Accounting Environment in Peru

Peru is an emerging economy, but still considered a developing country, who began to introduce the widely-used IFRS accounting standards during 1994 (World Bank Group, 2004). Prior to this introduction, the Peruvian system had become a hybrid of many other country's accounting policies, taking influence over time from areas of the world such as Spain, Germany, France and the United States (Tanaka, 2014). Throughout this paper, the background of Peruvian accounting will be explored, along with various areas which influence the accounting environment in Peru. Following this, the current accounting standards will be reviewed.

Becerra (2010) describes the implementation of a new accounting system to be a consequence of the rising degree of globalisation, in order to keep Peru in line with international markets - by ensuring transparency and reliability in the financial information produced and allowing adaptability to the changing requirements of the economy. While Peru has adopted IFRS, they have delayed banks and insurances companies applying the standards, mainly because of the alleged problems of fair value accounting in financial sectors (Carneiro et al, 2017).

According to the World Bank Report (2004), at this stage a sample of financial statements which were scrutinised, appeared not to comply with IFRS standards completely and suggests further training is required to meet such standards, for example the language used in financial statements. The level of requirements for auditors within Peru has also been reduced since 2000, due to legal actions carried out by accounting profession representatives, the CONASEV no longer has jurisdiction over licensing auditors. Following this legal dispute, the only requirement needed in order to audit the statements of a listed company, is an association with a 'college of accountant', which does not explicitly guarantee technical or professional competence levels (World Bank, 2004).

Lourenço's study produced a cluster analysis (2018) of accounting policies of various countries compared to those in the US, which showed a group including Peru as having current similarities to the US in practices compared to IFRS, suggesting their influence has shifted compared to prior research.

In relation to the culture of Peruvians, the high level of individualism - the degree to which they look after themselves or the social framework (Hofstede, 1980) - can explain the variation in accounting standards across the country.

It is a renowned theory that the more powerful the country in the global economy, the less likely they will be to adopt IFRS standards and move towards harmonisation. As Peru is still a developing country, this may be an explanation as to the initial decision of implementation of IFRS standards - to result in the inclusion and opportunity of trading with other countries (Tanaka, 2013). For Peru, exports are an important part of the economy, with a focus on metals and minerals.

In a study carried out by Becerra (2010), it was found that of the sample of 50 Peruvian companies surveyed, 16 (32%) of these give dominance to the accounting standard, whereas the remaining 34 (68%) companies appear to favour the country's tax rules, described as a

‘tax mentality’ (Carneiro et al, 2017), resulting in disengagement. Similarly, Becerra’s survey also found around 46% of those companies surveyed considered the information produced in financial statements as irrelevant, showing the lack of use of these figures in business, giving an insight into the attitudes towards accounting statements as relatively unimportant.

Tanaka (2015) explores the importance of social accounting in the country, especially for mining industry – which provide the highest percentage of GDP to Peru whilst also producing the largest level of pollution. It is stated that the current level of reporting by these companies is not of high transparency and are mainly be produced as a defence mechanism against the criticism of stakeholders. An example of this is provided in the ‘Yanacocha Mining’ company, who operate in Peru. Where their website brandishes the statement: “Mining which respects the environment” various incidents contradict this – from various occasions of large protests in refute of expansions, to kilograms of toxic metal being spilled from a truck.

It is evident that Peru has drawn influence from various countries globally in their style of accounting, however there has been a shift following the introduction of the IFRS standards. The culture of Peru as a fairly individualistic country, partly explains differences in accounting within the country along with the emerging market status. This status also explains the requirement and quick decision to implement IFRS standards, to be continually considered in global transactions and investments. Another factor contributing to this is that of the ‘tax mentality’, where many companies take the tax laws as more important to adhere to than the outlines set out in IFRS. The education level in Peruvian accounting practices leaves much to be desired considering the audit of listed companies has minute requirements. As a country, Peruvian companies stakeholders appear to expect high levels of social accounting, especially in such sectors as the mining industry, with their desire to have more transparent and honest accounting in such large producers of economic wealth. As Peru move closer to global harmonisation of accounting standards and practice, there is still a fair way to go to achieve effective levels in the profession world and for their stakeholders.