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2017

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Silva,Iolanda de Sa (2017) An evaluation of the impact of IFRS 15 on JSE listed companies, University of the Witwatersrand, Johannesburg, <http://hdl.handle.net/10539/26838>

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An evaluation of the impact of IFRS 15 on JSE-Listed companies

A research report submitted by

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Date Submitted: 7 December 2017

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Abstract

The purpose of this paper is to evaluate the operational impact an accounting change will have on organisations. This paper looks specifically at the impact the operationalisation of International Financial Reporting Standard 15 (IFRS 15) will have on Johannesburg Stock Exchange-listed (JSE-listed) organisations with the objective of determining whether it will result in changes only to financial reporting or whether it will also impact other aspects of the business. The research undertaken has relied on primary data collected from 20 recorded interviews with technical specialists, academics and preparers to determine the expected or actual change that IFRS 15 will bring about within an organisation. The findings suggest that the implementation of IFRS 15 will have far-reaching implications for the organisation, over and above financial reporting. It will bring about change within five main areas, including strategy, level of collaboration, training, information technology systems and the performance evaluation of employees and organisations. This paper contributes to the accounting literature on the process of implementing accounting changes and the resistance with which these accounting changes are encountered.

Section 1 - Introductory paragraphs

1.1 IFRS 15 in a global context

IFRS 15 is an accounting standard which will be utilized by firms to account for revenue on contracts entered into with customers (IASB, 2014b). IFRS 15 is the result of a joint project[1] between the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB)[2], intended to promote the efficiency of capital markets, globalization

[1] The revenue recognition began in September 2002 (Tysiac, 2014). The development of IFRS 15 was one of the components of the strategy adopted by IASB and FASB to jointly develop new standards, rather than merely eliminate inconsistencies in the existing standards (Moser, 2014).

[2] In 2002 a Memorandum of Understanding was entered into by the IASB and FASB in terms of which they agreed to converge International Financial Reporting Standards (IFRS) and United States Generally Accepted Accounting Principles (US GAAP). Both parties were successful in the convergence of some accounting standards. However, some projects where were agreed to in the memorandum of understanding or not included in the memorandum of understanding but agreed to by the parties have been discontinued. The projects discontinued have in some cases been carried out by the IASB or FASB in their own right.(Deloitte, 2017; FASB)

and standardization of accounting practice (Ahn, 2015; Bohusova & Nerudova, 2015; Brüggemann, Hitz, & Sellhorn, 2013; GAAP web & cedar, 2015; IASB, 2014b; Procházka, 2009).

Capital market efficiency will be achieved because the adoption of a global revenue recognition standard will decrease the costs organizations need to incur in order to prepare financial statements which can be utilized by foreign investors (Ahn, 2015; Gordon, Loeb, & Zhu, 2012).

The adoption of IFRS 15 aims to promote globalisation through the reporting of higher quality and complete financial information, promoting foreign investment by reducing the level of information asymmetry investors will be exposed to (Bova & Pereira, 2012; Gordon et al., 2012; Peslak, 2013). Foreign direct investment might increase, particularly within developing countries, as IFRS 15 has the potential to increase investor confidence and their willingness to invest by increasing the firm's ability to communicate with investors (Chen & Rezaee, 2012; Cordazzo, 2008; Gordon et al., 2012; Moser, 2014).

The reduction in information asymmetry can be achieved as IFRS 15 allows for firm-specific information to be disclosed. The adoption of IFRS 15 can, therefore, provide more useful and relevant information to users of the financial statements (IASB, 2014b; Peslak, 2013). This increased quality of information disclosed will also be advantageous for organizations, as by reducing the information asymmetry component, the cost of capital will be reduced (Zhang & Ding, 2006).

The implementation of IFRS 15 may not only improve the usefulness of the revenue information provided to users of the financial statements but it may also provide benefits for the organization, as stated by the IASB (2014) that the implementation of IFRS 15 will "simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer to" (p. A684).

1.2 The purpose of the study

A significant amount of research has done performed on weaknesses in the previous standards (Bohusova & Nerudova, 2015; IASB, 2014a; Procházka, 2009) proposed new standards (Procházka, 2009; Wüstemann & Kierzek, 2005) and the improvements in external reporting which can arise due to IFRS 15 (FRC, 2015; IASB, 2008, 2014b; Maroun, 2017a).

However, little attention has been given to the impact the adoption of IFRS 15 will have on an organization. This is the basis for this research.

The purpose of the study is to obtain an understanding of the impact the adoption of IFRS 15 may have on the *internal operations* of JSE-listed companies. In determining the impact the implementation of IFRS 15 will have on the internal operations of organizations, this thesis deals with the following two sub-questions:

1. The impact the implementation of IFRS 15 may have on the manner the organization conducts its operations.
2. The manner in which the adoption of IFRS 15 will impact the decision-making within an organisation.

1.3 The significance of the study

This paper makes a valuable theoretical contribution by providing primary evidence on the operationalisation of IFRS 15's requirements by organizations, enabling stakeholders, academics and regulators the opportunity to understand the impact the operationalisation of an individual accounting standard will have on organizations (GAAP web & cedar, 2015; Maroun & Jonker, 2014). This research paper contributes to the limited body of interpretive, non-positivist financial reporting research being performed in South Africa (Maroun & Jonker, 2014).

On a practical level, the research is important because it identifies areas where the adoption and application of IFRS 15 may result in unexpected challenges. This allows practitioners the understand the possible areas of impact, enabling them to transition to the new standard more effectively (PKF, 2017). This contribution is of significance due to the potential of IFRS 15 to create major changes for organizations, not only within the financial reporting sphere but for other aspects of the organization (PKF, 2017; PwC, 2016b).

1.4.1 Assumption

- The researcher assumed that all data obtained from the comment letters, technical reports and interviews are reliable.

- The researcher has assumed that all entities in the same industry will be impacted by IFRS 15 in the same or a similar manner, as the nature of their operations is similar.

1.4.2 Limitations

- A detailed longitudinal study could not be conducted because IFRS 15 is only effective from 1 January 2018 (FRC, 2015; IASB, 2014b). Nevertheless, the exposure draft was completed in June 2010 and IFRS 15 was issued in May 2014. As a result, companies have already begun to prepare for the adoption of IFRS 15 and it was possible for the researcher to gain an initial perspective of the IFRS 15 implementation dynamic (IASB, 2014b; PwC, 2016a).
- There was risk of possible bias due to the researcher being integrally involved in the data collection and analysis process but this risk was mitigated by using an independent coder to verify the data analysis and the reasonableness of any assumptions (see section 3.5) (Leedy & Ormrod, 2015).

1.4.3 Delimitations

- The study has not provided readers with a detailed understanding of the impact the implementation of IFRS 15 will have on a single, particular organisation but rather provides an understanding of its impact on organisations in general (FRC, 2015).
- This study does not provide a technical review of IFRS 15, including an analysis of the advantages and disadvantages of IFRS 15's provisions, as the aim of this paper is not to focus on the shortcomings of IFRS 15 but rather to determine the operational impact the implementation of IFRS 15 will have on JSE-listed organisations.
- The researcher has only focused on the impact the implementation of IFRS 15 will have on JSE-listed organisations and, as a result, no interviews were conducted with South African companies which are not listed on the JSE or are only listed on another country's stock exchange. The researcher has only focused on JSE-listed companies and not companies listed on other stock exchanges because of budgetary and time constraints. Focus was additionally placed on JSE-listed organisations as those organisations are required to be IFRS compliant in line with the Companies Act, 2008

- In conducting interviews, the researcher has focused on organisations in industries which would be most affected, as indicated in technical reports provided by audit firms as this enables the researcher to obtain an understanding of the full impact potential of IFRS 15.

1.5 Definition of terms

Table 1: Definition of terms	
Term	Definition
Revenue	Income the company receives from the customer by providing them with the output produced in the ordinary course of business (IASB, 2014b).
Earnings management	A process by which management alters financial reports to persuade action or deceive stakeholders with regards to the company's performance (Healy & Wahlen, 1999)
Earnings process approach	Revenue is recognized when the payment is realised or realisable and when revenue has been earned (Bohusova & Nerudova, 2015; IASB, 2008)
Assets and liabilities approach	The process of recognising revenue, based on the concept of the increases in assets or the decreases in liabilities (Henry & Holzmann, 2009).

1.6 The structure of the thesis

Section 2 includes a literature review of prior research and forms the theoretical background for the study. Section 2.1 discusses the dual nature of accounting (Hopwood 1990). It discusses the ability of accounting changes to drive change at an organisational level, as well the manner in which accounting can need to change due to changes in the organisation. Section 2.2 discusses why a new revenue recognition standard was needed, as well as the objectives that will be met with the introduction of IFRS 15. Section 2.3 discusses other possible areas of impact the application of IFRS 15 can have on organisations.

Section 3 discusses the research method which was adopted by the researcher to conduct the study on the impact the implementation of IFRS 15 can have on organisations. The researcher utilises a series of interviews with personnel in audit firms and JSE-listed organisations responsible for the implementation of IFRS 15 and comment letters provided on the effective date deferral. Section 3 further explains the method selected for conducting the research, the sample selected and the manner in which the researcher ensured the validity of the study.

Findings are presented in Section 4. Section 5 summarises the findings (Section 5.1), discusses the study's implications and contributions (Section 5.2) and identifies areas for future research (Section 5.3)

Section 2- Literature review

2.1 Accounting as a driver of organisational change

The practice of accounting is more than just a neutral method for collecting and reporting data. The 'craft' is a dynamic one which is able to drive change at an organisational level and be influenced by organisational change in return (Hopwood, 1987; Scapens & Roberts, 1993). Accounting has the ability to drive change in an organisation as accounting does not operate independently but is embedded in the functioning of an organisation (Hopwood, 1987). Changes in accounting can have consequential impact on organisations, such as changing the way in which existing goals are viewed, or by reconfiguring their level of priority (Nahapiet, 1988). Changes in accounting can alter the internal reporting of an organisation or modify the level of integration between management accounts and external reporting (Jones & Luther, 2005). When management carries on the day-to-day operations of an organisation, such as decision-making and control, accounting can be affected by requiring changes to accounting information systems or new accounting information systems, indicating that changes in the organisation can bring about accounting change (Scapens & Roberts, 1993; Tsamenyi, Cullen, & González, 2006).

Organisations can utilise accounting as a mechanism which will enable them to respond to the external environment and consequently retain their competitive advantage (Hopwood, 1987; Scapens & Roberts, 1993). Changes in the external environment, such as recession or increased competition, may require a firm to become more cost effective and mainstream their operations (Hopwood, 1987; Hopwood 1990; Scapens & Roberts, 1993; Tsamenyi et al., 2006). In order to achieve this, a company will need to change its accounting information

systems to support higher level decision making or to cater for the changes in the number of communication channels required (Hermann, 1963; Hopwood, 1987; Scapens & Roberts, 1993; Tsamenyi et al., 2006).

Accounting can be used as a mechanism to provide in-depth knowledge that can be used by management to steer the organisation through a crisis by highlighting problems and providing management with a mechanism to solve them (Hopwood, 1987; Nahapiet, 1988; Scapens & Roberts, 1993; Tsamenyi et al., 2006). However, even though accounting can be utilised as a mechanism to drive change, such as changing an organisation's existing strategies and policies, it can also be affected by organisational change. This is because changes to accounting may subsequently be necessary to support these new policies, strategies and functions (Burns, 2000; Hopwood, 1987; Tsamenyi et al., 2006) . For example, a change in the level of competition resulted in a change to the organisational structure (from a decentralised structure to a centralised structure) and subsequently this change, required changes to the accounting information system so that it could provide head office with the necessary information to make decisions (Hopwood, 1987).

The impact which changes in accounting have on organisations can, however, generate negative results. Accounting changes can lead to organisational conflict between managers and employees or between different departments. This may result in the failure to reach objectives set out by management (Burns, 2000; Scapens & Roberts, 1993; Tsamenyi et al., 2006). Organisational conflict can arise due to accounting changes enabling the removal of power from certain individuals, only changing their existing responsibilities or from creating a change to existing focus or values of the organisation (for example, from a production focus to profitability focus) (Bell, Hoque, & Wahyudi, 2009; Burns, 2000; Scapens & Roberts, 1993). Accounting changes can also result in management abandoning projects which would have created long-term value for society or the organisation in order to pursue other projects which would provide favourable accounting results or ones which would enable them to obtain legitimacy (Burns, 2000; Nahapiet, 1988).

Changes brought about by developments in financial reporting standards cannot, however, be accurately predicted because the prescriptions are interpreted by a heterogeneous group of accountants, giving rise to varied understanding and application (Bova & Pereira, 2012; Imhoff & Thomas, 1988; Jones & Luther, 2005; Tremblay & Gendron, 2011). The extent to which changes in accounting impact organisations will depend on other factors such as the size, location and the industry the organisation operates in, resulting in the impact differing for organisations (Peslak, 2013; Singh, 2011). Changes in accounting may have dissimilar consequences for organisations because of the manner in which the changes in accounting

interact with other processes already in existence within the organisation (Hopwood, 1987). Accounting changes may also have dissimilar consequences because of the different roles which accounting currently plays in an organisation (Hopwood, 1987; Peslak, 2013).

Similarly the impact that the implementation of IFRS 15 will have on organisations cannot be entirely predicted as the impact will be different for each individual organisation as it is dependant of factors such as the complexity of their arrangements and the industry they operate in (KPMG, 2017; PKF, 2017; PwC, 2016b). The extent to which the adoption of IFRS 15 will impact organisations will depend on its particular industry, as IFRS 15 will impact all organisations, however it will impact certain industries more, such as the telecommunications, software and real estate industry (GAAP web & cedar, 2015; PKF, 2017; PwC, 2016b). The extent to which IFRS 15 impacts organisations will secondly depend on the complexity of their contracts or goods and services they provide, as well the extent of variation in their existing contract terms (KPMG, 2017; PwC, 2016b). Before examining the change potential of IFRS 15, the reasons for introducing a new standard for accounting for revenue is discussed.

2.2 Reasons for the change to IFRS 15

2.2.1 Weaknesses in existing standards

A joint project was initiated by the IASB and FASB to provide a comprehensive standard which would provide clear principals on recognition of revenue and respond to inherent weaknesses in IAS 18, IAS 11 and US GAAP[3] (IASB, 2008, 2014a, 2014b). IAS 18 and IAS 11 made it difficult for organisations to apply to complex transactions due to the limited guidance provided within both standards (Bohusova & Nerudova, 2015; IASB, 2008, 2010, 2014a, 2014b). The lack of adequate guidance in IAS 18 made it difficult for practitioners to distinguish between goods and services or how to identify and measure separately identifiable components in

[3] The revenue recognition model as per US GAAP resulted in inconsistencies in the financial statements as it contained multiple revenue recognition standards with different recognition criteria for different industries, resulting in similar transactions being accounted for differently (Bohusova & Nerudova, 2015; IASB, 2008). Revenue under US GAAP standards was recognised using the earnings process approach (Bohusova & Nerudova, 2015). The earnings process revenue will be recognised when it has been earned and the payment is realised or realisable (Bohusova & Nerudova, 2015). Under the US GAAP revenue recognition model it contained different criteria to determine whether revenue is earned, resulting in inconsistencies in in the recognition of revenue in similar transactions (Bohusova & Nerudova, 2015).

multiple-element arrangements (IASB, 2008; Procházka, 2009). The application of IAS 18, resulted in inconsistencies in the financial statements as the limited application guidance provided by the standard resulted in different application by practitioners (Berchowitz & Whitehead, 2014; IASB, 2008).

IAS 18 also created inconsistencies in the financial statements due to the fact that it contained different recognition criteria for revenue from the sale of goods, the rendering of services or the recognition of dividends and royalty income for the use by other entities of the organisation's resources (Bohusova & Nerudova, 2015). Inconsistencies in the financial statements not only arose due to the different recognition criteria in IAS 18 for different transactions but, also because inconsistent revenue recognition principals which existed between IAS 11 and IAS 18 (Bohusova & Nerudova, 2015; IASB, 2008). In IAS 18 revenue recognition was based on the principle of the transfer of risks and rewards to the customer, whereas the recognition of revenue in IAS 11 does not include the same requirement (IASB, 2008).

IAS 18 provided insufficient disclosure, making it difficult for users to obtain a clear understanding of the organisation's revenue components and operations (IASB, 2014a). Secondly, the disclosure required by IAS 18 did not allow for investors to determine how the revenue information related to other information presented and disclosed in the organisation's financial statements (IASB, 2014a; McConnell, 2014).

2.2.2 Objectives of IFRS 15

The objective of IFRS 15 is to provide a comprehensive revenue recognition principle in response to the weaknesses identified in IAS 18 and IAS 11 respectively (FRC, 2015; IASB, 2010, 2014a, 2014b; Wüstemann & Kierzek, 2005).

The development of IFRS 15 enabled the IASB and FASB to meet their objectives for improving financial reporting by providing one comprehensive framework. IFRS 15 would clarify the revenue recognition principals and bring about the consistency of revenue recognition practices worldwide (IASB, 2008, 2014b). IFRS 15 will reduce the number of standards an organisation will have to refer to in determining how to recognise revenue (IASB, 2008, 2014b). IFRS 15 achieves this by providing one detailed, full bodied 5-step process which will be referred to by all organisations when determining when and how to recognise revenue, increasing the comparability of the revenue information disclosed. IFRS 15 will

additionally clarify the revenue recognition principals so that it can be applied by organisations to revenue transactions (IASB, 2015).

The implementation of IFRS 15 will increase the comparability of financial statements by basing the recognition of revenue on the changes in assets and liabilities rather than using the earnings process approach. This will allow investors to compare revenue information among organisations by bringing structure and control to the recognition process (GAAP web & cedar, 2015; Henry & Holzmann, 2009; Mayper, Hoops, Pavur, & Merino, 2000; Procházka, 2009).

The existing IFRS 15 standard will require an increased amount of disclosure compared to IAS 18 and US GAAP in order to provide more useful information to users of the financial statements. It will provide detailed disclosure of the nature, timing, amount and uncertainty associated with the cash flows and revenue (Deloitte, 2015a; IASB, 2014b; McConnell, 2014). IFRS 15, is more aligned with the stipulations in the underlying contract (IASB, 2014b).

In providing more useful information and better aligning the financial reporting with the underlying business, IFRS 15 will increase the transparency over revenue reporting which will enable all stakeholders to obtain an understanding of how the organisation is generating revenue, allowing them to make more informed resource allocation decisions. (Healy & Wahlen, 1999; Maroun, 2017a; Singleton-Green & Hodgkinson, 2010)

The implementation of IFRS 15 will have wide-ranging effects on an organisation, affecting more than just technical accounting applications (EnY, 2015b; PwC, 2016a). The increased disclosure and data requirements required by IFRS 15 will possibly demand a change in an organisation's accounting information systems and related processes and controls (Berchowitz & Whitehead, 2014). It is possible that the introduction of a new standard can result in, for example, unexpected implementation challenges (Cordazzo, 2008; Cruss, 2014), resistance to new accounting requirements (Maroun & van Zijl, 2016; van Zijl & Maroun, 2017) and changes in operational practices (Arnold , Blisard, & Duggan, 2012; GAAP web & cedar, 2015; Singh, 2011). The effect which IFRS 15 may have on internal organisational dynamics has not, however, been dealt with in detail. As a result, it is necessary to examine the prior research dealing with organisational change more broadly to provide a framework for analysing the impact of IFRS 15 on an organisation's internal operations/processes.

2.3 Organisational consequences of accounting change

The implementation of IFRS 15 may have pervasive effects for organisations. The implementation could impact more than just the revenue amount and disclosures in the financial statements. It could impact the internal operations of the organisation. Based on prior literature, the following organisational factors were identified as possibly being implicated in the process of accounting change:

- Controls, systems and processes (Section 2.3.1)
- Staffing (Section 2.3.2)
- Strategy, existing and future contracts (Section 2.3.3)
- Expanded performance management and review (Section 2.3.4)
- Expanded visibility (Section 2.3.5)
- Constraining management and review (Section 2.3.6)

2.3.1 Controls, systems & processes

In order to bring about the necessary changes, adjustments to an organisation's controls and accounting information systems will be necessary to ensure that employees are acting in a manner enabling management to meet its objectives (Otley & Berry, 1980; Peslak, 2013). Changes to an organisation's processes, systems and routines will be necessary to ensure the entity's operations are in line with stakeholder's demands (Alrazi, de Villiers, & van Staden, 2015; Bell et al., 2009; Burns, 2000). This will enable the organisation's performance and the reporting of that performance to be consistent with society's expectations enabling organisations to obtain legitimacy (Alrazi et al., 2015). The changes being made could be in the form of creation of new systems, processes or controls or be merely incremental changes (Stubbs & Higgins, 2014). Developments in sustainability reporting provide an excellent example, as the introduction of sustainability reports resulted in organisations having to make adjustments to their systems, controls, planning and reporting processes in order to align their decision-making, management and performance evaluation to incorporate sustainability (Adams, Larrinaga-González, Adams, & McNicholas, 2007; Stubbs & Higgins, 2014).

In a similar fashion, the adoption of IFRS 15 can possibly require changes to the processes of an organisation as they will need to develop processes to cater for the need to develop and monitor new judgements and for the review of contracts (Grant Thornton 2017; PKF, 2017; PwC, 2016b). The implementation of IFRS 15 will, possibly, require changes to systems to

incorporate and obtain the necessary information to comply with the new revenue recognition requirements (KPMG, 2017; PKF, 2017). For example, the adoption of IFRS 15 will require firms to provide an increased amount of information in the financial statements (IASB, 2014b; PKF, 2017). The increased amount of data which needs to be disclosed will require changes to processes, controls and information systems to provide such information and ensure that such changes can be repeated on an ongoing basis (Arnold et al., 2012; Arnold, 2012; GAAP web & cedar, 2015; IASB, 2015).

For example, a change to the point of sale system or billing system may be needed to obtain the necessary data required by IFRS 15, such as the data needed to determine the stand-alone selling price (IASB, 2014b; Lamoreaux, 2012). Existing systems may not contain the required functionality for application of IFRS 15, such as the allocation of the transaction price to different performance obligations, tracking of contract modifications and the monitoring of revenue by type of performance obligation (Arnold et al., 2012). The increased data requirements could possibly require replacement of manual systems with automatic revenue recognition systems (Cruss, 2014). Organisation may need to change processes in place to analyse contracts to evaluate what impact they will have on the accounting information presented to accord with IFRS 15 (FRC, 2015; Tysiac, 2014). For example, organisations will need to evaluate contracts to determine when the performance obligation has been met (FRC, 2015).

The adoption of accounting changes or reporting may not necessarily create a change to the processes and systems in place but could place importance on or formalise existing procedures (Burns, 2000; Scapens & Roberts, 1993; Tremblay & Gendron, 2011). Changes to corporate financial reporting or accounting practices can highlight the importance of the existing control procedures being performed, to those that are performing them (Burns, 2000; Tremblay & Gendron, 2011). These changes could result in existing reporting lines or review processes being formalised (Burns, 2000; Tremblay & Gendron, 2011). For example a change to corporate governance reporting requirements, requiring internal controls to be assessed and audited, created the need for organisations to document controls (Tremblay & Gendron, 2011). The importance placed upon accounting results, profits and cost reduction could stress the importance of record-keeping and formalise the process of monitoring and reporting, especially given the importance of accounting for revenue (Burns, 2000).

2.3.2 Staffing

The governing body of an organisation is responsible for ensuring that the organisation makes the necessary changes to its technology and information systems to meet strategic and operational objectives (King IV, 2016). If there are limited resources within an organisation, it is possible that the responsibility to carry out the adoption of accounting changes will be built into the responsibilities of employees (Adams et al., 2007; GAAP web & cedar, 2015).

The implementation of IFRS 15 will not only impact staff in the accounting department but also other employees in other departments (PKF, 2017; Tsamenyi et al., 2006). This is because the implementation will not only impact the financial reporting but will have an effect on other business functions and, as a result, will require a cross-functional team to be involved in the process of implementation so that the organisation can determine the full impact that IFRS 15 will have on organisations (Arnold et al., 2012; Cruss, 2014; PKF, 2017; PwC, 2016b; Tysiac, 2014). The implementation will possibly require changes to systems and processes to be able to, for example, obtain the necessary data to estimate the standalone selling price and allocate it to the different performance obligations (Arnold et al., 2012). These changes to the systems and processes will require a change in controls to support such changes and can also possibly change employees' roles and responsibilities post-implementation (Arnold et al., 2012; PKF, 2017).

The pervasive effect of the impact the implementation of IFRS 15 will have on organisations, together with the possible change it may create on employees' roles or responsibilities or the manner or instruments they use to conduct them, may require employees from all functions and internal auditors to undergo training (Cruss, 2014; Deloitte, 2015b; PKF, 2017). The implementation of accounting changes can result in changes to accounting information systems which would then require employees to undergo training on how to utilise the systems post-implementation so that they are able to fulfil their existing and new responsibilities (Tsamenyi et al., 2006).

Finally, new accounting information systems can result in a reduction in the number of employees (Tsamenyi et al., 2006). This can lead to reduced employees' confidence and attitude (Tsamenyi et al., 2006). Changes in accounting can also result in an increase in the number of employees as the organisation may not have sufficient accounting or experienced staff to implement changes which may result in the organisation recruiting external staff members (Scapens & Roberts, 1993; Tsamenyi et al., 2006). The organisation may, however, choose not to bring in external staff members but make use of consultations with experts (GAAP web & cedar, 2015; Scapens & Roberts, 1993). The utilisation of expert consultations

may, therefore, provide a reason for the different impacts on an organisation's human resources when implementing an accounting standard as where ordinarily organisation's would need to recruit staff to oversee the implementation or perform additional functions, they may no longer need to bring about a change to staff levels.

2.3.3 Strategy, existing and future contracts

The adoption of IFRS 15 can change the way existing contracts with customers are viewed as existing terms can result in negative accounting consequences under the new accounting rules (FRC, 2015). This may require the organisation to re-structure its existing contract terms (FRC, 2015; PKF, 2017). The extent to which this will impact organisations will depend on the nature of their business; if their business requires contracts tailored individually to customers, this will result in a significant impact on organisations and on employees' responsibilities (Tysiac, 2014).

The implementation of IFRS 15 could result in a change to other contracts such as loan agreements as these may contain debt covenants based on the net income of an organisation (Brüggemann et al., 2013; PKF, 2017). The adoption of IFRS 15 may require organisations to re-negotiate contract terms with lenders to prevent breaches (Brüggemann et al., 2013; PKF, 2017)

A change in accounting rules can also alter the way in which data is disclosed in the financial statements which will be used by users and this can impact their behaviour and decisions (Blake, Amat Salas, & Clarke, 1995; Imhoff & Thomas, 1988). Managers will respond to these perceived reactions and try to control its impact, so that the information disclosed creates no adverse consequences for an organisation. For example, the capitalisation of leases resulted in organisations changing the method they used to finance capital investments and further resulted in them re-examining the terms of existing lease contracts (Blake et al., 1995; Imhoff & Thomas, 1988; Singh, 2011). This could happen in a similar fashion in terms of IFRS 15, for example, the organisation may choose to review existing contract terms to ensure IFRS 15 will not result in negative disclosure consequences.

2.3.4 Expanded performance management and surveillance

Changes to accounting rules can change the measures used to evaluate an organisation's divisions' or business segments' performance (Adams et al., 2007). This can result in a change to the organisation's assessment of the best and least performing divisions or employees (Adams et al., 2007).

In order to resolve the principal-agency problem which exists between investors and managers, managers' compensation plans existing in organisations can be based on accounting-based measures such as earnings or revenue (Brüggemann et al., 2013). Changes to accounting can change key financial ratios, earnings and key performance indicators of an organisation (Cordazzo, 2008; Healy, Kang, & Palepu, 1987; Imhoff & Thomas, 1988; PwC, 2016b; Singh, 2011). This would impact managers' and employees' compensation and may result in a shift in the wealth between managers and shareholders (Brüggemann et al., 2013). Changes in accounting rules have the ability to do so as they can impact managers' compensation if based on accounting ratios and, as a result, accounting changes which increase these accounting ratios will increase managers' compensation (Singh, 2011). This may possibly result in conflict between managers and shareholders, as for example shareholders may feel managers are overcompensated for their performance.

This impact is evident in the post adoption of SFAS No.13[4] on leases. The capitalization of leases resulted in an increase in the assets of an organisation, resulting in a decrease in the accounting rate of return and increasing the debt an organisation recognises (Imhoff & Thomas, 1988). Leverage ratios such as the debt to equity ratio will increase due to the capitalization of leases (Blake et al., 1995; Imhoff & Thomas, 1988). This is indicative that changes in accounting can affect the performance evaluation of organisations and employees (Arnold, 2012; Jones & Luther, 2005; Singh, 2011).

In a similar fashion, the change of accounting standards, such as the new revenue recognition model issued by the IASB and FASB, may affect the performance evaluation of organisations and employees (KPMG, 2017; PKF, 2017). The application of IFRS 15 can result in a change to the amount managers and employees will be paid in terms of their remuneration, if the

[4] SFAS no. 13 is the accounting standard issued by the FASB in November 1976 which prescribes how leases and lessors will account for and report on leases entered into (FASB, 1976). This will apply to all lease agreements completed on or after the 1 January 1977 (FASB, 1976).

manner they are remunerated is dependent on the revenue amount presented in their financial statements (PKF, 2017).

Accounting changes could impact an organisation, as follows:

- In order for organisations to deal with the impact accounting changes had on their performance evaluation measures, organisations may need to re-negotiate compensation plans, adjust earnings or change performance evaluation parameters (Brüggemann et al., 2013; Healy et al., 1987). The implementation of IFRS 15 more specifically, will possibly impact the performance evaluation measures commonly used for some entities, requiring them to provide further information so that investors can evaluate organisations in the same way as they did pre-implementation (Tysiac, 2014). For example, after the implementation of IFRS 15, the average revenue per customer in the telecommunications industry will no longer be representative of the cash flows to be received per customer so organisations may want to provide other information so that investors can determine the cash flows per customer in the same way as they did pre-implementation (Tysiac, 2014). Changes to accounting could result in a shift in the performance parameters utilised by organisations to be non-accounting based due to the costly process of re-negotiation which needs to followed, when there is an accounting change (Brüggemann et al., 2013).
- The implementation of IFRS 15 could not only impact the manner in which the performance of an organisation is viewed by stakeholders but could also impact the possibility of management to utilise revenue as a mechanism to create a perception that analyst's forecasts have been met (Caylor, 2010; Deloitte, 2015b; PwC, 2016b). The introduction of a comprehensive framework such as IFRS 15 will decrease the level of discretion which can be used by management and will reduce the potential of management to engage in earnings management (Caylor, 2010; Healy et al., 1987; Houqe, van Zijl, Dunstan, & Karim, 2012; IASB, 2014b). However, even though it may reduce the potential of management to engage in earnings management using revenue recognition, it could possibly not reduce the overall level of earnings management but create a mere shift in the mode of earnings management (Srivastava, 2014).

The adoption of accounting changes can additionally allow for higher level management to monitor and control employees at a distance (Bell et al., 2009). This will be possible as accounting will allow for a visibility by expressing in economic terms what is happening at a production level (Scapens & Roberts, 1993). The implementation of accounting changes or

new accounting information systems has the potential to transfer power to head office by ensuring there will be a presence of management in all aspects of the organisation's operations (Scapens & Roberts, 1993; Tsamenyi et al., 2006). This will allow for a contraction in the number of employees that hold power (Tsamenyi et al., 2006). Changes in accounting can therefore possibly result in changes to the quantity of staff employed at the organisation or bring about changes to the organisational structure.

Alternately, changes in accounting can result in decision-makers choosing to increase the number of people who have control in order to ensure their goals are met more swiftly (Bell et al., 2009). This could occur as higher level management may decide to provide certain individuals with authority to assist in bringing about accounting changes so that they can ensure other employees are complying but also ensure that if its seen as being endorsed by these individuals it will be more acceptable to others (Tsamenyi et al., 2006). Power could be utilised as a mechanism to mobilise accounting change (Tsamenyi et al., 2006).

The adoption of accounting changes may result in a shift in power by allowing accountants to gain more power and importance in organisations, allowing them to be involved in the process of making key business decisions (Burns, 2000; Scapens & Roberts, 1993).

The application of IFRS 15 can allow for a shift in the power. The new revenue recognition model provides a 5 step-procedural approach which may allow higher level management to monitor employees at a distance, as it allows managers to review the decisions being made at each step, allowing management to monitor and control employees at a distance (Burns, 2000; Deloitte, 2015b; FRC, 2015; Hermann, 1963; Hopwood, 1987; Tsamenyi et al., 2006). IFRS 15 will facilitate review of the judgements being made in terms of the recognition of revenue by "deconstructing" it into a distinct 5 step-process which will give management to examine the decisions and judgements being made by lower level employees at each step to ensure they comply with IFRS 15 (van Zijl & Maroun, 2017).

2.3.5 Expanded visibility

Changes in accounting standards could possibly alter the way organisations' existing business models and strategies are viewed by creating a form of economic visibility on policies and strategies which have previously not been questioned (Hopwood, 1987; Jones & Luther, 2005).The increased amount of economic visibility could result in firms making decisions contrary to the existing policies, regardless of its long-term benefit for organisations, as they will fear possible criticism if these policies or strategies is not in line with the status quo

(Nahapiet, 1988). This can result in companies changing their values or focus to be customer or stakeholder orientated (Samkin & Schneider, 2010; Tsamenyi et al., 2006). Accounting changes could eliminate paternalistic[5] practices (Bell et al., 2009; Tsamenyi et al., 2006). For example, the implementation of IFRS 10 broke the consolidation process into distinct parts, enabling each decision to be subject to review by management (van Zijl & Maroun, 2017). This provided employees the freedom to make decisions and to be more involved in the decision-making process but additionally enabled management to hold employees responsible for the decisions being made (van Zijl & Maroun, 2017). Within an IFRS 15 context, it breaks revenue recognition into 5 distinct steps, enabling management to review and hold employees accountable for the decisions being made at each individual step, allowing management to shift the responsibility of decision-making to lower level employees.

2.3.6 Resistance

Changes in accounting may meet resistance from management and employees (Bell et al., 2009; Tremblay & Gendron, 2011; Tsamenyi et al., 2006). If change is contrary to the existing cultural values embedded in the organisation or negatively impacts the personal welfare of employees by, for example, putting employees under stress, reducing their compensation, creating intra-organisational conflict or taking away their power (Bell et al., 2009; Tsamenyi et al., 2006). Accounting changes may also lead to resistance from employees as it allows management to rigorously monitor employees making them feel as if their employer mistrusts them (Scapens & Roberts, 1993).

The resistance in lower level employees can possibly manifest itself through refusals to attend training meetings or not to employ new accounting information systems implemented (Tsamenyi et al., 2006).

Resistance by management will possibly be in the form of superficial compliance with the accounting standards as, in order for management to obtain and maintain the legitimacy of an organisation, they will need to ensure the organisation's performance and that the reporting of such performance is perceived by stakeholders to be correct and complies with stakeholders' ideologies (Alrazi et al., 2015). The reporting of such performance can be correct if it complies with section 29 of the Companies Act (Companies Act, 2008). Management may consequently

[5] Paternalism is a traditional form of domination where the employer acts as a 'paternal' figure for employees. The employer restricts the responsibilities of an employee and expects employees to provide them with undisputed obedience. (Cambridge Dictionary, 2017; Pellegrini & Scandura, 2008)

need to comply with and implement the changes to accounting standards and acquire new systems to comply with new accounting rules even if they believe the new accounting rules will not provide useful information, they must to ensure they continue to obtain the support from capital providers (Jones & Luther, 2005).

Superficial compliance may take the form of managers ensuring that all the necessary formal procedures are in place to meet demands but no real adjustments will be made to their core operations (Bell et al., 2009; Tremblay & Gendron, 2011). The procedures implemented would only be a means of ticking off checklists to ensure they complying with applicable laws, rather than an attempt to bring about real change (Tremblay & Gendron, 2011).

2.3.7: Summation

Change element	Explanation	Primary references
Controls, systems and processes	• Systems include the accounting information systems which organisations utilise to generate reports, as well the processes they have implemented to provide the necessary data to prepare the accounting reports. • Controls include the procedures put in place by management to ensure that organisational processes operate effectively.	(Alrazi et al., 2015; Arnold et al., 2012; Burns, 2000; PKF, 2017; Tremblay & Gendron, 2011)
Staffing	• Staffing refers to the individuals employed by an organisation, either at a management level or a lower level.	(GAAP web & cedar, 2015; PKF, 2017; Scapens & Roberts, 1993; Tsamenyi et al., 2006)
Strategy, existing and future contracts	• Strategy, existing and future contracts refer to the manner in which management looks at the transactions it has or will enter into or the manner it will determine its future direction and objectives.	(Brüggemann et al., 2013; FRC, 2015; Imhoff & Thomas, 1988)
Expanded performance management and review	• Expanded performance management and review looks at the manner in which the performance of an organisation is viewed	(Bell et al., 2009; Brüggemann et al., 2013; Caylor, 2010; Imhoff & Thomas, 1988;

	or how the performance of its employees is viewed by higher level management and stakeholders. • Performance management refers to the mechanisms or manner management monitors performance, evaluates it and ensures the individuals or organisation's performances are consistent with pre-determined objectives	Scapens & Roberts, 1993; Singh, 2011; Tsamenyi et al., 2006)
Expanded visibility	• Expanded visibility refers to the ability of stakeholders or higher level management to look more deeply into the organisation's operations through the use of more or a greater quantity of information being provided to them.	(Hopwood, 1987; Tsamenyi et al., 2006; van Zijl & Maroun, 2017)
Resistance	• The ability of an individual or a group of individuals to hinder a process of change, either through explicit forms of action or superficial compliance.	(Bell et al., 2009; Tremblay & Gendron, 2011; Tsamenyi et al., 2006)

The operationalisation of each of the above-mentioned elements is evaluated in more detail by using interviews with a sample of corporate reports (Chapter 4). The method followed is discussed below.

Section 3 - Methodology

3.1 Research method selected

The researcher conducted a qualitative study inspired by a grounded theory approach (Leedy & Ormrod, 2015). This approach was considered appropriate as there is no prior research on the impact of IFRS 15 on JSE-listed organisations and therefore the researcher will utilise the comment letters, technical reports and interviews to develop a theory on the organisational impact (Leedy & Ormrod, 2015). A qualitative study was determined to be the most appropriate as it provides the required flexibility to conduct an exploratory study. The approached utilised by the researcher was considered to be appropriate as it has been used in other research studies (see Jones & Luther, 2005; Maroun & van Zijl, 2016; Tremblay & Gendron, 2011).

3.2 Data collection

Narrative data was collected from semi-structured interviews, implementation guidance issued by the 4 audit firms and comment letters on the IASB's final amendment: *Effective Date of IFRS 15*. The researcher utilised a two-step approach in collecting data by first examining comment letters and technical reports. Secondly, the researcher collected data using a series of semi-structured interviews. (adapted from Jones & Luther, 2005)

Phase 1: Comment letters and technical reports

In the first phase of data collection, the researcher carried out an interpretive text analysis of comment letters and technical reports. The utilisation of comment letters was considered appropriate to provide information as to the consequences IFRS 15 will have on organisations,

as a previous study conducted by Yen, Hirst, and Hopkins (2007), determined comment letters to be an appropriate instrument for data collection.

The researcher collected data using the comment letters provided by firms worldwide on the reasons for supporting the delay of the effective date of IFRS 15 to 1 January 2018 (Yen et al., 2007). The researcher used these comment letters as, when organisations explained their need for the deferral, they explained some of the impacts that the application of IFRS 15 may have on their organisation[6]. The researcher also collected data using technical reports from the Big 4. The researcher did not use other comment letters such as the comment letters provided on the IFRS 15 discussion paper, exposure draft or revised exposure draft of IFRS 15. These comment letters were not used as they dealt mainly with respondents requesting clarity on particular issues, providing suggestions on particular sections or providing comments on particular paragraphs and not on the operational impact of IFRS 15.

The data collected from the comment letters and technical reports (in phase 1) did not provide a complete account of the change potential of IFRS 15. As a result, the researcher conducted twenty interviews.

Phase 2: Detailed interviews

Interviews were utilised to obtain detailed information as to the impact the implementation of IFRS 15 will have on JSE listed companies. This was considered appropriate by the researcher as previous studies have determined that detailed information can be obtained from interviews, as it allows the researcher to concentrate on particular issues and will be appropriate to support the information obtained in comment letters (Maroun & van Zijl, 2016).

The researcher utilised interviews as opposed to questionnaires as little research has been performed on the operational impact of an individual standard; the conducting of interviews would allow the researcher the flexibility to explore new areas which may be highlighted from the responses provided (Jones & Luther, 2005). Questionnaires were not considered appropriate for the purposes of this study as the researcher did not think it would increase the ability to extrapolate the results (Leedy & Ormrod, 2015; Rowley, 2012). Questionnaires were not considered an appropriate mechanism to increase the generalisability of the results as they normally have a low response rate (Leedy & Ormrod, 2015; Rowley, 2012). Additionally

[6] The analysis of the comment letters was not considered as these dealt primarily with the technical evaluation of the standard, rather than with operational challenges.

the utilisation of questionnaires may cause results to be skewed as the responses obtained may be only from individuals in a particular industry. This would have resulted in the findings obtained to not be a true reflection of the potential impact of IFRS 15 (Leedy & Ormrod, 2015; Rowley, 2012).

Interviewees were contacted by e-mail and invited to participate in the study. They were informed of the objective of the study, how the results would be used and the fact that there were no advantages or disadvantages to participating in the study (Maroun, 2017b; Maroun & van Zijl, 2016; Rowley, 2012; Tremblay & Gendron, 2011).

Interviewees were provided with a list of open-ended questions (Appendix A) 5 working days before the interview (van Zijl & Maroun, 2017). Interviewees were asked to sign a consent form to participate in the study and for the interview to be recorded. All interviewees were informed that they would remain anonymous and could withdraw from the research at any particular point (adapted from Burns, 2000; Maroun, 2017b; Tremblay & Gendron, 2011; van Zijl & Maroun, 2017).

3.3 Sample

Selection of comment letters

There are 107 publically available comment letters on the IFRS's website in response to the proposed deferral of IFRS 15, effective date to the 1 January 2018. All of the comment letters were analysed for the purpose of this research.

The comment letters were received from South African and international companies, industry representatives, institutes of professional accountants and other countries' accounting standards board. In order to increase the international relevance of the conclusions made, the researcher utilised a series of interviews in conjunction with comment letters received from international and South African companies.

Selection of interviewees

The researcher purposefully selected 20 interviewees, consisting of 5 technical specialists at audit firms, 2 academics, 2 practitioners and 11 individuals within JSE-listed organisations

responsible for the implementation of accounting standards within their organisations, including IFRS specialists, financial controllers, financial managers and chief financial officers (Rowley, 2012). The researcher believed that 20 interviews were suitable; as such data was complemented with information collected in the comment letters and technical reports. The researcher further believed the sample size were sufficient as open-ended questions dealing with multiple aspects was provided, allowing the researcher to obtain in-depth knowledge about the changes taking place[7] (Leedy & Ormrod, 2015; Maroun & van Zijl, 2016; Rowley, 2012).

In selecting the sample the researcher did not focus on any one industry, to ensure that the results are broadly applicable. No more than two individuals within an organisation were interviewed to ensure that different views were obtained. In total, the researcher obtained the views of 9 different JSE-listed companies, 2 practitioners operating independently of each other and 4 different assurance providing firms. The experience of the interviewees and their knowledge of the business processes added to the quality of the findings.

Table 2: Composition of respondents

Respondent number	Background	Length of interview
Respondent 1	Academic at a South African University	11 minutes
Respondent 2	Academic at a South African University	12 minutes
Respondent 3	Practitioner	37 minutes
Respondent 4	Practitioner	23 minutes
Respondent 5	Mining industry	15 minutes
Respondent 6	Manufacturing industry	50 minutes
Respondent 7	Manufacturing industry	50 minutes
Respondent 8	Technical specialist at Assurance firm	29 minutes
Respondent 9	Telecommunications industry	16 minutes

[7] The sample size selected was driven by the need to provide a detailed account. The selection of 20 interviews was a provisional number and additional interviews would have been conducted if it was necessary to achieve saturation (Rowley, 2012).

Respondent 10	Technical specialist at assurance firm	27 minutes
Respondent 11	Technical specialist at assurance firm	27 minutes
Respondent 12	Banking industry	27 minutes
Respondent 13	Construction industry	24 minutes
Respondent 14	Real estate industry	56 minutes
Respondent 15	Real estate industry	56 minutes
Respondent 16	Fixed line telecommunications industry	34 minutes
Respondent 17	Technical specialist at audit firm	15 minutes
Respondent 18	Telecommunications industry	18 minutes
Respondent 19	Technical specialist at assurance firm	21 minutes
Respondent 20	Mining	15 minutes

After conducting approximately 80% of the interviews, a point of saturation was reached (Leedy & Ormrod, 2015; Maroun, 2017b). This was the point where further analysis of interviews and comment letters revealed no new data, open codes nor axial codes. Once transcripts were coded, the researcher aggregated all open codes with little or no content allocated to them.

3.4 Data analysis

Comment letters

The comment letters and technical reports were read several times and summarised. The data was analysed during the data collection process (Leedy & Ormrod, 2015). The comment letters and technical reports were analysed to identify common themes (Leedy & Ormrod, 2015; Yen et al., 2007). These served as open codes (Leedy & Ormrod, 2015). The open codes identified included, training, information systems, processes, controls, contract review and compensation plans. Once the comments letters and technical reports were coded, the researcher prepared a data analysis map which summarised the number of themes or open

codes per comment letter and technical report. Similarities or contradictions in the comment letters and technical reports were also identified.

Results from the open coding process were aggregated under axial codes[8]. For this purpose, the change elements identified from prior research and discussed in Section 2.3 served as axial codes. Due to the limited body of work on the application of specific accounting standards, some open codes were not associated with the pre-defined axial codes. These were recorded by the researcher and, where applicable, additional axial codes were derived interpretively.

Interviews

Interviews were conducted in the Gauteng province from June to November 2017. The interviews (approximately) took fifteen minutes to one hour (Maroun, 2017b; van Zijl & Maroun, 2017). Interviews were transcribed and later provided to the interviewees to verify that the responses was accurate and complete (Burns, 2000; Leedy & Ormrod, 2015).

When each interview was completed and transcribed, the researcher analysed each transcript and grouped different ideas, principles or concepts under the open codes used to analyse the comment letters and technical reports (adapted from Leedy & Ormrod, 2015; Maroun, 2017b; Tremblay & Gendron, 2011). For example, the researcher read each transcript several times, after which concepts or themes were underlined. Each open code identified in analysing the comment letters and technical reports, was provided its own colour for highlighting. All concepts or themes underlined were allocated to the pre-existing open codes. All themes or concepts underlined but not highlighted a particular colour, and so, not allocated to an open code; a new open code was created. The new open code was created, added to the data analysis map and then allocated an individual colour for re-coding. A key was kept of the open codes and their colours to ensure in the consistency of the coding process. If themes were identified which were not noted from the analysis of the comment letters and technical reports, additional open codes were created and the previous interviews, comment letters and technical reports were re-coded. The researcher then identified the relationships between the open codes and grouped these under axial codes (adapted from Leedy & Ormrod, 2015; Maroun, 2017b).

[8] These codes were used to code the data that was collected from the pilot interviews conducted with 2 accounting professionals at the researcher's university.

Axial codes were obtained from prior literature dealing with accounting and organisational change. These axial codes include common areas within an organisation that were impacted with changes in accounting, such as the staff employed by the organisation, its strategy and systems. Axial codes also included unexpected consequences experienced by organisations due to accounting change including a change in the manner in which its performance was viewed and the resistance from employees and managers. Axial codes were used to organise open codes developed from comment letters and technical reports including training, contract review and compensation plans. Axial codes were also used to provide a framework in which we could identify and analyse the cause and effect relationships, including how contracts will now need to be reviewed to ensure that IFRS 15 will not result in negative reporting consequences for the organisation and therefore employees drafting contracts will need to undertake IFRS 15 training. Similar to the process followed for open coding, additional axial codes were created as the data collection and analysis progressed including economic visibility, resistance and integration. The researcher then utilised the axial codes for the comment letters and technical reports. The final set of axial codes was used to organise the findings and generate conclusions.

3.5 Validity

- The researcher focused on larger organisations as they were likely to have complex operations, multiple types of revenue contracts and more foreign exposure. While this may have limited the generalisability of the results (as the changes that occur in large organisations may not be a reflection of the common changes that will take place due to IFRS 15), it ensured that the findings were detailed and applicable for the international accounting community (Maroun, 2017b; Romi & Longing, 2016). Large organisations tend to have foreign operations and therefore respondents would have knowledge as to the changes taking place in foreign operations to cater for IFRS 15.

- In order to ensure in the validity of the information obtained through interviews, the researcher conducted interviews with knowledgeable experts, enabling the researcher to obtain informed and relaible responses appropriate for the study (Maroun, 2017b).

- The researcher also conducted pilot studies on the interview questions in June 2017 to verify that the interview questions were free from bias (Leedy & Ormrod, 2015).

- The researcher achieved construct validity by rephrasing the question in instances where the researcher believed that the question had been misunderstood by the interviewee. In such instances the interviewee was tasked with providing examples or explanations to ensure the researchers question was not misunderstood (Maroun & van Zijl, 2016).
- Validity was further increased due to the fact that data was coded using codes based on prior literature. These codes were developed by identifying the common areas of impact that occurred within an organisation when previous changes in accounting took place. During the data analysis process, if new common patterns were identified data was recoded to ensure the consistency of recoding (Leedy & Ormrod, 2015)

- In conducting the study, the researcher may have had possible bias due to the involvement in the data collection and analysis process. Bias was mitigated by utilising a second independent individual to verify that no assumptions were made in the conclusions provided by the researcher. (Leedy & Ormrod, 2015)

Section 4: Results

The information obtained from the interviews revealed a number of changes arising from IFRS 15. Changes take place in five main areas: strategy (Section 4.3.2), the level of integration that exists between members within an organisation (Section 4.3.3), training (Section 4.4.1), information technology systems (Section 4.5) and performance evaluation of employees and organisations (Section 4.6). The nature and extent of these changes are not always in line with what was expected by the IASB (2014a) and practical guides provided by audit firms (Cruss, 2014; Deloitte, 2015b; EnY, 2015a, 2015b; FRC, 2015). Each change element is discussed in detail below.

4.1 Power

Of the twenty respondents, seven disagreed with the disclosure requirements in IFRS 15, considering them to be of no value (R12, R7). This is because the information disclosed would

have already been disclosed elsewhere in the integrated reports (R14, R8). For example, one interviewee stated:

> You know, I have been to quite a few AGM's and I find that, even amongst the shareholders, there are very few…perhaps out of a group of 50, maybe there are two that might look at disclosures. The rest just look at the results and what impact it's going to have on their share price and, yes, they will look at sustainability and they will give their comments on it and they might give recommendations but more than that, **they hardly look at the disclosures**. (R7, emphasis added)

However, despite organisations not regarding IFRS 15 as providing relevant information, these companies are still adopting IFRS 15 and comply with the new revenue standard. This creates the impression that IFRS 15 has a form of power over organisations (Burns, 2000; Maroun & Atkins, 2014). This power is demonstrated by the preparers' choice of words to describe the release of IFRS 15 as a matter of "having to comply" (R8, R13) or being "forced to comply" (R14). For example:

> I think it's going to be based on a company to company. So you will sometimes have a company that **doesn't want to disclose** their revenue in such detailed manner and **now the standard is going to force them** to do that. (R14, emphasis added)

Similarly, there is a sense that understanding the relevant provisions of IFRS 15 is secondary to ensuring compliance with the standard:

> How do you cater for it? You have to do it [laughs] I don't know how you cater for it. You kind of have to… [you] have to do it. (R13)

Respondents outlined two reasons why they feel obligated to comply with IFRS 15: the need to comply with the Companies Act of 2008 and the necessity to prevent negative publicity due to non-compliance with IFRS 15. The capacity that IFRS 15 holds to enforce compliance from organisations, regardless of whether they understand how to comply, may explain why some respondents felt intimidated by the accounting change.

4.2 Intimidation

IFRS 15 appears to have intimidated preparers as it is a complex standard which preparers have found difficult to read and understand (R8). In this context, "nobody wants to go first in implementing the requirements of IFRS 15" (R13, R3). The implementation of IFRS 15 appears to have created a sense of anxiety which may explain why R13 referred to their organisation as being, "lucky to be reporting after the first batch of groups [of preparers reporting under IFRS 15]." The concern herein lies that, if a company provides too little or too

much information, there could be negative consequences. For example, if a preparer were to provide too little information, this might damage his/her company's reputation as it creates an impression that the organisation is not IFRS complaint. This is evident in the response of R3 indicating that providing limited information can result in the company being publically shamed:

> When Bank X eventually…released their preliminary results, everybody was happy when they saw the figures and 6 weeks later, when people started to get hold of the annual report and dig into it, they found that there is a lot more that was in there that Bank X hadn't disclosed and the auditors had been sort of forcing them to do it. So this disclosure was way at the back of the notes, almost hidden away and somehow was picked up on that. Whether they were tipped off or whether they just really wanted to dig in, I'm not sure. And that created a lot of embarrassment to Bank X and it actually created an adverse price reaction when people discovered it. (R3, sic)

It, appears that firms have chosen to mimic one another, in an attempt to avoid negative consequences. For example, R12 indicated his/her organisation would look at, "what other banks and entities are disclosing to ensure that we provide the same information." Additionally, R13 indicated that their organisation would, "ride off the people that disclosed [before their financial statements are published]."

Providing too much information can also result in negative consequences, such as the loss of a competitive advantage, as indicated by R 16 (emphasis added):

> No, why I say that [providing too much disclosure is problematic is that] if you are a small company and you have got unique segments, the **disclosure will give away your competitive advantage**. So we are battling with that at the moment.

In addition to concerns about unreliable reporting (R3, R16), some respondents are, "burying their heads in the sand" (R10; R11). There was a sense that preparers are not engaging with the standard to understand its broader implications for accounting for revenue. Instead, people

> Are trying to make IFRS 15 **seem as little as possible** and they also **wanting it to be as little as possible**, just to sort of not make their lives impossible. (R11, emphasis added)

In other words, rather than envisioning IFRS 15 as part of a process of improving the quality of the financial statements (IASB, 2014b), preparers are intimidated by the new accounting provisions. Adopting IFRS 15 is seen as being fraught with challenges (R10, R11) and becomes a source of concern (R10, R11, R8). This source of concern may not only stem from the power that IFRS 15 has over organisations but may also be a result of the fact that IFRS 15 may require organisations to make changes to their business which they may not know how to achieve.

4.3 Changes to a business

Of the twenty respondents, seventeen indicated that the implementation of IFRS 15 will have no impact on their respective organisations other than at an administrative level. For example, organisations will be required to review contracts to identify performance obligations (R13) or they will have to gather all the necessary information for disclosure purposes (R12, R16). Respondents were of the opinion that accounting will not have an impact on how a business is run and that a company's focus should always be on the running of the business and not the accounting. This is evident from the following statements:

> So I think with fair value accounting, IFRS 15 will just be another accounting entry that we do that doesn't mean much in our business. (R5)

> But then again I don't think it is going to change the day-to-day operations of the company, just because you are now disclosing it in your AF's and not in your glossies, doesn't mean you are going to operate differently or look at our business differently. (R14)

> Well, because I mean **business is business and you are not going to change your business because of the accounting**. You might change the contract because of the accounting but it's not going to change how you do your business. You still need to go out and construct a building and you can't change that. (R13, emphasis added)

These views contradict previous research findings which highlight the change potential of reporting standards (Imhoff & Thomas, 1988; Singh, 2011). As a result, the fact that respondents felt that IFRS 15 had only an administrative impact was researched for more detail. The researcher determined that this initial finding was indicative of impression management. This involved resistance to IFRS 15 being framed as the standard, only requiring administrative/superficial changes.

4.3.1 Resistance to IFRS 15

Preparers of the financial statements resist the introduction of IFRS 15 as evidenced by the fact that some respondents did not attempt to obtain a detailed understanding of the standard, whereas others had not even read sections from the standard. For example:

> I can honestly tell you I have not read the level of disclosure that needs to be done so I can't answer that because I don't know what needs to be done. (R5)

> We looked at it briefly, IFRS 15 and its potential impact. (R6)

The resistance IFRS 15 has encountered is also demonstrated by the fact that respondents could easily provide examples of how IFRS 15 would bring about changes in other organisations (Maroun & van Zijl, 2016). However, when asked to provide examples from their own organisations, respondents were quick to state that it would have no impact on their companies (ibid). This suggests that the respondents actually question the relevance of the standard because they either state or believe that IFRS 15 is disconnected from the "real business" (R5). This is illustrated by the following statement:

> …I was part of a committee discussion where there were some big industry CFO-type individuals giving their opinion, as well and **they consider themselves to almost be above IFRS reporting** so they do that, and they almost think, 'Oh we just do this so that we can tick the box for the Companies Act and for IFRS.' They are far more worried about their analysis investor-type disclosures, all of that other industry-specific stuff that they release as their other information, especially big industry's such as banks and mines and that kind of thing. So they almost don't care as much about what IFRS requires. (R11, emphasis added)

In other words, some preparers are paying lip service to the standard's requirements and, in some cases, departing from the standard. Interviewees agreed that, if the standard had a negative effect on the recognition or measurement of revenue, the respective managers "will think about how they structure their contracts with customers to make it more beneficial for them" (R2) or they will restructure their contracts to, "somehow lawfully make it fall out of [an unfavourable] category" (R4). Impression management practices could alternately be in the form of organisations not being transparent with their disclosures:

> They are still going to implement IFRS 15 but they are going to that specific stuff that they don't want the market to see. **They will find a way not to disclose it**. They will hide it in one certain line or add it to a certain line or they will leave out a sentence here. So they will implement IFRS 15 and they will do what the standard says but that is not 100%. (R14, emphasis added)

Paying lip service to changes in accounting standards, illustrated by the examples provided above, has enabled organisations to circumvent IFRS 15 in a manner which is considered logical (Maroun & van Zijl, 2016). This logic is evident as respondents were indifferent to the fact that they won't comply fully with IFRS 15. It is additionally demonstrated by the fact that there appears to be a general consensus among Chief Financial Officers that IFRS is secondary to other information provided to users and therefore it is not necessary for them to be completely devoted to complying with all the requirements of IFRS 15.

The information obtained from interviews, therefore, indicates that IFRS 15 may be adopted only symbolically by organisations to maintain their legitimacy. The adoption of IFRS 15 should, therefore, not be taken as a legitimate reflection of an organisation's real commitment to providing stakeholders with more useful information (cf IASB, 2014b).

4.3.2 Strategy

Although respondents indicated that the implementation of IFRS 15 would not produce changes at their organisation (R4, R5, R9), there is evidence to suggest it may affect pricing policies (R16), operational plans (R14, R15) and competitive strategy (R16, R14, R15). IFRS 15 may affect these elements as it requires organisations to disclose more information (R14, R19) and increases the consistency of the revenue information disclosed among entities of the same industry (R14, R19).

It is plausible that IFRS 15 can alter an organisation's competitive strategy as it will provide more insight into their competitors' operations. This will, as a result, allow an organisation to see "a trend" (R15) in competitors' actions and "sort of make your assumptions on what their next move will be" (R15). An interviewee provided a hypothetical example to illustrate this point. If A offered 5 Gigabytes for R500, when B came out offering 10 Gigabytes for R500, A would have lost market share. However, with the introduction of IFRS 15, A would be able to establish a pattern of B's offerings. This could possibly allow A to determine how and where to change its offerings in an attempt to outperform its competitors. (R15) A may then opt to provide a more comprehensive package such as 7 Gigabytes, 300 call minutes for R600.

Secondly, in providing organisations with more information about their competitors' revenue, IFRS 15 may allow organisations to determine their competitors' pricing structure (R16). This would subsequently result in the organisation revising its own pricing policy, to ensure it will be awarded the tender (R16). For example, if an organisation is aware its competitors utilise a 6% profit margin, the organisation can adopt a 4% profit margin to ensure it is awarded the tender.

Another alteration to the competitive strategy is differentiation. For example, R16 indicated that, when they identified IFRS 15 was on the horizon, they took advantage of this opportunity and incorporated it as part of their sales process. They provided consumers with the original product (a customer incentive programme), while differentiating their product from their competitors' products as they helped structure contracts in a manner which would eliminate the negative reporting consequence[9] which would originally have occurred (R16).

IFRS 15, by increasing the comparability of the financial statements, will allow organisations to benchmark themselves against their competitors (R15). This will enable organisations to identify areas where competitors have outperformed them. This awareness, together with the

[9] The organisation assists its customers to avoid having to account for enormous obligations in its Statement of Financial Position.

increased information provided by IFRS 15, may result in organisations changing their operational plans. Firms may choose to adopt the same operational strategy as their competitors employ so they are able to obtain the same results (R15). The following statement illustrates such:

> So in terms of the benchmarking... I didn't even mention benchmarking but it's nice to see you compared to somebody else, so then you will also **give the company the communication of what do we need to change so we can actually achieve what they can achieve** so benchmarking. (R15, emphasis added)

Similarly,

> So it could be that you look at a competitor and you look at how are they able to do this at that price. (R16)

Of the twenty respondents, six indicated that IFRS 15 would not have any impact on the strategic decisions made by the organisation. According to R9, "you do not impact your strategic decisions or your commercial offerings," because of accounting changes. R9 further went on to state:

> Well, because I mean business is business and you are not going to change your business because of the accounting. You might change the contract because of the accounting but it's not going to change how you do your business. (R9)

Two of the six respondents stated that organisations will be more concerned about whether or not a contract will generate value for their shareholders (R6) or "if it is profitable in the long run and whether it will give them the necessary cash flows" (R10). This idea is further reinforced by the statement provided by R6:

> IFRS 15, to my mind, is you are just splitting the income you earn as a result of entering into contracts. I can't see that it will influence your decision making, to go into that contract or not. If it generates value for your shareholders and an income stream for your organisation, you will enter into the contract, irrespective of what IFRS requires (R6).

Four of these six respondents felt that if the adoption of IFRS 15 results in negative consequences, their organisations will merely restructure their contracts to ensure that these consequences are avoided.

> Yes, I think it [IFRS15] might [result in organisations making changes to their contracts]. If they realise that the accounting driven by IFRS 15 is giving them results that they don't like, I think they will think about how they structure there contracts with customers to make it more beneficial for them. (R2)

> For the contracts which are not in IFRS 9 and we have identified an IFRS 15 impact, and then, yes, we would look at the way the contracts are written. (R12)

The changes being made to their contracts would, ultimately, take the form of ensuring "that their contracts allow them to recognise revenue in the manner they have done in the past or

in the manner that makes the most business sense for them" (R13). However, in order for organisations to be able to identify the particular changes which need to be made to their operations, strategies and contacts, it will require employees within an organisation to work more closely together so that they might identify flaws that are existent within their organisation.

4.3.3 Level of collaboration

The implementation of IFRS 15 was considered by one of the respondents to have an impact on the collaboration which exists amongst employees within an organisation.

> We always work together (technical team and business units). We are not a team that works in a silo, we have to partner with business for all accounting treatments, including new standards. (R12)

However, five respondents indicated that the implementation of IFRS 15 would impact the level of collaboration among employees at a firm. More specifically four of the five respondents indicated that IFRS 15 would increase the level of collaboration between the accounting and the marketing departments. So, it will not impact the level of interactive processes that exist among all employees but is rather particular to employees within the accounting and marketing departments.

IFRS 15 will introduce changes to the level of interaction which exists between the accounting and marketing department as it will require organisations to identify the performance obligations which exist within a contract and allocate the transaction price to these different performance obligations (R10, R1). In order to achieve this, it will be essential that employees in the accounting and marketing department interact more frequently with one another so that the accounting department can identify the different promises generated by the contract.

> I think it's going to bring the people in the accounting and marketing departments closer together in order to get those estimates and to be able to say we are estimating the fair value of X portion is Y. (R 1)

> In terms of marketing, you need to think about and assist the accounting staff in order to ensure that all the performance obligations are appropriately identified. (R10)

The identification of the performance obligations by the accounting and marketing department will then enable each organisation to identify particular changes which need to be addressed within their contracts, enabling them to recognise revenue in the same manner as they did under former revenue standards.

However, in order for organisations to implement changes to contracts, identify the performance obligations or allocate the transaction price between the performance obligations, companies may be required to ensure their personnel is sufficiently skilled (Section 4.4) or they may need to make adjustments to their information technology systems (Section 4.5).

4.4 Staff

In order for the organisation to ensure compliance with IFRS 15, it will need to ensure that they have sufficiently skilled staff to guarantee compliance. Respondents dealt with the need for adequate training (Section 4.4.1) and the recruiting of new staff (Section 4.4.2).

4.4.1 Training

The introduction of a new accounting standard requires organisations to train their employees (R13, R2, R8, R10, R11, R20). For example, R13 explained that:

> I think you have to undergo training because of the actual accounting; the actual statutory accounting is something you need to understand before you can actually account for it.

Employees from the accounting department will be required to obtain to gain an understanding of IFRS 15 so that they have the ability to, account for transactions appropriately, and to obtain an understand how to operationalise IFRS 15:

> …People need to be trained so people need to know what the new standard says. And there's also quite a lot more disclosure requirements, if I think about an accounting department that is also responsible for preparing the financial statements they going to need to know what kind of information they need to gather throughout the year in order to meet the disclosure requirements so maybe it's just making sure the staff know how to deal with IFRS 15. (R2)

Organisations will have to identify any practical issues which may arise. This will ensure that employees are able to make the necessary changes to their operations, processes and systems to obtain the information required for presentation (R18).

Of the twenty respondents, four respondents made it clear that employees from other departments will be required to obtain an awareness of the requirements of IFRS 15 (R8, R10, R17, R20). These employees may be required to obtain an awareness to prevent them from acting on decisions which can result in negative reporting consequences for the organisation.

Alternately, organisations may identify that, in order to comply with IFRS 15, staff with the required skill set need to be recruited.

4.4.2 Recruiting new staff

Interviewees suggested that no new staff will be recruited to cater for IFRS 15. As R14 indicated, “I think the economy doesn’t allow for companies to take on staff just to do one specific task”. Similarly, R3 stated:

> I don’t think it will require the firm to take on new staff because I can’t see any CFO trying to gain an increase in headcount just to accommodate an accounting requirement.

A third respondent indicated that, even though new staff would not be recruited, staff from the other departments would be utilised to cater for the reporting requirements of IFRS 15:

> So, X, we are doing dual reporting for the whole 2019 financial year, which means that you will need two revenue teams. There will be one team to perform IAS 18 and one to perform IFRS 15. So the IAS 18 will be the normal BAU staff and under IFRS 15 it’s the current finance staff in the project. (R8)

Organisations not taking on additional staff to implement IFRS 15 can be explained by the fact that majority of the respondents have indicated that they would be outsourcing some part of the adoption process (including the disclosure or the impact analysis):

> …We have received a quote from our auditors to do an impact analysis and that’s how far we are at this moment. We are very short staffed so our finance division is very small so there are just not enough bodies for the amount of work we have to do. So this work will probably be outsourced to [audit firm X]. (R5)

The above statement is also illustrative of a culture of relying on the auditor to guide them through times of accounting uncertainty. Organisations may rely on the auditor for various aspects of the implementation of IFRS 15, including:

- To perform an impact analysis of the standard (R5),
- To provide companies with an awareness of accounting changes (R8),
- To provide preparers with comfort that their (preparers) understanding is correct (R15),
- To identify the employees who need to undergo IFRS 15 training (R8) and
- To provide the organisation’s employees with the necessary training (R3).

The reliance placed upon the auditor can be illustrated by the following 2 responses:

> Whenever we go to see clients, it’s who do we need to skill up because people don’t have the detailed knowledge of the standard and that goes with all the new standards. (R8)

> On a number of entities we, being audit firm X, have already been requested to provide training and that has been just to get the basics of the standard. There will probably need to be extra training in the future to make sure that people properly understand the implications but also if changes are made to the control environment or to the IT systems and so forth, those will require their own training. (R3)

The reliance placed upon external individuals is suggestive of a more significant problem that exists within an organisation, in which Chief Financial Officers have failed to perform their role in providing strategic direction and guidance on the implementation of changes in accounting standards. This is illustrative of the response by R11:

> …I was part of a committee discussion where there were some big industry CFO type individuals giving their opinion as well, and they consider themselves to almost be above IFRS reporting so they do that, and they almost think oh we just do this so that we can tick the box for the Companies Act and for IFRS. They are far more worried about their analysis investor type disclosures, all of that other industry specific stuff that they release as their other information... So they almost don't care as much about what IFRS requires.

Similarly, R13, a preparer, indicated:

> …we can have a look at [the organisations with a December year-end] reports because essentially everyone is going to look at someone else to see how they are reporting so that they have an idea what should be reported.

Organisations having to look at how others have previously reported in order to obtain direction is further illustrative that this direction has not been assumed by the Chief Financial Officer

Secondly, Chief Financial Officers have failed to provide guidance to the preparers, preferring to place reliance upon them for ensuring that the company implements and complies with IFRS 15. R13 (a preparer) indicated that they themselves, "the accounting department, need to know what is going on", making no reference to any involvement of the Chief Financial Officer during the implementation process. This creates a gap within the organisation as preparers lack the technical ability for a successful operationalisation of such changes. This is illustrated as R13 (a preparer) has indicated they would have to utilise,

> …experts because it's such a new standard... so for us we are using experts to help us to determine exactly what we may need to disclose and also what we understand we need to disclose so; it's been a joint effort from us and our technical team…

There appears to be an 'informal agreement' between the Chief Financial Officers and preparers to rely on external parties to bridge the gap which exists within the organisation. This may indicate that the strength of financial departments is not as it should be.

4.5 Information technology systems

There is no conclusive evidence on whether or not the implementation of IFRS 15 will require changes to an organisation's information technology systems. Some respondents indicated that IFRS 15 would not have an impact on their information technology systems but would create more administrative work for the organisation (see also Section 4.3):

> We haven't yet identified a place where we need to change our systems but it's a matter of pulling that information out, putting it into to the correct order, getting it ready in the financial statements for your year-end or for the interim. (R12)

Others have indicated that the implementation of IFRS 15 will have a material change on an organisation's information technology systems (R15, R1).

> It is an extremely big change in terms of the way that the systems and the way that the sub-systems feed into the main general ledger or main reporting system. It is a massive, massive implementation. (R15)

> The accounting information systems will definitely change. If you just look at the identification of the individual performance obligations, they will have major work with regards to accounting systems especially with regards to the front end systems because you have to get the front end systems correct. They have to identify each individual performance obligation at the point of sale and thereafter that needs to feed into the general ledger so, yes, it will impact the accounting information systems. (R1)

Based on the information obtained, whether IFRS 15 will require changes to an organisation's information technology systems seems to depend on 3 variables:

a) the industry in which the organisation operates;
b) the current state of their information technology systems and
c) the use of manual workarounds[10]

a) Industry

Whether organisations are required to make adjustments to their information technology systems "depends on how big the impact is going to be for IFRS 15" (R8). It appears that if organisations operate in industries where the implementation of IFRS 15 will change how they account for revenue; this will require changes to their information technology systems.

[10] A Process utilised to overcome limitations in an existing working system, to enable the organisation to reach its desired objective (Alter, 2014)

> Some businesses yes, construction I don't think it is going to impact the systems because like I'm saying the steps you follow still result in roughly the same so I think the issue comes in from a South African perspective. (R13)

In addition, it appears that the need for organisations to make changes to their information technology systems is dependent on the quantity and type of service offerings being provided to consumers (R6, R1, R2, R20). The quantity of service offerings increases the complexity of the composition of revenue and it may be necessary for the organisation to make changes to its information technology systems so that they can identify and account for revenue for each performance obligations.

> At this stage no but in the future if we do more contract work or when we change the strategy of our business and it forces us to enter into service related contracts and we need to separate our products from services when we report on income, then I will merely need to change a few controls to make sure the transactions get recorded correctly. That will be a process at the beginning of every year, you assess what changes have come through on IFRS and you make the necessary changes on your systems. (R6)

However, even for organisations operating in industries in which a change is expected, the need for organisations to make adjustments to their information technology systems will be dependent on the current functionality of their existing information technology systems and whether they will choose to utilise manual workarounds.

b) The current state of systems

The data obtained is indicative of the fact if an organisation's systems have the necessary functionality to meet the requirements of IFRS 15, the organisation will not need to make any changes. Organisations with information technology systems which are capable of providing detailed information would not be required to make changes (McNally, Cerbone, & Maroun, 2017). Indicated by the response made by R12 and R16:

> We haven't identified anything right now but **fortunately, we do have systems that have a lot of granular information** and we will be able to pull out information in terms of our performance obligations that are extending beyond a year that we need to disclose. We will be able to determine the variable considerations, for example, **so those things are already ticked in our system**. At this point no, **no changes to our accounting information systems**. (R12, emphasis added)

> Because we had to do it for our tax, all the information was there anyway and we always accounted for it anyway. (R16)

However, organisations impacted by IFRS 15, with systems not containing the required functionality, are sometimes not making adjustments to their accounting information systems. This may be explained due to the use of manual workarounds by organisations.

c) The use of manual workarounds

The extent to which, an organisation's information technology systems will be impacted by IFRS 15 will be dependent on whether the organisation chooses to utilise manual workarounds. If an organisation chooses to utilise manual workarounds, for example, performing a "full revenue analysis on an excel spreadsheet," (R16) changes to their systems to perform such a function will not be necessary. The use of manual workarounds may, therefore, indicate why an organisation operating in an industry expected to be largely affected by the implementation of IFRS 15 may not require changes to their accounting information systems.

> So we are currently not doing any amendments on our legacy system, we built a local hub, which is nothing different than a data warehouse and we collecting the data from this legacy system into this hub and then we apply certain functionality and requirements in this hub, which at the end of the day releases certain information into the accounting engine. So we are not changing our legacy system. (R9)

4.6 Economic visibility

Six respondents shared the view that information required by IFRS 15 will not provide an organisation with any more insight into their own operations as,

> Most businesses will have that information available, irrespective of whether this standard is applicable now or not. So internally it might not be useful for organisations (R5)

Similarly,

> "I don't think that there is anything in the financials that should cause management to look at itself in a different way, except if it's an adverse disclosure, which might cause them not to view the business differently but to view the disclosure differently." (R4)

Secondly, the information required by IFRS 15 will not provide stakeholders with any new insight into the organisation as this information has already been disclosed elsewhere in the integrated report (see also Section 4.1).

> No, I think everything that is required to be disclosed in terms of IFRS 15 is already disclosed, we already disclose it somewhere else whether it is in the integrated reports or in commentary, it's there to some level in other reports so no I don't think there is anything we feel would impact our competitive advantage. (R13)

Despite the views shared above, the majority of the respondents (13 out of 20) were of the view that the IFRS 15 will increase the level of insight a stakeholder has into an organisation. IFRS 15 can achieve this by requiring an organisation to disclose the, "risks the business faces, disclose where they get their revenue and how they recognise it" (R10). This will enable stakeholders to obtain a better understanding of an organisation's revenue compared to reporting under IAS 18.

> There is a lot more disclosure requirements so, hopefully, applying those disclosure requirements will provide more useful information. And certainly, currently, under IAS 18, there is very little that needs to be disclosed. So where I think [IFRS] 15 is better in that it does give you more disclosure to exactly tell your users, you know what you are doing; how did you apply the revenue recognition principals. So I do think it is much better than what [IAS] 18 requires you to do. (R8)

> That's about it, that's all you disclose, but that's not very useful and [revenue] is one of the biggest line items on an income statement. I think it's going to provide so much more useful information about exactly what the business is doing and the kind of decisions being made to drive that line [item]. (R 13)

The information will provide stakeholders with an understanding of the organisation's ability to adjust its operations to changes in the external environment and highlight an organisation's ability to operate as a going concern within an ever-changing environment. Although not specifically stated by the respondents, the information provided may also reveal the degree of effectiveness of top-management's strategic planning capability and their capacity to predict future changes.

> I think the type of disclosure that will come through as a result of IFRS 15 might be useful information especially when you are in a disrupted [industry] or an industry that will soon be disrupted. Um, as I mentioned earlier if you are basing your organisation on a service based model and you are contracting businesses in for example cell phone networks, say for instance that will change within the next year. There will be a dramatic move to satellite-based funds. Your contract, that you have, a cell phone for let's say two years or three. If that technology is coming through within the next year and you have a contract that is running for let's say another two years, there is an indication that your business will be disrupted and you will be left behind, as a result of the contract that you have entered into. (R6)

Additionally, the respondent elaborated by stating:

> Looking at your past numbers and the way you have been conducting business at a service level, your ability to impact in future will be delayed by having entered into these contracts and having these commitments and this is also reported in your financial reports. So [IFRS 15] will give analysts an indication of your ability to transform your business in a short space of time and to accommodate changes in technology. (R6)

Disclosing more information will also enable stakeholders to determine an organisation's position, relative to that of their competitors (see also Section 4.3.2). This further allows stakeholders to compare the performance of the organisation relative to other listed companies from the same or different industries.

> But from a holistic viewpoint, the more information you put out and the more transparent the information is, the bigger impact it will have on your company's view on a listed platform. (R15)

The information required may not only provide stakeholders with greater insight into the operations of the organisation but also with additional understanding of their own operations. IFRS 15 has the capacity to provide an organisation with heightened awareness into the sustainability of its products. IFRS 15 achieves this by decomposing the revenue into different components, enabling organisations to identify decreasing revenue trends.

For example, to paraphrase what R15 said, if there are two products (A and B), product A more commonly acquired compared to product B, due to a new market trend. The disclosure of IFRS 15 will enable an organisation to see a decreasing trend in the revenue received from product B and may, as a result, enable an organisation to predict the sustainability of their products.

Organisations may also obtain benefits from this increased disclosure when they hire a new employee as the implementation of IFRS 15 may, "give an employee a better understanding of the way that the business functions" (R10) which allows the organisation to expend fewer resources in orientating this employee.

The insight that will be obtained due to the information provided by IFRS 15 may additionally change the light in which the performance of the organisation and its employees are viewed by stakeholders and the organisation itself. The ability or lack thereof to bring about such a change is discussed below.

4.7 Performance evaluation

Organisations

IFRS 15 may change an investor's perception of an organisation relative to its competitors. This is illustrated by the following response:

> From a holistic viewpoint, the more information you put out and the more transparent the information is, the bigger impact it will have on your company's view on a listed platform, basically for the view of your company on a listed platform. (R15)

Interestingly, two respondents indicated that the implementation of IFRS 15 may not have any impact on how the performance of the organisation is viewed as investors may not have the knowledge on how to use the information being provided:

> My cynicism is whether our local investors will actually know how to use [the information disclosed] and know what information is coming out and at this stage; I have my doubts as to whether they are even aware of what information is going to come. (R4)

This view is further supported by the response provided by R17:

> You got users of the financial statements, analysts and investors and they are like, well, we want more, more information and you ask them what you going to do with [this information] and they are actually, like, we don't know but we want it.

In this way, although IFRS 15 is capable of increasing the insight that stakeholders have into an organisation, it may not change investors' perception of organisational performance as they are unable to leverage this information.

Staff

The researcher obtained conflicting responses on whether or not the implementation of IFRS 15 would impact the performance of employees and managers. Some interviewees felt that the implementation of IFRS 15 would do so. This is the case when measures used to evaluate an employees or manager's performance are linked to revenue or are affected by the amount of revenue recognised. For example:

> Our top-line contributes to management's KPI's and the share-based payments so, yes, it could be affected if there are material impacts. The business unit heads are measured on the amount of non-interest revenue they have made over the year (amongst many other measures). This is included in a performance assessment. (R12)

This view is further supported by R2 who indicated that the implementation of IFRS 15 may impact how the performance of sales personnel is viewed, "if your revenue numbers are going to change and that is the basis upon which their KPI's were measured in the past."

Contradicting the above views, R13 states that the performance evaluation of an employee:

> Is based on PVT (Price, Volume Trend) or productivity, then it's not going to be impacted and I don't think there are many companies that use revenue as a performance evaluation tool.

This view is further shared by R3 who indicated that the implementation of IFRS 15 would not impact an employee's performance evaluation as "management's incentive structures are based on an internal matrix."

The impact of IFRS 15 on the performance evaluation of managers and employees appears to be dependent on whether revenue is utilised as a key performance indicator for managers and employees and, if it is, then the implementation of IFRS 15 will have an impact on how their performance is viewed.

Based on R3 and R13's responses, there appears to be this disconnect between an employee's performance metrics and the organisation's key performance indicators. This may be problematic as an individual's performance should be aligned to an organisation's performance measures to ensure his/hers actions enable the organisation to meet its objectives (Chenhall, 2003). This disassociation between revenue and an employee's performance matrix may, therefore, result in employees acting in their best interest to ensure they meet the requirements of their own performance matrix, instead of aiding the organisation to meet their objectives.

For those organisations for which IFRS 15 will impact an employee's performance, adjustments to their performance metrics is necessary. If organisations realise this disconnect, it may stimulate the need for adjustments to be made to an employee's performance metrics to ensure alignment with organisational goals.

4.8 Summary of findings

The table below provides a summary of the results discussed in Section 4 of the impact the implementation of IFRS 15 may have on JSE-listed organisations, separating the impact based on organisations operating within different economic sectors and the overall expected impact based on responses provided by other practitioners not working for JSE-listed companies, assurance providers and academics.

	Organisations per economic sector			
	Primary	**Secondary**	**Tertiary**	**General responses by other**

	(2 respondent)	(3 respondents)	(6 respondents)	**practitioners, assurance providers and academics** (9 respondents)
Training	X	X	X	X
Information technology systems				X
Outsource	X	X		X
Integration				X
Staff / staff responsibility	X			
Strategy				
Business decisions			X	
Contracts		X	X	X
Performance			X	X
Economic visibility		X	X	X
Resistance	X		X	X

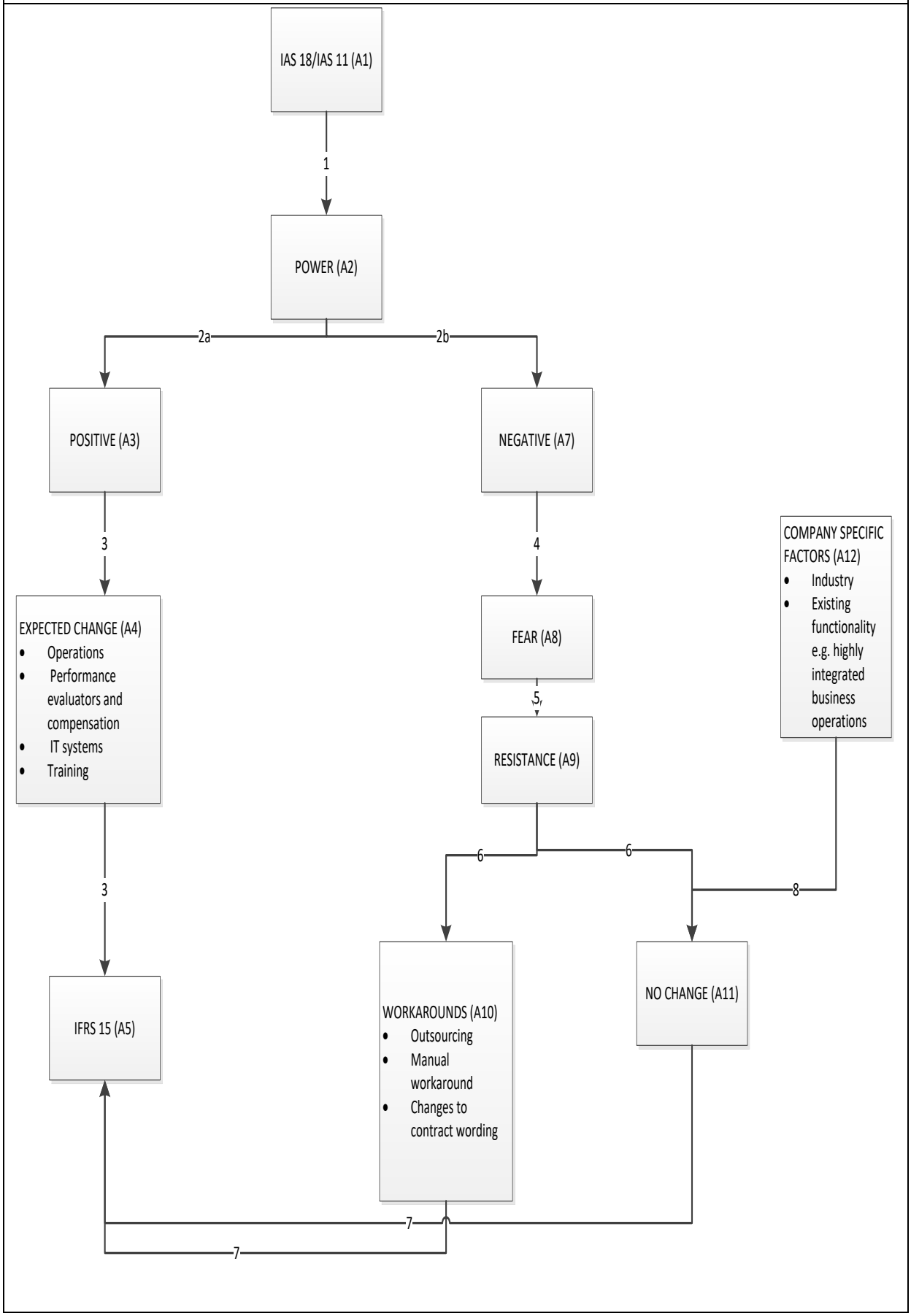
Table 3: Summary of the impact of IFRS 15 on different industries

Section 5: Discussion and conclusion

Section 5.1 Summary and analysis

The aim of this research report is to explore the possible operational impact of IFRS 15 on JSE-listed organisations. Based on the information obtained from respondents, a conceptual model (see Figure 1) was developed by analysing results, technical reports and comment letters to identify cause and effect relationships and the factors that influence the level of impact actually experienced by organisations. The purpose of the conceptual model (Figure1) is to demonstrate how JSE-listed organisations have operationalised IFRS 15 and explains the reasons why such changes may differ from those expected as per technical reports and prior research.

Figure 1: An illustration of the pattern which exists when operationalising IFRS 15



Standard setters and regulators exercise autonomous power (Section 4.1) and authority over organisations (A2 in Figure 1) by revising and introducing relevant laws to accommodate changes in the environment. For example, in South Africa, it is company law for organisations to comply with IFRS (Companies Act, 2008).

This power can manifest itself through positive or negative organisational change (shown by A2 flowing to A3 or A7). A change is considered positive (A3) if it results in complete, transparent and sustainable compliance (Cooperrider & Sekerka, 2006) with IFRS 15. If the power exercised is perceived to be positive, it will result in the formation of core enablers[11] (Cooperrider & Sekerka, 2006) (shown by A3 creating A4), including changes to operations (Section 4.3), performance evaluators and incentives (Section 4.7), information technology systems (Section 4.5) and training and recruitment of human resources (Section 4.4).

If companies see IFRS 15 as beneficial, higher level of enterprise-wide engagement results (Section 4.3.3) (shown by A3 resulting in A4). Companies will promote a greater level of integration to drive alignment of the required changes in capabilities. Companies will perform a capability gap analysis to identify changes to be made to human resources (Section 4.4) and information technology systems (Section 4.5) to provide stakeholders with all required information. These changes include providing employees with the necessary IFRS knowledge and training (Section 4.4.1) and ensuring that the information technology systems are capable of delivering large volumes of granular information (Section 4.5).

Companies which view organisational change as positive will welcome the increased visibility IFRS 15 will provide (Section 4.2 and Section 4.6). This drives a revision of the organisational performance framework and the alignment to individual performance evaluators and incentives (Section 4.7).

The majority of the respondents have perceived the power exercised by the standard setters and regulators as negative (A7). This perception drives the negative change dimension. IFRS 15 does this through its increased complexity creating fear (shown by A7 through arrow 4 creating A8) amongst preparers that the adoption of IFRS 15 will present an insurmountable task which, if not performed correctly, can result in adverse reputational and competitive risk (Section 4.2). This fear has manifested itself in organisations resisting the reporting requirements of IFRS 15 (shown by A8 exercising a force to create A9).

[11] Something which enables a company or person to meet their desired objective (Oxford Dictionaries, 2017)

The resistance respondents have towards the adoption of IFRS 15 has been enabled through practices of impression management (Section 4.2). These impression management practices has resulted in negative change (shown by 2b flowing to A10 and A11).

Organisations which have perceived IFRS 15 as negative (A7) may take a position of a 'no change' response (shown by A7 leading to A11, through arrow 4, 5 and 6), ensuring only a symbolic compliance approach. Nevertheless, organisations adopting a 'no change approach' should not always be perceived as resisting IFRS 15 as it may be a reflection of their inherent existing capabilities being adequate for a successful adoption (shown by A12 also leading to A11). For example, organisations operating in highly-regulated environments already possess information technology systems capable of providing highly detailed information (Section 4.5). Changes to their information technology systems are, therefore, not required to ensure compliance.

Alternately, impression management practices can take the form of partial adoption (shown by A7 to A10, though arrow 4, 5, 6). Most organisations, rather than ensuring full compliance by developing the necessary capabilities, have opted for a path of greater convenience through the use of multiple 'quick fixes', allowing them to achieve the perception of compliance without having to perform the necessary changes (Section 4.3.1). For example, manual workarounds is a commonly exercised mechanism used to avoid costly and time-consuming changes being made to the functionality of the information technology systems (Section 4.5). Similarly, organisations prefer to outsource specific tasks as an easier implementation option rather than having to recruit new or upskill existing personnel (Section 4.4.2). Changes to contract wording offer companies another quick-fix alternative, instead of having to review the underlying business to avoid negative reporting consequences (Section 4.3.1).

Although perceived compliance is accomplished through the utilisation of workarounds or a 'no change' response (illustrated by arrow 7 leading to A5), no real change has been undertaken; this casts doubt on the organisation's ability to provide more useful information to all stakeholders.

The majority of the respondents are utilising workarounds which is reflective of the South African organisational culture of opting for short-term quick fixes instead of adopting a more sustainable approach. This is indicative of a passive, reactive culture posing a threat to the ability of the International Accounting Standards Board's to achieve the objectives set out in IFRS 15.

Section 5.2 Implications and contributions

- The practical contribution of this paper is to highlight the far-reaching implications of IFRS 15. In doing so, it can assist managers effectively to prepare, plan and formulate strategies to drive the sustainable operationalisation of IFRS 15. All organisations and managers should critically evaluate their operations, information technology systems, performance measurement systems and human resource capabilities to identify areas which require changes.
- By using detailed interviews with twenty South African experts, this paper provides a detailed account of the practical implication of IFRS 15 and highlights the resistance which new accounting standards face at an organisational level (Bell et al., 2009).
- Methodologically, this paper will contribute to the limited interpretive accounting research within South Africa and is a good starting point for further research and discussion as it can add to the ability of South African Accounting researchers to provide holistic accounting research (Maroun & Jonker, 2014).
- The theoretical contribution of this paper is that it is possibly the first paper to perform an evaluation of the operational consequences which the implementation of IFRS 15 may have on JSE listed companies.

Section 5.3 Limitations and future research

The research concentrated solely on the impact the operationalisation of IFRS 15 has on JSE-listed organisations. The study was conducted prior to the implementation of IFRS 15 and so is unable to provide an account of the full extent of the impact IFRS 15. Future research can, therefore, be conducted to determine the impact that the implementation of IFRS 15 can have on organisations after the period companies have been required to present their first set of financial statements in accordance with IFRS 15. A study conducted after such date will enable standard setters, academics and users of the financial statements to determine the full extent of the impact, allowing for a comparison to be made between results.

The researcher also concentrated on JSE-listed organisations and so findings may not be representative of the operational impact of IFRS 15 on all organisations and geographies adopting this standard. Further investigation can be performed on the impact the implementation of IFRS 15 will have on organisations from other countries or privately owned companies. This may enable one to determine whether geographical factors including, but not

limited to, the regulatory regimes, efficiency of capital markets, investor knowledge, economic conditions and the social fabric impact the operationalisation process of IFRS 15.

The study conducted focused primarily on the operational impact of one specific standard, omitting the impact of other standards to be adopted within the same period (IFRS 9). Researchers may conduct similar studies to understand the operational impact of such standards and whether similar patterns are observed. This may enable us to determine whether a similar chain of reaction has emerged and is relevant to all standards.

Research which may be worthwhile exploring in the longer term is the correlation which may exist between the degree of compliance and the ability for an organisation to remain competitive. This may allow academics and users of the financial statements to determine whether accounting standards play a role in strengthening an organisation's sustainability over time.

Appendix A: Interview agenda

The following questions were asked in the interviews: these were followed up by other questions based on the interviewees' responses.

1) What is your opinion of IFRS 15?
2) Do you think it will be beneficial to users of the financial statements?
3) At what stage of the implementation process is your company?
4) Did your company need to make any changes to the information systems to cater for IFRS 15 requirements?
5) What changes in the accounting department have been necessary to be able to cater for IFRS 15?
6) Will employees be required to undergo training to gain an understanding of the impact of IFRS 15?
7) Do you believe the level of disclosure of IFRS 15 is reasonable?
8) How has the company catered for the increased disclosure requirements required by IFRS 15?
9) Will IFRS 15 impact the manner in which managers and the organisation will be evaluated?
10) Has IFRS 15 impacted the manner in which the existing and future contracts will be viewed?

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