

## HARMONIZING GREEK ACCOUNTING LAW 4308/2014 WITH INTERNATIONAL ACCOUNTING STANDARDS: AN EVALUATION OF IFRS CONVERGENCE IN DOMESTIC ACCOUNTING PRACTICES

### *HARMONIZAÇÃO DA LEI CONTÁBIL GREGA 4308/2014 COM AS NORMAS INTERNACIONAIS DE CONTABILIDADE: UMA AVALIAÇÃO DA CONVERGÊNCIA COM AS IFRS NAS PRÁTICAS CONTÁBEIS NACIONAIS*

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#### **Abstract**

This study examines the harmonization of Greek Accounting Law 4308/2014 with International Financial Reporting Standards (IFRS) and evaluates the institutional and economic implications of accounting convergence in Greece. Using a conceptual and analytical methodology based on regulatory analysis and accounting governance literature, the paper explores the interaction between IFRS adoption, financial transparency, prudential supervision, and institutional enforcement. The findings indicate that although IFRS convergence has improved comparability, disclosure quality, and investor confidence, significant implementation challenges remain due to tax-oriented accounting traditions, fragmented enforcement mechanisms, and institutional weaknesses. The study further demonstrates that technological transformation, including digital accounting systems and artificial intelligence-supported auditing, increasingly shapes the effectiveness of financial reporting frameworks. Additionally, the transition toward expected credit loss models strengthens macro-prudential stability while increasing operational complexity and managerial discretion risks. The paper concludes that sustainable accounting convergence requires stronger alignment between IFRS, prudential regulation, technological modernization, and supervisory coordination to enhance financial

#### **Resumo**

*Este estudo examina a harmonização da Lei Contabilística Grega 4308/2014 com as Normas Internacionais de Relato Financeiro (IFRS) e avalia as implicações institucionais e económicas da convergência contabilística na Grécia. Utilizando uma metodologia conceptual e analítica baseada na análise regulatória e na literatura de governação contabilística, o artigo explora a interação entre a adoção das IFRS, a transparência financeira, a supervisão prudencial e a fiscalização institucional. Os resultados indicam que, embora a convergência com as IFRS tenha melhorado a comparabilidade, a qualidade da divulgação e a confiança dos investidores, permanecem desafios significativos de implementação devido às tradições contabilísticas orientadas para a fiscalidade, aos mecanismos fragmentados de fiscalização e às fragilidades institucionais. O estudo demonstra ainda que a transformação tecnológica, incluindo sistemas digitais de contabilidade e auditoria apoiada por inteligência artificial, influencia cada vez mais a eficácia dos sistemas de relato financeiro. Além disso, a transição para modelos de perdas de crédito esperadas reforça a estabilidade macroprudencial, ao mesmo tempo que aumenta a complexidade operacional e os riscos associados à discricionariedade da gestão. O artigo conclui que uma convergência*



reporting quality, banking resilience, and long-term macroeconomic stability.

**Keywords:** IFRS Convergence. Accounting Harmonization. Financial Reporting. Prudential Regulation. Accounting Governance.:

*contabilística sustentável requer um alinhamento mais forte entre as IFRS, a regulação prudencial, a modernização tecnológica e a coordenação supervisora, de forma a melhorar a qualidade do relato financeiro, a resiliência bancária e a estabilidade macroeconômica de longo prazo.*

**Palavras-chave:** *Convergência IFRS. Harmonização Contabilística. Relato Financeiro. Regulação Prudencial. Governança Contabilística.*

## 1 INTRODUCTION

This study attempts to analyze the development of the financial reporting system in Greece, with particular emphasis placed on the harmonization of Accounting Directive 2013/34/EU using Law No. 4308/2014. This legislative change is seen as an important step towards international accounting convergence, addressing the gap that had existed between traditional code law and IFRS principles (Challoumis, Eriotis, & Vasiliou, 2025c). Nevertheless, there is still uncertainty regarding the actual effectiveness of such convergence, especially considering the Greek institutional framework, which is defined by historical practices of tax-based reporting and high levels of corporate concentration (Karampinis & Hevas, Mandating IFRS in an Unfavorable Environment: The Greek Experience, 2011; Challoumis, Eriotis, & Vasiliou, 2025c). Thus, this research seeks to examine the views of the major stakeholders on the problems associated with this transition, especially as the internal system becomes increasingly different from the Anglo-Saxon framework of IFRS (Mantzari, 2014). Furthermore, the persistent influence of traditional tax-oriented accounting methods suggests that compliance remains a complex undertaking rather than a seamless integration (Stergios & Tasos, 2019), necessitating an investigation into whether such regulatory harmonization truly enhances the quality of financial information within an emerging market context (Vazakidis, 2010). Despite these institutional obstacles, empirical evidence indicates that the adoption of such standards has significantly bolstered the reliability, transparency, and overall comparability of financial statements for major Greek firms (Ballas *et al.*, 2010).

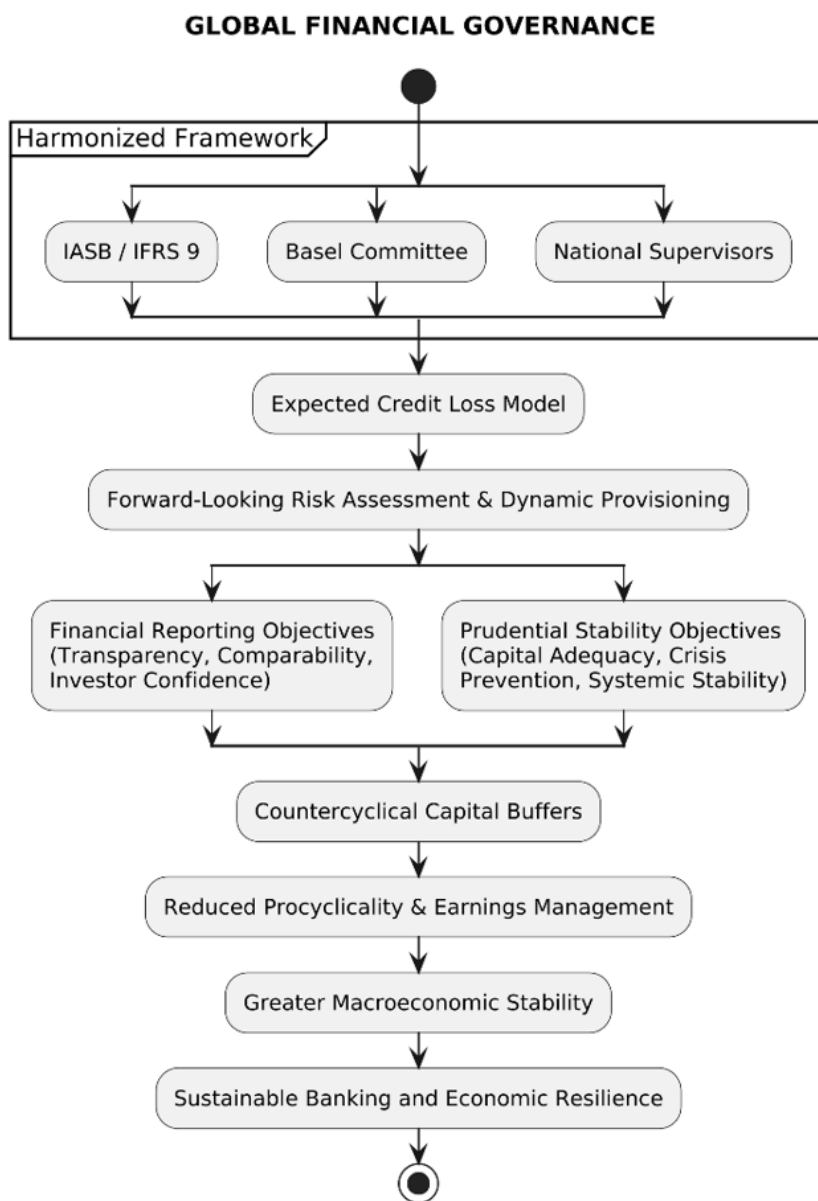
However, the analysis among academics is still not uniform since certain empirical studies on Athens Stock Exchange-listed firms reveal that enhancements in the value-relevance of accounting information, especially in regard to earnings and conditional conservatism, have been minimal (Yiannoulis, 2021). This disparity in the implementation of the OS highlights that the effectiveness of mandatory adoption is greatly influenced by the existing organizational shortcomings and not simply the precision of the standards themselves (Καραμπίνης, 2011). However, although fair value accounting is promoted in the IFRS regulations to disassociate the process of taxation from accounting, unconsolidated accounting methods remain prevalent, thus limiting the applicability of such improvements (Karampinis & Hevas, 2009). Moreover, the inconsistent implementation of such criteria in different companies implies that there might be some unique resource limitations faced by smaller firms that prevent them from achieving the democratizing capacity of global reporting systems.

## 2 METHODOLOGY

The proposed methodology in Figure 1 is designed to facilitate theoretical synthesis of the interplay between international accounting standards regulation, prudential supervision, and macroeconomic stabilisation strategies, as relevant to ECL governance. The methodology involves systems-oriented analysis of the roles and functions played by the IASB/IFRS 9 system, Basel Committee, and national supervisory institutions in relation to a common governance system. The main idea behind the proposed conceptual framework is to explain how regulatory convergence can be leveraged to enhance the efficiency of forward-looking provisioning processes while addressing inherent vulnerabilities related to the lack of coherence in accounting practices and prudential regulation. From the methodological standpoint, the suggested framework incorporates insights from accounting governance theory, prudential regulation, and macro-financial stability studies in order to show the sequence of steps leading from regulatory convergence to risk management mechanisms and economic stability.

**Figure 1**

*Global Financial Governance*



Source: Authors' scheme.

This idea is illustrated in Figure 1, which provides the basis for the construction of resilient and sustainable banks via global financial governance using an integrated expected credit loss approach. This framework illustrates the process whereby the alignment of regulatory oversight by the global accounting and supervision community represents the first stage necessary to achieve a sound forward-looking approach to credit risk assessment and dynamic provisioning. Next, the interconnections between the goals

of financial reporting, including transparency and investor assurance, with the goals of prudential regulation, such as capital adequacy, systemic crises prevention, and macro-financial stability, give rise to the establishment of countercyclical capital buffers to counteract procyclicality and earnings management issues.

### **3 LEGAL AND REGULATORY FRAMEWORK IN GREECE: AN OVERVIEW OF LAW 4308/201**

The adoption of the Law 4308/2014 represents the key tool through which the EU Accounting Directive 2013/34/EU is implemented, thereby harmonizing the national regulatory structure by integrating domestic norms with global standards. The purpose of the reform is to address the problems encountered in the past by enhancing the disclosure obligations while recognizing the limitations of the Greek accounting context. This law directly responds to the challenge of moving from the past fragmented accounting systems towards a coherent accounting framework that harmonizes Greek accounting standards with E.U. directives (Christina *et al.*, 2021). With the establishment of a more organized classification system for financial information, the purpose is to enhance the level of transparency and comparability of firm disclosure practices in situations where the firms' activities are conducted in an economic environment that has traditionally been driven by tax motivations. In addition, the move represents a fundamental change in how accounting practices have traditionally been governed. The change does away with the tradition of governance through fiscal regulation and promotes the governance of accounting through reliable financial reporting practices. However, due to the entrenched institution of clientelism in the political process and lack of adequate administrative capabilities, it becomes difficult to put into place such regulatory measures (Baboukardos & Rimmel, 2014). These traditional socio-political practices within the locality will likely lead to the incorporation of the newly established accounting regulatory board into the existing inefficient state mechanisms, rendering it virtually inactive in its intended capacity (Caramanis *et al.*, 2015). Thus, the efficacy of Law 4308/2014 can often be jeopardized due to a wider social environment in Greece that lacks a high degree of social trust and embraces high uncertainty avoidance (Bethani *et al.*, 2019).

Following the legislative developments noted above, further legislation via Law

No. 4336/2015 and Law No. 4403/2016 was necessary in order to complete the transposition of the final articles of the Directive, initially missing from the Greek transposition framework. This was crucial for the development of a robust legal framework that could facilitate the transition to European standards (Tsalavoutas, 2017). Apart from these piecemeal legislative changes, the process also entailed a total overhaul of outdated means, including the Code of Tax Representation of Business Transactions, to fully adopt the concept of concise but thorough financial record keeping (Παπαγεωργίου & Κυριακουλέας, 2017). The attempt to update the structure of legislation highlights the conflict between following international standards and coping with the domestic environment, where cultural features and difficulties in enforcement often impede the desired result (Mazzi *et al.*, 2018). These challenges are indicative of the general gap between the management of the finances and the reporting of the same, where the coordination between these two areas continues to be limited by the lack of a systematic approach towards accounting and taxation issues (Karagiorgos *et al.*, 2020). The process of legislation demonstrates the challenges involved in implementing EU directives, as it is often within the prerogative of member states to interpret and implement these directive frameworks based on their individual administrative and political contexts (Labro & Pierk, 2025).

In particular, the staggered transposition process in Greece demonstrates how phased implementation of legislation may lead to operational ambiguity, whereby local companies encountered difficulties in harmonizing disparate laws with the existing national accounting system (Mantzari & Georgiou, 2018; Tsalavoutas, 2017). This phenomenon mirrors broader European trends where national legislators intentionally maintain the status quo to minimize the immediate institutional adaptation costs associated with EU requirements (Aureli *et al.*, 2019, 2020). The aforementioned administrative hitches and delays, akin to those witnessed when implementing Directive 2013/34/EU elsewhere, ultimately affect the desired harmonization of financial accounting and reporting in the European Union (Karamanou *et al.*, 2017). In fact, the intrinsic ambiguity of these instructions frequently results in an escalation of the indeterminacy of procedures already in place, as the member states try to reconcile their legal obligations with their historical accounting practices (Moggi *et al.*, 2023). Discretionary maneuverability makes it possible for member countries to apply their own

interpretation of directives to safeguard their jurisdictional interests, thus creating a "minimum harmonization" strategy, which often results in inconsistent outcomes rather than convergence (Aureli et al., 2018). This persistence of diverse interpretations underscores the argument that effective harmonized regulation across varied linguistic and institutional landscapes remains logically impossible (Alexander et al., 2022). This issue is made worse by the fact that the EU Directive 2013/34/EU allows member countries to use historical cost as the basis for measuring transactions, which further widens the difference between national GAAP standards and the fair value approach of IFRS (Paea, 2018). Thus, although the goal of Europeanization is the standardization of accounting methods, its implementation continues to be rather disorganized because legislators from different countries often choose local accounting methods due to their relative stability compared to market-driven values (André, 2017; Pierrot, 2009). Furthermore, the adoption of these discretionary provisions facilitates a form of neoliberal Europeanization that embeds local socio-political norms into the formal structures of corporate governance (Mantzari & Georgiou, 2018). Such regulatory flexibility illustrates the inability of the EU's approach through transnational directives to overcome the gap existing between rule-based legalistic national regulation and flexible principles of international comparability (Jorissen, 2017; Oehr & Zimmermann, 2011).

#### **4 INTERNATIONAL ACCOUNTING STANDARDS AND IFRS CONVERGENCE: CONCEPTS AND GLOBAL TRAJECTORIES**

The academic discussion on the use of IFRS is typically seen to regard the standards as an international "new normal," implying that they are the necessary normative foundation for facilitating international capital market integration (Albu et al., 2022). Nevertheless, the application of the standards indicates that change in accounting is not always linear and technical since it is largely influenced by the rationality and the social actors within different institutional contexts (Caria & Gomes, 2022). While IFRS is expected to act as a unifying factor for convergence, the increase in such practices does not represent a straightforward phenomenon but rather a complex cognitive-cultural change that necessitates an adaptation to local political economies in order to gain true legitimacy. However, this adoption process tends to be obstructed by resistance because

of difficulties with aligning the model of fair value measurement (Biondi, 2017). The imposition of this fair value paradigm often reflects broader shifts in the global political economy, where the financial sector increasingly gains dominance over productive capital (Perry & Nölke, 2006). The increasing institutionalization of fair value accounting can likewise be understood as part of a larger shift occurring in today's capitalism, wherein financial markets play an ever-greater role in determining corporate governance, investment strategy, and accounting regulations. In this context, accounting becomes not just a system of technical reporting, but one that is tailored to meet the information needs of investors, lenders, and financial intermediaries. This shift toward market valuations results in a heightened focus on short-term metrics for measuring firm performance and decisions driven by shareholder interests, rather than those focused on long-term productive investments. Fair value accounting thus potentially facilitates the rise of financialization by incorporating market uncertainty into corporate financial reporting, thereby amplifying the power of finance over industry (Challoumis, 2024a, 2025). This shift underscores a fundamental conflict in accounting paradigms, where the choice between measurement methodologies often prioritizes financial interests over those of industrial production (Nölke & Perry, 2007). The above mentioned conflict becomes further aggravated due to the absence of any automatic substantive convergence associated with adoption since divergent perceptions of the relevant standards and a wide range of policy choices lead to path dependency of institutions. In the end, global comparability remains possible solely for multinational corporations, whereas local companies remain bound to their own governance models that demand individualized approaches to financial reporting (Pittroff, 2020). Furthermore, research indicates that the attempt to balance these diverse institutional needs often results in fragmented reporting incentives that undermine the fundamental objective of cross-border comparability (Черепанова, 2017). This disconnection implies that there is always an underlying factor affecting the financial reporting process, namely, deeply rooted legal and cultural institutions within each nation that operate independently of the prescribed accounting rules. In addition, the absence of stringent enforcement measures from one jurisdiction to another serves to widen the gap because the same accounting rules lead to different results.

## 5 COMPATIBILITY AND GAPS: MAPPING LAW 4308/2014 TO IFRS REQUIREMENTS

In this segment, a critical analysis will be made about the technical differences existing between the local laws and the conceptual framework of IFRS. Through the analysis of the transition phase, it will become clear that local regulations incorporate their own methods that, ironically, hinder the objectives of internationalization (Ghosh et al., 2020). This divergence is often associated with the impact of national regulatory environments, in which case the technical adoption of IFRS involves institutional changes which are likely to overlap corporate accounting and auditing roles (Aburous, 2018). This divergence can be amplified by other economic and technological shifts affecting the working conditions of financial reporting and regulation. The introduction of IFRS into heterogenic national systems often entails large-scale expenditures on the development of advanced digital accounting infrastructure, database technology, artificial intelligence-powered auditing solutions, and internal control systems capable of processing complex accounting data. Economically, these transitions are likely to lead to unequal adaptation costs for large multinational companies and small domestic enterprises, thereby potentially deepening existing structural imbalances in the sphere of accessing capital markets and meeting regulatory requirements. Simultaneously, the increasing role of financial technologies and automated accounting systems is changing the conventional dynamics of relations between accounting, auditing, and corporate governance through reliance on sophisticated algorithmic evaluation and risk analysis techniques. Thus, the convergence towards IFRS is not only about reforms in the field of accounting, but also about other economic and technological changes reshaping institutional effectiveness, market transparency, and digitalization of financial systems (Challoumis *et al.*, 2025a, 2025b). In addition, empirical findings reveal that once adopted, France and Spain, for example, show major changes in their policies after transition, which continue to follow national practices and thus prevent the formation of a fully integrated reporting environment (Kvaal & Nobes, 2011). This kind of persistence in individual domestic peculiarity is a sure indication that institutions play a pivotal role in defining the functional results of accounting system designs, either facilitating or inhibiting their adoption irrespective of the prescribed standard (Rodgers et al., 2023). Indeed, this trend

is mirrored in emerging markets where conflicting institutional frameworks and local regulatory pressures often obstruct the intended transparency benefits of IFRS (Petre & Albu, 2020). In the context of Kenya, for example, the growing complexities of fair value model accounting have often been at loggerheads with the established rules and legislations, thereby making it difficult to fully comply and disclose (Outa, 2011). These implementation gaps are further compounded by cultural factors, as the inherent flexibility of principle-based standards allows management to align reporting practices with local norms and institutional environments (Ebaid, 2022). In light of that, the continued reliance on the aforementioned standards, without addressing the legal differences between the nations, leads to a dissociation between the two systems in which formal adaptation is nothing but a facade over the true variations in reporting practices (Poyda-Nosyk *et al.*, 2024). This is an example of the role played by national institutional logics as a mediator that overrides any attempt at adopting universal accounting principles and standards proposed by the IASB (Masum & Parker, 2020). Furthermore, since the national accounting tradition still influences the reporting behaviors even in cases where discretion is allowed by the use of IFRSs, such cross-national variation persists within the global adoption drive (Fasan & Marcon, 2018).

## **6 IMPACTS ON FINANCIAL REPORTING: CORPORATE DISCIPLINES, COMPLIANCE COSTS, AND STAKEHOLDER PERSPECTIVES**

However, the enforcement of these standards calls for an intensive analysis of the pros and cons of greater transparency alongside the rising compliance costs incurred by domestic organizations (Lawalata & Salle, 2024). While larger corporations could benefit from these changes to improve their information environments, research indicates that the changes could also affect the pattern of capital distribution within these organizations, ultimately leading to more conservative dividend payments among firms as they conform to regulatory requirements (Ombati & Shukla, 2017). At the same time, mandatory adopters often witness a drastic increase in their market mobility, on the condition that their institutional setting is relatively strict and encourages corporate transparency (Ma *et al.*, 2022). However, in those countries where the local accounting system remains largely disconnected from international standards, the potential advantages associated with

harmonization could be substantially undermined by institutional barriers (Bengtsson, 2021). Moreover, the adoption process can create volatility through fair value accounting, which might be due to estimation error or managerial manipulation instead of being reflective of the company's actual value (Yang *et al.*, 2017). Apart from these problems of measurement, the use of principle-based standards itself allows managers to have much discretion, leading to different interpretations and making cross-border uniformity even more difficult (Yang *et al.*, 2017). Thus, investors will have difficulties identifying performance measures since financial statements will lose comparability due to such constant differences across jurisdictions. Moreover, stakeholders claim that the operational costs involved in adapting IFRS often outweigh the quality benefits offered by IFRS, especially when standard-setters overlook the diversity of economic conditions among different countries (Fox *et al.*, 2013). In conclusion, this contradiction emphasizes the need for an effective system of controls that go beyond superficial conformity to make sure the implementation of global standards leads to positive results for the information quality. In addition to all the above-mentioned structural barriers, it appears that intrinsic reporting incentives, which are heavily influenced by the domestic capital structure and tax-based accounting, have a more substantial impact on the financial quality compared to accounting standards themselves (Silva *et al.*, 2020). As a result of these recurring discrepancies, it becomes evident that inherent economic reasons often prevent the total convergence of international rules from being achieved (Kang & Gray, 2011). This structural emphasis on localized incentives also defeats the purpose of the conceptual framework developed by the IASB, as reporting remains dependent on the unique conditions of each individual sovereign nation (Ho *et al.*, 2015).

## **7 CASE STUDIES: PRACTICAL IMPLICATIONS FOR GREEK ENTITIES ACROSS SECTORS**

The process of standard adoption in the region highlights sectoral differences as regards companies with little international experience and inability to cope with sophisticated fair value accounting requirements and familiar local taxation practices. According to audits conducted here, the practice of using valuation estimates developed by company management leads to inaccuracies in preparing financial statements as

management estimates might not reflect the true economic picture (Τάσιος & Bekiaris, 2012). The application of subjective valuation methods exacerbates "standards overload" for companies trying to bridge their local accounting background and international requirements (Salah, 2020). As evidenced by empirical studies, the use of new standards influences Greek company finances and performance, as the changes in shareholders' equity and net profit tend to be positive overall (Tsalavoutas & Evans, 2010). While the financial figures are encouraging, the changeover to international standards in the region is mostly driven by coercion from influential stakeholders who force companies to use more efficient financial systems (Mantzari *et al.*, 2017). Still, according to the findings of longitudinal studies, international standards prove to be helpful in smoothing results and improving loss recognition timeliness (Montoya *et al.*, 2018). Additionally, according to Garefalakis & Dimitras(2016), the implementation of IFRS increases the information value relevance as shown by the strong linear relationship between stock prices and some accounting variables such as book values and earnings per share. On the contrary, some studies argue that voluntary adoption of IFRS does not lead to similar information value improvement on equity and earnings (GIUGLEA, 2023). For instance, there are indications that the beneficial impacts brought about by IFRS implementations tend to be seen in major industrial sectors and market indices like the FTSE 40. Contrary, the expected positive impacts tend to be less in small market firms(Iatridis & Δάλλα, 2011). Additionally, researchers observe that while mandatory implementation improves transparency, the quality of reporting goodwill depends heavily on the organizational context within which the company operates (Boolaky *et al.*, 2018).

## **8 GOVERNANCE, AUDITING, AND ENFORCEMENT: INSTITUTIONAL CAPACITIES FOR IFRS CONVERGENCE**

Although empirical research indicates that outcomes such as increased liquidity and price responsiveness are achieved in the capital markets when these are implemented, they can largely be achieved under certain conditions regarding the national regulatory environment that underpins their implementation. It appears that in emerging economies, the institutional infrastructure is relatively weak, which can limit the ability of these economies to benefit from the use of IFRS regardless of how superior the accounting

standards themselves actually are (Salah & Abdel-Salam, 2019). As noted by empirical studies, capital market benefits emerge only if the country allows firms to be transparent while simultaneously implementing effective legal enforcement measures (Silva *et al.*, 2021). Thus, mandatory IFRS adoption leads to good market responses and more efficient information environments for analysts (Bonetti *et al.*, 2016). In turn, mandatory IFRS adoption is linked not only to the aforementioned market responses and analyst information environments (Bonetti *et al.*, 2016; Tutino *et al.*, 2019) but also to economic consequences related to transparency, capital mobility, and efficient investments. Accounting standards standardization lowers informational asymmetries for firms, investors, and financial institutions abroad, promoting cross-border investments (Challoumis, 2024c; Challoumis & Eriotis, 2025). From a macroeconomic perspective, higher comparability and reliability of financial reporting may strengthen investor confidence, support financial market integration, and contribute to more efficient allocation of economic resources. At the same time, the economic effects of IFRS adoption remain uneven across countries, as institutional quality, regulatory enforcement, and the maturity of domestic financial systems significantly influence the extent to which these benefits materialize in practice (Tutino *et al.*, 2019). Conversely, in environments characterized by weak regulatory enforcement, the mere adoption of international standards is insufficient to counteract local pressures that prioritize information opacity, thereby limiting the expected enhancements in reporting quality (Sasanti *et al.*, 2024). On the other hand, when the institutional environment is marked by low levels of compliance with regulations, the adoption of international accounting standards can lead to mere symbolism and not any substantial enhancement in financial reporting. In an institutional environment such as this, domestic political interests, ownership concentration, and tax-based reporting motivations are likely to prevail in corporate disclosures even if the international accounting system is highly developed. Therefore, companies are likely to conform to the IFRS guidelines only on the surface or at the procedural level but retain their reporting methods, which restrict financial disclosure and comparability. In addition, inadequate monitoring capacity, weak judicial system, and ineffective auditing make it difficult for the regulatory authority to enforce principle-based guidelines. Such an institutional vulnerability could facilitate earnings manipulation, selective disclosures, and unreliable financial reporting, thus undermining investor confidence and the

economic gains that might have been attained from accounting standardization and international capital market integration (Chehade & Procházka, 2023). Moreover, research indicates that with a high degree of discretion and low levels of monitoring, firms might counterintuitively enhance their use of earnings management even under the shift to more sophisticated models (Fuad *et al.*, 2019). In essence, the success of the International Financial Reporting Standards depends entirely on the strength of the legal and regulatory framework within a country, and not the sophistication of the accounting standards themselves (Anggraeni, 2023; Houqe, 2018). This implies that efforts geared towards establishing universal accounting standards ought to be complemented by institutional reform measures to enable the regulatory environment to promote desired outcomes (Tunyi *et al.*, 2020). Furthermore, it should be noted that the legal culture founded on common law enables greater scope for applying professional judgment.

## **9 TRANSITIONAL ARRANGEMENTS AND IMPLEMENTATION CHALLENGES**

Implementation of the above-mentioned standards calls for considerable investment in training and human capital, since professionals may fail to possess necessary knowledge in handling difficult fair value evaluations (Akbarova, 2026). What is more, implementation of the mentioned standards in emerging economies is consistently hindered by the discussed cultural barriers and overall lack of proper regulatory institutions (Reymundo-Soto & Navarrete-Zambrano, 2024). Lastly, varying quality of the disclosures might be explained by the lack of preparation skills among practitioners; thus, implementation can be seen to demonstrate noticeable progress in compliance in the future, as the required expertise matures (Reymundo-Soto & Navarrete-Zambrano, 2024). Until then, lenders will incur additional costs associated with monitoring and learning due to difficulties in assessing the creditworthiness of borrowers within the discussed environment (Chen *et al.*, 2015). These difficulties are further complicated by the natural conflict existing between IASB's preference for fair value accounting and the issues in validation of valuations on the markets, where no sufficient trading activity takes place (Siciliano, 2019). As a result, application of the discussed technique in such circumstances has been associated with possible risks of increasing

systemic risk (Siciliano, 2019). Moreover, the trend towards forward-looking impairment models is still controversial, owing to the fact that differences between the international standard setters and their regional members frequently require compromise where institutional stability is preferred over an accurate portrayal of economic risks associated with loans. The use of discretionary loan loss reserves reduces transparency, increasing the cost of capital and weakening market discipline of risky banking activities (Novotny-Farkas, 2016). Also, the continued existence of significant impairment accounting discrepancies between the FASB and IASB entails considerable expenses for both preparers and users, who have to deal with dissimilar models of loss allowances, which might produce markedly varying amounts of stockholders' equity (Hashim *et al.*, 2016). Furthermore, the difficulty associated with implementing the disclosure standards encourages companies to resort to box-ticking practices, which emphasize compliance rather than substance (Johansen & Plenborg, 2018). Furthermore, the presence of data limitations and forecasting difficulties associated with such models often hampers the effective use of provisioning standards, resulting in disparities in accounting practices among different countries (Awuye & Taylor, 2024). These ongoing interpretational problems indicate that the adoption of discretionary accounting approaches should be complemented by stricter oversight processes to ensure that the advantages of less procyclical behavior do not outweigh the drawbacks of reduced transparency.

## **10 POLICY OPTIONS AND RECOMMENDATIONS FOR ENHANCED CONVERGENCE**

In order to resolve the present impasse, policy strategies should shift from searching for a universal code of rules to ensuring convergence in terms of the valuation objectives that guide the standard setting networks (Pucci & Skærbæk, 2019). Instead of trying to achieve perfect procedural agreement, regulatory bodies may focus on establishing a shared conceptual base for identifying losses to counter the hazards posed by divergent legal jurisdictions (Stellinga, 2019). This way, it will be easier to introduce floors for risk measures that conform to international banking standards to curb procyclical tendencies while at the same time limiting inconsistencies among institutions in their reporting activities (Krüger *et al.*, 2018). In addition, enhancing cooperation

between standard setters and national supervisory agencies is necessary to bridge the operational deficiencies that accompany the shift from IFRS 9 or other expected loss approaches to incurred loss systems (Mechelli & Cimini, 2020). Harmonizing such accounting standards with Basel Committee capital adequacy guidelines can help close the ever-widening divide between the financial reporting goals and safety provisions of prudential policies (Mechelli & Cimini, 2020). Such strategic alignment would not only reduce the scope for earnings management under the guise of model-based discretion but also enhance the predictive utility of loan loss provisions throughout the economic cycle (Casciello *et al.*, 2024). In addition, regulators should consider including dynamic provision schemes as another tool used to overcome certain deficiencies of the prospective models during deep recessions (Athanasoglou *et al.*, 2013). The creation of capital reserves in times of economic growth will guarantee the ability of an institution to survive a shock without violating its financial reporting integrity (Stander, 2023). Finally, in order for the adoption of the new reporting regime to be successful, the tax deductibility of such provisions needs to be ensured so as to motivate firms to recognize losses sooner and ensure consistency between accounting results and macroprudential outcomes (Casciello *et al.*, 2024). Therefore, the integration of accounting policies with prudential regulation implies the necessity of shifting to new expected loss approaches that will incorporate additional credit information, thus leaving incurred-loss approaches obsolete (Challoumis, 2023, 2024b). Furthermore, supervisors may consider expanding banks' horizon in assessing credit losses beyond the traditional one year period.

The increasing intricacy of financial systems in contemporary times has made it imperative that there be greater integration between accounting regulation and prudential supervision. Although IFRS 9 provided an expected credit loss approach that aims to enhance timely recognition of losses, a number of issues relating to regulatory fragmentation, managerial flexibility, and procyclicality of financial institutions in times of economic turbulence still exist. As such, moving towards a unified governance model would require more than just accounting changes, but also coordination between standard setters, regulators, and finance ministries. This is captured by the table below, which highlights the main deficiencies in the present system along with the proposed solutions from the literature.

**Table 1***Integrated Framework for Harmonizing Accounting Standards and Prudential Regulation*

<b>Strategic Dimension</b>	<b>Current Problem</b>	<b>Proposed Regulatory Solution</b>	<b>Expected Economic and Financial Impact</b>
Valuation Governance	<b>Fragmented interpretations of IFRS 9 across jurisdictions</b>	<b>Establish a common conceptual baseline for expected credit loss recognition</b>	<b>Greater international comparability and reduction of regulatory arbitrage</b>
Financial Stability	<b>Procyclicality during economic downturns</b>	<b>Introduce parameter floors aligned with Basel accords</b>	<b>Stabilization of banking cycles and reduced systemic volatility</b>
Accounting–Prudential Gap	<b>Divergence between accounting objectives and supervisory requirements</b>	<b>Align IFRS 9 with Basel capital adequacy frameworks</b>	<b>Improved coherence between financial reporting and macro-prudential supervision</b>
Earnings Management Risk	<b>Excessive managerial discretion in model-based estimates</b>	<b>Strengthen supervisory oversight and disclosure requirements</b>	<b>Increased transparency and reduced opportunistic provisioning behavior</b>
Credit Risk Predictability	<b>Weak predictive capacity of traditional incurred-loss models</b>	<b>Expand forward-looking expected loss methodologies</b>	<b>Earlier recognition of deteriorating credit conditions</b>
Economic Cycle Resilience	<b>Insufficient buffers during crisis periods</b>	<b>Implement dynamic provisioning mechanisms</b>	<b>Enhanced institutional resilience and countercyclical protection</b>
Capital Adequacy	<b>Limited ability to absorb shocks during recessions</b>	<b>Build provisioning buffers during expansionary phases</b>	<b>Improved solvency and long-term banking sustainability</b>
Fiscal and Tax Alignment	<b>Delayed recognition due to unfavorable tax treatment</b>	<b>Permit broader tax deductibility of loan loss provisions</b>	<b>Incentivization of early loss recognition and reduction of hidden risks</b>
Long-Term Credit Assessment	<b>Short-term one-year assessment horizons underestimate risk accumulation</b>	<b>Extend loss-evaluation horizons beyond conventional periods</b>	<b>Better identification of structural and long-term credit deterioration</b>
Global Regulatory Coordination	<b>Weak interaction between accounting boards and supervisors</b>	<b>Institutionalized collaboration between IASB, Basel Committee, and national authorities</b>	<b>More integrated global financial governance and enhanced market confidence</b>

Source: Authors' scheme.

Table 1 presents a multifaceted interplay between accounting frameworks, prudential supervision, and macroeconomic management in relation to modeling expected credit losses. As seen from Table 1, the shortcomings associated with fragmented accounting regimes not only affect financial reporting but also have an impact

on systematic risk management, banking soundness, and overall macroeconomic cycle stability. In particular, the framework stresses the need for greater integration between IFRS 9 and Basel prudential standards, improved supervisory coordination, adoption of dynamic provisioning procedures, and enhanced time horizons in credit risk evaluation. The objective of such steps is to minimize earnings management incentives, avoid procyclicality effects, enhance the forecasting capabilities of loan loss allowances, and strengthen institutional solvency in times of recession. In effect, the framework promotes a shift towards a more integrated approach to financial governance in which transparency, prudential soundness, and economic sustainability are linked together into an indivisible whole.

## 11 CONCLUSION

The transition to an expected loss approach constitutes a critical step in financial accounting practice; however, its success is conditional on managing managers' discretion and improving regulatory supervision. In this regard, future regulatory policies need to focus on designing a comprehensive disclosure regime that will facilitate the integration of supervisory forecasting expectations with subjective forward-looking projections. In turn, meeting these requirements implies implementing an institutional arrangement that will involve the strict testing of internal models to discourage any form of earnings manipulation. However, such supervision has to be complemented by regular supervisory monitoring since discretionary provisioning is vulnerable to managerial discretion. Therefore, creating a transparent regulatory system presupposes striking a delicate balance between the forward-looking provisioning goals and valuation procedures to foster macroeconomic stability (Borio, 2011). Ultimately, addressing this issue implies balancing loan loss provisioning reporting against real economic processes to avoid another wave of procyclical effects. Further research should explore how the new loan loss provisioning approaches impact capital reserve building compared to traditional incurred loss models (Bushman & Williams, 2015). Moreover, exploring whether dynamic provisioning systems provide more reliable insulation against cyclical volatility compared to fair value approaches will be crucial for informing the next generation of global regulatory standards (Bouvatier & Lepetit, 2007). In particular, it would be useful

to explore the extent to which integrating the provision of such countercyclical buffers into these approaches helps in offsetting the incentives for earnings management inherent in the subjective internal model parameters. Analyzing the relationship between the quality of forecasts made by these approaches and the availability of the relevant data in institutions will allow scholars to conclude whether the focus on forward-looking measures reflects the underlying risks associated with various assets adequately (Malovaná & Tesařová, 2021). In addition, researchers may need to consider how introducing such approaches influences the information content of financial disclosures to ensure the use of provisions does not replace bank capital in accounting disclosures (Nguyen *et al.*, 2023). Moreover, it will be essential to examine the effectiveness of strict disclosure standards in preventing institutions from taking advantage of the ability to provision as a way of managing income during the transition period when new regulations come into effect, although past experience suggests some success in that regard (Ozili, 2019).

The alignment of Greek Accounting Law 4308/2014 with International Financial Reporting Standards implies an important shift within the institutional framework intended to ensure better financial disclosure, comparability, and global capital market integration. However, the empirical analysis presented above indicates that IFRS convergence can be achieved only with the consideration of the general institutional, technological, and regulatory context of implementation of these accounting standards. In spite of numerous efforts taken by the Greek authorities and the national banking sector, such persistent problems as weak mechanisms of enforcement, accounting policies oriented to tax purposes, and poor technology adaptation capabilities are still undermining the successful process of accounting convergence. Moreover, the gradual introduction of new technologies for accounting and auditing along with the implementation of the ECL principle is creating a completely new context for the interactions of accounting regulations and prudential supervision. Sustainable accounting convergence presupposes an integrated governance mechanism based on institutional control, technological modernization, and prudential regulation.

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