

## Impact Of The Adoption Of The SNC According To Financial Information Preparers

### Abstract

The objective in this article is to study the impact of the Sistema de Normalização Contabilística (SNC) – the new Portuguese accounting regulation – on the financial information model, on the profession of Chartered Accountants (CA) and on the companies, from the perspective of the preparers of the financial information. It starts with a literature review of the most significant studies about the impacts and implications of accounting regulation transitions in a harmonization process and about the change in the accounting framework as perceived by the information preparers. For this purpose, a qualitative method is used, based on documentary analysis about the study theme and about accounting degrees. To develop our empirical study, a questionnaire was applied to the financial information preparers in order to collect their opinions about the impacts of the adoption of the new accounting model as specified above. The preparers are very confident in the new regulation, given that it responds to the current financial reporting needs, considers the characteristics and reality of the Portuguese companies, permits comparability at different levels, is more beneficial in terms of information preparation costs, more demanding and modern, improves the quality of information disclosure and entails benefits for the reputation of the chartered accounting profession. Nevertheless, there is a risk of comprehension difficulties among the information users, difficulties for the managers to perceive the consequences of the SNC in their financial statements (FS). Furthermore, the evolution in the reporting model may not be accompanied by changes in business management.

**Key Words:** Accounting harmonization, POC, SNC, Information preparers, Portugal.

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## 1. Introduction

The dismantling of the barriers to global trade led to an increase in commercial and financial operations, implying the sophistication and complexity of commercial transactions and, consequently, the emergence of new challenges for Accounting as an information system. In addition, there is the fact that the European Union's strategy is based on a single economy, stock exchange and currency. Its practice depends, namely, on the existence of financial reports based on the same accounting model. Therefore, a new strategy was triggered in the European accounting harmonization process, which culminated in Regulation 1606/2002, adopting the international accounting standards/international financial reporting standards (IAS/IFRS) of the International Accounting Standards Board (IASB) adapted by the EU – not included in the references. So far, the European strategy had been based on the Community Guidelines, particularly Guidelines 4 and 7.

Portugal's entry into the European Economic Community entailed compulsory changes in the Portuguese accounting model for the sake of coherence with these Guidelines. In that sense, in 1989, a new Plano Oficial de Contabilidade (POC) was approved, which was gradually updated over the years and complemented through the launch of Accounting Guidelines. The adoption of the IAS/IFRS in the European space brought repercussions for the national regulations. In Portugal, as from 2010, a new accounting model (SNC) was adopted, which is more principle than rule-based, aiming for the harmonization between the Member States' national accounting models and the EU's model.

Various studies have focused on the impacts of the implication of IASB's international standards and on the accounting harmonization. Nevertheless, there is a lack of studies that analyze the potential impacts of the adoption of SNC from the perspective of the financial information preparers. As the existing studies are (almost) all *ex ante*, we found it pertinent and relevant to collect these agents' opinion on the SNC after its implementation and after the conclusion of at least one economic year. Hence, given the relevance of the theme for society in general, companies and accounting professionals, we found it necessary to analyze the potential impacts of the adoption of the new accounting model in Portugal, from the perspective of the information preparers.

In view of the above, in this study, we intend to analyze the impact of the adoption of the SNC from three distinct viewpoints: as a financial information model, that is, in the context of the changes at the level of financial reporting, internationalization, harmonization and comparability of companies, and in the understanding, disclosure and management of the business; in the CA profession, that is, whether or not there is further recognition, further need for more and better technical knowledge and new ethical challenges; and, finally, in the companies, with a view to concluding on the level of the impact in the results, in the understanding of the FS and in the quality of the financial information. Therefore, a questionnaire was elaborated to collect the information preparers' opinions about the impacts of the adoption of the SNC.

This study is organized in four parts, the first of which is this introduction. In part 2, we present a literature review about the impacts and implications of the changes in the accounting model. Part 3 is focused on our empirical study and, finally, in part 4, the main conclusions are presented.

## 2. Literature review

Jermakowicz (2004) previewed that the regulatory changes would entail relevant impacts for the consolidated FS, more concretely for the *own capital* and *net income*. Aisbitt (2006) concluded, however, that the changes in *own capital* are not relevant in global terms, although they can provoke important consequences for the financial analysis in some lines. Hung and Subramanyam (2007) concluded that the IAS/IFRS provoke a positive effect at the level of the *total assets* and *own capital*, with a more limited positive effect on the *net income* than on the *own capital*. In the neighboring country, Callao, Jarne and Láinez (2007) found evidence that the transition to the IAS/IFRS significantly changed the image of the publicly

traded companies. In Greece, Athanasios, Kanellos and Konstanyinos (2007) concluded that the *own capital*, when confronted with the *net income*, plays a more important role in the new reporting model than in the previous model, and that the difference in the amount of *own capital* is not statistically significant, as opposed to the findings for the *net income* value.

In Portugal, Guerreiro (2006) concluded that the Portuguese companies' degree of preparation to adopt the new regulation is directly linked to the dimension, internationalization and type of auditor. Cordeiro *et al.* (2007) concluded that the adoption of the IAS/IFRS conditioned the companies' financial assessment due to the adjustments needed for the transition. In the companies listed on the PSI 20, it cannot be affirmed that the differences found between the POC and IAS/IFRS are statistically significant, whether at the level of the *own capital* or the *net income*. These results by Araújo (2010) are consistent with the findings by Cordeiro, Couto and Silva (2007). Costa and Lopes (2010) demonstrated that, as a result of the change from the POC to the international standards, the accounting practices are considered less conservative. In another branch, Pinheiro and Lopes (2012) concluded that the hypothesis about the increased relevance of the accounting information after the adoption of the IAS/IFRS cannot be confirmed.

In the transition to the SNC, although Machado (2012) acknowledges significant differences between the POC and the SNC, the author found not significant impacts of the transition at the levels of the FS ratios and lines, with a neutral level of conservatism. In the same sense as Cordeiro *et al.* (2007) and Araújo (2010), it could not be affirmed that this alteration provoked significant differences in the *own capitals* and in the *net income*.

According to the ICAEW (2007), the information preparers consider that the impact of the adoption of the IAS/IFRS on the *period* was limited or zero and that the new model leads to improvements in the financial information quality, facilitates the comparability and its use by supervisors and regulators. Nevertheless, there was no consensus on the impact on the understandability by investors and majority disagrees that the IAS/IFRS provoked changes at the management level. Quagli and Paoloni (2012), in turn, concluded that the preparers do not support the compulsory adoption of the IFRS for small and medium-sized companies, because that would not improve the comparability.

*A priori*, Santos and Lopes (2010) collected evidence that most Accounting professionals were favorable to the SNC, despite the relative consensus that there were no benefits for the profession. Santos and Lopes (2011) concluded that the preparers acknowledge advantages of adopting the SNC, namely international comparability, satisfaction of the need for more demanding financial reporting and accompaniment of the European accounting modernization, but these authors do not believe that it permits a cost reduction as a result of the elimination of dual accounting and consider that the new model is not adapted to the Portuguese reality. They do, admit, however, that the NCRF-PE simplifies accounting for small entities, without discussing the comparability. Nevertheless – and against Santos and Lopes (2010) –, the profession will be more valued, as it requires better competences, if the CA are obliged to use their professional judgment more frequently.

Given that studies from the preparers' perspective are *ex ante*, we decided to collect the information preparers' opinion after the SNC came into force. The investigation we elaborated was based on the studies presented by ICAEW (2007) and Santos and Lopes (2011).

### 3. Empirical study

To verify what benefits and risks result from the transition from the POC to the SNC, as well as the impact caused on the CA's profession, we used the questionnaire as a data collection method.

### 3.1. Data Collection Method

The use of questionnaires permits asking questions to a group of subjects, normally representing a population, about the family, professional and social situation, with a view to collecting their opinions and behaviors about human and social options or questions, manifesting their expectations, knowledge and awareness levels about an event or problem (Quivy & Campenhoudt 2008). Our study is aimed at discovering the impacts of the adoption of the SNC from the perspective of the financial information preparers. Thus, given the large number of existing preparers, the questionnaire guarantees a better data collection process. It is highlighted that it is a useful and efficient form of collecting information in a short period of time. This method represents “a fast and relatively cheap form of collecting a certain type of information, departing from the principle that the subjects are sufficiently disciplined, pass over superfluous questions and advance to the main task” (Bell, 1997, p. 100).

Our investigation was focused on all financial information preparers – target population – more specifically the chartered accountants and accounting technicians. Nevertheless, our population could not be quantified as, despite existing information about the number of CA, the number of Accounting Technicians (AT) cannot be quantified. To achieve our objectives, we forwarded our questionnaire to various people who are professionally linked to the financial area, through the authors’ contacts. We requested them to disseminate the questionnaire with a view to covering as many subjects as possible. All answers were collected electronically, in the second term of 2012. The answers were automatically stored in a database. Therefore, our sample is classified as a non-probabilistic convenience sample, as more accessible members of the population were selected (Maroco, 2007; and Hill & Hill, 2008).

Finally, 61 answers were obtained from financial information preparers, which constituted our sample. Nevertheless, it does not represent the population and hence permits no further generalization of the obtained results. The subjects answered all questions in the questionnaire, so that there were no blank answers.

### 3.2. Content of the questionnaire and data treatment

The transition to the new accounting regulation (SNC) represents a landmark in Portuguese accounting, which has affected different branches, not only the companies, but also the preparers of the financial information. The entire process triggered by this new adoption led to the existence of different studies with a wide range of goals, which influenced the development of our study, especially the elaboration of our questionnaire.

The questionnaire we present consists of three groups. In the first group, the profile of our sample was studied: the preparers of the financial information, mainly aimed at relating the subjects’ characteristics with the answers given in the second and third groups.

The second group is divided in three parts. The first part is based on Santos and Lopes (2011), addressing different aspects related to the introduction of the SNC, such as financial reporting needs (Pinto, 2009; Santos & Lopes, 2010; Rodrigues, 2010; CNC, 2011), insufficiency of the previous model (CNC, 2008; Santos & Lopes, 2010), Portuguese accounting practice hand in hand with the European development (CNC, 2008; Alves & Antunes, 2010; Rodrigues, 2010), internationalization of companies (Callao *et al.*, 2007; CNC, 2008; Grenha, Cravo, Batista e Pontes, 2009), cost reduction through the elimination of dual accounting (CNC, 2008) and comparability of financial reporting (Jernakowicz, 2004; ICAEW, 2007; Ferreira & Ferreira, 2008; Ribeiro, 2010; Quagli & Paoloni, 2012). The subjects were also asked for their opinion as to whether the new reporting model attends to the characteristics and reality of the Portuguese companies (CNC, 2010 and 2011). In the second part of the questionnaire, based on ICAEW (2007), the intention was to get to know the preparers’ opinion on some possible consequences of the introduction of the new reporting model, namely easier comparability among different European countries

(CNC, 2008; Santos & Lopes, 2011), improved quality of financial information disclosure (Jernakowicz, 2004; Guerreiro, 2006; Grenha *et al.*, 2009; Ribeiro, 2010; CNC, 2011; Pinheiro & Lopes, 2012), easier use of financial statements by regulators and supervisors, improved understandability of financial information by users (Jernakowicz, 2004) and changes in business management. In the final part of this second group, based on Santos and Lopes (2011), we aimed to discuss the implications for the profession. For this purpose, we intended to obtain the preparers' specific opinion on some of the advantages inherent in the introduction of the SNC (Santos & Lopes, 2010), whether the application of fair value depends strongly on professional judgment (Grenha *et al.*, 2009; Ribeiro, 2010), the increased risk of the profession deriving from the philosophy that guides the new model (Correia, 2009; Grenha *et al.*, 2009), the risk of fraud (Pinto, 2009), greater control by the CNC (Pires, 2009) and the worsening of conflicts with "partners" like tax authorities and clients.

The third group of questions, based on ICAEW (2007), is more focused on the effect in the companies, as it asks about how the subjects' perceive the impact of the SNC in the companies. The first question looks at the impact of the SNC on the income in comparison with the previous model (Jernakowicz, 2004; Aisbitt, 2006; Hung & Subramanyam, 2007; Athanasios *et al.*, 2007; Cordeiro *et al.*, 2007; Araújo, 2010; Machado, 2012). The second question addresses the preparers' level of confidence in the managers and analysts' understanding about the impact of the SNC in the financial statements. Finally, the last question looks at the effect of the adoption the SNC on the quality of the financial statements in comparison with the former regulation (specifically Pinheiro & Lopes, 2012; but equally Jernakowicz, 2004; Guerreiro, 2006; Grenha *et al.*, 2009; CNC, 2011).

According to Quivy and Campenhoudt (2008), whenever a questionnaire is applied, statistical analysis of the data is needed. In addition, data collected through a questionnaire have no meaning by themselves, but can only be useful in the context of statistical treatment, as this analysis is generally more in-depth, departing from more complete and standardized data. Hence, the software IBM SPSS (Statistical Package for the Social Sciences) Statistics 20.0 was used for data analysis.

To achieve the intended objectives for groups II and III in the questionnaire, we analyzed the results based on frequency distribution tables, which according to Pestana and Gageiro (2008) is an appropriate way to obtain relevant information about the qualitative variables in a univariate analysis. In the analysis of these two groups, we establish relations between two variables (bivariate analysis), that is, we apply statistical tests considering the profession practice and the level of the accounting model applied. For this purpose, non-parametric techniques were used, which are the most appropriate for the scales used (Hill & Hill, 2008). Hence, the Chi-square test was applied. The strict application of the so-called "normal" chi-square test – Pearson's Chi-square – is only possible when the combination of the following conditions is present: sample size superior to 20, all cells with an expected frequency higher than one and at least 80% of the cells with expected frequencies higher than or equal to five. Nevertheless, in our cases, these premises were not complied with, so that another Chi-square test, namely Fisher's exact test was used, in accordance with Maroco (2007), Hill and Hill (2008) and Pestana and Gageiro (2008). For each group, the test was applied. Two hypotheses were defined in advance for testing, with significance set at 0.05.

### 3.3. Presentation and interpretation of the results

In this item, we intend to reflect and analyze the results obtained through the questionnaire, with a view to concluding on the opinions of the financial information preparers about the adoption of the new regulation (SNC) under analysis. Given that the questionnaire was based on the studies by ICAEW (2007) – keeping in mind that the study was focused on the adoption of the IAS/IFRS – and by Santos and Lopes (2011), we present comparative tables of the obtained results.

The first group in the questionnaire aimed to study the profile of our sample, which consisted of 61 financial information preparers, about 49% of whom are CA, followed by 36% of AT, while 15% were classified as others. It is highlighted that, given the inexpressiveness of the other professions indicated, some of which are not related to the preparation of financial information, we decided not to consider them in the analysis. As regards the accounting regulation the subjects were applying when they filled out the questionnaire, the SNC – PE model – was the option with the largest number of answers, which illustrates the composition of Portuguese enterprises, which mostly consists of small companies (Pires, 2010).

### 3.3.1. Perceived impact on the financial information model

In the first part of the analysis of how the SNC influenced the financial information model, we can affirm that the subjects demonstrate a positive opinion on the consequences of its adoption, as verified in Table 1.

Table 1

**Impact of SNC on the financial information model – I**

Assertion	I agree		No opinion		I disagree	
	Santos & Lopes	Our study	Santos & Lopes	Our study	Santos & Lopes	Our study
The SNC responds to the current financial reporting needs	62.06%	<b>90.20%</b>	19.76%	<b>4.90%</b>	18.18%	<b>4.90%</b>
The SNC puts the European accounting practice at the same level as the European, being a more modern standard and a drive towards competitiveness	74.83%	<b>86.90%</b>	11.71%	<b>4.90%</b>	13.46%	<b>8.20%</b>
The SNC enhances the companies' internationalization	70.28%	<b>65.60%</b>	15.03%	<b>18.00%</b>	14.69%	<b>16.40%</b>
The SNC presents advantages at the level of the accounting information preparation costs by "eliminating dual accounting and rationalizing the consolidation procedures"	31.47%	<b>59.00%</b>	21.50%	<b>16.40%</b>	47.03%	<b>24.60%</b>
The SNC responds to the characteristics and reality of Portuguese companies	37.24%	<b>52.50%</b>	17.13%	<b>18.00%</b>	45.63%	<b>29.50%</b>
The NCRF-PE simplifies the financial reporting of small companies without impairing their comparability with that of the remaining companies	66.26%	<b>70.50%</b>	13.81%	<b>8.20%</b>	19.93%	<b>21.30%</b>
The SNC guarantees the comparability of financial reports among all Portuguese companies	66.78%	<b>63.90%</b>	11.01%	<b>13.10%</b>	22.20%	<b>23.00%</b>
The POC has been insufficient, lacking technical review in some aspects and a definition of important concepts	61.19%	<b>60.7%</b>	9.27%	<b>14.8%</b>	29.55%	<b>24.6%</b>

**Obs.:** The scales used in the questionnaire derive from the scales used in earlier studies that supported our investigation.

Source: Elaborated by the authors

Almost all professionals agree with the fact that the SNC responds to the current financial reporting needs. This assertion showed the highest positive percentage difference, with about 30 percentage points. The change in the financial information preparers' position on two aspects should also be highlighted. Before the SNC came into force, about 31% agreed that the new model offered advantages related to the preparation costs of accounting information, while about 47% disagreed; after the regulation came into

force, these agents became mostly favorable, while only 24% disagreed. The study by Santos and Lopes (2011) shows that, in the pre-adoption period, only about 37% believed that the SNC took into account the characteristics and reality of the Portuguese companies, while more than half agrees with this assertion in our study.

It can be deduced from this study that the professionals are confident in the implications of the new financial reporting regulation, which can be justified by the perceived advantages of the SNC. This condition is equally illustrated by the high percentage of agreement with the fact that the SNC is a more modern standard, accompanying the European accounting modernization to permit international comparability. In addition, a majority of the preparers believe that the SNC: satisfies the need for more demanding financial reporting, guarantees comparability among all Brazilian companies, keeping in mind the importance of the NCRF-PE; and that the POC translated an inappropriate financial reporting model into the current context.

When the answers were compared, in view of the profession performed and its weight in the total sample, we concluded that the differences are almost nil, that is, that the profession does not seem to influence the opinions issued about the SNC (Table 2).

Applying Fisher's Exact test, we tested the assertion described above through the following hypotheses:  $H_0$  - *The opinions (I) about the implications of the SNC as a financial information model does not depend on the function performed*;  $H_a$  - *The opinions (I) about the implications of the SNC as a financial information model does not depend on the function performed*.

Table 2

**Impact of the SNC on the financial information model (I) vs. function performed |**

Assertion	Profession	I agree	No opinion	I disagree	Fisher's exact test	
					Value	Exact sig. (2-sided)
The SNC responds to the current financial reporting needs	CA	25	2	3	.882	.581
	AT	21	1	0		
The SNC puts the European accounting practice at the same level as the European, being a more modern standard and a drive towards competitiveness	CA	27	1	2	1.869	.883
	AT	18	2	2		
The SNC enhances the companies' internationalization	CA	18	7	5	1.610	.826
	AT	16	3	3		
The SNC presents advantages at the level of the accounting information preparation costs by "eliminating dual accounting and rationalizing the consolidation procedures"	CA	17	4	9	5.054	.274
	AT	11	5	6		
The SNC responds to the characteristics and reality of Portuguese companies	CA	14	4	12	4.486	.345
	AT	14	4	4		
The NCRF-PE simplifies the financial reporting of small companies without impairing their comparability with that of the remaining companies	CA	19	2	9	5.628	.190
	AT	17	1	4		
The SNC guarantees the comparability of financial reports among all Portuguese companies	CA	18	5	7	0.874	.970
	AT	15	2	5		
The POC has been insufficient, lacking technical review in some aspects and a definition of important concepts	CA	17	4	9	1.732	.842
	AT	15	3	4		

Source: Elaborated by the authors

According to the results presented in Table 2, we do not reject the null hypothesis, as the p-value is superior to 0.05 in all information, which allows us to conclude that the subject's opinion does not depend on his/her professional function.

The same analysis was used for the accounting regulation the financial information preparers applied when they filled out the questionnaire. Table 4 reveals that, in general, the subjects' opinion on the model is favorable, independently of whether they use the general SNC model or the model for small entities in their professional activity.

It stands out, however, that only a majority of the NCRF-PE preparers agree that the SNC attends to the characteristics of the Portuguese companies' reality, with the corresponding reflections for the insufficiency of the POC. It is noteworthy that most of the subjects acknowledge this finding, but mainly most of the preparers who used the POC in their professional activity, as shown in Table 3 – 28 of the subjects who applied the POC showed the highest agreement levels with the insufficiency of this regulation.

Table 3

**Application of POC vs. Opinion about its insufficiency**

Assertion	Answer	Assertion		Total
		Yes	No	
The POC was insufficient and lacked technical review of some matters and a definition of important concepts	I agree	28	9	37
	No opinion	5	4	9
	I disagree	13	2	15
	<b>Total</b>	<b>46</b>	<b>15</b>	<b>61</b>

Source: Elaborated by the authors

To verify whether the opinion issued is influenced or not by the accounting regulation used, we tested the following hypotheses:  $H_0$  – *The opinions about the implications of the SNC as a financial information model do not depend on the normative framework used*;  $H_a$  – *The opinions about the implications of the SNC as a financial information model do not depend on the regulatory framework used*.



Table 4

**Impact of the SNC on the financial information model (I) vs. Regulation applied**

Assertion	Model applied	I agree	No opinion	I disagree	Fisher's exact test	
					Value	Exact Sig. (2-sided)
The SNC responds to the current financial reporting needs	<b>SNC - general</b>	22	2	0	,132	,379
	<b>SNC - PE</b>	28	1	2		
The SNC puts the European accounting practice at the same level as the European, being a more modern standard and a drive towards competitiveness	<b>SNC - general</b>	19	2	3	,090	,761
	<b>SNC - PE</b>	28	1	2		
The SNC enhances the companies' internationalization	<b>SNC - general</b>	15	4	5	,526	,465
	<b>SNC - PE</b>	21	7	3		
The SNC presents advantages at the level of the accounting information preparation costs by "eliminating dual accounting and rationalizing the consolidation procedures"	<b>SNC - general</b>	14	2	8	,992	,571
	<b>SNC - PE</b>	18	7	6		
The SNC responds to the characteristics and reality of Portuguese companies	<b>SNC - general</b>	11	4	9	,692	,633
	<b>SNC - PE</b>	17	7	7		
The NCRF-PE simplifies the financial reporting of small companies without impairing their comparability with that of the remaining companies	<b>SNC - general</b>	17	3	4	,557	,872
	<b>SNC - PE</b>	21	2	8		
The SNC guarantees the comparability of financial reports among all Portuguese companies	<b>SNC - general</b>	14	4	6	,589	,842
	<b>SNC - PE</b>	21	4	6		
The POC has been insufficient, lacking technical review in some aspects and a definition of important concepts	<b>SNC - general</b>	12	3	9	,626	,452
	<b>SNC - PE</b>	21	5	5		

Source: Elaborated by the authors

In response to the obtained results (Table 4), we did not reject the null hypothesis, as the p-value is always superior to 0.05. In this group, we can affirm that the answers given were not influenced by the regulation the subject applies.

In the same analysis area, in response to the results displayed in Table 5, we highlight that the majority considered that the application of the new regulation facilitates the comparison of financial information among companies from different European countries and among companies from the same sector. It is also noteworthy that more than half of the subjects agreed that the new accounting model improved that quality of the financial statement disclosure and that it permits their easier use by supervisors and regulators. Nevertheless, the preparers show different answers about the impact on the understandability of the financial information for the users. It should be highlighted that, in general, these opinions are in line with the conclusions by ICAEW (2007) about the transition, at a higher level, from the national standards to the European Union's IAS/IFRS in the rules of the consolidated accounts.

Table 5

**Impact of the SNC as a financial information model (II)**

Assertion	I strongly agree		I agree		I neither disagree nor agree		I disagree		I strongly disagree	
	Icaew	Our study	Icaew	Our study	Icaew	Our study	Icaew	Our study	Icaew	Our study
The SNC made the financial information easier to compare among different European countries	36%	<b>14.80%</b>	36%	<b>62.30%</b>	9%	<b>11.50%</b>	8%	<b>9.80%</b>	7%	<b>1.60%</b>
The SNC made it easier to compare the financial information among companies from the same sector	32%	<b>14.80%</b>	36%	<b>62.30%</b>	15%	<b>14.80%</b>	9%	<b>6.60%</b>	7%	<b>1.60%</b>
The SNC improved the disclosure quality in the financial statements	28%	<b>16.40%</b>	38%	<b>54.10%</b>	12%	<b>18.00%</b>	11%	<b>11.50%</b>	9%	<b>0.00%</b>
The SNC made it easier for regulators and supervisors to use the financial statements	18%	<b>11.50%</b>	37%	<b>52.50%</b>	17%	<b>27.90%</b>	12%	<b>8.20%</b>	8%	<b>0.00%</b>
The SNC made the financial information easier to understand for the users	12%	<b>11.50%</b>	30%	<b>34.40%</b>	14%	<b>23.00%</b>	23%	<b>27.90%</b>	17%	<b>3.30%</b>
The SNC provoked changes in business management	7%	<b>3.30%</b>	18%	<b>29.50%</b>	22%	<b>31.10%</b>	17%	<b>27.90%</b>	35%	<b>8.20%</b>

Source: Elaborated by the authors

According to Table 6, different opinions are found in both functions with regard to the users' improved understanding of the financial information and the alteration in business management. Next, we tested whether the collected answers were influenced or not by the subject's profession. Hence, the hypotheses were: *H0* – *The opinions (II) about the implications of the SNC as a financial information model do not depend on the function performed*; *Ha*: *The opinions (II) about the implications of the SNC as a financial information model are not independent from the function performed*.

Table 6

**Impact of the SNC as a financial information model (II) vs. Function performed**

Assertion	Profession	I strongly agree	I agree	I neither disagree nor agree	I disagree	I strongly disagree	Fisher's exact test	
							Value	Exact Sig. (2-sided)
The SNC made the financial information easier to compare among different European countries	CA	3	20	4	2	1	.874	.704
	AT	5	12	3	2	0		
The SNC made it easier to compare the financial information among companies from the same sector	CA	2	20	5	2	1	.364	.480
	AT	4	13	4	1	0		
The SNC improved the disclosure quality in the financial statements	CA	6	13	5	6	0	.944	.555
	AT	3	14	4	1	0		
The SNC made it easier for regulators and supervisors to use the financial statements	CA	5	11	11	3	0	.344	.248
	AT	2	15	3	2	0		
The SNC made the financial information easier to understand for the users	CA	3	8	8	10	1	.263	.960
	AT	3	9	4	5	1		
The SNC provoked changes in business management	CA	2	5	10	10	3	.146	.496
	AT	0	10	6	4	2		

Source: Elaborated by the authors

Based on the analysis of Table 6, it is concluded that the variables are mutually independent in all assertions, given that the p-value is always superior to the significance level of 0.05.

Table 7 reveals that the opinions differed between the two regulations used with regard to the users' better understanding of the financial information and the alteration in business management. We tested whether these same opinions are significantly different according to the regulation applied. Hence, the hypotheses were: *H0* – The opinions (II) about the implications of the SNC as a financial information model are independent from the regulatory framework; *Ha* – The opinions (II) about the implications of the SNC as a financial information model are not independent from the regulatory framework.

Table 7

**Impact of the SNC as a financial information model (II) vs. Regulation applied**

Assertion	Model applied	I strongly agree	I agree	I neither disagree nor agree	I disagree	I strongly disagree	Fisher's exact test	
							Value	Exact Sig. (2-sided)
The SNC made the financial information easier to compare among different European countries	<b>SNC - general</b>	4	12	2	5	1	.464	.335
	<b>SNC - PE</b>	5	21	4	1			
The SNC made it easier to compare the financial information among companies from the same sector	<b>SNC - general</b>	4	12	5	2	1	.379	.784
	<b>SNC - PE</b>	4	22	3	2	0		
The SNC improved the disclosure quality in the financial statements	<b>SNC - general</b>	2	14	6	2	0	.855	.542
	<b>SNC - PE</b>	6	17	4	4	0		
The SNC made it easier for regulators and supervisors to use the financial statements	<b>SNC - general</b>	2	15	3	4	0	.132	.116
	<b>SNC - PE</b>	4	13	13	1	0		
The SNC made the financial information easier to understand for the users	<b>SNC - general</b>	2	9	4	7	2	.432	.745
	<b>SNC - PE</b>	4	9	9	9	0		
The SNC provoked changes in business management	<b>SNC - general</b>	0	6	9	7	2	.593	.720
	<b>SNC - PE</b>	1	9	9	9	3		

Source: Elaborated by the authors

Based on the results expressed in Table 7, it can be concluded that the opinions collected about the impact of the SNC on the financial information model were not influenced by the regulation the subject applied.

### 3.3.2. Perceived impact on the profession

The answers collected from the preparers (Table 8) about the impact of the SNC on the CA profession demonstrate that the subjects agree that the SNC is a vehicle to value the profession, that the characteristics of the SNC make the professional practice more risky and that the clients will need to cooperate further to provide the information. The agreement with the increased conflicts between the accounting professionals and tax authorities and with the greater control over the profession by the Accounting Regulation Commission (CNC) remains relatively stable. Nevertheless, the subjects disagree on the increased conflict between accounting professionals and clients and the fact that the SNC enhances the risk of fraud.

Table 8

**Impact of the SNC on the profession**

Assertion	I agree		No opinion		I disagree	
	Santos & Lopes	Our study	Santos & Lopes	Our study	Santos & Lopes	Our study
The SNC is a “factor of promotion, cohesion and internationalization of the profession”	60.31%	<b>67.20%</b>	16.78%	<b>19.00%</b>	22.90%	<b>13.10%</b>
When applicable, the fair value highly depends on professional judgment and, as such, is associated with a high risk	78.50%	<b>70.50%</b>	11.54%	<b>16.40%</b>	9.97%	<b>13.20%</b>
The SNC makes the CA profession more risky, as it is based on principles instead of rules	83.74%	<b>63.90%</b>	6.47%	<b>4.90%</b>	9.79%	<b>31.10%</b>
The SNC enhances the risk of fraud	40.73%	<b>21.30%</b>	29.90%	<b>29.50%</b>	29.37%	<b>49.20%</b>
The conflicts between the accounting professionals and tax authorities tend to be aggravated	62.59%	<b>50.80%</b>	18.01%	<b>13.10%</b>	19.41%	<b>36.10%</b>
As a result of the SNC, the CA profession will receive greater control from the CNC and fines are expected for who does not comply	63.46%	<b>49.20%</b>	19.06%	<b>31.10%</b>	17.48%	<b>19.70%</b>
The conflicts between the accounting professionals and clients tend to be aggravated	68.01%	<b>34.40%</b>	9.97%	<b>21.30%</b>	22.03%	<b>44.30%</b>
The accounting professionals need further information provided by the clients	87.06%	<b>72.1%</b>	4.90%	<b>13.2%</b>	8.04%	<b>14.8%</b>

Source: Elaborated by the authors

The comparison with the study by Santos and Lopes (2011) reveals that the preparers increasingly believe in the valuation of the profession, probably partially justified by the greater requirement to use their professional judgment. On the other hand, our study shows that the experience in the first years of the SNC possibly provoked a substantial reduction in the number of preparers who consider that the conflicts with the tax authorities and clients can increase. It is also clear that less preparers agree that the new model may cause frauds and that the CNC exerts tighter control over professional practice.

In Table 9, we filtered the answers according to the profession. On the one hand, in terms of majority, both the CA and AT display the same opinions. On the other hand, most of the AT consider that the SNC by itself does not represent a risk of fraud, that the conflicts with tax authorities may be aggravated – differently from conflicts with clients – and that the CNC will exert tighter control over professional practice. No consensus on these themes exists among the CA.

To check whether these differences are statistically significant, we tested the following hypotheses: *H0* – The opinions about the implications of the SNC for the CA profession are independent from the function performed; *Ha* – The opinions about the implications of the SNC for the CA profession are not independent from the function performed.

Table 9

**Perceived impact of the SNC on the profession vs. Function performed**

Assertion	Profession	I agree	No opinion	I disagree	Fisher's exact test	
					Value	Exact sig. (2-sided)
The SNC is a "factor of promotion, cohesion and internationalization of the profession"	CA	20	7	3	1.552	.892
	AT	15	4	3		
When applicable, the fair value highly depends on professional judgment and, as such, is associated with a high risk	CA	22	6	2	4.02	.375
	AT	14	4	4		
The SNC makes the CA profession more risky, as it is based on principles instead of rules	CA	23	1	6	5.705	.186
	AT	12	2	8		
The SNC enhances the risk of fraud	CA	9	9	12	4.282	.370
	AT	3	5	14		
The conflicts between the accounting professionals and tax authorities tend to be aggravated	CA	13	4	13	1.945	.769
	AT	12	3	7		
As a result of the SNC, the CA profession will receive greater control from the CNC and fines are expected for who does not comply	CA	13	8	9	4.597	.321
	AT	12	7	3		
The conflicts between the accounting professionals and clients tend to be aggravated	CA	11	6	13	3.064	.571
	AT	6	4	12		
The accounting professionals need further information provided by the clients	CA	22	3	5	2.479	.693
	AT	15	3	4		

Source: Elaborated by the authors

The p-values are all superior to 0.05, based on which we conclude that the subject's profession does not significantly influence the opinion about the impact the adoption of the SNC causes on the CA profession.

A similar analysis in function of the regulation applied reveals, based on the answers expressed in Table 10, that the majority acknowledges the valuation of the profession, the risks inherent in the characteristics of the SNC and the intensified cooperation with the clients. This is one possibility that can justify why the preparers using the general model believe that conflicts with the clients will not increase, although the same certainty is not found among the preparers using the NCRF-PE. Nevertheless, while the professionals who use the NCRF-PE believe in the worsening of the relations with the tax authorities and in tighter CNC control, the professionals using the general model disagree more about these topics.

To verify whether these differences are statistically significant depending on the regulation applied, we tested the following hypotheses: *H0* – The opinions about the implications of the SNC on the CA profession are independent from the regulatory framework; *Ha* - The opinions about the implications of the SNC on the CA profession are not independent from the regulatory framework.

Table 10

**Perceived impact of the SNC on the profession vs. Regulation applied**

Assertion	Model applied	I agree	No opinion	I disagree	Fisher's exact test	
					Value	Exact Sig. (2-sided)
The SNC is a "factor of promotion, cohesion and internationalization of the profession"	<b>SNC - general</b>	15	4	5	2.95	.561
	<b>SNC - PE</b>	22	7	2		
When applicable, the fair value highly depends on professional judgment and, as such, is associated with a high risk	<b>SNC - general</b>	16	7	1	6.176	.133
	<b>SNC - PE</b>	22	3	6		
The SNC makes the CA profession more risky, as it is based on principles instead of rules	<b>SNC - general</b>	14	3	7	4.081	.400
	<b>SNC - PE</b>	21	0	10		
The SNC enhances the risk of fraud	<b>SNC - general</b>	4	10	10	5.17	.244
	<b>SNC - PE</b>	9	7	15		
The conflicts between the accounting professionals and tax authorities tend to be aggravated	<b>SNC - general</b>	10	4	10	2.477	.677
	<b>SNC - PE</b>	17	3	11		
As a result of the SNC, the CA profession will receive greater control from the CNC and fines are expected for who does not comply	<b>SNC - general</b>	10	9	5	2.395	.695
	<b>SNC - PE</b>	16	8	7		
The conflicts between the accounting professionals and clients tend to be aggravated	<b>SNC - general</b>	5	4	15	9.637	.031
	<b>SNC - PE</b>	13	6	12		
The accounting professionals need further information provided by the clients	<b>SNC - general</b>	13	6	5	6.47	.128
	<b>SNC - PE</b>	25	2	4		

Source: Elaborated by the authors

In response to the results displayed in Table 10, adopting a significance level of 0.05, the null hypothesis is not rejected, except for the assertion about the worsening of the conflicts between professionals and clients, whose p-value is inferior to the significance level. Hence, concerning this aspect, the opinion differences vary significantly in function of the accounting regulation. The NCRF-PE is used in smaller companies, whose relations between clients and preparers may be more closed and difficult in terms of information provision.

### 3.3.3. Perceived impact of the adoption of the SNC in the companies

Table 11 illustrates how the preparers perceive the change in the income provoked by the use of the SNC to the detriment of the POC. Most respondents consider that there are no clear changes in the income. In comparison with the background study (ICAEW, 2007), in general terms, the conclusions are identical.

Table 11

**Perceived impact of the SNC on the Income**

Assertion	What would you say about the impact of the SNC in your company in terms of the income in comparison with the previous accounting model?	
	Icaew	Our study
Much lower	4.00%	<b>3.30%</b>
Somewhat lower	16.00%	<b>13.10%</b>
No change	40.00%	<b>50.80%</b>
Somewhat higher	23.00%	<b>27.90%</b>
Much higher	8.00%	<b>4.90%</b>
	<b>91.00%</b> (9% choose "I do not know")	<b>100.00%</b>

Source: Elaborated by the author

We will analyze whether these conclusions continue when we analyze the data in accordance with the profession and the regulation applied.

As regards the variable "function performed", the following hypotheses were studied: *H0* – The information preparer's perception of the SNC's impact in the companies is independent from the function performed; *Ha* – The information preparer's perception of the SNC's impact in the companies is not independent from the function performed.

Table 12

**Perceived impact of SNC on income vs. Function performed**

Assertion	Profession	Much lower	Somewhat lower	No change	Somewhat higher	Much higher	Fisher's exact test	
							Value	Exact Sig. (2-sided)
What would you say about the impact of the SNC on your company income in comparison with the previous accounting model?	CA	1	6	15	7	1	.050	.428
	AT	0	2	11	7	2		

Source: Elaborated by the authors

As observed in Table 12, based on the p-value, it can be affirmed that the variables are mutually independent. Thus, the financial information preparers' profession did not influence their opinions.

When we filter the results based on the regulation applied (Table 13), it seems that it does not influence the subject's opinion. We tested the following hypotheses: *H0* – The information preparer's perception about the impact of the SNC in the companies is independent from the regulation applied; *Ha* – The information preparer's perception about the impact of the SNC in the companies is not independent from the regulation applied.



Table 13

**Perceived impact of the SNC on the Income vs. Regulation applied**

Assertion	Model Applied	Much lower	Somewhat lower	No change	Somewhat higher	Much higher	Fisher's exact test	
							Value	Exact Sig. (2-sided)
What would you say about the impact of the SNC on your company income in comparison with the previous accounting model?	<b>SNC - general</b>	0	4	11	7	2	.984	.0914
	<b>SNC - PE</b>	2	4	16	8	1		

Source: Elaborated by the authors

Based on the values in Table 13, the null hypothesis will not be rejected, as the p-value is superior to the significance level.

We also inquired about the information preparers' degree of confidence in the company managers and analysts' understanding about the impact of the SNC adoption in the financial statements.

Table 14

**Level of confidence in the managers and analysts' understanding about the impact of the SNC adoption**

Assertion	To what extent are you confident that the managers and analysts in your company have understood the impact of the SNC in the financial statements presented?	
	Icaew	Our study
<b>Not confident</b>	9.00%	<b>9.80%</b>
<b>Somewhat confident</b>	27.00%	<b>31.10%</b>
<b>I do not know</b>	13.00%	<b>23.00%</b>
<b>Confident</b>	43.00%	<b>36.10%</b>
<b>Very confident</b>	9.00%	<b>0.00%</b>
	<b>101.00%</b> (justified by rounding)	<b>100.00%</b>

Source: Elaborated by the authors

The opinions were divided between the two opposite alternative responses – “Somewhat Confident” and “Confident” –, as the sum of both represents more than half of the sample. The study by ICAEW (2007) showed that an absolute majority is at least confident in the managers and financial analysts' understanding about the impact the IAS/IFRS causes in the elaboration of the consolidated financial statements.

Based on the collected information, we deduced that the profession has little or no influence in the sample's opinions. To consolidate this idea, we tested the following hypotheses: *H0* – *The information preparer's perception about the impact of the SNC in the companies is independent from the function performed*; *Ha* – *The information preparer's perception about the impact of the SNC in the companies is not independent from the function performed*.

Table 15

**Level of confidence in the managers and analysts' degree of understanding about the impact of the adoption of the SNC vs. Function performed**

Assertion	Profession	Not confident	Somewhat confident	I do not know	Confident	Very confident	Fisher's exact test	
							Value	Exact Sig. (2-sided)
To what extent are you confident that the managers and analysts in your company have understood the impact of the SNC in the financial statements presented?	CA	3	11	6	10	0	.687	.502
	AT	3	5	5	9	0		

Source: Elaborated by the authors

As the result shows a p-value = 0.502, the null hypothesis was not rejected. Thus, it can be asserted that the function performed does not depend on the preparer's opinion about the level of confidence in the managers and analysts' degree of understanding about the impact of the SNC.

We will now analyze whether the subjects' opinion was significantly affected or not by the regulation applied, testing the following hypotheses:  $H_0$  – *The information preparer's perception about the impact of the SNC in the companies is independent from the regulation applied* and  $H_a$  – *The information preparer's perception about the impact of the SNC in the companies is not independent from the regulation applied*.

Table 16

**Level of confidence in the managers and analysts' degree of understanding about the impact of the adoption of the SNC vs. Regulation applied**

Assertion	Model Applied	Not confident	Somewhat confident	I do not know	Confident	Very confident	Fisher's exact test	
							Value	Exact Sig. (2-sided)
To what extent are you confident that the managers and analysts in your company have understood the impact of the SNC in the financial statements presented?	SNC - general	4	6	6	8	0	3.827	.714
	SNC - PE	2	12	6	11	0		

Source: Elaborated by the authors

The analysis of the values in Table 16 shows that the regulatory variable applied is independent from the preparers' opinions.

Finally, the last question addresses the quality of the financial statements elaborated according to the two regulations – POC vs. SNC. The financial information preparers were practically unanimous when asked about whether the information quality of the financial statements changed, as deduced from Table 17, in which about 65% consider that the quality at least improved. In this context, it is verified that there do not seem to be significant differences in the preparers' opinions between our research and the ICAEW study (2007).

Table 17

**Perceived impact of the SNC on the financial statement quality**

Assertion	What is the effect of the adoption of the SNC on the quality of your company's financial statements in comparison with the previous accounting model?	
	Icaew	Our study
Significantly worse	6.00%	0.00%
Worse	9.00%	9.83%
No effect	25.00%	24.60%
Better	48.00%	55.74%
Significantly better	12.00%	9.83%
	<b>100.00%</b>	<b>100.00%</b>

Source: Elaborated by the authors

We will check for any deviations in these opinions by filtering the results based on the profession. Therefore, the following hypotheses were tested:  $H_0$  – *The information preparer's perception on the impact of the SNC in the companies is independent from the function performed*;  $H_a$  – *The information preparer's perception on the impact of the SNC in the companies is not independent from the function performed*.

Table 18

**Perceived impact of the SNC on the quality of the financial statements vs. Function performed**

Assertion	Profession	Sig. Worse	Worse	No Effect	Better	Sig. Better	Fisher's exact test	
							Value	Exact Sig. (2-sided)
What is the effect of the adoption of the SNC in the quality of your company's financial statements in comparison with the previous accounting model?	CA	0	2	8	19	1	6.363	.354
	AT	0	2	6	11	3		

Source: Elaborated by the authors

According to the results expressed in Table 18, we did not reject the null hypothesis, based on which it can be concluded that the opinion about changes in the financial information quality as a result of the SNC adoption is independent from the subject's profession.

In the analysis in function of the regulation applied, it was verified that there does not seem to be any difference in the preparers' answers depending on whether they use the general model or that for small companies. Therefore, we tested the following hypotheses:  $H_0$  – *The information preparer's perception about the impact of the SNC in the companies is independent from the regulation applied*;  $H_a$  – *The information preparer's perception about the impact of the SNC in the companies is not independent from the regulation applied*.

Table 19

**Perceived impact of the SNC on the quality of the financial statements vs. Regulation applied**

Assertion	Model Applied	Sig. Worse	Worse	No Effect	Better	Sig. Better	Fisher's exact test	
							Value	Exact Sig. (2-sided)
What is the effect of the adoption of the SNC in the quality of your company's financial statements in comparison with the previous accounting model?	<b>SNC - general</b>	0	3	6	11	4	5.587	.433
	<b>SNC - PE</b>	0	2	8	20	1		

Source: Elaborated by the authors

As a result of the results of Fisher's exact test displayed in Table 19, again, we did not reject the null hypothesis, as the significance level is inferior to the p-value, indicating that the variables are mutually independent.

## 4. Conclusions

In the context of the European accounting harmonization process, the Portuguese companies either adopted the EU's IAS/IFRS or the SNC (national sphere). The literature review revealed that the different studies about the impact of the transition from the POC to the IAS agree and do not support the statistical significance of differences detected between the two regulations, neither in the own capital nor in the net income. In addition, these studies do not confirm the increased relevance of accounting information after the adoption of the IAS. Nevertheless, this change in the regulatory model conditioned the companies' financial assessment due to the adjustments the transition required.

The fact that the existing studies about the impact of the change from the POC model to the new philosophy underlying the SNC are mostly *ex ante* justified the development of this study, after the application of the new model for at least one year. Using a sample of mostly CA and AT, more than half of whom used to apply the POC, we intended to discover the impacts of the SNC on the financial information model, on professional practice and on the companies.

As an information model, our study emphasizes the conclusions of the pre-adoption study by Santos and Lopes (2011), which stated that the POC was an outdated model, that the SNC responds to current financial reporting needs, and highlights the importance of the NCRF-PE. The subjects remain very confident in the new accounting model, as it is a more modern and more demanding regulation that permits national and international comparability and the accompaniment of the European accounting modernization movement. As opposed to that study, we collected evidence that the preparers consider that the SNC is more beneficial at the level of the financial information preparation costs and takes into account the characteristics and reality of the Portuguese companies. We certainly believe that the professional experience with the SNC justifies the change in the financial information preparers' position.

In the same analytic context, it is important to highlight that more than half of the subjects in our study agreed that the SNC improved the information quality of the financial statements and that statements prepared based on this regulation permit easier use by supervisors and regulators. Nevertheless, the preparers are very divided on their understandability by the financial information users and about the business management changes the adoption of this new regulation has provoked. It should be highlighted that these opinions are in accordance with the conclusions by ICAEW (2007).

As regards the impact on the profession, in comparison with the pre-adoption study by Santos and Lopes (2011), it could be concluded that the preparers increasingly believe in the valuation of the profession. This is probably partially justified by the greater requirement for them to use their professional judg-

ment when compared to the POC. Nevertheless, both studies indicate that the greater subjectivity associated with the SNC (fair value and underlying philosophy) makes the professional practice more risky, although the professional experience in the new model may mitigate this risk. From another perspective, in accordance with our study, the first years of experience under the SNC provoked a substantial decrease in the number of preparers who consider that conflicts with the tax authorities and with clients may increase. We also concluded that less preparers agree that the SNC may cause frauds and that the CNC exerts tighter control on the professional practice.

At the level of the impact in the companies, in general, our research supports the conclusions of the study by ICAEW (2007). The financial information preparers consider that the SNC is beneficial, because it responds to the current financial reporting needs, takes into account the characteristics and reality of the Portuguese companies – particularly the NCRF-PE – permits comparability at different levels, improves the disclosure quality in the financial statements, permits their easier use by supervisors and regulators, avoids dual preparation costs and enhances the CA profession's reputation. Nevertheless, the SNC encloses the risk of comprehension difficulties among the financial information users, managers' difficulties to perceive the consequences of the SNC in their financial statements and the fact that the evolution in the reporting model may not be accompanied by business management changes – the latter may derive from the above mentioned managers' limitation.

This study is limited by the use of non-probabilistic convenience sampling, which may be that the precision of the results is inferior to that of probabilistic sampling. Therefore, the results should not be generalized, but restricted to the investigated preparers. We also highlight the difficulty to obtain a reasonable number of answers. In addition, the lack of compliance with the requisites to apply some statistical tests restricted the intended analyses, and might have influenced some of the conclusions drawn from our analysis.

As a suggestion for future research, we present the challenge of studying the impact of the SNC from the perspective of other agents, namely auditors or investors. Due to the fact that our study was focused on for-profit companies, we suggest replicating this study for entities that apply the regulation to the non-for-profit sector, whose regulation applied until then differed among these entities. Finally, studies are needed to verify the degree of compliance or assimilation of the SNC.

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