

EXPLICATIVE FACTORS FOR THE LEVEL OF COMPLIANCE WITH FINANCIAL REPORTING STANDARDS BY COMPANIES IN THE SOCIAL ECONOMY

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ABSTRACT

Social economy enterprises, being immersed in globalization, face the problem of generating meaningful financial information for decision-making. The objective of this research is to describe and analyze the factors that explain the level of compliance with the Financial Reporting Standards (FRS) in a group of social economy enterprises. We selected a sample of 21 companies, as a dependent variable, and we chose the level of compliance with Financial Reporting Standards, level of training of accounting professionals responsible for the financial reporting, conditions for their adoption, and actions for their adoption as independent variables. The results indicate that professional training was significant, so we conclude that the companies that are the subject of this study should promote staff training and retention, especially staff with experience in accounting to achieve compliance in the adoption of FRS, thereby determining the implications for the academic, business, and government communities.

Keywords: Financial Reporting Standards, factors for adoption, compliance level, social economy enterprises.

1. Introduction

Globalization has caused companies to require ever more financial information, meaning that organizations are in need of a common language to understand and analyze their position with ease. Equally, it is essential in the economic sphere that this financial information comply with the qualitative elements needed to reflect the economic reality of enterprises (Tugores, 1999).

In Mexico, 99% of companies are classified as micro, small, and medium enterprises, which generate 7 out of 10 jobs and account for 34% of Gross Domestic Product (GDP). These numbers reflect an indisputable fact, Small, and Medium Enterprises (SMEs) are a key element in the national economy of Mexico (Ministry of the Economy, 2013). We note that in Mexico there are more than 33.845 rural production SMEs that are among the organizations which are the focus of this research (SAGARPA, 2013).

The so-called social economy enterprises are a representative segment of Mexican SMEs. The companies are self-managed and are involved in processes of production, distribution, and consumption that also include dynamic horizontal and vertical integration, such as associative business units, producers of goods and services, guided by the principles of cooperation, solidarity, mutual assistance, and self-management, in order to satisfy their own needs or those of the community (Arango, 2006).

However, the principles enshrined in this kind of enterprise can become a challenge when attempting to follow International Financial Reporting Standards (IFRS), and as Rendon, Montaña & Gaitán (2013) said, it is necessary that enterprises in the social economy identify and define the process to be followed according to the type of standards that should be applied. It is, therefore, important to consider the projection of the organization, the principle of administrative autonomy and work with due diligence when making administrative decisions.

In relation to the management or administration of rural production companies, such organizations tend to have faults in their economic or financial results that are generally attributed to ignorance or misapplication of the principles of administration (Murcia, 1985). This ignorance is attributable to the lack of training to perform adequate self-management since, according Murcia (1985), the success or failure of the administration depends on indicators such as written plans, accounting controls, and evaluation.

Accounting within the organization is instrumental in the smooth running of the company, specifically in the solidarity economy. As noted by Wade (1998), the financial information in such organizations should be accurate and timely, which ensures that social economy enterprises are operating according to their principles.

Castle & Zambrano (2011) consider that the above problems would be resolved if the harmonization of accounting practice were achieved, through norms or standards that enable the organization greater reliability of the financial information presented. In this way, decision taking by managers of SMEs would improve, because financial reports would be generated under the new rules with reliable and timely financial information. Despite this, in Mexico there is no plan to require private companies to adopt Financial Reporting Standards.

Consequently, companies in the social economy find themselves at a critical time, they must decide if they keep their practices as they have traditionally done so, based on empirical foundations and industrial practices, or to migrate to the advances in the environment and the progress presented. As previously mentioned, three different possibilities exist for changing company practices: National Financial Reporting Standards (FRS), International Financial Reporting Standards for SMEs, and International Financial Reporting Standards.

Thus the aim of the research is to ascertain the level of compliance with the FRS, which has been achieved in this kind of business, and analyze the factors that have impacted their compliance level in order to prioritize our focus on them and then be able to make decisions and implement actions that allow for the achievement of the goals set by the company.

Therefore, the research question guiding this study is: What factors influence the level of compliance with the Financial Reporting Standards of enterprises in the social economy?

The paper is organized into four sections. In the first, we analyze ways of measuring the FRS, such as their relationship with each of the proposed independent variables. The second section presents the size and characteristics of the sample, the research subjects and the operationalization of the variables. In the third the results are presented, and in the final section we present the research findings.

2. Literature review

2.1 Degree of compliance with the FRS

Tsalavaoutas (2011) conducted a study in Greece with 153 companies, which contains a methodological contribution for measuring compliance with all mandatory disclosure requirements of IFRS, by simultaneously using two different methods through exposure indices. One is the unweighted index of disclosure, calculated with the score of each company in relation to the maximum of the documents disclosed to it. This is the most common approach to determining compliance with the information requirements of an enterprise and is identified as the "Cooke Dichotomous Approach". Aljifri (2008) also refers to this method, however, this type of raising awareness has an important limitation: the number of information elements required by different standards varies considerably.

Therefore, to guarantee the validity of the contents of the initial research tool, Tsalavaoutas (2011) added an independent review by two other researchers; so the remaining ambiguities were treated with a quarter of the experience of an academic. The final checklist included 481 obligatory items, financial information required by 31 standards, as of April 2006. Differences in the number of elements initially identified by the author and some independent researchers' standards (e.g. IAS 8, 14, and 38) illustrate the need to carry out this verification process. These differences arose because the same items of disclosure are required for multiple standards (i.e., must not be repeated, or should be included only once).

Another study of 87 companies made a list of firms that comply with the disclosure, published by the International Accounting Standards Committee (IASC) for the years 1999 and 2000, Hodgdon C., Tondkar, Adhikari, & Harless (2008) developed two measurement indices. The first is a weighted index, and the second a weighted and innovative measure of compliance with the disclosure of International Financial Reporting Standards (IFRS), which works to support the view that the degree of compliance with accounting standards is as important as the rules themselves.

This innovative measure by Al Mutawaa, Abdullah, Hewaidy, M Aly (2010) defines the level of disclosure by each of the companies in the sample. The index of awareness raising for each company is calculated by dividing the number of elements described in the annual report of the enterprise by the number of required elements (i.e. the number of items that must be disclosed by the company).

For purposes of this paper we construct FRS using the rules applicable to the valuation and presentation rules are included in the Framework and specific standards applicable in the Mexican FRS for the year 2013.

2.2 Factors impacting the adoption of IFRS

Studies examining factors that impact on the adoption of IFRS are focused on variables such as size, type of industry, and profitability, followed by the type of auditor, internationality and the distribution of property. The majority of studies of IFRS has been undertaken in developed countries and in settings where the use of IFRS is of a voluntary nature or not subject to national control (Nobes, 1990).

In 2011 Al-Shammari examined the degree of compliance with the IFRS disclosure by the 168 companies listed on the Kuwait Stock Exchange (KSE) and describes the underlying characteristics that affect the performance of enterprises, resulting in the level of compliance being positively associated with firm size, age, internationalization, and the auditor, and negatively associated with liquidity.

One of the main factors of non-compliance with financial standards is the inefficiency of the actions of external auditors in the review of financial information and implementing agencies in charge of monitoring the implementation of IFRS, as well as sanctions in case of default. The level of compliance with IFRS disclosure was measured by an index of global compliance, based on all applicable IAS Kuwait through the review of the financial statements of 168 organizations.

A constant variable in several studies, such as Hodgdon, Tondkar, Adhikari, & Harless (2009), is the choice of auditor, and is considered a factor that influences compliance. The results of this study reinforce the importance of developing institutional mechanisms (e.g. compliance structures, auditing, and corporate control) to encourage compliance with the IFRS, they also highlight the special role of international audit firms and audit quality as a first line response to promote implementation and compliance with IFRS.

In carrying out the review of these items it was found that there are some studies whose orientation is focused on a classification of internal factors (Al-Shammari, 2011; Navarro y Bastida, 2010; Madawaki, 2012) pertaining to the characteristics of the companies and their impact on the process of adoption of IFRS. Others referred to external factors (Hodgdon, Tondkair, Adhikari & Harless, 2009; Iatridis & Rouvolis, 2010; Ritsumeikan, 2011) that consider global aspects or the countries themselves. In the case of a study in Ghana where the accounting and reporting practices of this country were examined in order to show the factors that influence the development of accounting, highlighting regulatory and institutional frameworks within the country, legal and political aspects and economic factors, which support the link between the political system, economic development, corporate ownership structure, foreign trade that affect the disclosure practices. The authors conclude that despite Ghana having rules and laws to ensure quality accounting and disclosure practices, they are inefficient. Furthermore, the rules should be updated to reflect the dynamic nature of the global markets, as they are outdated and require revision to be able to enhance the quality of the system of accounting and financial information which can help accelerate economic development in Ghana (Assenso-Okofu, Jahangir Ali, & Ahmed, 2011).

Based on previous studies it shows that there are several factors that influence positively or negatively in the process of IFRS adoption, which is determined by taking into account the context of each country. Likewise, there are different methods for measuring the degree of convergence or adoption.

2.2.1 Vocational Training

According to rules issued by the IAESB (International Accounting Education Standards) there are two main phases in the training of an accountant: the initial professional development, which involves the initial acquisition of knowledge, skills, attitudes, and values as well as the experience that will allow the professional to demonstrate that he or she has the necessary skills to perform their work to a high standard. Having acquired these minimum skills, lifelong learning is required to maintain and update said skills in accordance with the demands required by the professional environment and customers who are granted the service, corresponding to the second phase known as continuing professional development or training, which is a more widely used term (International Accounting Education Standards, 2008).

Note that in this variable of professional training, we take into account other concepts such as the perception of the accountant, professional judgment, and interpretation of the FRS. Specifically, the first hypothesis aims to describe and explain the influence of the accountant's vocational training on the level of compliance with the FRS. Therefore, the hypothesis states:

H1: A higher level of vocational training of the accountant or person responsible for the accounting company increased compliance with the FRS.

2.2.2 Conditions for adoption

According to the literature, there are contextual situations or circumstances that relate to the conditions for the adoption of FRS, such as the legal framework in which the FRS are developed, the need to fund organizations using financial information to make management decisions and external auditing.

The regulatory framework comprises formal and informal pressure from other organizations so that they reproduce the structures and rules of operation, referring to legal mandates the organizations may establish internally, as well as those established by the State, to comply with a standard (Ritsumeikan reproduce, 2011).

One of the associated factors that facilitates the voluntary adoption of IFRS includes heavy debt and a strong borrowing requirement, because in the search for capital, developers based on IFRS volunteers believe they are providing evidence to lenders and investors of their credibility and quality of the financial figures reported (Iatridis & Rouvolis, 2010). Al Shammari (2011) states that companies with higher debt level comply with IFRSs to reduce agency costs and reassure creditors that their interests are protected due to the IFRS compliance given greater disclosure of the information.

Regarding the use of financial information it is relevant to identify the different segments of users for whom the accounting is intended because its main objective is to help the user in making timely and reliable economic decisions. Mainly, financial reporting aims to meet the needs of two types of users (G. Guajardo, 2004). Some are internal, which are within the organization and are part of it, such as the staff involved and the administration thereof. Others are external or are outside the organization, finding for example government agencies, creditors, suppliers, customers, and credit institutions, etc. (Quevedo, 2010).

In Mexico, the External Auditor is an occupation, it involves both the exercise of a specialized technique and acceptance of public responsibility, as the auditor takes responsibility not only for who contracts their services, but also for a large number of people who will use the results of their work as a basis to make decisions from administration to investing, or financing (Quevedo, 2010).

Internationally it has been found that enterprise audit is influential on the adoption of an IFRS factor, specifically referring to being audited by 'big-four' firm, prestigious audit firms with a good international (Al Mutawaa & Hewaidy, 2010). Big-four firms are more likely to report errors and ensure that companies comply with all the relevant legal and regulatory requirements, for two reasons. First, they have a worldwide

reputation for high-quality auditing services, that they are seeking to protect; secondly, they (or their affiliates) have a greater incentive to maintain economic independence of their clients because their broad portfolio means that they are not dependent on any one particular client (Owusu-Ansah, 2005).

H2: The conditions for adoption influence a better level of compliance with the FRS.

2.2.3 Actions for adoption

There are two basic tasks that organizations immersed in the process of adoption of FRS should undertake to achieve this objective: the allocation of resources and responsibilities.

Regarding the Allocation of Resources, wide dissemination of the consequences of the application of IFRS to manage public expectations is important, we should especially keep in mind that some of the initial costs of the first year of implementation must be borne by companies. The above, cannot be assessed in the short term but over the long-term since one of the main costs could be training and adaptation to their systems and therefore these types require higher investment costs at the outset.

The main costs associated with the application of IFRS are staff training, adaptation to ICT systems, design and development of new formats and requirements for regulated entities hiring external consulting services. It may be concluded that the higher cost of applying IFRS is staff training, followed by the adaptation of computer systems (ASBA, 2010).

With regard to the Allocation of Responsibilities, the adoption of IFRS is an important task for most businesses and has an effect on the achievement of the stated objectives. Upon achieving the adoption of the FRS, the company must create an action plan, which must include among others, resources, responsibilities and roles at the start of the project, which is why it is necessary to conduct a segregation of functions within the organization, defining who will be responsible for directing the process of FRS adoption (Desmoeck, 2012).

In conclusion, proper management of both financial and non-financial aspects such as human resources, information systems, legal aspects, among others, and in general the actions that organizations undertake in order to adopt the FRS will determine success of a smooth transition. Therefore we propose:

H3: The optimum implementation of actions for adoption increases the level of compliance with the FRS.

2.2.4 Control Variables that impact the adoption

Company size, profitability, and seniority are the three control variables that are analyzed to evaluate its relationship with the adoption of FRS. A perspective of the size of the company and its relationship with the adoption of FRS, is explained in Iatridis & Rouvolis (2010) who mentioned that one of the associated factors that facilitate the voluntary adoption of IFRS is the fact of being a large company. The volunteer developers based on IFRS can act with confidence that they are providing lenders and investors evidence of credibility and quality of the financial figures reported.

H4: Higher net sales is a higher level of compliance with the FRS.

The profit, which is defined as the ratio between the earnings and the investment required to achieve it, measures both the effectiveness of the management of a company, demonstrated by the earnings obtained from sales realized and their use in investment, their category and regularity is the earnings trend. These utilities in turn, are the conclusion of competent administration, integrated planning of costs and expenses, and the general enforcement of any measure aimed at obtaining profits. Profitability is also understood as a concept that applies to all economic activity in which the means, materials, human resources, and financial resources are mobilized in order to obtain the expected results (Zamora, 2008). Since profitability is a reflection of performance of management, the managers of profitable companies tend to disclose more information in the financial statements to justify their performance related to financial compensation (Ansah & Stephen, 2005) plans.

H5: The most profitable companies have a higher level of compliance with the FRS.

The age of a company is the learning process and accumulation of experience (Sanchez, 2003). The experience and knowledge acquired over time in the markets results in a greater capacity to develop and implement the strategy, which consequently generates sound decision-making, constant risk measurement, knowledge to ask and answer executive questions, and in summary, to know where to take the business and how. It is believed that companies with more years of experience may have improved their financial reporting practices over time, and therefore, are expected to provide more information than new companies (Al Mutawaa & Hewaidy, 2010).

H6: Firms with more seniority have a higher level of compliance with the FRS.

3. Research and method design

This research is classified as a non-experimental, prospective, transversal/correlational and explanatory study, where hypotheses focus on confirming the relationship between the variables studied and determines which are the most significant for the level of compliance with the FRS.

The research covers all member organizations of the Asociación Nacional de Empresas Comercializadoras de Productores del Campo A.C. (ANEC), composed of 13 comprehensive service providers that organize 120 rural agricultural commercial organizations at the local level in 17 Mexican states: Campeche, Chiapas, Chihuahua, Durango, Guanajuato, Guerrero, Jalisco, Michoacán, Morelos, Nayarit, Nuevo Leon, Oaxaca, Puebla, San Luis Potosi, Tamaulipas, Tlaxcala, and Zacatecas.

The study population comprised the organizations of ANEC, within the defined space and time that met the inclusion criteria, resulting in 55 companies.

For the calculation of the sample size it is considered that each explanatory factor has a correlation coefficient of at least $R = 0.50$ in the population, which is equivalent to each factor explaining at least 25% (coefficient of determination $R^2 = 0.25$) of the variance in the degree of compliance of the FRS in the population. We used the program GPower 3.1.7 (Faul, Erdfelder, Lang, & Buchner, 2007) to estimate the minimum sample size necessary to reflect the coefficient of determination $R^2 = 0.25$ population with 95% confidence level of significance 0.05, and power of .80. Leaving the minimum sample size of $n = 21$ companies for all explanatory factors.

3.1 Sampling

We applied the single-step probabilistic procedure for clusters. We defined 17 clusters corresponding to the 17 states of the study population. We randomly chose the clusters needed to complete the sample size, as follows: Guanajuato 3, Michoacán 9, Nayarit 3, Morelos 6, with a total of 21 companies.

3.2 Operationalizing variables

The level of compliance with the FRS (dependent variable) is measured by an index of self-built compliance consistent with previous studies (Glaum and Street, 2003; Al-Shammari et al., 2007). For this purpose, we consulted with officials of the FRS accounting area for a list of individuals who are involved in the preparation of financial reports due to internal and external reporting requirements. This was done through personal interviews with key informants and a review of financial statements of all organizations in the sample. Therefore, for the purposes of this paper, we constructed the FRS, taking into consideration the FRS applicable to the conceptual framework (Series A) and the rules applicable to the valuation and presentation (series B, C and D) that are included in the special rules applicable in Mexico from 2013.

We did not consider the rules of disclosure in this work, since all the organizations were making the disclosure empirically and only at the request of users of the financial information, although aware that this

is not satisfactory, the companies are idle at making any determination about this situation. We selected 16 FRS that are considered applicable to companies according to their size and type of operations performed, following this approach, other rules were discarded on the grounds that they do not apply to the companies selected. Then the rules were eliminated from the study is presented in the table.

Table 1: List of standards not selected

STANDARDS NOT SELECTED		
SERIES	FRS	
B	B-1	"Accounting changes and error corrections"
	B-2	"Statement of cash flows"
	B-4	"Statement of changes in equity"
	B-5	"Segment reporting"
	B-6	"Statement of financial position"
	B-7	"Business Acquisitions"
	B-8	"Consolidated and Combined Financial Statements"
	B-9	"Interim Financial Reporting"
	B-10	"Statement of financial position"
	B-12	"Offsetting financial assets and financial liabilities"
	B-13	"Subsequent to the date of the Financial Statements"
	Bulletin B-14	"Earnings per share"
	B-15	"Foreign currency conversion"
B-16	"Financial statements of entities with non-profit purposes"	
C	C-2	"Financial instruments"
	C-13	"Related parties"
	C-14	"Transfer and de-recognition of financial assets"
	C-15	"Impairment of long-lived assets and their disposal"
	C-18	"Obligations associated with the retirement of property, plant, and equipment"
C-21	"Agreements with joint control"	
D	D-3	"Employee benefit"
	D-4	"Income Taxes";
	D-5	"Leases"
	D-8	"Share-based Payments"
E	E-1	"Agriculture"
	E-2	"Donations received or provided by entities with non-profit purposes"

In the analysis of the independent variables, although there are factors that analyze the social environment, the environment of the accounting profession, the legal and economic system at the national level, only those factors related to the individual environment of organizations were taken as the objective of this study and is focused on analyzing factors directly related to the organizations' own characteristics.

We did not take into account factors that do not fit the context and reality and the issues that companies who are the subject of this study confront, such as the factor that provides the degree of internationalization which applies only to companies with overseas operations, or multinational or transnational companies. For the same reason the dichotomous variable that evaluates and distinguishes the influence of the companies listed on the stock market and those that are not. As none of the companies subject to this review are listed on the Mexican Stock Exchange, these companies were discarded and the type of property referred to the distinction and influence between companies belonging to the public sector and private sector, as all companies in the sample belong to the private sector.

Table 2 shows how we measured the variables:

Table. 2 Operationalization of variables

Variables	Indicators
Dependent variable	
Level of compliance with the FRS	<ul style="list-style-type: none"> FRS series A, B, C and D
Independent variables	
Professional training of the accountant	<ul style="list-style-type: none"> Level of education Years of Experience Training Accountant's opinion of FRS Interpretation of FRS
Conditions for adoption	<ul style="list-style-type: none"> Establishment of policies for the adoption of FRS States that require financial statements Uses and frequency of financial information Number of audits conducted since adoption of FRS
Actions for adoption	<ul style="list-style-type: none"> Resources assigned to the process of adoption Number of persons involved in the application of FRS
Control variables	<ul style="list-style-type: none"> Age Sales Annual Income

3.3 Questionnaire

The questionnaire was used as a research tool. The design of the questionnaire was based a list of actions developed by the international firm Deloitte, which integrates the recognition and measurement requirements laid down in the International Financial Reporting Standards (IFRS) (Deloitte Touche Tohmatsu Limited, 2012). We created a suitable questionnaire for the purposes of this study as the reference questionnaire is a list of actions to verify the actions needed to migrate to IFRS.

For data analysis, we used the program SPSS 21 and multiple regression analysis for hypothesis testing were performed. For descriptive variables and frequency distribution tables, measures of central tendency and dispersion graphs were used as the measuring scale of the variables.

4. Results and discussion

The major findings in relation to the descriptive analysis are shown below. The prevailing activity of enterprises in the study sample was a trade (76.2%), followed by services (23.8%), and no company realizes an industrial activity (Table 3).

Table 3. Predominant activity

Activity	fr.	%
Commercial	16	76.2
Industrial	0	0.0
Services	5	23.8
Total	21	100.0

The average level of compliance with the FRS is very similar in the two activities. These results indicate that at least in this research the activities carried out by the organizations do not influence the results obtained, since there are no clear differences between the organizations that realize service activities, which obtained an average of 76% and commercial companies 75% (Table 4).

Table 4. Percentage of the adoption of FRS as a percentage by predominant activity

Predominant activity		PERCENTAGE ADOPTION
		Average
Commercial	Any	83
	Corn	72
	Wheat	80
	Sorghum	70
	Other	72
		75
Services	Any	65
	Dispersion credit	86
	Storage and maneuvers	72
	Other	79
		76

Upon analyzing the data presented in Table 5 we may see that the business form most often used is the 'Rural Production Company, Limited Liability' (52.4%), this is due to the fact that this type of organization receives support from the government for the acquisition fixed assets. In addition, by opting to register a business under this denomination, they are covered for the risk, as their liability to third parties is limited to the amount of their contribution. Regarding the level of compliance with the FRS, we can say that there is a slight increase to 85% in those organizations that is set up using other legal forms of business.

Table 5. Rate of adoption of FRS according to the type of legal association

Shape	fr.	%	PERCENTAGE ADOPTION
			Average
Rural Production Company, Limited Liability (SPR de RL)	11	52.4	70
Rural Production Company, Unlimited Liability (SPR RI)	2	9.5	73
Cooperative Society	2	9.5	76
Joint stock company	2	9.5	75
Other	4	19	85
Total	21	100	

The average level of education (Table 6) is high with 71.4% at the undergraduate level that can be considered adequate in terms of knowledge, skills, attitudes, values, and experience for the implementation and further understanding of the FRS. Having 23.8% of postgraduates indicates that they are in a position to undertake lifelong learning to maintain and update their skills in accordance with the progress required in organizations. The results show that those companies whose accountants are trained to post-graduate level have obtained the higher adoption rate of FRS of 83%, marking a trend that indicates that the higher the level of education, the higher the rate of adoption of FRS.

Table 6. Rate of adoption of FRS according to the level of training of person responsible for accounting area.

Level	fr.	%	PERCENTAGE ADOPTION
			Average
School / High School	1	4.8	65
Bachelor's degree	15	71.4	72
Postgraduate	5	23.8	83
Total	21	100	

The description of the independent variable of vocational training of the accountant responsible is presented in Table 7, which shows that the average training in terms of years of schooling of the head accountant is high with 16.9 years, something that is consistent with the level of study shown in the table above. As for the years of experience, organizations have accountants with an average of over 16 years of professional experience in accounting.

Table 7. Descriptive analysis of vocational training variable responsible for the accounting area

Item	Minimum	Maximum	Average	Standard deviation	Adoption of FRS	
					Correlation	Sig.
Years of study of the director of company accounts	10	20	16.90	2.61	-0.05	0.855
FRS training director has received the Head of company accounts	0	10	2.33	2.46	0.39	0.082
Years of experience in accounting (financial or administrative)	2	30	16.14	8.84	-0.38	0.086
Continuing professional development on FRS	0	2	1.38	59	-0.08	0746
Opinion on the adoption of FRS	2	4	3.30	67	-0.15	0.52
Opinion on the Interpretation of the FRS	1	3	2.29	55	0.30	0.194

However, we found evidence of few training events (only 2.33) and a limited way of updating the FRS, having a degree of interpretation difficulty (2.29). Despite these limitations, the perception of the benefits gained by adopting the standards is high (3.3).

Table 8 shows the frequency and percentage of the conditions of adoption of the FRS and as can be seen, organizations that prepare their financial information internally and external offices have as its accounting policy compliance with FRS 71.4%. This can be informal or formal, or not in writing.

Table 8. Descriptive analysis of the variable conditions for adoption (Establishment of adopting FRS)

	Value	Frequency	Percentage
Establishment of the adoption of FRS accounting policies	No	6	28.6
	Yes	15	71.4
	Total	21	100.0

The premise established in the approach assumes that a higher requirement by external entities, the use of financial information for decision-making and the number of audits in the organizations, the greater the level of adoption, however it has a low correlation and average, as can be seen (Table 9).

Table 9. Descriptive analysis of the variable conditions for adoption of FRS (soliciting organizations, use and frequency and audits)

Variable	Minimum	Maximum	Average	Standard deviation	Adoption of FRS	
					Correlation	Sig.
Total number of organizations that ask for information to be obtained from the financial statements for credit, supports or for any other process	2	14	4.86	2.57	0.37	0.10
Total use and frequency of financial information	2	4	3.04	0.77	0.47	0.03
Audits were conducted at the company since it began the process of adopting FRS	0	2	0.67	0.91	0.57	0.01

Also, only 1.24 organizations allocated funds for the adoption process and the number of people involved is 2 on average (Table 10). This can be interpreted as a factor relevant to compliance because the process is seen to involve a greater number of people, which means including managers.

Table 10. Descriptive analysis of variable shares for adoption

Variable	Minimum	Maximum	Average	Standard deviation	Adoption of FRS	
					Correlation	Sig.
Total resources allocated to the process of FRS adoption	0	3	1.24	1.00	12	61
Number of personnel assigned to the FRS process	0	4	200	1.14	.4. 5	04

4.1 Summary of the model

As the model assumptions multiple correlation are met, the results can be generalized to the population. The model explained 57% of the variability of the adoption of the FRS for the sample and 52% of the population.

ANOVA indicated that the model table is significant, in other words at least one variable contributes significantly to model.

Table 11. Model Summary (All items)

R	R2	Adjusted R2	Standard error of the estimate	Stats changes				
				R2 change	Change in F	df1	df2	F. Change F
0.758	574	.524	.10143	.574	11.471	2	17	.001

Table 12. ANOVA summary (all items)

ANOVA					
	Sum of squares	G1	Root mean square	F	Sig.
Regression	.236	2	.118	11,471	.001b
Residue	.175	17	.010		
Total	.411	19			

4.2 Parameters of the model

Two of the model variables are significant, since $p < .05$, which means that both actually contribute to the explanation of the level of FRS adoption, but the biggest contributor is the training on the FRS that has been responsible for the accounting area as the absolute value of its standardized coefficient is higher (0.75).

The model generated expressed as a multiple linear equation is:

$$\text{Adoption percentage FRS } X_2 = .787 + .062 - .011 X_3.$$

Table 13. Unstandardized and standardized model (all items)

Predictors	Unstandardized coefficients		Standardized coefficients	T	Sig.	95.0% confidence interval for B	
	B	Standard error	Beta			Lower limit	Upper limit
(Constant)	.787	.049		16.063	.000	.684	.891
X2.- Training in FRS that the Head of company accounts has received	.062	.014	.746	4.308	.000	.032	.093
X3.- years of experience in accounting (financial or administrative) area	-.011	.003	-.635	-3.667	.002	-.017	-.005

So the results indicated that only two variables pertaining to the vocational training factor were a statistically significant variability in the level of compliance with the FRS, these variables were the training on FRS received by the director of company accounts and number of years of experience in accounting (or in the economic, administrative) area.

These results did not confirm the hypotheses about the influence of factors on the level of adoption of FRS, but they do form a linear model that explains 52% of the variability in the level of compliance with the FRS for the study population, based on only the two aforementioned variables, which greatly simplifies the actions that this type of social economy enterprise should emphasize to arrive at a net formal system based on the FRS.

The results of this study are not comparable with results of previous studies found in the scientific literature as it only took into account a theoretical component in the measurement of the FRS, disclosure, which added not only greater level of complexity not dealt with in other research, but another point of view or approach to solving the problem of compliance with the FRS. Despite this, we can compare the research methodology and emphasize the strengths and weaknesses of this study.

With respect to measuring the FRS index of compliance, we used the most common index called partial compliance (PC) that consists in accounting for the items that comply among only the items applicable to each company, resulting in a ratio of 0-1, Al-Shamari (2011) and Al Mutawa (2010) opted for the same function, however, Tsalavaoutas (2011) opted for the same in addition to the Cooke index, which uses higher or inflated rates indices that are less adequate for use.

We chose the construction of a multiple linear model for results analysis at a significance level of 0.05. The objective was not to create a prediction model, but to understand the degree of the relationship of the factors to the rate of compliance with the FRS. This was the same as was observed in studies by Al Mutawaa & Hewaidy (2010) and (Tsalavaoutas, 2011), differing from the study by Al Shammari (2011) who took a significance level of 0.10.

A very close relationship is maintained between the theoretical components of the FRS. Specifically, a very close relationship is maintained because we may derive the particular rules formed by the B, C and D series from the conceptual framework (Series A), where each series involves valuation and presentation. The results obtained confirm this relationship since the middle of the series A (0.76) was equal to that of the B series (0.76), almost equal to that of the C series (0.75), and with respect to the D series (0.18) a large difference was observed, that is because only a single indicator was included in the measurement series, which means a lot of variability in measurement.

By focusing in particular on companies in the social economy, this research has limited the generalizability of the results reached.

5. Conclusions

This research examined the possible problems or explanatory factors that affect compliance with the FRS in enterprises in the social economy in Mexico, from the perspective of the general theory of normative accounting, focusing on the level of compliance with three of the four theoretical components the FRS, the conceptual framework, valuation, and presentation, leaving out raising awareness.

From a the initial approach to the process of adoption of Financial Reporting Standards in the society of social economy members of ANEC, AC, it was determined that the factors involved in a meaningful way in the process are training and years of experience in accounting, which belongs to the vocational dimension of the head of the accounting area.

Enterprises in the social economy should promote the training of those responsible for the accounting department of the organization and retain personnel related to this activity, or where appropriate, when hiring new staff an important element should be years of experience in the accounting area. This constitutes an important factor for the process of the adoption of financial reporting standards in businesses.

The present study confirms the theoretical and teleological construction of the FRS, which is empirically validated so that its functionality with the conditions and limitations contained in the study may be demonstrated.

5.1 Implications for the business community

This work by its nature and purpose, allows us to recommend to entrepreneurs that they should potentiate the usefulness of financial information, incorporating the model of financial analysis at their disposal, a section within the notes of the financial statements (disclosure) containing evaluation indicators of the performance of different areas of the company, so that the analysis of the results has a greater range and therefore better quality for the purposes of decision making. The adoption of the Financial Reporting Standards in itself is an action that contributes to this effect, however, for it to be effective, the employer must know its structure, functioning and objectives is a paramount requirement.

In companies the concept of control/quality appears to be linked only to the productive areas. Accessing this concept in accounting administrative areas is a measure of innovation, development, and business leadership that keeps the balance in the overall business growth. Otherwise the business runs the risk of a lag that results in opportunity costs and almost inevitable re-doing of work.

5.2 Implications Academy

Academic programs must be adapted by including in its structure a greater focus on the conceptual basis of accounting and its subsequent practical exemplification. Accounting education in Mexico today is empirically based, in large part because this is the way that many accountants learned and taught those who are mostly professionals come teachers. Conclusive evidence can be found by comparing the content of curricula in countries such as Colombia and Brazil with curriculums in Mexico. The country must abandon the tendency to allow accounting professionals with tax or financial bias to train technicians.

Teaching in the teaching-learning process should be modified to be applied based on the accounting standards and information technology simultaneously. Concepts such as cloud accounting, ERP (Enterprises Resource Planning) or dematerialized accounting, new trends in triangular matrix and accounting should immediately incorporate specific content. Failure to do so will result in the obsolescence of programs and graduates. Also the establishment of master and PhD programs in Accounting is indispensable. Today in Mexico there is only one doctoral program in accounting.

5.3 Implications for the government sector,

Although the Government Accounting Act has been in effect in Mexico since 2012, the implications of the conceptual basis of accounting have greater relevance in the government sector. This law, containing terms such as budgetary, assets, and financial accounting that require multidimensional involvement, where a strong background in the general concepts and instrumental basis of accounting in order to be in a position to exercise the governmental accounting type and to obtain the respective reports required.

As for small and medium enterprises, the economy of the country depends largely on the permanence and development they have. The proper use of accounting practices and the adoption of Financial Reporting Standards, facilitates access to credit and subsequent support programs. At the same time it allows them to meet their tax obligations properly and reduce the risk of non-compliance.

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