

IFRS- and more Recently IFRS for SMEs- Impact on Financial Statements Compared to Greek GAAP: The Case of SMEs in Beverage Industry

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ABSTRACT

There have been major changes in financial reporting in recent years. The most obvious one is the continuing adoption of International Financial Reporting Standards (IFRS) worldwide, and more recently, of the recognition of the importance of Small and Medium-Sized Entities, IFRS for SMEs. SMEs in Greece today, regardless of their size and their sector of activity, required and encouraged to exchange financial information in a meaningful and trustworthy manner. The paper aims to investigate the main accounting and business-related issues for SMEs in the Greek Beverage Industry which proves to be a matter of great importance and of considerable research interest for the last three years. It considers currently effective standards and highlights future developments and challenges that could impact accounting in the industry in the years to come.

Keywords: IAS/IFRS, Greek GAAP, Greek General Chart of Account, Anglo-Saxon / French and German Model, New Greek Standards, SMEs, Beverage Industry, Extroversion, Attractive Investments, Value Creation, Market Efficiency.

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ΔΠΧΠ-και πιο πρόσφατα ΔΠΧΠ για τις ΜμΕ - Αντίκτυπος στις Χρηματοοικονομικές Καταστάσεις σε σύγκριση με τις ελληνικές ΓΠΛΑ: η περίπτωση των ΜμΕ στη βιομηχανία ποτών

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ΠΕΡΙΛΗΨΗ

Έχουν σημειωθεί σημαντικές αλλαγές στην χρηματοοικονομική πληροφόρηση τα τελευταία χρόνια. Η πιο προφανής είναι η συνεχής υιοθέτηση των Διεθνών Προτύπων Χρηματοοικονομικής Πληροφόρησης (ΔΠΧΠ) παγκοσμίως και, πιο πρόσφατα, της αναγνώρισης της σημασίας των Μικρομεσαίων Επιχειρήσεων, τα ΔΠΧΠ για τις ΜμΕ. Οι ΜμΕ στην Ελλάδα σήμερα, ανεξάρτητα από το μέγεθος και τον τομέα δραστηριότητάς τους, χρειάζονται και ενθαρρύνονται να ανταλλάσσουν χρηματοοικονομικές πληροφορίες κατά τρόπο ουσιαστικό και αξιόπιστο. Στόχος της εργασίας είναι η διερεύνηση των βασικών λογιστικών και επιχειρηματικών ζητημάτων για τις ΜμΕ στην ελληνική βιομηχανία ποτών, η οποία αποδεικνύεται θέμα μεγάλης σημασίας και σημαντικού ερευνητικού ενδιαφέροντος τα τελευταία τρία χρόνια. Το άρθρο θεωρεί σήμερα αποτελεσματικά τα πρότυπα και υπογραμμίζει μελλοντικές εξελίξεις και προκλήσεις που θα μπορούσαν να επηρεάσουν τη λογιστική της βιομηχανίας κατά τα προσεχή έτη.

Λέξεις – Κλειδιά: ΔΛΠ/ΔΠΧΠ, Ελληνικές ΓΠΛΑ, Ελληνικό Γενικό Λογιστικό Σχέδιο, Αγγλοσαξονικό / Γαλλικό και Γερμανικό Μοντέλο, Νέα Ελληνικά Λογιστικά Πρότυπα, ΜμΕ, Βιομηχανία ποτών-αναψυκτικών, Εξωστρέφεια, Έλκυστικές Επενδύσεις, Δημιουργία Αξίας, Αποτελεσματικότητα Αγοράς.

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INTRODUCTION-PROBLEM STATEMENT

With regard to the use of International Financial Reporting Standards (IFRS) as a universal financial reporting language across the globe for business affairs, several countries have implemented IFRS and converted their national Generally Accepted Accounting Practices (GAAP) to IFRS, so that company's financial statements are understandable, relevant, reliable and comparable across international boundaries. The vision is one single set of high-quality global standards used on the global capital markets, according to the six audit firms (Pricewaterhouse Cooper International, KPMG International, Deloitte, Grant Thornton International, Ernst & Young, BDO International). The framework of IFRS brings new data in Greece. IFRS for SMEs, recognizing the importance of Small and Medium-sized Entities—is another change in the business environment, taxation, and accounting treatment that will require planning and focus from affected companies that integrated into the global economy. IFRS is not just a case of a few multinational companies, but of all the remarkable small and medium-sized enterprises with a direct result in the change of the Greek GAAP. These factors add to the complexity of financial reporting in Beverage industry where there are remarkable Greek SMEs with recent interesting investments in innovative products and expansion while there are optimistic signs for future development. In this paper the problem which will be analyzed is IFRS- and more recently IFRS for SMEs- Impact on Financial Statements Compared to Greek GAAP: The Case of SMEs in Greek Beverage Industry.

PURPOSE

The paper aims to investigate the main accounting and business-related issues for SMEs in Greek Beverage Industry which proves to be a matter of great importance and considerable research interest the last three years. It provides an updated description of the process of IFRS adoption in Greece, historical background (providing by literature), pointing out the comparison with Greek GAAP, and highlights the impact on SMEs in Beverage Industry, future developments and challenges that could impact accounting in the industry in the years to come. It can be useful for accountants and management but also for financial analysts or business valuers.

RESEARCH QUESTION

Regarding the above purpose, the following research question is formulated: Which are the main accounting and business-related issues for remarkable SMEs in Greek Beverage Industry and the impact of IFRS- and more recently IFRS for SMEs- on financial statements and accounting treatment compared to Greek GAAP?

In order to give a sufficient answer to the research question, individual question has been formulated: What is IFRS, compared to Greek GAAP? What does this mean in practice? What is their specificity? What are their differences? What new elements introduced in the Greek reality? What are those characteristics for financial information to be useful in decision making? However, who sets the accounting standards and principles used for the preparation of financial statements? What is the beverage industry in Greece? What about the development of IFRS in Greece? What is the importance of SMEs in Greek Beverage Industry? Which are Applied Standards in Companies of Beverage Industry in Greece?

Furthermore, how do they analyze? Which are the standards IAS/IFRS? Which financial statements are used under Greek GAAP but also under IFRS? Moreover, what are their characteristics? Which are the advantages and challenges of the adoption of IFRS for SMEs in Greece?

At the same time, this paper answers some very interesting questions: Which accounting model is used frequently by accountants and management in practice, where and why? Do accountants and management in Greece adopt IFRS to prepare financial statements for multinational companies? Furthermore, why would accountants and management in Greece prepare financial statements under IFRS for SMEs? Are there no differences in the application of IFRS for multinational companies and SMEs? Nevertheless, also, are there changes between them with respect to Greek GAAP? Is Greek GAAP still the most used accounting model, or are there other models gaining

more and more popularity? There are very interesting questions, and the answers can help to get a better understanding of the differences, and their outcome performed mainly the challenges in SMEs of Greek beverage industry.

METHOD

Because this is a literature study, there will not be in contact with the research regression but combine the theoretical background with practical implementation through financial statements and comparisons, from a narrative way with questions. It considers the literature review of IFRS- and, more recently IFRS for SMEs- compared to Greek GAAP and IFRS application through the impact of this accounting model on financial statements and the accounting treatment of some elements, considering currently effective standards at the case of SMEs in Beverage Industry. Finally, it highlights future developments and challenges that could impact accounting in the industry, mainly SMEs, in the years to come as well as the benefits for both the companies and investors.

STRUCTURE OF PAPER

Initially, the paper starts with the introduction. Then, it discusses the IFRS conversion project as a whole and mainly the conversion from Greek GAAP to IFRS. It analyzes shortly both accounting models, the background and the development of IFRS until now. Then, it refers to the industry, the key Greek SMEs, the condition and trends. The applied standards in Greek beverage industry are analyzed, giving analysis for each standard (purpose, definition that uses and accounting treatment) compared to Greek GAAP. Because it is important to recognize the major change in the picture of financial statements under IFRS comparing to Greek GAAP, paper goes into examples of every financial statement provided by these models with elements for Beverages Company, not only the general context of them. The above contributes to extracting clear conclusions for the overall impact of IFRS compared to Greek GAAP later.

Additionally, it highlights the importance of financial reporting under IFRS in the case of SMEs, in order to the benefit of transparency requirements and demands of the extroversion of business. Besides, the advantages of the application of IFRS in the case of SMEs will be outlined with particular reference to the qualitative characteristics of financial statements. Finally, a conclusion will be drawn, and the research question will be answered.

LITERATURE REVIEW

In this section, the literature review will be outlined shortly but informative, from a narrative way by answering the research questions.

WHAT IS IFRS?

Before ten years, IFRS was unknown in the business world of Greece. IFRS, as now established and known IAS, which initially were established in 2001 and their design was completed in 2002 with the EU directive 1606/2002 for their application by 1/1/2005 from all Companies (including Banks and Insurance Companies) listed in regulated European markets (which publish interim, half-yearly and annual consolidated financial statements). At 20/3/2002, Greece adopted Regulation by law L.2992/2002 in accordance with the EU directive and similarly with the other EU Member States. All the listed companies and in some cases, unlisted companies of these countries are required to construct and publish their financial statements according to IFRS. What does this mean in practice?

IFRS covers full set of principles and rules aimed at, as far as possible, fairly reporting of various items, transactions or situations in the financial statements of companies around the world, providing information to Internal (Administration, managers) and mainly external decision-makers (such as shareholders, prospective investors, analysts, investors, financial institutions, lenders, creditors, suppliers, public authorities, employees and other users). However, reasonable questions accompany their first steps in implementing an alternate way of presented financial statements: What is their specificity? What are their differences? What new elements introduced in the Greek reality?

IFRS SPECIFICITY COMPARED TO GREEK GAAP

Let us take things from start: IFRS is an acronym for International Financial Reporting Standards. Their title himself indicates their stigma and identity. The term "international" delimits their international identity globally and identifies as opposed to the term "Greek" Standards that have a national basis, prescribed by the Greek General Chart of Accounts (as set forth by Presidential Decree 1123/1980) and based on France and German General Chart of Accounts of 1971 (more detailed in Θεοδώρου Γ. Γρηγοράκου, 2008), the Codified Company Law (the provisions of the 42a and 43c articles on code of law 2190/1920 "referred to Society Anonyme Companies (S.A.)"), the Hellenic Capital Market Commission and the tax laws (more detailed in Νεγκάκης, Σημειώσεις 2011).

IAS/IFRS based on Anglo-Saxon accounting model, while the accounting system in most European countries, including Greece, is based on France and German model (more detailed in Λουκάς Λουκά, Βλάχος Χρήστος, 2007). The Anglo-Saxon accounting is based on "financial science» and the correct application of the IAS/IFRS requires the understanding and application of several financial theories and models (more detailed in Λουκάς Λουκά, Βλάχος Χρήστος, 2007). IFRS comprise the following components:

1. The Conceptual Framework for Financial Reporting. The Framework states the basic principles for IFRS, amended in September 2010. It discusses objective of financial statements, underlying assumptions used in IFRS, qualitative characteristics of financial statements, elements of financial statements, recognition of elements of financial statements, measurement of elements of financial statements, and concepts of capital and maintenance. At the same time, through this framework, the IFRS promotes transparency and comparability between different sizes of businesses (the full text of the Framework can be found at www.ifrs.org). So, they contribute to better and more complete information for capital markets and stakeholders.

2. International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Both IAS and IFRS are standards themselves that prescribe rules or accounting treatments for various individual items or elements of financial statements. IASs are the standards issued before 2001 and IFRSs are the standards issued after 2001. There used to be 41 standards named IAS 1, IAS 2, etc.; however, several of them were superseded, replaced with IFRS, or just withdrawn (Short review of each IAS and IFRS can be found in appendix of this paper).

3. Standing Interpretations Committee (SIC) and Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC). SICs and IFRICs are interpretations that supplement IAS / IFRS standards. SICs were issued before 2001, and IFRICs were issued after 2001. They deal with more specific situations not covered in the standard itself, or issues that arose after publishing of certain IFRS.

As far as the term "Financial Reporting" is concerned, it mean the provision of financial information about an entity to external users that help them in making economic decisions and assessing the performance of an entity. Typically, this information is made available annually, half-yearly or quarterly and is presented in formats laid down or approved by the governments and other regulators in each national jurisdiction. Sometimes, the term translated in Greek as "information", sometimes as "reference", sometimes as "presentation" and sometimes as "report" (more detailed in Λουκάς Λουκά, Βλάχος Χρήστος, 2007).

In other words, the term raises their usefulness in order to give information through the entities' financial statements prepared under the accounting principles, methods, regulations, and policies of IFRS, to a range of users (e.g. shareholders, institutional investors, creditors and other users) in making appropriate financial decisions.

FINANCIAL INFORMATION

The principal way of providing financial information to external users is through the annual financial statements. Financial statements are the summary of the performance of an entity over a

particular period and its financial position at the end of that period. However, what are those characteristics for financial information to be useful in decision making?

Characteristics of financial information under IFRS

These characteristics are known as qualitative characteristics. IFRS Framework, amended in September 2010, describes 2 types of qualitative characteristics for financial information to be useful: the Fundamental and Enhancing Qualitative Characteristics, which are described below.

1. Fundamental qualitative characteristics

IFRS are structured to produce financial statements that comprise the relevance and faithful representation:

Relevance. Financial information is relevant if its use is capable of resulting in different decisions being made by its users. For these purposes, the focus is on whether the financial information has predictive and/ or confirming value. The focus is on the capability of use, and not on whether the information is used, or is also available from other sources.

- **Predictive value** arises from the use of financial information, which does not itself need to be a forecast, as a means to predict future outcomes.

- **Confirming the value of financial information** arises from the confirmation of/ or change from previous evaluations. It is noted that some information could have both predictive and confirmatory value, such as revenue information for the current year, which could be used both as a prediction for future years and as confirmation of whether prior year forecasts were accurate.

For relevance, reference is made to materiality. Information is considered to be material if either its omission or misstatement could influence decisions taken about a specific reporting entity based on its reported financial information. This means that materiality will be determined for each entity, taking into account both quantitative and qualitative aspects.

Faithful representation. 'Faithful representation' represents a change from the previous equivalent term 'reliability'. The change has been made because of the variations in interpretation of what 'reliable' means. The Board noted in its Feedback Statement that, when a 'reliable' criterion is used, the emphasis users place on freedom from error can be greater than the overall faithful presentation of transactions and events, while some also associate reliability with precision. The intention is that faithful representation will capture all of the different qualities that are required, including reliability.

Financial reports present underlying economic transactions and events in both numerical and narrative form. To be useful, the financial information contained in these reports needs to both be relevant and be a faithful representation of the underlying transactions and events. To the extent possible, the aim is to maximize completeness, neutrality, and freedom from error.

- **Completeness of information** will often require both numerical and narrative information. This might include information about the depreciated cost and fair value of an asset, together with a description of associated facts and circumstances such as the nature of the asset and its location.

- **Neutral information** is considered to be free from emphasis (or lack of emphasis) or other manipulation designed to change how well or badly it will be received by its users.

- **Freedom from error** does not mean perfectly accurate, and it is acknowledged that financial statements contain estimates (for example, for the calculation of fair value, and for provisions). The focus is instead on the clarity of the information presented, including disclosure of the nature and limitations of the estimation process, and the derivation of an estimate through the use of a process which itself is free from error.

Applying the fundamental qualitative characteristics, Information must be both relevant and faithfully represented if it is to be useful.

2. Enhancing qualitative characteristics

The Conceptual Framework identifies comparability, verifiability, timeliness, and understandability as qualitative characteristics that enhance the usefulness of information that is relevant and faithfully represented.

Comparability. Comparability enables users of financial information to understand similarities and differences among items included in information presented by two or more entities. This can assist in decisions about whether to sell or hold an investment or in determining the appropriate choice among different potential investments. Users need to be able to compare the financial statements of a beverage company with various beverage companies to assess the relative economic position, efficiency and changes in financial position.

Verifiability. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation. It assists in giving users assurance that financial information appropriately represents the underlying transactions and events. Verification can be direct, where a quantity or amount can be verified directly (such as an amount of inventory), or indirect where data is checked through reference to a model, formula, or other technique. Some information, such as forecasts, may not be capable of being verified until a future period, in which case it will normally be necessary to disclose the underlying assumptions and other relevant information about how the forecast has been obtained.

Timeliness. Financial information is timely if it is available in time to be capable of influencing decisions taken by users. Generally, the older the information is, the less useful it is. However, some information may continue to be timely long after the end of a reporting period because, for example, some users may need to identify and assess trends.

The inclusion of enhancing qualitative characteristics should be maximized to the extent possible, but it is not essential. In contrast, it is necessary for the information presented to meet the fundamental characteristics of relevance and faithful representation, as enhancing qualitative characteristics by themselves cannot make information useful if that information is irrelevant or not faithfully represented. Consequently, IFRSs contribute in largely extent to reliable and consistent information, responding to users and their information needs.

USERS AND THEIR INFORMATION NEEDS

The pursuit of a comprehensive and reliable adoption and implementation of IFRS, in other words, the new globally accepted accounting framework for the preparation and presentation of corporate financial data, is a central interest option for entities around the world for their assessment, for example:

- Investors assessing an entity's ability to pay dividends and, therefore the likely return that they will achieve on their investment.
- Employees are assessing an entity's ability to provide benefits to them.
- Debt providers are assessing the level of security for amounts lent to the entity.
- Suppliers assess the likelihood of an entity being able to pay them as amounts fall due.
- Customers assess whether an entity will continue in existence. This is especially important where customers have a long-term involvement with or are dependent on an entity, for example where product warranties exist or where specialist parts may be needed.
- Government bodies assess the general allocation of resources and, therefore activities of entities. Besides, information is needed to determine future taxation policy and to provide national statistics.
- The financial statements provide the public with information on trends and recent developments. This may be of particular importance where an entity makes a substantial contribution to a local economy by providing employment and using local suppliers.

Financial statements are designed to meet the common needs of a wide range of users and therefore are not tailored to the needs of any particular user group. Through this framework, IFRSs are aimed at the harmonization of the different accounting standards and principles as well as the accounting methods of various countries.

THE DEVELOPMENT OF IFRS AND THEIR STEPS

The development of IFRS marked their first steps. Their stigma as a "global financial reporting language for business issues around the world," gave them extra weight and simultaneously a new requirement from the business world and directly or indirectly interested groups in valuation of entities.

Perhaps the first International Accounting Standards (IAS) in the world formed the pilot for the next International Financial Reporting Standards (IFRS), they were the unique standards that started and operated the period 1973 – 2001 through intense reviews. So, International Accounting Standards (IAS) enriched with instructions that change the original strictly bookkeeping accounting orientation and is now known as International Financial Reported Standards (IFRS) (as renamed in April of 2001, the International Accounting Standards-IAS). So, the financial statements are prepared under a controlled framework of rules and principles. However, who sets the accounting standards and principles used for the preparation of financial statements?

The first International Accounting Standards (IAS) issued by International Accounting Standards Committee Foundation (IASC), founded in June 1973 and based in London (UK), was responsible for the development of IAS and their promotion but was replaced by International Accounting Standards Board (IASB) in 2001 which issued IFRS. At the same time, there was the Standards Advisory Council (SAC) that had as purpose to provide advice on IASB about the development of the standards and the information about the impact of them. Today, IASB plays the above role. IASB trying to make IAS so understood so that they can be effectively implemented on a global basis. IASs are reviewed continuously, considering the current situation, with several of them have been replaced with new IFRS or just withdrawn. Besides, IASB's goal is to develop and publish IFRS, including lately IFRS for SME (small and medium enterprises) published in July 2009.

International Accounting Standards Board (IASB) take note of accounting standards that are already issued, IAS and IFRS as well as the exposure drafts, in every issue and creates an IFRS for global acceptance, trying to harmonize, as far as possible, different accounting standards and methods of different countries. These differences are due to a variety of social, economic, and legal environment as well as to the fact that each country takes into account the needs of users-inhabitants when adopting national provisions.

The standards that are not complete understood with their application, analyzed with notes and instructions that are explicitly created by IASB's interpretative body called International Financial Reporting Internations Committee (IFRIC) (from November in 2001) or the earlier Standing Interpretations Committee (SIC) (created in 1996) in consultation and contact at all operational levels in various organizations. This committee is responsible for reviewing and solving certain accounting issues arising from IFRSs currently in place and guides on those issues. In other words, committee issues interpretations called IFRICs (before 2001 SICs). Each IFRIC must then be approved by IASB.

The application of IFRS is mandatory from 1 January 2005 and followed by listed companies in European financial markets included listed companies in Regulated markets in Greece, such as Athens Exchange Securities Market, Athens Exchange Derivatives Market, Electronic Secondary Securities Market, with a series of 1-41 International Accounting Standards (IAS) with only 26 of them active today and 1-13 International Financial Reporting Standards (IFRS) with a series of Interpretations for their accounting treatment. At the same time, two new IFRS (IFRS 14 and IFRS 15) issued in 2014 for application from 1 January 2017 or later, date when the respectively IAS of these IFRS and their interpretations will be superseded and no longer valid.

The IAS and IFRS are referring to the purpose, the definitions that use, the accounting treatment, disclosures that are used and the date of entry into force. The SICs and IFRICs are very important to verify the correct application of IAS and IFRS, and to prevent the use of "creative accounting" methods. This is necessary in order to give the stigma of philosophy and underlying logic IFRS and certainly the general trends at the global level in an attempt to apply IFRS.

The application of international financial reporting standards (IFRS) is easier in countries that have a history of using financial reporting standards produced independently by the private sector.

Greek Generally Accepted Accounting Principles are amended from time to time by the National Accounting Council (ESYL) and Accounting Standardisation Board (SLOT). In 1991, SOEL (Soma Orkoton Elegkton-SOEL) was a national professional organization of Certified Public Accountants in Greece.

In Greece, up to 1995, there had been no systematic attempt to force an external audit of the financial statements of large private companies. Law 3329/55 introduced the Society of Chartered Accountants (Soma Orkoton Logiston – SOL) into Greek company law. It is interesting to note that the nature and the organizational structure of the SOL were suggested to the Greek government by British auditors.

Since then, demands for disclosure of information to shareholders and comparability of accounts have led to the idea of applying IFRS.

REASONS FOR APPLICATION OF IFRS IN SMES, WHICH ARE NOT OBLIGED YET

With the mandatory application of IFRS from 1.1.2005, a whole world of multinational companies found themselves suddenly without precedent and experience in the field of preparing and presenting consolidated financial statements under IFRS. What is happening globally, and unfortunately it is still happening today, was the controversial situation, where, in a large percentage of large multinational entities initially, the conversion from national accounting standards and principles to IFRS became a vision but, initially, imposed the use of both accounting models. This will be following the small and medium-sized entities in Greece under IFRS.

In other words, the consolidated financial statements of multinational companies under IFRS are increasingly used but not at all in small and medium enterprises in Greece. However, the possibilities offered for large multinationals under IFRS can be used for the benefit of the methodology and practice of small-and medium-sized enterprises in Greece, with the attention required to the principles of preparing and presenting financial statements under IFRS.

The development of New Greek Standards, which would replace at first the Greek chart of accounts, greatly affects the L.2190/1920 and L.3190/1955 on Societe Anonyme companies and Limited Liability Partnership respectively, but also Code of Tax Display. In the proposed standards seems to have completely removed the 8th group accounts of the Greek chart of accounts, and its components are integrated into Group 6 and 7.

The New Greek Standards seem to adapt perfectly the Directives of the European Community on the financial statements of companies to enhance the extroversion of Greek companies, but also for providing more detailed corporate information to investors. In accordance with these standards, the concept of the entity introduced, which includes all enterprise types that exist in Greek legislation and classifies entities according to their size in micro, small, medium, and large, with criteria for the number of employees, assets and their turnover. (see also Moneyguru.gr,<http://www.forologikanea.gr/news/nea-ellinika-logistika-protupa/>)

The expected development should find the administrations of entities as ready as possible. The small and medium-sized Greek firm must prepare to face the challenges and respond to opportunities for this spread.

In this direction, the evaluation of these harmonized financial statements contributes to extracting clear conclusions for the overall economic situation of SMEs in order to make appropriate investment decisions by internal and external investors but also by financial institutions, with direct beneficial effects mainly in financing of small and medium-sized enterprises for their growth and progress.

The confidence of all users of financial statements under this process in the transparency and integrity of these statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability, and sound economic growth.

THE CASE OF SMES IN BEVERAGE INDUSTRY

GREEK BEVERAGE INDUSTRY DEFINITION

Greek Beverage Industry falls in manufacturing industries, and in particular, in the Food and Beverage industry. The Greek domestic Beverage industry produces bottled, tinned and canned beverages for human consumption. This industry comprises companies engaged in one or more of the following: manufacturing carbonated soft drinks; purifying and bottling water; and manufacturing other beverages, such as energy, sports and juice drinks as well as alcoholic traditional Greek products like wine, beer, ouzo, tsipouro, liqueur and brandy, while other spirits like vodka, liqueurs, brandy, whiskey, rum, Gin are imported.

Beverages are offered by a wide range of competitors, including a few major international or European multinational beverage companies, mainly their subsidiaries are in Greece, listed on ASE and a large number of small and medium local and regional beverage companies and supermarket chains through their private labels.

SMES IN BEVERAGE INDUSTRY

In the last three years, it seems that the Greek small and medium-sized beverage companies probably benefited, although sales of beverages in Greece have been reduced due to the financial crisis from 2007, influencing the results of large multinationals in the market. There are three main reasons why the two "large" multinationals lose market share and create space for the entry of new players in the market.

Firstly, in the years of crisis, there was strong consumer shift to Greek products, which was reinforced by Coca-Cola and PepsiCo's movements with a negative impact such as relocation, close production units, and layoffs. The result was to squeeze significant shares, especially in soft drinks market with flavors of Greek small and medium-sized beverage companies like Loux from Patra, Epsa from Volos, but also Kliafa from Trikala, while the big surprise in the cola products did the Green Cola Company, which acquire recently EPAP (Carbonated Soft Drinks Manufacturers Association) from Orestiada, a bottling company of Coca-Cola HBC from 1983 to 2009. Of course, a big part of this change has played the lower prices always in combination with high quality.

Secondly, the Greek companies placed on the market innovative products such as organic, soft drinks of Epsa with stevia, soft drinks with natural mineral water of "Vicos Epirotic Bottling Industry S.A." from Zagorochoria, and tea with stevia by «Gerani» from Chania while products with stevia are prepared by Loux.

Thirdly, the Greek market shows the perspective of further development as high temperatures and periods of warm weather in Greece, along with tourism, favour increased consumption of beverages and, consequently, net sales revenue. Beverages have become central growth drivers, as drinks appeal to consumers at both ends of the income spectrum, and drive consistent traffic throughout the day. In the export sector there are opportunities even for small and medium-sized entities, with significant advantages in the way of productive structure and organization of distribution networks through the development of export marketing and advertising.

CONDITIONS AND TRENDS IN BEVERAGE INDUSTRY

Beverage Industry in Greece, both non-alcohol and alcohol categories from carbonated soft drinks and water to wine and spirits, has faced many changes in recent years, mainly in the market share of companies and the production of innovative beverages. The redistribution of the beverage market represents the entrance of new players and the onslaught of small and medium-sized companies in the industry with innovative and new unique products. What is more, the new institutional framework brings new data that allows Brewers to enter in the production of soft drinks. Despite the crisis, there are categories like soft drinks, tea and bottled water, which still have prospects, as described below.

Tea continues to offer a major growth opportunity in both traditional tea-drinking markets and those where tea remains a relative novelty. Consumers appreciate the variety and differentiation of iced tea and their role as a more exciting water alternative. So, there is room to grow in tea market. Already in 2012, the new expansion in tea and soft drink market did the Macedonian - Thrace Brewery in Komotini, Evros with Iced Tea tuvunu, the traditional biological Greek mountain tea with honey and lemon, a unique product, which already extracted and outside Greece as well as tuvunu sparkling water. This is only the beginning as the Brewery wishes to create a range of healthy refreshments utilizing the thousands of herbs of the Greek land. "Gerani", beverage company from Chania (Crete, Island), maintains its share of the Greek market with enhanced range of products, including tea with stevia, with exports.

In the market of soft drinks, Greek small and medium companies have managed to gain market share against multinational giants. At the same time the epirotic company Vicos, a protagonist in the industry of bottled water, with activity in bottling soft drinks on behalf of third parties and in particular for the large supermarket chains such as Lidl, announced its entrance in the market of soft drinks with new natural mineral soft drinks with its brand name. The entrance of Souroti S.A. from Thessaloniki- Chalkidiki, in the above market, had preceded in October of 2013 with tea and three new codes of sparkling category.

This way, it seems to follow Mythos Brewery SA as it took over the production, distribution, and disposal of Tuborg soda and water in the Greek market, since January 1st 2015.

The beer market managed to withstand the pressure of crisis, showing the smaller reduction, mainly because of the high summer tourist traffic, the low price compared to other imported alcoholic beverages, and the fact that the low alcohol content encourages consuming in large quantities.

THE FUTURE OF GREEK SMES IN BEVERAGE INDUSTRY

Greek small and medium-sized companies use their "weapons" basically creating new products (organic, with less use of sugar cola, etc.), predatory pricing (with great deals), the very good quality of the produced agricultural product and sources of water in Greece compared with Europe, by the extension of the distribution network and finding new markets abroad. The Greek companies in the industry have managed to stand upright in the crisis and to increase their shares in the total pie of soft drinks operating in Greece.

Consumers are willing to spend on beverages that offer a unique experience, exciting flavours and combinations such as those with unique fruits, herbs and vegetables, and drinks that add value as low-cost beverages. Greece has been blessed with some of the world's finest herbs, fruit, and natural spring water. So, a combination of these key ingredients would inevitably result in the world's finest soft drinks and non-alcoholic beverages, building long term value and attracting investments.

2014 brought new trends in beverage types and consumer preferences and offering new opportunities for operators to diversify themselves. The investment of the beverage companies with new and innovative products and services, as well as product differentiation can be a catalyst in the development of domestic production in order to become more competitive. The

beverage industry is probably one of the few of the Greek market where Greek SMEs are gaining market share from their competitors even amid the crisis.

IFRS IMPACT ON SMES IN BEVERAGE INDUSTRY

Major Changes Converting from Greek GAAP to IFRS

The analysis of IAS/IFRS (that follows in Appendix 1) aims:

- to give the summary of the accounting principles, rules and policies that must be followed by accountants and management of beverage companies,
- to give the accounting treatment during the preparation of financial statements under IAS/IFRS, taking into account the recent amendments in 2014, compared to Greek GAAP
- to investigate their application in beverages companies through financial statements and
- to refer to the basic and necessary conditions for the full implementation of each standard separately.

Listed companies in the beverage industry in ASE, as required from 1.1.2005 in Greece, apply IASs and IFRSs, taking into account the recent amendments in 2014 (according to <http://www.ifrsbox.com>).

Major Changes in the Picture of Financial Statements

There are major changes in the picture of the financial statements of beverage companies. A simple comparison of financial statements under IFRS, with the corresponding under Greek GAAP demonstrates the diversification.

Financial Statements under Greek GAAP

The financial statements under Greek GAAP (that follows in Appendix 2), according to General Chart of Accounts, which are recorded and published together in a sheet except for General operating account status, are:

1. the Balance Sheet
2. the Statement of Income
3. the Results Appropriation Account
4. the General operating account status
5. the relevant Notes to the financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Standards that are prescribed by the Greek General Chart of Accounts and the provisions of the articles 42a up to 43c of the cod. L. 2190/1920 and for such internal controls as management determines it is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The closing date of the balance sheet is the last day of use, 31/12 or 30/6 each year.

Financial Statements under IFRS

The set of financial statements under IFRS (that follows in Appendix 2) is completed by:

- 1.Statement of financial position
- 2.Statement of profit or loss and other comprehensive income
- 3.Statement of changes in equity
- 4.Statement of cash flows
- 5.Notes to the Financial Statements

From all the above mentioned, Greek GAAP and IFRS pose several differences. The new financial statements under IFRS are lengthier and more detailed than the format published under Greek GAAP. This should provide additional relevant information to market participants. Financial statements under IFRS translate the financial activity of the firm into a more or less objective set of numbers, which provide valuable information about the firm's performance and its possible problems and its potential in the future.

Information about the entity's financial position (from balance sheet), performance (from the income statement), and changes in its financial position (from cash flow statement) provide information to support economic decisions. IFRS implies a healthy investor perspective while indicating that there are other market participants in making informed resource allocation and other economic decisions. There is no doubt that the adoption of IFRS constitutes a financial revolution with highly positive results.

BENEFITS OF IFRS FOR GREEK SMES IN BEVERAGE INDUSTRY

The above section showed that the compilation of financial statements from Greek GAAP to IFRS is a particularly difficult project and not a simple change in the way of accountability and valuation of financial data. There are major changes in financial statements and accounting treatments of some elements. Financial statements under IFRS are designed to meet the common needs of a wide range of users and therefore are not tailored to the needs of any particular user group. The need to adopt common rules on the preparation and presentation of financial statements becomes imperative, as the advantages are many. This fact is demonstrated by the increasingly widespread application of IFRS around the world.

IAS/IFRS may be readily applied to SMEs in Greece. The European Union has published specific standards for SMEs, IFRS for SMEs. Also, in Greece, there is an effort to issue the New Greek Standards closed to IFRS for all kinds of companies regardless their size, perhaps the next year. Regardless of the exact time of when it will fully harmonize Greek GAAP with the new ones, this will become mainly because the needs require it, and not because the law requires, as the previous financial statements show less meaning and usefulness. The application of international financial reporting standards marked a radical change in the way financial information is provided in terms of business.

The beverage industry is a diversified sector. It is characterized by a wide range of Small and Medium-sized Entities with sound financial results and export-oriented, which need funds in order to finance growth and expansion. IFRS's contribution to the policy of extroversion of the Greek small and medium-sized entities is of great importance, as the new status quo demands it. What does this mean?

As the business expands across borders, companies, regardless their size, are expected to recognize the benefits of having a commonly understood financial reporting framework supported by strong globally accepted auditing standards. Cross border investments leading to economic growth and development. It will also lead to increased globalization of commerce and trade.

Some of the benefits of IFRS for Greek SMEs in the Beverage Industry include the better quality of financial reporting due to consistent application of accounting principles and reliability of financial statements. With the adoption of IFRS and their principles, gradually created full access in information and their assessment on making appropriate investment decisions. The high-quality standard of IFRS improves the ability of investors to make investment decisions, while the companies have increased access to international markets and reduced the cost to obtain funds. Finally, the adoption of IFRS contributes significantly to the harmonization of internal and external information needs within the company, since a high-quality accounting "language", simplifies the process of producing financial information. The result is the improvement of administrative information systems and reducing costs of production such information.

Trust and reliance can be placed by investors, analysts, and other stakeholders in a company's financial statements so eventually help investors to understand available investment opportunities

as opposed to financial statements prepared under different sets of national accounting standards. This will enable the comparability of financial information for investors as a result of transparent financial reporting of company's activities, among sectors, countries, and companies. Furthermore, with today's rapid pace at which information technology has developed has, amongst other things, led to the easing of the electronic movement of funds across national boundaries and increased investor willingness to invest across national borders, determining resource allocations in return of dividends and capital gains.

With corresponding mechanisms and appropriate infrastructure, SMEs in the beverage industry of Greece will be able to meet requirements and needs of the broader geographical area of Europe. The existence of organized accountant, appropriate information systems and qualified staff are essential prerequisites for their full implementation. Small and medium-sized enterprises should take advantage of the recovery because, in this way, it will surely emerge stronger in the long run.

CONCLUSIONS

Taking everything into account, IFRS in Greece came as a requirement, which becomes mandatory from 2005 onwards, initially for listed and large multinational companies and as an option to other companies, but IFRS for SMEs is gaining popularity recently. Greek GAAP does not provide full and meaningful information to users of financial statements. On the other hand, the financial statements under IFRS are lengthier and more detailed than the format published under Greek GAAP. IFRS is applied in Greek society to fill the gaps identified decades ago, as there was no proportionate mechanism for their coverage. This should provide additional relevant information to market participants. IFRS did not start their operation as a competitive lever for local standards of each country, neither came as opposed to the existing structure of Greek Chart of Accounts. IFRS impact the preparation of financial statements and the accounting treatment of their elements compared to Greek GAAP. However, the transition from national to international accounting standards is a particularly difficult project and not a simple change in the way of accountability and presentation of financial data, requires great effort particularly in countries such as Greece, that national accounting standards are geared, in some cases, fiscal needs, rather than on full and meaningful information to users of financial statements.

The importance of this paper comes from the importance of SMEs. There is evidence that the New Greek Standards closed to IFRS, referring to all companies regardless their size. There is no doubt that the adoption of IFRS constitutes a financial revolution with highly positive results. Using financial statements under IFRS, even at small and medium-sized enterprises will facilitate the direct asking demands of the extroversion of business, as well as alternative funding routes will open their business plans. The adoption of IFRS benefits both the companies and investors because they increase the level of trust in the information contained in the financial statements. The high-quality international standard improves the ability of investors to make investment decisions (determining resource allocations in return of dividends and capital gains) while the companies have increased access to international markets, at reduced cost to obtain funds. This will benefit a lot the remarkable SMEs in Beverage Industry.

This research provides insights into the use of IFRS and some of their characteristics, and it can be useful for accountants and management but also financial analysts or business valuers. The use of the most recent sources conducted about IFRS and Greek GAAP, as well as the evidence about the New Greek Standards. The last could mean that, over time, these standards and principles have changed. I hope that there is something stimulating and thought-provoking for those dealing with IFRS in the beverage industry while it has practical implications for financial reports for other sectors of the economy.

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