



Conservatism as a cultural accounting value: An empirical study from the perspective of chartered accountants and auditors in Mozambique

El conservadurismo como valor contable cultural: un estudio empírico desde la perspectiva de contadores públicos y auditores en Mozambique

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Abstract

The study aims to evaluate the potential influence of the cultural value of conservatism on the professional judgment of accountants and certified auditors of Mozambique, from the interpretation and application of the concepts underlying the International Accounting Standard (IAS) 37 of the International Accounting Standard Board (IASB). The study is supported by data from a questionnaire disseminated between July 2020 and February 2021. The answers of a sample of 364 professionals are analyzed. The McNemar and Chi-Square tests were used to analyze the results. The results allowed identifying the conservatism through the existence of significant differences in the interpretation and application of the concepts of assets and liabilities. Therefore, the study reasonably confirms the classification attributed by Gray (1988) to African countries where Mozambique is located. These results remained stable even after the analysis due to different demographic variables. Studies of this nature are not known in Portuguese-speaking African countries, where empirical research on the subject is still incipient.

JEL Code: F23; G15; M41.

Keywords: comparability; conservatism; culture; interpretation; professional judgment

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Resumen

El estudio tiene como objetivo evaluar la influencia potencial del valor cultural del conservadurismo en el juicio profesional de los contadores y auditores certificados de Mozambique, a partir de la interpretación y aplicación de los conceptos que subyacen en la Norma Internacional de Contabilidad (NIC) 37 del Consejo de Normas Internacionales de Contabilidad (IASB). El estudio se apoya en los datos de un cuestionario difundido entre julio de 2020 y febrero de 2021. Se analizan las respuestas de una muestra de 364 profesionales. Para el análisis de los resultados se utilizaron las pruebas de McNemar y Chi-Cuadrado. Los resultados permitieron identificar el conservadurismo a través de la existencia de diferencias significativas en la interpretación y aplicación de los conceptos de activo y pasivo. Por lo tanto, el estudio confirma razonablemente la clasificación atribuida por Gray (1988) a los países africanos donde se encuentra Mozambique. Estos resultados se mantuvieron estables incluso después del análisis debido a diferentes variables demográficas. No se conocen estudios de esta naturaleza que incluyan profesionales de países africanos de habla portuguesa, donde la investigación empírica sobre el tema es aún incipiente.

Código JEL: F23; G15; M41.

Palabras clave: comparabilidad; conservatismo; cultura; interpretación; juicio profesional

Introduction

With the process of globalization and transnationalization of companies in the post-World War II, the financial statements (FS) prepared following local standards proved irrelevant to satisfy the needs of the various stakeholders (Lastres, Cassiolato, Lemos, Maldonado & Vargas, 1998). Therefore, in 1973, the International Accounting Standards Committee (IASC) was created, an entity that was subsequently restructured in 2001 to the now-designated International Accounting Standard Board (IASB), which became part of the International Reporting Financial Standards (IFRS) Foundation (IFRS Foundation). Among the main objectives of the IASB are the harmonisation of accounting standards and financial reporting, the promotion of their adoption at global level and the increasing of comparability of the financial statements of different countries (IFRS Foundation, 2021).

Mozambique had been adopting, until 2009, a local accounting standardization, established and regulated by law, with similar characteristics as those of Roman law. In the light of this classification, according to Martins, Martins and Martins (2007), the form and orientation prevails through the maximum possible rules, as provided for by law and with little participation of professionals in the area.

From 2010, the country implemented, through Decree 70/2009, of December 22, a regulation based on the International Accounting Standards (IAS) and IFRS with mandatory application for some entities, namely public companies, listed, as well as larger ones. With this step, Mozambique became part

of the movement of accounting harmonization and international financial reporting, with a view to the objective of comparability of financial statements on a global scale.

However, despite the ongoing harmonisation process, it should be noted that the IASB rules refer to the professional judgment of the preparers the decision on their interpretation and application, since principle-based standards are at issue. There is therefore a conflict between the so-called *de jure* harmonisation (based on standards) and *de facto* harmonisation, wherever it is possible to apply different accounting practices even in an environment of standardisation of financial reporting.

As Marcelino, Albuquerque, Justino and Quirós (2016) defend from Gray (1988), comparability can be affected by cultural values, since they can determine, within some subjectivity margin, the accounting treatments to be adopted and, consequently, influence the way accounting systems are developed. Consequently, it is relevant to evaluate the existence and potential influence of cultural values on accounting practice, which justifies the research developed in this study.

In a study based on IAS 37 in Portugal, Marcelino et al. (2016) concluded that the disclosure and recognition of liabilities and assets in the financial statements were interpreted and applied in a significantly different way among the financial information preparers, signaling the existence of the cultural value of conservatism by such professionals. Given that between the two countries there is a historical link of more than 500 years, this research, having as main reference that study, aims to evaluate the influence of this cultural value on the professional judgment of Mozambican accountants and auditors, used as proxy for financial information preparers.

Given the possibility that cultural values influence professional judgment, this study seeks to answer the following question: is there, among Mozambican accountants and auditors, any differences in interpretation and application of standards, because of the potential influence of the cultural value of conservatism? To answer this question, the study seeks to evaluate the interpretation and application of the standards by mozambique's chartered accountants and auditors, through a questionnaire containing subjects related to the concepts underlying the provisions, contingent assets and contingent liabilities, matters dealt with under IAS 37, the object of this study.

The study aims to arouse the interest of regulators, standardizing bodies, accounting professionals and other stakeholders about the potential differences in interpretation and application of standards with consequences in the comparability of financial reporting, as a result of the influence of cultural values. Despite the existence of such studies in other countries, such as Brazil (e.g., Doupnik & Riccio, 2006; Lima, 2016) and Portugal (e.g., Marcelino et al., 2016), this investigation is justified by its pioneering role in Mozambique, a country that, for historical reasons, has common cultural roots with Portugal.

This article is structured in five sections, including this one, dedicated to the introduction. The following section presents the theoretical framework. The third discloses the methodology used and the hypothesis proposed for the study. The fourth is dedicated to presenting and discussing the results. The fifth section finally presents the conclusions, limitations and proposals for future research under this subject.

Theoretical framework

This section is divided into three subsections. The first is dedicated to the presentation of a synthesis of the current regulatory framework in Mozambique in the field of accounting and financial reporting. The second identifies some of the essential elements included in IAS 37, the object of this study. The third, finally, presents a synthesis of the literature related to the proposed theme.

Accounting standardisation in Mozambique up to today

In Mozambique, the normative evolution of accounting has met different phases (Juaniha, 2016, p. 79-81). The last phase, according to the same author, corresponded to the adoption of international financial reporting standards (NIRF), which underlies the principles and judgments based on a conceptual structure that outlines all their applicability.

This phase was regulated by Decree 70/2009 of December 22, through which the country opted for the adoption of accounting standards based on IAS/IFRS for all large and medium-sized companies that meet the criteria established in this regulation and it forced to the direct application of IAS/IFRS to credit institutions and financial corporations.

In addition, it created and approved, through Law No. 8/2012 of February 8, its statute of the *Ordem dos Contabilistas e auditores de Moçambique (OCAM)*, a professional and independent body with the objective of regulating the professions of accountant and auditor, having, among others, the duties of proposing laws on matters of these professions and issuing their opinions.

Thus, and through the so-called General Accounting Plan for Large and Medium-Sized Companies (PGC-NIRF), large and medium-sized companies and institutions, except for institutions and companies in the banking and insurance sectors, began to be subject, from 2010, to the adoption of standards based on IAS/IFRS. This universe includes:

- a. public companies or mostly public capital companies.

b. companies based in Mozambique listed on the Mozambique Stock Exchange (BVM) or any other stock exchange.

c. companies which, based on their individual annual financial statements, exceed one of the following limits:

- i. Total income equal to or greater than 500 million Meticaís; or
- ii. Total net assets equal to or greater than 500 million Meticaís; or
- iii. Average annual number equal to or greater than 250 workers.

On the other hand, credit institutions and financial corporations were, through Notice No. 4/GBM/2007, of March 30, 2007, obliged to directly adopt the IAS/IFRS as emanating from the IASB, producing effects from 2007 for the consolidated financial statements and 2008 for the individual financial statements. It should be noted that in Mozambique banks, insurance companies and the stock exchange are considered credit institutions or financial corporations (Ghiurco, 2016).

Small companies and those which do not meet the requirements for the framework in any of the above-mentioned groups, but which must have an accounting organised in accordance with Mozambican commercial law, are obliged, in turn, to adopt standards emanating from local authorities.

Finally, it is important to highlight that, in Mozambique, the accounting and financial reporting standard (NCRF) 24, inserted in the PGC-NIRF, is the standard that deals with matters related to provisions, contingent liabilities and contingent assets, having been transposed from the base content provided for in IAS 37 of the IASB, the object of this study.

Provisions, contingent liabilities, and contingent assets

IAS 37 was issued by the IASB in 1998, effective from the following year, and was adopted by the IASB in 2001. This standard prescribes the accounting and disclosure of matters relating to provisions, contingent liabilities, and contingent assets, except those resulting from non-onerous enforceable contracts and those covered by other rules (§§ 1 and 5).

Enforceable contracts are understood as contracts for which neither party has fulfilled any of its obligations or both parties have only partially fulfilled their obligations to the same extent (Paragraph 3), whereas non-onerous contracts are contracts in which the inevitable costs of meeting the obligations of the contract do not exceed the economic benefits expected to be received under them (Paragraph 10).

The provision is defined in IAS 37 as a liability of uncertain timing or uncertain amount (§ 10), which should only be recognised when the following conditions are cumulatively met (§ 14):

- a. an entity has a present obligation (legal or constructive) because of a past event.
- b. it is likely that an efflux of resources will be necessary to settle the obligation; and

c. a reliable estimate of the amount of the obligation can be made.

All provision is, consequently, a liability, but it is related to characteristics (greater uncertainty as to the amount or timing). It is also important to observe the definition of a liability, identified as a present obligation (legal or constructive) of an entity arising from past events, from which settlement is expected to result in an efflux of resources (§ 10).

The legal obligation should be understood as an obligation deriving from a contract (explicit or implicit), legislation or other operation of the law (§ 10), while the constructive obligation must have the meaning of an obligation that derives from the actions of an entity in which:

a. by means of an established model of past practices, published policies or a sufficiently specific current declaration, the entity has indicated to other parties that it will accept certain responsibilities (§ 10); and

b. consequently, the entity has created a valid expectation in those other parts that it will comply with those responsibilities (§ 10).

Also in this context, it should be noted that the uncertainty and the greatest risk about the timing or amount of future expenditure necessary for its liquidation, present in the provisions, distinguishes them from other liabilities, since in the liabilities the time of settlement and the amount of the obligation are established in a legal or constructive manner (§ 11).

In turn, contingent liabilities are defined as:

a. a possible obligation that derives from past events and whose existence will only be confirmed by the occurrence or not of one or more uncertain future events not entirely under the control of the entity (§ 10); or

b. a present obligation which stems from past events, but which is not recognised because:

i. it is not likely that an efflux of resources incorporating economic benefits will be necessary to settle the obligation (§ 10); or

ii. the amount of the obligation cannot be measured with sufficient reliability (§ 10).

Finally, a contingent asset must be understood as a possible asset arising from past events and whose existence will only be confirmed by the occurrence or absence of one or more uncertain future events not fully under the control of the entity (§ 10).

As a common point between liabilities and contingent assets are, in summary, issues related to either the reliability of measurement, or with the lowest level of probability of exflow (in the case of liabilities) or influx (in the case of the asset) or, furthermore, dependence on future events (uncertain and outside the control of the entity) for their confirmation.

Finally, it should be noted that an entity should not recognise a contingent liability (or an asset), and should disclose this, unless the possibility (probability) of the outflow (influx) of resources (§§ 28, 33 and 34) is remote.

Literature review

The rapid progress of the process of economic and financial globalization, characterized by the emergence of multinational companies and financial flows between different countries, especially in stock exchanges, has created global needs regarding the control of companies and the measurement of their assets (Cremonini & Oliveira, 2019).

Thus, the need for international accounting harmonization arose. The central objective of international accounting harmonization is the comparability of financial reporting (Nobes, 2013), which seeks to promote the compatibility of accounting practices adopted by different countries and reduce existing conceptual differences (Barlev & Haddad, 2007).

In this scenario, and with the main objective of studying, preparing, issuing international accounting standards, and boosting their application, the IASC was created in 1973. In 2001, the IASC became the IASB after the reformulation and consequent emergence of the IFRS Foundation (Cremonini & Oliveira, 2019).

The IASB standards (IAS/IFRS) refer to the professional judgment of accountants the decision on their interpretation and application since principle-based standards are at issue. This standardisation model implies the need for professional judgment by preparers, which may pose difficulties in interpreting the concepts underlying IAS/IFRS and, consequently, implications in terms of comparability and verifiability of financial reporting (Chen & Gong, 2020).

An essential aspect of international accounting harmonization is the distinction between principles-based and rules-based accounting systems. The first is perceived as determined by a conceptual structure and objectives seen as guidelines that require professional judgment for interpreting and applying those standards in each case (Agoglia, Douppnik & Tsakumis, 2011). As regards the latter, on the other hand, rules prevail as much as possible, as provided for by law, with little participation of professional judgment for their interpretation and application (Martins et al. 2007). Therefore, it is possible to empirically observe the maintenance of international accounting diversity, even in an environment of wide adoption of IAS/IFRS (Kvaal & Nobes, 2012).

In addition to the difficulties associated with the translations and interpretations of the concepts in the standards (Douppnik & Richter, 2003; Zeff, 2007), and other institutional and economic factors (Chand, Patel, & Day, 2008), it has been found that preparers' decisions in matters such as recognition,

measurement, and disclosure are affected by culture (Gray, 1988; Zarzeski, 1996). These factors can lead to different judgments, interpretations and, finally, materialisations of existing concepts in IAS/IFRS since those are seen as principle-based standards, which can ultimately be reflected in financial statements.

In the context of the debates promoted by Belkaoui (1978) on the interpretation of the expressions expressing probability contained in some IASB rules, known as verbal probability expressions (VPE), Kolesnik, Silska-Gembka and Gierusz (2019) concluded that, among British and Polish accounting professionals, there were differences in the interpretation of expressions such as probable and remote. In the same sense, Teixeira e Silva (2009) analyzed how auditors in Portugal interpreted and classified VPE in IAS/IFRS. The results indicated that such expressions are effectively interpreted differently by such professionals.

Additionally, and as a line of research followed in this study, professional judgment can be influenced by the culture of preparers in each country, which may result in differences that affect the comparability of financial statements (Gray, 1988). The model of cultural dimensions proposed by Hofstede (1980), and its later developments, represents one of the seminal works in culture that has been the object of numerous replicas (Beugelsdijk & Welzel, 2018; Zhou & Kwon, 2020; Sent & Kroese, 2022), despite criticism that it has also been targeted (e.g., Baskerville, 2003). Based on data collected in more than 50 countries, the author proposed, in a first phase, that countries could be grouped into four dimensions of social values: Individualism versus collectivism, long versus short power distance, strong versus weak uncertainty avoidance and masculinity versus femininity. Following studies in this area, Hofstede added a fifth and sixth dimensions, called long-term versus short-term orientation and indulgence versus restraint (Hofstede, Hofstede & Minkov, 2010).

Based on the cultural dimensions of Hofstede (1980), Gray (1988) proposed four cultural values that are part of the accounting subculture, based on four hypotheses of relationship between these values and the four social dimensions initially identified by that author. This proposal was based on the formulation of the theory of the influence of culture on the attitude of accountants and, consequently, on the reframing, in the light of cultural values, of the international accounting systems proposed, inter alia, in the seminal works of Mueller (1967) and Nobes (1983).

In this respect, it is advocated that the subculture of accounting can be classified into four cultural values, namely professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism and secrecy versus transparency (Gray, 1988). Conservatism, as cultural value, characterizes a society with a preference for the approach of prudence as a measure to deal with uncertainties of future events, as opposed to more optimistic approaches to risk-taking. Examples of its materialisation include precisely the preference to prudently anticipate liabilities, to the detriment of assets (e.g. Tsakumis, 2007)

In the light of Gray's proposal (1988) and considering the proposal for classification for all African countries, of which Mozambique is an integral part, mozambican financial preparers would tend to be more conservative than optimistic about recognition and measurement. It should be noted, however, that Gray's theoretical model, based on the relationship between Hofstede's social dimensions (1980) and its cultural values (sometimes called the Hofstede-Gray model), was not empirically validated by the author. However, further studies are known that have sought to validate the existence of these cultural values underlying some countries.

Chanchani and Willet (2004) conducted a study for users and preparers of financial statements in New Zealand and India, with the aim of evaluating and operationalizing the cultural values of professionalism, uniformity, conservatism, and secrecy. The results support the existence of these values. However, they suggest that professionalism and secrecy were the constructs of factor analysis that were more strengthened and coherent. On the other hand, the dimensions of uniformity and conservatism contained elements that associated them with the dimension of secrecy. As such, the authors suggested further studies and new proposals for analysis.

Doupnik and Riccio (2006), in turn, evaluated the effect of the interaction between the accounting values of conservatism and secrecy and the interpretation of the VPE present in the IAS/IFRS by the accountants of Brazil and the USA. The results obtained validated the classification attributed to each two countries by Gray (1988), also suggesting a strong confirmation of the influence of secrecy on the interpretation of the VPE. However, in relation to conservatism, the results pointed to a moderate influence only.

Tsakumis (2007) followed the research by Doupnik and Riccio (2006), with the aim of identifying, from the perspective of preparers from different cultures, the existence of different perceptions for the same accounting concept. The study specifically analyzed the interpretation of the concepts of assets and liabilities existing in IAS 37, also proposed in this study, from the responses obtained to a questionnaire distributed to accounting professionals from Greece and the United States, using the culture and nature of contingency (assets versus liabilities) as independent variables, and the identification of situations (conservatism) and disclosure decisions (secrecy) as dependent variables. The authors found that American accounting professionals had greater conservatism, while Greek professionals were less likely to disclose information (greater secrecy) compared to Americans.

As an example of applying the model in other contexts, Chand, Cummings, and Patel (2012), based on the hypothesis that the national culture has a significant effect on professional judgment, conducted a study based on finalist students of the accounting course from China and Australia. Based on this research, they concluded that the Chinese finalist students of the accounting course at the same

educational establishment revealed greater conservatism and secrecy than Australian students of the same course, thus validating the hypotheses proposed by Gray (1988).

Taking as object the financial report, Balduino and Borba (2015) concluded that the Brazilian companies listed on the New York Stock Exchange (NYSE) disclosed more contingent liabilities due to their conservative cultural characteristic. On the other hand, British or Chinese companies disclosed fewer contingent liabilities, combined with the fact that they are more optimistic countries.

Also in Brazil, Lima (2016), through questionnaires conducted to different actors in accounting, namely users, students and teachers, identified Gray's conservatism (1988) as the most strengthened cultural value, in addition to the dimensions of the power distance and uncertainty avoidance proposed by Hofstede (1980).

In Portugal, Marcelino et al. (2016), also on the basis of questionnaires, but specifically addressed to chartered accountants, also confirmed the existence of conservatism and secrecy, as well as an association between the two values, thus confirming the classification proposal attributed to Portugal by Gray (1988). It should also be noted that this study used NCRF 21, equivalent in Portugal to IAS 37 of the IASB, the object of this investigation.

In a more recent study, Albuquerque and Pereira (2022) concluded that the decisions of financial information preparers in Portugal, in accounting matters, are influenced by fiscal criteria, to the detriment of economic criteria, revealing a high level of conservatism, in line with the classification proposed by Gray (1988).

The following section presents the hypothesis and methodology of the research, in particular the description of the population, sample selection, the instrument, and the techniques for statistical processing of the data.

Hypothesis and methodology

Based on The Propositions of Gray (1988), and with the objective of confirming, or not, the existence of differences in the interpretation and application of accounting standards by Mozambican accountants in line with relatively similar previous studies (namely Doupnik and Riccio, 2006 and Marcelino et al., 2016), the hypothesis (H) of this study is defined in the following terms:

H: There are significant differences between financial information preparers in Mozambique regarding the recognition of liabilities and assets in the financial statements, regardless of other characteristics of the sample, which indicates the existence of conservatism as a cultural value, in line with the Gray's (1988) model.

The study has accounting professionals (accountants and certified auditors), affiliated with OCAM in Mozambique, as a target population and uses as research object a standard emanating from the IASB, namely IAS 37, which leaves clear the need for professional judgment. To obtain data for conducting the study and solving the research problem, a questionnaire was prepared, published between July 2020 and February 2021, which had the support of OCAM in its distribution.

The questionnaire was mainly administered through email, which indicated a link from which the respondents were redirected to an electronic platform on which the questionnaire was housed. The answers were made and collected from the same electronic platform. Once the population under study was identified, based on statistical methods, it was possible to determine the sample size and the selection of the elements in it.

Similar studies in this area also used the questionnaire as a collection tool (namely Doupnik and Riccio, 2006; Lima, 2016; Marcelino et al., 2016; Teixeira e Silva, 2009; Tsakumis, 2007). The target population was thus selected because these are the main players in the process of preparing and reviewing the financial statements in Mozambique, thus being used as a proxy for financial information preparers, also in line with what is proposed in other studies of this nature (namely Doupnik and Riccio, 2006; Lima, 2016; Marcelino et al., 2016; Teixeira e Silva, 2009; Tsakumis, 2007).

At the end of the process, 364 valid responses were obtained for an estimated population of 4,680 professionals (4,588 chartered accountants and 92 certified auditors), based on the latest data for 2018. Thus, although adequate sample stratification cannot be guaranteed, and based on the minimum sample formula proposed by Arkin (1982), the sample allows extrapolation of the results to the population at a significance level of 5% and an error rate of 5%. Additionally, the sample is higher than or close to most studies developed in this area (namely, Doupnik and Riccio, 2006; Lima, 2016; Marcelino et al., 2016; Teixeira e Silva, 2009; Tsakumis, 2007), although with a reference population sometimes significantly lower.

The specific questions of the questionnaire are related to the influence of culture on professional judgment and intend to analyze the potential differences in the professional judgment of accountants and auditors, regarding the recognition or disclosure of provisions, contingent liabilities, and contingent assets, based on the concepts provided for in IAS 37.

Initially, the main concepts related to provisions, contingent liabilities, and contingent assets according to IAS 37 (definitions and general recognition criteria), as developed in the preceding section of this paper, were presented (recalled). Subsequently, a presupposition associated with the proposed cases was presented, which would result in the need for decision-making by the respondents.

The assumption is identified in the following text:

Take over as director of the financial department of Lusobras, S.A., a large publicly traded entity. The country where the entity is inserted rarely processes the entities and their managers. The stock exchange regulator requires the use of the accounting and financial reporting standard for provisions, contingent liabilities and contingent assets. Its role is to determine how this standard should be applied in the light of the facts presented in the situations described below. Take the way in which the standard is applied will have no impact on the taxable profit of the entity. Lusobras is a reputable entity managed by competent professionals, presenting a relatively stable economic performance and financial position over the last few years.

Following, two situations were presented as regards a possible identification of a liability (situation 1) or an asset (situation 2), respectively.

Situation 1 (the liability perspective): In preparing its 20X2 financial statements, Lusobras, S.A. encountered the following situation: In May 2012, Global, S.A. brought legal action against Lusobras for allegedly using unduly copyrighted by an industrial patent developed by Global, related to a new process of manufacturing soccer balls. Global claims, in this sense, the payment of compensation by Lusobras. In November 2012, Lusobras' lawyers suggested negotiating a financial settlement with Global. Lusobras' lawyers estimate that a possible settlement may be between 5,000,000 and 10,000,000, in any case a material amount for Lusobras. As of the preparation of the financial statements for the period ended December 31, 2012, no further contacts had occurred between the parties involved.

Situation 2 (the asset perspective): In May 201X, Lusobras, S.A. filed a lawsuit against Internacional, S.A. for allegedly using the unduly copyright of an industrial patent developed by Lusobras, related to a new concept of synthetic turf for soccer fields. Lusobras claims, in this sense, the receipt of compensation from The International. In November 20X2, Lusobras' lawyers suggested negotiating a financial settlement with Internacional. Lusobras' lawyers estimate that a possible settlement may be between 5,000,000 and 10,000,000, in any case a material amount for Lusobras. As of the date of the preparation of the financial statements for the period ended December 31, 2012, no further contacts had occurred between the parties involved.

It is important to note a precaution, in the preparation of the questions, not to present probabilistic expressions that would induce the answer in a certain sense, since it was intended to evaluate the natural propensity of the preparers, by the effect of culture, for the recognition of liabilities or assets in a specific situation where the probabilistic element is also a value judgment.

Three options of responses have been designed for each situation, to be selected exclusively one, from which the accountant or auditor indicates his individual decision on the recognition or disclosure of liabilities and assets, namely:

1. I do not disclose a contingent liability (asset, in situation 2), nor do I recognise a provision (asset, in situation 2).

2. I disclose a contingent liability (contingent asset, in situation 2) in the annex / notes.

3. I disclose and recognise a provision (asset, in situation 2) in the financial statements.

We obtained 355 valid answers for the two parts of the questionnaire, which means a reduction of less than 3% and, therefore, not significant. From the global sample of accountants and certified auditors from Mozambique, two related or paired samples were extracted for each proposed situation, one from the perspective of the asset and the other from the perspective of the liability.

Following, each of the two questions was transformed into three other dichotomic variables or dummies, thus allowing to identify statistically significant differences in the comparison of situations relating to assets and liabilities for each of the three scenarios mentioned above, simplified below:

1. not recognise or disclose any liability or asset (classified as 1, with 0 in the remaining cases).

2. disclose a contingent liability or asset (classified as 1, with 0 in the remaining cases);

or

3. recognise a liability or asset (classified as 1, with 0 in the remaining cases).

The results of this study will be analyzed both in global terms and from the distinction of respondents according to elements of a personal and professional nature. It should be noted, however, that there are not known previous studies that analyze this problem based on the consideration of such elements, which is why it was decided not to define related operational hypotheses.

However, and despite the limited support in previous empirical studies, it is important to note that such subgroups may present some characteristics that, in some way, were evidenced in the previously described literature, although not aligned with the analysis proposed in this study. Particularly, gender was a characteristic proposed by Hofstede (1980), who analyzed it in the context of cultural differences between countries. Age, academic level and professional experience were mentioned by Nobes (1998) as underlying elements of professional judgment.

Thus, H was initially evaluated based on the McNemar test, since nominal quantitative variables are at stake, which is presented as an alternative to Chi-Square for related or paired samples.

Additionally, to robust the analysis of the results, and in line with the proposal underlying the defined H, the answers to the framing questions will be analyzed according to the answers obtained for the general questions, using the nonparametric Chi-Square test. It is intended to evaluate the existence of statistically significant differences between the subgroups for each of the possible answers.

To that purpose, the following subgroups were created:

- Age: “0” was assigned for under 35 years-old, and “1” otherwise.

- Gender: “0” was assigned for females, and “1” otherwise
- Academic level: “0” was assigned for the level up to the bachelor's degree, and “1” otherwise.
- Training area: “0” was assigned for training areas other than accounting, and “1” otherwise.
- Professional experience: “0” was assigned for up to 10 years, and “1” otherwise.

The following section presents the results of descriptive analyses and statistical tests carried out.

Presentation of results

Table 1 presents the sample characterization elements obtained from the questionnaire framework questions. It should be refunding, and although not very expressive, that some numbers are lower than the total sample because of non-response to the proposed questions.

Table 1
 Framing questions - results obtained

Age:	No.	%
Up to 35 years (group 0)	126	35%
Over 35 years (group 1)	238	65%
Total	364	100%
Gender	No.	%
Female (group 0)	65	18%
Male (group 1)	297	82%
Total	362	100%
Academic level	No.	%
Up to bachelor's degree (group 0)	291	80%
Master's degree onwards (group 1)	73	20%
Total	364	100%
Training area:	No.	%
Other areas (group 0)	51	14%
Accounting (group 1)	312	86%
Total	363	100%
Professional experience	No.	%
Up to 10 years (group 0)	150	41%
Over 16 years (group 1)	213	59%
Total	363	100%

Source: Author's own

Table 1 identifies that most respondents are over 36 years-old (about 65%). Regarding gender, there was a higher participation of males by about 82%. As for academic training, most participants (80%) have the level of training up to graduation. Regarding the most relevant area of training, it is observed that most respondents are trained in accounting, representing about 86%. Finally, and as regards professional experience, 59% of all respondents are over 16 years.

The frequencies related to general questions (situation 1 and 2, associated with liabilities and assets, respectively) are presented in Table 2.

Table 2
 Frequencies relating to general questions.

	Scale = 1		Scale = 2		Scale = 3		Total	
	No.	%	No.	%	No.	%	No.	%
Situation 1	33	9%	142	40%	180	51%	355	100%
Situation 2	82	23%	193	54%	80	23%	355	100%

Source: Author's own

Table 2 shows that 51% of respondents disclose and recognise the liabilities, against only 23% of respondents who disclose and recognise assets, with a difference of about 28 percentage points (p.p.) between the two. There are 14 percentage points more respondents in each one of the lower levels of the scale who do not recognise or disclose any assets or contingent assets. This shows a higher tendency of professionals to disclose assets more likely, and, oppositely, recognise liabilities in the financial statements.

Table 3, in turn, presents the results of the McNemar test.

Table 3
 McNemar test for general questions.

Test statistics			
	Situation 1 Versus Situation 2	Situation 1 Versus Situation 2	Situation 1 Versus Situation 2
	(Scale=1)	(Scale=2)	(Scale=3)
N	355	355	355
Chi-square ^a	32.451	17.986	70.007
Sig significance.	0.000	0.000	0.000
a. Corrected Continuity			

Source: Author's own

The results of the McNemar test (Table 3) show that, from the perspective of chartered accountants and auditors in Mozambique, the differences of opinion in any of the scenarios foreseen for the two situations (assets and liabilities) are statistically significant. The results corroborate the frequency analysis presented in Table 2, confirming a greater tendency to recognise liabilities, as opposed to assets, where disclosure (or event no action) is more frequent.

Table 4 shows the relative frequencies for each of the scale points, by situation and by subgroups identified from the demographic questions proposed in the questionnaire, according to the distinction proposed for this research.

Table 4
 Frequencies relative to demographic issues.

		Situation 1			Situation 2		
		1	2	3	1	2	3
Age	0	8%	47%	45%	22%	60%	18%
	1	10%	36%	54%	24%	51%	25%
Gender	0	10%	38%	52%	30%	49%	21%
	1	9%	40%	51%	22%	55%	23%
Academic level	0	10%	41%	49%	23%	55%	23%
	1	7%	36%	57%	24%	54%	22%
Training area	0	8%	45%	47%	27%	55%	18%
	1	9%	39%	51%	23%	54%	23%
Professional experience	0	10%	42%	48%	25%	54%	21%
	1	9%	39%	53%	22%	55%	24%

Source: Author's own

Based on Table 4, it is possible to identify that, regardless of the subgroup, the frequencies are not significantly different from those observed for the total (identified in Table 2).

Accordingly, 7% to 10% are observed in point 1 of the scale for situation 1, which may be compared with the 9% obtained for the total. In situation 2, at the same point in the scale, a minimum of 18% and a maximum of 30% is observed, which may be compared with the 23% seen for the total.

In point 2 of the scale for situation 1, a minimum of 36% and a maximum of 47% are met, which may be compared with the 40% obtained for total. It worthwhile to mention that the minimum and maximum values were identified, in both cases, in the subgroups by age, where the largest difference in percentage points between subgroups of analysis (11 percentage points) is also observed. For situation 2, at the same point in the scale, frequencies between 49% and 60% are observed, which may be compared with the 54% recorded for the total.

Finally, in point 3 of the scale for situation 1, a range between 45% and 57% is identified, having the 51% observed for the total. For situation 2, at the same point in the scale, frequencies between 18% and 25% are observed, which may be compared with the 23% seen for the total.

Thus, and to sum up, at each point of the scale, based on the different situations proposed, there are no differences between the minimum and the maximum greater than 12 percentage points. Those differences are even smaller between the subgroups, where, for most cases, they do not exceed 10 percentage points.

Finally, Table 5 presents the results for the Chi-Square test (bilateral significance levels) performed for the set of demographic variables previously presented.

Table 5
 Chi-Square test for demographic issues.

		Sit. I			Sit. II		
		1	2	3	1	2	3
Age	0	0.57	0,05	0.12	0.69	0.12	0.19
	1						
Gender	0	1.00	0,78	0.89	0.19	0.40	0.74
	1						
Academic level	0	0.82	0.49	0.28	0.87	1.00	1.00
	1						
Training area	0	1.00	0.53	0.65	0.58	1.00	0.58
	1						
Professional experience	0	0.58	0.66	0.39	0.52	1.00	0.61
	1						

Source: Author's own

The results of Table 5 provide an overview of the conclusions identified through the frequency analysis, with statistically significant differences (at a level of 5%) only for age-related subgroups in point 2 of situation 1.

Considering the previous evidence, the proposed hypothesis is thus globally confirmed.

Following the results analysed in this section, the next section is dedicated to the presentation of the main conclusions reached, as well as the limitations and possible guidelines for future research in this area.

Conclusions

Accounting harmonisation underlies the need for comparability of financial reporting amongst countries. However, their international accounting standards are based on principles, referring to the professional judgment of financial information preparers the decision on their interpretation and application, which can be affected by their cultural values.

This study assessed the possible manifestation of the conservatism proposed by Gray (1988) by information preparers in Mozambique, based on the hypothesis of the influence of this cultural value on professional judgment, using the themes revealed in IAS 37 as an object of analysis. Thus, the findings confirm the hypothesis proposed, since the preparers highlight more the recognition and disclosure of liabilities than the recognition and disclosure of assets, in line with the approach of conservatism underlying the cultural value proposed by Gray (1988).

More specifically, there is a greater trend of recognition of liabilities (provisions) at the expense of assets for the same scenario, in indictment of the existence of conservatism in Mozambique. These results are aligned with a similar study carried out in Portugal by Marcelino et al. (2016), a country that is also pointed out as conservative considering the Gray's (1988) classification. The findings from this research also provide evidence on the issues related to the subjective application of the concepts underlying IAS/IFRS, which can lead to different interpretations by preparers since they are principle-

based standards (Agoglia et al. 2011; Chanchani & Willett, 2004; Chen & Gong, 2020; Kvaal & Nobes, 2012).

Furthermore, and based on the additional analysis performed, it was possible to confirm that conservatism manifests itself among Mozambican accountants and auditors without significant distinctions related to their specific characteristics, namely age, gender, occupation, academic level, area of training and professional experience. This study is positioned in the line of investigation of previous studies on the influence of culture on professional judgment, with emphasis on the cultural value of conservatism. This includes, inter alia, the researches of Douppnik and Riccio (2006), Balduino and Borba (2015) and Marcelino et al. (2016).

Studies in this area are particularly relevant for standardising bodies, which should be aware of the potential effects of cultural differences on financial reporting based on accounting and financial reporting standards issued by them. In this research, it stands out as an inherent limitation to the difficulty of measuring subjective variables (conservatism), because they are associated with cultural aspects for which no specific indicators are known, except for Hofstede indices (1980). In this sense, it can also be pointed out the difficulty of obtaining answers to the questionnaires, by mozambican accountants and auditors.

Future work in this area could be oriented to other accounting standards, exploring hypotheses related to other cultural values, such as uniformity, professionalism, statutory control, or secrecy, expanding the analysis of impacts from the differences in interpretation of accounting and financial reporting standards.

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