Opting for Swissness in Financial Reporting

Some Preliminary Explanations for the Shift of Accounting Standards among Large Corporations in Switzerland 2007-2013

Franck Missonier-Piera

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Rechnungslegungsstandards, IFRS, Swiss GAAP FER, Schweiz

During the last decades, several Swiss listed firms have decided to switch from internationally recognized accounting standards to Swiss GAAP FER. Some preliminary explanations are provided in this paper. Based on a match-pair sample of 62 firms over the period 2007-2013, the univariate signed tests exhibit that firms switching to their local GAAP are on average smaller, generate less profitability, have less investment opportunities and are less exposed internationally than IFRS firms. Besides, further analysis shows that the perceived quality of the firms' financial statements that switch to Swiss standards is not impacted significantly (when measured by analyst forecast errors). Lastly, in the year of the accounting change, audit fees decreased for changing firms. These results may suggest an economically rational choice made by switching firms.

Während der vergangenen Dekaden haben sich mehrere Schweizer Kapitalgesellschaften dazu entschieden, von international anerkannten Standards der Rechnungslegung (IFRS oder US-GAAP) zum Swiss GAAP FER Standard zu wechseln. In diesem Beitrag werden zu Beginn eine Reihe von möglichen Erklärungen für eine solche Entscheidung dargelegt. Anschliessend werden die vermuteten Zusammenhänge anhand von 62 Firmen im Zeitraum von 2007 bis 2013 statistisch überprüft. Die Analyse zeigt, dass Unternehmen, die im Untersuchungszeitraum zu Swiss GAAP FER wechselten, durchschnittlich kleiner und weniger profitabel waren, geringere Investitionsmöglichkeiten hatten und auch in geringerem Masse international exponiert waren als diejenigen Firmen, die weiterhin internationalen Standards folgten. Des Weiteren zeigt sich, dass die wahrgenommene Qualität der Rechnungslegung (gemessen an Fehleinschätzungen der Analysten) durch den Wechsel zum lokalen Rechnungslegungsstandard nicht signifikant beeinflusst wird. Schliesslich zeigt sich, dass im Geschäftsjahr des Rechnungslegungswechsels die anfallenden Gebühren gesunken sind. Das lässt darauf schliessen, dass hinter der Wechselentscheidung ein rationales Kalkül steckt.

1. Introduction

The role of financial statements is to communicate on the performance and on the financial position of organizations (firms, associations, States, etc.). They play an essential role in the proper functioning of business activities. Paradoxically, while the Swiss economy grew and prospered, its accounting system was considered until recently "underdevel-

oped" (Zünd, 1993). The Code of Obligations (hereafter CO) contained only minimal provisions of information regarding reporting activities, and stated very few accounting principles. Yet, parallel to the developments of both Swiss and International accounting standards, the CO recently introduced a number of new binding provisions and an increasing amount of information to disclose. The consequences of these new stringent criterions must be investigated with care. Indeed, too phenomena merit further attention. First, legislators have managed to keep a pragmatic approach with equilibrium between needs of users and constraints for firms. The new CO makes it possible to meet the expectations and needs of the various users of the financial statements (whatever local or international users). Thus, the new constraints, such as the recourse to recognized accounting standards or the need to prepare a cash-flow statement in addition to the "usual" balance sheet and income statement, depend on the size of the entities. Therefore, the level of constraints and the quantity of the necessary disclosed information is proportionate to the company size.

The second phenomenon lies on the possibility for large firms to choose among several accounting standards upon their needs, i.e. International Financial Reporting Standards (IFRS), the Swiss accounting standards, and the US GAAP (Generally Accepted Accounting Standards). Since 2005, the IFRS have become one of the most prominent accounting standards used internationally, alongside with US GAAP. Numerous countries require their firms to comply with IAS/IFRS, at least for listed companies, and for their consolidated accounts. One of the arguments for the use of international accounting standards is that it allows and eases the comparability of financial statements across countries and, it usually forces companies to disclose more information compared to local standards. Notwithstanding such rational argument in favor of the IAS/IFFRS, some companies may consider the implementation of IAS/IFRS too costly, and may have preferred to stick to their local GAAP, i.e. that requires fewer prescriptions than the IFRS or US GAAP. Given the possible choice available to Swiss companies to switch to their own local standards, Switzerland offers a particular relevant setting to test the motives for such decision. Hence, as mentioned by Berndt et al. (2014), Switzerland may be regarded as a genuine European accounting laboratory. Raffournier and Dumontier (1998) have empirically tested the determinants of IAS/IFRS adoption in the case of Swiss companies. Almost 20 years later, this study aims at investigating some of the motives to switch back to local accounting standards, i.e. Swiss GAAP FER.

The empirical analysis is based on a sample of 62 matched-pair firms over the period 2007-2013, with 31 firms switching back to Swiss GAAP. The results document that the firms that decided to switch from IAS/IFRS to Swiss GAAP FER are on average smaller than their IFRS fellows, have less investment opportunities, generated a lower performance, and were less exposed internationally. Besides, it appears that based on a measure of analysts' forecast accuracy, the quality of financial statements whether based on local or international accounting standards is not affected. Lastly, firms that switch to Swiss GAAP FER supported a decrease in their audit fees the year of the change. The results should be interpreted cautiously given the small size of the sample. Further investigation is required. The remainder of the article is organized in following manner. The next section covers the accounting system in Switzerland and its recent changes. Section three presents the related literature review and the development of the hypotheses. Section four presents the research design and the descriptive statistics of the sample. Section five discusses the main empirical results and the last section concludes.

2. Accounting environment in Switzerland

The Swiss accounting regulation is mostly of legislative origin, and hence part of what is called the continental European model of legal approach to accounting standard settings. For companies, this means that accounting methods choice must be made in accordance with the legal rules set out in the Swiss Company Law (the Code of Obligations, CO). The CO, which dates from 1881, was revised in depth in 1992 with emphasis on standardization of annual accounts. The CO used to give companies quite flexibility in terms of disclosed information, in the sense that it contained very few accounting rules. Yet, the situation has improved significantly during the past two decades. First, in 1984 the Swiss Institute of Certified Accountants created the Foundation for Recommendations concerning the Presentation of Accounts, known in Switzerland by its acronym FER (i.e. *Fachkommission für Empfehlungen zur Rechnungslegung*). The mission of the FER, the Swiss accounting regulation board, is to provide recommendations (i.e., the Swiss GAAP FER) designed to improve the quality and comparability of financial statements. Second, since October 1996, alongside with the CO, firms listed on the Swiss Exchange (SIX) must also comply with the Swiss GAAP FER, the IAS/IFRS (International Financial Reporting Standards), or the U.S. GAAP. These new SIX rules confirmed a *de facto* situation, where most Swiss listed firms were already reporting their consolidated financial statements in accordance with IFRS, US GAAP or Swiss GAAP FER (Dumontier and Raffournier, 1998). Third and lastly, since 2013 firms has to follow the new CO rules relative to accounting and reporting requirements. This last revision of the CO establishes uniform requirements for entities irrespective of their legal form, put emphasis on transparency, minority shareholders protection, and prescribes more detailed rules on evaluation principles and financial statements structure. The new provisions are more aligned with the needs of SMEs while being more compelling for large firms (i.e firms whose business exceeds two of the following three thresholds in two consecutive financial years: (a) aggregate revenues of CHF 40 million; (b) total assets of CHF 20 million; and (c) 250 full-time employees). Additionally, one important aspect is that the new CO may require firms to report in accordance with recognized accounting standards (i.e. firms or organizations that meet specific criteria: listed companies, cooperatives with more than 2'000 members and foundations subject to an ordinary audit). These recognized accounting standards are the SWISS GAAP FER, the IFRS (as prescribe by IASB), the IFRS for SME, the US GAAP and the IPSAS (International Public Sector Accounting Standards). These Swiss particularities provide a unique environment were actually six accounting standards coexist together: the Code of Obligations, IFRS for SME, Swiss GAAP FER, IAS/IFRS, US GAAP and IPSAS (International Public Sector Accounting Standards).

3. Background and hypotheses development

There are several articles that investigated the determinants of voluntary adoption of international accounting standards in Europe at large or in specific countries. Thus, Dumontier and Raffournier (1998) investigated the motives for Swiss listed firms to choose between IAS, Swiss GAAP or the EU Directives. With a sample of 133 firms in the year 1994, their results show that firms opting for IAS were larger, cross-listed, more internationally exposed, with a more diffused ownership structure than their competitors reporting under Swiss GAAP or the European Directives. Using a different methodology but on a smaller

match-pair sample of 44 Swiss firms, Murphy (1999) exhibits that for the same period the international exposure (i.e. listed abroad and foreign sales) was the main explanatory factor associated with the preference toward IAS.

Leuz and Verrechia (2000) focus on the quality of financial statements when based on German GAAP compared to both the IAS and US GAAP. The bid-ask spread is used as a measure of the quality of accounting standards. It measures the difference between the price asked for a particular security and its offered price. The higher the bid-ask spread, the higher the information asymmetry between the buyer and the seller, i.e. the lower the quality of the financial statements. Their results exhibit that German firms that switch from German GAAP to international accounting standards (IAS or US GAAP) experienced a decrease in their bid-ask spread and an increase in their trading volume, confirming an increase in the quality and quantity of information disclosed then. With a sample of 133 European listed firms in 1999, Cuijpers and Buijink (2005) finds that the firms choosing to report under IFRS or US GAAP, instead of their local accounting standards were most likely to be listed on a US stock exchange, and were operating in environment with a low quality financial reporting. Affes and Callimaci (2007) shows that large and capital intensive firms are the most likely to early adopt IFRS in Germany and Austria. They are also characterized by a diffused ownership structure. Zéghal and Sellami (2010) in the French context show that the early adoption of IAS/IFRS (i.e. before the compulsory adoption of 2005 for EU listed companies) was positively associated to the size of the firm, its cross-listing status, the percentage of foreign sales, its leverage and the reputation of the auditor (i.e Big four audit firms). More recently in Spain, Fito *et al* (2012), document that the size and the growth of the firm are both positively associated with early adoption of IFRS. All these studies mostly rely on voluntary disclosure theory as well as agency theory to provide hypotheses. The main determinants and their argumentation identified in these researches and used for the current paper are developed then.

Firm size

Firm size generates political costs, i.e. political pressure from the State, the unions, etc., that increase alongside the visibility of the companies. Because they are more visible than smaller firms (Watts and Zimmerman, 1986), large firms may have to support the cost of State interventions (through new taxes, regulations or legislation) that strive to regulate a particular industry, or simply strive to maximize tax revenues. They may also have to face retaliations from unions or customer associations that generate opportunity costs for the firm. Larger firms are also more likely to receive extensive attention from the media than smaller firms (Stanny and Ely, 2008). The visibility of large firms, especially in terms of available wealth, may more easily attract the attention of stakeholders. Therefore, it would be rational for firms bearing high political costs to choose high quality reporting standards in order to reassure its numerous stakeholders. Besides this, the implementation of sophisticated and complex accounting standards is costly. Larger companies have more resources to allocate to the preparation of high quality information, and the related costs involved are lesser due to the economies of scale. They have the capacity to absorb and then amortize such preparation costs within their structure, especially when most information is already collected for internal purpose. On the opposite, small firms may be reluctant to opt for IFRS as their financial statements are the main source of information, so

for competitors also. Information required by IAS/IFRS may be then disclosed to the detriment of small firms. For these reasons, we may propose the following hypothesis:

H1: The size of the firm is positively associated with the adoption of international accounting standards.

Leverage

Lending decisions may rely on the creditworthiness that financial statements capture (Bowen *et al.*, 1995). In parallel, debtholders' generally use accounting information in their loan agreements, i.e. within debt covenants. Thus, rational managers striving to reduce debt financing costs are more willing to select accounting standards that are generally accepted by creditors also, i.e. which provide the most valuable information. Compared to Swiss GAAP, IAS/IFRS are more restrictive, and requires reporting more information. Therefore, it is more than likely that the more the recourse to external financing, the more the recourse to international standards. So firms that would need such external financing may prefer to keep IAS/IFRS and to not opt for a switch back to local accounting standards. Besides, the higher the leverage ratio the higher the bankruptcy risk, and the higher the probability to violate debt covenants (Dechow et al., 1996). Hence, leverage should be positively associated with agency costs. We thus hypothesis that:

H2a: The higher the need to issue debt, the higher the likelihood to opt for international accounting standards.

H2b: The leverage ratio is positively associated with the adoption of international accounting standards.

Investment opportunities

A firm is composed of assets-in-place and investment opportunities (Myers, 1977). Whereas the latter have an easily identifiable value, the value of the former depends on future discretionary investments. Therefore, external investors (such as creditors) of firms composed mainly of investment opportunities support more information asymmetry to estimate the firm's value (compared to firms composed mainly of assets-in-place). This asymmetry generates more cost to monitor managers' activities. Investment opportunities may cause two types of risks for creditors. The first is the under-investment risk. Managers decide when to proceed with the firm's investments. They will not take up the investment if its current value is less than the amount to be repaid to creditors. The second risk stems from the option that managers may exercise in launching more risky projects than the one initially financed by creditors (Galai and Masulis, 1976). Indeed, the potential additional gain associated with a higher risk will not benefit to creditors (as their compensation was determined ex-ante) but solely to shareholders. The capacity to exercise this type of option is higher for firms composed mainly of investment opportunities. Thus, creditors will consider such firm to be more risky than firms composed mainly of assets-in-place. Their requirements for more financial information (qualitatively and quantitatively) will be higher. We may propose the following hypothesis:

H3: The importance of assets-in-place is negatively associated with the adoption of international accounting standards.

Firm performance

There are several potential reasons why profitable firms may opt for IAS/IFRS. First, the use of recognized and more restrictive accounting standards is more than relevant for profitable firms. They can "afford" such restrictive standards, i.e. there is no particular need to manage earnings upward (Dumontier and Raffournier, 1998). Meanwhile, profitable firms want to assure external financial statements users that their performance is trustworthy, and then strive to disclose more reliable information (Singhvi and Desai, 1971). Besides, financially healthy firms should have more resources to devote to implement complex and costly accounting standards. Therefore, one may consider the following hypothesis:

H4: The firm performance is positively associated with the adoption of international accounting standards.

Internationality

Firms committed with international activities have to satisfy the information needs of foreign stakeholders (Raffournier, 1995; Depoers, 2000). For example, recourse to local capital providers is frequent to finance foreign activities (Cooke, 1992). They have to disclose more information to those users, and provide financial statements that would be accepted and recognized abroad. Stakeholders from abroad (i.e. local capital providers, customers, suppliers) may consider the use of the Swiss' financial statements more costly for them. Not only, they have to convert the accounts in their local currencies, but also they may not have the necessary expertise on Swiss local GAAP. These factors increase the information asymmetry between Swiss firms and their international financial statements users. Therefore, given that internationality may be appraised with foreign sales, we may rationally propose the following hypothesis:

H5: The importance of foreign sales is positively associated with the adoption of international accounting standards.

Research design

Sample

The sample is composed of 62 Swiss firms listed on the SIX (Swiss Exchange) for the period 2007 – 2013. The primary selected firms are the 31 firms which decided over the period investigated to switch from IAS/IFRS to Swiss GAAP FER. Then, a match-pair sample is composed. The paired firms did not switch their accounting standards over the period tested, and are selected on the basis of industry and size. The data were collected manually in the annual report for accounting standards selected, and from FactSet data basis for the computation of the explanatory variables.

Variables measurement

The variables are measured based on figures the year before the change in accounting standards. The dependant variable (decision to switch) takes the value 1 if the firm decided to switch to local Swiss GAAP and 0 else. The size of the firms is measured by most empirical studies with total assets or total sales (Bujadi and Richardson, 1997). Total sales

offer the advantage of being less affected by the accounting standard choice tested in this study. In order to limit the amplification of potential outliers, the decimal logarithm of annual sales has been used (SIZE). The leverage ratio can be also measured with several approaches. We use the ratio total financial debts over total assets for leverage (LEV). The need to recourse to external financing (i.e. debt) is measured by the difference in total financial debt in the year of the switch minus the total financial debt the year preceding the switch, express in percentage of total financial debt the year preceding the accounting change. The investment opportunity set can be measured by Tobin's Q (Skinner, 1993), i.e. the ratio of the firm's market value over the replacement value of its assets. Yet we opted for the opposite proxy that focuses on the assets-in-place percentage, i.e. the ratio fixed assets over total assets (AIP). The firm performance is measured with the return on equity (ROE). Lastly, international exposure is controlled with the percentage of total foreign sales to total sales (EXPORT). Table 1 lists and describes the explanatory variables, and table 2 presents the descriptive statistics.

Table 1: Independent Variables

Political costs *(expected sign : +)*
SIZE = Log [Total sales (in Millions CHF)]

Leverage *(expected sign: +)*
LEVERAGE = [Total financial debt / Total assets]

DIFF Debt = (Total financial debt$_t$ – Total financial debt$_{t-1}$) / (Total financial debt$_{t-1}$)

International exposure *(expected sign: +)*
EXPORT = [Total foreign sales / Total sales]

Assets in Place *(expected sign: –)*
AIP = [total fixed assets / Total assets]

Change in forecast accuracy *(expected sign: –)*
DIFF-ERROR= [Δ° [(Broker actual – EPS consensus)] / (Broker actual – EPS consensus)$_t$

Change in audit fees *(expected sign : +/–)*
DIFF-FEES = [(Audit fees$_{t+1}$ – Audit fees$_t$)/ Audit fees$_t$]

Expected sign toward the choice for IAS/IFRS
Total financial debt = (short-term debt and current portion of long-term debt) + long-term debt
Year t = year before the switch to Swiss GAAP, Year t+1 = year including the switch.

Table 2: Descriptive statistics

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
Size	61	2.481	0.763	– 1.169	4.089
Leverage (%)	62	0.172	0.173	0	0.757
AIP (%)	54	0.715	0.366	0	1.264
ROE (%)	62	0.024	0.234	– 1.26	0.329
EXPORT (%)	58	0.567	0.392	0	1

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
DIFF-Error (%)	42	– 1.077	13.34	– 37	66.220
DIFF-FEES (%)	40	– 0.098	0.218	– 0.81	0.500

Empirical results

We perform univariate tests to compare the mean of the explanatory variables for the two groups, i.e. firms that continue to use IAS/IFRS vs. the firms that decide to switch to Swiss GAAP FER the year ahead. The difference between the two groups is tested using a parametric test and a nonparametric test (respectively Student t-test and Wilcoxon rank-sum test). Recourse to a nonparametric test lies on the fact that that is no particular motive to take into account a specific independent variable distribution curve. The results are reported in Table 3 below.

Table 3: Univariate Tests results

Variable	Mean	Rank	Tests
SIZE	$\mu_0 = 2.66$ $\mu_1 = 2.28$	$Rank_0 = 1061$ $Rank_1 = 830$	$t = 1.98^{**}$ $Z = 1.44$
LEVERAGE (%)	$\mu_0 = 0.15$ $\mu_1 = 0.18$	$Rank_0 = 970$ $Rank_1 = 983$	$t = -0.69$ $Z = -0.09$
DIFF Debt (%)	$\mu_0 = -0.04$ $\mu_1 = -0.08$	$Rank_0 = 835$ $Rank_1 = 650$	$t = 0.32$ $Z = 0.65$
AIP (%)	$\mu_0 = 0.61$ $\mu_1 = 0.82$	$Rank_0 = 663$ $Rank_1 = 821$	$t = -2.22^{***}$ $Z = -1.84^{*}$
ROE (%)	$\mu_0 = 0.06$ $\mu_1 = -0.01$	$Rank_0 = 1098$ $Rank_1 = 855$	$t = 1.43^{*}$ $Z = 1.71^{*}$
EXPORT (%)	$\mu_0 = 0.64$ $\mu_1 = 0.48$	$Rank_0 = 998$ $Rank_1 = 713$	$t = 1.51^{*}$ $Z = 1.76^{*}$

t = signed student t-test, μ_0 = *firm that keep IAS/IFRS* ($Rank_0$)
μ_1 = *firm that switch to Swiss GAAP* ($Rank_1$).
***, **, *: respectively significant at the 0.001, 0.05 and 0.1 levels.

Results from Table 3 exhibit that four of the five hypotheses are validated. Firms deciding to switch back to Swiss GAAP FER are on average smaller than those which prefer to continue to use international standards (Student t-test statistically significant at the 5% level). This validate hypothesis H1 suggesting that the cost of implementing complex and costly reporting standards is not favored by small firms that prefer less stringent standards. The decrease in total financial debt (DIFF Debt) is more important for firms opting for their local accounting standards. This may suggest that the switch could have been associated with a decrease in the need of financial debt. Yet, the difference between the two groups is not statistically significant (invalidating H2a). The leverage ratio, also higher for "switch-

ing firms", seems to have no impact on the decision to change accounting standards (i.e. invalidating hypothesis H2b). The firms composed mainly of assets-in-place are those that are more likely to change their reporting standards and to adopt Swiss GAAP (statistically significant at the 1% level). This suggests that, firms composed mainly of investment opportunities need more disclosure about their activities and prefer to keep IAS/IFRS. The performance of the company is negatively associated with the switch to local accounting standards. One can see that on average, these firms have a negative return on equity (ROE) of minus 1% (i.e. for the year preceding the change). Lastly the international exposure of the firms, as proxied with the percentage of foreign sales, is positively associated with the choice of international reporting standards. This validate hypothesis H5 (statistically significant at the 10% level only), and suggests that firms exposed mainly to local stakeholders may find more relevant to switch to local accounting standards.

The overall results suggest that small firms, less profitable, with few investment opportunities, and less exposed internationally are more prone to use Swiss GAAP FER.

There are two possible underlying arguments for such choice. The first argument is based on the quality of international accounting standards (IAS/IFRS) compared to local standards. The quality of financial standards and their respective standards is quite difficult to measure. One potential approach is to use the output of one of the main users of financial statements, i.e. financial analysts. They strive to forecast earnings per share for valuation purpose. The accuracy of their forecast is measured by the so called "earnings surprise" or forecast errors. In this article, the forecast errors is measured by the difference between the broker actual (i.e. the adjusted earnings of the firm once its net income has been published) minus the last available forecast (i.e. before the earnings release). Whatever companies use IAS/IFRS or Swiss GAAP FER, it is normal to observe analysts' forecast errors, i.e. they cannot predict perfectly the future performance of a firm. Yet, if IAS/IFRS are of better quality, and force the company to disclose more information, we may expect that the forecast errors may increase for companies that switch for local accounting standards.

The second argument suggests that firms may strive to decrease direct reporting costs such as audit fees. If Swiss GAAP are less costly to apply than IAS/IFRS, one may rationally expect that the audit fees would decrease for firms opting for local accounting standards. The results from Table 4 indicate that although IAS/IFRS firms exhibit an increase in forecast errors, the difference is not statistically different between the two groups of firms. Result for the difference in the audit fees seems to confirm the cost hypothesis. Indeed, firm that switches to local GAAP experience a decrease in their audit fees that they have to support. This result is as we expected initially. This result is interesting as one could have also expected that the first year of change is more costly as it requires more work for the auditor. For example, they have to check all the necessary adjustments made by the company for their switch for the current period, but also for the year before. The new financial statements have to report under Swiss GAAP FER for the year of change, but also to provide figures for the year preceding the switch but adjusted under Swiss GAAP, in order to allow comparisons.

Table 4: Univariate Tests results

Variable	Mean	Rank	Tests
DIFF – ERROR (%)	$\mu_0 = -1.22$ $\mu_1 = -0851$	$Rank_0 = 495$ $Rank_1 = 325$	$t = 0.085$ $Z = 0.083$
DIFF – FEES (%)	$\mu_0 = -0.02$ $\mu_1 = -0.13$	$Rank_0 = 277$ $Rank_1 = 542$	$t = 1.45$* $Z = 0.93$

t = signed student t-test, μ_0 = *firm that keep IAS/IFRS* ($Rank_0$)
μ_1 =*firm that switch to Swiss GAAP* ($Rank_1$).
***, **, *: respectively significant at the 0.001, 0.05 and 0.1 levels.

Conclusion and discussion

This article aims at investigating the potential economic determinants of reporting standards change. Most articles have tested the motives to move from local standards to international accounting standards. In this vein, the Swiss accounting environment is interesting and unique for at least two reasons. First, there are several possible reporting standards a firm may choose, depending of its needs. Second, over the last years, one may have observed that, contrary to an international trend, several Swiss companies have decided to switch from IAS/IFRS to their own local accounting standards (Swiss GAAP FER). It seems interesting to identify what could be the constraints of such change, the expected benefits, and some of its consequences. The supposed constraints identified in the literature are the size of the firms, its leverage, its investment opportunities, its performance and its international exposure. They are expected to be associated with the need to opt for international reporting standards. These associations are statistically significant, and with the expected sign in all cases, except for leverage. Hence, firms that decide to switch to Swiss GAAP FER are smaller, with fewer investment opportunities, a lower performance and with less international exposure than their fellow companies opting to keep IAS/IFRS. The expected benefits of such switch to local reporting standards should be a decrease in their reporting costs. The statistical results seem to confirm such rational. The change to local accounting standards generates less audit fees (decrease in percentage) than for firms that maintained IAS/IFRS. It could be interesting to measure the change in the audit fees two to three years after the change, in order to monitor such trend. Lastly, we tried to identify a consequence of the recourse to local accounting standards, with a special focus on analysts' forecast errors. Here, the empirical results are sort of deceptive in the sense that, contrary to expected, the use of local standards does not affect the forecasts capacity of analysts (i.e. no statistical differences for the change in forecast errors, between switching firms and IAS/IFRS firms). There are several possible explanations for such result. First, contrary to the literature, the Swiss GAAP FER offers financial statements with a higher quality than other local GAAPs. Alike IAS/IFRS, Swiss GAAP FER rely on principles, on an economic perspective of the firm activities, so the differences with IAS/IFRS are less harmful for analysts. Second, analysts following the switching Swiss firms, have a particular and well developed expertise of their portfolio of target companies. The financial statements are the sole source of information to appraise and forecast the activities of a company.

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Franck Missonier-Piera, Dr., CPA, CMA, ist Professor für "Accounting and Financial Analysis" an der Universität Freiburg/Schweiz.

Anschrift: Université de Fribourg, Chaire de Comptabilité et Analyse Financière, Boulevard de Pérolles 90, CH-1700 Fribourg, Tél. : +41 (0)26 300 83 48, E-Mail : franck.missonier@unifr.ch