We are IntechOpen, the world's leading publisher of Open Access books Built by scientists, for scientists

6,300

Open access books available

172,000

International authors and editors

190M

Downloads

Our authors are among the

154

Countries delivered to

TOP 1%

most cited scientists

12.2%

Contributors from top 500 universities

WEB OF SCIENCE™

Selection of our books indexed in the Book Citation Index
in Web of Science™ Core Collection (BKCI)

Interested in publishing with us?
Contact book.department@intechopen.com

Numbers displayed above are based on latest data collected.
For more information visit www.intechopen.com

Adaptation of International Accounting Standards: Case of Portugal

Helena Isabel Barroso Saraiva,
Maria-Céu F.G. Alves and Vítor M.S. Gabriel

Additional information is available at the end of the chapter

<http://dx.doi.org/10.5772/intechopen.68732>

Abstract

This chapter aims to present the results of a broad analysis about the process of accounting standardization in Portugal in order to frame the current situation and the different levels of standardization that characterize it. The methodology followed involves a broad revision of the literature and content analysis on various papers and texts as well on documents directly related with the study topic. It concludes with the identification and characterization of the current levels of accounting standardization and makes reference to the likely scenario of this regulatory framework in the short term. The objective is to understand how the evolution of accounting standards in Portugal has evolved, what the current situation is and its likely evolution in the near future. The chapter is also aimed at contributing to the understanding of the process of adaptation of international accounting standards to the Portuguese reality.

Keywords: accounting standardization, current normative framework, standardization levels, history of standardization, Portugal

1. Introduction

It is generally accepted that the accounting system of a country is determined by its surroundings, whether political, economic, social or legal. Thus, the aim of this chapter is to present a document that can contribute to exposing clearly the actual situation relating to the effort of accounting standardization that has been developed and intensified in recent years and that has led to the consolidation of accounting standards in Portugal.

The evolution of accounting in the current context is characterized by a phenomenon of international harmonization and standardization. In this work, it is understood that standardization

is a process that shows the uniformity of accounting practices while accounting harmonization is a process that addresses more the economic, social and cultural specifics of each country, given that accounting standardization is a mechanism that contributes to harmonization. It is understood that formal harmonization leads to material harmonization, this being the followed understanding.

The traditional history of accounting is followed, given that research in this area is mainly centred on the origins and evolution of accounting. We have also opted, within this current, to draw upon institutional theory by basing part of the analysis of evolution presented in the role assumed by different landmark institutions at the level of accounting standardization in Portugal. In this sense, taking into account the framework of international organizations that shape the most recent evolution of accounting standardization in Portugal, the perspective is highlighted by North [1], in which the institutions play the rules of the game and the organizations are the operators of change or players.

Thus, the final goal of this chapter is to characterize and analyse the actual scenario at the level of accounting standardization in Portugal. In the present time, when the consolidation of a process of extensive standardization of all sectors of the economy, namely through the expansion of Accounting Financial Report Standards (which is an adaptation from the IFRS), from the private sector of the economy to non-profit sector activities and, in the near future, the approximation of the public sector to the same type of report, seems evident.

This chapter strives to contribute to the understanding of the process of adaptation of the International Accounting Standards (IAS) to the reality in Portugal and the process of adjustment of institutions to international and regional (European) standards, whether at the technical or political level. This situation results in the appearance of different levels of standardization as a consequence of the most recent reform in the realm of accounting harmonization associated with the different levels of depth that the information and financial report assume in entities with different characteristics and with different necessities.

In terms of structure, and after this short introduction, the chapter begins with the presentation of the evolution of the process of standardization in Portugal, through a brief review of the movements that have influenced the area most, from the seventies in the twentieth century to the recent days. Afterwards, a presentation is made on the historical evolution of this process in Portugal from its origins to the present. Then, the current situation in Portugal is presented in more detail, with emphasis on the diverse realities and the framework in terms of accounting standardization. Finally, the main conclusions are stated.

2. Accounting harmonization: Global evolution

There is an evolution based on two different currents of influence, relative to the process of accounting harmonization, normally identified as Anglo Saxon and Continental. This is considered as the means by which a certain country exercises influence on its accounting practices.

Thus, the social and cultural environment implies different frameworks and different accounting practices. The referred differences can be found at various levels:

- at the level of the legal system [2],
- at the level of origin of business financing [3],
- at the level of influence of taxation [4],
- at the level of degree of development of the country [4],
- at the level of cultural factors [5],
- at the level of political influence [6] and
- for other differences [5].

Taking into account this diversity of frameworks and practices in global terms, an immediate consequence is the fact that accounting standardization in different countries and nations does not transmit an image of harmonization.

Thus, because of factors that were previously pointed, initially, there existed a great diversity between practices, which could be standardized at the local level though not harmonized in global terms. This lack of harmony was felt within each one of the major currents (Anglo Saxon and Continental).

However, the need for harmonization was felt and was pressing, essentially, as a result of the globalization of the economy and, by delay of the functioning of financial markets, more concretely, investments in stock exchanges of international values.

In this way, here arose a matter of interest concerning a process that rendered company and organizational financial information intelligible to any stakeholder independent of his location or performance.

Thus, from the moment that this need to develop accounting harmony is identified and assumed as indispensable to the increase in comparability of financial information, the question related to the choice or selection of an organism associated with the emission of accounting norms that can be accepted and generally adopted by all businesses and organizations arises [7–9].

At this point, we need to address questions of legitimacy, representation, independence and performance to which the choice of organism should answer. In this context, the question of institutional theory assumes special importance: this contributes in a significant way to the understanding of accounting standards.

Among the institutions that contributed to the accounting harmonization process, the following can be outlined as relevant in the case under analysis [7–9]:

- **from the perspective of a global context:**
 - o the International Accounting Standards Board (IASB), initially influenced by the G4 + 1 group—Group of Accounting Standard Setters, founded in 1994 by

Australia, Canada, the United Kingdom and the United States of America (more specifically the Financial Accounting Standards Board—the FASB) plus New Zealand after a previous phase in which the International Accounting Standards Committee (IASC) had been influenced by the G4; later, in the context of the IASC, the E5 + 2 was created (European Accounting Study Group)—that was founded in 1997 aiming to carry out research and investigation in order to contribute to international harmonization through the IASC within the jurisdiction of the European Union. This last group was composed of five European delegations on the Board of the IASC—France, Germany, Holland, Northern European countries and the United Kingdom—supported by the organisms of national standardization and the European Commission and the FEE—Fédération des Experts-comptables Européens.

- **From the perspective of the regional context:**

- o the European Union (EU)

In a more clear way, we can state that the institutional pressure applied by the EU, in the case of Portugal, was essential in the process of adaptation of norms from the IASB.

3. Accounting standardization in Portugal

Despite the fact that various initiatives had been developed in the nineteenth century with an impact on accounting practices at various levels, the process of accounting standardization in Portugal only began in the twentieth century, complying with the following stages in accordance with the legal instruments used as reference at each stage:

- first stage: approval of the Industrial Contribution Code (ICC) in 1963,
- second stage: approval of the Official Accounting Plan (OAP) in 1977,
- third stage: approval of the second version of the OAP, adjusted in 1989 and
- fourth stage: approval of the System of Accounting Standardization (SAS) in 2009.

The first stage of accounting standardization in Portugal began with the approval of the ICC, which states in Article 22 that ‘the rules of accounting’ are assumed as the starting point for accounting standardization in the country [10].

Based on this code, accounting began to constitute the basis to find out the real profit of companies, appearing as a reference for the first time for accounting professionals who are designated as ‘accounting technicians’ in the code. Article 52 of the ICC previews that until attaining legal status in the profession, only those who are considered as accounting technicians are those who formalize their registration in the General Directorate of Contributions and Taxes, following the conditions defined by the Ministry of Finances.

The ICC remained in place until 1988. From 1929, until the date of its creation, the contributions of companies were figured on presumed profit; with the introduction of this code, the taxation was based on the actual profit, a factor that reinforced the relevant role of accounting.

In this phase, and at the same time, the Portuguese Society of Accounting was set up. This society, created in the years of 1945/1946, continued its activity for approximately 40 years, developing activities for the scientific development of accounting and the profession of accountant. This association received special importance due to the fact that it assumed the representation of the country in international organisms, namely in the Union Européenne des Experts Comptables, Économiques et Financiers (UEC), currently known as the FEE.

According to some authors [10], from the mid-fifties of the twentieth century, certain pressures appeared in the direction of establishing standardized practices at the public and private levels with the objective not only of accounting standardization in itself but also in the relationship of this with the fiscal system.

The main characteristics of this first phase are the greater interconnections between accounting, standardization and taxation, proving the fiscal usefulness of accounting. In a corporatist state as Portugal was, at that time, usually accounting is allied with socio-political objectives. In addition, the need to improve public accountability required, by then, more accountants to support the administrative activities of the government. This need seems to have encouraged the development of both accounting education and accounting profession.

The second stage of accounting standardization in Portugal takes place with the publication of the first Accounting Plan in 1977. However, there are some prior moments to the publication of this diploma that must be mentioned to, in our opinion, as being precursors of this; namely, the publication of the General Accounting Plan in 1965 by the National Trade Union of Office Workers of the District of Lisbon; also, the appearance of the General Accounting Plan—in its Preliminary Draft—First Phase, carried out between 1970 and 1973, by the Ministry of Finances and the Tax Collector Institution, with the publication in 1973 of the Preliminary General Accounting Plan by the Centre of Fiscal Studies; finally, the publication of the National Accounting Plan in 1976 by a group of authors who contributed to the Plan.

The importance attributed by the government at the time to the Preliminary Plan presented in 1973, on the initiative of the Ministry of Finances and the Tax Collector Institution, gave rise to a recommendation for its general adoption beginning in 1974. However, this situation ended by not being possible, due to the events related with the 1974 Revolution that occurred in Portugal and to the consequences of the post-revolutionary process.

The first Official Accounting Plan, made official in the Legal Decree 47/77 on February 7, comes from the tradition of continental inspiration on national accounting. This applied to the majority of entities, except credit and insurance institutions. This plan previewed the publication of sectorial plans that, however, were not indeed implemented; it did not preview the consolidation of accounts.

While it was in place, twelve interpretative norms were published. These norms have suffered changes by the following diplomas:

- Legal Decree 74/85, resulting from the introduction of value added tax (VAT),
- Legal Decree 476/85, resulting from the valuation measurements of the final results of the exercises,
- Legal Decree 228/86, resulting from the accounting of currency exchange and
- Legal Decree 27/87, resulting from treasury investments and fixed financial assets.

In this first Accounting Plan, Article 4 refers to the future creation of a regulatory entity: the Commission for Accounting Standardization (CAS), which only some years later formally began to function.

At the time of publication of the first OAP, when the setting up of the CAS was considered, it was assumed by the legal entities that this latter institution should be functioning in the context of the Ministry of Finance as an independent entity in administrative and financial terms. The CAS mission would be '...to secure the functioning and perfecting of the national accounting standardization ...' (Legal Decree number 47/77, Article 4).

Thus, the issue of the implementation of accounting standardization in Portugal has been resolved only in an effective way at the time of publication of a plan by a legal Decree, with the aim of giving legitimacy to the OAP and promoting its use, making it compulsory. This together with the creation of the CAS were determinant questions for the success of the implementation of this formal rule.

In 1986, the year when Portugal joined the EU, the country was obliged to accept European Directives; the CAS had the onus of transposing the Directives that dealt with accounting and adapting those to the internal legal system.

In this way, after an analysis of the previous OAP, the CAS considered that, due to it being outdated, an adjustment to the new reality was valid.

The second stage emerged with the publication of a new Plan, the Legal Decree 401/89, which revoked the previous Legal Decree 47/77 and the remaining complementary legislation. This alteration had as its base the introduction into the national legal framework of changes related to Portugal's adhesion to the EU. The new OAP was enforced to entities covered by the Code for Commercial Companies, excluding banks, insurance companies and financial sector entities. In this new OAP, the role of the CAS is maintained, its mission being that of contributing to the improvement of the quality of financial information.

During the time it was in force, 29 Accounting Directives and five technical interpretations were published by the CAS, right from the beginning of 1991. Successive changes were made to the following diplomas:

- Legal Decree 238/91, relating to the consolidation of accounts,
- Legal Decree 44/99, relating to the system of permanent inventory and demonstration of results by function,
- Legal Decree 79/2003, relating to the system of permanent inventory, the demonstration of cash flow and the demonstration of results by function,

- Legal Decree 88/2004—rules of value measurement of some associations and
- Legal Decree 35/2005, relating to the implantation of the European Directive on accounting modernization.

The Accounting Directives were intended to be generally enforced in Portuguese entities and corresponded to the guidelines set out by the EU, being strongly influenced by international accounting standards. However, it was recognized that some Accounting Directives dealt with some issues in a complete way and with others only superficially; in fact, in trying to reduce the content of international standards, the resulting Directives ended up being insufficient and, in some cases, incoherent, apart from out of place.

Despite those negative aspects, it was then settled, precisely through the mechanism of the Accounting Directives, the establishment of a hierarchy of application of the international norms in the Portuguese accounting standard. The supplementary suppression of gaps at the various levels of norms was previewed: material gaps of major importance were not dealt with directly through the Directives. Instead, companies were directed automatically to the IAS in these cases. On the other hand, there was still the problem of many Accounting Directives being, at a certain time, out of date, because apart from having been based on the IAS, these had already been, for the most part, revised, whereas, in turn, the CAS never revised the Accounting Directives.

During this period, more specifically from 1992, legislation appeared for accounting standardization in the public sector of the economy, culminating in the publication of a plan of accounts for the sector, in 1997, through the Legal Decree 232/97. In the following year, the Commission for Accounting Standardization was created for Public Administration, through the Legal Decree 68/98. This Commission functioned in parallel to the CAS for the private sector; it had as its mission to coordinate and accompany the application and perfecting of the Public Administration Plan (PAP) and its sectorial application as well as evaluating the approval, adaptation and alteration of the sectorial plans.

The standardization in the public administration in Portugal is characterized by the creation of sectorial plans, namely for local municipalities, in 1999, for the educational and health sectors, in 2000, and for the system of social security in 2002. Thus, five differentiated plans exist in the public sector that function in a different register from the private one, though the source of inspiration for these public-sector plans had been in fact the OAP.

In addition, in 2002, Legal Regulation 1606/2002 was published by the European Union and in the following year Regulation 1725/2003. Following these, Portugal published the Legal Decree 35/2005. This established that listed national companies used the IAS/IFRS, leaving those not listed to continue to use national standards or the international ones by choice. Apart from this, all companies (listed or not) should continue to elaborate their accounts according to national standards, that is, some companies would have to elaborate two register systems at the same time.

After the publication of Regulation 1606/2002 by the EU, the CAS prepared a document entitled 'Guidelines for a New Model of Accounting Standardization' that was sent for government approval in January 2003 but never reached a final decision. The model understood two

levels of accounting standardization: the first, of the European and international nature, was directed at economic entities with greater demands for financial reports in Portugal and the second, of a national nature, was directed at the entities that lacked application of the first level of standardization.

However, in our perspective, in reality, three levels of standardization were envisaged:

- integrating listed companies at the first level, adopting IAS/IFRS,
- the second level would be made up of non-listed companies that would apply the model of Accounting Standardization or alternatively the IAS/IFRS and
- the third level would be made up of companies considered 'small entities (SE)' and would consist of a simplification of the second level for organizations with less necessity in terms of financial reports.

The need for a new System of Accounting Standardization (SAS), is connected with the recognized insufficiency of the OAP for the entities with greater qualitative demand at the financial report level and also the fact that this Plan was lacking technical revision, related to aspects of a conceptual nature. In fact, the standards from IASB and the OAP were not consistent with each other.

In 2009, the **fourth stage** of accounting standardization began in Portugal with the publication of the Legal Decree 158/2009. This approved the SAS and its complementary legislation:

- Ordinance 986/2009 of 7 September with the models of financial demonstrations,
- Ordinance 1011/2009 of 9 September with the new accounts code,
- Notice number 15625/2009, dated 7 September, that presented the conceptual structure,
- Notice number 15653/2009 of 7 September with the two interpretative norms.
- Notice number 15654/2009 of 7 September with the NCRF-PE, which are the standards applied to small entities.
- Notice number 15655 of 7 September with the group of the 28 NCRF and
- later, Legal Decree number 36-A/2011 of 9 March that defined rules as micro-entities (ME) and Legal Decree number 64/2013 of 13 May that deals with the standardization of the entities in the non-profit sector were emitted.

In 2009, Legal Decree 160/2009 was also emitted in relation to the new CAS and previewed the enforcement mechanism of the accounting norms. According to the CAS, the correct use of the norms and the technical rigorousness, demand in institutional terms, adequate control mechanisms. Enforcement was defined as a system capable of preventing, and later of identifying and correcting, material mistakes or omissions in the application of the standards.

After the introduction of the first OAP, the introduction of the SAS was the most relevant and a significant change in Portuguese accounting standardization that deals with a model based on the IASB but guarantees compatibility with Community Directives in the area of accounting.

According to Ref. [10], this solution, proposed by the CAS, can be considered a 'revolutionary change'. It is in agreement with the definition by North [11]; in that it affects, in legal terms, the alteration of a system based on the continental current in grand part (or in large part) of the entities for a system with an Anglo-Saxon base for all the entities.

As to the presentation of the SAS, four differentiated levels of standardization, in our understanding, were previewed:

- the level of the entities with titles listed, or not, that are applied by obligation or by option to the IAS/IFRS,
- the level of entities that apply by obligation or voluntarily to the Accounting Standards of Financial Report (ASFR)—the Portuguese standards,
- the level of the entities that apply the ASFR-SE: initially presented at the date of emission of the SAS and, later, redefining the concept of the SE, by Law number 20/2010, that widened the concept of the SE and
- the level of the ME embodied in a special regime regulated by Law 35/2010.

Later, the approval of Legal Decree 36-A/2011 consecrated, among others, the measures of approval of the regimes of accounting standardization, for the micro-entities and for the entities of the non-profit sector. The entities covered by the accounting standardization for micro-entities are not bounded by the obligation to present all the financial reports. Thus, the micro-entities are outside the realm of the SNC and correspond, clearly, to the other level of standardization as referred to above.

On the other hand, the regime of accounting standardization is an integral part of the SAS. However, in our understanding, it also corresponds to the other level of standardization as it assumes accounting rules, specifically applied to the entities that proceed as a main activity, non-profit activities and cannot distribute to its members or contributors any economic gain or financial right. A few examples are associations, collective public bodies of an associative type, foundations, clubs, federations and confederations.

Later, through Legal Decree 134/2012, the CAS received the attributes and competences of standardization for the public sector, with the consequent extinction of the Commission of Accounting Standardization of Public Administration; this diploma proceeded to the revision of the structure and composition of the CAS, adapting it to the new competences of standardization for the public sector.

For reasons of systematic clarity and legal security and in order to accommodate the increasing amplitude of structure and tasks, the new legal regime of organization and functioning of the CAS was published, thereby revoking Legal Decree 160/2009, changed by Legal Decree 36-A/2011.

Thus, from this point, it is the responsibility of the CAS to carry out technical work with a view to the approval of a unique System of Public Accounting Standardization (SPAS), adapted to international standards specific to the public sector (IPSAS) and to the national laws in which these matters are regulated.

The legal regime of the organization and functioning of the CAS is now characterized by having as its mission the emission of norms, legal interpretations and recommendations related to the group of entities in the business and in public sector. CAS also aims to establish, in the country, harmonized accounting procedures with the European and international standards of the same nature, contributing to the development of high-quality patterns of information and financial reports of the entities that apply the system of accounting standardization.

As to aspects related to enforcement or regulation and control of the application of accounting norms, the CAS develops the necessary actions so that the accounting norms are effective and adequately applied by the entities subject to them, namely through verification actions on its initiative or through arbitration procedures.

These kinds of procedures also occur in other countries that are making their way into the global harmonization process like, for instance, in Turkey [12].

4. Results: Actual levels of accounting standardization in Portugal

At this point, we will address the actual situation resulting from the activity of all the mentioned institutions: in the present case, the institutions with responsibility at the level of emission and implementation of accounting standards in Portugal. We will give special focus to this kind of institutions.

However, other kinds of institutions also took influence on the process, namely professional associations (i.e. the Chamber of Accounting Technicians) assumed an important role in training and reconverting accounting technicians in the transition to a new and different system [13].

Lehman [14] refers to this as a necessary adaptation of the concept of accounting, which will have to be merged into culture.

We cannot forget that the previous model of accounting current in Portugal was inspired on the continental model, which implied a much closer connection between the organism responsible for the standardization and the political institutions, namely the Ministry of Finances. In this scenario, the sources related with the diverse types of legislation are fundamental elements at the level of accounting standardization, and the institution of reference is, in this case, the government: the only source of standardization is the law.

The legislation as a starting point also happens, in our opinion, with the SAS, which seems to merge with the cultural tradition of the country. However, with the introduction of this new system, the whole framework of accounting has changed:

- the question of emphasis on the historic cost is overcome,
- the principles of prudence and of association to the emphasis on banking interests as the main financier and
- the role previously assumed by the state mainly as a receiver of taxes.

Returning to the initial perspective [1], the organizations also include the role of governments and political entities and their power at the level of global regulatory activity. In the Portuguese case, this assumes special importance because one can interpret how, from the initial proposal of accounting standardization, we evolved to a system that ends up by being, in its nature, quite divergent from that which was initially proposed.

Concluding, it seems clear that at this time, essentially due to the rule of law, ten different levels of accounting standardization are found in Portugal:

- the level of entities with listed titles admitted listed companies,
- that of the entities that apply the range of 28 ASFR,
- that of the entities that apply the ASFR-SE,
- that of the micro-entities,
- that of the non-profit and
- that of the entities in the public sector that, in a general way, can still be doubled into five different levels corresponding to the Public OAP and to sectorial plans.

The current scenario, with the standardization of the public sector still unaltered, presents a fragmented and inconsistent standardization, given that parallel systems based on principles in the private sector and systems based on rules in the public sector coexist.

A change in this situation is previewed for the near future: the convergence of the standards of this sector with the IFRS from IASB, configuring the introduction in the public sector of a system oriented for business accounting with a fundamentally Anglo-American basis.

It is also previewed that, as with private-sector accounting, the sub-system of accounting of management will assume heightened relevance, considering that this branch of accounting is mandatory in the new regulation.

Currently, the existence of a general and a simplified regime is also previewed for the public sector, which seems to indicate that, from the beginning, and if there is no change in this prevision, at a final moment, the levels of standardization will be seven.

Thus, the actual situation, relative to the levels of accounting standardization in Portugal, before the introduction of the SAS and the system that is expected to be implemented in the public sector, is presented according to that shown in **Table 1**.

Analysing **Table 1**, we can conclude that we went from a system with seven differentiated levels of standardization before the introduction of the SAS to a system with ten different levels in reality. In fact, this increase, verified at this point, is obtained through the propagation of levels in the field of the private sector, given that we can verify that in this sector the report needs are of a differentiated nature, depending on the dimension and finality of the entities. In relation to the question of the introduction of standardization in the public sector, predictably, and having no deviation to that which was planned, with the fulfilment of the same, we are faced with a global system made up of seven levels.

Standardization levels	Before the SAS introduction	The SAS	In the near future
Private sector of the economy	Businesses with listed titles	Companies with listed titles—IAS/IFRS	Companies with listed titles—IAS/IFRS
	Private organizations—OAP	Companies in general (not listed)	Companies in general (not listed)
		Small entities	Small entities
		Micro-entities	Micro-entities
Public sector of the economy	Some of non-profit entities and systems of solidarity and social security	Non-profit entities	Non-profit entities
		System of solidarity and social security	SAS—Public administration:
	Central and regional administration	Central and regional administration	1st Level
	Local and regional administration	Local and regional administration	and
	Educational system	Educational system	2nd Level
	Health system	Health system	

Source: authors.

Table 1. Levels of accounting standardization before the introduction of the SAS currently and in the near future.

For a broader analysis, that encompasses all economic sectors, it would be necessary to refer to other existing levels, which did not experience alterations with the realities analysed in this chapter: those of the banking and financial entities and insurance areas. If we were to take them into consideration, we would have to add two levels in any scenario.

Thus, we can conclude that, up to the present, the process of convergence with the international standards caused in Portugal, among other things, an increase in the levels of existing standardization.

This appears to come up against the fact that the tradition in accounting in Portugal is anchored in the current continental version previously mentioned. This led to, despite having made a choice for a system based on standards, strongly influenced by the Anglo-Saxon framework, in political terms, by implementing a system that, despite being based on these standards, assumes forms of implementation and criteria of functioning more typical of societies based on Roman Law.

The proliferation of diverse levels of standardization in Portugal seems to fit in with the notion of adaptation of harmonization to the specific situation at the local level. The exercise of prerogatives of political power working at this level, in the sense of local/national institutions not losing self-determination in relation to the way in which the entities function and should relate with the Government, conducted to these final solution of several standardization levels.

5. Conclusions

The Portuguese accounting system is traditionally characterized with a system belonging to the continental trend [15], with its strong legislative tradition and by the mighty connection between accounting and fiscal law, patent in the current legislation. Apparently, these characteristics, despite the introduction of a system more influenced by the Anglo-Saxon approach, continue to have a tight preponderance in the Portuguese case. This is not unusual, taking into account that the strategy of the EU is also based on a perspective of accounting harmonization based on legislation and is influenced by political factors.

It is our understanding that this chapter contributes to the understanding of the process of adaptation of international accounting standards to Portuguese reality, having analysed all the factors that shape this evolution; in an institutional perspective, one can verify in practice a multiplication of the levels of accounting standardization—contrary to the expected standardization consequences.

This seems to us as the main contribution of this study for an understanding of the question of adaptations carried out by institutions with power at the national level, adjusting the international and regional standards to the internal reality of a country.

That is, starting from the analysis of the evolution of incremental changes that appeared after the great 'revolution' in the Portuguese accounting system [10], and taking into consideration the activity of the regulatory entities and the role that these entities had after this revolutionary change, an adaptation of this change to the situation and specific characteristics of the country apparently exist, namely through:

- the doubling of the dual system initially previewed for the entities using SAS for a system that distinguishes between small entities and micro-entities—these being outside this dual system;
- the creation of specific rules for the non-profit sector entities, which, although considered as being framed within the context of the SAS, have report systems differentiated from other entities.

Thus, the role of the regulatory entities, at the national level, seems to want to accommodate the question of international harmonization, creating, however, situations of standardization that are more specific and adjusted to the national reality.

Therefore, on one hand, the micro-entities are dealt according to specific norms and are less demanding in terms of reports, perhaps because they are also linked to a form of property that does not require a report that is so transparent as that of other types of entities.

On the other hand, the serious problems the Portuguese economy has been experiencing in the past years have meant that this type of entity has been more protected in terms of public policies—in the sense of expediting the procedures, in such a way as to develop or not penalize the economy any further.

The issue of non-profit entities is also one of the sensitive questions at the national level. In Portugal, a large number of the activities of social nature are developed by private entities. The state or government are large financiers of activities of social nature developed by these entities. In this way, the regulatory institutions understood the existence of special needs at the financial report level.

These two questions seem to us to be related with the pressure brought to bear by the government in the sense of establishing an effort to adapt international standards to the specific characteristics of some entities, so as to achieve greater control either on the evolution of the economic situation or on the functioning of the important role that the non-profit entities develop in social terms.

These pressures could be framed in the theoretical conception of translating ideas and practices that are transformed, interpreted and reformulated during the process of adoption, diffusion or institutionalization.

The Portuguese case seems to indicate that the normative and coercive pressures are more relevant than the pressures of a mimetic character in the development of the legitimation of the changes that occurred in accounting.

This is also one of the conclusions we reach in this study: despite having adopted standards based on the global and the European context, there is an adjustment to the national situation that causes a system that is quite different from the original proposal, based on external influences, introducing, however, in the final solution, specificities related to the functioning of the national economy.

We can still consider that Portugal, in respect to accounting harmonization in both private and public sector entities, has accompanied the route followed by the majority of countries, moving towards international harmonization via legislative initiative and with strong political influence.

Author details

Helena Isabel Barroso Saraiva^{1*}, Maria-Céu F.G. Alves² and Vítor M.S. Gabriel¹

*Address all correspondence to: helenasaraiva@ipg.pt

1 Polytechnic Institute of Guarda & UDI, Inland Development Center, Guarda, Portugal

2 University of Beira Interior & NECE, Research Unit in Business Sciences, Covilhã, Portugal

References

- [1] North DC. Institutions, Institutional Change and Economic Performance. Cambridge: Cambridge University Press; 1990

- [2] Nobes C, Mueller G, Gernon H, Meek G. Accounting — An International Perspective. 4th ed. Chicago: Richard D Irwin Inc; 1997
- [3] Hill C. Competing in the Global Marketplace. 3rd ed. Boston: Irwin McGraw Hill; 1999
- [4] Nobes C, Parker R. Comparative International Accounting. 9th ed. London: Prentice Hall; 2006
- [5] Zarzeski M. Spontaneous harmonization effects of culture and market forces on accounting disclosure practices. *Accounting Horizons*. 1996;**10**(1):18-37
- [6] Rodrigues LL, Schmidt P, Santos JL, Fonseca PCD. A research note on accounting in Brazil in the context of political, economic and social transformations, 1860-1964. *Accounting History*. 2011;**16**(1):111-123
- [7] Saraiva HIB, Alves MC, Gabriel VMS. Harmonização contabilística: sua influência na evolução e na atualidade no caso português. In: Proceedings of XVI Encuentro AECA “Recuperación económica: confianza e inversión en Europa”; 25-26 September 2014; Leiria. <http://www.aeca1.org/xviencuentroaeca/cd/58e.pdf> [Accessed: March 2017]
- [8] Saraiva HIB, Alves MC, Gabriel VMS. The roots of the formal process of accounting harmonization, its evolution and its influence in Portugal. *De Computis-Revista Española de Historia de la Contabilidad*. 2015;**12**(22):172-204
- [9] Saraiva HIB, Alves MC, Gabriel VMS. Normalização contabilística em Portugal: a sua evolução e situação atual. In: Proceedings of V Congresso dos TOC; 17-18 September 2015; Lisbon. ISBN: 978-972-9171-86-4. <https://www.occ.pt/news/trabalhoscongv/pdf/32.pdf> [Accessed: March 2017]
- [10] Caria AA, Rodrigues LL. The evolution of financial accounting in Portugal since the 1960s: A new institutional economics perspective. *Accounting History*. 2014;**19**(1-2):227-254
- [11] North DC. Institutional change: A framework of analysis. In: Sjöstrand S, editor. *Institutional Change: Theory and Empirical Findings*. New York: ME Sharpe Inc.; 1993. pp. 35-42
- [12] Gokten S. An audit gap problematic in Turkey: The role of Turkish court of account for semi-public companies. *Journal of International Scientific Publications, Economy & Business*. 2016;**10**:230-244
- [13] Saraiva HIB, Almeida BMV. Normalizacao Contabilistica: o papel das associacoes profissionais em Portugal. In: Proceedings of V Congresso dos TOC; 17–18 September 2015; Lisbon. ISBN: 978-972-9171-86-4. http://bdigital.ipg.pt/dspace/bitstream/10314/2305/1/Ata%20Cientifica_Helena%20Saraiva3.pdf [Accessed: March 2017]
- [14] Lehman G. A critical perspective on the harmonisation of accounting in a globalising world. *Critical Perspectives on Accounting*. 2005;**16**:975-992
- [15] Nobes C. An empirical investigation of international accounting principles: A comment. *Journal of Accounting Research*. 1981;**Spring**:268-280