

Research article

Choices of financial reporting regimes and techniques and underlying decision-making processes: a case study analysis of a port authority

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Supplementary

APPENDIX A

Administered Questionnaire (AQ)

Section 1. Basic Company Information

Numbers recorded do not have to be exact. If you do not know the exact number, provide your best estimate.

1.1 What is your firm size?

Employees	_____	Annual Turnover (£)	_____
Balance sheet total (£)	_____	Total assets (£)	_____

1.2 When was your firm founded? _____

1.3 What is the geographical distribution of sales you make, and costs you incur?

	Local	UK	Europe	World
Sales (%)	_____	_____	_____	_____
Costs (%)	_____	_____	_____	_____

1.4 What is your annual growth rate of sales? _____

1.5 What is your annual R&D expenditure? (£) _____

1.6 What is your P/E ratio? _____

1.7 What is your industrial or service sector? (please choose from the list of SIC Codes on next page)

1.8 What is ownership of your company? (%)

Insider _____ (e.g. management)	Institutional _____ (e.g. mutual funds)	Other _____
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1.9 What is your leverage?

Total Asset/Equity _____	Liability/Equity _____
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1.10 How well do these describe features of your organization structure? (please circle)

Your use of teams to make decisions is: Zero | Low | Medium | High | Extreme

The authority you give to individuals to make decisions is: Zero | Low | Medium | High | Extreme

Your use of hierarchy for salaries is: Negligible | Low | Medium | High | Extreme

Your use of hierarchy in organizational structure is: Negligible | Low | Medium | High | Extreme

SIC Codes

SIC code	Sectors
01–09	Forestry, Fishing and Mining
10–30	Heavy Manufacturing
31–44	Light Manufacturing and Construction
45–58	Wholesale and Retail Trades
59–83	Professional and Financial Services
84–99	Public, Private and Social Services

Section 2. Financial Reporting Regimes

2.1. Current Adoption

2.1.1 Current choice of financial reporting regime

2.1.1.1 What types of financial reports do you prepare? (please circle *all* items applicable to you)

A member of a group: consolidated accounts | parent accounts | subsidiary account

Not a member of a group: individual accounts

2.1.1.2 What are the financial reporting regimes you could choose? (please circle *all* regimes available to you)

IFRS | UKGAAP | FRSSE | Other _____

Please further explain available regimes for different accounts, if your available regimes are different for different accounts (consolidated accounts, parent accounts, subsidiary accounts)

2.1.1.3 What is your current financial reporting regime? (please circle)

IFRS | UKGAAP | FRSSE | Other _____

When did you adopt it? _____

Please further explain adopted regimes for different accounts, if you adopt different regimes for different accounts (consolidated accounts, parent accounts, subsidiary accounts)

2.1.2 At the point of adoption, what were your perceived adoption **costs**? For regimes which you could have chosen but you did not, what were your perceived adoption costs at that time? (please circle)

IFRS N/A | Zero | Low | Medium | High | Extreme

Current UK GAAP N/A | Zero | Low | Medium | High | Extreme

FRSSE N/A | Zero | Low | Medium | High | Extreme

Other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the regime is not available to you]

2.1.3 At the point of adoption, what were your perceived **benefits**? For regimes which you could have chosen but you did not, what were your perceived adoption benefits at that time? (please circle)

IFRS N/A | Zero | Low | Medium | High | Extreme

Current UK GAAP N/A | Zero | Low | Medium | High | Extreme

FRSSE N/A | Zero | Low | Medium | High | Extreme

Other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the regime is not available to you]

2.2. Expected Adoption

2.2.1 Expected choice of financial reporting regime

2.2.1.1 Is your firm entitled to adopt new UK GAAP from 2015? (please circle)

No (Go to Section 3) | Yes

2.2.1.2 What are the chances that you will adopt the following from 2015? (please circle)

IFRS	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 101	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 102	N/A	Zero	Low	Medium	High	Extreme
FRSSE	N/A	Zero	Low	Medium	High	Extreme
Other _____	N/A	Zero	Low	Medium	High	Extreme

[(N/A) denotes not applicable; choose N/A if the regime is not available to you from 2015]

Please further explain expectedly adopted regimes for different accounts, if you may adopt different regimes for different accounts (consolidated accounts, parent accounts, subsidiary accounts)

2.2.2 What is your expected **cost** of adopting the following financial reporting regime from 2015? (please circle)

IFRS	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 101	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 102	N/A	Zero	Low	Medium	High	Extreme
FRSSE	N/A	Zero	Low	Medium	High	Extreme
Other _____	N/A	Zero	Low	Medium	High	Extreme

[(N/A) denotes not applicable; choose N/A if the regime is not available to you from 2015]

2.2.3 What is your expected **benefit** of adopting the following financial reporting regimes from 2015? (please circle)

IFRS	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 101	N/A	Zero	Low	Medium	High	Extreme
New UK GAAP -FRS 102	N/A	Zero	Low	Medium	High	Extreme
FRSSE	N/A	Zero	Low	Medium	High	Extreme
Other _____	N/A	Zero	Low	Medium	High	Extreme

[(N/A) denotes not applicable; choose N/A if the regime is not available to you from 2015]

Section 3. Financial Reporting Techniques

3.1. Choices of financial reporting techniques

3.1.1 Intangibles

3.1.1.1 Which method(s) could you choose for valuing **intangibles**? (please circle)

Cost Approach | Market Approach
Income Approach | Other _____

3.1.1.2 Of method(s) circled in 3.1.1.1, which do you actually use for valuing **intangibles** and what is its/their importance? Circle those boxes that apply and then rank them in order of importance, putting 1, 2, etc. in the relevant boxes; where 1 is the most important.

Cost Approach | Market Approach
 Income Approach | Other _____

3.1.2 Development costs

3.1.2.1 Which method(s) could you choose for treating **development costs**? (please circle)

Recognise them as expenses | Recognise them as assets
Recognise them as other (please specify) _____

3.1.2.2 Of method(s) circled in 3.1.2.1, which do you actually use for treating **development costs** and what is its/their importance? Circle those boxes that apply and then rank them in order of importance, putting 1, 2, etc. in the relevant boxes; where 1 is the most important.

Recognise them as expenses | Recognise them as assets
 Recognise them as other _____

3.1.3 Investments

3.1.3.1 Which method(s) could you choose for valuing your **investments**? (please circle)

Market Value | Cost Approach
Fair Value | Other _____

3.1.3.2 Of method(s) circled in 3.1.3.1, which do you actually use for valuing your **investments** and what is its/their importance? Circle those boxes that apply and then rank them in order of importance, putting 1, 2, etc. in the relevant boxes; where 1 is the most important.

Market Value | Cost Approach
 Fair Value | Other _____

3.2. Costs and benefits of using financial reporting techniques

3.2.1 What are your perceived **costs** of using the following financial reporting techniques? (please circle)

3.2.1.1 Costs of using techniques for valuing **intangibles**

Cost Approach	N/A		Zero		Low		Medium		High		Extreme
Income Approach	N/A		Zero		Low		Medium		High		Extreme
Market Approach	N/A		Zero		Low		Medium		High		Extreme
Other _____	N/A		Zero		Low		Medium		High		Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.2.1.2 Costs of using techniques for treating **development costs**

Recognise them as expenses N/A | Zero | Low | Medium | High | Extreme

Recognise them as assets N/A | Zero | Low | Medium | High | Extreme

Recognise them as other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.2.1.3 Costs of using techniques for valuing **investments**

Market Value N/A | Zero | Low | Medium | High | Extreme

Fair Value N/A | Zero | Low | Medium | High | Extreme

Cost Approach N/A | Zero | Low | Medium | High | Extreme

Other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.2.2 What are your perceived **benefits** of using the following financial reporting techniques? (please circle)

3.2.2.1 Benefits of using techniques for valuing **intangibles**

Cost Approach N/A | Zero | Low | Medium | High | Extreme

Income Approach N/A | Zero | Low | Medium | High | Extreme

Market Approach N/A | Zero | Low | Medium | High | Extreme

Other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.2.2.2 Benefits of using techniques for treating **development costs**

Recognise them as expenses N/A | Zero | Low | Medium | High | Extreme

Recognise them as assets N/A | Zero | Low | Medium | High | Extreme

Recognise them as other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.2.2.3 Benefits of using techniques for valuing **investments**

Market Value N/A | Zero | Low | Medium | High | Extreme

Fair Value N/A | Zero | Low | Medium | High | Extreme

Cost Approach N/A | Zero | Low | Medium | High | Extreme

Other _____ N/A | Zero | Low | Medium | High | Extreme

[(N/A) denotes not applicable; choose N/A if the technique is not available to you]

3.3. Importance of financial reporting techniques

3.3.1 Please specify **the three most important** aspects of your financial reporting techniques. Circle these three boxes and then rank them in order putting 1, 2, or 3 in the relevant boxes; where 1 is the most important.

- | | |
|---|---|
| <input type="checkbox"/> Format of Cash Flow Statements | <input type="checkbox"/> Treatment of Financial Instruments |
| <input type="checkbox"/> Treatment of Liability | <input type="checkbox"/> Treatment of Taxes |
| <input type="checkbox"/> Treatment of Borrowing Costs | <input type="checkbox"/> Treatment of Tangible Assets |
| <input type="checkbox"/> Treatment of Intangible Properties | <input type="checkbox"/> Business Combination |
| <input type="checkbox"/> Pension Plan | <input type="checkbox"/> Treatment of Development Costs |
| <input type="checkbox"/> Valuation of Investments | <input type="checkbox"/> Recognition of Revenues |
| <input type="checkbox"/> Treatment of Leases | <input type="checkbox"/> Treatment of Contingency |
| <input type="checkbox"/> Others _____ | |

3.3.2 Please specify **the three least important** aspects of your financial reporting techniques. Circle these three boxes and then rank them in order putting 1, 2, or 3 in the relevant boxes; where 1 is the least important.

- | | |
|---|---|
| <input type="checkbox"/> Format of Cash Flow Statements | <input type="checkbox"/> Treatment of Financial Instruments |
| <input type="checkbox"/> Treatment of Liability | <input type="checkbox"/> Treatment of Taxes |
| <input type="checkbox"/> Treatment of Borrowing Costs | <input type="checkbox"/> Treatment of Tangible Assets |
| <input type="checkbox"/> Treatment of Intangible Properties | <input type="checkbox"/> Business Combination |
| <input type="checkbox"/> Pension Plan | <input type="checkbox"/> Treatment of Development Costs |
| <input type="checkbox"/> Valuation of Investments | <input type="checkbox"/> Recognition of Revenues |
| <input type="checkbox"/> Treatment of Leases | <input type="checkbox"/> Treatment of Contingency |
| <input type="checkbox"/> Others _____ | |

Section 4. Financial Reporting Regimes and Financial Reporting Techniques

Financial reporting regime refers to an entire system of financial reporting regulation such as IFRS. Once you choose a financial reporting regime, you have to obey all the regulations under this system. **Financial reporting technique** refers to a method to treat a specific aspect in financial reports. For instance, the cost approach and the market approach are financial reporting techniques for valuing intangibles.

4.1 Which of the following are true for how you determine your financial reporting regimes and techniques? (please circle)

(a) I compare and contrast the choices of financial reporting techniques available under each regime. Then, I determine the financial reporting regime.

Never | Sometimes | Often | Very Often | Always

(b) I choose the financial reporting regime directly. Then, I determine the financial reporting techniques under this regime.

Never | Sometimes | Often | Very Often | Always

(c) None of the above. What I do is (please specify) _____

Never | Sometimes | Often | Very Often | Always

4.2 How important to your choice of financial reporting **technique** is your choice of financial reporting **regime**? (please circle)

Is the importance? Negligible | Low | Medium | High | Extreme

4.3 How important to your choice of financial reporting **regime** is your choice of financial reporting **technique**? (please circle)

Is the importance? Negligible | Low | Medium | High | Extreme

END OF QUESTIONNAIRE

APPENDIX B

Comments made about the decision-making process behind choices of regimes and techniques

- “Decisions are made by a mixture of both individuals and teams. It’s quite a flat structure. It is predominantly team, but without it being too bureaucratic.
- There’s definitely a mixture of hard and soft measures. Annual risk assessment has a risk matrix, likelihood is ‘scored’, and that drives high, medium and low risk. With the customer relationship assets, we did a risk analysis of attrition.
- Decision-making is evidence-based. The group has a good mix of people who’ve been here a long time and those who have been brought in with new skills.
- Regarding time pressure: it varies. If it’s a key business or health & safety issue, there will be a time pressure, which needs to be responded to. For 90% of my job it’s known time horizons and ad hoc things that come up now and again.
- Although the group is quite large, we have a streamlined finance and management team with three executive directors who see each other every week. We can distribute to the board quarterly.
- Board meetings were monthly and are now six times a year. Communication allows you to do things more quickly.
- Less frequent meetings reduce the complexity of what we do. Non-execs trust the executive decision-making that is being done.
- Weather has an impact on operational matters.
- There is political uncertainty in Scotland.
- Financial risk assessment this year has been larger (by number of items) than it has been [in the past].
- We have put in X currency swaps to manage the (small) currency risks and interest rates.
- [Other] ports are used as ‘yardstick’ authorities. They won’t necessarily share information, but they are helpful in terms of saying how they are grappling with things”.



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