

## Layering of IFRS and Dual Institutionalality of Accounting Standards in Belarus

David Alexander<sup>a</sup> and Anna Alon<sup>b\*</sup>

Alexander D. and Alon A. 2017. Layering of IFRS and dual institutionalality of accounting standards in Belarus. *Accounting in Europe*, 14(3), 261-278.

<sup>a</sup>*Emeritus Professor of Accounting, University of Birmingham, Birmingham, United Kingdom*

<sup>b</sup>*Professor of Accounting and Auditing, School of Business and Law, University of Agder, Kristiansand, Norway*

The authors thank Editor (Paul André), Guest Editors (Catalin Albu, Nadia Albu, and Andrei Filip), and anonymous reviewers for their efforts and insight during timely and constructive review process.

\* Department of Economics and Finance, P.O. Box 422, 4604 Kristiansand, Norway,  
[anna.alon@uia.no](mailto:anna.alon@uia.no)

## **Layering of IFRS and dual institutionalality of accounting standards in Belarus**

### **Abstract**

There is an ongoing debate about the applicability and efficacy of International Financial Reporting Standards (IFRS) adoption in countries with diverse institutional infrastructures. We examine financial reporting in Belarus and factors that are shaping its development. In Belarus IFRS has been adopted through *layering* where it is an additional requirement to the existing reporting specified by the national accounting regulations. We explore how global standards were transposed and function in a highly specific institutional context. Based on an examination of reporting in the banking sector, we conclude that different objectives of IFRS and local reporting contribute to *dual institutionalality* of standards where differing formats target the needs of diverse users. Thus, adoption through *layering* is unlikely to contribute to convergence between different reporting standards used for different purposes, and parallel reporting is expected to persist. By examining financial reporting practices in Belarus, we provide insights for practitioners, regulators and standard-setters on implementation of IFRS in countries with similar heavy state involvement, and still using local regulations and traditions in parallel with IFRS.

**Key words:** Belarus; IFRS; Financial Reporting; Dual Institutionalality; Layering of Regulation

## **1. Introduction**

Over the last decade, International Financial Reporting Standards (IFRS) have been adopted by over 100 countries and gained a global standing. Proponents of IFRS argue that the standards serve the public interest through improved transparency, market efficiency, and international comparability. However, a number of studies have investigated the patterns of national IFRS adoption and highlight the importance of the local factors (e. g., Alon & Dwyer, 2014; Judge, Li, & Pinsker, 2010). Further, Kvaal and Nobes (2012) document the existence of national patterns of accounting within IFRS. National practices, particularly those within options given in IFRS, tend to continue (Nobes & Stadler, 2013). While the expectation for IFRS was consistency in financial reporting across borders, the outcome is flavours of IFRS (Nobes & Stadler, 2013).

The recognition of the local factors in the adoption and implementation of IFRS is particularly important in transition economies of Central and Eastern Europe (CEE). Although frequently grouped within the same category, these economies are not uniform due to variations in their transformation from a centrally-planned to a market-based system. For example, a number of these countries, including Estonia, Poland and Romania, are already part of the European Union (EU). IFRS adoption and implementation in these countries have been a focus of recent studies (e.g., Albu & Albu, 2014; Alver, Alver, & Talpas, 2014; Szychta & Kabalski, 2016). However, there continues to be little academic research on implementation of IFRS in transition economies which remain deeply in Russia's sphere of influence.

Belarus is one of the countries where the pace of transition has been influenced by its geographic location and economic ties. It is a land-locked Eastern European country sandwiched between Russia, to the North and East, Ukraine (to the South), and three countries of the EU: Latvia, Lithuania and Poland. We examine how IFRS were transposed and function within the

Belarusian institutional context. We embed our study within IFRS developments in other transition economies and, due to its economic and political links with Belarus, focus on the IFRS adoption approach in Russia. In Belarus, like in Russia, IFRS was adopted through *layering* where national and IFRS standards continue to be utilized for financial reporting of specific segments. We explore the national and IFRS accounting concepts and focus on financial reporting practices of two local banks to determine whether national and IFRS approaches tend to converge or diverge.

By examining financial reporting practices in Belarus, we provide insights for practitioners, regulators and standard-setters on implementation of IFRS in countries with heavy state involvement, and still using local regulations and traditions in parallel with IFRS. A major contribution of the paper is the exposure of a little-known environment and context of increasing economic and, indeed, political importance. We find that the longstanding form-over-substance accounting mentality continues to influence national accounting practices. The adoption through *layering* has contributed to *dual institutional* of accounting standards where different target audiences rely on differentiated reporting. Further, we show that national regulations are not significantly influenced by the requirements and attitudes of IFRS. Thus, such adoption approach is unlikely to contribute to convergence between different reporting standards. Further, convergence may not be desirable given that different reporting structures are established to accommodate diverse users.

The paper is structured as follows. First we discuss political and economic conditions impacting Belarus. In the next section we focus on IFRS-related issues in transition economies with particular emphasis on Russia. Then we explore the *layering* of accounting standards in Belarus. In the analysis we focus on the banking sector in general and the reporting practices of

two dominant state-run banks in particular. The final section provides a discussion of the findings, contributions, suggestions for further research, and conclusions.

## **2. Between EU and EAEU: Belarus in the shared neighbourhood**

Belarus is an Eastern European country which falls under Russia's sphere of influence but, at the same time, is looking to establish its own relationship with the European Union. The country has been managing conflicting pressures since its independence in 1991. The President of Belarus, Alexander Lukashenko, dubbed as 'Europe's last dictator', has won every presidential election since the country's independence and was re-elected for his fifth term in October 2015.

In the last twenty-five years Belarus has experienced market reforms, including the privatization of some state-owned enterprises and opening of the banking and the insurance sector to foreign investors and owners (World Bank, 2009). The privatization process continues but is limited and tightly controlled by the government. The securities market was established in 1998 and currently offers a range of instruments, including government bonds, shares of open joint-stock companies, and bank bonds. Financing continues to be difficult for the firms to obtain as equity markets are underdeveloped and banks charge high interest (World Bank, 2013). Further, the currency has experienced significant devaluation. For example, the exchange rate was 14.380 Belarusian rubles to 1 Euro at the end of 2014 but reached 20,300 to 1 Euro at the end of 2015.

Russia and the EU, two global actors, have reached a new low in their relationship since the Cold War due to a clash of interests in the shared neighbourhood. Efforts to get Ukraine, Moldova, Belarus, Armenia, and Georgia into their sphere of influence have been described as 'an economic and diplomatic battlefield' (Löwenhardt, 2005, p. 7). One of the outcomes of the EU-Russia rivalry is the demarcation between countries that have signed agreements with the EU

(for example, Georgia, Moldova, and Ukraine) and countries that have joined the Eurasian Economic Union (EAEU) (Delcour, 2015). Being in an agreement with either EU or EAEU provides closer links to one of the parties and restricts access to the other.

Over the last decade, the EU has described its policy toward Belarus as ‘critical engagement’, designed to encourage Belarus to embrace the principles of democracy. The EU has been dissatisfied with the Belarusian regime and has imposed varying levels of sanctions. Sanctions were expanded in 2004 in response to disappearances of four opposition activists and the lack of respect for the rule of law and for democratic principles (European Union, 2014). Given the EU’s strong interest in functioning relations with Belarus for various political and economic reasons, in February 2016 most sanctions were lifted. Supporters of the change noted Belarus has taken ‘significant, even if limited steps’ in the right direction (Rankin, 2016).

EAEU became effective January 1, 2015 and currently has five members: Armenia, Belarus, Kazakhstan, Kyrgyz Republic, and Russian Federation. It aims to be a fully functioning body administered at transnational level, with integration of tariff systems and labour movement between the five members (Moshes & Rácz, 2015). EAEU superseded previous integration agreements involving some of the same member-states. Russia is the dominant economy of the Union and has much influence on how it evolves. As highlighted by Delcour (2015), Russia is a norm-taker and a norm-maker. As Russia has not developed an alternative model, the standards adopted by the EAEU are based on international norms of World Trade Organization (WTO) and the EU. These are used selectively to structure EAEU (Delcour, 2015).

Since its independence in 1991, ‘the major factor influencing economic growth in Belarus was the country’s relationship with Russia’ (Zlotnikov, 2009, p.68). Belarus is heavily dependent on Russia which buys a large portion of exports and provides financial assistance and raw materials (Moshes & Rácz, 2015). Language is another area where Russian influence is visible.

Belarus has two official languages, Russian and Belarusian. By the end of the twentieth century and after years of Russification, Belarusian is a secondary language in Belarus where the majority of people use Russian in daily interactions (Zaprudski, 2007). In many areas, including science, legal proceedings, and legislation, the use of Belarusian is currently non-existent or minimal.

EAEU is targeting financial reporting and oversight of financial markets as an area for greater integration. EAEU examined different models and experiences of Western countries by analysing approaches of the EU, NAFTA, and other integration projects (Eurasian Economic Commission, 2015). For the financial markets, countries are expected to follow ‘best international practices’ (EAEU, 2014). As was the case with the EU, EAEU is using IFRS to integrate financial reporting.

The Eurasian Economic Commission, the regulatory body modelled on the European Commission and responsible for managing activities of the EAEU, directed member-countries to adopt IFRS by December 31, 2019 but has not provided detailed adoption or implementation steps (Eurasian Economic Commission, 2014). Currently all countries are adopting IFRS independently. For example, Kazakhstan requires IFRS for listed companies, banks, and significant public interest companies. Armenia has adopted IFRS for all entities, including listed and non-listed (IFRS Foundation, 2016). Different factors influence the process of adoption. Some of these countries had to adopt IFRS to gain access to capital or satisfy the requirements of IMF and the World Bank (Alon & Dwyer, 2014). The versions of IFRS utilized by member states also vary. The Armenian version is of 2012 standards, Kazakh has 2014 translation, and 2015 standards are available in Russian. A Belarusian translation does not exist and Belarus would rely on a Russian version (IFRS Foundation, 2016). According to the Implementation Directive as of December 17, 2015, once the Belarusian Ministry of Finance receives the IASB standards translated into Russian, it has 90 days to endorse those into law (Republic of Belarus, 2015b).

Thus, the pace of adoption of new standards in Belarus is driven by the timing of translation. Next, we discuss studies examining the adoption of IFRS in transition economies of the former Soviet Bloc and particularly focus on Russia as it is expected to have a strong influence on the development of financial reporting and utilization of IFRS in Belarus.

### **3. IFRS in transition economies**

The term transition economies is typically used to describe countries adopting market reforms and changing from a centrally-planned to a market economy (Alon & Hageman, 2013). Given that widely distinct countries are included in that category, the structural transformations that take place and the resulting structures have similarities but also distinctive features. CEE transition economies tend to be rooted in a code-law tradition and are associated with concentrated ownership and low regulatory quality (Albu & Albu, 2014). As highlighted by Karampinis and Hevas (2011), these are also the factors that can create ‘unfavorable environment’ for IFRS adoption and ‘undermine managers’ and auditors’ incentives for high-quality financial reporting’ (p. 304).

Consequently, there is an ongoing debate about the applicability and efficacy of IFRS adoption in transition economies. Some studies convey that IFRS are being effectively adopted. For example, Alver, Alver, and Talpas (2014) note that implementation of IFRS ‘has been smooth and successful in Estonia’ (p. 236). Grabinski, Kedziora, and Krasodomska (2014) concluded that ‘Polish accounting rules are highly compatible with IFRS despite a number of specific differences’ (p. 302). Alternatively, there is an increasing recognition that local institutional and cultural factors influence how IFRS concepts and principles are implemented. Several studies have examined a wide range of issues related to IFRS adoption in Romania (e.g., Albu & Albu, 2012, 2014; Filip & Raffournier, 2010). Romania, as a full member of the EU



since 2007, could be expected to be, in transition economy terms, a leader in the process of change and development. However, Albu, Albu, and Alexander (2013), examining the concept of true and fair view and its transferability to the local context, noted that the existence of significantly different socially constructed conceptual schemes is a significant barrier to concept transferability. Based on their interviews, there was strong evidence of a failure of concept transferability as it related to true and fair view but, on the other hand, there was a local assumption of successful concept transfer.

A recent article examining IFRS adoption in Poland discusses the concept of 'Homo Sovieticus' (Szychta & Kabalski, 2016). The Homo Sovieticus was originally used to describe citizens of the Eastern Bloc and the Soviet Union where individuals were used to submission to authorities and lacked intellectual independence. The study concludes that carryover of practices associated with Homo Sovieticus is incompatible with judgement-based IFRS. Similar trends have been observed in Ukraine and Moldova. Studies of accounting in Ukraine (Kuzina, 2014; Solodchenko & Sucher, 2005; Yang, Kakabadse, & Lozovskyi, 2013) and a study of Moldova (Alexander & Ghedrovici, 2013), despite their different timing and setting, reach broadly consistent findings and conclusions. We quote a representative extract from Yang et al. (2013, p. 148).

(T)he results show that the old accounting mentality of local accountants still influences Ukraine's modern accounting environment, thus decreasing the country's relevance of international accounting standards. ....even Ukrainian listed companies consider banks as more important users of their financial statements than companies' shareholders.

Thus, there is evidence that transition economies can encounter difficulties in creating market-based financial reporting due to carryovers from the days of a command economy. Although there are commonalities, the differing pace of transition, and the political environment, contribute

to unique approaches toward IFRS. As Belarus is strongly impacted by the developments within the EAEU and practices utilized in Russia, we focus on those in more detail.

### ***3.1 IFRS adoption approach in Russia***

The historical and continuing influence and importance of Russia is crucial to recognize. It was the centre which controlled the old Soviet Union (USSR) and had the supreme influence over the ‘behind the iron curtain’ area, including many ostensibly independent countries of Central Eastern Europe. Garanina and Kormiltseva (2013) note that ‘during the period 1917 – 1985, the Russian accounting system was adapted to structures of a centrally planned economy, which meant that the main emphasis was put on control and measurement function of accounting’ (p. 35). An exposure to the implications of true 20<sup>th</sup> century Soviet thinking, and of the practical and attitudinal effects of the denigration of the accounting/bookkeeping function, is given in Alexander (2013). The author highlights how this function was subordinated to operational management and limited by chart of accounts and form over substance mentality. Individuals in the recording function mostly had to follow what they were told and focus on the legal form and not on the economic substance underlying the transactions. Sucher and Alexander (2002) report on a series of on-site interviews carried out in St. Petersburg and Moscow in May 2001. The study notes that amid progress in designing a more market-based accounting system, continued misalignment between the Western expectations and local practices remained.

In addition to the financial reporting specified by the national regulations, Russia began requiring banks to file IFRS-based statements in 2004. Each IFRS standard undergoes a technical assessment and requires an endorsement from the Russian governmental agencies (IFRS Foundation, 2016). Effective in 2012, IFRS reporting also became mandatory for the listed companies (IAS Plus, 2016). Garanina and Kormiltseva (2013) highlighted the implications of

Soviet-style accounting approaches for IFRS. They suggest that the following act as impediments to the adoption of IFRS in Russia:

- Persistence of strong linkages between accounting and taxation coupled with no tradition of using financial reports for purposes of market-oriented decision-making.
- Differences in fundamental definitions of accounting concepts and practices. Examples given and emphasised are the substance over form dichotomy and the true and fair view concept, both of which did not exist within the Soviet accounting tradition.
- Lack of professional judgement, for example in relation to consolidation, intangible assets, asset valuation and impairment. To give just one illustration, the idea of operational control as the criterion for consolidation of a potential subsidiary, often involving significant judgement, was unknown.

In addition to IFRS reporting, all listed companies and banks are required to prepare financial statements according to the national regulations (Alon, 2013). Such dual reporting is complex and expensive for the entities. The approach can be described as adoption through *layering* where new rules are introduced without replacing the old rules, and become an additional requirement (Mahoney & Thelen, 2010). As users of financial reporting are multivarious, their decisions are multivarious, and their information needs are also diverse. To be more specific to our particular focus, IFRS reporting is intended for investors and independent suppliers of finance. It is judgement-based in its operation and application, and requires sophisticated analytical processes (such as fair value calculations without an active market, for example). At the same time, in the context of state involvement in financing and with a focus on taxation, local financial reporting, with quite different users who have distinctly different purposes in relation to the financial reporting, is more rules-based. Thus, adoption through

*layering* allows countries to continue to maintain control over their national accounting regulations and, at the same time, to raise funds by signalling to international investors that financial reporting follows internationally-accepted standards.

The adoption of IFRS in some of the transition economies was observed to contribute to the convergence between the national regulations and IFRS, for example, in Poland (Grabinski et al., 2014) and Estonia (Alver et al., 2014). The adoption of IFRS in Russia was also expected to contribute to the convergence between the national reporting and IFRS, but this has not occurred and differences persist (Kostina & Stolyarova, 2015). Due to the close economic and historic links, the adoption of IFRS in Belarus is expected to follow a Russian model and is examined next.

#### **4. Layering of IFRS in Belarus**

##### ***4.1 Financial reporting***

In the area of financial reporting, the President of Belarus has the role of setting government policy with the involvement of the Ministry of Finance, National Bank, and Council of Ministers. The Ministry of Finance provides the equivalent of accounting standards (referred to as national regulations) for most companies, but those also contain additional directives that impact firms and financial reporting. For example, a Decree which became effective April 22, 2016 specified that all amounts reported must be divided by 10.000 due to the currency redenomination (Ministry of Finance, 2016). Overall, the distinction between tax reporting and financial reporting is not well established (Burik, 2016). National accounting regulations focus on taxation and aim to ensure correct tax liability. As national regulations emphasize the documentation and not the substance of the transactions, amounts such as unused vacations or unresolved legal claims are not reflected in the national financial statements. Treatment of

various elements lacks timely recognition. For example, it is not possible to recognize impairment of an asset without independently prepared documentation acceptable to fiscal authorities. This requirement can leave assets unimpaired and overstated.

Related to IFRS, Belarus followed a similar pattern to Russia and for 2007 results, in addition to the national reporting, began requiring IFRS reporting for the banks and nonbanking financial organisations. The *layering* approach was utilized as the IFRS requirement is an addition to the existing national reporting. The national regulations remain dominant and require regular and timely filings of interim and annual statements. In contrast, firms have a longer time span, until June 30 of the next year, to complete annual IFRS-based statements (Republic of Belarus, 2015a). Keeping parallel accounts is very expensive and most companies get to IFRS-compliant statements through the conversion of national accounts. It is a challenging task and requires the following components to be in place: 1) knowledge of national regulations and business operations, 2) knowledge of IFRS and implementation guidance, 3) ability to recognize differences between the requirements and modify transactions to reflect those differences. Typically, the conversion is performed with the help of recalculation tables which companies customize to fit their needs (Collegia, 2017). National reporting is audited according to the national audit standards while IFRS reporting is audited based on International Standards on Auditing (ISA). Auditors also assist companies with the preparation of IFRS statements. Given the lack of IFRS expertise in Belarus, there is significant reliance on the Big Four to implement these processes (Kostyan, 2016).

Belarus continues to further expand its adoption of IFRS. At the end of 2010, a Presidential Directive listed initiatives aimed to stimulate business activities. One of them was a need for broader adoption of IFRS (Republic of Belarus, 2010). IFRS reporting is not only seen as a tool to attract investors but is also portrayed to be useful for budgeting, organization, and

strategic development of the business. For 2016 year-end reporting, IFRS Standards are required for the consolidated financial statements of all companies whose securities are traded in a public market, banks, nonbanking financial organizations, and insurance companies (IFRS Foundation, 2016). Approximately 1,450 additional companies will need to prepare IFRS financial statements (Business News, 2016). Next, we explore the influence of IFRS on national accounting regulation.

#### ***4.2 Accounting concepts***

We examine the Presidential Law, dated July 12, 2013 and amended June 4, 2015, which ‘determines legal and methodological bases of accounting’ (Republic of Belarus, 2015a). It is available in Russian and in English (‘unofficial translation’) and was examined in both languages. Quotes below are from the English version. The document, viewed in detail, is a fascinating amalgam of IFRS-type thinking combined with visible vestiges of Soviet influence. We focus on professional judgement and fairness as these represent important concepts in IFRS-based reporting. The definition of professional judgement has interesting nuances:

professional judgement – a standpoint and action of the chief accountant of an organization, the head of an organization in the instance provided by clause 2 of Article 7 of this Law, an organization or individual entrepreneurs, rendering services on conducting accounting and drawing up statements, which are laid down by the organization in the regulations on accounting policy and notes to the statements.

The emphasis is on who is involved in accounting decisions but lacks any suggestion of uncertainty, subjectivity or flexibility. The principle of ‘fairness’ is particularly interesting.

Fairness principle means that assets, liabilities, equity capital, incomes, and expenses of the organization are reflected in accounting and reporting subject to meeting conditions for recognizing them as such, established by the legislation of the Republic of Belarus on accounting and reporting.

Fairness here means compliance with the law and substitutes for ‘true and fair view’. There is no indication of the ‘true and fair override’ which is explicitly enshrined in the EU Directives of

1978 and 2013. 'Fairness' in this context does not allow the possibility of judgement. Thus, the dominance of form over substance approach persists.

Other particularly interesting sections emphasize the central role of the Ministry of Finance (Article 5) and of 'primary accounting documents' (Article 10), both again recognizable from Soviet bookkeeping days. Only transactions which occurred and are supported with signed documents can be recorded in the accounting system. A similar tradition lies behind placing accountants in a subordinate position (Article 8.12). In the instances of disagreements arising between the head of an organization and the accounting personnel, the CEO has the authority to direct the accounting treatment. Finally, a variety of valuation bases is permitted, (Article 12), but only as 'established by the legislation of the Republic of Belarus.' Overall, terminology utilized in the accounting regulation is similar to IFRS on the surface but the terms are defined to reflect the form over substance focus of the national regulations.

Next, we investigate how *layering* of the standards is institutionalized when both sets of financial statements are utilized. We focus on the accounting regulation and reporting in the banking sector as banks have been required to prepare financial statements according to the national regulations and IFRS. The aim is to gain insight into how national and IFRS approaches converge or diverge and are reflected in the financial reporting.

## **5. Banking sector: regulations and reporting**

The National Bank of Belarus is tasked with establishing accounting regulations for financial institutions. These are very detailed, include definitions, and provide exact accounts to be used when transactions are recorded. One set of regulations describes a standard account ledger which all banks and financial institutions must use. Each possible account is listed with an explanation of how to record transactions and what accounts need to be debited or credited. For

example, account number 1020 is for cash on hand and it needs to be debited to record inflow of cash and credited to record outflow of cash. To calculate specific line items in the financial statements, all accounts which should be added or subtracted are listed. Also, the exact layout of the financial statements is specified. A ‘chart of accounts’ mentality, associated with the Soviet bookkeeping, is very much prevalent.

State-owned banks play an important role in Belarus. Government-directed lending is a key feature of economic policy and impacts bank operations. In an effort to stimulate economic growth and avoid underinvestment, each year the government produces a list of state-owned enterprises that must be funded and banks that need to offer those funds. As specified in the Law, government, as the key shareholder of the banks, can intervene in banks’ operations. State-owned banks are directed by the government to lend without the evaluation of whether the borrower is able to service that debt. The list details companies that will get the loan, amount of the loan in a specified currency, and names the banks that will offer the loans. The list for 2014 is summarized in Table 1 and shows the total amount of loans in different currencies that each bank must provide. The interest rate charged on these loans is specified by the government and tends to be much lower than the market rate. According to IMF, this type of lending was equivalent to 5% of GDP in 2013 and 4% in 2014. IMF continues to advise against directed lending due to allocation of credit to potentially unproductive projects while other companies, typically private, face much higher interest rates (IMF, 2015).

[INSERT TABLE 1 ABOUT HERE]

The two important financial institutions operating in Belarus are Development Bank of the Republic of Belarus (below as Development Bank) and Savings Bank Belarusbank (below as Belarusbank). As listed in Table 1, they also had the highest volume of directed loans in 2014. The Development bank was created in 2011 through Presidential Directive and focuses on



financing of government programmes and implementation of investment projects. It is formed based on international models for such institutions and in cooperation with the International Monetary Fund and the World Bank (Development Bank, 2015a). The Development Bank has only three shareholders. The Council of Ministers of the Republic of Belarus own 94,5% and the other two are JSC Belaruskali and the National Bank of the Republic of Belarus. Belarusbank is the largest commercial bank in terms of assets and offers services to consumers and businesses. According to the description, the bank is involved in the development of the industry and social sphere and its activities are tied to the economic needs of the country. Approximately 98% of the shares of the Belarusbank are owned by the State Property Committee of the Republic of Belarus. The bank has 34 branches around the country, the highest among Belarusian banks. Both banks are rated by the international credit agencies and have international links. Next, we examine financial reporting provided by these banks.

### ***5.1 Reporting by selected banks***

We gathered publicly-available disclosures prepared by the banks. Those include 2014 annual reports and financial statements based on the national regulations and IFRS. Quotes presented below are from the English-language versions of annual reports and IFRS financial statements.

#### ***5.1.1 Annual report***

The Development Bank aims to provide financing for government programs and obtain capital from international financial institutions, including IMF and the World Bank, to fund domestic initiatives. It produces an English and a Russian version of the same ‘Annual Report’ which include descriptions of the current projects and financing sources. This annual report also includes vignettes about Western companies, including Google, Ikea, Dell, Lego, and others. None of these companies have any connection to the Development Bank but the vignettes are

said to highlight different ‘success strategies’ and the Bank’s familiarity with ‘best world practices’ (Development Bank, 2015a, p. 3). In terms of specific financial information, the Bank provides an audit report for the national reporting and highly summarized national financial statements, with a Balance Sheet and Profit and Loss statement. Each has references to explanatory notes; however, these actual notes are not included in the annual report (Development Bank, 2015a).

The Belarusbank also prepares an Annual Report in English and Russian. The report highlights that its focus is to provide financial services to their retail and commercial customers. It has four representative offices abroad: in China, Germany, Poland, and Russia. According to the annual report, one of its objectives is to expand international cooperation further (Savings Bank Belarusbank, 2015a). The report includes audited national financial statements, in more detail than the Development Bank, but again without including any of the referenced explanatory notes. Most of the report is focused on non-financial achievements and social programs. For example, the details about three ‘retail loan products’ are below (Savings Bank Belarusbank, 2015a, p. 64).

- “Back to School” developed to support needy families in preparation of children for school. 238 loans granted since August;
- for consumer needs “Application to Santa Claus”...Since November 1.298 contracts have been concluded;
- for payment of in vitro fertilization on preferential terms. Since February 650 loan agreements were concluded.

Overall, the Annual Reports provide only limited disclosure of the financial information but concentrate heavily on image-creation for a wide audience, including international partners and agencies providing funding to the banks.

### *5.1.2 Financial statements*

The banks prepare IFRS and national financial reports. For both banks, the English-language websites contain IFRS reporting in English. The Russian version of the websites includes IFRS and reporting according to the national regulations, both in Russian. While IFRS statements are available in both languages (Development Bank, 2015b; Savings Bank Belarusbank, 2015b), the full version of the audited financial statements based on the national regulations is available only in Russian (Development Bank, 2015c; Savings Bank Belarusbank, 2015c). The IFRS statements were audited according to International Standards on Auditing. The auditing regulations of the Republic of Belarus were utilized for the audits of the national financial statements. We relied on 2014 financial statements in both languages as available and highlight important components of reporting next.

The Development Bank has been preparing IFRS statements since 2012, shortly after it was established. All sets of the financial statements of the Development Bank were audited by KPMG. Auditors' opinion for the IFRS statements includes an 'emphasis of matter' explanatory paragraph which notes that Belarus is classified as a hyperinflationary economy and applies IAS29 to reflect the impact of hyperinflation and the respective loss of purchasing power of the Belarusian ruble. Such disclosure is not a part of the audit report for the national financial statements as financial data is not required to be adjusted for inflation.

Belarusbank has produced IFRS statements since 2007. All statements of the Belarusbank were audited by Ernst & Young (E&Y). In contrast to the Development Bank, the audit opinion on the IFRS statements does not include the added "emphasis of matter" note regarding hyperinflation but IAS29 is applied and discussed in the notes of the financial statements. The E&Y audit opinion for the national reporting concludes as follows<sup>1</sup>:

---

<sup>1</sup> This portion was translated by the authors and, for accuracy of the content, verified against the English version of the same audit opinion available in the Annual report.

The annual financial statements are not aimed at the presentation of the financial position and financial results of the bank in accordance with principles or methods that are commonly used outside Belarus. Hence the annual financial statements were prepared for those who are familiar with the principles, procedures and methods of accounting of the Republic of Belarus (Savings Bank Belarusbank, 2015a, p. 102).

The Development Bank's consolidated reporting based on the national regulations includes financial statements as listed below<sup>2</sup>, but not a single disclosure explaining accounting policies (Development Bank, 2015c).

1. Consolidated Balance Sheet
2. Consolidated Cash Flow Statement & Composition of Cash and Cash Equivalents
3. Consolidated Statement of Changes in Equity
4. Consolidated Statement of Profit and Loss & Statement of Comprehensive Income

The comparison between the two sets of figures reveals differences in all reporting categories. For example, according to national reporting, *Retained earnings* at the end of 2014 were 1.733.849 million of Belarusian rubles but (35.819) million according to the IFRS-based Statement of Financial Position. Net income for 2014 according to the national reporting was 1.750.315 million and 633.303 million according to IFRS.

The Belarusbank provides the same financial statements as listed above but, in contrast to the Development Bank, provides extensive accompanying notes (Savings Bank Belarusbank, 2015c). The Belarusbank is also showing many differences between national and IFRS reporting. Some distinctions in accounting approaches between the two sets of standards are noteworthy. For example, fines or costs associated with legal cases are recorded only upon payment according to the national regulations, not when it becomes an obligation as required by IFRS. According to the national regulations, dividends are recorded when paid, showing an amount of 11.328 million

---

<sup>2</sup> Titles of the statements were translated from Russian by one of the authors.

Belarusian rubles, which does not include an amount owed for 2014. On the IFRS statement that line item is 604.613 million rubles which includes dividends for 2014.

In order to further investigate banks' reporting practices and what contributes to differences between IFRS and national reporting, we identify specific topics which are relevant for the banks in a Belarusian setting. We examine reporting covering hyperinflation, consolidation, related-party transactions, and government grants as presented in both sets of financial statements.

*Financial reporting in hyperinflationary economies.* According to IAS29, if functional currency of the entity is hyperinflationary, financial statements have to be restated to recognize the changes in the purchasing power of the functional currency. Belarus has experienced high levels of inflation and, as noted in the IFRS financial statements, is considered hyperinflationary. The Development Bank provides the following disclosure in the IFRS statement (Development Bank, 2015b, p. 13).

Since 1 January 2011 the economy of the Republic of Belarus has been classified as a hyperinflationary economy under the criteria included in IAS 29.

The restatement was calculated using the conversion factors derived from the Consumer Price Index ("CPI") published by the National Statistical Committee of the Republic of Belarus. The CPIs for 4 years ended 31 December 2014 were as follows:

2011 108.7%  
2012 21.8%  
2013 16.5%  
2014 16.2%

The restatement for the loss of purchasing power is recorded in the statement of profit and loss and amounted to 2.454.059 million for Belarusbank and 1.647.874 million for the Development Bank (Development Bank, 2015b; Savings Bank Belarusbank, 2015b). In contrast to IFRS, local GAAP statements do not account for the loss of purchasing power of the currency. The IFRS statements of the Development Bank included a clarifying note as below:

The accumulated deficit in the Group's equity resulted mainly due to recording the hyperinflation effect through loss on net monetary position, while the financial statements prepared in accordance with the Belarusian accounting standards presented the accumulated profit (Development Bank, 2015b, p. 12-13).

Thus, lack of the adjustment for the effect of hyperinflation contributes to ongoing differences in net income and valuation of assets and liabilities.

*Consolidation.* IFRS 10 requires companies to consolidate entities it controls. Control involves exposure to variable returns and power over the entity to affect those returns. According to IFRS and national statements, at the end of 2014 Belarusbank had four fully owned subsidiaries. In IFRS that qualifies as having control. In contrast, the national consolidation regulation highlights materiality as a main factor in the decision to consolidate (National Bank of Belarus, 2011). Subsidiaries that reach one percent of the cash balance of the parent company need to be consolidated. Belarusbank included only one of the four fully-owned subsidiaries in the national reporting. It had currency equal to about 2.5% of the Belarusbank's balance while the other three did not reach the required threshold.

*Related party disclosures.* Banks have extensive related party transactions due to lending to other state-controlled entities through the directed lending program. IAS24 requires disclosures of balances and transactions with related parties. The IFRS-based related party disclosures of the Development Bank reflect extensive links between the bank and other state-owned enterprises. At the end of 2014, out of gross assets of 37.406.796 million rubles, the bank had 20.420.533 million in loans to state-owned enterprises. These related parties were expected to default on these loans to the extent of 2.756.571 million (Development Bank, 2015b).

In the IFRS statements, Belarusbank specifies that most operations of the bank relate to the implementation of state programmes. Belarusbank, out of gross assets of 171.239.110 million Belarusian rubles, has related party loan assets of 86.349.491 million, less impairment allowance

of 2.950.296 million. It notes that ‘related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms and conditions as transactions between unrelated parties’ (Savings Bank Belarusbank, 2015b, p. 75). According to IAS24, government-related entities are exempt from *some* of the disclosure requirements as the cost and practical difficulties of complying with the extensive disclosure requirement of IAS24 are likely to outweigh the benefits to financial statement users (Picker et al., 2016). The bank is still required to disclose *significant* transactions between the related parties and specify the threshold of what constitutes a significant transaction. Belarusbank defined it as follows:

In the normal course of business, the Group carries out transactions with the government and entities controlled or significantly influenced by it. The Group discloses only significant transactions and balances with such counterparties. Transactions and balances are recognized as significant if their total amount comprises at least 90% of the corresponding line in the consolidated statement of financial position or the consolidated statement of profit or loss (Savings Bank Belarusbank, 2015b, p. 75).

This demonstrates a very high degree of operational mutual interdependence and an underlying attitude of automatically-assumed integration of activity between related parties. In contrast to the Belarusbank, the Development Bank specified that only significant transactions are disclosed but did not define the threshold.

The national regulations also specify reporting and disclosures covering related party transactions. In contrast to IFRS where judgment is applied to define the threshold for what constitutes a significant transaction, the national regulation specifies what disclosures are required. The explanatory notes to the national reporting detail how much of each line item of the financial statements is attributed to related parties. National regulations provide rules for the firms to follow while IFRS reporting requires judgment-based definitions.

*Accounting for government grants.* IAS 20 requires government grants to be recognized in profit or loss over the periods in which the entity recognizes expenses for the related costs for which the grants are intended to compensate. This is an important area as banks are compensated by the government for the differential between the interest rate at which banks are required to loan under the directed lending program and the market rate. The IFRS statements of the Development Bank note that the bank grants loans under the state programme and acquires government-directed loans from other banks. While the lending rate in Belarus in 2014 was around 19%, loans through directed lending program charged a much lower rate.

due to their uniqueness, as well as the specifics of the government credit programs and categories of borrowers, they constitute a separate market segment. Therefore Management believes that the contractual interest rate over 0% to 10.75% per annum is the market rate for such loans (Development Bank, 2015b, p. 33).

Additional disclosures discuss how the banks are compensated by the government for the loss of regular interest income (Kruk & Haiduk, 2013). Notes for both banks related to government grants are presented below in their entirety.

Government grants are assistance provided by the Government, government agencies and public institutions in the form of a transfer of resources or reimbursement to the Group in exchange for the fulfillment of certain conditions in the past or future, relating to the Group's operations. Government grants are not recognized unless there is reasonable assurance that the Group will meet all the associated terms and receive these grants. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs, for compensation of which the grants are intended. With respect to the recording of government grants related to income, these government grants are offset against the related expense (Development Bank, 2015b, p. 21).

Belarusbank provides a more specific disclosure and also lists the amount of grants received and receivable.

Government grants in the form of a non-financial asset receivable from the government are recognized at the present value of discounted future cash flows in respect of compensation of interest income. The loss on initial recognition of loans issued at below market rate is recognized in the consolidated statement of profit or loss net of gains on government grants. Receivables on government grants are subsequently measured at



amortized cost using the effective interest rate method and are tested for impairment with subsequent recognition of gains (losses) in the consolidated statement of profit or loss if the instrument was derecognized or impaired as well as through the amortization process (Savings Bank Belarusbank, 2015b, p. 13).

The financial statements according to the national regulations give no information about the state-directed lending undertaken by the banks or the related implications.

The analysis of financial reporting from the two major banks reflects divergent approaches in IFRS and national reporting. In Belarus, the carryovers from the Soviet era contribute to the focus on tax compliance as reflected in the ‘chart of accounts’ and ‘form over substance’ aim of national financial reporting. IFRS reporting meets the needs of international constituencies with its focus on valuation. There is also variability in the extent of public disclosure of information. For example, in contrast to the Development Bank, Belarusbank provides explanatory notes for the national standards on their website. One explanation of such variability is the differing focus of the banks. While Belarusbank has corporate and retail customers who may be interested in the Bank’s national reporting, the Development Bank discloses only national financial statements without the explanatory notes and provides complete IFRS reporting which would satisfy the needs of international agencies.

## **6. Discussion and conclusions**

We explore aspects of financial reporting in Belarus, particularly the adoption and implementation of IFRS reporting. We contribute to a growing literature focusing on IFRS in transition economies by examining this understudied context. Belarus is different from the countries covered in much of the current literature, both economically and politically. But while very different to the norms of Western Europe, and indeed to the norms of other Eastern

European countries already within the sphere of the EU, the peculiarities of its IFRS adoption and implementation carry important implications.

The adoption of IFRS through *layering*, as utilized by Belarus and Russia, is not a preferred approach from the IASB's perspective as it allows a country to claim IFRS adoption while maintaining national requirements. Such adoption sets the stage for *dual institutionalality* of both standards. In Belarus, national reporting maintains its form over substance legalistic focus rooted in the Homo Sovieticus way of thinking. On the other hand, IFRS reporting intends to assist decision making of transnational bodies such as the World Bank. We find that national and IFRS reporting continue to diverge in their purpose, nature, and target audience. It allows the continuation of national reporting and existing norms while satisfying the requirement of international agencies for a globally-recognized financial reporting. The readers of the national accounts, in Russian only, are not generally likely to see/use the IFRS statements, in either language. Most users of the IFRS statements in English are not likely to see/use the national financial statements, in Russian only. The pictures given of the entity's position and performance are different but are rationally focused, and sufficient for the different needs of their very different target audiences. The major banks which we examine are almost entirely owned by the government. Most of the loans which they make are determined by the government. Most of the interest rates which they charge are determined by the government. From the detailed analysis we can conclude that because statements serve significantly different purposes and target audiences, there is currently no demand for convergence between IFRS and national reporting. We expect to see continuing *dual institutionalality* of reporting regimes but no convergence and replacement of presentations.

The review of accounting concepts within national accounting regulations reveals that while the terms appear similar on the surface, the actual wording reflects the form over substance

focus of the national regulations. Our examination of banks' financial reporting in the areas of hyperinflation, consolidation, related party and government grants disclosures reveals varying approaches under national reporting and IFRS. In general, while IFRS allows judgment, for example to define what constitutes a significant transaction, national regulations provide specific guidelines to follow. There are also instances where practices, such as directed lending, are not specifically discussed in IFRS and the operational details of such practices may not be explained in sufficient detail. With the broader adoption of IFRS in Belarus occurring in 2017, there are concerns that due to the lack of familiarity with the IFRS reporting approach, implementation without specific guidance may not be effective (Michailovskaya & Brui, 2014). Future studies can examine implementation processes and the impact of IFRS on entities outside of banking as more expansive IFRS reporting will include firms in other industries.

The conversation regarding IFRS frequently focuses on the adoption and implementation of IFRS and resulting global convergence of financial reporting. However, it is important to recognize that many countries continue to maintain national accounting regulations after IFRS adoption. There is a significant variation in how national regulations are established and utilized. Even among EAEU countries, which are working to align financial reporting, the extent of national financial reporting varies. For example, Armenia relies on IFRS and does not establish national accounting regulations for financial reporting. Alternatively, Russia and Belarus apply national regulations and IFRS. Future studies can focus on the role and utilization of national financial reporting subsequent to the implementation of IFRS in other institutional settings.

In summary, and to emphasise important contributions from this paper, given IASB's aim to promote the adoption and consistent application of a single set of high-quality international accounting standards, it is important to recognize that the adoption approach utilized will impact the possibility of convergence between national and IFRS reporting. *Dual institutional*

accounting standards is perpetuated due to the adoption through *layering*. Future studies can examine different adoption approaches and identify those which contribute to a greater convergence between national and IFRS reporting. As adoption and implementation are impacted by the specifics of the institutional settings, it also remains necessary to consider whether or not greater convergence would be rational in terms of the objective of meeting varying user needs.

## References

- Albu, C. N., Albu, N., & Alexander, D. (2013). The true and fair view concept in Romania: A case study of concept transferability. In C. N. Albu, & R. V. Mustata (Eds.), *Research in accounting in emerging economies. Accounting in Central and Eastern Europe* (v. 13, pp. 61-90). Emerald Group Publishing Limited.
- Albu, N., & Albu, C. N. (2012). International Financial Reporting Standards in an emerging economy: lessons from Romania. *Australian Accounting Review*, 22(4), 341-352.
- Albu, N., & Albu, C. N. (2014). Editorial - IFRS application in Central and South-Eastern European countries. *Accounting and Management Information Systems*, 13(2), 182–197.
- Alexander, D. (2013). The Soviet accounting bulletin, 1973-1983. *Accounting and Management Information Systems*, 12(2), 346-380.
- Alexander, D., & Ghedrovici, O. (2013). Evolution of accounting in Moldova: Some reflections about the importance of historical and cultural factors. In C. N. Albu, & R. V. Mustata (Eds.), *Research in accounting in emerging economies. Accounting in Central and Eastern Europe* (v. 13, pp. 121-142). Emerald Group Publishing Limited.
- Alon, A. (2013). Institutional complexity and dual institutionalality: The case of IFRS adoption in Russia. *Corporate Governance: An International Review*, 21(1), 42-57.
- Alon, A., & Dwyer P. (2014). Early adoption of IFRS as a strategic response to transnational and local influences. *The International Journal of Accounting*, 49(3), 348-370.
- Alon, A., & Hageman, A. M. (2013). The impact of corruption on firm tax compliance in transition economies: whom do you trust? *Journal of Business Ethics*, 116(3), 479-494.
- Alver, L., Alver, J., & Talpas, L. (2014). Implementation of IFRSs and IFRS for SMEs: the case of Estonia. *Accounting and Management Information Systems*, 13(2), 236-258.
- Burik, P. E. (2016). International Financial Reporting Standards. Retrieved from <http://rep.polessu.by/bitstream/112/5576/1/36.pdf> on January 19, 2016.
- Business News. (2016). IFRS reporting. Retrieved from <http://doingbusiness.by/pokazateli-belorusskih-kompanii-mogut-snizitsya-posle-perehoda-na-msfo-s-1-yanvarya-2017-goda> on February 10, 2017.
- Collegia. (2017). The conversion on national reporting. Retrieved from <http://collegia.by/info/publication/the-transformation-of-the-national-reporting-3-part/> on February 10, 2017.
- Delcour, L. (2015). Between the eastern partnership and Eurasian integration: Explaining Post-Soviet countries' engagement in (competing) region-building projects. *Problems of Post-Communism*, 62(6), 316-327.

- Development Bank. (2015a). Annual report 2014. Retrieved from [file:///filgrms1/u04\\$/annaa/Documents/My%20Docs/Research/AcgtBelarus/Financial/Dat a/Annual\\_report\\_DevBank.pdf](file:///filgrms1/u04$/annaa/Documents/My%20Docs/Research/AcgtBelarus/Financial/Dat a/Annual_report_DevBank.pdf) on March 28, 2016.
- Development Bank. (2015b). Financial reporting 2014. Retrieved from <http://brrb.by/en/financial-performance-and-reporting/ifrs/2014-god/> (English-language version); <http://brrb.by/financial-performance-and-reporting/nas/konsolidirovannaya/2014-god/> (Russian-language version) on March 3, 2016.
- Development Bank. (2015c). Local GAAP consolidated financial statements 2014. Retrieved from (Russian-language) <http://brrb.by/financial-performance-and-reporting/nas/konsolidirovannaya/2014-god/> on March 3, 2016.
- EAEU. (2014). EAEU Agreement. Retrieved from [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_163855/4421fb06ad7b500f19481a4a56ebf703112c5e80/](https://www.consultant.ru/document/cons_doc_LAW_163855/4421fb06ad7b500f19481a4a56ebf703112c5e80/) on March 28, 2016.
- Eurasian Economic Commission. (2014). Agreement on integration of financial regulation as of January 14. Retrieved from [https://docs.eaeunion.org/sites/storage0/Lists/Documents/c2c9325b-501e-42df-8f6a-b94ab26eefb9/be150ff8-f46e-483a-8a30-885088005cad\\_635258319914336158.pdf](https://docs.eaeunion.org/sites/storage0/Lists/Documents/c2c9325b-501e-42df-8f6a-b94ab26eefb9/be150ff8-f46e-483a-8a30-885088005cad_635258319914336158.pdf) on January 18, 2016.
- Eurasian Economic Commission. (2015). Foreign experience on how to integrate financial markets is important for EAEU, December 14. Retrieved from <http://www.eurasiancommission.org/ru/nae/news/Pages/14-12-2015-4.aspx> on January 14, 2016.
- European Union. (2014). Fact sheet: The European Union and Belarus. Retrieved from [https://eeas.europa.eu/statements/docs/2013/131029\\_01\\_en.pdf](https://eeas.europa.eu/statements/docs/2013/131029_01_en.pdf) on October 5, 2016.
- Filip, A., & Raffournier, B. (2010). The value relevance of earnings in a transition economy: The case of Romania. *The International Journal of Accounting*, 45(1), 77-103.
- Garanina, T. A., & Kormiltseva, P. S. (2013). The effect of International Financial Reporting Standards (IFRS) adoption on the value relevance of financial reporting: a case of Russia. In C. N. Albu, & R. V. Mustata (Eds.), *Research in Accounting in Emerging Economies. Accounting in Central and Eastern Europe* (v. 13, pp. 27-60). Emerald Group Publishing Limited.
- Grabinski, K., Kedziora, M., & Krasodomska, J. (2014). The Polish accounting system and IFRS implementation process in the view of empirical research. *Accounting and Management Information Systems*, 13(2), 281-310.
- IASPlus. (2016). IFRS in Russia. Retrieved from <http://www.iasplus.com/en/jurisdictions/europe/russia> on March 13, 2016.

- IFRS Foundation. (2016). Jurisdiction profiles. Retrieved from <http://www.ifrs.org/use-around-the-world/pages/jurisdiction-profiles.aspx> on January 15, 2016.
- IMF. (2015). Republic of Belarus: Staff Report for the 2015 Article IV Consultation. Retrieved from <https://www.imf.org/external/pubs/ft/scr/2015/cr15136.pdf> on August, 18, 2016.
- Judge, W., Li, S., & Pinsker, R. (2010). National adoption of International Accounting Standards: An institutional perspective. *Corporate Governance: An International Review*, 18(3), 161–174.
- Karampinis, N. I., & Hevas, D. L. (2011). Mandating IFRS in an unfavorable environment: The Greek experience. *The International Journal of Accounting*, 46(3), 304-332.
- Kostina, A., & Stolyarova, M. (2015). Comparison of accounting for fixed assets under RAS and IFRS. Challenges and Opportunity for the Development of Science in Russia. Retrieved from <http://os-russia.com/SBORNIKI/KON-73.pdf#page=85> on March 9, 2017.
- Kostyan, D. (2016). Implementation of IFRS: First violin of the orchestra. *Financial Director*. Retrieved from <http://collegia.by/info/publication/the-application-of-ifrs-first-violin-of-the-orchestra/> on March 11, 2016.
- Kruk, D., & Haiduk, K. (2013). *The outcome of directed lending in Belarus: Mitigating recession or dampening long-run growth?* (No. 22). Belarusian Economic Research and Outreach Center (BEROC).
- Kuzina, R. (2014). Implementation of International Financial Reporting Standards in Ukraine. *Accounting and Management Information Systems*, 13(2), 400-422.
- Kvaal, E., & Nobes, C. (2012). IFRS policy changes and the continuation of national patterns of IFRS practice. *European Accounting Review*, 21(2), 343-371.
- Löwenhardt, J. H. L. (2005). *Stuck in the middle: The shared neighbourhood of the EU and Russia, 2000-2005*. Netherlands Institute of International Relations Clingendael, Clingendael European Studies Programme.
- Mahoney, J., & Thelen, K. (2010). A theory of gradual institutional change. In J. Mahoney & K. Thelen (Eds.), *Explaining institutional change: Ambiguity, agency, and power* (pp. 1–37). New York: Cambridge University Press.
- Michailovskaya, E.U., & Brui, K. V. (2014). Difficulties of transition to IFRS: Laws, labor, investment. Retrieved from [http://www.rusnauka.com/15\\_NNM\\_2014/Economics/7\\_170630.doc.htm](http://www.rusnauka.com/15_NNM_2014/Economics/7_170630.doc.htm) on January 22, 2016.
- Ministry of Finance (2016). Accounting regulation. Retrieved from <http://www.minfin.gov.by/ru/accounting/methodology/acts/df90ff240c4dcadf.html> on March 10, 2016.

- Moshes, A., & Rácz, A. (2015). No change on the horizon, The Finnish Institute of International Affairs Briefing Paper 181. September, Retrieved from [file:///filgrms1/u04\\$/annaa/Downloads/bp181.pdf](file:///filgrms1/u04$/annaa/Downloads/bp181.pdf) on January 5, 2016.
- National Bank of Belarus. (2011). Decree # 511 as of 09.11.2011 on approval of instruction on the consolidated financial statements of banks and non-bank financial institutions of the Republic of Belarus. Retrieved from <http://pravo.newsby.org/belarus/postanov3/pst114.htm> on January 13, 2017.
- Nobes, C., & Stadler, C. (2013). How arbitrary are international accounting classifications? Lessons from centuries of classifying in many disciplines, and experiments with IFRS data. *Accounting, Organizations and Society*, 38(8), 573-595.
- Picker, R., Clark, K., Dunn, J., Kolitz, D., Livne, G., Loftus, J., & van der Tas, L. (2016). *Applying international financial reporting standards*. Milton: Wiley.
- Rankin, J. (2016). EU lifts most sanctions against Belarus despite human rights concerns. *The Guardian*. Retrieved from <https://www.theguardian.com/world/2016/feb/15/eu-lifts-most-sanctions-against-belarus-despite-human-rights-concerns> on October 6, 2016.
- Republic of Belarus. (2010). Directive of the President of Belarus regarding development initiatives to stimulate business activity in the Republic of Belarus. Retrieved from [http://www.government.by/ru/events\\_d4/](http://www.government.by/ru/events_d4/) on March 10, 2016.
- Republic of Belarus. (2015a). Law of the Republic of Belarus regarding accounting and reporting. Retrieved from <http://law.by/main.aspx?guid=3871&p0=V19403321e> on March 3, 2016.
- Republic of Belarus. (2015b). Ruling regarding adoption of IFRS in Belarus. Law № 1043/20 as of December 17, 2015. Retrieved from [http://www.minfin.gov.by/upload/accounting/acts/post\\_151215\\_1043\\_20.pdf](http://www.minfin.gov.by/upload/accounting/acts/post_151215_1043_20.pdf) on January 25, 2016.
- Savings Bank Belarusbank. (2015a). Annual report 2014. Retrieved from [http://belarusbank.by/site\\_ru/30502/Godovoj\\_otchet\\_ru.pdf](http://belarusbank.by/site_ru/30502/Godovoj_otchet_ru.pdf) on March 28, 2016.
- Savings Bank Belarusbank. (2015b). IFRS consolidated financial statements 2014. Retrieved from [https://belarusbank.by/en/about\\_bank/10640](https://belarusbank.by/en/about_bank/10640) (English-language version); <http://belarusbank.by/ru/deyatelnost/17250> (Russian-language version) on March 3, 2016.
- Savings Bank Belarusbank. (2015c). Local GAAP consolidated financial statements 2014. Retrieved from <https://belarusbank.by/ru/deyatelnost/go-nsfo> (Russian-language version) on March 3, 2016.
- Solodchenko, I., & Sucher, P. (2005). Accounting in Ukraine since independence: Real politik, problems and prospects. *European Accounting Review*, 14(3), 603-633.



- Sucher, P., & Alexander, D. (2002). *IAS issues of country, sector and audit firm compliance in emerging economies*. Centre for Business Performance, Institute of Chartered Accountants in England & Wales.
- Szychta, A., & Kabalski, P. (2016). Implementation of IFRS in Poland: Main effects and problems. In D. Bensadon, & N. Praquin (Eds.), *IFRS in a global world: International and critical perspectives on accounting* (pp. 373-391). Springer.
- World Bank. (2009). *Belarus - Report on the observance of standards and codes (ROSC): Accounting and auditing*. Washington, DC: World Bank.
- World Bank. (2013). *Belarus - country profile 2013*. Washington, DC: World Bank.
- Yang, J. H., Kakabadse, N., & Lozovskyi, D. (2013). International financial reporting standards (IFRS) as a change agent in Ukraine. *Journal of Governance and Regulation*, 2(3), 139-151.
- Zaprudski, S. (2007). In the grip of replacive bilingualism: the Belarusian language in contact with Russian. *International Journal of the Sociology of Language*, 183, 97-118.
- Zlotnikov, L. (2009). The Belarusian ‘economic miracle’ – illusions and reality. *Back from the cold?: The EU and Belarus in 2009*. Institute for Security Studies, European Union.

**Table 1: List of Government-Directed Lending, 2014**

	Development Bank	Belarus-bank	Belagroprom-bank	Belinvest - bank	Sberbank	Bank BelVEB	Priop-bank	Alfa Bank
Belarusian ruble, billions	5 137,80	1 639,52	3 004,7	190,0	5,03		15,7	15,0
Euro, millions	160 472,40	458,22	56,3	12,5	4,41	1,04		
US dollar, millions		238,83	38,68	7,86	0,89			
Russian ruble, millions					0,96			

Source: Ministry of Finance. (2014). Regulation regarding financing of government programs. Retrieved from <http://www.government.by/ru/solutions/2160>.