

# ***Chile. Adopting the IFRS in Chile: Influences on Companies and the Capital Market***

**Digna Azúa and Verónica Pizarro**

**Abstract** This study examines the initial impact of adopting the International Financial Reporting Standards (IFRS) in Chile, both on Chilean companies' financial statements and on their capital market. The aspects that we consider relevant are the following: (1) applying a fair value to the measurement of non-current assets and (2) variations in stock price, in the companies that started applying the Full-IFRS in 2009.

The results show that there are a significant number of companies that have experienced an increase in their book value equity (equal to or greater than 25 %). Nevertheless, the use of fair value in assets measurement is observed to be rare. With respect to market capitalization, this study shows that the publication of intermediate financial statements corresponding to the first quarter of 2009 may have generated a positive effect on stock prices on an average of 4.3 %.

## **1 Introduction**

The adoption of the International Financial Reporting Standards (IFRS) is a common topic around the world, either because countries have accepted the option or because they have rejected it.

The IASB surveyed 138 countries all around the globe to determine their position as of 2014. They have used this information to create a profile for each country. One of the conclusions is that “only 8 jurisdictions neither require nor permit the use of IFRS by domestic companies”.<sup>1</sup>

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<sup>1</sup> <http://www.ifrs.org/Alerts/Publication/Pages/Eight-new-jurisdiction-profiles-use-of-IFRS-around-world-September-2014.aspx>

D. Azúa (✉)  
Pontifical Catholic University of Valparaíso, Valparaíso, Chile  
e-mail: [digna.azua@ucv.cl](mailto:digna.azua@ucv.cl)

V. Pizarro  
University of Chile, Santiago, Chile

This means that out of the 194 countries recognized by the United Nations (UN),<sup>2</sup> only a 67 % use the IFRS, either compulsorily or voluntarily, and apply them to some companies or, in the most extreme cases, to all companies.

In the opinion of the UN, this adoption process has been a long journey which started in 1973, as they declared during the Conference on Trade and Development of 2005: “The process of international convergence towards a global set of standards started in 1973 when 16 professional accountancy bodies from Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and the United States agreed to form the International Accounting Standards Committee (IASC)”.

The UN also considered during that Conference that “The process gained speed when the International Organization of Securities Commissions (IOSCO) endorsed the IASC standards for international listings in May 2000. It was further facilitated by the Regulation approved by the European Commission in 2002 requiring the preparation of the consolidated (group) accounts of listed companies in the European Union in accordance with IFRS”.<sup>3</sup>

Just as the UN points it out, it is plausible to think that the convergence process towards a single set of norms started in 1973 when the IASC was created, although at that moment it was stated that the purpose of this body was to create good quality standards of accounting to be used by developing countries.

Nevertheless, the adoption of these standards in 2005 by the companies of the European Union in the presentation of the consolidated financial statements of domestic listed companies is one of the most significant milestones in this international standardization process.

Regarding Latin America, the adoption process of the IFRS has taken place, just as in the rest of the world, even when these countries share one characteristic: the companies listed make up a lower percentage than those which are not; however, the first are the ones that receive or could receive greater foreign investment.

The following table summarizes the dates of adoption of the IFRS in Latin American countries:

The years shown in the Table 1 indicate the start of the adoption of the IFRS. In most cases the adoption process was planned through stages, starting with domestic listed companies only.

However, unlike what happened in Europe, the adoption processes in many countries of Latin America is expected to be fully adopted by both listed and unlisted companies. As a result, local accounting standards should not be applied anymore, eventhough in many cases these standards developed favorably.

<sup>2</sup> UN (2014). “Concise Report on the World Population Situation in 2014”, p. 1. <http://www.un.org/en/development/desa/population/publications/pdf/trends/Concise%20Report%20on%20the%20World%20Population%20Situation%202014/en.pdf>

<sup>3</sup> Trade and Development Board (2005). “Review Of Practical Implementation Issues Of International Financial Reporting Standards”, United Nations Conference on Trade and Development. Geneva, 2005, p. 3. [http://unctad.org/en/docs/c2isard28\\_en.pdf](http://unctad.org/en/docs/c2isard28_en.pdf)

**Table 1** Adoption of IFRS in Latin American countries

Country	Adopts IFRS	Starts in
Argentina	YES	2012
Bolivia	YES	2015
Brazil	YES	2010
Chile	YES	2009
Colombia	YES	2015
Costa Rica	YES	2005
Ecuador	YES	2010
El Salvador	YES	2011
Guatemala	YES	2009
Honduras	YES	2012
Mexico	YES	2012
Panama	YES	2006
Paraguay	NO	Volunteer
Peru	YES	2012
Dominican Republic	YES	2014
Uruguay	YES	2012
Venezuela	YES	2008

Source: Jurisdiction Profiles, prepared by the IASB, 2014 (<http://www.ifrs.org/Alerts/Publication/Pages/Eight-new-jurisdiction-profiles-use-of-IFRS-around-world-September-2014.aspx>)

Due to this, Argentina, Chile, Brazil, Mexico, among others, have decided to postpone the application of the IFRS for unlisted companies and to wait for an appropriate standard to be generated for these organizations.

In the particular case of Chile, this country had accounting standards set by the Institute of Accountants of Chile (Colegio de Contadores de Chile or CCCH).<sup>4</sup> According to Hermosilla (2010, p. 48) “The creation of accounting standards in Chile has always been influenced by foreign accounting standards. During the first period, between 1973 and 1994, the CCCH was inspired by the USA standards. In the second period, between 1995 and 1997, the CCCH followed the IASC work, and during the third period, between 1997 and 2007, in which they kept analyzing the work of the IASC/IASB and authorized the use of the international standard in the event of a regulatory gap on a particular subject”.<sup>5</sup>

Similarly, according to Orellana (2014, p. 284) “the convergence towards the international standards started by the CCCH in 2008 constitutes a logical continuation in the history of standards creation in Chile, where international standards are seen as a model since 1995”.<sup>6</sup>

<sup>4</sup> Colegio de Contadores de Chile, founded in 1958, according to Ley 13.011

<sup>5</sup> Free translation by the author.

<sup>6</sup> Free translation by the author.

Besides the pro-IFRS context in the Chilean accounting sphere, the free trade agreements signed by Chile with the United States and the European Economic Community increased the urgency to adopt the IFRS.

Also during the same period, Chile was ready to join the OECD, which took place on January 11th, 2010. The OECD is widely known for its promotion of the application of best corporate governance practices. As a result, this organization published in 2004 the “White Paper” for Corporate Governances in Latin America. This document states that an important element for developing corporate governance best practices is transparency, and to achieve this the IFRS must be applied.

This was a determinant factor for Chile to adopt the IFRS and to ask the CCCH<sup>7</sup> for guidance during the adoption process.

Thus, in 2004 the CCCH and the Inter-American Development Bank (IADB) signed the agreement for the adoption of the IFRS, which stipulated that the adoption had to start in 2009 for listed companies. The budget allocated by the IADB through the Multilateral Investment Fund (FOMIN) to carry out the project amounted to US\$1.5 million.

The areas covered by the budget were:

- Convergence project
- Professional development and certification
- Training
- Dissemination

Another body that played an important role during this process was the Superintendence of Securities and Insurance (Superintendencia de Valores y Seguros or SVS), which regulates the activity of listed companies and the operation of the Chilean capital market. This body generated the agenda for the adoption of the IFRS that took place during the period 2009–2011 and that included all the companies regulated by the SVS.

The adoption process of the IFRS required the accounting professionals to be trained. In Chile this training programs are offered mainly by auditing firms, universities and the CCCH.

Regarding the conversion process for the financial statements, many mayor chilean companies hired international auditing firms operating in Chile, such as Pricewaterhouse, Deloitte, Ernest & Young, KPMG, known as the big four.

From above mentioned, we can state that international auditing firms played a remarkable role in the adoption process of the IFRS in Chile, since they were actively involved in the professional training process, advising mayor companies during the financial statements conversion process and directing the Principles and Standards Commission of the CCCH, the body in charge of approving the IASB standards to be compulsorily applied in the country.

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<sup>7</sup> According to Ley 13.011

The second phase of the adoption process of the IFRS included the approval of the IFRS standard for SMEs (small and medium-sized entities) by the CCCH, which have been applied since January 1st, 2013. Therefore, accounting professionals are currently undergoing constant training, both on new IASB standards and on IFRS for SMEs.<sup>8</sup>

## 2 Literature Review

The process of adopting the IFRS has excited considerably strong interest in the studying their impact on the financial statements of companies, capital market and the society.

Diverse literature supports this observation. Asbaugh and Pincus (2001) investigate the relationship between results-prediction errors and the differences between local regulations and the IFRS, concluding that this relationship is a positive one. Ding et al. (2007), work with data published by Nobes (2009) and complemente the studies of Ball et al. (2003) and Hope (2003), analyze the absence and divergence between local regulations and the IFRS in many countries. Their results suggest that the absence of accounting regulations is closely related to the development of a capital market and a high concentration of equity; conversely, divergence between local regulations and the IFRS is positively related to the economic development and the growth of the accounting profession. Kent and Stewart (2008) analyze the relationship between some aspects of corporate governance and the quantity of information disclosed in the IFRS adoption process, concluding that there is a positive relationship between the quantity of disclosed information and aspects associated with corporate governance.

Chile is a case in point in the adoption of IFRS, and the year 2009 offers ideal conditions for studying those effects because that year marks Chile's transition to the IFRS. As noted by several Chilean authors, we can expect important changes from the adoption of the IFRS. Relevant subjects include the application of fair value to assets (current and/or non-current; physical and/or intangible) along with the increase in the quantity and quality of information that to be disclosed in financial statements.

Some evidence has been gathered in studies conducted by Silva and Azúa (2006) on methods that may be used to apply the concept of fair value, as contained in the IFRS. These authors conclude that there are doubts regarding companies' capacity to adequately apply this concept.

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<sup>8</sup> The CCCH established their applicability since January 1, 2013, by publishing "Boletín Técnico N° 82".

Pizarro (2006) analyzes the accounting categorization of intangibles by gathering the opinion of national experts who conclude that such categorizations should evolve towards the recommendations of the IFRS.

Jara (2007), who studied the effects of applying Impairment of Assets (IAS 36) in relation to companies' stock market/books, concludes, based on information current as of 2007, that companies showing signs of impairment in their assets do not necessarily recognize their impairment loss.

Zunino and Chandia (2007a, b) studied the effects of applying fair value to fixed and intangibles assets and the effects of applying IAS 41 (Biological Assets) on companies' statements. In their first study, they conclude that companies will be affected both by the adoption of new valuation criteria and by an increase in administrative costs. With respect to biological assets, they conclude that there is a difference in the effect on equity.

Silva and Azúa (2007) demonstrate that financial information disclosed in the notes of financial statements according to local PCGA do not satisfy the needs of external users, which suggests that adopting IFRS will result in a qualitative and quantitative change in information disclosure.

Subsequently, once the adoption process started, many studies were conducted by several academics to determine the impact of the adoption on the financial statements of Chilean companies. Table 2 shows some of these studies published in CAPICREVIEW, which specializes in accounting.

The studies in this Table are a sample of the topics analyzed by Chilean academics before and during the adoption of IFRS.

As showed in the Table 2, 5 out of 10 studies were intended to analyze the impact of adopting IFRS on company equity. Among the main conclusions, we find that the revaluation of assets to determine a new attributed cost had a relevant effect, during the conversion of financial statements, according to IFRS 1 as an alternative method.

The relevance of the point above is considerable for our discussion, considering that Chilean accounting standards, specifically in the *Boletín Técnico N° 33* issued by the CCCH, does not allow any revaluating of assets, and historical cost must be used during their useful life.

Due to the relevancy of these topics for Chile, the following section shows the "Study on the impact of adopting the IFRS in Chile 2009", presented in the Permanent Academic Conference of Accounting Research (Conferencia Académica Permanente de Investigación Contable or CAPIC) of 2009. It analyzes the impact of applying the IFRS on the listed companies equity, in relation to the possibility of revaluating assets, specifically property, plant and equipment, biological and intangible assets, because of IFRS 1 (First-Time Adoption of IFRS) allows the revaluation of such assets only once, which is called deemed cost. The study also analyzes whether there was an impact on the stock price for those companies that adopted the IFRS in different stages of the process.

**Table 2** studies published in CAPICREVIEW

Authors	Title	Conclusions
Riadi et al. (2009)	Impact on the Chilean stock market by the process of financial statement presentation under IFRS rules.	No changes were found in the value of the shares that can be related to the adoption of the IFRS.
Zuñiga et al. (2009)	Accounting convergence: deep accounting changes in Chile. Fixed Assets, a case to consider.	Analyzes the potential difficulties of revaluating assets in Chile.
Gómez (2009)	Valuation methods to fair value and audit.	Analyzes the risks of applying estimates to assets valuation.
Jara and Abarca (2009)	First application in Chile comprehensive income statement. An approach to its main components and characteristics.	Identifies the main changes observed when preparing comprehensive income statements.
Jara and Contreras (2010)	Adoption of IFRS by Chilean firms. Emphasizing quantitative effects on financial information.	The adoption of IFRS generated an increase in company equity. Also, it was determined that the main causes where the applications of IAS 16 and IAS 39.
Inostroza et al. (2011)	Initial impact of IFRS on financial statements: evidence for a sample of Chilean companies.	Adopting the IFRS generated an increase of 50 % in the equity of studied companies.
Hernández et al. (2011)	International financial reporting standards: impacts on property, plant and equipment in manufacturing companies.	The greatest impact was generated by the revaluation of assets, mainly land, in relation to IFRS 1.
Pizarro and Azúa (2011)	Biological resources: the impact of new international standards of financial information in agriculture.	There was an increase in the equity of an average 15 % and in the profits of 135 %, due to the application of fair value to the biological assets.
Peña and Torres (2012)	Critical analysis of the institution of the IFRS in Chile, a systemic approach.	Analyzes the drawbacks that unlisted companies may face towards the application of IFRS SME, which make up 99 % of Chilean companies.
Jara (2012)	Analysis of the observations made by the superintendent of securities and insurance of the first financial statements made under IFRS in Chile.	It was determined that the SVS made observations for 73 % of the 45 companies analyzed.

Source: Compiled by the author

### 3 Study on the Impact of Adopting the IFRS in Chile 2009

This study analyzes the changes in the equity and market capitalization during the IFRS adoption process in Chile.

Chilean companies presented a report about impact projections for the adopting IFRS, on their financial statements. These reports were published in September

2008 and February 2009 by companies that opted to start applying Full-IFRS in 2009.

The impact projections, reported by the 80 companies involved in the process, showed a variation in the equity of US\$7.2 billion, and the cause of this variation is an interesting research subject.

As indicated by the IFRS 1, when converting financial statements from local GAAP to the IFRS, a series of adjustments must be carried out—some compulsory and some optional—that have an impact that should be seen in company equity.

Firstly, this study examines cases in which the impact in the equity valuation can be attributed to asset revaluation to establish whether applying these practices, which Chile did not previously use, was important to the adoption of the IFRS.

Secondly, this study analyzes the market-capitalization behavior of companies that were involved during the pre-adoption period and at the time that the first financial statements were issued under the IFRS.<sup>9</sup>

### ***3.1 Objectives of the Study***

According to the previous information, the objectives of the study are the following:

- Analyze the impact of the IFRS on companies' equity, primarily linked to the application of fair value to assets.
- Analyze the impact of the IFRS adoption on the capital market using the share prices of companies involved.

### ***3.2 Methodological Aspects***

#### **3.2.1 Determine the Sample**

According to the adoption calendar established by the SVS in 2007,<sup>10</sup> the listed companies registered in the SVS started to adopt the IFRS in the fiscal year 2009.

This study analyzes the situation of companies that opted for the Full-IFRS and began to disclose financial statements under the new regulations in the first quarter of 2009. Therefore, this study includes 80 listed companies.

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<sup>9</sup>The dates analyzed are linked to the announcements made by the SVS about the IFRS adoption process and to company publications that announced the effects of the regulatory changes and presented their first financial statements under the IFRS.

<sup>10</sup>According to the outlines of Boletín Técnico N° 79 issued by the Colegio de Contadores de Chile.



### 3.2.2 Data Collection

The data used in this study was obtained from:

- Reports prepared by companies on impact projections, according to Circular 457 (July 20th, 2008) and published by the SVS, referring to functional currency, accounting policies and equity reconciliation.
- Financial statements prepared under the Full-IFRS for the first quarter of 2009.
- Announcements made by the SVS regarding the timeline and methodology of the adoption of the IFRS.
- Share prices of the sampled companies 10 days before and 10 days after the announcements considered as milestones.

Those documents were obtained from the SVS website and the Economática and the Santiago Stock Exchange databases.

### 3.2.3 Data Analysis Procedure

#### Impact on Equity, Measured at Book Value

To conduct the analysis of impact on equity, measured at book value, at the time of adoption of the IFRS, we used the following methodology:

*Equity Variation Analysis* The impact projections published in September 2008 were analyzed based on the report that contained indications of functional currency, accounting policies and equity reconciliation.

*Applying Revaluation or Fair Value to Fixed Assets* The notes to financial statements presented in the first quarter of 2009 were examined. This analysis allowed the identification of the companies that applied revaluation or fair value to the measurement of assets such as property, plants and equipment and biological and intangible assets, whether to determine their deemed costs at the time that financial statements were converted to the IFRS or for subsequent measurements.

*Equity Variation and Asset Valuation* Companies with significant variation in their book value equity were identified, and some cases were established in which these companies applied reevaluation or fair value at the time of conversion.

#### Impact on Equity, Measured at Market Value

Five high-impact milestones were selected in order to perform the analysis of the impact on the market capitalization of shares:

- a) Disclosure of adoption calendar (August 28th, 2007);

- b) Issuance of the list of companies obliged to adopt the IFRS (February 14th, 2008);
- c) Date on which the first companies disclosed their reports on accounting criteria, accounting currency and reconciliation (September 30, 2009);
- d) Date on which the second group of companies disclosed their reports on accounting criteria, accounting currency and reconciliation (February 28, 2009); and
- e) Disclosure of the quarterly financial statements of the company (May 31st, 2009).

Subsequently, we extracted the share prices 10 days prior and 10 days after the above-referenced announcements and events from Economática and Santiago Stock Exchange databases.

Out of the 80 companies that were required to comply with the Full-IFRS in 2009, we selected those which had

- share prices available for all of the periods observed.

After the sample was subjected to these criteria, our sample was reduced to 48 companies only.

Using the share price data, we calculated the average for the period prior and subsequent to the announcement or milestone to detect an increase or decrease in market capitalization due to the effect of the announcement or milestone.

### **3.3 Results**

#### **3.3.1 Analysis of Preliminary Information**

The analysis of the reports prepared by companies adopting the Full-IFRS, starting from the presentation from the first quarter of 2009 according to Circular 457 (June 20th, 2008), which refer to functional currency, accounting policies and equity reconciliation demonstrate, among other aspects, that:

- With respect to the accounting currency, 48 companies (60 %) specify the use of the Chilean peso, whereas 32 companies (40 %) specify using the US dollar.
- With respect to equity variations, 26 companies (32.5 %) show an increase or decrease in equity, equal to or greater than 25 %, caused by the conversion to IFRS.
- Among the 26 companies with a significant percentage of variation (equal to or greater than 25 %) in the book value of equity, 22 show a positive variation, i.e., an increase in the book value of equity.
- Among the 22 companies that experienced an increase in their book value of equity, 11 state they had applied fair value at the time of conversion to determine deemed cost to assets classified as property, plant and equipment, biological and/or intangible asset.

### 3.3.2 Impact on Equity, Measured at Book Value

The information disclosed in the notes of the financial statements, prepared under the Full-IFRS as of March 30th, 2009, provides prior factors regarding the way in which the concepts of reevaluation and fair value were applied according to the type of non-current assets:

*Property, Plant and Equipment* There are 47 companies that applied fair value at the time of conversion to determine deemed cost. However, only 16 companies declared that they would use revaluation model in subsequent measurements. Analyzing by sector, we observe that the use of the fair value to determine the deemed cost is most frequently applied in manufacturing (14 companies) and service (16 companies) sectors. Among the latter, 15 companies stated that they will continue to use revaluation model in subsequent measurements.

Nevertheless, the information disclosed in the financial statements does not allow us to determine with clarity the type of asset for which the fair value is most often used when determining deemed cost. Only 18 companies stated that the method would be used for a specific type of non-current assets, such as land (10), land and buildings (5) and machinery and facilities (3). In the other 29 cases, it is impossible to determine the item to which this method was applied: 10 companies provided no information and 19 companies provided only generic information only.

*Biological Assets* With respect to biological assets, there are 10 companies that applied fair value at the time of conversion to determine deemed cost and declared that they would use fair value less costs to sell in subsequent measurements. Analyzing by sector, we observe that the use of fair value to determine deemed cost is most frequently used in the sectors of agriculture, forestry and fishing (4 companies) and manufacturing (4 companies). In addition, 3 companies stated that they would use only fair value less costs to sell, in subsequent measurements.

*Intangible Assets* With respect to intangible assets, there are 17 companies that applied fair value at the time of conversion to determine attributed cost. However, there none of these companies declared the application of the fair value method in subsequent measurements. Analyzing by sector, we observe the most frequent use of the reevaluation method in determining deemed cost is concentrated in the service sector (11 companies).

### 3.3.3 Impact on Equity, Measured at Market Value

The results of this analysis are the following (Table 3):

The analysis shows that, *ceteris paribus*, other events impacting the valuation of national companies, the first milestones associated with the adoption calendar issued by the SVS and the list of companies that were required to adopt the IFRS in 2009 have a positive effect on company market capitalization (0.96 %/1.49 %). Subsequently, reports issued by Chilean companies and disclosed to the SVS about

**Table 3** Event variation

Event	Data	Variation (%)
IFRS Adoption Calendar	08-28-2007	0.96
Official Letter 438 List of Adopting Companies	02-14-2008	1.49
Reconciliation Disclosure 1	09-30-2008	-3.74
Reconciliation Disclosure 2	02-28-2009	-1.87
Quarterly Statement Disclosure	05-31-2009	4.35

the changes to accounting criteria, accounting currency and equity reconciliation (details of the equity variations due to the effect of the IFRS adoption) scheduled for September 2009 and February 2009 had a negative effect on companies' market capitalization (-3.74 % to -1.87 %). Finally, the most important event, in our opinion, in the definitive disclosure of quarterly financial statements under the IFRS, which companies delivered to the SVS in May 2009, had a positive effect greater than the earlier effects (4.35 %).

As for analysis by sector, we obtain the following results (Table 4):

The first milestones corresponding to the publishing of the adoption calendar had a positive effect concentrated in the financial sector (3.19 %). The opposite situation is true in the manufacturing sector, which experienced a negative effect (-0.07 %).

The second milestone had a positive effect primarily concentrated in the transport sector (3.66 %). The opposite situation is true in the manufacturing sector, which experienced a negative effect (-0.19 %).

The third and fourth milestones, associated with the disclosure of impact reports (accounting currency, accounting policies and equity reconciliation), had a negative

**Table 4** Events variation by sector

Events	Variation by sector					Total var. Sector Av. (%)
	Agriculture (%)	Finance (%)	Manufacturing (%)	Services (%)	Transport (%)	
IFRS Adoption Calendar	0.46	3.19	-0.07	0.91	0.68	1.03
Official Letter 438 List of Adopting Companies	-0.67	1.44	-0.19	2.14	3.66	1.28
Reconciliation Disclosure 1	-2.69	-4.96	-4.83	-3.25	-3.22	-3.79
Reconciliation Disclosure 2	-0.38	-5.03	-1.69	-1.32	-1.87	-2.06
Quarterly Statement Disclosure	5.65	1.70	5.62	4.34	4.23	4.31

effect on all sectors, mainly affecting the finance and manufacturing sectors ( $-4.96\%$  /  $-5.03\%$  and  $-4.83\%$ ).

The fifth event, which can be considered the most important event to date, and which corresponds to the disclosure of the quarterly financial statements under the Full-IFRS, generated in all sectors a positive impact on market capitalization, mostly affecting the agriculture ( $5.65\%$ ) and manufacturing sectors ( $5.62\%$ ).

## 4 Conclusions

This study provides the first data on the process of IFRS adoption in Chile, analyzing the impact of its adoption on equity measured at both book and market value.

Before the adoption of IFRS, Jara (2007), Zunino and Chandia (2007a, b), Silva and Azúa (2006, 2007) and Pizarro (2006), among others, conducted studies which allowed to assume that there will be significant impact, both in measurement and disclosure.

This study analyzed two aspects related to the adoption of IFRS. On the one hand, it examined the impact of applying fair value to the measurement of property, plant and equipment; biological and intangible assets, in company's equity. On the other hand, we examined the impact on the shares prices of the companies that began applying Full IFRS 2009.

The results show that, out of 80 listed companies that started to apply the Full-IFRS in the first quarter of 2009, 22 ( $27.5\%$ ) experienced a positive impact on the book value of equity to a degree of  $25\%$  or more of their initial value. Out of these companies, only 11 ( $13.7\%$  of the total number) indicated the use of fair value to determine the deemed cost of property, plant and equipment, biological assets and/or intangible assets.

This result is consistent both with the predictions of the authors previously mentioned and with the conclusions of the studies shown in Table 2, mainly with Jara and Contreras (2010), Inostroza and Yáñez (2011), Hernández et al. (2011), Pizarro and Azúa (2011), who confirmed the increases on the book value company equity, and related them with the application of fair value.

However, the use of the fair value should be observed carefully since in most cases it was only used to determine the deemed cost at the time of the conversion and on assets whose new value is less difficult to determine, such as land and buildings.

It is possible to suggest that the majority of these companies will not continue applying the fair value method because in many cases the methodologies to be applied are expensive, and if they are successful they will have a negative impact on the results of the company through the acknowledgement of a greater depreciation, which may affect the distribution of dividends.

In relation to disclosure, there was little information on the notes. In most cases they did not specify what assets were revaluated or what method was used. Thus, it

is hard for an external user to venture an opinion on the decisions made by the management in relation to these subjects.

With respect to the market value of equity, we observe that in relation to the first and the second milestones, both announcements made by the SVS (i.e., scheduling a list of companies adopting the IFRS), the impact observed is positive, except for the manufacturing sector companies. In relation to the third and fourth milestone (impact projections presented by the companies), we observe negative behavior for all of the sampled companies. Finally, the fifth milestone (disclosure of financial statements prepared for the first quarter of 2009), we observe a positive effect. This situation shows that as users of financial statements become familiar with the application of the IFRS, their perceptions will improve, perhaps assisted by the fact that in the majority of cases, the IFRS generated an increase in the book value of company equities. Nevertheless, this variation made an average 4.2 %. This result is consistent with the idea of Riadi et al. (2009).

This study has allowed analyzing some of the impacts of adopting the IFRS in Chile. Today, 5 years after the application of these standards, we believe it is necessary to conduct further research and to confirm whether there have been any changes in the accounting policies the companies applied when adopting the IFRS. Such study would allow to determine how familiarized are these companies with the standards and whether the adoption of IFRS has been beneficial for financial statements users.

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