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Perceptions and Practices: A Qualitative Exploration of CFO
Decision-making in R&D Investments under IAS 38

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Abstract (English)

The study investigates how the perceptions and practices of current Chief Financial Officers (CFOs) and International Accounting Standard 38 (IAS 38) interact in the realm of R&D investments. Through semi-structured qualitative interviews with 13 CFOs across several industries, the study explores how CFOs navigate the complexities of IAS 38 and strike a balance between financial responsibility and innovation. The results show that CFOs are key in coordinating R&D investments with the overarching business strategy and compliance, underscoring their importance as strategic advisors beyond glorified finance managers. The study highlights how different stakeholders collaborate during decision-making processes to ensure that accounting policies are aligned with the guidelines and internal environment, all while being strategically relevant. CFOs emphasize the value of transparency, open communication, and proactive thinking in fostering innovation and maintaining financial stability. The study offers insights to adjust policies and guide future research, helping to better understand the real challenges and strategies used by CFOs to manage R&D investments under IAS 38. It highlights the importance of CFOs in finding the right balance within the borders of IAS 38.

Abstrakt (Deutsch)

Die Studie untersucht, wie die Wahrnehmungen und Praktiken aktueller Finanz Leiter (CFOs) und der Internationale Rechnungslegungsstandard 38 (IAS 38) im Bereich von Forschung und Entwicklungs (F&E) Investitionen interagieren. Durch halbstrukturierte qualitative Interviews mit 13 CFOs aus verschiedenen Branchen untersucht die Studie, wie CFOs mit der Komplexität von IAS 38 umgehen und ein Gleichgewicht zwischen finanzieller Verantwortung und Innovation finden. Die Ergebnisse zeigen, dass CFOs eine Schlüsselrolle bei der Koordinierung von F&E-Investitionen mit der übergreifenden Geschäftsstrategie und Compliance spielen, was ihre Bedeutung als strategische Berater über die verherrlichten Finanzmanager hinaus unterstreicht. Die Studie zeigt, wie verschiedene Stakeholder bei Entscheidungsprozessen zusammenarbeiten, um sicherzustellen, dass die Rechnungslegungsrichtlinien mit den Richtlinien und dem internen Umfeld übereinstimmen und gleichzeitig strategisch relevant sind. CFOs betonen den Wert von Transparenz, offener Kommunikation und proaktivem Denken bei der Förderung von Innovationen und der Wahrung der Finanzstabilität. Die Studie bietet Einblicke zur Anpassung von Strategien und zur Orientierung für zukünftige Forschungen und trägt dazu bei, die tatsächlichen Herausforderungen und Strategien besser zu verstehen, die CFOs zur Verwaltung von F&E-Investitionen gemäß IAS 38 verwenden. Sie unterstreicht die Bedeutung von CFOs für die Suche nach dem richtigen Gleichgewicht innerhalb der Grenzen von IAS 38.

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List of Abbreviations

Chief Financial Officer – CFO

International Financial Reporting Standard - IFRS

International Accounting Standard - IAS

Research and Development – R&D

1. Introduction

Research and development (R&D) are crucial components of innovation and long-term competitive advantages for many companies around the world. Many see it as the most important factor that keeps the company ahead of their competition. R&D has many qualities that foster creativity and forward-thinking, but these abstract components are very complex to account for. (Hall et al., 2010).

Therefore the function of accounting standards is very important, designed to give financial reporting a unified framework. The accounting standards used for intangible assets is called the International Accounting Standard 38 (IAS 38) - Intangible Assets, of which R&D makes up the majority (International Accounting Standards Board, 2004). While IAS 38's theoretical components are well-documented, there is a need for more evidence of the practical application of this standard from different perspectives. One of these is the perspective of the Chief Financial Officers (CFOs), who oversee, among others, the company's financial strategies and decisions. Given the strategic role CFOs play, seeing how they manage IAS 38's complexities concerning R&D investments provides essential insights into IAS 38's real-world applications (Zéghal & Maaloul, 2011).

Hence, this research aims to investigate and connect the theoretical foundations of IAS 38 with the CFO's perspectives, perceptions, and practices when making decisions regarding their R&D efforts.

1.1. Problem Statement

Intangible assets, particularly those resulting from R&D activities, are recognized, measured, and presented in financial statements according to IAS 38, which is a fundamental component of the International Financial Reporting Standards (IFRS) (Wyatt, 2005). Beyond the standard's wording, however, is a grey area that requires interpretation, discretion, and mainly judgment. In this area, CFOs' perceptions, experiences, and practices can considerably impact the results, which can significantly alter the company's course (Beattie et al., 2006).

Consequently, this study's primary goal is to clarify CFOs' views of IAS 38, especially concerning R&D investments. It includes their perceptions of the standard's benefits and drawbacks and how they understand and interpret it. The study also attempts to identify CFOs' decision-making methods when evaluating R&D investments within the context of IAS 38.

1.1.1. Research gap

Fundamentally, accounting standards guide reporting and disclosure, ensuring financial accounts' accuracy, comparability, and transparency (Ball, 2006). There is frequently a disconnect between the theoretical framework and its actual application in the business environment, even though the textual parts of such standards, like IAS 38, are well-documented (Ding et al., 2007).

Notably, although numerous studies have dissected IAS 38's technicalities and implications for R&D accounting, significant research exploring the CFOs' perspectives in making financial decisions is yet missing. These people interpret, navigate, and occasionally even question accounting norms, especially when strategic investments, like R&D, are at stake. They must apply accounting standards more than mechanically by the book, which is the final aim of the study (Kothari et al., 2010).

An understanding of how these standards affect the perceptions, priorities, and practices of CFOs is also largely unexplored, even though the economic effects of IAS 38 on R&D investments have been the focus of academic studies since the standards inception. This study aims to close the gap between accounting theory, business strategy, and executive decision-making (Christensen et al., 2016).

1.1.2. Research Question

Formulating a question that aims to fill the research gap in the complex accounting environment, R&D expenditures, and CFO decision-making is essential (Creswell, 2014).

Therefore, the primary research question for this study is: **"How do CFOs perceive and navigate the implications of IAS 38 in their decision-making processes related to R&D investments?"**

This question explores current CFOs' opinions, experiences, and perceptions about IAS 38. It emphasizes practices and actions CFOs perform based on their understanding of the standard. (Ravenscroft & Williams, 2009).

This study's focus is limited to the qualitative perspectives of CFOs making strategic decisions regarding R&D investments. This approach allows the study to examine the strategic concerns, difficulties, and interpretations CFOs encounter when working with IAS 38. The study attempts to capture a wide range of behaviors and viewpoints by focusing on a small number of industries with significant R&D investments.

1.2. Critical findings and implications

The relationship between accounting standards and strategic decision-making is at the core of this study, and CFOs emerge as key players in navigating the challenges associated with R&D investments. The information gathered emphasizes how important CFOs are in balancing their financial responsibilities with the company's strategic vision. IAS 38 compliance and accounting expertise are required for this delicate balance, which allows for informed decision-making that fosters innovation while keeping financial stability.

The study sheds light on the difficulties and arbitrary nature of intangible asset accounting, highlighting the significance of fully comprehending and implementing IAS 38 to guarantee that financial statements present a fair and true value. This is especially important in fast-changing industries where figuring out how to value intangible assets and how long they will last can be complex.

Beyond IAS 38 regulations, CFOs clearly outline their goal for disclosures based on strategic communication as opposed to simple financial reporting. This strategy aims to create trust, draw in investment, and gain a competitive advantage while managing the fine line between transparency and preservation of sensitive information. A dedication to transparency, stakeholder engagement, and competitive advantage is implied. The gathered data makes it clear that a strategic story directs disclosure communication to meet the specific requirements of their industry, market environment, and stakeholder base.

To sum up, this research adds to the body of research regarding the strategic consequences of accounting standards such as IAS 38. It provides useful information for practitioners, policymakers, and CFOs. The research tends to show the significance of accounting knowledge as a strategic asset in the modern business environment by clarifying the strategic aspects of CFOs' roles in managing R&D and financial reporting. In an increasingly complicated and dynamic global business environment, this compilation of findings, implications, and recommendations lays a clear roadmap for improving the strategic management of R&D investments, fostering innovation, and allowing for sustainable growth.

2. Literature review

2.1. International Accounting Standard IAS 38

IAS 38 outlines the accounting approach and treatment for intangible assets. These assets are classified as non-financial assets without material substance. In contrast to tangible assets, intangible assets are kept by entities for various functions or uses, such as the creation or provision of goods and services, renting to third parties, or administrative functions (International Accounting Standards Board, 2004).

IAS 38 has an extensive definition and scope. The standard applies to all intangible assets except those with special treatments under another standard, such as financial assets. IAS 38 specifies how intangible assets are recognized, measured, and reported based on certain conditions. (International Accounting Standards Board, 2004).

The importance of IAS 38 and its impact on financial reporting must be considered. Intangible assets play a crucial role in the modern business environment, especially with the rise of technology and service-oriented businesses. Precise accounting for these assets is essential to ensure the company's financial statement provides an accurate and fair view of the business.

IAS 38 was created to unify the accounting treatment of intangible assets; especially R&D. The main objective is maintaining consistency and comparability in financial accounts across geographical areas and industries. The standard intends to give organizations clear instructions on identifying, quantifying, measuring, and reporting intangible assets (International Accounting Standards Board, 2004). The following paragraphs outline the primary objectives and aims of IAS 38.

Transparency in IAS 38 ensures that businesses present information regarding their intangible assets in their financial statements by defining requirements for recognizing and assessing them. Transparency is essential for various stakeholders, such as investors, creditors, or shareholders (International Accounting Standards Board, 2004).

The inherent subjectivity involved in the recognition and value of intangible assets presents one of the significant accounting challenges: comparability. IAS 38 aims to guarantee that entities use a consistent methodology, making it more straightforward for stakeholders to compare the

financial statements of various companies when making significant financial decisions. (International Accounting Standards Board, 2004).

Many current businesses' value propositions depend heavily on intangible assets like patents, trademarks, and copyrights, so reporting these values is crucial. IAS 38's proper accounting for these standards makes sure that the respective financial statements accurately reflect an entity's real economic value (International Accounting Standards Board, 2004). For decades, there has been interest in and discussion surrounding the accounting treatment of research and development (R&D). The main obstacle in R&D accounting historically was the inherent uncertainty connected to the results of research and development efforts. Due to the speculative character of R&D, it took much effort for companies to evaluate whether the spending would produce future economic benefits (International et al., 2004).

Before establishing IAS 38, R&D Accounting did not have a defined method. Financial reporting became inconsistent because many companies adopted different approaches. Given the uncertainty surrounding potential benefits, some organizations deducted all R&D costs as they were incurred. On the other hand, others capitalized on some development expenditures when they thought they would result in measurable future inflows (Wyatt, 2005).

For stakeholders, the lack of a uniform methodology presented several difficulties. Comparing organizations' financial statements, particularly those engaged in industries like technology or the pharmaceutical industry, where R&D plays a significant role, has become increasingly challenging (International et al., 2004).

The introduction of IAS 38 marked a considerable change in the business landscape. The standard offered precise instructions on recognizing, measuring, bookkeeping and disclosing intangible assets, including those resulting from R&D efforts. IAS 38 aims to bring consistency and transparency to R&D accounting by defining the research and development phases and the capitalization criteria (International et al., 2004).

As mentioned, intangible assets are non-monetary assets without a physical substance distinguishable by their identifiability, control over the resource, and expectation of future economic benefit. To appropriately depict these assets in financial statements, IAS 38 was created to handle their intricacies (International et al., 2004).

An intangible asset must fulfill several requirements that guarantee its legitimacy as an asset to be recognized under IAS 38:

- 1. Future Economic Benefit:** The main criterion is the asset's full potential to provide the entity with future financial benefit. This could generate income, save money, or provide other advantages that improve the company's bottom line (International Accounting Standards Board, 2004).
- 2. Cost Measurement:** The asset cost needs to be accurately measurable. This implies that the assets should be valued confidently without substantial estimates or assumptions (International Accounting Standards Board, 2004).
- 3. The distinction between R&D Phases:** The research and development phases are separated by IAS 38. Research-related expenses are deducted when they are incurred. However, costs incurred during the development phase may be capitalized if they satisfy several criteria such as technical feasibility, intention to complete and use or sell the asset, evidence that the asset will produce economic benefits, accessibility to sufficient resources, and the capacity to measure the expenses accurately (International Accounting Standards Board, 2004).

After it has been recognized, IAS 38 offers instructions on how to measure an intangible asset:

Cost model: The intangible asset is carried at its initial cost minus any accrued amortization and impairment losses. Amortization is the systematic distribution of an asset's depreciable amount throughout its useful life, similar to the depreciation of tangible assets (International Accounting Standards Board, 2004).

Revaluation model: With this model, the intangible assets can be carried at a revalued amount, equal to their fair value as of the revaluation date, with less accrued amortization and impairment losses over time. Revaluations must be performed frequently enough to guarantee that the carrying amount remains the same as that calculated using fair value after the reporting period (International Accounting Standards Board, 2004). The disclosure requirements in IAS 38 strongly emphasize transparency. To help users of financial statements comprehend the kind, nature, and economic ramifications of intangible assets, entities must provide specific information on these assets.

1. **Descriptive Information:** Entities must report information about the useful life, mainly whether the useful life is finite or indefinite (International Accounting Standards Board, 2004).
2. **Amortization:** Details of the employed amortization must be provided, including the rates and the line items in the statements where the amortization expense is included (International Accounting Standards Board, 2004).
3. **Carrying Amount:** The carrying amount must be reconciled between the beginning and end periods to reflect changes brought on by purchases, sales, impairments, revaluations, and other adjustments (International Accounting Standards Board, 2004).
4. **Additional Information:** Additional disclosures are required for intangible assets acquired through government grants, those acquired in corporate mergers, or those pledged as securities (International Accounting Standards Board, 2004).

2.2. Ambiguities in IAS 38

Even though IAS 38 offers a clear framework, there are several ambiguities still present. These misunderstandings, which frequently result from the intrinsic complexity of intangible assets, can significantly impact financial reporting and stakeholder perception. Several previously researched aspects that can cause ambiguity are presented below.

IAS 38 outlines specific requirements for recognizing intangible assets, particularly those created internally. Whittington (2008), however, found that the crucial distinction between the research and development phases can be ambiguous. With this ambiguity, managers may conveniently misclassify some expenses to fit their current goals (Whittington, 2008). Intangible assets, unlike tangible ones, do not get traded frequently, which makes valuing them difficult. In their investigation, Barth & Clinch (1998) highlight the difficulties and subjectivities associated with valuing intangible assets, mainly brand names or client connections (Barth & Clinch, 1998).

IAS 38 mandates that businesses calculate the useful life of intangible assets for amortization needs as described above. This assessment is subjective, as Watts & Zimmerman (1990) explain, particularly in the case of assets like patents or copyrights, whose economic benefit can be quickly changed by technological improvements (Watts & Zimmerman, 1990). IAS 38's requirement for recurring impairment testing adds another degree of subjectivity. According to Beaver (2002), managerial optimism or conservatism may impact the forward-looking cash-flow-based aspect of impairment assessment (Beaver, 2002).

The standard has a wide-ranging impact on different aspects of the financial industry and resonates with many stakeholders. The following section presents the effects on the primary stakeholders. The complex interactions between IAS 38 and company strategies prove the standard's wide-ranging effects.

According to Lev & Sougiannis (1996), capitalizing R&D expenses under IAS 38 can encourage businesses to increase their R&D expenditures. This viewpoint is predicated on capitalization improving reported profitability and presenting a more favorable financial picture (Lev & Sougiannis, 1996). An in-depth analysis by Skinner (2008) offers a counter-narrative, warning that such short-term financial flourishes might not always be the best way to create value over the long term. Management is forced to navigate between the temptation of short-term financial

optics and the development of sustainable value due to this paradox, which presents itself as a strategic problem (Skinner, 2008).

Sunder's (2002) discussion of IAS 38 emphasizes how it can influence managerial behavior. The standard's built-in flexibility in managing R&D expenses could have advantages and disadvantages. On the one hand, it gives managers a tool for creating financial narratives; on the other hand, it provides doors for managing earnings, especially when stakeholders are watching closely and expecting specific economic outcomes (Sunder, 2002).

IAS 38 might affect operational choices in addition to financial reporting; even if it is not operationally ideal, corporations may be forced to organize their R&D projects in a way that satisfies the IAS 38 criteria for capitalizing development expenditures.

Furthermore, the IAS 38 guidelines also affect the financial analysts' work. The capitalization of intangible assets, as done by IAS 38, is said to provide analysts with numerous sources of predictive data, according to the study of Barth & Clinch (1998). However, the narrative is complex. IAS 38 provides a systematic framework, but Holthausen & Watts (2001) warn that its managerial freedom may bring uncertainty into financial statements, thereby distorting projections (Barth & Clinch, 1998; Holthausen & Watts, 2001).

Financial statement comparability is an endless goal of analysts. Healy and Palepu (2001) claim that although IAS 38 aims for uniformity, a roadblock may arise due to its inherent subjectivity. Ball (2006) argues that despite several inefficiencies, IAS 38 continues to serve its purpose and improves firm-to-firm comparability (Ball, 2006; Healy & Palepu, 2001).

According to Bhattacharya (2017), IAS 38's complexity and ambiguity may lead analysts to non-financial reports. Analysts might seek explanations in other reporting forms with no clear comparative essence (Bhattacharya et al., 2017).

IAS 38 is creating a complex environment that auditors need to navigate. Watts and Zimmerman (1990) discuss the difficulties in validating intangible assets. Their assurance is challenging due to their non-physical character and complicated forward-looking estimates (Watts & Zimmerman, 1990). Strong internal controls are essential for ensuring the stated valuations of these assets are accurate (Dechow et al., 2010).

IAS 38 areas of judgment, such as identifying an intangible asset's useful life or evaluating its impairment, substantially increase audit complexity. Several regions of judgment can raise audit risk (Kinney et al., 2004).

2.3. Earnings Management

Earnings management represents deliberate efforts that management takes to influence or potentially distort reported earnings figures. The following section discusses such actions' motivations, mechanisms, and implications.

Healy and Palepu (2001) defined earnings management as the strategic application of accounting discretion to generate financial statements that might deceive stakeholders over an underlying organization's economic performance. Such activities have a variety of motivations. Managers may use earnings management to affect stock prices and company value, satisfy specific performance goals tied to compensation, or meet analysts' projections (Healy & Palepu, 2001). Earnings management can take several different forms as described below.

According to Schipper (2003), managers can take advantage of the flexibility built into accounting standards to choose policies and estimations that positively influence reported results. For example, a manager might use a depreciation strategy to save costs immediately (Schipper, 2003).

Managers can also plan or time corporate operations to achieve desired accounting and make simple decisions. For instance, a business can accelerate sales at the end of the year or postpone required expenses to increase reported profitability (Beneish, 2001).

The consequences of earnings management can be significant. As noted by Beneish (2001), persistent earnings management can reduce the confidence that investors and other stakeholders have in company financial statements (Beneish, 2001). Furthermore, adopting an aggressive earnings management strategy may result in regulatory scrutiny and possible penalties. For instance, the Sarbanes-Oxley Act of 2002 was a legislative response to widespread accounting and earnings management issues. Lastly, earnings management can have real economic repercussions, especially when manipulating actual business operations, which could jeopardize a company's long-term existence (The Sarbanes Oxley Act, 2002).

Earnings management is, by many researchers, categorized into two primary domains, namely accrual-based and real activities based earnings management. The first adjusts accounting accruals without changing underlying cash flows to manipulate earnings. The subtleties of the type of earnings management are explored by Dechow et al. (2010), who also highlight its mechanisms and ubiquity (Dechow et al., 2010). Jones (1991) argues the contrary, arguing that while accrual-based earnings management has certain short-term advantages, its long-term utility is frequently constrained by the ease with which statistical models of auditors can identify it (Jones, 1991).

Real activities-based earnings management entails manipulating actual business operations. In their investigation, Roychowdhury (2006) discussed strategies, including price reductions to boost sales and overproduction to lower the cost of goods supplied (Roychowdhury, 2006). This also includes the possible manipulation through IAS 38. Graham (2005) contends that actual activity manipulation can have more significant negative long-term implications on a firm's health, even though it may be more challenging to detect than accrual-based manipulation, therefore the author chose real activities-based earnings management for this study (Graham et al., 2005).

2.4. Real Activities Manipulation and IAS 38

As previously defined by Roychowdhury (2006), real activities manipulation is the intentional change of corporate operations to achieve specific financial reporting goals, frequently at the expense of economic value. Often-used mechanisms are described below (Roychowdhury, 2006). Businesses may increase sales by offering discounts or favorable credit terms, particularly near the end of the fiscal year. This may artificially inflate revenues and intangible assets connected to client relationships (Roychowdhury, 2006).

If certain R&D expenses meet specific requirements, they may be capitalized under IAS 38. Even if such choices could be more operationally ideal, managers could strategically plan or arrange R&D projects to guarantee they meet these requirements. For instance, it could be accelerated or extended to ensure that a project's results coincide with a reporting period (Roychowdhury, 2006). By using overproduction to lower per-unit production costs, reported gross margins can be increased. This may affect intangible assets whose value might be based on manufacturing efficiencies, such as patents or unique techniques (Roychowdhury, 2006).

Real earnings manipulation is frequently motivated by the appeal of exceeding analysts' predictions, hitting performance benchmarks, or manipulating stock prices. Nevertheless, as Cohen et al. (2008) explain, such manipulations, particularly by accounting requirements like IAS 38, have long-term economic ramifications, possibly jeopardizing a firm's competitive positioning and operational efficiency (Cohen et al., 2008).

IAS 38 standards on intangible assets, notably R&D, can be a significant tool when manipulating real operations. A significant motivator for manipulating real activity is capitalizing on R&D costs under IAS 38. An in-depth analysis of this is provided by Zang (2012), who contends that businesses, particularly those with significant R&D operations, may alter real activities to ensure their expenditures for the capitalization criteria established by IAS 38 (Zang, 2012).

IAS 38 requires periodic impairment testing for capitalized intangible assets. Managers keen to avoid impairment charges may distort real activity to enhance reported profitability or cash flows artificially, avoiding potential impairment triggers (Zang, 2012).

The variance in IAS 38 procedures among organizations can foster an environment of real activity manipulation. According to Gunny (2010), managers may compare their methods to

industry standards, which can cause a herd mentality in which businesses use similar manipulative techniques to ensure their financial statements reflect industry trends (Gunny, 2010).

IAS 38 offers some areas of discretion that can be abused despite being thorough. Managers may exercise undue influence to distort reported figures, for example, when determining the useful lifetimes of intangible assets or the standards for capitalizing internally generated intangible assets (Gunny, 2010).

2.5. Management Decision Process in R&D Investment

The decision-making process for R&D always follows an internal methodology that is usually heavily influenced by IAS 38. Aligning R&D projects with corporate strategy and financial requirements, all while adhering to IAS 38, is a crucial procedure that requires this process.

The CFO and their teams heavily influence the final decision regarding R&D investments. Their responsibilities go beyond simple financial administration, including proactive strategic planning and encouraging creativity inside the company. Considering market realities and stakeholder needs, they oversee making sure that R&D investments are in line with the company's larger strategic objectives (McKraken, 2022).

Several departments are involved in the overall decision-making processes regarding R&D investments under IAS 38. In close collaboration with the R&D, accounting, and finance teams, the CFO ensures that all R&D efforts are appropriately presented in the financial statements and adhere to IAS 38. This cooperative method facilitates the application of a variety of knowledge bases and concepts essential for promoting creativity and strategic decision-making (Ginesti et al., 2021).

The CFO's role in driving innovation and digital transformation is crucial. They are uniquely positioned to employ resources for new projects and oversee the implementation of processes critical to innovation. This involves engaging in a continuous dialogue with other executives to align the organization's economic goals with innovation strategies (Birshan, 2023).

2.6. R&D Expenditures and Financial Reporting Implications

A combination of prescriptive rules and other requirements characterizes the accounting treatment of R&D under IAS 38:

While development costs that satisfy specific requirements can be capitalized; research costs must be expensed as they are incurred. Lev and Sougiannis (1996) explain how this distinction can affect managerial choices. There may be a temptation to classify some questionable activities as development to capitalize on the related expenditures and postpone the realization of expenses (Lev & Sougiannis, 1996).

Once research expenses have been capitalized, a useful life must be established for amortization purposes. There is now much discretion. According to Watts & Zimmerman (1990), managerial incentives, particularly those connected to short-term financial indicators, can impact this decision and may result in aggressive or conservative amortization schedules (Watts & Zimmerman, 1990).

Besides amortization, IAS 38's guidelines capitalizing R&D costs subject to impairment assessment add another degree of uncertainty. According to Beaver (2002), managerial optimism or pessimism may impact the subjective quality of future cash flow estimates, which are crucial for impairment tests, causing delayed or premature impairment charges (Beaver, 2002).

Managers may strategically time R&D operations to coincide with the reporting periods in light of the capitalization criterion. For instance, capitalization may be possible if a development phase is completed before year-end, increasing reported assets and equity (Beaver, 2002).

The way that R&D expenses are reported might affect how predictive the financial statements are judged to be. Capitalised development costs indicate anticipated future economic benefit. In the study of the topic, Aboody & Lev (2000) argue that capitalization, particularly in industries like biotechnology or software development, can signify future revenue streams from new goods or services (Aboody & Lev, 2000).

High R&D intensity can result in inaccurate R&D accruals. According to Skinner (2008), these businesses could go through phases of high R&D costs that don't immediately translate into increased revenue. The likelihood that a game-changing invention will result in significant cash

inflows highlights the non-linear relationship between R&D accruals and future cashflows. (Skinner, 2008).

The qualitative R&D disclosures required by IAS 39 are crucial. According to Hand (2001), detailed R&D disclosures that include project status, risk, and estimated commercialization timetables can inform stakeholders about a company's innovation pipeline and impact investment choices, which may benefit the end user of the information (Hand, 2001).

Depending on the industry, the size of the company, and the state of the economy, the market may react differently to R&D expenditures, whether they are capitalized or expensed. Studies such as Chambers et al. (2002) have addressed this, suggesting that market players frequently adjust for accounting treatments, focusing more on the strategic implications of R&D operations (Chambers et al., 2002).

3. Methodology

A qualitative methodology was deemed the appropriate fit for this study, as the result of the claims presented in this section. In the end the study aims to follow CFOs' perceptions and practices in R&D investments under IAS 38. This method is supported by the study's need to fully understand the nuanced and complex CFO experiences, attitudes, and decision-making processes sometimes hidden in quantitative data (Creswell, 2014).

According to Denzin & Lincoln (2011), qualitative research has an interpretive and naturalistic approach about its subject matters. It enables a more thorough investigation into the difficulties CFOs encounter when navigating IAS 38, particularly when deciding how to deal with investments in R&D. Qualitative research offers insights into the "why" and "how" behind these trends, making it helpful in comprehending the complexities of the business environment and decision-making (Denzin & Lincoln, 2011).

The nature of the research question influenced the decision to choose a qualitative approach. This methodology aims to comprehend views, interpretations, and tactics, which are fundamentally subjective and are best examined through extensive, open-ended discussions. The gold standard for qualitative research, semi-structured interviews, excels at capturing these nuances by allowing flexibility while ensuring that key research topics are covered. This study seeks to co-create knowledge by interacting directly with CFOs and drawing on their experience in making critical choices about R&D expenditure under IAS 38 (Bryman, 2016).

3.1. Research Design

The research design ensures that the study's goals are achieved methodically and logically. The qualitative approach stands out among research designs because it prioritizes deeply comprehending human experiences, attitudes, and behaviors (Hollweck, 2016).

Qualitative research is interpretive and naturalistic since it focuses on how people understand and make sense of their experiences and the world around them. Its focus on comprehending social processes from the participants' viewpoint frequently yields rich, intricate, and complex data. Such depth and complexity are crucial for this study, which aims to investigate CFOs' attitudes and routines toward R&D investments under IAS 38. By capturing the subtleties, problems, and tactics that would be missed in a quantitative study, the qualitative technique enables the researcher to delve deeply into the intricate workings of CFOs' decision-making processes (Denzin & Lincoln, 2011).

One of qualitative research's main advantages is its adaptability. Qualitative research is more open-ended than quantitative research, which frequently demands strict adherence to preset hypotheses and organized instruments. This makes the research process more flexible and sensitive to the findings. This flexibility is beneficial for this study because the area of R&D investments under IAS 38 is complicated and ambiguous (Patton, 2014).

It is essential to recognize the limitations of the qualitative method. However, the methodology provides depth and detail but frequently needs to catch up to the scope and generalizability of quantitative investigations. While extensive, the results of this study may need to be revised in their applicability to larger groups because they depend on the participants and setting. However, it is precisely because of this depth and specificity that qualitative research is essential, as it frequently provides insights that are overlooked in more extensive, generic investigations (Bryman, 2016).

In conclusion, the qualitative methodology was chosen for this study because it strongly emphasizes breadth, adaptability, and knowledge co-construction. In the context of R&D investments under IAS 38, it offers a view into the complicated world of CFO decision-making that may be investigated, comprehended, and analyzed. The following sections will investigate the methodologies and tools used within this qualitative framework to ensure the research is thorough and yields needed results.

Semi-structured interviews provide the flexibility of open-ended interviews and the framework of structured interviews. It allows the interviewer to investigate further, follow up on the conversation, or discuss any new opportunities that may be identified in the discussion. This flexibility allows for capturing new insights while focusing on the primary research goals (DiCicco-Bloom & Crabtree, 2006).

This flexible strategy is necessary for a study to understand CFOs' attitudes and behaviors about R&D investments under IAS 38. Financial decision-making is complex, especially regarding IAS 38. A strict, methodical approach might not capture the depth and variety of CFO experiences. On the other hand, an entirely unstructured approach might place less emphasis on it, producing rich but scattered data (Brinkmann & Brinkmann, 2022).

Another advantage of semi-structured interviews is their capacity to create a relationship and mutual trust between the interviewer and the interviewee. Because of the conversational style of these interviews, participants are encouraged to share their experiences, thoughts, and points of view more willingly, and the conversation flows more easily. Since the study addresses the sensitive topic of financial decision-making, establishing this trust is crucial to guarantee that the information acquired is authentic and accurately represents the experiences and opinions of CFOs (Kvale & Brinkmann, 2009).

3.2. Sample Selection

A crucial phase in the research process is the sample selection, which defines the inclusion of participants and therefore data in the study. Participant selection can influence the findings' depth, breadth, and applicability. Given that this study focuses on the opinions and behaviors of CFOs about R&D investments under IAS 38 (Graham et al., 2005), the study considers the sample selection procedure to guarantee that the obtained data is rich and representative.

The study's intended target is the CFOs of businesses that make R&D investments. This decision results from the unique position that CFOs hold inside the corporate structure. CFOs are crucial in deciding how resources, especially those for R&D, are allocated because they are the prominent people responsible for making financial decisions. Various variables, including IAS 38, impact their actions. By concentrating on this small group, the study hopes to gain insights from people in charge of making R&D investment decisions, ensuring that the conclusions are based on practical experience (Graham et al., 2005).

A purposive sample was used because this study is qualitative. Judgmental or selective sampling, commonly called purposeful sampling, includes choosing individuals according to predetermined standards or traits. Participants in this study were selected based on their position as CFOs, the number of R&D investments made by their organization, and their acquaintance with IAS 38 (Palinkas et al., 2015).

Purposive sampling is preferred because of its capacity to offer depth and specificity. Purposive sampling concentrates on gathering insights from people with knowledge or experience relevant to the study issue, as opposed to probability sampling methods, which strive for broad representativeness. This depth and specificity are essential for a study that explores the subtleties of R&D investments under IAS 38 (Patton, 2014).

In qualitative research, choosing the sample size is more about obtaining data saturation than establishing statistical significance. When the data reveal no new themes or insights, data saturation occurs, and the sample size is enough to capture the range and depth of experiences (Guest et al., 2006).

Based on suggestions from earlier qualitative research with high-level executives, a preliminary target of 10-15 CFOs was chosen for this study. However, this figure might change depending on how the data was gathered. Data collection may end earlier if data saturation is attained

before interviewing 15 CFOs. On the other hand, if fresh topics keep appearing after 15 interviews, more participants could be needed (Mason, 2010).

Specific inclusion and exclusion criteria were developed to guarantee that the participants were a good fit for the study and a certain data yield could be expected.

Inclusion Criteria:

1. Current CFO of a company that invests in R&D.
2. Familiarity with IAS 38 and its implications for financial reporting.
3. Willingness to participate in an in-depth, semi-structured interview.

Exclusion Criteria:

1. CFOs of companies that do not invest in R&D.
2. Individuals who have never worked with or have limited knowledge of IAS 38.

3.3. Data Collection

An interview guide is essential when conducting semi-structured interviews as part of the research approach. It allows the interviewer to explore new topics while maintaining structure to ensure that all relevant topics are covered (Gill et al., 2008). The guide for this subject was created using the following steps:

- a. **Review of the literature:** The literature review, which provided the theoretical groundwork for the guide, concentrated on how IAS 38 affected CFOs' decisions regarding R&D expenditure. The guide incorporates key concepts and themes from the literature, such as how to interpret IAS 38, what challenges to overcome when putting it into practice, and how it impacts profit management.
- b. **Question Structure:** Open-ended questions were employed to encourage in-depth responses. For example, "Can you describe how IAS 38 influences your decision-making process for R&D investments?" CFOs can share ideas and experiences using this method without having to worry about choosing a predefined response.
- c. **Feedback and Refinement:** The draft guide was reviewed by a qualitative research expert and an accounting specialist from a Big4 organization to ensure its clarity, applicability, and thoroughness. Using feedback, the questions were refined, made clearer, and ensured to be non-leading and open-ended.

In qualitative research, pilot testing is essential for improving the interview guide and methodology. A few trial interviews must be conducted to evaluate the guide's efficacy and make the required modifications (van Teijlingen & Hundley, 2002).

- a. **Selection of Pilot Participants:** Two accounting specialists who previously had the role of a CFO and were not part of the primary sample were selected for the pilot study. Although these people fit the more extensive participant description, data integrity prevented their inclusion in the primary research.
- b. **Pilot Interviewing:** The identical guide designed for the primary research was used to conduct the pilot interviews. This stage aided in evaluating the participants' comfort level, the clarity of the questions, and the conversation's flow.

- c. **Analysis and Modifications:** Following the interview, pilot participants were asked for input regarding their comprehension and ease of use of the questions. The interviewer also contemplated the caliber of information acquired and the efficacy of the interview methodology. Based on these comments, the interview guide underwent the necessary revisions.

As stated in the sampling approach above, a purposive sample technique was used to guarantee gathering pertinent and particular data for this study. This strategy made it possible to focus on people and organizations that matched predetermined standards relevant to the study's goals. In order to include individuals who could offer in-depth insights into the research issue, a careful screening process was established. The following attempts were made to collect data:

- a. **LinkedIn Outreach**

From 10.10.2023 to 31.3.2024, prospective participants were contacted via LinkedIn to collect data. This platform was selected because of its extensive professional network, which includes users from a wide range of businesses. Fifty-six contacts were found and contacted via direct message since their profiles met the requirements for inclusion in the study. Nevertheless, the lack of answers from this approach underscores the difficulties in obtaining participant participation for academic research on social media platforms.

- b. **General Industry Databases**

Afterward, general contact emails obtained from websites and databases open to the public were used to reach out to businesses. After 28 contacts were made, the selection criteria for these businesses matched the research goals. Despite this endeavor, responses were not obtained until 31.3.2024, suggesting a comparable difficulty in obtaining involvement via cold outreach to institutions.

- c. **Internal Database Utilization**

An internal salesforce database, accessed on October 20, 2023, provided a more useful source of information. Many contacts were in this database, and 156 met the required requirements. The database supplier also banned contacting channel one firms, which are audit clients or have previously been audited. 96 of the 156 non-audit interactions meet the standards for independence established by risk management procedures. This precaution was required to

guard against conflicts of interest and guarantee the study's accuracy. The following actions were taken as the procedure went on:

1. **Initial Contacts:** 96 individuals were identified and contacted based on their alignment with the study's inclusion criteria.
2. **Responses Received:** Out of the 96 contacts, 21 replies were received. This response rate provided a substantial basis for proceeding with the data collection phase.
3. **Detailed Eligibility Assessment:** Upon further evaluation, 15 respondents fully met the inclusion criteria. This assessment involved verifying whether IAS 38 was relevant to their role, specifically within their position as CFOs.
4. **Conducted Interviews:** Ultimately, 13 interviews were performed successfully. The discrepancy between eligible participants and completed interviews can be attributed to scheduling conflicts and the voluntary nature of participation.

Google Meet was used as the main tool for the interviews, giving participants a flexible and easily accessible platform. This decision made it easier for people from different places to participate, guaranteeing a variety of perspectives. Transcriptions were made as close to the interview time as feasible to capture the subtleties of the discussions accurately. This process reduced information loss and improved the accuracy of the data that was gathered.

The participants need to be aware of the main components of this process before beginning any interview. The interviewer got oral confirmation after fully outlining all the rights and disclaimers.

First, the interviewees were told that the information they shared would only be used for the study. Their identity, along with their name, the name of their company, and any other identifying information or contacts, was being kept secret. To protect their identities, generic titles or pseudonyms will be used in all research outputs, including the final thesis, transcripts, and presentations. The study team is the only one with access to the interview transcripts, which will be transcribed for analysis.

Any private or delicate information disclosed during the interview was handled with the utmost sensitivity. The transcripts contained no personal information, and the research did not use the mentioned details. Every interviewee was made aware that their participation was completely

optional and that they might leave at any time without facing any repercussions. Additionally, the interviewees were allowed to choose which questions to skip answering.

3.4. Data Analysis

To guarantee accuracy and compliance, all transcripts were verified with the persons interviewed before data processing. As of 31.3.2023, all of these were verified.

The study will employ a theme analysis to examine the interview data obtained via Nvivo. This tool's capabilities and supporting framework make the entire analysis easier. The 14-day trial version was the main piece of software used. The research was conducted from March 14, 2024, until March 28, 2024. Braun & Clarke's analytical technique (2006) is highly effective in analyzing complex topics such as corporate decision-making practices due to its adaptability (Braun & Clarke, 2006).

The coding stage was the first part of the analysis after getting to know the data. In this case, the qualitative data were coded and categorized orderly. Saldana (2015) asserts that this process is essential for thematic analysis. A thorough data analysis is necessary to ensure that every aspect of the data is properly understood (Saldana, 2015).

Coding was followed by the creation of themes using these codes. Braun and Clarke (2006) explained that this involved assembling similar codes into broad patterns. The goal was to delve deeper into the CFOs' discussions on their decision-making process rather than just providing a synopsis of the data (Braun & Clarke, 2006).

After that, the investigation turned to a critical evaluation of the themes discovered. To ensure the correctness and applicability of the themes, each theme needed to be evaluated for compliance with the research objectives and the data at this point. According to Nowell et al. (2017), this phase must combine, remove, or alter the themes to guarantee that they accurately reflect the data and meet the study's objectives (Nowell et al., 2017).

In the final step, all of the themes were found and given names. A comprehensive analysis was required to fully understand each issue's significance in relation to CFO decision-making under IAS 38 (Braun & Clarke, 2006). We assigned titles to these themes that would function as broad ideas and comprehensible synopses of the study. The thesis's subsequent sections then discussed these.

3.5. Coding Scheme

The following coding scheme, presented in Table 1, was developed based on the literature presented in the sections above and improved by actual data received from the interviews.

Group	Sub-group	Code
Communication and Disclosure	Application and Financial Communication	Additional Disclosure Communication
		Justification
		Objectives
		Progress
		Stakeholder Response
	Motivation for Communicating Beyond IAS 38 Requirements	Attracting and Retaining Investors
		Commitment
		Competitive Advantage
		Ethical Duty
		Message Management
		Reputation
		Stakeholder Expectation
		Transparency
		Trust
R&D Efforts and Economic Impacts	Benefits and Challenges of R&D Efforts under IAS 38	Benefits
		Challenges and Detriments
	Economic Consequences on R&D Investment Decisions	Impact of Company Performance on R&D Investments
		Evaluation
		Financial Stability/Instability
		Historical Development
		Performance of Competitors
Operating Manipulations and Compliance	Operating Manipulations in R&D Investments	Strategic Perspective
		Allocation of Expenses
		Capitalization
		Changes in Useful Life
		Ethical Aspects
		Impairment Avoidance
		Overstatement of Benefits
		Timing of Expenses
	Compliance and Susceptibility to Manipulation	Valuation Manipulation
		Compliance with Other Regulation
		Risk Assessment
		Disclosures
		Impairment
		Judgment and Recognition Criteria
Perceptions, Practices, and Changes	General Perceptions and Practices	Useful Life and Valuation
		Company Description and Management Role
	Influence of Accounting Knowledge	Decision-making Process for Accounting Policies
		Decision Making
		Investment Strategy
		Managing Risks
	Values and Detection of Operational Changes	Reporting and Compliance
		Core Values in R&D Reporting
		Operational Changes to Meet IAS 38 Criteria

Table 1 - Coding Scheme (Source: Own)

4. Analysis

4.1. General Perceptions and Practices

Identification	Industry	Date	Mode	Duration*	Transcript Approval
IP-1	Automotive	17.10.2023	Online - Google Meet	48m 49s	yes, with remarks
IP-2	Biotechnology	08.11.2023	Online - Google Meet	39m 50s	yes, full
IP-3	Chemicals	09.11.2023	Online - Google Meet	46m 41s	yes, full
IP-4	Chemicals	03.12.2023	Online - Google Meet	42m 47s	yes, with remarks
IP-5	Electronics	07.12.2023	Online - Google Meet	52m 57s	yes, full
IP-6	Energy	13.12.2023	Online - Google Meet	47m 42s	yes, with remarks
IP-7	Energy Storage	16.12.2023	Online - Google Meet	38m 08s	yes, with remarks
IP-8	Semiconductors	04.01.2024	Online - Google Meet	40m 03s	yes, full
IP-9	Steel	17.01.2024	Online - Google Meet	36m 42s	yes, full
IP-10	Technology	20.01.2024	Online - Google Meet	38m 18s	yes, full
IP-11	Technology	22.01.2024	Online - Google Meet	51m 16s	yes, with remarks
IP-12	Technology	25.01.2024	Online - Google Meet	44m 32s	yes, with remarks
IP-13	Manufacturing	18.03.2024	Online - Google Meet	48m 02s	yes, full
*duration used for analysis, excluding personal and confidential conversation					

Table 2 – Sample (Source: Own)

Based on information obtained from CFO interviews in various industries, including technology, manufacturing, renewable energy, and electric cars, the analysis is presented in table 2.

Fundamentally, the companies mentioned in the interviews are leaders in their industries, setting new standards in disciplines like robotics, renewable energy, artificial intelligence algorithms, battery technology, and electric vehicle components. One interviewee's statement, "We are at the forefront of battery technology, pushing the boundaries," exemplifies the company's aspirations (IP-8, 2024). The interviews all seem to agree, indicating a common dedication to innovation and sustainable growth.

In these organizations, the CFO's responsibilities extend beyond conventional financial management. CFOs presented themselves as strategic partners who could help navigate the intricacies of today's business environments. Leading by example and promoting a culture of "thinking outside the box, being responsible, and staying open" as IP-10 (2024) stated. As mentioned in multiple interviews, there is a broader trend wherein finance executives are expected to be visionary leaders rather than just treasury experts (IP-10, 2024).

Although budgeting, financial reporting, and financial planning are the core duties of a CFO, their responsibilities go much beyond that. They have a significant role in economic strategy, ensuring investments in innovative technology or services align with the business's long-term goals. As IP-1 (2023) stated, the difficulty of preserving financial stability while funding the development of electric vehicle components was noted, with the statement that "one of the main hurdles has been striking the right balance between innovation and financial responsibility" (IP-1, 2023).

The significance of communication and flexibility was also emphasized throughout the interviews. CFOs must make difficult financial matters clear and easily understandable to their teams and other stakeholders to ensure clear comprehension and alignment with the organization's strategic goals. According to IP-5 (2023), "communication has always been the most important part of my job," highlighting the necessity of remaining informed and maintaining the company's agility in a sector that is changing quickly (IP-5, 2023).

The sample shows how CFOs play a dynamic and changing role in steering businesses toward a future of strategic growth, innovation, and sustainability. Their observations highlight the need for a comprehensive approach to financial management, wherein financial leadership is essential for overcoming obstacles and seizing opportunities in the contemporary company environment. These CFOs are leading their organizations to financial success while positively impacting societal and environmental goals through strategic planning, communication, and a dedication to sustainability (IP-1-13, 2023–2024).

4.1.1. Accounting Policy Decision-making Process

The decision-making process for accounting policies, as discussed in the CFO interviews, is diverse and emphasizes the value of cooperation, legal compliance, and strategic alignment with business objectives. Every sampled CFO outlined a certain degree of an organized method for deciding on accounting policies (IP-1-13, 2023–2024).

As numerous respondents pointed out, the process starts with determining whether a new policy needs to be introduced or an existing one simply adjusted. This recognition can be attributed to developments in the industry, legislative changes, or strategic changes inside the organization. According to several responses, the accounting team may manage small adjustments independently. The collaborative nature of decision-making is employed to significantly alter accounting policies. The involvement can range from the board of directors to the legal department or even marketing and sales. (IP-1, 2023; IP-3, 2023; IP-4, 2023; IP-6, 2023; IP-7, 2023; IP-10, 2024; IP-11, 2024; IP-12, 2024).

Outside specialists are included when internal teams don't have the necessary expertise, particularly in fields like tax law. By following this procedure, the company's policies are guaranteed to comply with current regulations and gain from industry best practices and insights. Assessing the possible effects of policy changes from a variety of perspectives, such as the legal, production, and tax ramifications, is made easier by the involvement of multiple departments and even outside consultants (IP-4, 2023; IP-5, 2023; IP-6, 2023; IP-9, 2024; IP-10, 2024; IP-11, 2024; IP-12, 2024).

Thorough examination and analysis are key components of the decision-making process. Experts in accounting and finance conduct in-depth research to comprehend how various policy options affect the company's financial health and financial statements. By doing this due diligence, rules are made to align with business goals and industry practices. The CFOs emphasize that accounting policies should be relevant to individual business units and realistic, as well as that they should be in line with business goals (IP-1, 2023; IP-3, 2023; IP-4, 2023; IP-8, 2024; IP-9, 2024; IP-11, 2024; IP-13, 2024).

Following the drafting process of an accounting policy, it is carefully examined internally by several important parties, including the executive leadership, compliance specialists, the finance team, and finally, the board of directors. To guarantee that the selected policy is fully understood and approved by all stakeholders, this phase places a strong emphasis on open

communication and the necessity of providing a clear justification for it (IP-2, 2023; IP-3, 2023; IP-5, 2023; IP-6, 2023; IP-7, 2023; IP-8, 2024; IP-12, 2024; IP-13, 2024).

Following approval, the policy is implemented throughout the departments and the impacted staff is supported and trained to guarantee thorough comprehension and compliance. This action demonstrates an understanding of the difficulties in putting policies into practice and the requirement for ongoing training within the company (IP-3, 2023; IP-4, 2023; IP-6, 2023; IP-7, 2023; IP-12, 2024; IP-13, 2024).

According to IP-11 (2024), accounting policies must be reviewed and updated regularly to remain current with changing market conditions, company practices, and standards. This dynamic approach keeps accounting policies current, compliant, and supportive of the business's strategic goals. IP-11 further highlights that a continual commitment to excellence in financial management includes keeping an eye on how well-adopted policies are working and making the required adjustments (IP-1, 2024; IP-4, 2023; IP-5, 2023; IP-7, 2023; IP-9, 2024; IP-10, 2024; IP-13, 2024).

In conclusion, the CFOs' description of the accounting policy decision-making process highlights its strategic, rigorous, and cooperative aspects. It displays a thorough strategy that balances pragmatism, compliance, and strategic alignment. CFOs make sure their accounting policies support their financial integrity and strategic goals by collaborating with external parties, conducting in-depth analyses, and maintaining constant oversight. As needed, they adjust their policies to reflect changes in the business environment and regulations.

4.1.2. Influence of Accounting Knowledge on Decision-making

IP-3 (2023) states that accounting expertise of CFOs is essential for risk management, investment analysis, strategic planning, and building organizational openness and trust. It is not just useful for compliance and reporting (IP-13, 2024).

IP-9 (2024) underscored the significance of adherence to the law and professional skepticism, stating, "During my tenure at X, I discovered that these two elements are fundamental to everything" (IP-9, 2024). This emphasizes how crucial it is for CFOs to balance following legal requirements and continuing to take a skeptical view of financial data to guarantee accuracy and dependability.

IP-7's (2023) remark highlights the correlation between accounting expertise and strategic decision-making: "X's strategic moves rely heavily on my understanding of several accounting subjects. It enables me to suggest ideas to our board of directors and executive team" (IP-7, 2023). This emphasizes how strategically important accounting expertise is for making business decisions.

Additionally, accounting plays a crucial role in assessing the financial implications of certain projects. According to IP-13 (2024), "I help control our investment strategy by weighing the financial implications of potential projects and ensuring they align with our long-term goals" (IP-13, 2024). This illustrates how CFOs use their understanding of accounting to balance strategic ambition and financial caution, ensuring that investments support the company's goals and economic stability.

Another area where accounting expertise is helpful is risk management. IP-11 (2024) states, "Knowing the financial impacts of various business scenarios is essential to effective risk management." This observation demonstrates how accounting helps CFOs analyze possible effects and make well-informed decisions to identify and reduce financial risks.

Additionally, understanding accounting improves stakeholder communication and openness. "Clear and transparent communication with stakeholders, including investors, is essential," said IP-9 (2024). This illustrates the value of accounting expertise in establishing confidence and trust with investors through transparent and accurate financial reporting, as other CFOs have noted (IP-7, 2023; IP-9, 2024; IP-12, 2024).

Understanding accounting also makes adjusting to the ever-changing legal and technical environment easier. "Being knowledgeable about the changing accounting landscape allows me to anticipate challenges before they become major issues," according to IP-2 (2023). By taking a proactive stance, CFOs may efficiently negotiate changes in accounting standards and laws, ensuring that the business stays financially sound and compliant (IP-1, 2023; IP-4, 2023; IP-9, 2024).

Finally, for CFOs, managing and valuing intangible assets is a difficult but necessary activity that requires accounting expertise. According to IP-3 (2023), "We had to assess the intangible assets associated with the research, which is where my previous accounting background came into play." This demonstrates how intricate contemporary financial management is and how important accounting expertise is to guarantee that these assets are accurately valued and represented (IP-5, 2023; IP-11, 2024).

Ultimately, the CFOs demonstrated the critical role that accounting expertise plays in helping organizations make strategic decisions. Accounting provides the basis for compliance, risk management, investment analysis, strategic planning, openness, and regulatory change adaption as highlighted above. CFOs use their accounting knowledge to help steer their businesses through challenging financial situations and guarantee sustainable long-term growth.

4.2. Economic Consequences of R&D Investment Decisions

4.2.1. Impact of Company Performance on R&D Investments

The perspectives provided by the CFOs highlight the fine line between maintaining financial stability and pursuing innovation. They also highlight the significance of financial statements as a tool describing future strategies and record of previous successes, which then serve as a negotiation tool.

IP-5 (2023) emphasizes the importance of seeing "the forest through the trees," particularly in sectors of the economy where innovation is essential. It points out that financial statements don't always give the whole picture regarding R&D. IP-5 viewpoint is that "accounting expertise goes beyond statistics and that, to foster innovation, financial data must be strategically interpreted" (IP-5, 2023; IP-7, 2023; IP-12, 2024; IP-13, 2024).

As IP-3 (2023) makes clear, a company's ability to invest in R&D is greatly influenced by its financial health, including profitability, cash flow, and liquidity. These elements operate as a safety net, allowing businesses to engage in creative endeavors without compromising their general well-being (IP-3, 2023). This observation highlights the critical role of financial stability in creating an atmosphere encouraging research and development investments (IP-1, 2023; IP-4, 2023; IP-5, 2023).

In addition, the management's role in cost evaluation is emphasized, emphasizing avoiding future R&D expenditure decreases. This emphasizes the strategic thought needed to balance short-term financial constraints and long-term innovation objectives (IP-1, 2023; IP3, 2023; IP-5, 2024; IP-6, 2023; IP-11, 2024).

The conversation about competitive analysis with IP-9 (2024) and ROI as a negotiating tool with IP-4 (2023) contribute to our growing understanding of the strategic use of accounting expertise. It involves more than simply a company's internal financial health; it also involves how it reacts to competitors, positions itself in the market, and matches its R&D spending to growth goals (IP-7, 2023; IP-9, 2024; IP-13, 2024).

A thorough cost-benefit analysis is frequently used to determine if R&D investments are viable (IP-5, 2023). This approach emphasizes the careful approach CFOs must take to ensure that the benefits of such investments outweigh the costs. It highlights the intricate decision-making

process that underpins R&D investments, especially in light of the fast-paced economy and the emphasis on financial stability (IP-4, 2023; IP-7, 2023; IP-11, 2024).

Stakeholder expectations add to the complexity of this environment, as they are closely linked to the business's success and call for cautious expectation management, particularly in growing and innovating sectors of the economy (IP-4, 2023; IP-12, 2024).

According to the analysis, CFOs generally agree that accounting expertise is essential for directing R&D expenditures. It emphasizes how financial data may be strategically used to manage stakeholder expectations, the competitive landscape, and innovation's inherent risks and rewards.

4.2.2. Operating Manipulations in R&D Investments

The CFOs draw attention to a standard procedure wherein R&D expenses are deliberately capitalized to improve a project's financial picture. This maneuver enhances the company's short-term financial performance by delaying the recognition of these charges. In all honesty, IP-12 (2024) observes, "Most parts will ultimately end up in the P&L anyway. So, when you want those costs to arrive, that is all that matters" (IP-12, 2024). This statement emphasizes how these costs will inevitably impact the profit and loss statement, even though they will do so at a specific time to support strategic financial reporting goals (IP-3, 2023; IP-9, 2024).

Allocating general R&D costs to specific R&D projects is a practice that improves the projects' financial performance. According to IP-8 (2024), "the standard practice in the industry is to allocate generic R&D expenses intended for more than one project to a specific capitalized project" (IP-8, 2024). By delaying cost recognition, this strategy distributes the financial burden across investments and improves the perception of a project's profitability (IP-8, 2024; IP-11, 2024).

The subjective aspect of financial reporting was further discussed in IP-7 (2023) and IP-11 (2024), notably in the valuation of intangible assets and calculating the useful life. Variability in these calculations can substantially impact when expenses are recognized and how a company's financial health is portrayed in general. IP-4 (2023) highlighted the subjective judgment by saying, "Well, companies might have different opinions on the future economic benefit and the useful life of their intangible assets" (IP-4, 2023; IP-7, 2023; IP-11, 2024).

Additionally, the interviewees disclose a calculated use of timing R&D expenditures and impairment recognition as instruments to influence financial results. IP-6 (2023) acknowledged the delicate line between strategic financial management and the danger of regulatory scrutiny, saying, "If we meddled with the actual timing of the expenses, the auditors would come knocking very quickly" (IP-6, 2023). According to IP-2 (2023) and IP-10 (2024) responses, the notion was discussed, but they do not utilize this technique (IP-2, 2023; IP-6, 2023; IP-10, 2024).

The conversations also reveal a critical viewpoint regarding certain financial activities' morality and long-term viability. While IP-2 (2023) and IP-10 (2024) warn about the manipulations' potential to deceive stakeholders and break accounting norms, IP-5 (2023) sees them as essential for accurately reporting the financial health of R&D programs. The varied points of view highlight the complicated and ethical issues present in financial reporting for R&D investments (IP-2, 2023; IP-5, 2023; IP-10, 2024).

4.2.3. Susceptibility to Manipulation within IAS 38

The interviews shed light on the subjective character IAS 38 and its complexity. The objective of capitalizing research expenses was emphasized in IP-4 (2023) and IP-9 (2024). "Achieving capitalization is the most important thing for us," according to IP-4 (2023). This and other statements made by IP-9 (2023) suggest that businesses may use strategic maneuvering to capitalize on R&D costs, which can improve their financial standing and investment in innovation (IP-4, 2023; IP-9, 2024).

The thin line between different degrees of obligation and discretion allowed by these standards is highlighted by IP-7 (2023), which highlights the subjectivity inherent in many accounting standards: "There is quite a thin line between 'I have to do that' 'I can do that' 'I should not do that but I can' and 'I cannot do that'" (IP-7, 2023). According to others, this uncertainty allows for interpretation and permits corporations to modify financial statements within the parameters of the law and professional norms (IP-5, 2023; IP-10, 2024; IP-13, 2024).

According to IP-9 (2024), misleading disclosures are a serious problem because of management's capacity to sway the story in their favor: "The final message can be very easily steered to your favor" (IP-9, 2024). IP-5 (2024) emphasizes this as a significant problem in financial reporting's transparency and dependability, implying that stakeholders might not always fully understand the benefits and dangers of firm investments.

The valuation and accounting of R&D expenses are made more difficult by the rapid innovation in industries such as battery technology. IP-7 (2023) highlights the ambiguity surrounding whether to classify these costs as ordinary expenses or investments in future intangible assets. This discretion can greatly impact how a company is seen financially, which can affect market value and investment choices (IP-7, 2023).

In industries with substantial intangible assets, subjective assessments of future benefits and technological viability are critical to valuation difficulties. IP-7 (2023) and IP-12 (2024) consider how hard it is to value cutting-edge technologies. Businesses may use aggressive or conservative approaches to valuation, which could result in different financial reporting from one company to the next (IP-7, 2023; IP-12, 2024).

The recognition criteria for intangible assets were also discussed in the interviews with IP-7 (2023) and IP-12 (2024), highlighting the significance of explicit corporate policies and documentation requirements to reduce subjectivity and manipulation risk. Businesses can improve the legitimacy and openness of their financial reporting by implementing strict protocols and consulting outside experts (IP-7, 2023; IP-12, 2024).

To sum up, CFOs' perspectives point to a landscape where professional and legal standards offer a framework that must be carefully navigated to balance strategic business goals and financial reporting's dependability and openness. Because intangible asset accounting is subjective, it is important to grasp these standards well and apply them thoughtfully to avoid manipulation and guarantee that financial statements fairly portray a company's current and prospects.

4.3. Values and Operational Changes

4.3.1. Core Values in R&D Reporting

The respondents highlighted the significance of transparency, accuracy, ethical behavior, compliance, and stakeholder trust in the financial reporting of research and development operations as key values in the field of R&D. According to the CFO statements presented below; these values form the basis for establishing and preserving trust with investors, regulators, and other stakeholders. They also guarantee the accuracy and consistency of financial statements and link R&D initiatives with company objectives, policies, and culture (IP-5, 2023; IP-10, 2024; IP-13, 2024).

To give stakeholders a comprehensive picture of the company's R&D spending and operations, transparency is emphasized repeatedly. It promotes trust and facilitates informed decision-making by providing a thorough grasp of the company's direction and the results of its R&D efforts. "We strive to be as open as possible about our R&D initiatives," said IP-2 (2023). The statement highlights the importance of transparency in reporting. "This transparency not only helps us comply with regulations but also builds investor confidence," further noted by IP-2 (IP-1/2/4/6/9/11/12/13, 2023-2024).

Accurate financial reporting is required to represent the real economic value and effect of R&D operations on the company's financial health. By receiving accurate reporting of R&D expenses and intangible assets, stakeholders can make informed decisions about the company's financial situation and investment opportunities. According to IP-4 (2023), "It is critical that we reflect our R&D investments accurately. Accuracy is crucial and goes beyond mere compliance to ensure stakeholders recognize our ideas' full worth" (IP-2/3/4/5/8/12, 2023–2024).

Several CFOs outlined the importance of preserving the company's integrity and reputation. By abstaining from manipulating financial statements or falsely representing the value of intangible assets, ethical behavior strengthens stakeholder credibility and trust (IP-4/7/8/10, 2023-2024). As IP-8 (2024) emphasizes the dedication to ethical standards: "We cannot compromise on using ethical practices in our financial reporting. It is the cornerstone of our credibility and trustworthiness in the market" (IP-8, 2024).

IP-7 (2023) and IP-11 (2024) emphasize that adherence to accounting standards and laws is vital in fostering trust in financial reports and mitigating regulatory risks. Stakeholder trust is

increased when these standards are followed since they guarantee that financial statements are consistent across businesses and follow best practices. "Adhering to international accounting standards is not just about avoiding penalties; it is about ensuring our financial statements reflect our commitment to integrity and high standards," as stated by IP-3 (2023), highlighting the significance of compliance (IP-3, 2023; IP-7, 2023; IP-11, 2024).

A key element that emphasizes the significance of the other fundamental principles is stakeholder trust. According to multiple interview partners, establishing and preserving trust via honest, truthful, moral, and legal R&D reporting is essential for long-term investment, company reputation, and drawing in and keeping partners and investors. Establishing and preserving stakeholder confidence is essential to our strategy. The need for trust was emphasized by IP-5 (2023), which stated that "transparent, accurate, and ethical reporting is key to this relationship" (IP-1/5/6/10/12, 2023-2024).

As stated in IP-8 (2024) and IP-13 (2024), these values are not merely theoretical concepts; they are put into effect through procedures such as frequent audits, collaboration with R&D teams to gain real-time project understanding, and stringent internal controls. Businesses prioritizing these values in their research and development reports will have an easier time attracting top people, securing finance, and achieving long-term success. Adherence to these principles reflects a more comprehensive strategic approach to research and development, focusing on monetary gains and contributions to innovation, sustainability of the environment, and social responsibility (IP-8, 2024; IP-13, 2024).

4.3.2. Operational Changes to Meet IAS 38 Criteria

The interviews provided insights into the preparation, record-keeping, and cooperation required to make R&D operations comply with the guidelines of IAS 38.

R&D expenses must only be capitalized when specific requirements are satisfied. Those are described in IAS 38. Several answers, including IP-8 (2024) and IP-10 (2024), highlighted the technical feasibility, potential economic benefit, the company's intent, and capacity to finish the project, and utilize, or sell the intangible asset. The interviews offer several different viewpoints on how businesses handle these guidelines, with many respondents emphasizing the value of thorough documentation, project management, and interdepartmental cooperation (IP-8, 2024; IP-10, 2024).

IP-3 (2023) states the operational change needed to achieve IAS 38 standards was, in his case, very intense. It included "a lot of new controls," as IP-3 (2023) stated, and ongoing adherence to recommendations to avoid adverse effects on the profit and loss statement. This summarizes the proactive strategy businesses should follow and shows that a strong structure is required to precisely monitor and report research and development (R&D) activities (IP-3, 2023).

Another essential component is being able to keep thorough project documentation that complies with IAS 38 requirements. To guarantee compliance, IP-3 (2023) and IP-8 (2024) have embraced manual methods, of which each project team is aware. An organizational culture that values responsibility and transparency is reflected in the regular meetings to review project progress and other current issues concerning documentation (IP-8, 2024; IP-10, 2024).

IP-10 (2024) offers a specific example of how feasibility studies and market research can support the capitalization of project expenses by demonstrating the technical viability and intention of project completion. As per IP-10 (2024), these are very useful internally and not just as documentation for auditors. As also noted by other responders, this demonstrates the strategic thought underlying R&D investments, guaranteeing that they comply with accounting rules and complement the organization's overarching strategic objectives (IP-2, 2023; IP-8, 2024; IP-10, 2024).

Cooperation between the finance, accounting, and research and development departments is crucial to handling the inherent complexity of IAS 38. Setting up and enforcing clear internal policies and procedures makes it easier to apply standards consistently, emphasizing the teamwork needed to uphold compliance and promote innovation (IP-3, 2023).

As previously mentioned, compliance in the R&D process is a recurring element. Compliance requires developing IAS 38-compliant cost-tracking methods to keep detailed records of all research and development costs. Also, regular audits and defined reporting frameworks guarantee that the capitalization of research and development costs is reasonable and in line with project progress (IP-3, 2023; IP-5, 2023; IP-10, 2024).

Hurdles, such as the need for precise and timely reporting of milestone updates, highlight the need for effective collaboration between R&D and other departments, such as the ones responsible for communication, highlighting the operational modifications businesses need to implement to satisfy IAS 38 requirements. To give stakeholders a clear and accurate view of the company's R&D efforts and their financial impact, these improvements need to focus on internal processes and external communications (IP-10, 2024).

A complex operational strategy, including thorough planning, documentation, and departmental cooperation, is needed to meet the IAS 38 requirements, as mentioned above. The CFOs' responses describe businesses' operational changes to guarantee that their research and development efforts are fairly represented in their financial statements. This maintains adherence to accounting standards and facilitates strategic decision-making, strengthening the business's competitive edge and long-term expansion.

4.4. IAS 38 and Communication

4.4.1. Benefits and Detriments of IAS 38

The responses present a wide range of viewpoints on how R&D initiatives are treated in accounting. The clarity and uniformity that IAS 38 gives to the identification and measurement of intangible assets is one of the major benefits that has been recognized by several respondents. According to IP-9 (2024), "The clarity provided by IAS 38 ensures that everyone in our organization follows the same rules when it comes to recognizing and measuring assets". Maintaining consistency in financial reports is vital as it enables shareholders and analysts to better understand the worth of a company's research and development endeavors (IP-9, 2024). Several other responders, including IP-4 (2023) and IP-11 (2024), highlighted how easy it was to compare individual entities of big holding groups because they all used the same accounting policies, which are based on IAS 38 (IP-4, 2023; IP-9, 2024; IP-11, 2024).

However, as IP-10 (2024) and IP-12 (2024) point out, the standard's guidance on intangible asset valuation must be more specific, especially in high-tech companies. The need for more clear methods to determine the fair value of fast-evolving technologies, such as patents or other technologies, is a recurring theme. IP-2 (2023) further highlights the difficulty of accurately portraying the financial reality of innovations in financial statements and the subjective nature of estimating future economic benefits. The different valuations resulting from subjectivity and professional judgment highlight the issues of valuing intangible assets such as blockchain technology or AI algorithms (IP-2, 2023; IP-10, 2024; IP-12, 2024).

As per IP-1 (2023), IP-6 (2023), and IP-12 (2024), the standard's recognition criteria are subjective and difficult to implement consistently across the firms, although offering a clear framework for capitalizing R&D expenses. IP-11 (2024) also emphasizes the challenge of defining the point at which technological feasibility is reached and the possibility of differing views among team members and departments. Furthermore, as several respondents mentioned, further guidance is needed due to the difficulty of estimating innovation and market potential, most importantly in fast-changing industries like renewable energy or technology (IP-1, 2023; IP-6, 2023; IP-11, 2024; IP-12, 2024).

Additional points for improvement of respondents IP-5 (2023) and IP-11 (2024) are amortization and handling of impairment identification and consideration. They stress the significance of cooperation between the finance, accounting, and R&D departments and the necessity of strict

internal controls to manage the complexity of IAS 38 and ensure compliance. Impairment risk is a legitimate problem that affects financial statements and needs to be carefully managed, especially in industries where technology can soon become obsolete or redundant (IP-5, 2023; IP-11, 2024).

In conclusion, CFOs require more detailed guidance to decrease subjectivity, especially in fast-evolving industries. Even if IAS 38 provides formalized methodologies that improve transparency and comparability in reporting R&D investments. It can be difficult to strike a balance between specific guidelines and allowing for expert judgment. So, constant revisions to the standard could be required to keep up with new technological and business-specific developments based on the respondents' feedback.

4.4.2. Additional Disclosure Communication

According to the interview partners, the requirement for further disclosure communication indicates a high-level strategy for improving stakeholder participation and openness in company financial reporting. To promote trust, help with investment decisions, and align with the company's visions and plans, it is strategically crucial to go above and beyond the minimum reporting standards, as many CFOs highlighted (IP-2/3/5/8/10/12, 2023-2024).

As stated by IP-2 (2023), IP-5 (2023), and also IP-10 (2024), an important recurring theme is the emphasis on going above and beyond regulatory obligations defined by IAS 38 to provide a full perspective of a company's objectives, particularly in R&D. To provide stakeholders with a comprehensive picture of their endeavors and strategic direction, IP-2 (2023) included significant details regarding their R&D activities in addition to highlighting efforts in order to comply with new rules and requirement, such as the recent ESG obligations. This strategy focuses on adhering to regulations and setting the standard for the sector by providing more innovation and transparency (IP-2, 2023; IP-5, 2023; IP-10, 2024).

As noted by IP-8 (2024), the disclosures demonstrate a dedication to simplifying complex and difficult information and ensuring that strategic visions are understandable to all stakeholders. This includes providing clear and detailed justifications of technical initiatives and aims while explaining how they relate to strategic objectives in a way that bridges the gap between technical jargon and easily understood language. These initiatives are made to clearly explain to the stakeholders the company's ambition to lead its industry, not just check boxes (IP-8, 2024).

Investors, analysts, and other stakeholders have usually responded favorably, as many respondents stated. Many were praising the comprehensiveness and clarity of the information offered. This openness builds confidence in the company's capacity to fulfill its commitments and is viewed as an indication of innovation, according to the CFOs. Informing the stakeholders about potential obstacles helps develop strong relationships with them (IP-2, 2023; IP-8, 2024; IP-12, 2024). Accurate and timely reporting means striking a balance between information overload, specificity, and coordinating messaging with a long-term strategy, which are all necessary to successfully implement these communication tactics. While daily tackling these difficulties, CFOs note there are advantages, including fewer surprises, improved readiness for market swings, and proactive risk reduction (IP-2, 2023; IP-8, 2024). IP-3 (2023) described how they focused on their projects' scope, technical objectives, and long-term financial ramifications, providing more information than is required by IAS 38 (IP-3, 2023).

IP-8 (2024) emphasizes the significance of clearly stating objectives and targets for R&D spending, adhering strictly to accounting rules, and communicating in a way that meets the expectations of stakeholders. Transparency and stakeholder understanding are improved by thorough disclosures of R&D projects, technology advancements, and possible market effects (IP-8, 2024).

The CFOs overall discuss a strategic approach to additional disclosure communication that goes beyond compliance, with the goals of promoting transparency, building stakeholder trust, and helping with well-informed decision-making. CFOs emphasize the significance of effective communication tactics in the modern corporate environment by outlining their efforts to control risks, clarify complex information, and provide thorough insights into their R&D and financial management procedures.

4.4.3. Motivation for Additional Disclosure Communication

As detailed in detail by almost all the participants who share additional information, the analysis of the motivations for additional disclosure communication reveals a complex landscape where transparency, strategic positioning, stakeholder engagement, and competitive advantage interact to shape corporate disclosure practices beyond the requirements of IAS 38 (IP-1/4/7/9/10/11/13, 2023–2024).

Financial reporting is often outlined by the CFOs as being built around transparency, and CFOs emphasize that to promote clarity and trust, transparency must go beyond simple compliance. For example, IP-4 (2023) highlighted that transparency is not simply a legal need but also a strategic advantage by pointing out how crucial it is to be more transparent to secure funding and recognition. Many other CFOs share this opinion, but it is especially true in the IT and energy sectors where, as IP-10 (2024) and IP-11 (2023) pointed out, innovation and R&D activities are crucial (IP-4, 2023; IP-10, 2024; IP-11, 2024).

Another common theme is the strategic importance of more disclosures. IP-1 (2023) and IP-7 (2023) explain how a firm can position itself as a leader in technology and innovation by providing investors and key partners with comprehensive financial information on R&D investments. In addition to managing stakeholder expectations, this strategic communication helps to paint a clearer image of the company's long-term goals and possible market influence (IP-1, 2023; IP-7, 2023). Furthermore, it is accepted that disclosures have a role in drawing in talent and improving the company's standing among suppliers and prospective workers, underscoring the wider effects of transparency on connections throughout the business environment (IP-4, 2023).

Another important component that appears to be motivating the incentive for further disclosures is stakeholder engagement. IP-9 (2024) explains the significance of comprehending stakeholder information needs and preferences, adjusting disclosures to meet expectations, and fostering stronger stakeholder relationships. This involvement is especially important in sectors like renewable energy and electric cars, where market dynamics and technological advancements require a high degree of transparency to manage risks and uncertainties adequately (IP-9, 2024). The issue of "competitive advantage through enhanced disclosure" highlights the strategic considerations influencing CFOs' communication choices, which were highlighted by the CFOs.

The interviews also demonstrate a delicate balance. CFOs know the dangers of excessive disclosure, especially concerning trade secrets and competitive tactics. There is a complex consensus that, although transparency has advantages, it needs to be managed to prevent disclosing sensitive information that can jeopardize competitive advantages of the firms (IP-1, 2023; IP-4, 2024; IP-11, 2024).

In summary, a strategic approach to financial reporting, where transparency, stakeholder engagement, competitive advantage, and strategic positioning come together, is the factor that pushes the CFOs to disclose information beyond IAS 38. CFOs balance transparency with sensitive information protection, providing a clear vision of disclosure as a strategy for securing a competitive advantage, attracting investment, and improving trust from stakeholders.

5. Discussion

5.1. General Perceptions and Practices

As shown in Table 2, the analysis reveals the dynamic role that modern CFOs play in industries including manufacturing, technology, and renewable energy while emphasizing their strategic collaboration of forward-looking R&D and their daily tasks. This increase in responsibility is consistent with research showing that CFOs are becoming more involved in strategic decision-making outside of the conventional financial leadership function (Birshan, 2023). The interviews highlight CFOs' dedication to sustainability and innovation, repeating the idea that financial leadership is key for tackling the opportunities and problems faced by modern businesses.

The responses of CFOs support the idea that they play a crucial role in balancing innovation and financial responsibilities by combining financial objectives with long-term ambitions. For example, the difficulty of funding the development of electric vehicles while preserving financial stability reflects the larger discussion on strategic R&D investment choices in the framework of IAS 38. This is consistent with the research that examines the strategic aspect of R&D investments and the crucial influence of accounting policies on these choices (Lev & Sougiannis, 1996).

The CFOs also emphasize how crucial flexibility and clear communication are to clarifying complicated financial concepts and guaranteeing that they align with strategic objectives. This is essential in fast-evolving industries, where CFOs must actively promote an innovative, accountable, and transparent culture. This corresponds to the claims by Skinner (2008) and Sunder (2002) that highlight how the CFO function is constantly changing from one of the simple finance managers to one of the key strategic players (Skinner, 2008; Sunder, 2002).

5.1.1. Accounting Policy Decision-making Process

CFOs make complex decisions about accounting procedures on a regular basis by striking a balance between compliance, pragmatism, and overall strategic business alignment. The ever-present information asymmetry may be a major factor in these decisions, according to Aboody and Lev (2000). However, the interview CFOs show that policy decision-making is actively moving in the direction of transparency and strategic decision-making (IP-1-13, 2023–2024). This is in line with Birshan's (2023) claims that the CFO's position is changing and now requires

a strategic perspective in addition to financial management (Birshan, 2023; Aboody & Lev, 2000).

The collaborative nature when creating or adjusting internal accounting policy changes as suggested by CFOs is consistent with Beattie et al.'s (2006) results on corporate financing decisions, emphasizing the importance of collective expertise in decision-making processes (Beattie et al., 2006; IP-4, 2023; IP-7, 2023). Similarly, the inclusion of external experts mentioned by the CFOs could be interpreted as a strategic move to embrace industry best practices, as argued by Bhattacharya et al. (2017), who emphasized the relevance of external point of view and advice on innovation (Bhattacharya et al. 2017; IP-4, 2023; IP-9, 2024).

The process of internal policy review by all key impacted stakeholders, as described by the interviewed CFOs, agrees with the collaborative approach found in Creswell's (2014) research design methods and may also be reflective of Cohen, Dey, and Lys's (2008) call for greater accountability in financial reporting following Sarbanes Oxley Act (Cohen et al., 2008; Creswell's 2014; IP-2, 2023; IP-3, 2023).

Furthermore, the CFOs highlighted the importance of regular policy review and updates to stay current with market and regulatory changes may be linked to Yiu's (2020) description of continuous improvement approach in operations management, indicating that CFOs are increasingly adopting a dynamic approach to policy management (Yiu, 2020; IP-11, 2024).

5.2. Economic Consequences of R&D Investment Decisions

As outlined in the literature review, current academic research on the strategic implications of R&D investment decisions is consistent with the responses of the CFOs regarding the financial impact of such decisions. The responses of the CFOs agree with the literature's emphasis on the delicate balance that must be struck between promoting innovation and keeping steady financial performance (Birshan, 2023; Hall et al., 2010). Choices regarding R&D have a long-term effect on the company's strategy, market positioning, and immediate financial results (IP-1, 2023; IP-4, 2023; IP-5, 2023).

5.2.1. Impact of Company Performance on R&D Investments

The CFOs' insights into the always-present duality of supporting innovation while ensuring financial stability are consistent with Chambers, Jennings, and Thompson's (2002)

observations about the higher returns of R&D-intensive firms. Financial statements are definitely crucial for portraying a company's strategic direction and historical achievements, as well as serving as a bargaining tool, as confirmed by Healy and Palepu's (2001) work on the importance of corporate transparency in capital markets (Chambers et al., 2002; Healy & Palepu's, 2001). IP-5's (2023) statement to see "the forest through the trees" and understanding the limits of financial accounting when trying to capture the full value of R&D is similar to Lev and Sougiannis' (1996) discussion of R&D capitalization and its impact on value relevance.

Furthermore, IP-3's (2023) statement on financial health enabling R&D investment is consistent with the findings of Bhattacharya, Hsu, Tian, and Xu (2017), who explore the impact of financial business conditions on innovation capabilities and efforts. Good financial health forms a safety net that allows enterprises to invest in R&D without endangering their overall ability to do regular business, emphasizing the critical importance of financial stability in creating an innovative environment (Bhattacharya et al., 2017; IP-1, 2023; IP-4, 2023).

IP-9's (2024) comments on competitive analysis, and IP-4's (2023) use of ROI as a negotiation tool contribute to the conceptual framework developed by Beattie et al. (2006) for making financial decisions. This represents the company's overall strategic use of accounting knowledge, taking into consideration its market position and the alignment of R&D expenditure with the overall growth and strategic objectives (Beattie et al., 2006; IP-7, 2023; IP-13, 2024).

The regular use of cost-benefit assessments and analyses to determine the viability of R&D investments, as mentioned by IP-5 (2023), is consistent with Gunny's (2010) research, which examines the relationship between earnings management and future performance. CFOs must balance the possible advantages and expenditures, when navigating the complex decision-making process that is part of R&D efforts (Gunny, 2010; IP-5, 2023).

CFO's involvement in managing stakeholder expectations in the most innovative industries is consistent with the findings of Graham, Harvey, and Rajgopal (2005), who investigated the economic impacts and implications of corporate financial reporting. Because stakeholders' expectations are intrinsically related to the company's success, managing these expectations is critical and keeps the business afloat (Graham et al., 2005; IP-4, 2023; IP-12, 2024).

5.2.2. Operating Manipulations and R&D Investments

The CFOs' recognition of the strategic capitalization of R&D spending highlights the importance of accounting discretion and its impact on financial reporting. This behavior is similar to what Lev and Sougiannis (1996) mention in their study on the capitalization and value relevance of R&D, and it demonstrates the difficulty of aligning financial reporting with the overall business strategy. IP-12's (2024) observation that these costs would eventually be recorded in the P&L is consistent with the concept that, while strategic financial reporting goals are valid, they must eventually reconcile with reality (IP-3, 2023; IP-9, 2024; IP-12, 2024; Lev & Sougiannis, 1996). The variability in valuation methods and useful life calculations, as indicated by IP-7 (2023) and IP-11 (2024), is consistent with Wyatt's (2005) concerns about the accounting recognition of intangible assets and their financial impact. The subjective judgment involved, as highlighted by IP-4 (2023), demonstrates the intricacies in financial reporting that can have a major impact on a company's perceived financial health (IP-4, 2023; IP-7, 2023; IP-11, 2024; Wyatt, 2005).

Concerning the timing of R&D expenses and impairment recognition, IP-6's (2023) responses address the delicate balance between strategic financial management and the risk of regulatory non-compliance. This follows Roychowdhury's (2006) findings, which identified earnings management as actual activity manipulation, emphasizing the scrutiny it receives from external stakeholders such as auditors and authorities (IP-2, 2023; IP-6, 2023; IP-10, 2024; Roychowdhury, 2006). IP-2 (2023) and IP-10 (2024) raised ethical concerns about the morality and sustainability of financial activities, echoing Schipper's (2003) discussions on principles-based accounting standards, which imply that financial reporting should not only comply with the regulation but also with the spirit of the law (IP-2, 2023; IP-6, 2023; Schipper, 2003).

Under IAS 38, the goal of capitalizing R&D costs, as outlined by IP-4 (2023) and IP-9 (2024), emphasizes the thin line that businesses must walk between genuine strategic financial planning and manipulation. This is consistent with Zang's (2012) findings on the trade-off between real activity manipulations and accrual-based earnings management style, which suggest that while capitalization can improve financial statements, it must be done with caution to maintain transparency and the trust of external stakeholders trust (IP-4, 2023; IP-9, 2024; Zang, 2012). The interviews with IP-7 (2023), IP-12 (2024), and others also highlighted the subjective nature of IAS 38 and the interpretative flexibility it provides, similar to the discretion offered by accounting guidelines outlined by Sunder (2002). The issue for businesses is to

manage these requirements while maintaining financial reporting integrity, as mentioned above (IP-5, 2023; IP-10, 2024; IP-13, 2024; Sunder, 2002).

5.3. Values and Operational Changes

5.3.1. Core Values in R&D Reporting

According to the insights from the CFOs, adhering to core values like transparency, accuracy, ethical behavior, compliance, and stakeholder trust is essential to R&D reporting (IP-1-13, 2023–2024). This is in line with the literature's emphasis on ethical considerations and the importance of accurate reporting. These values are essential not only to preserving the integrity and accountability of financial reports but also to aligning R&D efforts with corporate strategy (Denzin & Lincoln, 2011; DiCicco-Bloom & Crabtree, 2006).

Transparency, which has been emphasized repeatedly, allows stakeholders to have a clear understanding of the business's R&D operations, which the CFOs use to promote trust and allow the stakeholders to make well-informed decisions (IP-2, 2023). This is consistent with research showing how crucial transparent and honest communication through disclosures is to building trust and strong relationships with stakeholders (Bhattacharya et al., 2017; Birshan, 2023).

CFOs frequently emphasized that accurate financial reporting captures the economic benefit and effects of research and development on the organization's financial health much more easily (IP-4, 2023). This before mentioned reporting accuracy supports the literature's emphasis on the accuracy and integrity of financial statements, which also aids well-informed decision-making (Beaver, 2002; Beneish, 2001).

The literature review on ethical practices in financial reporting and their role in improving trust and credibility among stakeholders emphasizes the importance of ethical conduct in R&D reporting as a cornerstone for preserving the company's integrity and reputation among investors and other stakeholders (Cohen et al., 2008; Creswell, 2014). This is widely supported by the CFOs, who, according to the responses, strive to improve trust and credibility using ethical practices. Adherence to IAS 38 is crucial for promoting trust in financial statements and reducing regulatory mishaps. According to the research of Ball (2006), this compliance and adherence to the guidelines guarantee that financial statements are comparable internally across organizations and industries, complying with best practices and boosting stakeholder trust (Ball, 2006; IP-3, 2023; IP-8, 2024).

As mentioned above, stakeholder trust is emerging as a major subject in the modern business landscape, highlighting the significance of accurate, compliant, ethical, and transparent R&D reporting as supported not only by the current literature works, but also the CFOs responses. In line with the literature's emphasis on stakeholder involvement and the strategic significance of trust in corporate governance, this trust is claimed to be essential for long-term investment and business reputation (Brinkmann & Brinkmann, 2022; Bryman, 2016; IP-5, 2023).

5.3.2. Operational Changes to Meet IAS 38 Criteria

The CFO interviews provided needed detail on the application of IAS 38, highlighting several criteria for capitalizing R&D expenses. The International Accounting Standards Board states that capitalization is only permitted when specific conditions are met, a fact repeated by IP-8 (2024) and IP-10 (2024), which again emphasize the importance of technical feasibility, future economic benefits, and proper documentation (IP-3, 2023; IP-8, 2024). IP-3's (2023) statement on the large extent of operational adjustments required to comply with IAS 38 compares the issues raised by Hall et al. (2010) in assessing R&D returns. The implementation of "a lot of new controls" and adherence to standards is critical to avoiding financial record misstatements, as backed by Wyatt's (2005) proper documentation and monitoring processes (Hall et al., 2010; Wyatt, 2005).

The need for complete and detailed project documentation, as supported by IP-3 (2023) and IP-8 (2024), is consistent with best practices found in the work of Ginesti et al. (2021), who emphasized the importance of accurate and detailed reporting for asset valuation. According to IP-10 (2024), organizations' internal procedures are not only necessary for auditor requirements but also for internal strategic planning. This is consistent with the findings of Ginesti et al. (2021), who explore the CFO profile, R&D investment intensity, and the requirement for documentation to match strategic goals with accounting processes (Ginesti et al., 2021; IP-3, 2023; IP-10, 2024).

CFOs emphasize cross-departmental cooperation as crucial for dealing with the complexity of IAS 38, which reflects the collaborative nature of decision-making in financial decisions identified in Beattie et al. (2006). This emphasizes the importance of collaboration between finance, accounting, and R&D to ensure that research and development activities meet the accounting requirements. IP-3's (2023) emphasis on compliance through IAS 38 compliant internal cost-tracking systems and regular audits is consistent with Dechow, Ge, and Schrand's (2010) research on earnings quality and the importance of precise monitoring and reporting to

assure financial reporting integrity. This system helps to verify that R&D capitalization is justified and aligned with project progress (Beattie et al., 2006; Dechow et al., 2010; IP-3, 2023).

5.4. IAS 38 and Communication

5.4.1. Benefits and Detriments of IAS 38

In the area of R&D investment reporting, IAS 38, which is the foundation of financial reporting for intangible assets, presents a dual challenge. In order to provide clarity and comparability among companies, a uniform framework for the recognition, measurement, bookkeeping and disclosure of intangible assets must first be defined. This consistency is essential for analysts and investors alike to evaluate and comprehend the value ingrained in a business's research and development endeavors (International et al., 2004).IP-9 (2024). However, the standard also has drawbacks, especially when it comes to applying it to high-tech, quickly changing industries. The standard need more detailed guidance to reduce interpretation and reporting variations because valuing intangible assets and estimating future economic benefits are subjective processes (Lev & Sougiannis, 1996; IP-2, 2023; IP-10, 2024; IP-12, 2024).

The CFOs' discussion reveals the conflict between the need to uphold transparency and the real-world challenges of implementing IAS 38's requirements in the context of rapidly changing technology innovation. Significant obstacles arise from the subjective nature of evaluating technological viability and potential economic gains (Bhattacharya et al., 2017). As a result, a nuanced strategy that balances regulatory compliance and strategic financial communication is required (IP-1, 2023; IP-6, 2023; IP-12, 2024).

5.4.2. Additional Disclosure Communication

The CFOs' emphasis on detailed disclosure as a strategic communication tool for improving stakeholder involvement and transparency in financial reporting is a recurring topic consistent with the literature on financial communication and reporting standards. The strategy of exceeding minimal reporting standards is consistent with the ideas of Healy and Palepu (2001), who examined how increased transparency in company disclosures might minimize information asymmetry and facilitate capital market transactions (Haley & Palepu, 2001).

IP-2 (2023) and IP-10's (2024) claims on disclosing significant details of R&D activities beyond what is required by IAS 38 aligns with Barth and Clinch's (1998) recommendations, which emphasize the importance of providing market-based value estimates to align with shareholder expectations. The willingness to comply with new requirements, such as ESG regulations, represents a forward-thinking strategy, as evidenced by Graham, Harvey, and Rajgopal's (2005)

research, which demonstrated how detailed disclosure policies could signal quality to investors and potentially impact investment decisions positively (Barth & Clinch, 1998; Graham et al., 2005; IP-2, 2023; IP-10, 2024).

IP-8 (2024) emphasizes the importance of communication clarity in ensuring that financial reports are understandable to all stakeholders, which is consistent with Lev and Sougiannis' (1996) research on the need for clarity in their presentation of financial statements. According to Beneish (2001), clear communication bridges the gap between technical and financial information and stakeholder understanding, which is a crucial component in preserving investor trust (Beneish, 2001; IP-8, 2024; Lev & Sougiannis, 1996). CFOs' emphasis on information comprehensiveness, which stakeholders appreciate for its transparency, is consistent with Skinner's (2008) stance on the impact of clear financial reporting on investor perceptions and market value. As Ginesti et al. (2021) claim, this proactive approach to reporting, also highlighted by IP-2 (2023) and IP-3 (2023), not only assures IAS 38 compliance but also informs stakeholders about the organization's aspirations and abilities to innovate (Ginesti et al., 2021; IP-2, 2023; IP-3, 2023; Skinner, 2008)

The motivation for additional disclosure, as mentioned by IP-1 (2023) and IP-7 (2023), to position a firm as a leader and manage stakeholder expectations is consistent with Ball's (2006) findings on the impact of IFRS on investor decisions. Furthermore, it demonstrates the significance of strategic communication in depicting a company's long-term aims and market influence, as stated by Beaver (2002). The strategic importance of stakeholder engagement, as stated by IP-9 (2024), is consistent with the work of Bhattacharya et al. (2017), who emphasize the need for transparency in managing market risks and uncertainties, particularly in rapidly evolving industries such as renewable energy and electric vehicles. However, CFOs recognize the risk of over-disclosure, particularly with regard to trade secrets, which aligns with Kinney, Palmrose, and Scholz's (2004) cautionary advice regarding the potential for profit management and the protection of proprietary information. (Bhattacharya et al., 2017; Beaver, 2002; IP-1, 2023; IP-7, 2023; IP-9, 2024; Kinney et al., 2004) .

6. Conclusion

6.1. Research Question and Objectives

"How do CFOs perceive and navigate the implications of IAS 38 in their decision-making processes related to R&D investments?" was the main research question that guided the entire study. This question explores the insights of CFOs regarding IAS 38, focusing on the actions and practices that CFOs carry out in the real world due to their understanding and application of the standard. The study aimed to determine how IAS 38 affected executive decisions about R&D investments by incorporating knowledge of how these executives utilize the accounting standards when making strategic investment choices. A company's financial strategy is mostly shaped by its CFO, who, among others, oversees R&D strategies, which are essential for innovation and the resulting long-term competitive advantage. Although IAS 38 offers a framework for the accounting treatment of these assets, it nevertheless allows for flexibility and interpretation.

The study aimed to connect the theoretical foundations of IAS 38 with the in-practice difficulties faced by modern CFOs. This study considers the standard's wider implications for the company's overall strategy, financial reporting, and the economic benefit of R&D spending and its disclosure. By studying the decision-making processes and thinking of CFOs, the research attempted to shed light on how the respondents feel the advantages and disadvantages of IAS 38, interpret its requirements, and apply it in line with their organization's strategic objectives.

6.2. Key Findings

The research provides important new information about the decision-making process, reasoning hurdles, and strategies CFOs use to manage R&D efforts under the impact of IAS 38. A pillar of these findings is the strategic impact that CFOs attach to accounting knowledge, which is not used just for compliance and reporting but also as a prerequisite for risk management, investment decisions, stakeholder relationship fostering, and strategic planning. To guarantee the integrity and dependability of financial data, CFOs emphasize striking a balance between following regulatory requirements by the book, remaining skeptical of them, and striving for change.

One important finding is the careful approach CFOs take to R&D investments, carefully striking the aforementioned balance between financial prudence and strategic ambition. This involves a thorough assessment of the financial impacts to ensure that investments support the business's long-term objectives while keeping financial stability. Because of IAS 38's inherent complexity, CFOs are carefully considering how to implement its requirements, enforce strict internal controls, and encourage departmental cooperation to preserve compliance and encourage innovation.

The significant operational changes necessary to meet the stringent IAS 38 requirements need careful planning, documentation, support, and significant interdepartmental cooperation. CFOs emphasized the necessity for a sturdy internal structure to allow strategic decision-making, guarantee accounting standard compliance, and effectively manage and report R&D operations. This entailed implementing new controls, improving project documentation, and encouraging an accountable and transparent culture.

A crucial element in R&D reporting that was outlined repeatedly in this study is transparency, with CFOs highlighting the significance of accurate and comprehensive stakeholder communication. This goes beyond only complying with regulations, it also involves fostering trust, allowing for investment choices, and supporting businesses strategic goals and objectives. CFOs play a crucial role in guiding their organizations through innovation and openness, as seen by their dedication to going above and beyond the regulatory requirements of IAS 38 and offering a comprehensive view of R&D activities.

Furthermore, CFOs' profound awareness of the subjectivity inherent in IAS 38 is reflected in their strategic use of R&D expenditures and disclosure. This strategic use, including tactics such as calculated capitalization, aimed to maximize profits without compromising the production of long-term value. The debates around the subjective character of financial reporting draw attention to how difficult it is to value or measure intangible assets fairly and how much room there is for strategic manipulation in financial reporting.

6.3. Implications

The study's conclusions broaden the knowledge pool of the roles CFOs play in strategic financial management, especially when overseeing R&D efforts under IAS 38. The conclusions drawn show how accounting guidelines and strategic decision-making interact, emphasizing the crucial role CFOs play in navigating this environment to promote innovation while maintaining compliance and the financial stability of their firms.

The research's main implications include highlighting the increase in the strategic component of CFOs' responsibilities. CFOs, historically seen as the keepers of financial integrity, are now more often acknowledged as strategic partners in their organizations. CFOs are responsible for balancing this need for innovation and financial management. This study highlighted the significance of accounting knowledge for compliance as well as a strategic tool for steering a company's investments and long-term planning. It also sheds light on how CFOs use their special position and experience to influence R&D investment decisions.

The study emphasizes how CFO decision-making regarding R&D investments has wider financial and policy ramifications. The research adds to ongoing discussions concerning the suitability of current accounting frameworks in capturing the value of intangible assets and promoting innovation-driven growth by emphasizing the strategic use of accounting guidelines to allow for innovation while preserving financial stability and transparency. The results hint that accounting standards need to be continuously improved to better reflect the realities of contemporary business practices and the strategic goals of businesses. This has important ramifications for the regulatory bodies and the standard-setters.

6.4. Strengths and Limitations

There are clear benefits and drawbacks to using a qualitative methodological approach in this study, which aims to understand CFOs' attitudes and behaviors regarding R&D investments under IAS 38. This qualitative strategy's strength is its capacity to explore the intricate experiences and decision-making thinking processes of CFOs, which are frequently not clear in quantitative studies. The study captures the breadth and depth of CFOs' perspectives through semi-structured interviews, offering a deep, comprehensive understanding of their attitudes, interpretations, and strategic considerations when managing R&D investments. This methodological decision enables a more in-depth investigation of the topic, revealing subtle dynamics, hurdles, and tactics that would probably go unnoticed in a strictly quantitative approach, such as surveys.

The flexibility of the qualitative method is especially helpful in situations like this, where a thorough contextual understanding is necessary to fully comprehend the nuances of financial reporting and strategic R&D efforts. This method allows the researcher to respond to new information, modify the course of the study as necessary, and investigate CFOs' experiences and tactics because it is not restricted to predefined survey questions. This adaptability improves the study's capacity to convey the nature of CFO responsibilities and the complex impacts of IAS 38 on R&D investment choices.

One of the main constraints of the qualitative approach is always the generalizability of the methodology's conclusions. The unique circumstances, experiences, and perceptions of the participants significantly impact the insights obtained from a qualitative study. Although this results in a thorough current comprehension of the topic, it also implies that the conclusions do not necessarily represent various mindsets, organizations, sectors, or geographic settings or any other results that will be done on a future pool of CFOs.

6.5. Recommendations

Based on the information gathered from CFOs, several recommendations can be outlined for practitioners and legislators. These recommendations seek to improve the practical and strategic value of R&D investments, help with the accuracy of financial reporting, and decrease the overall complexity of IAS 38.

A crucial point of recommendation for CFOs and other relevant practitioners is to develop a thorough comprehension of IAS 38, emphasizing its strategic implications beyond just simple compliance. This is well supported by the claims of several CFOs. To stay updated on changes in accounting standards and how they affect decisions on R&D investment, CFOs should pursue ongoing education and professional development. With this information, CFOs can use IAS 38 to its full advantage, support innovation, and uphold financial integrity while also aligning with their organization's strategic goals.

Stressing complete and strategic disclosures is also essential. CFOs should try to give stakeholders comprehensive, understandable information about their R&D investments, the reasoning behind them, and how they will likely affect the organization's performance going forward. To make these disclosures as effective as possible, CFOs should strategically communicate all necessary information while keeping their company secrets safe. In addition to meeting legal obligations, this strategy fosters confidence among regulators, investors, and other stakeholders, enabling a better overall overview of the business's ability for innovation and strategic direction.

In addition, CFOs should seek a proactive and strategic approach to R&D decision-making, working closely with the department and other divisions to guarantee that investments align with the organization's long-term strategic objectives and goals. This contains actively participating in the research and development initiatives, considering technological, financial, and market factors, to make well-informed investment decisions that promote sustainable growth.

The findings highlight the necessity of transparency and flexibility in the accounting guidelines addressing R&D expenditures for legislators and standard setters. Policymakers must consider the diverse environments in which organizations function and devise policies that cater to these entities' distinct requirements and approaches. This could entail, for example, providing more precise guidance on how R&D expenses should be capitalized, resolving the difficulties

associated with valuing intangible assets, and ensuring that the standards change to reflect new developments in technology and business procedures, but also leaving enough room to ensure flexibility and keep innovation-driven companies on track.

In addition, a balanced strategy that promotes creativity and guarantees the accuracy and openness of financial reporting is deemed a good approach according to the results. To comprehend the real-world difficulties and strategic issues that CFOs deal with, policymakers should aim for regular conversations with practitioners, scholars, and other stakeholders. By working together, it will be easier to create fitting guidelines that protect financial integrity, recognize the dynamic character of research and development investments, and acknowledge their vital role in generating long-term value not only for the business but for humanity as a whole.

Essentially, these suggestions stemming from the research fill the space between organizations' strategic priorities and accounting standards' regulatory goals. It is possible to improve the strategic management of R&D investments, promoting innovation and sustainable growth while upholding stakeholders' trust and confidence, by helping CFOs gain a deeper understanding of IAS 38 and improving accounting standards to the ever changing realities of modern business practices.

6.6. Future Research Opportunities

Many areas of current research may benefit from more work, even after CFOs' perceptions and practices around R&D investments under IAS 38 have been researched. This study's findings offer a understanding of the strategic consequences that accounting standards have on R&D expenditure. They also draw the attention to the need of more extensive research to fully understand the complexity and variation of CFO decision-making in various situations and industries.

First, there is significant room for more research given the diversity of CFOs' experiences, educational backgrounds, and strategic orientations and their responsibilities. Subsequent research works may investigate the impact of these variables on CFOs' interpretation of IAS 38 and their strategic discussions over R&D investments. The effects of competitive dynamics, technology breakthroughs, and industry-specific difficulties on CFOs' R&D investment choices could be further studied, given the significant breakthroughs in recent times.

Further research could examine the relationship between corporate governance structures and CFOs' judgments on R&D expenditures under IAS 38 to understand the intricacies of different organizational structures and their impact on strategic decision-making. Understanding how alternative governance structures affect the prioritization, management, and reporting of R&D spending may yield deeper insights into CFOs' strategic decisions.

Further research might be conducted on the function and impact of cross-functional and cross-departmental cooperation in the R&D investment decision-making process under IAS 38. Investigation on how CFOs work with R&D, accounting, and finance teams to manage the intricacies of IAS 38 from project selection to capitalization and impairment testing might provide important insight into cooperative approaches that foster creativity while guaranteeing financial compliance and strategic focus.

Furthermore, the subjective nature of financial reporting, particularly regarding valuing intangible assets and calculating useful life, undermines the consistency and dependability of financial statements. Subsequent research projects may investigate the strategies and tactics CFOs utilize to tackle these obstacles, delving into the consequences of fiscal responsibility, investor assurance, and the general legitimacy of financial statements in the modern business landscape.

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Appendix - Interview Guide

Perceptions and Practices: A Qualitative Exploration of CFO Decision-making in R&D Investments under IAS 38 (Interview guide)

This study deals with real managerial practices due to management's decisions and behavior. The company's management considers the organization's performance, financial statements' disclosure, and the IAS 38-Investment on R&D criteria to decide the strategy. The questions have been designed to explore in as much depth as possible the attitude of management on R&D investment and any ethical considerations of management decision's procedure. Also, the questions investigate the practitioner's opinion about any flexibilities the IAS 38 accounting policy provides and the information asymmetry phenomenon on financial information that appears between the management and other interested parties.

The interview is about listening and understanding; no judgment will be made. Various information sources, including crucial University policies and research publications, have informed the questions. The present questions are intended as a guide, and further questions may be asked to investigate in more detail or any other aspects that come to light and are not covered by the existing questions. The interview process must last approximately 40 minutes. Some key definitions:

IAS/IFRS	Accounting policies that publicly listed firms must follow according to the law.
IAS 38	Accounting policy relating to intangible assets and how to disclose expenses. In the present study, the researcher investigates investment in R&D under the scope of IAS 38.
Economic Consequences	Impact of accounting reports on the decision-making behavior of business, government, unions, investors, and creditors.

Agenda of the Interview

- 1. Introduction*
- 2. Disclaimer and Consent*
- 3. General Questions*
- 4. Economic Consequences on Management's R&D Investment Decisions under IAS 38*
- 5. IAS 38 allows management to shape financial results*
- 6. Conclusion*

1. Introduction

Hello, and thank you for taking the time to participate in this research interview. My name is (deleted due to anonymity). I am a University of Vienna student majoring in International Business. In addition to my academic pursuits, I have worked in accounting advisory for the past three years.

This research is being conducted as part of my master's thesis, and I am fortunate to have the guidance and support of (deleted due to anonymity) and (deleted due to anonymity) from the Department of Accounting, Innovation, and Strategy at the University of Vienna. Our collective aim is to delve deeper into the economic consequences of IAS 38 on managerial decisions and behavior, especially concerning R&D investments.

2. Disclaimers and Consent

Before proceeding, we want to ensure you are fully aware of the following points.

1. The information you provide during this interview will be used solely for this research.
2. Your name, company name, and other identifying details will remain anonymous. To ensure anonymity in any publications or presentations resulting from this research, pseudonyms or generic titles will be used.
3. The interview will be transcribed to facilitate analysis. Only the research team will have access to these transcriptions.
4. Any confidential or sensitive information you share during the interview will be treated with the utmost discretion. If you mention any personal data or details, they will be excluded from the transcriptions and will not be used in the research.

Interviewee rights:

1. Participation in this interview is entirely voluntary. You have the right to withdraw at any time without any repercussions.
2. You have the right to skip or not answer any questions you are uncomfortable with.
3. You have the right to request a copy of the transcription to review and, if necessary, amend any parts.

If you have any questions or concerns, please do not hesitate to ask.

Thank you for your time and contribution to this research.

3. General Questions: How would you describe your company in a few sentences?

- *What does it mean to be a manager in this company?*
 - a. Could you describe your role and history in your company in a few sentences?
 - b. How does your knowledge of the accounting field influence the company's decisions?
 - *(Particularly your knowledge of IAS/IFRS)*
 - c. How do you make decisions about accounting policies?
 - *Please describe the company's procedure for deciding on an accounting policy.*
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4. Economic Consequences on Management's R&D Investment Decisions under IAS 38

- a. Do you believe that management's continuous monitoring of financial statements provides enough information about the company's performance that may require immediate management's attention? Could you please describe any situation relating to an investment in R&D under IAS 38?
 - *We can clarify the term "monitoring of financial statements" as providing feedback on implementing a firm's strategy regarding financial statements' elements, like costs, expenses, profitability, productivity, and others.*
- b. In general, how much do you think the company's performance may impact a decision in R&D investment based on the financial statements?
 - *Please describe a situation that may have come to your knowledge from your professional experience and expertise.*
- c. What are the possibilities for companies to do some operating manipulations when deciding upon investment in R&D?
 - *In your professional experience and knowledge, did you come across any of the mentioned activities?"*

- *If needed, we can provide examples of operating manipulation, such as delaying costs, prepaying next year's expenses, and recording R&D supplies for next year.*

Are there specific aspects within IAS 38 that you believe are more susceptible to manipulation or interpretation?

- d. What are the most important values you follow in your company when disclosing R&D reporting based on the IAS 38 accounting policy? Why do you think these values are important?

- *If needed, we can give examples of values: integrity, respect, responsibility, servant leadership, trustworthiness, transparency, loyalty, innovativeness, and well-being (employees, employers).*

- e. How would you personally detect changes in a company's operational activities to align with the IAS 38 criteria for capitalizing R&D expenses?

- *Could you please describe one operational activity that management may choose to change during a fiscal year to meet IAS 38 criteria for disclosing an investment in R&D?*
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5. IAS 38 allows management to shape financial results

- a. Based on your professional experience, how do you view the application of IAS 38 in your company?
 - *Based on your company's R&D efforts, what aspects of IAS 38 do you see as the most beneficial/detrimental?*
 - *Are there specific aspects of IAS 38 that need revision or clarification to serve its intended purpose better?*
- b. How motivated is a company to communicate more financial information than those based on the IAS 38 for an R&D investment?
- c. Can you think of any example from your professional history where you communicated more information than prescribed by IAS 38?
- d. How motivated are you, as an experienced accounting expert, to communicate more financial information than those based on IAS 38 for an R&D investment?