the information provided in annual accounts across different countries will grow.

The use of market values yields a more accurate picture of the firm's financial position than the use of the historical book values.

What's good about the IFRS standards is that they give considerably more written directions than the Accountancy Act does but do not go as far into dogmatism as the GAAP in the US. The use of the IFRS standards results in information that is relevant to the investor and has mostly been produced under clear rules of play, and the contents of the annual accounts will not be driven by the all-purpose principle of prudence or by taxation, for example.

The second group was also very positive towards IFRSs, even if this group considered that some problems might arise in practice:

Justifications are easily gained from use of the standards. Differences in interpretations have declined. On the other hand, IFRSs require particular know-how, especially in the case of understanding goodwill, amortisation and earnings-based payments.

The standards yield a much better and more detailed picture of the financial situation of the firm. But then again, when there's page after page of information instead of the former, more lucid reporting, ordinary shareholders will in fact become the underdogs in comparison with the professionals, for they are simply unable to seek information from financial statements that are getting complicated and terminologically completely alien to lay persons.

What's good is the elaborateness of the standards. In practice, on the other hand, it is difficult to apply any given standard.

The third group, for its part, turned out to be highly critical of IFRSs. Responses showed that there are issues that irritate and that accounting based on IFRSs does not appeal to this particular group:

Fair values are pulled out of the hat until the asset is sold. Over here we call IFRS financial statements guess-financial statements!

The outcome is too susceptible to economic fluctuation. By altering the factors of the accounting, one gets the desired outcome in the valuation. The accounting is based on no theoretical thinking, so that both the profit and loss account and the balance sheet are based on assumptions and rules, which makes them mere sums of assumptions.

Investors and stock exchange players trade with each other, and the firm gains scarcely anything; cf. a race horse.

The risks increase, especially those of the auditor, because in hindsight (if the firm goes bankrupt), the balance sheet values assessed in any given year should have been assessed correctly. The grounds for the valuations are not sufficiently strong; for example, the real estate of an industrial company has often been built for its precise purpose of use, and its value may go to zero if the industrial activity ends. When the assets have been posted in terms of valuation differences, the profit distribution is carried out from assets that are uncertain in concrete terms. Weak points: bureaucratic. The predicting of future cash flows is a very uncertain way in this changing world of ours.

A qualitative part of the survey that included open answers provided a larger variety of shades of opinion concerning respondents' attitudes to IFRSs than did the quantitative part. Even if the quantitative part implies that, in general, there are generally quite positives attitudes to IFRSs, IFRSs still stimulate numerous problematic issues and IFRSs may indeed engender highly critical thoughts.

4. A FACTOR ANALYSIS – THREE LINES IN CURRENT FINNISH ACCOUNTING THOUGHT

Based on the results presented thus far, two different camps of accounting professionals have often seemed to exist *vis-à-vis* each statement, since the responses tended to divide in these cases into two opposed groups. In the case of a few statements, however, there was more of a consensus. Responses to open questions suggested that there were apparently three types of groups of respondents relative to the expenditure theory and IFRSs. In order to discover the various different lines of accounting thought, an exploratory factor analysis was put into effect. One clue pointing towards such a factor analysis was that correlations (Pearson correlate coefficients) existed between certain statements. For example, the statement *The expenditure-revenue theory is no longer relevant in Finnish accounting thought* correlated positively with the statement *My opinion of IFRSs is positive*. The Pearson's correlate coefficient in this case was 0.52, which was highly significant. The correlations between all of the statements are presented in the Appendix[6]. In the factor analysis four factors emerged that correlated with specific statements. Four of the factors whose Eigenvalues were higher than 1.0 were chosen as factors.

The first factor correlated with the following statements: 1) *The possibility in IFRS financial statements to value assets at fair value is a good thing in financial reporting;* 2) *The possibility in IFRS financial statements of valuing financial instruments at fair value is a good thing in financial*

6 Correlations may not be relevant when dependences are explored between the statements used in this survey. On the other hand, correlate coefficients between certain statements indicated the need to conduct a factor analysis.

reporting; 3) *The use of IFRSs in financial reporting enhances the financial information of listed companies;* 4) *My opinion of IFRSs is positive*; 5) *IFRSs are interesting;* and 6) *Expenditure-revenue theory is no longer relevant in Finnish accounting thought,* while there was a negative correlation with 7) *IFRSs make financial reporting too bureaucratic*.

The second factor correlated with the following statements: 1) *IFRSs make financial reporting too bureaucratic*; 2) *Understanding IFRSs requires a new way of thinking;* and 3) *IFRSs include too many detailed definitions*.

The third factor correlated with the following statements: 1) *The possibility in IFRS financial statements of valuing assets at fair value is a good thing in financial reporting;* 2) *In my opinion, valuation at fair value influencing the profit and loss statement enhances the financial information;*, 3) *The possibility in IFRS financial statements of valuing financial instruments at fair value is a good thing in financial reporting;* and 4) *The use of IFRSs in financial reporting enhances the financial information of listed companies*.

The fourth factor correlated with the following statements: 1) *Prudence is an important principle in financial reporting;* 2) *Understanding IFRSs requires a new way of thinking;* while it correlated negatively with: 3) *Relevance is a more important principle in financial reporting than prudence*.

Based on the results of the factor analysis, there appear to be four different lines of accounting thought *vis-à-vis* IFRSs and earlier Finnish accounting traditions. The first line has been termed *IFRS enthusiasm*. This line is very positive about IFRSs. There has been a desire to reject expenditure-revenue theory, which might indicate that this line of thought aims at differing from 'expenditure-revenue theory-likers'. The second line of thought is *IFRS criticism*. This line is very critical of the IFRSs, but it is not necessarily attached to the older Finnish accounting traditions. The third line of thought is *Fair value emphasis*, which accepts the idea of fair value, since fair value enhances financial information. This line does not necessarily want to reject the old Finnish accounting traditions and it may be less keen on IFRSs than the first line. The fourth line of accounting thought, for its part, is *Conservative prudence*. The line respects the position of the prudence principle in financial reporting and regards the adoption of IFRSs as a major change in accounting practice.

TABLE 28. The factor solution.

Variable	1	2	3	4	Extracted communality
The possibility in IFRS financial statements of valuing assets at fair value is a good thing in financial reporting.	0.460		0.499		0.477
Prudence is an important principle in financial reporting.				0.755	0.605
Relevance is a more important principle in financial reporting than prudence.				–0.423	0.303
In my opinion, valuation at fair value influencing the profit and loss statement makes financial information better.			0.792		0.659
The possibility in IFRS financial statements of valuing financial instruments at fair value is a good thing in financial reporting.	0.560		0.368		0.457
The use of IFRSs in financial reporting enhances the financial information of listed companies.	0.650		0.362		0.594
IFRSs are interesting.	0.629				0.418
My opinion of IFRSs is positive.	0.884				0.852
The expenditure-revenue theory is no longer topical in Finnish accounting thought.	0.515				0.350
IFRSs make financial reporting too bureaucratic.	–0.300	0.952			0.999
Understanding IFRSs requires a new way of thinking.		0.438			0.338
IFRSs include too many detailed definitions.		0.557			0.472
Initial eigenvalue	4.076	1.842	1.214	1.108	
Percentage of variance explained	33.963	15.347	10.119	8.484	
Cumulative percentage of variance explained	33.963	49.310	59.429	67.913	
Cronbach's alpha	0.671	0.711	0.761	0.529	

Note: KMO measure of sampling adequacy = 0.775; Chi-Square = 499.741; Bartlett's test of spherity, p = 0.000

5. CONCLUSIONS

Based on this survey, Finnish accounting thought is not regarded uniformly in the minds of accounting professionals. There still exist traces of traditional Finnish accounting thought, although the IFRSs are undoubtedly taking root in Finnish accounting. The ideas contained in the IFRSs, such as fair value, are becoming accepted mentally by a significant part of Finnish accounting professionals even if in general attitudes remain differentiated. It appears that differences in attitudes do not depend significantly on the various professional groups, whereas practical experience of IFRSs has a certain amount of influence. One important detail in this process is that respondents with previous IFRSs experience revealed a critical attitude to the notion of valuation at fair value influencing the profit and loss statement, while some of the respondents with experience of IFRSs (26.32%) did not think that the use of IFRSs enhances the financial information of listed companies. In the case of many statements the respondents with no IFRS-experience had no clear attitudes. The most important factor that helped to explain a critical attitude to IFRSs was the age of the respondent, since in the case of some statements the older the respondent was and the more he/she had work experience, the more critical he/she was of IFRSs.

Based on the results of the factor analysis and the responses to the open questions in the questionnaire, it can be concluded that there are four different lines of accounting thought related to IFRSs and previous accounting traditions. The first line has been termed *IFRS enthusiasm*. This line is highly positive about IFRSs and it seeks to reject expenditure-revenue theory. It also actively seeks to forget the old traditions and to concentrate on new issues in financial reporting. The second line is, then, *Fair value emphasis*. This line of accounting thought accepts some of the principles of the IFRSs, such as fair value, but this line is not overwhelmingly enthusiastic about IFRSs, nor does it wish to reject expenditure-revenue theory. This line is also likely to be less passionate than the first line in the case of financial reporting issues, although it appears that its adherents gradually come to accept the new issues in accounting, even if it does not strive to keep the flag flying for anything special. The third line of accounting thought has been termed *IFRS criticism*. This line is critical of IFRSs, which, for its part, may indicate a certain engagement in accounting matters. Finally, the fourth line is *Conservative prudence*, and the line generally demonstrates a preference for conservatism and prudence in accounting. The line also thinks that the use of IFRSs tends to mean a big change in accounting.

It has to be acknowledged, however, that the use of the IFRSs belongs to everyday practice on the part of only a certain proportion of Finnish accounting professionals, whilst the rest have yet to form their own opinions. The difference between Finnish accounting practice and IFRSs practice became clear in the present survey, since some of the respondents did not regard themselves tp be suitable respondents for this survey, even if nearly all accounting professionals must have some kind of opinions and conceptions about valuation issues, for example.

If we were to base our results only on the responses that we obtained to the statements, we could claim that, with time, the opinions and conceptions of Finnish accounting professionals have grown quite positive about IFRSs and also that they will become more positive in the future. In current Finnish accounting, however, historical traditions are remembered very clearly and this, in turn, stimulates some resistance to IFRSs. Qualitative analysis of the open answers indicated that there were numerous issues in the IFRSs that are regarded by Finnish accounting professionals as problematic or difficult. Opinions and attitudes towards IFRSs can be more picturesque and varying than quantitative results suggest. Open answers revealed the cultural and emotional side of accounting with the result that accounting creates feelings of cultural remoteness or closeness. Open answers also revealed more about the practical difficulties that arise when IFRSs are used in everyday practice. The results of the factor analysis prove that that there are also some emotions in accounting alongside its actual practice, since any group that demonstrates a very positive response to IFRSs also wishes to reject the obsolescent theory. An active will to forget the old could indicate that there exist a variety of feelings, passions and strong opinions. In addition, a desire to maintain the old theory suggests that accounting and financial reporting are not simply a matter of technique or a tool-kit for dealing with practical problems. Rather, in financial reporting there also exists a highly significant matter of culture. It also seems that accounting professionals are divided into different camps and that they indeed want to separate themselves into different groups. ■

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Appendix

Correlations between statements. (Correlations over 0.3 appear in Bold.)

1. *The opportunity in IFRS financial statements to value assets at fair value is a good thing in financial reporting.*
2. *The opportunity in IFRS financial statements to value financial instruments at fair value is a good thing in financial reporting.*
3. *Valuation in financial statements can be based on estimated cash flows.*
4. *Valuation at fair value influencing the profit and loss statement enhances financial information.*
5. *The profit and loss statement is more important than the balance sheet in financial reporting.*
6. *The most important task of financial reporting in both small and large firms is to lay the foundation for the distribution of profits.*
7. *Financial reporting should be closely connected to taxation.*
8. *Expenditure-revenue theory is no longer relevant in Finnish accounting thought.*
9. *Prudence is an important principle in financial reporting.*
10. *Relevance is a more important principle in financial reporting than prudence.*
11. *The use of IFRSs in financial reporting enhances the financial information of listed companies.*
12. *It has been easy for me to adopt an IFRS-based way of thinking.*
13. *IFRSs are interesting.*
14. *My opinion of IFRSs is positive.*
15. *IFRSs make financial reporting too bureaucratic.*
16. *Understanding IFRSs requires a new way of thinking.*
17. *IFRSs include too many detailed definitions.*
18. *IFRSs offer too little freedom of action in financial reporting.*

	1	2	3	4	5	6	7	8	9
1		**0.420**** **0.000**	**0.356**** **0.000**	**0.476**** **0.000**	–0.268** 0.003	–0.100 0.265	–0.219* 0.014	0.257** 0.004	–0.154 0.086
2	**0.420**** **0.000**		0.232** 0.009	**0.366**** **0.000**	–0.192* 0.032	–0.215* 0.016	–0.233** 0.009	**0.321**** **0.000**	–0.017 0.849
3	**0.356**** **0.000**	0.232** 0.009		0.193* 0.031	–0.102 0.259	**–0.311**** **0.000**	–0.284** 0.001	**0.405**** **0.000**	–0.269** 0.002
4	**0.476**** **0.000**	**0.366**** **0.000**	0.193* 0.031		–0.220* 0.014	–0.020 0.821	–0.136 0.132	0.209* 0.019	–0.135 0.132
5	–0.268** 0.003	–0.192* 0.032	–0.102 0.259	–0.220* 0.014		0.205* 0.022	–0.002 0.983	–0.244** 0.006	0.044 0.627
6	–0.100 0.265	–0.215* 0.016	**–0.311**** **0.000**	–0.020 0.821	0.205* 0.022		0.206* 0.021	–0.170 0.058	0.187* 0.037
7	–0.219* 0.014	–0.233** 0.009	–0.284** 0.001	–0.136 0.132	–0.002 0.983	0.206* 0.021		**–0.306**** **0.001**	0.295** 0.001
8	0.257** 0.004	**0.321**** **0.000**	**0.405**** **0.000**	0.209* 0.019	–0.244** 0.006	–0.170 0.058	**–0.306**** **0.001**		–0.237** 0.008
9	–0.154 0.086	–0.017 0.849	–0.269** 0.002	–0.135 0.132	0.044 0.627	0.187* 0.037	0.295** 0.001	–0.237** 0.008	
10	0.094 0.298	0.011 0.902	0.239** 0.007	–0.146 0.103	0.009 0.920	–0.176* 0.049	–0.112 0.215	0.196* 0.029	**–0.332**** **0.000**
11	**0.516**** **0.000**	**0.498**** **0.000**	**0.374**** **0.000**	**0.395**** **0.000**	–0.182* 0.042	–0.222* 0.013	–0.283** 0.001	**0.463**** **0.000**	–0.149 0.097
12	0.250** 0.005	**0.317**** **0.000**	0.235** 0.008	0.031 0.735	0.118 0.189	–0.148 0.100	–0.190* 0.034	0.219* 0.014	–0.192* 0.032
13	0.196* 0.029	**0.354**** **0.000**	0.287** 0.001	0.093 0.303	–0.052 0.561	**–0.312**** **0.000**	–0.277** 0.002	0.248** 0.005	–0.090 0.317
14	**0.516**** **0.000**	**0.509**** **0.000**	**0.383**** **0.000**	0.244** 0.006	–0.194* 0.030	**–0.365**** **0.000**	**–0.379**** **0.000**	**0.525**** **0.000**	–0.204* 0.022
15	–0.265** 0.003	–0.116 0.196	–0.247** 0.005	–0.179* 0.046	0.189* 0.035	0.240** 0.007	0.254** 0.004	–0.210* 0.019	0.159 0.076
16	0.011 0.900	0.104 0.247	–0.062 0.491	–0.067 0.457	–0.019 0.832	0.154 0.087	0.038 0.672	**0.013** **0.886**	**0.313**** **0.000**
17	–0.284** 0.001	–0.162 0.071	–0.285** 0.001	–0.143 0.112	0.089 0.322	0.177* 0.049	0.133 0.141	**–0.305**** **0.001**	**0.323**** **0.000**
18	–0.130 0.148	–0.063 0.482	–0.164 0.067	0.082 0.364	0.122 0.175	0.066 0.468	0.198* 0.027	–0.193* 0.031	0.236** 0.008

	10	11	12	13	14	15	16	17	18
1	0.094 0.298	**0.516**** **0.000**	0.250** 0.005	0.196* 0.029	**0.516**** **0.000**	–0.265** 0.003	0.011 0.900	–0.284** 0.001	–0.130 0.148
2	0.011 0.902	**0.498**** **0.000**	**0.317**** **0.000**	**0.354**** **0.000**	**0.509**** **0.000**	–0.116 0.196	0.104 0.247	–0.162 0.071	–0.063 0.482
3	0.239** 0.007	**0.374**** **0.000**	0.235** 0.008	0.287** 0.001	**0.383**** **0.000**	–0.247** 0.005	–0.062 0.491	–0.285** 0.001	–0.164 0.067
4	–0.146 0.103	**0.395**** **0.000**	0.031 0.735	0.093 0.303	0.244** 0.006	–0.179* 0.046	–0.067 0.457	–0.143 0.112	0.082 0.364
5	0.009 0.920	–0.182* 0.042	0.118 0.189	–0.052 0.561	–0.194* 0.030	0.189* 0.035	–0.019 0.832	0.089 0.322	0.122 0.175
6	–0.176* 0.049	–0.222* 0.013	–0.148 0.100	**–0.312**** **0.000**	**–0.365**** **0.000**	0.240** 0.007	0.154 0.087	0.177* 0.049	0.066 0.468
7	–0.112 0.215	–0.283** 0.001	–0.190* 0.034	–0.277** 0.002	**–0.379**** **0.000**	0.254** 0.004	0.038 0.672	0.133 0.141	0.198* 0.027
8	0.196* 0.029	**0.463**** **0.000**	0.219* 0.014	0.248** 0.005	**0.525**** **0.000**	–0.210* 0.019	0.013 0.886	**–0.305**** **0.001**	–0.193* 0.031
9	**–0.332**** **0.000**	–0.149 0.097	–0.192* 0.032	–0.090 0.317	–0.204* 0.022	0.159 0.076	**0.313**** **0.000**	**0.323**** **0.000**	0.236** 0.008
10		0.133 0.139	0.174 0.053	0.158 0.078	0.260** 0.003	–0.209* 0.019	–0.182* 0.042	–0.207* 0.021	–0.219* 0.014
11	0.133 0.139		**0.368**** **0.000**	**0.442**** **0.000**	**0.643**** **0.000**	**–0.398**** **0.000**	0.015 0.865	**–0.344**** **0.000**	–0.152 0.092
12	0.174 0.053	**0.368**** **0.000**		**0.419**** **0.000**	**0.432**** **0.000**	–0.231** 0.010	–0.199* 0.026	–0.209* 0.020	–0.252** 0.005
13	0.158 0.078	**0.442**** **0.000**	**0.419**** **0.000**		**0.598**** **0.000**	**–0.323**** **0.000**	–0.011 0.900	–0.199* 0.026	–0.222* 0.013
14	0.260** 0.003	**0.643**** **0.000**	**0.432**** **0.000**	**0.598**** **0.000**		**–0.458**** **0.000**	–0.008 0.925	**–0.363**** **0.000**	–0.283** 0.001
15	–0.209* 0.019	**–0.398**** **0.000**	–0.231** 0.010	**–0.323**** **0.000**	**–0.458**** **0.000**		**0.379**** **0.000**	**0.615**** **0.000**	**0.398**** **0.000**
16	–0.182* 0.042	0.015 0.865	–0.199* 0.026	–0.011 0.900	–0.008 0.925	**0.379**** **0.000**		**0.343**** **0.000**	0.254** 0.004
17	–0.207* 0.021	**–0.344**** **0.000**	–0.209* 0.020	–0.199* 0.026	**–0.363**** **0.000**	**0.615**** **0.000**	**0.343**** **0.000**		**0.372**** **0.000**
18	–0.219* 0.014	–0.152 0.092	–0.252** 0.005	–0.222* 0.013	–0.283** 0.001	**0.398**** **0.000**	0.254** 0.004	**0.372**** **0.000**	