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Missing Relevant Disclosures or too much Irrelevant Disclosures

A case study on the concept of materiality

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ABSTRACT

One of the primary objectives of financial reporting is to provide users with useful information for decision-making. Standard-setters, such as the IASB, have therefore added to disclosure requirements in attempts to increase the level of transparency. However, transparency comes with a cost and information overload is a current perception of the outcome. The disclosure problem is the result of poor application of the concept of materiality. The underlying challenges are that there is not enough relevant information, too much irrelevant information, and that the communication of information is poor. As a consequence, entity-specific information is lost, and users view disclosures as generic and boilerplate.

To show how materiality is applied in practice, this study investigates the reasoning behind disclosure decisions in financial statements. Since materiality is entity-specific, a case study in a single organization is performed. Further, this study employs both a qualitative and quantitative approach with interviews and an investigation of financial statements. While the interviews show the reasoning behind disclosure decisions, the aim of the investigation of financial statements is to show the outcome and development of disclosures.

The findings of this study show that several determinants impact disclosure decisions. These are the materiality of items, internal and external actors, disclosure requirements from accounting standards, unchanged assumptions, and how information is constructed in other firms and accounting standards. These determinates impact disclosure decisions differently due to an underlying cost-benefit approach undertaken by firms. However, the findings indicate that this might have a negative impact on disclosure quality since the cost-benefit approach is conducted at the cost of the best reflection of the underlying economic situations at firms. This, in turn, questions the strength of enforcement in principles-based standards. The findings also show that the amendments to IAS 1 have impacted the preparer's disclosure decisions and resulted in a decrease of copied words from IFRS. However, the general view on IASB's work on materiality is mixed. A question is raised and remains unanswered; whether an entity-specific concept such as materiality can, or should, be defined. Instead, the study shows a need for clarification on the purpose of financial statements and its users.

Key words: *Materiality, disclosure decisions, disclosure quality, disclosure problem, compliance, boilerplate, principles-based standards, amendments to IAS 1, goodwill impairment, accounting policies*

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LIST OF ABBREVIATIONS

IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IAS	International Accounting Standards
EFRAG	European Financial Reporting Advisory Group
ANC	Autorité des Normes Comptables
FRC	Financial Reporting Council
ED	Exposure Draft
EMH	Efficient Markets Hypothesis
IRH	Incomplete Revelation Hypothesis
QC	Qualitative characteristics

DEFINITIONS

Disclosure In this study disclosure refers to the notes to the financial statements. In the theoretical framework, which type of disclosure different research refers to is specified. If it is not specified, disclosure refers to the notes to financial statements.

The concept of materiality Materiality is the entity-specific aspect of relevance. Information in financial statements is considered as material if an omission or misstatement of it could influence the economic decisions of users (IASB, CF, 2010).

Disclosure problem (1) Not enough relevant information, (2) Too much irrelevant information, and (3) Poor communication (IASB ED/2015/8, 2015b).

CONTENTS

1. INTRODUCTION

This chapter begins with a description of the background to the research subject. Subsequently, the purpose of this study is presented, followed by the research questions. In addition, the relevance of this study is summarized in potential contributions to existing research. Lastly, the outline of this study is described.

1.1 BACKGROUND

The mandatory implementation of International Financial Reporting Standards (IFRS) during 2005 has required listed firms in the European Union to be part of the unified accounting regime. The application of IFRS has been motivated by enhanced comparability between firms and increased transparency and quality of financial reports (EC, 2002). The objective of financial reporting is to provide primary users of financial statements with useful information to allow for informed decision-making (IASB, CF OB2, 2010). Transparency is therefore desirable as it generates benefits such as decreased information asymmetry and reduced risk for manipulation (Barth & Schipper, 2008). However, truly enhanced transparency is dependent on the quality of the implementation of IFRS (Glaum et al., 2013).

During the last decades, standard-setters have added to disclosure requirements in attempts to increase the level of transparency (IFRS Foundation, 2013; EFRAG, ANC & FRC, 2012). Nevertheless, changes in accounting regulation have instead increased the volume and complexity of disclosures. Information overload is therefore a current perception of the outcome of IFRS (EY, 2014). This has resulted in an increased difficulty for users to process information (Barker et al., 2013; Impink et al., 2015; Bloomfield, 2012; Mayorga & Sidhu, 2012) and concerns have been raised about the quality and usefulness of information (Abraham & Shrives, 2014). In order for disclosures to be useful to users, disclosures must be tailored to entity-specific information. Currently and on the contrary, disclosures are viewed as boilerplate[1] and generic. Boilerplate disclosures provide low value relevant information and reduce the overall transparency as it moves attention from entity-specific information (EY, 2014). As a consequence, users have demanded improved communication of relevant information within financial statements (IFRS, 2013b).

The topic of disclosure revolves around three concepts that constitute the basis of the disclosure problem. The underlying challenges of disclosures in financial reporting are that there is not enough relevant information, too much irrelevant information, and that the communication of information is poor. The IASB states that disclosure requirements under IFRS seem to have been incorrectly implemented by firms through the use of disclosure requirements as checklists and by replicating words from IFRS (IASB ED/2015/8, 2015b). As a result, entity-specific information is lost. This is the effect of poor application of the concept of materiality. Information is material in financial statements if an omission or misstatement of it could influence the economic decisions of users (IASB ED/2015/8, 2015a). The general

[1] Standardized text across firms (McMullin, 2014)

objective with the concept of materiality is to act as a filter. However, since IFRS is principles-based, limited application guidance is provided on how materiality should be implemented. Interpretation of materiality has therefore resulted in variations and differences in types of disclosures, their position, content and quality (Mayorga & Sidhu, 2012; Nell et al., 2015). The application of the concept of materiality must be improved in order for firms to identify entity-specific information that is relevant to users of financial statements (EFRAG, ANC & FRC, 2012). However, since the concept of materiality is entity-specific (IASB, CF, 2010), regulation of it is considered as difficult.

In an attempt to mitigate the disclosure problem, the IASB undertook the *Disclosure Initiative* project during 2012 in order to improve and simplify disclosures (IASPlus, 2016a). As a response to this, and as a first step of the Disclosure Initiative, amendments to IAS 1 *Presentation of Financial Statements* were issued in 2014 with the aim to clarify the concept of materiality (IASPlus, 2016c). Although materiality and relevance are currently greatly discussed by parties such as users, preparers and standard-setters (IFRS Foundation, 2013; Barker et al., 2013), the research on it is scarce (Barker et al., 2013). Traditional research on disclosures has mostly focused on the quantity of information rather than the quality of disclosures. Though more recent research has considered the latter as a more important subject to study (Abraham & Shrives, 2014). While quantitative studies have shown that disclosures have increased and found different compliance levels across firms under IFRS, there is no mention about the underlying economic situations at firms (Pettersson, 2015). It is also stated that preparers', auditors' and users' view of disclosures is still unclear (Schipper, 2007).

1.2 PURPOSE AND RESEARCH QUESTIONS

Given the described background, it is clear that the poor application of materiality is seen as the driver of the disclosure problem. This makes the concept of materiality highly relevant and requires further investigation by assessing how disclosure decisions take place in practice. The purpose of this study is therefore to show the reasoning behind disclosure decisions in the notes to the financial statements. Also, since materiality is entity-specific and due to the room for judgment under IFRS, it should be conducted at a firm-level to comprehend how materiality in a specific context is applied. A case study in a single organization is therefore performed. To fulfill the purpose, this study aims to answer three research questions.

First, to understand how materiality is interpreted in the specific case, the first research question is to examine *what determines which kind of information a preparer chooses to disclose*.

Second, due to the amendments to IAS 1, the second research question is to answer *the potential impact these changes have on the preparer's disclosure decisions and if IASB's work is in line with the need from a practical perspective.* According to Nell et al. (2015), disclosure quality is not only the result of the quality of management's disclosure decisions, but it is also dependent on the quality of disclosure regulation. The perceived quality of regulation is therefore of relevance to also be examined.

Third, to complement the research questions above and to add the context for disclosure decisions, the third research question is *how the disclosure regarding accounting policies and goodwill in financial statements have developed during 2005-2015.* While the disclosure of accounting policies is chosen because it is a representative illustration of the poor application of materiality due to the high degree of generic disclosure, the disclosure of goodwill impairment is chosen because of its high dependence on management's value assumptions due to the lack of an active market.

1.3 CONTRIBUTION TO PREVIOUS RESEARCH

This study contributes to the research literature in several ways. First, the primary contribution is that it provides a practical view on how a firm carries out their disclosure decisions and thereby increases the understanding for the preparation of disclosures. It gives an insight into disclosure decisions in a particular context. Second, this study adds to the scarce research of boilerplate disclosures (Runesson, 2015) by measuring the level of boilerplate disclosure from two perspectives: between firms and from accounting regulation. Third, it contributes to the ongoing debate on the potential information overload and adds to the work on disclosure improvements. This can be beneficial to accounting regulation in order to understand how standards are translated in practice. It also adds to the discussion whether accounting standards are perceived as high quality by preparers. Additionally, this is one of the first studies that shows how the amendments to IAS 1 have come to practice by looking at the impact on financial statements of 2015 (although effective from 1 January 2016).

1.4 OUTLINE OF THESIS

This study proceeds as follows. In Section 2, an institutional setting of relevant accounting regulation is presented. Further, a theoretical framework on disclosure quality is covered in Section 3. In Section 4, the chosen research method is described and motivated. In Section 5, the empirical findings are presented, followed by the analysis in Section 6. Lastly, in Section 7, the study is concluded and suggestions for future research are presented.

2. ACCOUNTING REGULATION

In this chapter, relevant aspects from accounting regulation for this study are presented. First, the overall purpose of financial statements and disclosures are presented. Second, amendments and current projects on materiality are included. Lastly, due to the partly focus on impairment on goodwill in this study, relevant parts of disclosure requirements under IAS 36 are presented.

2.1 CONCEPTUAL FRAMEWORK AND IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS*

The purpose of financial statements is to provide accurate information about the financial position and performance of an entity. This information should be useful to users when making economic decisions (IASB, IAS 1 paragraph 9, 2016). For information to be useful for users, it must be relevant and faithfully represented (IASB, CF QC5, 2010). Comparability, verifiability, timeliness and understandability enhance the usefulness of relevant and faithfully presented information (IASB, CF QC19, 2010).

The basis for financial statements in terms of presentation, structure and minimum requirements is regulated in IAS 1 (IASB, IAS 1 paragraph 1, 2016). The general purpose of financial statements is to meet the needs of users who cannot require tailored information from entities (IASB, IAS 1 paragraph 7, 2016). These users are presumed to have reasonable knowledge concerning business and economic activities (IASB, CF QC32, 2010). Information that is relevant for users' understanding and which is not included elsewhere in the financial statement should be presented in the disclosures (IASB, IAS 1 paragraph 112, 2016). Entities should disclose information regarding significant accounting policies, management's judgments, and assumptions about the future and uncertainties that have a significant effect of recognized items (IASB, IAS 1 paragraph 122, 2016). In the case of the disclosure of accounting policies, the separation of the generic from the specific accounting policies has been shown to be difficult to make. While useful information is lost in the technical disclosure, it is expressed that making disclosures on recognition and measurement without being technical is challenging (IASB, 2013).

Information is relevant if it could influence the economic decisions of users. This is the case if the information has predictive value or confirmatory value, or both (IASB, CF QC6-10, 2010). The entity-specific aspect of relevance is referred to as materiality (IASB, CF QC11, 2010). Information in financial statements is considered as material if an omission or misstatement of it could influence the economic decisions of users. The determining factor of materiality could be the size (i.e. magnitude) or nature, or both, of an item (IASB, IAS 1 paragraph 7, 2016). However, the understandability of material information can be offset when it is obscured with immaterial information or aggregated with other material information of items that have different nature (IASB, IAS 1 paragraph 30, 2016).

2.1.1 Materiality in ongoing projects

The Disclosure Initiative includes several projects that have been undertaken by the IASB. The objective is to improve and simplify disclosures within existing disclosure requirements (IASB ED/2015/8, 2015b). An overview of the Disclosure Initiative is presented in Figure 1.

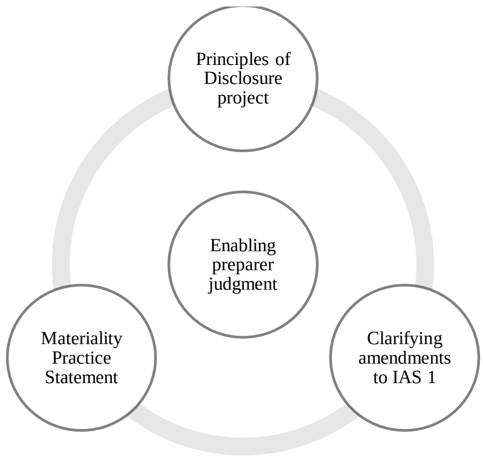

Figure 1. Disclosure Initiative (IASB ED/2015/8, 2015b)

The current work on materiality is based on the amendments to IAS 1 issued in 2014. The amendments were to clarify that immaterial information is not required to be disclosed. The work is separated into two parts. First, the Materiality Practice Statement focuses on the application of materiality in practice. Second, the Principles of Disclosure Project concentrates on the definition and main characteristics of materiality (IASB ED/2015/8, 2015b). The objective is to create more meaningful financial reports by helping preparers, auditors and regulators to use judgment to apply materiality correctly (EY, 2014). Overall, the projects on materiality focus on topics such as the lack of understanding and clarity when it comes to applying materiality, how the disclosure requirements should be written, and guidance on how significant accounting policies should be chosen (IASPlus, 2016b). Although the projects consider the whole financial statements, the application of materiality is focused on the notes (EY, 2014).

The concept of materiality is intended to be used as a filter to ensure that information in financial statements is presented in an effective and understandable manner. An entity’s specific circumstances should be considered when assessing whether the information is material and materiality should be reassessed if the circumstances change. Further, both qualitative and quantitative factors should be taken into account when materiality is applied. This means that the value or carrying amount of an item should not only be regarded but also the entity-specific factors. Merely numerical guidelines are not appropriate although a quantitative threshold could provide a basis when determining materiality (IASB ED/2015/8, 2015a).

The lack of guidance on the application of materiality is stated as the key driver of the extensive disclosures in financial statements. The uncertainty that exists within the concept of materiality comes from the ambiguousness in the purpose of financial statements and the identity of primary users (IASB, 2013). This has led to a cautious approach towards disclosures and an unwillingness to accept omissions (IASPlus, 2016b), resulting in preparers choosing to disclose more rather than less (i.e. a 'better safe than sorry' approach). To attain an effective application of materiality, professional judgment is required. However, professional judgment is missing when determining what kind of information to disclose. Instead, disclosure requirements are being used as checklists to comply with IFRS at the cost of functioning as communication. Standards are viewed as rules because of how they are formulated by regulators and standard-setters. There is, therefore, a need for pure principles-based guidance that helps preparers rather than showing them the way to a certain pattern of disclosures (IASB, 2013). The focus should be on how disclosures are communicated, i.e. how information is presented, how key messages are conveyed and how notes are organized (EFRAG, ANC & FRC, 2012).

While the concept of materiality is highly emphasized, it is should not be neglected that disclosing immaterial information is not prohibited by IFRS. It is however required to consider that the immaterial information is not obscuring material information. Under certain circumstances, it may be regarded as helpful to disclose immaterial information e.g. that the entity is not exposed to a commonly recognized risk when it comes to an item (IASB ED/2015/8, 2015a).

2.2 DISCLOSURE REQUIREMENTS UNDER IAS 36 *IMPAIRMENT OF ASSETS*

Goodwill is an asset that is determined based on expected future benefits that relies on management's projections of these and on several other important assumptions. The objective of IAS 36 is to ensure that intangible assets are not carried at values higher than their recoverable amount. In cases when the carrying amount exceeds the recovered amount through use or sale of the asset, entities should recognize an impairment loss by the amount that the carrying amount exceeds the recoverable amount. The recoverable amount is the highest of fair value less costs of disposal and value in use (IASB, IAS 36 paragraph 1, 2016).

The extensive disclosure requirements under IAS 36 paragraph 134 require entities to disclose estimations used for impairment test of goodwill and intangible assets with indefinite lives. The carrying amount allocated to each unit must be disclosed together with the basis on which the recoverable amount has been determined. If *value in use* is applied, entities must disclose: management's key assumptions on future cash flow that are the most sensitive, their approach to determining the values behind assumptions and whether assumptions reflect prior experience and external sources of information, the period for financial budgets that is used for projecting cash flows, the growth rate, and the discount rate. If the *fair value less costs of disposal* is used, entities must disclose the valuation technique(s) used. If a quoted price for identical units is not used then entities must disclose: key assumptions, management's approach, the level of the fair value hierarchy, and changes in valuation technique. If fair value is measured by using discounted cash flows, then entities must instead disclose: information about the period, growth rate, discount rate, changes in management's key assumptions about the recoverable amount, the amount that the recoverable amount exceeds the carrying amount, and the amount of change in key assumption.

3. THEORETICAL FRAMEWORK ON DISCLOSURE QUALITY

A theoretical framework on disclosure quality is presented in this chapter. Disclosure quality is of high importance in accounting research; however, there is no precise definition of it (Nell et al., 2015). Disclosure quality is therefore discussed from several aspects in this study. According to Barker et al. (2013), disclosure quality is improved by:

> (a) avoiding disclosure overload, which may be caused both by excessive requirements in the standards, and by ineffective application of materiality in the financial statements; (b) enhancing how disclosures are organised and communicated in the financial statements, to make them easier to understand and compare (p. 8).

When specifying disclosure quality in research, it is often done in terms of the quantity (e.g. Beretta & Bozzolan, 2004, 2008), level of compliance with disclosure requirements (e.g. Verriest et al., 2013; Nell et al., 2015) and degree of specific information (e.g. Abraham & Shrives, 2014). In this study, disclosure quality is discussed through research on information asymmetry, disclosure efficiency, the concept of materiality, the cost and benefit of compliance, and boilerplate disclosures.

In addition, disclosure quality is dependent on the quality of accounting standards, managerial incentives, and enforcement supervision (Nell et al., 2015; Glaum et al., 2013). Runesson (2015) states that principles-based mandatory disclosures are mostly driven by the same factors as identified in the research on voluntary disclosures. For instance, it can be factors such as enforcement and incentives. These aspects are also a part of the theoretical framework on disclosure quality.

3.1 INFORMATION ASYMMETRY

The theory of information asymmetry builds on the idea that there is an imbalance of information between the financial reporting company and its investors (Akerlof, 1970; Impink et al., 2015). The effect that disclosure has on information asymmetry is twofold. Some theories state that information asymmetry is reduced by corporate disclosures (Barker et al., 2013), which also is the underlying assumption of the Efficient Markets Hypothesis (EMH) (Fama, 1970). Other theories, such as the Incomplete Revelation Hypothesis (IRH), state that the benefits of corporate disclosures can partly be diminished due to increased complexity of disclosures or information overload, or both (Bloomfield, 2002).

In the EMH, it is assumed that all available information is reflected in market prices, which means that all information is good information (Fama, 1970). In line with this assumption, disclosures have increased due to regulation (Impink et al., 2015). Research cited by Barker et al. (2013) states that a decrease in information asymmetry is beneficial since it mainly affects financial information in capital markets and results in a decrease of cost of capital. Information asymmetry is reduced when preparers convey private, or entity-specific, information in their financial statements. If information is not entity-specific, it should already be available to the public. Easley and O'Hara (2004) discuss different degrees of private and public information disclosed in financial statements and how it affects the cost of capital of firms. Private information comprises a systematic risk, which cannot be excluded, and therefore investors demand compensation for this risk. This means that a higher degree of private (than public) information increases the cost of capital. The study suggests that firms can affect their cost of capital through the information they make available to investors by the precision, quantity and quality of it. This can be done by the selection of accounting standards and corporate disclosure policies.

In contrast to the EMH, the IRH challenges the underlying assumption that more information would reduce information asymmetry. This hypothesis regards the cost and difficulty to process information, which is referred to as noise that prevents information to be fully extracted. These factors are ignored in the EMH. Investors that choose to extract costly information will trade it in a market where noise traders are included. These investors trade randomly in the market and do not consider the new data added to the public. Consequently, market prices, due to the noise, will not reflect all revealed information (Bloomfield, 2002). Impink et al. (2015) investigate whether information has become more difficult to understand. Their findings support the IRH and show that increased disclosures have increased the gap between small and large investors since small investors often lack expertise, where the ability to process information is degraded when additional information is provided (Impink et al., 2015). The difference between EMH and IRH is not only reflected in the quantity of information, but also in the location and presentation of disclosures. The placement of information is an important aspect of disclosures in financial statements (Barker et al., 2013; Nell et al., 2015) and it is supported by IRH (Bloomfield, 2002). Meanwhile, in EMH it is stated that location and presentation have no impact and information is instead processed based on informational properties (Schipper, 2007). In general, research supports an effective organization and communication of disclosures (Barker et al., 2013).

3.1.1 Information overload

The complexity of disclosures has increased due to their increased volume (Barker et al., 2013; Impink et al., 2015). Concerns have been highlighted whether value relevant information has become more hidden from investors due to the excessive information firms disclose. The increased complexity and quantity of disclosures will eventually make investors reach a point where their ability and willingness to process information will degrade (Impink et al., 2015). Since users often have limited time to process information, the extensive information will result in extraction and localization problems. This leads to the issue of information overload, which draws from the fact that too much information can cause harmful implications. However, since it is difficult to prove if disclosures are irrelevant, the evidence of information overload is hard to ascertain. If it were to exist, it is argued that it may not have been driven by accounting standards but by enforcements agencies and preparers themselves (Barker et al., 2013). Although the quantity of information has dominated traditional research on disclosure, more recent research suggests that the quality of disclosures is more important than the quantity (Abraham & Shrives, 2014).

3.2 DISCLOSURE EFFICIENCY

Disclosures in financial statements are considered inefficient due to pressures of comprehensive disclosure and vague definitions of materiality in accounting regulation. Disclosure efficiency is defined in terms of disclosure benefits in relation to its costs for both preparers and users. For users, the costs are the time spent processing and interpreting the information. Information is only of value for users if it is relevant for decision-making. Meanwhile, the costs for preparers are the time spent compiling and publishing information (Bloomfield, 2012). This means that complete disclosures are not the optimal choice since it is not costless (Glaum et al., 2013). These costs can also be proprietary in nature and can damage a firm and reduce its future prospects. Because of this, there is a positive relationship between the proprietary costs and the threshold level of disclosure (Verrecchia, 1983). Managers face a dilemma regarding disclosure since they must decide on which information to disclose as well as how much of it. While too secretive disclosures can be perceived as weak and frustrating for investors due to limited disclosures, too transparent disclosures that reflect risks and other tools used in control systems might incur proprietary costs for managers (Abraham & Shrives, 2014). There is a trade-off between the benefits of extensive disclosure and the costs of potentially damaging information. This trade-off has been highlighted as one of the most critical determinants of corporate disclosure decisions (Abraham & Shrives, 2014; Verrecchia, 1983). This means that managers can try to manipulate disclosures to minimize proprietary costs (Abraham & Shrives, 2014).

To unravel disclosure efficiency, Bloomfield (2012) takes on a pragmatic approach with the underlying assumption that the choice of what to say or not to say is more important than what is actually said. For disclosures to be efficient, they must be carefully selected by firms and distinguished between new information and prior (i.e. material but known) information. Disclosure regulation is seen as one-sided since they encourage relevant information to be disclosed, but it does not discourage less relevant information. Consequently, investors must go through all information to draw new, useful information from the reports. Efficiency can be increased by dedicating the most prominent deviations a section in the annual reports or by using special formatting to show deviations that are material. Information should further be presented in disaggregated form, and the power to aggregate should be transferred from managers to investors (Bloomfield, 2012). The aim of disaggregation is to display information about management’s assumptions in different measurements (Schipper, 2007).

3.3 RESEARCH ON THE CONCEPT OF MATERIALITY

The line between material and immaterial information is vague, however in practice, items are either material or immaterial (Lo, 2010). The materiality of an item is usually considered in absolute or relative size by preparers of financial statements while the threshold for it is generally set together with auditors. Materiality is dependent on the expected impact on investors’ decision-making. The decision context is, therefore, important for the assessment of materiality. Also, this means that the greater the impact a given disclosure has, the lower the materiality threshold. Consequently, there is a positive relationship between materiality[2] and

[2] Measured as advertising-to-sales

disclosure volume (Heitzman et al., 2010). However, due to the dependence on the decision context, the same information can have different impacts on decision-making based on the user. For instance, information about growth opportunities is more relevant for equity investors than creditors. Another aspect of the research on materiality is the fact that although the quantitative amount of an item is large, the consequences of the item can in some cases be perfectly anticipated. Additional disclosures about it would therefore only confirm what is already expected (Lo, 2010).

The principles-based nature of IFRS gives a limited application guidance on what is necessary to disclose for preparers and auditors to reach compliance. The limited guidance requires more effort from management and auditors; it relies not only on their common judgment but also on management's willingness to make required disclosures and auditors' willingness to ensure compliance. The lack of well-specified rules in principles-based standards can be considered as a disadvantage since preparers of financial statements can either ignore the requirements of them or take advantage of them to benefit themselves (Mayorga & Sidhu, 2012). Consequently, the room for judgment in principles-based standards enables disclosure decisions to be driven by managerial incentives (Runesson, 2015).

Mayorga and Sidhu (2012) state that the lack of guidance for the materiality concept has resulted in variations and differences in types of disclosures, their positioning, content, and quality. In line with this, Liu and Mittelstaedt (2002) examine post-retirement benefits and show that materiality has been interpreted and applied differently across firms in their financial statement disclosures. The results are explained by the room for judgment in the materiality concept. The study further highlights that materiality is difficult to investigate empirically since amounts that are considered as immaterial are not disclosed. The risk is that managers can choose to avoid disclosures by stating that amounts are immaterial, resulting in mandatory disclosures being treated as voluntary instead. Nell et al. (2015) examine the relationship between the materiality of intangibles[3] and disclosure quality[4]. With the aim of deriving implications of improvement when it comes to accounting standards, the study indicates that there are imperfections in disclosure regulation under IFRS. The quality of intangible assets is widely different in firms and the disclosure policies in firms focus more on the amount of information than on how it is presented. The study shows low reporting quality in relation to increased materiality due to the high degree of freedom in accounting regulation that management is enabled to exploit. As a consequence, research (Nell et al., 2015; Liu & Mittelstaedt, 2012) suggests that accounting guidelines should be more straightforward and specific for disclosure policies in firms to be better developed.

The unclear application of materiality can also be related to the fact that the definition of users of financial statements is too subjective to be useful (Barth & Schipper, 2008). Young (2006) states that the ambiguity that exists about the user is a consequence of the lack of knowledge regulators have about users. This is a result of the limited knowledge about what kind of

[3] Intangibles-to-equity
[4] Disclosure index for information content, categorization, and formatting

information users of financial statements need and what role financial statements play in users' decision-making process.

3.4 THE COST AND BENEFIT OF COMPLIANCE

After the implementation of IFRS, it has been shown that it exists a reporting diversity when it comes to applying IFRS since managers tend to retain discretion. This diversity is reflected in compliance, and thus disclosure quality, indicating that some firms do not meet the minimum disclosure requirements in IFRS (Verriest et al., 2013). This can further mean that information which is presented in disclosures is biased if firms intentionally do not comply with IFRS (Glaum et al., 2013). According to theories presented in Mazzi et al. (2016), the degree of compliance in mandatory disclosures is dependent on a cost-benefit basis. This, in turn, is dependent on the power and efficiency of enforcement actors in a particular country. The enforcements also impact the compliance culture within a company and their attitude towards compliance with the regulation. The choice of non-compliance can, therefore, be a strategic decision based on the costs and benefits of non-compliance. Glaum et al. (2013) explain non-compliance as managers overlooking, misinterpreting or intentionally avoiding to apply certain disclosure requirements. The fact that compliance or non-compliance can be driven by managerial incentives increases the importance of enforcement when standards are principles-based (Runesson, 2015).

The degree of compliance is often studied under IAS 36, and thus impairment of goodwill, due to its complexity and record as being controversial (Glaum et al., 2013; Mazzi et al., 2016; Amiraslani et al., 2013). Having a European firm sample, Mazzi et al. (2016) find in their study that non-compliance is mostly related to proprietary information and information that reveals managers' judgments and expectations (e.g. assumptions and estimations used in the value in use method). Mazzi et al. (2016) further state that a field test conducted by IASB showed that participants were concerned about the requirements of disclosing these aspects as they may cause significant commercial harm to the firm. Firms do not provide disclosures on information that is considered as too private. Glaum et al. (2013), also employing a European sample, add to the research on compliance. They show that country-specific factors, entity-specific factors, and accounting traditions can be determinants of compliance. This leads to the conclusion that IFRS has been implemented unevenly across firms even if a common reporting standard is used. They show that country-specific factors such as the strength of enforcement systems play a major role in compliance since they find a positive association between compliance and enforcements systems. Entity-specific factors such as materiality of goodwill, prior experience with IFRS and type of auditor are also found to impact the compliance level. Regarding accounting traditions, the study shows that the strength of national traditions impacts compliance together with the entity-specific factors.

In addition, the level of compliance has also been studied through the use of boilerplate disclosures. Mayorga and Sidhu (2012) find that although the level of compliance is good due to boilerplate disclosures, firms are not providing detailed discussions on assumptions that have been made. Companies are instead reciting information in the financial statements without any underlying analysis but rather with boilerplate analyses that lack prospects. In regard to IAS 36, Amiraslani et al. (2013) state that compliance with the standard is usually achieved by using boilerplate language i.e. using words directly from IAS 36.

3.5 BOILERPLATE DISCLOSURES

‘Cutting and pasting’ in corporate disclosures is a common phenomenon often referred to as boilerplate disclosures (Nelson & Pritchard, 2007). Boilerplate disclosures are defined as standardized texts that recur across firms. These are shown to increase between firms within the same industry, geographic proximity, and if firms share the same auditing office. First, it is argued that firms within the same industry engage in similar economic activities and therefore use similar accounting principles to generate accounting information. Managers want to keep an eye on other firms in the same industry and compare accounting choices across firms. Second, firms usually start by looking at industry peers within the same geographic region when searching for guidance on disclosure language already approved by others. In this way, the risks of litigation and regulatory investigation are decreased, and firms can be sure that too much private information is not revealed. Third, the extensive knowledge of auditors is localized at the auditor office level which means that the same audit firm will most likely give the same advice to firms (McMullin, 2014).

A negative image of boilerplate disclosures in the financial statements is often viewed by many since it is deemed to reduce the usefulness of accounting information (McMullin, 2014). These disclosures are considered as useless since they can be applied to any company. Instead of providing boilerplate disclosures, firms should have specific disclosures that are revisited on a yearly basis to ensure the relevance in them (Abraham & Shrives, 2014). However, all boilerplate disclosures should not exclusively be viewed as bad, and the consequences of boilerplate disclosures have shown to differ among researchers. While McMullin (2014) shows the advantages of boilerplate disclosures with increased comparability across firms, Hope et al. (2016) show a decreased understandability of disclosures due to boilerplate information.

McMullin (2014) finds that users of financial statements may benefit from similar disclosures since it can increase comparability. Given that similar disclosures are used by managers to describe the same underlying economic information, comparability between firms will increase as it will make the same things look the same. Boilerplate disclosures can also reduce the preparation costs for preparers and lower the information processing costs for investors. Hope et al. (2016), on the other hand, explore the phenomenon of boilerplate in risk-factor disclosure by establishing a new measurement for quantifying the level of specificity in qualitative disclosure. This study shows that higher proprietary costs lead to less specific disclosure. Further, it shows that investors value specific disclosures in their decision-making process and during the assessment of accounting information, meaning that the understandability is enhanced with specific disclosures. In other words, since a higher level of detail enhances understandability, it is indicated that boilerplate disclosures in this context are unsatisfactory.

The phenomenon of boilerplate across firms can also be explained by other aspects than merely economical. Mimetic isomorphism can be used to find explanations to why firms are copying each other from a social and political perspective. By definition, mimetic isomorphism occurs when organizations adapt to what is perceived as the right way, or best practice, to achieve competitive advantage (DiMaggio & Powell, 1983). Abraham & Shrives (2014) state that firms can choose to copy each other because of the cost and benefit uncertainties of disclosures. It is more likely that firms copy from firms with good reputations. The risk, however, is the limited use of disclosures to users since disclosures can become too general and non-specific disclosures if firms only provide disclosures similar to others.

3.5.1 Similar disclosures over years

In contrast to boilerplate disclosures *across* firms, firms also use similar disclosures with a few changes *within* firms and across time. Cormier et al. (2005) show that firms get involved in routine social actions due to institutional pressure. Once managers have decided on specific disclosures, they become unwilling to change them. This is especially the case when the consequences of the changes are unclear. One reason for why firms use similar disclosures is to minimize incremental disclosure costs. Further, the use of the same disclosures from year to year reduces the possibility of unwanted attention since old disclosures have already been 'tried and tested' and should, therefore, be kept. This behavior is not sustainable in the long-run due to changes in risks. Abraham and Shrives (2014) state that specific information most likely changes over years, while general does not. The importance of specific information is highlighted since disclosures that are general and made by routine may appear as valid, however with no information content provided. In turn, useful information is obscured. The focus in disclosures should be on current and relevant issues. However, if similar disclosures are used because risks are stable over years, then this must be clearly stated. This enables investors to be certain that risks have been evaluated although they are unchanged from prior year.

4. METHOD

In the method chapter, the chosen research approach is described. The research questions in this study are examined by interviews (qualitative) and an investigation of financial statements (quantitative). The motives behind the choice of a combination of the two research methods are presented first. Subsequently, the choice and context of the chosen case firm are described. Further, the method and data collection behind the qualitative part of the study are presented, followed by a description of the same parts for the quantitative part. Lastly, an analysis of the data collected for both approaches is laid out. The research quality in terms of validity, reliability and trustworthiness is discussed in conjunction with relevant parts.

4.1 RESEARCH APPROACH

To achieve the purpose of this study, a case study in a single organization is conducted by using a combination of both a qualitative and quantitative research approach through interviews and an investigation of financial statements. A combination of these two research methods enables the generation of complementary explanations to the same phenomenon and to control the consistency in the findings from different data collection methods (Golafshani, 2003). On the one hand, the interviews enable a closeness to the source of information and a deeper understanding of the reasoning behind disclosure decisions. On the other hand, the aim of the investigation of financial statements is to show the outcome of disclosure decisions in the case firm and then to put it in context with other firms. The purpose of the latter is to describe and understand the development of disclosures in financial statements and thus complement the qualitative interviews. The use of two to methods strengthens a study (Golafshani, 2003) and results in a higher degree of both validity and reliability (Collis and Hussey, 2014). In addition, the evaluation of research quality differs between quantitative and qualitative methods. For the quantitative, it is evaluated based on the concepts of validity and reliability. For the qualitative, it is evaluated based on its trustworthiness (Bryman & Bell, 2015). Moreover, the importance of understanding the context in a case study is high. This study is therefore highly influenced by an interpretivist paradigm with an inductive research approach, meaning that the focus is on the specific rather than the general (Collis & Hussey, 2014). Regarding generalization, this also means that it is theoretical where the aim is to expand theory by adding new contexts (Ryan et al., 2002).

Since qualitative data can only be understood within a context, background information needs to be collected first (Collis & Hussey, 2014). Therefore, initial meetings with the respondents of the interviews and a pre-study of financial statements are conducted before the actual study is carried out. This setup facilitates the understanding of the financial statements and the choices of the investigated notes and variables. After the pre-study, the actual interviews are conducted, and in parallel with the later phase of the interviews, the actual investigation of the financial statements is performed.

4.2 THE CASE FIRM

In this study, a case study is used to assess how materiality is applied in practice. Since the concept of materiality is entity-specific (IASB, CF QC11 2010), a case study in a single organization is deemed to be the most appropriate method. This method enables the possibility of understanding how accounting is performed in practice (Ryan et al., 2002) and entails a detailed and intensive analysis of a phenomenon (Bryman & Bell, 2015). A prerequisite for the choice of case firm is that it is large enough to devote resources to preparing notes in financial statements. The selected case firm is a Swedish global, leading manufacturing company within its industry and operates in a rather stable market. The case firm is listed on the NASDAQ OMX Stockholm, applying IFRS, operating in over 30 countries and has an operating revenue of approximately 70 000 million SEK in 2015 with about 50 000 employees.

To increase the trustworthiness of the study, the identities of the case firm and the respondents are treated anonymously. This is motivated by the higher probability of more open answers (Collis & Hussey, 2014). Since the purpose of this study is not dependent on the specific firm but rather on its context, the identity of the firm itself is not the most important as long as a satisfying context of the firm is provided. The context of the case firm is described in two parts. First, the main characteristics of the case firm are given in this subchapter. Second, the results of the quantitative part of this research also add to the context by showing the development of disclosures within the case firm as well as the development in relation to other firms. These aspects also provide the reader with a possibility of generalizing or transferring the results of this study to other contexts.

4.3 QUALITATIVE INTERVIEWS

The fact that IFRS is principle-based leaves room for judgments during decision-making in firms. Interviews are therefore conducted to find out on what basis the case firm makes disclosure decisions. Although one general weakness with interviews is the risk of biased answers from respondents (Dichev et al., 2013), interviews are deemed to be the most relevant method to show how the concept of materiality is applied in practice. Aligned with an interpretivist paradigm, the interviews are semi-structured. The interview guide (see Appendix 1) contains three to four open questions complemented with key words to show the main topics in the study. The interviews are also highly influenced by the analytical approach described by Kreiner and Mouritsen (2005). In line with the analytical approach, the aim of the interviews is to follow-up on topics that are considered the most important by each respondent rather than to ask all prepared questions. This means that the course of the interviews is mainly driven by the respondents themselves, which further enables unexpected principles to be found. Moreover, the majority of the subjects brought up during the interviews by the respondents are asked to be put into context or examples to deepen the discussion, which also enhance the trustworthiness of this study. The combination of a semi-structured approach, an analytical interview approach and a focus on follow-up questions require certain theoretical maturity from the interviewers. Due to this, the interviews are conducted as late as possible during the process of this study.

A total of four interviews is conducted. Three interviews are conducted face-to-face while one is conducted by telephone due to geographical distance. The interviews are spread over a longer period to enable the results of one interview to complement the following interview.

The interview guide is sent in advance to each respondent with an abstract of the study. Moreover, all interviews are recorded. Although permission to record is given, it can still be perceived as uncomfortable for respondents to be recorded. However, it enables the interviewers to concentrate on following up on interesting aspects rather than taking notes (Bryman & Bell, 2015). Further, the interviews are held in Swedish. In line with the recommendation of Bryman and Bell (2015), the interviews are directly transcribed in Swedish afterward and then translated into English during the report writing. Although there is a risk for incorrect translations, Swedish is the language spoken fluently by all parties and therefore deemed to overcome the risk since it enhances the understandability in general and enables better discussions.

4.3.1 Selection of respondents

The selection of respondents is an important part of this research process since the creation of data is dependent on the respondent's opinion and knowledge about the subject (Kvale & Brinkmann, 2009). The respondents are therefore chosen based on their position, qualification, and experience. All respondents within the case firm have a decision-making role within notes, which is considered as important to ensure that they can impact disclosure decisions.

Three of the respondents are from the case firm and the last one is from their auditing firm. The three respondents from the case firm are the Group Chief Accountant and two of the Group Accountants (1 and 2 in Figure 2). They are all located in the department responsible for the conduction of the consolidated financial statements (see Figure 2). The Group Chief Accountant has an overall decision-making role in the financial reporting of the case firm while each Group Accountant is responsible for a particular area within IFRS that is connected to the notes in the financial statements. The responsibility of a note is not fixed to one Group Accountant, but instead, the responsibility is rotated after a certain time. This is the case for all notes except for financial instruments. The fourth respondent is the IFRS expert from the case firm's auditing firm that the case firm turns to for advice with financial reporting. The IFRS expert is highly involved with the preparation of disclosures in the case firm and gives a broader insight of disclosure decisions of a preparer.

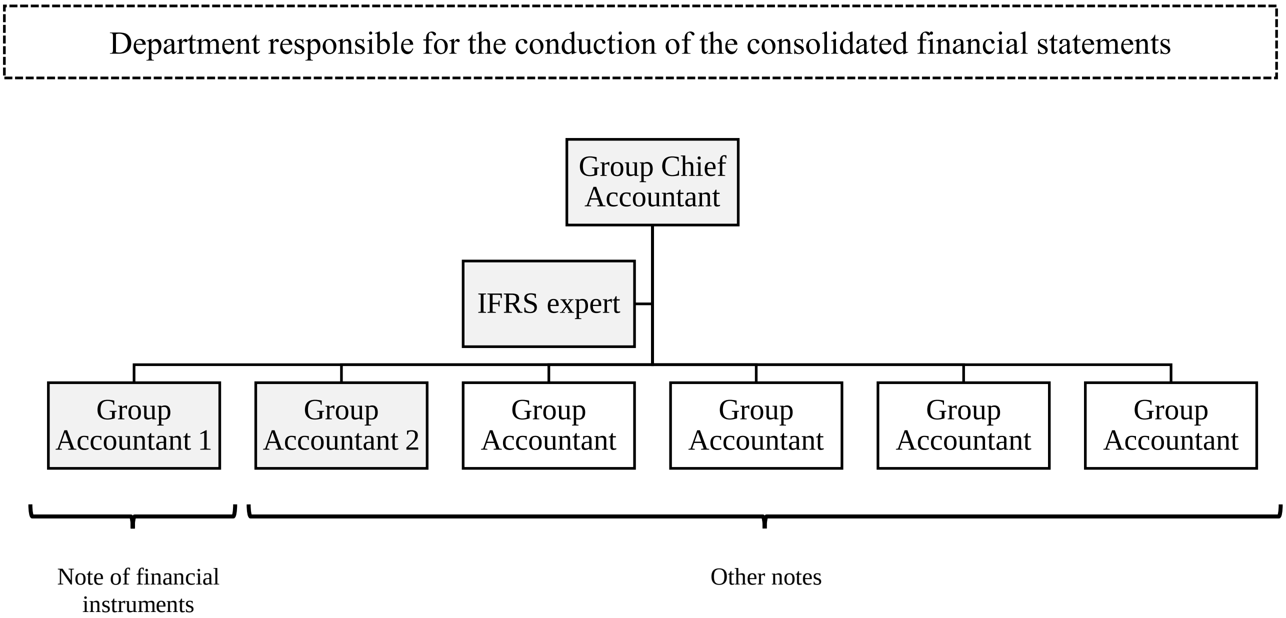

Figure 2. Overview of the interviewed department in the case firm

The variation in characteristics of the respondents enables a better and broader view of the whole phenomenon of disclosure decisions in the case firm since all respondents have different responsibilities within notes. A summary of all the respondents can be seen in Table 1.

Table 1. The respondents

Respondents	Description
Group Chief Accountant	Overall responsibility of financial reporting. Working experience of 25 years at the case firm. The interview was conducted face-to-face the 30th of March during 60 minutes.
Group Accountant 1	Responsible for the note about financial instruments with a working experience of 8 years within the case firm. The interview was conducted face-to-face the 15th of March during 60 minutes.
Group Accountant 2	Currently responsible for the tax note, with a working experience of 8 years within the case firm. The interview was conducted face-to-face the 21st of March during 60 minutes.
IFRS expert	Partner and IFRS expert at the audit firm of the case firm. The interview was conducted through telephone the 22nd of March during 45 minutes.

4.4 INVESTIGATION OF FINANCIAL STATEMENTS

The investigation of financial statements shows the outcome of disclosure decisions in the case firm. The aim is to describe and create an understanding of the development of disclosures in financial statements and thus complement the qualitative interviews. While the qualitative part mainly focuses on the case firm, the quantitative part comprises eight Swedish listed firms, including the case firm. The inclusion of other firms provides a context to the development of the case firm and shows if the case firm deviates from the rest. To limit the impact of different accounting regulations, the period of 2005-2015 is chosen due to the mandatory adoption of IFRS in 2005. It is also important that the end year is as recent as possible due to the current attention on the application of the concept of materiality.

4.4.1 Sample of other firms

The seven other firms, excluding the case firm, are chosen based on two main arguments; some of them are mentioned by the case firm as firms which they compare themselves with while others are selected based on similarities with the case firm in terms of size and industry. In common with the case firm, they all are Swedish, listed on the NASDAQ OMX Stockholm, applying IFRS and categorized in the Large Cap segment (market value over 1 billion EUR). They are also similar to the case firm in terms of structure in the notes to financial statements, which make them comparable and usable for the chosen variables. The initial goal of ten firms was reduced during the pre-study phase since only seven firms are considered to be comparable. The total sample of eight firms (here including the case firm) and a time span of eleven years result in 88 firm-year observations.

4.4.2 Selection of disclosure areas

The investigation of financial statements focuses on two sections in the notes; the accounting policies and goodwill. Both sections are highly discussed by the case firm, accounting regulation and previous research. These sections are classified as challenging areas during the preparation of notes. In regard to accounting policies, this section contains a high degree of generic disclosure that are directly repeated from IFRS. Accounting policies have been, and still are, subject to reconstruction within the case firm. In regard to goodwill, it is dependent on value assumptions made by the management and therefore of high relevance to investors, making goodwill an important item in financial statements. Firms are criticized for having insufficient disclosure regarding impairment tests of goodwill and disclosure regarding judgments are of varying quality (NASDAQ Stockholm, 2014; ESMA, 2013, 2015).

4.4.3 Data collection

The data collection from the investigation of financial statements includes both qualitative and quantitative data and is conducted in the same manner for all firms. Qualitative data is collected by retrieving the descriptive texts in the disclosures, excluding graphs, tables, and diagrams. Accounting policies are collected from the section either in or before note 1 of financial statements, being named *Accounting policies, Accounting principles, Significant accounting policies, Key estimates, Critical accounting estimates, Accounting estimates and judgments* or similar. In cases when accounting policies and key estimates are divided into two notes, both notes are included. Goodwill is mostly collected from two parts of the notes;

from the intangible assets note and parts of accounting policies. These parts about goodwill were chosen after a review of the notes to the financial statements in order ensure that these were the only parts where impairment of goodwill is mentioned. To also ensure some degree of consistency and objectivity, the whole note of intangibles assets is included as substantial parts of it includes goodwill or is integrated with goodwill. Disclosure on goodwill from the section of accounting policies are included from content under headings such as *Intangible assets, Intangible fixed assets, Impairment losses, Impairment losses of non-financial assets, Asset impairment* or similar. The quantitative data is collected through the database Orbis when the data is available; otherwise the data is manually collected by retrieving it directly from the annual reports of the firms.

4.4.4 Selection and collection of variables

Four variables are used in the investigation of financial statements for accounting policies and goodwill. These variables are materiality, amount, compliance level, and similarity level. Materiality and amount are measured to assess the context and importance of items in relation to the quantity of notes. Compliance and similarity level are measured based on IASB's statement that the poor application of materiality is the result of the use of checklists and replication of words from IFRS (IASB ED/2015/8, 2015). Only amount and similarity level are however applicable to the section of accounting policies since there is no specific item connected to this note. Moreover, to ensure that the variables are measured correctly and to ensure the replicability and repeatability of the results, the variables are described in the sections below and have been performed several times.

Materiality

The materiality is measured for goodwill and defined as a ratio of equity, i.e. goodwill-to-equity. Materiality is important since only material information is considered to have an impact on decisions (Nell et al., 2015) and therefore the variable provides a context of the importance of the studied item. In line with previous studies, the materiality threshold of goodwill-to-equity ratio in this study is set to 5 percent (ESMA, 2013; Mazzi et al., 2016). The pre-study of financial statements also showed a significant development of the goodwill-to-equity ratio in the case firm during 2005-2015.

Amount

Closely related to materiality is the amount of words written since a higher materiality of items triggers more disclosures (Mazzi et al., 2016). In regard to accounting policies, this note is several pages in most financial statements. The amount is calculated for both goodwill and accounting policies.

Compliance level

The compliance level is measured based on disclosure requirements in IFRS for impairment of goodwill. These disclosure requirements are stated in IAS 36 paragraph 134. In accordance with the paragraph, firms are required to disclose estimations used for impairment test of goodwill. According to Nell et al. (2015), compliance with IFRS is an indication of high disclosure quality while non-compliance is considered as unsatisfactory. The disclosure compliance scoring sheet (see Appendix 2) for this measure is compiled by Fallström and Henriksson (2013). In line with Fallström and Henriksson (2013), each requirement of disclosure is deemed equally important. In this study, the only deviation from their method is the elimination of a subparagraph concerning immaterial assets other than goodwill since this is outside the scope of this study. The scoring is as follows; each firm receives a score of 0 if a disclosure is missing, 0.5 if it is lacking, and 1 if a requirement is fully disclosed. When the checklist item is not applicable, the item is excluded from the scoring. Moreover, only in two cases, 0.5 can be given, which are when firms are required to disclose the discount rate and growth rate. In these cases; 0 is given when there is no disclosure, 0.5 is given if ranges are provided, and 1 is given when rates are given for each CGU. The maximum score is 20 points when every checklist item is applicable, compared to the original of 21. The total level of compliance is calculated according to the formula below:

$$I_j = \frac{\sum_{i=1}^{n_j} x_{ij}}{n_j}$$

where
n_j = number of items applicable to the *j*th firm, $n_j \leq 20$
x_{ij} = 1 (or 0.5) if the *i*th (applicable) item disclosed, 0 otherwise
$0 \leq I_j \leq 1$

Due to the period of 2005-2015 in this study, the most recent disclosure requirement paragraph is compared to all prior years to identify changes. The result of this comparison shows that there have only been minor changes. These changes concern firms that use fair value less costs of disposal and where it is not measured using a quoted price. Since no firms in the sample during 2005-2015 use this method or level of fair value hierarchy, no adjustments concerning these changes are made to Fallström and Henriksson (2013).

In regard to reliability and validity, the compliance measure requires some judgments to be made when completing the scoring sheet. However, the scoring sheet by Fallström and Henriksson (2013) is simplified and complemented with other sources by the authors themselves. For example, the level of detail is assessed based on the Illustrative example 9 of IAS 36. The disclosure requirements are also explained based on studies on IAS 36 paragraph 134 made by ESMA. This ensures that the scoring sheet is applied in a consistent way for all firms. The same method of compliance is used in other prior studies (e.g. Rubenson & Schagerlind, 2014) which increases the validity of it. One issue of validity with the compliance level is that that non-disclosure can be the result of immaterial requirements, which is something that this study does not take into account when assessing the compliance level.

Similarity level

The similarity level shows whether the same information is disclosed over the examined period. In this study, it is an indication of the extent to which information remains unchanged in financial statements (1) within each firm from one year to the next, (2) between the case firm and other firms, and (3) in comparison to the accounting standard IAS 36. According to Abraham and Shrives (2014), the comparison between different firms and to accounting standards can also show whether managers have disclosed generic (i.e. boilerplate) or specific information.

The text re-use detection software program WCopyFind is used to measure the similarity level. The advantage of this software compared to other software is that it allows the user to control the content of the text corpus by adjusting several parameters (Bloomfield, 2011a). The main parameter is the minimum number of words in a sequence that must match before a text string is considered as a match. In this study, this is set to six words since it is the recommended number. If a parameter lower than six words is set, there will be a higher probability of matches on technical disclosure such as value in use, fair value, and impairment of goodwill. Another important choice in this study is the use of imperfectly matching phrases rather than perfect matches. The imperfect matching allows WCopyFind to include phrases with non-matching words and to match phrases although one or two words are missing between the compared document. It also allows for matches if the difference is due to for example conjunctive verbs[5] and conjunctive adverbs[6]. Moreover, imperfect matching allows to set an own percentage of perfect matches in a phrase to be considered as a match. To allow for matches despite minor editing, the limits in this study are set to two words and 80 percent. Although imperfect matches are chosen, the outcome of both perfect and imperfect matches only differ by a few percentages. Regarding the other features (see Appendix 3 for all options, descriptions, and choices) of WCopyFind, punctuation, outer punctuation, numbers and letter case are ignored. Also, non-words are skipped, and long words are included. By being able to control the parameters, validity is increased since the tests can be customized to fit the study. A weakness of the system is that it does not consider the whole context. However, this is partly compensated through interviews.

The similarity level is measured from three aspects: (1) The content in the section about accounting policies and goodwill in one year is compared to the same content the previous year within each firm separately. In the results, the case firm itself and an average for other firms are presented. Due to the years that is chosen, 2005 is excluded from this similarity aspect. (2) Both goodwill and accounting policies in one year of the case firm are compared to the each of the other firms individually for the previous year and then are presented as an average. One year in the case firm is always compared to a previous year in the other firms since it is not considered to be possible for the case firm to copy anything from the same year due to the release of financial statement around the same time. This means that 2005 is excluded for this aspect as well. (3) The note of goodwill of each firm is compared to IAS 36. In the results, the case firm itself and an average for other firms are presented.

[5] E.g. the use of *are*, *is* or *being*
[6] E.g. *however*, *furthermore* or *moreover*

A summary of all variables used in this study is presented in Table 2.

Table 2. Summary of variables

Variables	Description
Materiality	Goodwill-to-equity (MAT_G)
Amount	Amount of words in accounting policies (AM_AP) and goodwill notes (AM_G)
Compliance level	Compliance in goodwill notes under IAS 36 in regard to paragraph 134 (COMP_G)
Similarity level	(1) Level of similarity in accounting policies (SIM_AP) and goodwill (SIM_G) notes comparing from year to year (2) Level of similarity in accounting policies and goodwill notes in the case firm compared to each individual firm and then presented as an average (3) Level of similarity in goodwill notes compared to IAS 36 (SIM_G_IAS36)

4.5 ANALYSIS OF THE DATA COLLECTED

When analyzing qualitative data, there are few established templates in contrast to analyzing quantitative data. One of the main challenges with qualitative research is that it generates a large amount of text (Bryman & Bell, 2015). In this study, the analysis of the data collection is inspired by the thematic analysis described by Bryman and Bell (2015). This approach provides a framework for an analysis of qualitative data but does not tell how to identify themes. The main themes are determined based on the (two) research questions that concern the qualitative part of the study: (1) determinants of disclosures, (2) comments on amendments to IAS 1 and IASB's work on materiality. Further, since the aim with the interviews is to put focus on different aspects on the same phenomenon from each respondent, several sub-themes (i.e. different disclosure determinants) are derived from the data collection from each respondent. To identify sub-themes, the focus is on new determinants, repetitions of topics between respondents as well as on similarities and differences on how the same topic is discussed by different respondents. The classification of sub-themes is carried out by coding words and phrases with the same codes across all data. The next step includes cutting and sorting the categorized text into the different sub-themes. To increase the objectivity of the study, quotes are an important part of the analysis of data collection and the respondents' answers are therefore enhanced by quotes in the empirical chapter.

The variables used in the quantitative part, as a part of the third research question, are derived from the different aspects discussed during the interviews. Due to this, it is easy to categorize the variables into the corresponding sub-themes and the most quantitative data is therefore presented together with the interviews in the empirical chapter. The development of each variable is displayed with the use of line graphs since these are often used when the presented data is collected at different points in time (Collis & Hussey, 2014). Since both previous theory and the interviews indicate that there could be a relationship between several of the variables, Spearman's correlation test is used to analyze the quantitative data and to show the correlation between the variables. The use of a non-parametric test, which the Spearman's test is, is motivated by the fact that some variables are not normally distributed. This is especially the case for the materiality variable (see Table 3 in Section 5.1). A potential explanation to this is the small sample used in this study since normal distribution mostly comes with large samples (Nell et al., 2015). The significance level is set at both 1 and 5 percent and all firms are tested against each other.

5. EMPIRICAL FINDINGS

In this chapter, the empirical findings of this study are presented. An introduction to the empirical findings is presented first. This includes a summary of empirical findings, descriptive statistics, and correlations. The rest of this chapter is structured based on the two first research questions. Meanwhile, the third research question is embedded into the two first.

5.1 INTRODUCTION TO EMPIRICAL FINDINGS

The purpose of this study is to show the reasoning behind disclosure decisions in a case firm. The *first research question* is therefore to examine the determinants of the disclosed information. The empirical findings show that the choice of what kind of information the case firm chooses to disclose is dependent on five identified determinants: (1) the materiality of items, (2) internal and external actors, (3) disclosure requirements, (4) unchanged assumptions over years, and (5) inspiration from other sources. The first research question is presented in Section 5.2. Taking it one step further, the *second research question* is to answer the potential impact of the amendments to IAS 1 on disclosure decisions as well as to investigate if the current work of IASB is in line with the need from a practical perspective. The second research question is presented in Section 5.3.

To complement the two first research questions and to show the development and to add the context for disclosures, the *third research question* is attained by measuring four variables: materiality, amount, compliance level, and similarity level. These variables represent the actual outcome of disclosure decisions and are drawn from the notes of goodwill and accounting policies. The third research question is presented in both Section 5.2 and Section 5.3. Table 3 shows the descriptive statistics of the variables used in the study for the case firm in conjunction with the other firms.

Table 3. Descriptive statistics

Variables	Mean	Std. Dev.	Min	Median	Max	Observations
MAT_G	0.58	0.35	0.06	0.52	1.23	88
AM_G	906.96	256.98	194.00	895.50	1474.00	88
AM_AP	7205.93	2021.44	2750.00	7318.50	12377.00	88
COMP_G	0.75	0.16	0.00	0.75	1.00	88
SIM_G	0.85	0.16	0.06	0.91	1.00	80
SIM_AP	0.86	0.09	0.52	0.89	0.99	80
SIM_G_IAS36	0.08	0.05	0.00	0.08	0.20	88

All variables are in ratios except for Amount
G=Goodwill, AP=Accounting policies

It can be seen from the descriptive statistics that there is a large stretching between minimum and maximum for most variables. The materiality of goodwill has a mean of 58 percent, indicating that the item is significant in the sample. Although the lowest level is 6 percent, it is still material based on the materiality threshold set in this study (i.e. 5 percent). The minimum values of the amount and compliance level are explained by the fact that 2005 is included in the sample which is the year when IFRS was implemented. The high standard deviations in the amount in both goodwill and accounting policies are explained by the fact that some firms write more than others. Similarity levels in goodwill and accounting policies within each firm is overall high, with a maximum of 99 to 100 percent. The minimum level of similarity in goodwill is low because of one firm during 2005. The level is, however, high during the rest of the period in that firm as well. The similarity level from IAS 36 has a mean of 8 percent and a standard deviation of 5 percent. This means that firms copy from IAS 36 to different degrees. From the median values, it can be seen that not all variables are normally distributed.

Since the qualitative results from the interviews indicated on several relationships between the studied variables, Table 4 shows Spearman's correlation. Relevant correlations for this study are highlighted and will be commented on in Section 5.2 and 5.3, while the remaining correlations are either due to chance or deemed irrelevant.

Table 4. Spearman's correlation

Variables	MAT_G	AM_G	AM_AP	COMP_G	SIM_G	SIM_AP	SIM_G_IAS36
MAT_G	1.000						
AM_G	**-0.0144**	1.000					
AM_AP	-0.4120**	-0.0312	1.000				
COMP_G	**0.2627***	**0.4362****	-0.4541**	1.000			
SIM_G	**0.2082**	**-0.1422**	0.1806	**0.0551**	1.000		
SIM_AP	0.0811	0.2672*	-0.0385	0.3706**	**0.3149****	1.000	
SIM_G_IAS36	**-0.5409****	-0.0036	**0.7812****	**-0.5310****	0.0796	0.0365	1.000

** $p \leq 0.01$, * $p \leq 0.05$

5.2 DISCLOSURE DECISIONS

5.2.1 Materiality

There are two initial ways on how the case firm determines which items that need to be disclosed in the notes to the financial statements. First, all items that are material in terms of amount need to be disclosed due to the positive relationship between the size of the item and its impact on decision-making for investors. However, there is no given materiality threshold in the case firm. Second, additional explanations to special events during the financial year are also given. It can be events that are extraordinary or have resulted in a significant change in the size of an item compared to previous year. The IFRS expert states that firms, in general, assess materiality based on the balance sheet and income statement separately. He takes impairment of goodwill as an example:

> Firms decide that they do not need to provide too much disclosure on goodwill if the item is small in relation to total assets because that makes the item immaterial as it would have a small impact on decision-making. However, if you were to make an impairment of the same goodwill item, it might have a material impact on the income statement in a specific period. We sometimes get too hung up on the size of the total assets of a firm, but forget the impact it might have on the income statement when assessing materiality (IFRS expert).

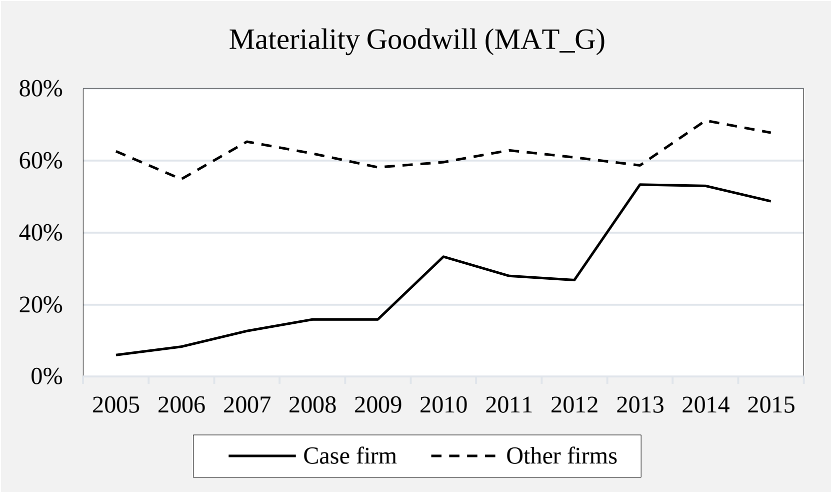

Figure 3. Materiality of goodwill-to-equity

Since materiality is an important factor when disclosing information in the case firm, the materiality of goodwill is measured and presented in Figure 3 above. The figure shows both the development in the materiality of goodwill in relation to equity within the case firm as well as an average for other firms during the period 2005-2015. The higher the ratio, the higher the materiality of the item. It can also be seen from the figure that materiality of goodwill on average is relatively high and stable for other firms. Meanwhile, for the case firm, it increases from 6 percent to 49 percent.

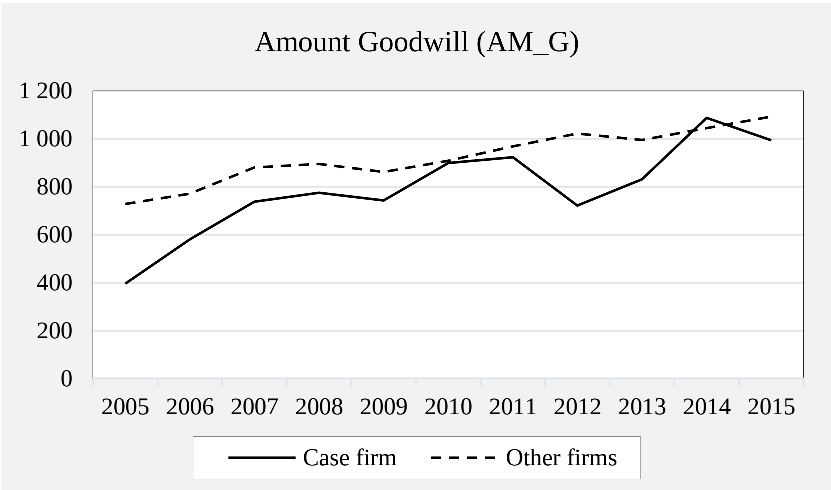

Figure 4. Amount of words in goodwill

The materiality of items determines the amount of words in the corresponding note according to the case firm. The amount of goodwill is therefore measured. It is seen in Figure 4 above that the amount increases from 395 (2005) to 993 (2015) in the case firm. The figure also shows an increase for other firms where the amount increases from 727 (2005) to 1 093 (2015). When testing the correlation between the amount of goodwill and materiality, the Spearman's correlation test shows no significant correlation ($r_s = -0.0144, p > 0.05$). The correlation could be due to the use of a small sample in this study. This could also be because materiality on average is stable in other firms (while not for the case firm) while their disclosures increase, which can indicate that the amount is not only dependent on the materiality of the item.

5.2.2 Internal and external actors

Despite the importance of materiality in disclosure decisions, the case firm respondents state that several actors impact the information in the notes. Subsidiaries are the ones providing the financial figures which mean that some disclosure decisions are already taken on lower levels. Moreover, internal key persons have as purpose to add different perspectives. For example, Investor Relations add with a user perspective while the CFO gives a more critical review. Accounting regulation, auditors, and other accounting advisors also have their requirements which the case firm must take into consideration. The Group Accountant 2 states:

> There are three forces that go against each other: we [the case firm] as a company, auditors, and IFRS. We all must interact with each other and fulfill all requirements of both IFRS and auditors. At the same time, we must make sure to include all our own thoughts of what is material for the Group (Group Accountant 2).

Further, enforcement agencies such as the Stockholm Stock Exchange (NASDAQ) give their comments based on yearly reviews. The Group Chief Accountant states that it is uncomfortable to get a comment from an enforcement agency. Comments are not always wanted and have led to an increase of immaterial disclosures. For example, NASDAQ argues that all information that is already public must be included regardless if the information is material or not, which the case firm does not agree on. The public sector is another user that has additional requirements. In their case, a high level of detail in some notes is wanted although these notes might not always be considered as material for the Group. Due to all requirements, the Group Chief Accountant questions the user of the annual report and states:

> We are not sure who the users of annual reports are anymore. Currently, it [the annual report] is only written to comply with regulation (Group Chief Accountant).

For all actors, a common factor is that they always comment on information that needs to be restated or added. The case firm almost never receives comments about immaterial information that needs to be excluded.

5.2.3 Disclosure requirements in regulation

Disclosure requirements in regulation have a big impact on disclosure decisions in the case firm. In some cases, compliance with requirements outweighs the importance of providing only material information. As an internal control for ensuring compliance with IFRS requirements, the case firm uses a checklist provided by their auditing firm. All disclosure requirements under IFRS are compiled in the checklist however it is not explicitly made for the case firm. The pressure to follow the checklist is high and deviations from it is often brought up for discussions. Group Accountant 2 states that the checklist is often hard to understand and in most cases time-consuming as well. She believes that the checklist is one of the drivers to information overload and emphasizes the need for an entity-specific checklist. This would enable firms to exclude areas that are non-applicable to them. In addition, more focus could be given to areas that are relevant instead. The IFRS expert agrees with the partly negative consequences of the checklist. He believes that it has resulted in firms including additional disclosures only to avoid discussions with auditors or other external advisors. These discussions are often time-consuming for firms. It is, therefore, easier to include more information rather than less. Group Accountant 1 takes financial instrument as an example. The requirements on financial instruments are extensive, and the case firm includes information without much references to materiality to comply with disclosure requirements. As a consequence, several pages of disclosure on financial instruments are provided although it is not seen as entity-specific by the case firm. Meanwhile, the IFRS expert states that these financial instruments are something that that big firms need to disclose due to the large size of the item. All big firms have internal banks and can, therefore, be seen as big banks.

According to the case firm, the disclosure requirements are not entirely in line with what they perceive as relevant to disclose for their specific business. For example, inventory is one of the largest items on the balance sheet in the case firm, but there is almost no disclosure regarding this item. The IFRS expert adds that since there are hardly any disclosure requirements under IAS 2 *Inventories*, no one has questioned it either. Consequently, the decision to disclose additional information lies on the individual firm. The lack of information regarding inventory is also something that the Group Chief Accountant agrees on. However, she states that even if they could fill the note of inventory with substantially more information, it needs to be relevant.

In some disclosure requirements under IFRS, sensitive information is required to be provided. The impairment of goodwill is taken as an example. The IFRS expert states that if the information is too transparent, it can give an enormous forecast value for outsiders. This means that if firms were to disclose exactly how they do their impairment test, it would reveal their business plan, and no firm has the intention to do that. He expresses this issue of missing information by stating that:

> [...] the more sensitive the information is, the more relevant it becomes, but at the same time there is a risk of becoming too transparent (IFRS expert).

To show the level to which the case firm is complying with disclosure requirements, the compliance level of goodwill is measured and presented in Figure 5 below. The figure illustrates the development of compliance with IAS 36 during 2005-2015. A higher percentage is equal to a higher compliance with disclosure requirements. The compliance level in the case firm has increased from 54 percent (2005) to 89 percent (2009) while it is rather stable during the later years. For the other firms, there is an increase from 59 percent (2005) to 83 percent (2015). Further, the fact that the case firm states that they provide information based on disclosure requirements, the correlation between compliance level and amount is measured. The Spearman's correlation test shows a significant positive correlation ($r_s = 0.4362, p \leq 0.01$) between compliance level and the amount of goodwill. This could mean that additional information is included to fulfill more disclosure requirements. Since the amount is stated to be dependent on materiality, the correlation between compliance level and materiality is also measured. The test also shows a significant positive correlation ($r_s = 0.2627, p \leq 0.05$) between compliance level and materiality of goodwill, which might be because the more material an item is, the higher is the importance to fulfill all relevant requirements.

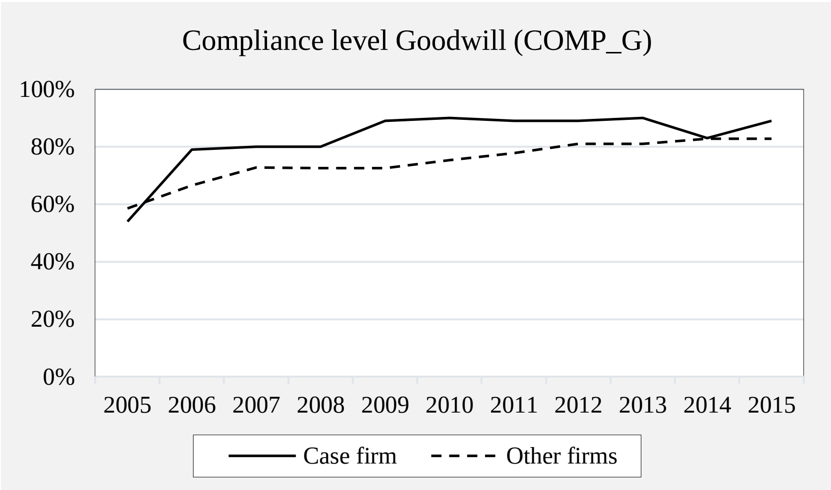

Figure 5. Compliance with IAS 36

The results of the compliance level of goodwill also show that firms most likely do not provide full compliance on three aspects: (1) Firms fail to provide descriptions of key assumptions other than discount rate and growth rate which projections of cash flows are based on in earlier years. However, all firms achieved full compliance with this disclosure requirement by 2015. (2) Firms fail to reach the level of detail about the value(s) assigned to each key assumption. (3) Firms fail to provide full disclosure on growth rate and discount rate.

When it comes to disclosure requirements for impairment of goodwill, the case firm does around twenty assumptions. However, only information about significant judgments is disclosed, and the discount rate and growth rate are the most significant assumptions. The Group Chief Accountant discusses what other key assumptions could be disclosed. For example, operating profit is not disclosed since it is the net of revenue and cost, where revenue is already used as the basis for the growth rate and the costs are fixed. Other examples of assumptions that could be disclosed are currency and customers. However, the case firm has a large spread of currencies in their business and does not have any big customers. Although this is information that could be included in the notes, the Group Chief Accountant discusses why they would have to say it at all since it has already been deemed immaterial.

> Why should I have to defend it? I can go in and say that we do not disclose these and those assumptions because they are not relevant, but if I do not say anything at all, then I have already said it (Group Chief Accountant).

5.2.4 Unchanged assumptions

The majority of disclosure decisions is not re-written every year in the case firm since most assumptions are unchanged. According to the Group Chief Accountant, all old disclosure requirements are therefore indirectly already fulfilled. To assess this in regard to goodwill, how much of this note is the same over the years is measured by the variable of similarity level. Below, Figure 6 shows the development of similarity level in the goodwill note within a firm during 2006-2015.

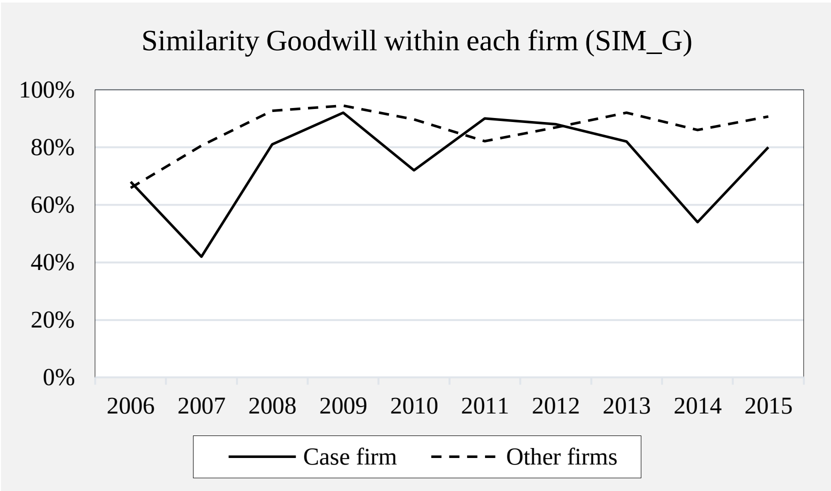

Figure 6. Similarity disclosure in goodwill over years

The higher level of similarity in Figure 6, the more is the content in the goodwill note nearly identical to the same note the previous year within each firm. Since one year is compared to the year before, the level of similarity in the financial statements of 2005 is not included (see Section 4.4.4 for further description on the variable).

The level of similarity for the case firm in goodwill varies during the period with an average of 75 percent. The overall level of similarity in other firms is also high. Moreover, since the assumption of unchanged judgments is applied on all items (and notes), the Spearman's correlation between the similarity level in goodwill and accounting policies is significant and positive ($r_s = 0.3149, p \leq 0.01$). The correlation test also shows an insignificant positive correlation ($r_s = 0.2082, p > 0.05$) between similarity level in goodwill and materiality, indicating that if assumptions are unchanged, then the similarity level is stable although materiality increases. Further, there is a weak, insignificant negative correlation ($r_s = -0.1422, p > 0.05$) between similarity level in goodwill and amount in goodwill, indicating that increases in amount in a later year decreases similarity level since new information is added. Finally, there is no significant correlation between similarity level in goodwill and compliance level in goodwill ($r_s = 0.0551, p > 0.05$), since one has a fluctuating increase while the other has a linear increase. However, during the assessment of the compliance scoring sheet, it was seen that the high level of similarity in goodwill explains the rather high and stable compliance level in firms.

5.2.5 Inspiration from other sources

As part of the disclosure process, the case firm finds inspiration from other sources. One inspiration source regarding words and descriptions of methods is the accounting standards themselves. The Group Chief Accountant states that there is no point in making up own words for everything if it is already good. To show how much of the information in the notes that is directly copied from accounting standards, the content in the goodwill note is compared to the content in IAS 36. The results are presented in Figure 7 below.

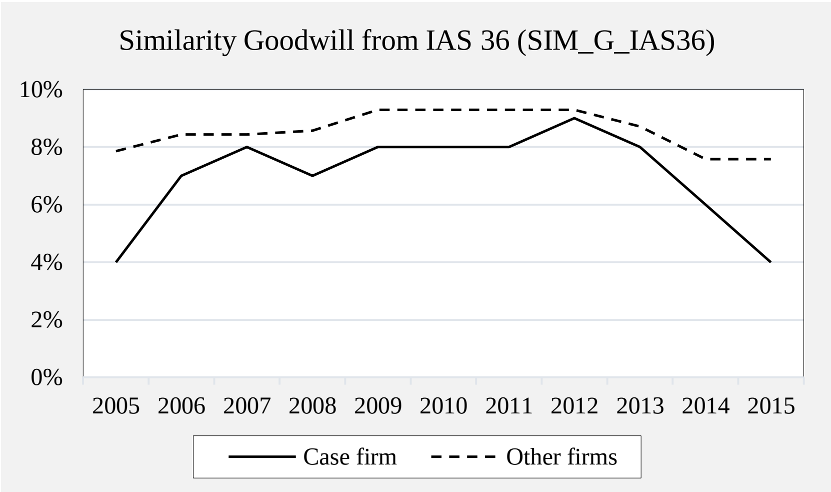

Figure 7. Similarity level in goodwill from IAS 36

Figure 7 shows the level of similarity in the note of goodwill from IAS 36. The percentages show to what extent the goodwill note is nearly identical to the content in IAS 36. The higher the level of similarity, the higher is the similarity between goodwill note and IAS 36 (see Section 4.4.4 for further description on the variable).

Figure 7 shows that the similarity level in goodwill from IAS 36 in the case firm increases at the beginning of the period (2005-2007) while it decreases at the end of the period (2012-2015). A similar development is seen for other firms. In terms of correlation, the Spearman's correlation test showed a significant negative correlation ($r_s = -0.5409, p \leq 0.01$) to goodwill materiality. This can be explained by the fact that the more materiality increases, the less is copied from accounting standards. The correlation test also shows that there is a significant negative correlation ($r_s = -0.5310, p \leq 0.01$) between the similarity level from IAS 36 and compliance level, which is unexpected.

The case firm also finds inspiration from other firms. The case firm does a lot of benchmarking in terms of disclosure decisions against Swedish firms. This is something that is performed during the later part of the disclosure process. What is taken into consideration is often visualization techniques, language choices in terms of formulations and translations from English to Swedish, and the level of detail in notes. To show the level of similarity in notes between the case firm and other firms, the goodwill note and the section of accounting policies in the case firm are compared to the same sections in other firms. This is presented in Figure 8 below.

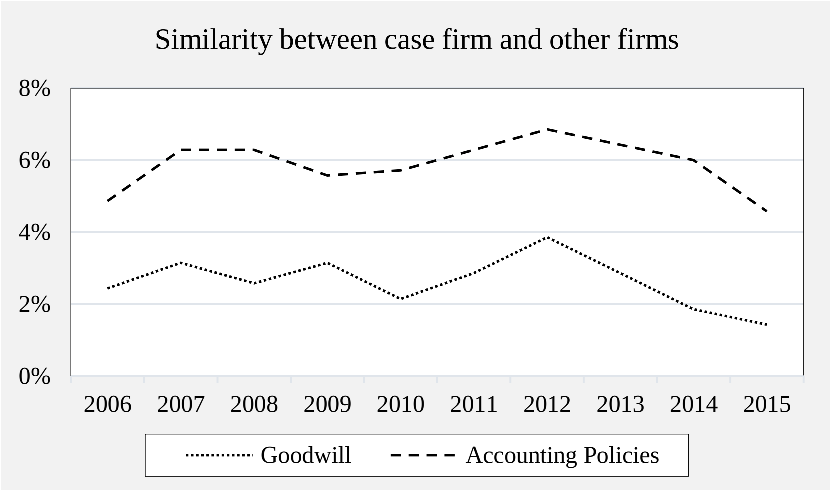

Figure 8. Similarity level between the case firm and other firms

Figure 8 shows the level of similarity of both goodwill and accounting policies between the case firm and the other firms. More exactly, the level of similarity in the case firm for one year is compared to a previous year for other firms and then presented as an average. The higher similarity level, the more is the content nearly identical in the case firm compared to other firms the previous year. The year 2005 is excluded since one year is compared to the previous year (see Section 4.4.4 for further description on the variable).

It is seen in Figure 8 that the similarity level in both the disclosure of goodwill and accounting policies follow the same trend with an increase at the beginning and a decrease in the end. In general, the figure shows a level of similarity in both sections ranging from 1 to 7 percent. However, looking at the level of similarity at the individual firm level, i.e. between the case firm and each individual firm respectively, the highest similarity level is 11 percent for goodwill and 12 percent for accounting policies. This variable is not included in the correlation test since it is different from the other variables. The other variables are measured at an individual firm level while this variable is measured with the case firm as the basis.

5.3 THE CURRENT WORK ON MATERIALITY

5.3.1 Amendments to IAS 1

Although the concept of materiality is currently highly discussed, the Group Chief Accountant states that it has always been there for the case firm. The amendments to IAS 1 have however put more emphasize on materiality. Group Accountant 1 states that it has resulted in a change in mindset and created a stronger confidence for the case firm to speak up on information that is included in the notes, whether it is material or not. The outcome of this can be seen in the financial statements of 2015. Immaterial information has been excluded from the section of accounting policies, and general descriptions that are still relevant have been moved to more specific notes. This work will continue, where the next step is to work more on the visualization of information in the notes.

The case firm states that most changes were concentrated on the section of accounting policies. In general, what was cut down from the section of accounting policies in the case firm was the things that were repeated from the IFRS. According to the Group Chief Accountant, it is not their role to educate the users. However, the difficulty is where the boundaries are i.e. when something is entity-specific or simply a replication of the accounting standard. This difficulty is expressed in the following way:

> It is easy to say, to make something entity-specific, but what does it mean? If I disclose how the useful life is distributed, it will be entity-specific, but it will also be replicated from IFRS. Where is the line between entity-specific information and how it is expressed in IFRS? Sometimes it is good how they [IASB] express themselves; you do not need to show anything more [...] It needs to be entity-specific, but what do they want us to say? What is relevant for someone to know? (Group Chief Accountant).

To show the development and especially the impact of amendments to IAS 1 in accounting policies, amount and similarity level within each firm are measured. These are presented in Figure 9 and 10 below.

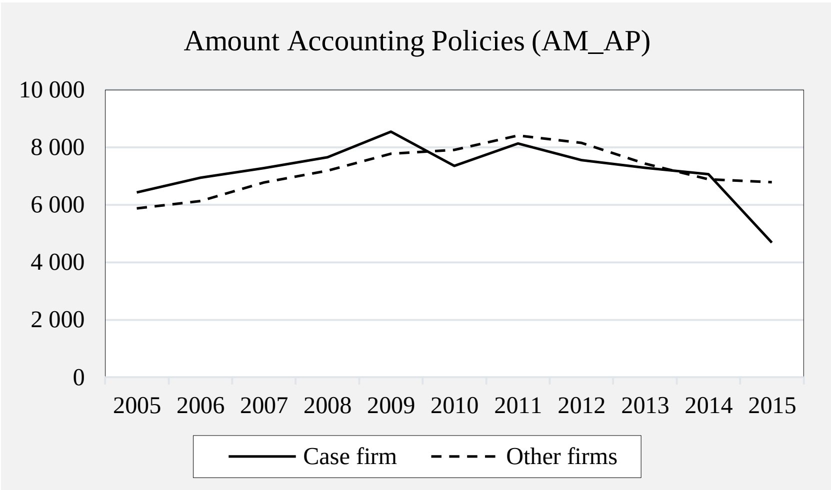

Figure 9. Amount of words in the section of accounting policies

The overall development of amount in accounting policies for other firms varies between 5 875 (2005) and 8 406 (2011) words. For only the case firm, the minimum amount of words is 4 681 (2015) while the maximum is 8 541 (2009). Figure 9 shows an increase in the amount of both lines in the beginning of the period while it shows a decrease from 2011. In terms of correlation, Spearman's correlation test shows a strong significant positive correlation ($r_s = 0.7812, p \leq 0.01$) to the level of similarity in goodwill from IAS 36. This indicates that the concept of materiality is not only applied to accounting policies in the case firm when excluding words directly repeated from IFRS. In this case, it is also done on the goodwill note.

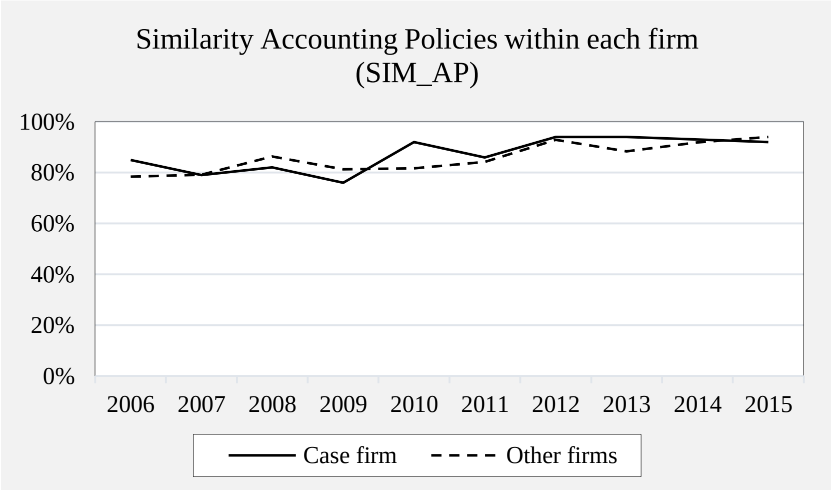

Figure 10. Similarity disclosure in the section of accounting policies over years

The structure of Figure 10 follows the same logic as Figure 6 and shows the similarity level during 2006-2015 in the section of accounting policies. The higher similarity level, the more is the content in accounting policies nearly identical to the same note the year before. 2005 is excluded since one year is compared to the previous year.

As can be seen in Figure 10 above, the level of similarity in the section of accounting policies in financial statements is high and rather stable during the period 2006-2015.

5.3.2 Alignment between IASB and practitioners

The IFRS expert states that the perception of information overload is derived from the disclosure requirements that exist in the accounting standards. Extensive requirements have been established, and the workload is put on preparers. This requires preparers to determine what is material and to be able to argue for the disclosure decisions they make. However, these disclosure requirements are seen as very detailed and difficult to understand for the case firm. The extensive requirements have led to discussions about the application of materiality in practice, and much focus has been on cutting down information in the notes to financial statements. The IFRS expert questions if only removing information is enough. He states that the only thing in the debate is what information to remove, but that assumes that everything relevant is already included. This is something that he is not sure about. He also discusses the work on materiality in general and states:

> It does not feel like it is well worked-out, materiality is so difficult. [...] must IASB define it in any way? I understand that many firms want help with it, but it is so incredibly specific from firm to firm (IFRS expert).

The IFRS expert further questions how relevant the financial statements are since they are three months too old when they are released. He states that information in the financial statements has already been communicated through other channels before its release. This is also something that the case firm agrees upon. The values in annual reports are based on what is stated in interim reports, and it is seldom the case that annual reports consist new, important information. A more interesting question is therefore how the interim reports could be developed in the future.

6. ANALYSIS

This chapter follows a similar structure as the chapter of empirical findings. First, the determinants of disclosure decisions are analyzed. Second, the current work on materiality is analyzed. In this part, the focus is on the impact from amendments to IAS 1 and purpose of financial statements. In both parts, the empirical findings are compared to the accounting regulation and the theoretical framework on disclosure quality.

6.1 DISCLOSURE DECISIONS

6.1.1 Materiality as a driver

The results from the interviews show that one of the main disclosure determinants for most notes is the materiality of items. With the goodwill note as an example, the investigation of financial statements shows an overall increase in both materiality and amount of words in the case firm. However, for the other firms, the increase is only visible in the amount, while the materiality is overall high during the entire period. Therefore, the correlation test shows no correlation between the amount and materiality for all firms (however, not significant). While this result does not support Heitzman et al. (2010) where a positive relationship between materiality and disclosure amount was found, it indicates that there might be other drivers of the amount in disclosure than materiality. The misalignment between Heitzman et al. (2010) and the findings of this study might also be explained by the fact that Heitzman et al. (2010) examine materiality as advertising-to-sales while materiality is defined as goodwill-to-equity in this study. Different items can lead to different decision contexts and therefore result in different amounts of text. Also, the consequences of one of the items might be easy to predict and therefore require less disclosures although materiality increases (Lo, 2010).

6.1.2 The pressure on compliance with disclosure requirements from different actors

The results from the interviews show that enforcement agencies and auditors have a high impact on disclosure decisions. First, enforcement agencies put pressure on extensive disclosures, and the case firm shows a cautious relationship towards enforcement agencies. At the same time, the study shows a high level of compliance in firms. Indirectly, this finding shows support for the positive relationship between compliance and enforcement in Mazzi et al. (2016) and Glaum et al. (2013). According to Barker et al. (2013), the potential existence of information overload is more driven by enforcement agencies and preparers than it is driven by accounting regulation. While the results of this study do support this, they also show support for Mazzi et al. (2016) who state that enforcement agencies have impacted the compliance culture within firms as well as firms' attitude towards compliance with accounting regulation. Second, the case firm uses a checklist provided by their auditing firm and expresses a pressure from auditors to follow it. Although the checklist is time-consuming and hard to understand, the case firm still follows it. According to the IFRS expert, this is because discussions on missing disclosures are even more time-consuming. This confirms IASB's concerns about the incorrect implementation of disclosure requirements and the poor application of materiality.

In general, all deviations from disclosure requirements are brought to discussion. Since almost all comments concern missing disclosures rather than excluding immaterial information, the case firm finds it safer to have extensive disclosures. An example of this behavior is the view of disclosure on financial instruments in the case firm. This is also confirmed by the correlations from the investigation, where it is a positive correlation between amount and compliance. Moreover, given the fact that financial instruments are of a large size (i.e. high materiality) in the case firm, the positive correlation between materiality and compliance further shows the pressure of compliance for financial instruments. Bloomfield (2012) explains this with the definition of disclosure efficiency from a preparer's perspective, where it is defined as the cost of the time spent on compiling and publishing information. If adding more disclosures is less time-consuming than lacking disclosures and dealing with the consequences of it, the case firm will choose to disclose information based on a cost-benefit approach. This 'better safe than sorry' approach is in line with IASB's statements regarding preparers' cautious approach towards disclosures. Consequently, it indicates that extensive requirements followed by pressure from enforcement agencies and auditors are drivers of information overload since it results in an increase of immaterial information. Therefore, the results are also in line with Impink et al. (2015) who state that the increase in disclosure amount has been due to an increase of disclosure requirements in regulation.

6.1.3 Incentives to follow disclosure requirements

The results from the interviews further show that there is an imbalance in the practical translation of accounting standards regarding to disclosure requirements. Inventory is taken as an example as one of the most material items in the case firm, however with minimal disclosures. Although the Group Chief Accountant presents different assumptions that could be included under the note of inventory, she does not find any of them relevant enough to be added. An explanation to this is given by Lo (2010) who states that material items with no unexpected changes, such as inventory in this case, will not be further disclosed based on the costs and benefits of the disclosed information. Therefore, if there are no requirements in regulation to disclose information, then there must be other incentives for firms to want to disclose. In other words, this is a question of voluntary disclosures and management's incentives. On the contrary, it further indicates that disclosure requirements are bigger drivers of the amount of notes than the materiality of an item.

While disclosure requirements drive the amount of information in some notes (e.g. financial instruments and inventories as discussed), the results from the interviews reveal that this might not be the case for the impairment of goodwill. This study shows that the non-disclosure under goodwill can be explained from two angles; they are either too sensitive or immaterial. With respect to sensitive information, the investigation of financial statements shows that the compliance level of goodwill is high for all firms, but not perfect. In this case, it shows that all firms fail to comply with requirements about assumptions and level of detail regarding impairment of goodwill. This is in line with Mazzi et al. (2016) who state that detailed disclosure on goodwill are lacking as these requirements are more sensitive, or private, than others. Therefore, non-compliance might be a strategic choice made by firms based on the costs and benefits of compliance. This is also apparent from the interview with the IFRS expert as he states that there is a balance between the benefits of relevant information and the costs and risks of being too transparent when it comes to goodwill. Further, Easley and O'Hara (2004) explain this with the fact that there is a systematic risk in private information that cannot be excluded.

With respect to immaterial information, the results from the interviews show that all material assumptions regarding goodwill that are made by the case firm are disclosed. The rest is considered as immaterial and therefore not disclosed. This is not visible in the compliance measure in this study since it does not show full compliance (i.e. 100 percent). On the one hand, this challenges the view on non-compliance as being unsatisfactory, which is often brought up in prior research (e.g. Glaum et al., 2013). Instead of considering non-compliance as unsatisfactory, a pragmatic approach as taken by Bloomfield (2012) when evaluating disclosures might be more efficient. This means that a higher consideration should be taken on the choice of what to disclose rather than what is actually disclosed. This is in line with how the Group Chief Accountant expresses their choice of disclosing certain assumptions on goodwill; if they do not disclose some of the required assumptions, then it means that it is not material. On the other hand, taking into consideration that non-compliance can be the outcome of sensitive or immaterial information, they both can be the outcome of the exploitation of the room for judgment in the concept of materiality. In line with Liu and Mittelstaedt (2002), the results also indicate that there is a risk that mandatory disclosures are treated as voluntary instead.

6.1.4 Unchanged assumptions

The results from the investigation of financial statements show that the similarity level in goodwill within each firm and over years is high (approximately 75 percent). Since there are no new assumptions over years and the fact that the old disclosure already fulfills the disclosure requirements, the case firm states that there is no point in re-writing the notes. Although it can be questioned, this is in line with IASB where it is stated that materiality should be reassessed if the circumstances change. The correlation test does not show any correlation between compliance and level of similarity in goodwill within each firm, the high level of similarity in goodwill might explain the rather high and stable compliance level in firms. Although the findings in Mayorga and Sidhu (2012) state that compliance in firms is good due to boilerplate disclosures across firms, this explanation could also be applied to the fact that compliance is good due to similar disclosures over years within firms. On the contrary, it can also be explained by the findings in Cormier et al. (2005) who state that firms tend to get stuck in routines. The use of disclosures that have already been 'tried and tested' is beneficial since it minimizes costs and reduces the possibility of unwanted attention. Connecting back to what has been discussed earlier, this also indicates that there is a cost-benefit approach that explains the use of similar disclosures. It could be a response to the cautious attitude towards enforcements agencies and auditors. Abraham and Shrives (2014) state that this behavior is not sustainable in the long run due to changes in risks.

6.1.5 Inspiration from other sources

From the interviews, it is shown that the case firm tends to copy notes from two sources; accountings standards and other similar firms. The investigation of financial statements shows that the similarity levels in goodwill compared to IAS 36 and to other firms for the case firm are between 8 and 12 percent. Although it is hard to say if this is a high or low level, it confirms the fact that some of the text are directly copied. When the same underlying phenomenon is already explained in a better way elsewhere, the case firm states that there is no need to re-write it since it is still considered as entity-specific information. This view contradicts how both IASB and research see satisfactory disclosures as these disclosures are defined as boilerplate and often seen as negative (e.g. Nelson & Pritchard, 2007; McMullin, 2014).

With respect to copying from accounting standards, the results of the investigation show a negative correlation between compliance and similarity level from IAS 36. This stands in contrast to the findings of Amiraslani et al. (2013). Amiraslani et al. (2013) state that compliance with the standard is usually achieved by using boilerplate language i.e. using words directly from IAS 36. Due to this, and because of the uncertainty whether the level of similarity from IAS 36 is high or low, it is hard to ascertain if IASB's concern of firms copying directly from accounting standards is really an issue. However, at the same time, the relatively strong negative correlation between goodwill materiality and the level of similarity from IAS 36 shows that less is copied from accounting standards when the materiality increases. This indicates that information is more entity-specific when the item is more important in terms of size.

With respect to copying from other firms and assuming that the case firm is describing the same phenomenon as other firms, then it can increase comparability between firms according to McMullin (2014). However, Abraham and Shrives (2014) state that specific disclosures cannot be applied across firms. This connects to Hope et al. (2016) who state that general disclosures decrease understandability since it lacks detail. In turn, this might indicate that even if copied disclosures are entity-specific according to case firm, they are viewed as general since they are not entity-specific enough. Moreover, the fact that the case firm only compares itself with other Swedish firms in the same or similar industry is in line with the positive relationship between boilerplate and firms in the same industry as well as geographic proximity found by McMullin (2014). The reason for same or similar disclosures within industries can be explained by the mimetic isomorphism. This theory states that common practices within industries legitimize firms' behavior (DiMaggio & Powell, 1983). The fact that the case firm compares the level of detail in disclosures indicates once again that a cost-benefit approach is adopted. By comparing with other firms, the case firm can be sure that they do not have too sensitive or too little disclosures and can, therefore, avoid unwanted attention. This approach can be explained by McMullin (2014) who state that the risks of outside investigation are decreased when disclosure are not too sensitive.

6.2 THE CURRENT WORK ON MATERIALITY

The results from the interviews show that the case firm has dealt with the current projects on materiality by decreasing disclosures that are directly repeated from IFRS. Indirectly, this can also be seen by the strong positive correlation that exists between the similarity level in goodwill from IAS 36 and amount in the section of accounting policies. The decrease in words is most apparent in the section of accounting policies during the later years of the investigated periods (2011-2015). The current work on materiality has impacted the case firm as it has resulted in a change in mindset among respondents. Since the case firm has left the view on disclosures as being educational, they have therefore decreased the words directly copied from standards. Further, the case firm has gone from only adding more information to also working more intensively on visualizations. This shows that, in line with the shift of focus from EMH to IRH in theory (Bloomfield, 2002), their approach has moved from assuming that all increases in information are beneficial to also taking the ability to process information into consideration.

Taking it one step further, although the concept of materiality has been more emphasized due to the work that has been done by IASB, the IFRS expert questions if it is necessary to define materiality at all since it is dependent on the context of the specific firm. In contrast, Nell et al. (2015) argue that accounting standards should be more straightforward since the room for judgment in current standards has resulted in low reporting quality. Mayorga and Sidhu (2012) and Liu and Mittelstaedt (2002) also find differences in the application of materiality across firms and suggest more specific guidance on the concept of materiality. Hence, the results of this study and prior research seem to collide regarding the underlying purpose of having principles-based standards and the risk of exploiting the room for judgment that follows. The findings are instead in line with IASB and show a need for more principles-based standards than the current standards.

The IFRS expert further implies, in line with Impink et al. (2015), that the perception of information overload and the extensive disclosure requirements are interrelated. The perceived solution to the issue of information overload is to remove information. The IFRS expert states that only removing information would imply that all relevant information is already in place. In a way, this is in line with how research has viewed disclosure regulation as being one-sided (Bloomfield, 2012), which is something the case firm is experiencing as well since they have never been requested to not include information. An explanation can be that it is difficult to prove that disclosures are immaterial as stated by Barker et al. (2013). This, in turn, can question if it really is information overload or if the underlying problem is that it is not enough material information.

The current work on materiality also puts a focus on the purpose of annual reports as a whole and thus the disclosure in them. Since the information is already obsolete when it is released in the annual reports, all the respondents imply that the information should already have been released through other sources. This, in turn, questions how relevant the information in financial statements could be in the end. It connects to who the user of financial statements is as the definition of users is too subjective to be useful (Barth & Schipper, 2008) and that there is limited knowledge about who the user is (Young, 2006). Currently, the case firm states that the users of the financial statements are unclear and that the goal of financial reporting is to comply with accounting regulation. This is however in contrast to the purpose of disclosure requirements stated by IASB, and in line with their concern that communication is lost at the cost of compliance. The IASB themselves states that the underlying reason for the incorrect application of materiality is the ambiguousness in the purpose of financial statements and the identity of users. Therefore, the results of this study indicate that the focus of IASB should move from defining the concept of materiality to clarifying the users and the purpose of the financial statements.

7. CONCLUSIONS AND SUGGESTIONS FOR FUTURE RESEARCH

In this chapter, the conclusions of the empirical findings are presented with regard to the research questions. Further, potential limitations of this study are presented. The chapter ends with suggestions for future research based on the potential limitations and areas encountered during the thesis project.

7.1 CONCLUSIONS

The purpose of this study was to show the reasoning behind disclosure decisions in the financial statements. This was achieved by conducting a case study and by answering three research questions: (1) what determines which kind of information a preparer chooses to disclose, (2) the potential impact the amendments to IAS 1 have on the preparer's disclosure decisions and if IASB's work is in line with the need from a practical perspective, and (3) how the disclosure regarding accounting policies and goodwill in financial statements have developed during 2005-2015. The conclusions are presented based on the two first research questions. Meanwhile, the conclusions of the third research question are indirectly presented since this question has been embedded into the other two research question in the empirical findings and the analysis. In general, the results show that disclosure quantity in terms of amount has increased. Meanwhile, materiality in terms of size on an item has remained stable for firms although it has increased for the case firm.

In regard to the determinants of disclosures, the results show that several determinants impact disclosure decisions. These are the materiality of items, internal and external actors, disclosure requirements from accounting standards, unchanged assumptions, and how information is constructed in other firms and accounting standards. The results of this study suggest that these factors impact disclosure decisions differently due to an underlying cost-benefit approach.

The findings of this study show that materiality is not the only driver of disclosures. In line with Glaum et al. (2013), complete disclosures are not optimal since it is not costless. The results show that firms add more disclosures even if information is immaterial, rather than lacking disclosures, to avoid attention from enforcement agencies and auditors. These results are in line with Barker et al. (2013) and Mazzi et al. (2016) who state that enforcement agencies impact compliance. They are also in line with IASB's concern regarding the use of auditor's checklist. The use of the checklist and the enforcement supervision might explain the high compliance level found in this study. It further shows that compliance is made at the cost of communication. However, when information is too sensitive and transparent, firms rather choose non-compliance with disclosure requirements. This supports Liu and Mittelstaedt (2002) who state that firms can decide to disclose or not to disclose information based on a strategic choice by asserting immateriality. The findings also show that firms tend to have the same disclosures over years due to unchanged assumptions, which can benefit firms since these disclosures are 'tried and tested' and therefore unwanted attention can be avoided (Cormier et al., 2005). However, in the long run this might not be sustainable since risks tend to change over years (Abraham & Shrives, 2014). Finally, the results show weak support for boilerplate disclosures between firms and from accounting standards as expressed by IASB. It is hard to draw any conclusions from this since it cannot be assessed if the level of boilerplate is high or low. The results from the interviews show that similar disclosures are only used when the same underlying phenomenon is described. While these disclosures are considered as entity-specific, they are too general and not specific enough (Abraham & Shrives, 2014). Firms can benefit from this as they can be sure that the disclosed information is not more sensitive than others and still comply with disclosure requirements to avoid unwanted attention.

To sum up, the results of this study contribute to research by showing that much disclosure decisions are carried out on a cost-benefit approach, which is possible due to the room of judgment in the principles-based IFRS (Liu & Mittelstaedt, 2002). This approach is not surprising; instead, it is logical. This, however, might have a negative impact on the disclosure quality. For disclosures to be considered as high quality, they must reflect the underlying economic situations at firms and the cost-benefit approach taken by firms reduces the possibility of this. In other words, the cost-benefit approach is conducted at the cost of the best reflection of the underlying economic situations at firms.

With respect to the amendments to IAS 1, the results suggest that there has been a change in mindset. This is also visible in the development of disclosures over the years, where the amount in the disclosure of accounting policies has decreased towards the end. Since the decrease mostly concerns words copied from IFRS, the change is in line with the aim of the amendments to IAS 1 which is partly to clarify that immaterial information should not be disclosed. In particular, the case firm has gone from only adding information to focus more on the visualization of information. This supports to the shift of focus from EMH to IRH in theory (Bloomfield, 2002).

With respect to whether IASB's work on materiality is in line with a practical need, the findings show that much focus has been on cutting down on information. This study questions if this is the correct, or only, solution to the poor application of materiality. Instead, it indicates that the disclosure problem is not the result of to too much immaterial information, but rather the result of missing material information. This means that the solution should be to add more material disclosures. Further, and in contrast to prior research (e.g. Nell et al., 2015; Mayorga & Sidhu, 2012; Liu & Mittelstaedt, 2002) who speak for more straightforward accounting standards, the results of this study are in line with IASB and speak for even more principles-based standards. This is because the concept of materiality is entity-specific and therefore, there is no 'one size fits all'. While the IASB focuses on defining and clarifying the concept of materiality since it comes from the ambiguousness in the purpose of financial statements and the identity of users, this study shows that the focus should be on the purpose of financial statements and definition of users instead.

Finally, some potential and important limitations of this study are acknowledged. One potential limitation when investigating the process of disclosure decisions is the fact that the process can be different for different notes. This is especially important in the qualitative part since disclosure decisions were discussed on a general level. To minimize the impact of this, respondents were asked to provide examples. Moreover, there is always a risk that the results from the interviews are biased. Further, the investigation of variables in this study focuses especially on goodwill and accounting policies. While the results of this are generally applied in this study, it might not be as applicable for all notes. Another potential limitation is that the compliance measurement in this study might incorrectly penalize firms for non-disclosure since non-compliance can be the outcome of requirements that are not applicable or immaterial for the firms. Lastly, the conclusions in this study are based on an empirical investigation conducted on a large firm. This means that if the same study was conducted on a smaller firm, the conclusions would probably be different since a smaller firm might not have the same resources, expertise, or supervision as a large firm. The reasoning behind disclosure decisions, e.g. whether to disclose or not to disclose certain information, could be for other reasons than those presented in this study.

7.2 SUGGESTIONS FOR FUTURE RESEARCH

Since this study looks at different aspects of the same phenomenon and draws conclusions on a more general level, a future research suggestion is to focus on a specific area and method. For example, it appears that the attitudes towards boilerplate disclosures are different; it can either enhance comparability or it can reduce understandability due to a lack of entity-specific information. By isolating one item (e.g. goodwill) and measuring boilerplate disclosures across numerous firms, how boilerplate disclosures are affecting disclosure quality can be investigated. Another suggestion is to isolate boilerplate disclosures to the section of accounting policies in financial statements. This is especially relevant due to the recent amendments to IAS 1 which are effective from 2016. The results of this study show a high level of boilerplate in this section. The results further show that the most impact from the amendments is currently in this section.

In addition, while the qualitative part of this study was conducted on only one firm and one department, a suggestion for future research is to either perform interviews at several firms or several levels within one firm. Since prior research (e.g. Liu & Mittelstaedt, 2002; Nell et al., 2015) has found that the concept of materiality has been applied differently across firms, more firms would enable comparisons on a more detailed level. In this study, only one department within the case firm was interviewed, however, the results showed that several internal actors impact disclosure decisions.

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9. APPENDICES

APPENDIX 1. INTERVIEW GUIDE

For the respondents from the case firm:

- Who in the firm decides what kind of disclosures to provide and who writes the disclosures? (This question was only asked to Group Accountant 1)

- How do you reason on what kind of disclosures to provide? (Key words: users of financial statements, materiality, auditor, IFRS expert, order and structure, checklists, judgments, comparisons with other firms)

- How do the internal controls impact the information provided in the disclosures? (Key words: materiality/immateriality, disclosure requirements) (This question was only asked to Group Accountant 2)

- How do you reason on the disclosure requirements under IFRS and how do these requirements impact your work? (Key words: amount, attitude, pressure, materiality, clarity, principles-based standards, deficiencies)

- What is your view on the current discussions about information overload in financial statements? (Key words: boilerplate, generic descriptions, immaterial information, checklists)

For the IFRS expert:

- How do you reason on what kind of information firms should disclose? (Key words: materiality, entity-specific information, disclosure requirements, impact on users' decision-making)

- What is your view on the current discussions about information overload in financial statements? (Key words: boilerplate, generic descriptions, immaterial information, checklists)

- How do you reason on the disclosure requirements under IFRS and how do these requirements impact firms' work with disclosures? (Key words: amount, attitude, pressure, materiality, clarity, principles-based standards, deficiencies)

APPENDIX 2. DISCLOSURE COMPLIANCE SCORING SHEET (FALLSTRÖM & HENRIKSSON, 2013)

Item	IAS 36 Requirements	Scale	Max
1	(a) The amount of the goodwill distributed to the unit (or group of units).	0 or 1	1
~~**2**~~	~~(b) The carrying amount of intangible assets with indefinite useful lives distributed to the unit (or group of units).~~	~~N/A~~	~~N/A~~
3	(c) The basis on which it was determined the recoverable amount of the unit (or group of units) (i.e., use value or fair value less costs to sell).	0 or 1	1
4	(d) If the recoverable amount of the unit (or group of units) is based on **value in use:** (i) A description of each key assumption on which management has based its projections of cash flows for the period covered by budgets or most recent forecasts. Key assumptions are those to which the recoverable amount of units (or groups of units) is more sensitive (other assumptions than long-term growth rate and the discount rate).	0 or 1	1
5	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (ii) 1.A description of the approach used by management to determine the value or values assigned to each key assumption, as well as	0 or 1	1
6	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (ii) 2. whether those values reflect past experience or, if they are consistent with external sources of information and, if were not, how and why they differ from past experience or external sources of information.	0 or 1	1
7	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (iii) The period over which management has projected cash flows or projections based on budgets approved by management and,	0 or 1	1
8	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (iii) when used longer than five years for a cash-generating unit (or group of units), an explanation of the reasons that justify the longer period.	0 or 1	1
9	(d) If the recoverable amount of the unit (or group of units) is based	0 - no disclosure	1

	on value in use: (iv) The growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets or forecasts and	0,5 - range of growth rates or a single growth rate for all CGU 1 - discount rate for each CGU	
10	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (iv) the reasons relevant if it had used a growth rate that exceeds the average long-term growth for the products, industries, or the country or countries in which the entity operates, or for the market to which the unit (or group of units) is dedicated.	0 or 1	1
11	(d) If the recoverable amount of the unit (or group of units) is based on value in use: (v) The rate or rates used to discount projected cash flows.	0 - no disclosure 0,5 - non-CGU-specific 1- for each CGU	1
12	(e) If the recoverable amount of the unit (or group of units) is based on **the fair value less costs to sell**, the methodology used to determine the fair value less costs to sell (binding sales agreement, comparable transaction or discounted cash flow computations, other methodologies)	0 or 1	1
13	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: (i) a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the recoverable amount of units (or groups of units) is more sensitive.	0 or 1	1
14	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: (ii) A description of the approach used by management to determine the value (or values) assigned to each key assumption,	0 or 1	1
15	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: (ii) whether those values reflect past experience or, if appropriate, whether they are consistent with external sources of information and, if not they were, how and why they differ from past experience or external sources of information.	0 or 1	1

16	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: If the fair value less costs to sell is determined using projected discounted cash flows, they also reveal the following information: (iii) The period in which management has projected cash flows.	0 or 1	1
17	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: If the fair value less costs to sell is determined using projected discounted cash flows, they also reveal the following information: (iv) The growth rate used to extrapolate cash flow projections.	0 or 1	1
18	(e) If the fair value less costs to sell has not been determined using an observable market price for the unit (group of units), also disclosed the following information: If the fair value less costs to sell is determined using projected discounted cash flows, they also reveal the following information: (v) The rate or rates used to discount projected cash flows.	0 or 1	1
19	(f) if a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of the unit (or group of units), assume that the amount of the unit (or group of units) exceeds its recoverable amount: (i) the amount by which the recoverable amount of the unit (or group of units) exceeds the amount of books.	0 or 1	1
20	(f) if a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of the unit (or group of units), assume that the amount of the unit (or group of units) exceeds its recoverable amount: (ii) the value assigned to key assumptions	0 or 1	1
21	(f) if a reasonably possible change in a key assumption on which management has based its determination of the recoverable amount of the unit (or group of units), assume that the amount of the unit (or group of units) exceeds its recoverable amount: (iii) the amount by which you must change the value or values assigned to the key assumptions that, after incorporating all the recoverable value, resulting effects of that change on other variables used to measure the recoverable amount is the amount equal recoverable from the unit (or group of units) to its book value.	0 or 1	1

APPENDIX 3. REQUIREMENTS IN WCOPYFIND (BLOOMFIELD, 2011B)

Parameter	Description	Set
Shortest Phrase to Match	This number is the minimum string length that WCopyfind will consider to be a match.	6
Fewest Matches to Report	This number is the fewest matching words in a pair of documents that will cause WCopyfind to report a document match in its "Compare Documents" window and generate a pair of underlined comparison documents in the Report Files Folder.	1
Ignore Punctuation	When checked, this parameter causes WCopyfind to ignore all punctuation characters when it is performing its comparisons. While punctuation will continue to appear in the reports that WCopyfind generates, it will not affect the phrase matching. The matching will normally increase when punctuation is ignored.	Yes
Ignore Outer Punctuation	When checked, this parameter causes WCopyfind to ignore any punctuation characters that appear to the left or right of a word when it is performing its comparisons. For example, the quoted sentence: "The box, which I found, is broken." will be treated as though it were simply: The box which I found is broken (with no final period). While this "outer punctuation" will continue to appear in the reports that WCopyfind generates, it will not affect the phrase matching. The matching will normally increase when outer punctuation is ignored.	Yes
Ignore Numbers	When checked, this parameter causes WCopyfind to ignore any number characters when it is performing its comparisons. For example, the words 8-fold and 10-fold will match if this parameter is checked. While numbers will continue to appear in the reports that WCopyfind generates, they will not affect the phrase matching. The matching will normally increase when numbers are ignored.	Yes
Ignore Letter Case	When checked, this parameter causes WCopyfind to ignore capitalization of letters when it is performing its comparisons. For example, the words Whenever and whenever will match if this parameter is checked. While capital letters will continue to appear in the reports that WCopyfind generates, they will not affect the phrase matching. The matching will normally increase when capitalization is ignored.	Yes
Skip Non-Words	When checked, this parameter causes WCopyfind to completely skip words that contain any characters other than letters, except for internal hyphens and apostrophes. The non-words will neither be used in	Yes

	matching, nor will they appear in the reports that WCopyfind generates. If you check this box, I suggest also checking “Ignore Outer Punctuation,” so that words that begin or end with punctuation aren’t skipped over (including plural possessives).	
Skip Long Words	When checked, this parameter causes WCopyfind to completely skip words that are longer than the number of characters you select. The too-long-words will neither be used in matching, nor will they appear in the reports that WCopyfind generates.	No
Most Imperfections to Allow	This number is the maximum number of non-matches that WCopyfind will allow between perfectly matching portions of a phrase. For example, if this value is set to 2, then WCopyfind will bridge its way across two non-matching words to connect pieces of perfectly matching prose. A value of 0 will limit WCopyfind to finding only perfect matches, while a value of 1 to 9 will allow WCopyfind to find imperfectly matching phrases (matches that contain flaws). Increasing this value slows the program down.	2
Minimum % of Matching Words	This number is the minimum percentage of perfect matches that a phrase can contain and be considered a match. Setting this value at 100 limits WCopyfind to finding only perfect matches.	80