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Article

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Journal of Accounting and Management Information Systems (JAMIS)

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Sacarin, Marian; Bunea, Stefan; Girbina, Maria Madalina (2013) : Perceptions of Accounting Professionals on IFRS Application at the Individual Financial Statements: Evidence from Romania, Journal of Accounting and Management Information Systems (JAMIS), ISSN 2559-6004, Bucharest University of Economic Studies, Bucharest, Vol. 12, Iss. 3, pp. 405-423

This Version is available at:

<https://hdl.handle.net/10419/310531>

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PERCEPTIONS OF ACCOUNTING PROFESSIONALS ON IFRS APPLICATION AT THE INDIVIDUAL FINANCIAL STATEMENTS: EVIDENCE FROM ROMANIA

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ABSTRACT

For the accounting year 2012 companies whose securities are listed on Bucharest Stock Exchange are required to present their individual financial statements in conformity with IFRS by restating the information prepared in compliance with national regulations. Moreover, starting 1st January 2013, these companies are applying IFRS as the basis of accounting. A peculiarity of this transition process is that listed entities were not required to present two sets of accounts before switching to IFRS (as it was the case for financial institutions). As we considered that the attitude of main stakeholders involved in the process is a precondition for high quality IFRS financial statements, the objective of our study was to illustrate the opinion of accounting professionals on this decision. The study surveys 142 accounting professionals who, throughout years 2012 and 2013, have attended the continuing training courses organized by the Body of Expert and Licensed Accountants of Romania. We identified that respondents are aware of the benefits of IFRS application, 79.6% of indicating that the companies listed on the BSE should have applied IFRS to the preparation of individual financial statements, even if they had not been required to do so. However, 69.7% of them believed that the application of IFRS should have been concurrent, in an initial stage, with the application of national regulations before proceeding with the application of IFRS as the basis of accounting. Furthermore, they perceive the fiscal risk as the greatest difficulty in the transition to IFRS. The most important benefit is the increased attractiveness to investors, while adapting the IT systems is considered the most significant cost. Overall, 63% of the respondents have indicated that the benefits of applying IFRS outweigh the costs.

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JEL code: M41, M48, N20, G18

INTRODUCTION

Following a decision of the Romanian government in 2012, companies whose securities are listed on a regulated market¹ were required to prepare their individual financial statements for 2012 in compliance with IFRS. Moreover, since 1 January 2013, these companies have been using IFRS as the accounting basis.

Promoters of IFRS application advance the idea that adopting IFRS will increase the quality of financial reporting which will diminish the informational asymmetry and the risk and consequently will decrease the cost of capital. Literature label IFRS as high-quality financial reporting standards (Ball *et al.*, 2003). It is expected as the application of IFRS by the companies listed on the BSE to determine an increased transparency and an improved quality of financial reporting. Moreover, the information presented in the financial statements by these companies becomes comparable to that of other companies in the European Union, which also apply IFRS. Therefore, the capital market in our country would become more efficient, and the prerequisites of reducing the cost of equity capital would be consequently provided.

However, the results of studies conducted at EU level on the consequences of applying IFRS on the quality of financial reporting are contradictory. Barth *et al.* (2008) indicate that the voluntary adoption of IFRS by European companies is associated with a decrease in earnings management and hence with an increase in the quality of financial reporting. The study conducted by Armstrong *et al.* (2008) suggests that the investors of European companies perceived the adoption of IFRS as beneficial. In Germany, Christensen *et al.* (2008) have indicated a decrease in earnings management in the case of companies having voluntarily applied IFRS, whereas in the case of companies who awaited the mandatory transition to IFRS, a feeble increase of result management has been found. Likewise, in France, Lenormand and Touchais (2009) have found an increase in the quality of accounting information as a result of applying IFRS. In Greece, after the mandatory application of IFRS by the listed companies, Karampinis and Hevas (2009) found a minor increase in the relevance value of accounting information. Also, Iatridis (2010) states that the application of IFRS has increased the relevance of accounting information published by British companies, while for Italian companies, tests conducted by Paglietti (2009) showed that mandatory application

of IFRS improved the quality of accounting values used by investors for decision making.

Conversely, in Germany, Pannanen and Lin (2009) have found an increase in earnings management after the mandatory application of IFRS. In turn, Jeanjean and Stolowy (2008) have shown that the mandatory transition to IFRS has not generated a major improvement in the quality of earnings, as long as earnings management increased in France, but remained constant in the UK. Gaston *et al.* (2010) have found that the mandatory application of IFRS has had a negative effect on the relevance of financial reporting in Spain and UK, yet to a much greater extent in Spain. Paananen (2008) has not observed an increase in the quality of financial reporting for Swedish companies in the two years that followed the mandatory adoption of IFRS in 2005. There was even a decrease in the quality of financial reporting from the point of view of relevance, earnings management and timely loss recognition.

Also, in emerging economies, studies on the consequences of the implementation of effects IFRS on the quality of financial reporting have shown different results. In the case of Turkish companies, in the period 2005-2010, after the implementation of IFRS, Kargın (2013) found that the quality of accounting information has increased overall, while Liu and Liu (2007) states that the accounting amounts reported under IFRS were more relevant than those reported under Chinese GAAAP. Instead, Dobija and Klimczak (2008), after exploring the financial reporting of Polish companies listed on Warsaw Stock Exchange, stated that financial market efficiency and relevance of accounting information have not improved with the adoption of IFRS by 2005.

The research findings presented indicate that changing the accounting standards may or may not lead to an increase in the quality of accounting information. In fact, accounting standards are only one element in a complex set of institutional factors that contribute to an increased quality of accounting information: the motivations of financial statement preparers, the intervention of government, and the training level of the accounting profession. In this context, a successful implementation of IFRS beyond the phase of merely adopting a label requires that all stakeholders involved in their implementation – companies, the government, and the accounting professionals – to be convinced of their usefulness in financial reporting. Otherwise, the mandatory application of IFRS might be regarded rather as a burden.

By our study we attempt to point out to what extent a sample of the accounting professionals believe that the companies listed on the BSE must apply IFRS to the preparation of individual financial statements. We investigated also what would be, in their opinion, the main benefits and costs of applying IFRS, and whether the benefits/costs ratio is perceived as positive for the companies listed on the BSE.

Over the years, several studies have been conducted in our country, focusing on the application of IFRS. However, to the best of our knowledge, no prior study tested the opinion of accounting professionals with regard to the mandatory application of IFRS to the preparation of individual financial statements by companies listed on the BSE (following the Romanian regulator decision in 2012). We believe that our research could arouse the interest of academics involved in research activities, but also of stakeholders actually engaged in the application of IFRS: the government (the Accounting Regulations Department of the Ministry of Public Finance), the managers of companies listed on the BSE, and last but not least, the accounting professionals, whose perspective is herein reviewed.

Our research is structured as follows: the first part presents a brief history of the regulations on the adoption of IFRS in Romania. Then, we review a number of the studies that have been published on the subject of the adoption of IFRS in our country. Subsequently, the research methodology and results are presented, and finally, its conclusions and limitations.

1. A BRIEF HISTORY OF THE REGULATIONS CONCERNING THE ADOPTION OF IFRS IN ROMANIA

Chronologically reviewed, the adoption of IFRS in Romania can be divided into two stages:

a) In the first stage, between 1999 and 2005, we witnessed the integration into the national accounting regulations of the provisions of the international accounting standards (IAS). In fact, if we look at the name of the national accounting regulations, this period is described by a harmonization of national accounting regulations with IAS and the Fourth European Directive². These regulations comprised a main body providing general principles and rules, a uniform chart of accounts, the IASC framework and IAS and were to be applied by large entities progressively according to certain size criteria.

b) In the second stage, from 2006 up to the present, unlike in the first stage where some companies applied national accounting regulations harmonized with IAS and the Fourth European Directive, Romanian entities are required or allowed to apply IFRS as adopted at European Union level.

This qualitative change in the strategy of adopting IFRS was mainly due to the requirement of applying, in our country, the European Union Regulation No 1606/2002. By this regulation, the companies listed on EU stock exchanges since 2005 have been required to apply IFRS to the preparation of consolidated financial statements, the decision on the application of IFRS to individual financial statements being left to the discretion of the Member States.

Initially, the Order of the Minister of Public Finance No. 907/2005³ established the entities which, for fiscal year 2006, had either the obligation (credit institutions) or the option (entities of public interest, other than credit institutions: insurance, insurance-reinsurance, and reinsurance companies, entities regulated and supervised by the National Securities Commission, companies with securities admitted to trading on a regulated market, national companies, etc.) to prepare a separate set of financial statements in compliance with IFRS, for their own needs of informing users, other than state institutions, without, however, mentioning whether it refers to consolidated financial statements or to individual financial statements. However, since 2007, the application of IFRS has been limited to the preparation of consolidated statements by banks and by the companies whose securities are traded on the BSE⁴. In addition, for fiscal years 2009, 2010, and 2011, credit institutions were required to concurrently prepare, for their own information needs, individual financial statements in compliance with IFRS⁵.

As regards the companies authorized, regulated, and supervised by the National Securities Commission (CNVM), they were required since 2011 to prepare financial statements based on IFRS, for information purposes⁶. Furthermore, the Insurance Supervisory Commission (CSA) decided that, since 2012, 11 insurance companies, concurrently with the accounting regulations compliant with the European Directives, were required to produce a second set of annual financial statements, in accordance with IFRS. The concurrent application is proposed for a period of three years, possibly reduced to two years, depending on the results of an analysis to be conducted at the end of the two years of application of IFRS. Besides, starting from the same year 2012, companies with securities listed on the BSE have been required to also apply IFRS in preparing individual financial statements⁷.

Until 2012, the application of IFRS was made exclusively through the restatement of financial statements prepared on the basis of national accounting regulations compliant with the European Directives. However, starting with 1 January 2012, banks have been applying IFRS as the basis of accounting, no longer having the obligation to perform a parallel reporting based on accounting regulations compliant with the European Directives. Furthermore, since 1 January 2013, the companies whose securities are listed on the BSE are in turn applying IFRS as the basis of accounting, without continuing to apply the accounting regulations compliant with the European Directives.

2. LITERATURE REVIEW

In the last 10 years, several studies have examined various aspects of the implementation of IFRS in our country. Ionașcu *et al.* (2007), after conducting a study regarding the costs of harmonizing Romanian accounting with the

international regulations (European Directives and IAS/IFRS), have found that the application of IFRS, according to a number of managers, was considered rather an obligation than a benefit. Likewise, several studies have examined the consequences of applying IFRS on the cost of equity capital. Mihai *et al.* (2012) and Ionașcu *et al.* (2010) stated that following the implementation of IFRS, the cost of capital of listed companies on the BSE decreased, while Munteanu *et al.* (2011) found that there were not a relationship between cost of capital and quality of financial reporting, because Romanian companies which provided more financial information on their websites have not benefited from a lower cost of capital, after applying IFRS.

In addition, the perception of CFOs of the listed companies has been investigated, with regard to the effects of the applying of IFRS (Ionașcu *et al.*, 2011). After analyzing the 37 responses from CFOs of listed companies, the study's authors state that the majority of respondents considered that the adoption of IFRS can improve the quality of financial reporting by means of increased international comparability and the switch to the fair values. However, CFOs indicated a number of institutional factors (such as the connection between accounting taxation and the lack of active markets needed for fair values determination) that are likely to reduce the quality of accounting information presented in financial statements drafted according to IFRS.

Since 1 January 2012, banks in our country have been required to apply IFRS as accounting basis. In this context, some studies analyzed the consequences of IFRS on banks' auditors and management (Grecu, 2011), National Bank of Romania regulations (Stefan & Mușat, 2011) and prudential supervision (Răducănescu & Dima, 2011). Moreover, Gîrbină *et al.* (2012) analyzed the perceptions of our country's banking environment on the application of IFRS as the basis of accounting.

It has also been analyzed the standpoint of the key stakeholders involved in the application of IFRS: users, accounting professionals, auditors, and standard setters (Albu *et al.*, 2011) and IFRS implementation in the context of local factors (Albu & Albu, 2012).

In the context of the development and publication of an IFRS for small and medium enterprises, several studies have been conducted, examining the perception of accounting professionals with regard to the application of this standard in Romania (Bunea *et al.*, 2012; Deaconu *et al.*, 2009; Albu *et al.*, 2010), possible difficulties (Gîrbină & Bunea, 2007; Feleagă *et al.*, 2008) as well as the benefits of IFRS for small and medium enterprises (Farcane & Popa, 2008; Păunescu, 2006).

This study attempts to make a contribution by depicting the perception of the accounting professionals with regard to the application of IFRS at the individual financial statements.

3. RESEARCH METHODOLOGY

To achieve our objective, we developed a questionnaire to gather information about the perception of accounting professionals on the costs, difficulties and potential benefits to be gained from the application of IFRS at the level of individual financial statements in the case of Romanian listed companies. The questionnaires were distributed during IFRS training courses organized by the Body of Expert and Licensed Accountants of Romania (CECCAR) between November 2012 and February 2013. The filling of questionnaire was voluntary. We have received 142 responses.

The questionnaires included questions regarding the respondents' profile (gender, experience, and IFRS knowledge level), but also questions regarding: the necessity of IFRS application to the preparation of individual financial statements by the companies listed on the BSE, the use of IFRS as the accounting basis starting with 1 January 2013, or the possibility of applying IFRS, in an initial stage, by the restatement of the financial statements prepared in accordance with the accounting regulations compliant with the Fourth EEC Directive. Furthermore, the questionnaire included questions regarding the benefits and costs of applying IFRS.

The gender structure of the respondents approximates that of the accounting profession in our country (Bunea *et. al*, 2012), where three out of ten expert accountants are male (Table 1).

Table 1. Structure of respondents by gender

	No.	%
Men	30	21.1%
Women	112	78.9%
Total	142	100

Also, in terms of experience in finance and accounting and IFRS knowledge level, the structure of respondents has been the following (Table 2 and Table 3):

Table 2. Structure of respondents by experience level

	No.	%
Up to 10 years	13	9.1
Between 10 and 20 years	88	62
Over 20 years	41	28.9
Total	142	100

Table 3. IFRS knowledge level

	No.	%
Excellent	1	0.7
Good	27	19
Fair	62	43.6
Adequate	21	14.8
Poor	31	21.9
TOTAL	142	100

43.6% of respondents believe their knowledge of IFRS to be fair. This fair level envisages the IFRS package covered by the training course and mostly includes the standards that were considered in improving the national accounting regulations (IAS 2, IAS 16, IAS 36, IAS 18, IAS 37, IAS 10, IAS 20, etc), but not the most complex standards, such as IAS 32, IAS 39, IAS 27, IAS 28, IAS 31, and all standards between IFRS 1 through IFRS 13.

Potential benefits of IFRS implementation include: increased transparency of financial reporting (Jermakowicz & Gornik-Tomaszewski, 2006), lower cost of capital (Li, 2010), better comparability of financial statements (Aljifri & Khasharmeh, 2006). IFRS application was justified in several cases by the need to attract foreign financial investments (Tyrrall *et al.* 2007), to facilitate the access to the capital (Jermakowicz & Gornik-Tomaszewski, 2006) or to satisfy the requirements of international financial institutions (Tyrrall *et al.* 2007). The implementation of IFRS entails challenges and costs, among which we highlight: the use of the professional judgment, fair value measurement and the cost of staff training, consulting, and adaptation of IT systems.

Therefore, we asked the professionals to rank the benefits of applying IFRS (increased attractiveness for investors, lower-cost financing of companies, better information of managers, increased transparency of the information presented in the financial statements, and increased comparability of the information presented in the financial statements), but also the costs generated by the transition to IFRS (staff training, adaptation of IT systems, fiscal costs, additional fees to external consultants and auditors, hiring additional staff for the reporting activity).

As we considered that if the accounting professionals are aware of the need to apply IFRS the implementation is easier and more efficient, we asked them whether the application of IFRS at the individual accounts level would have been necessary for listed companies, had it not become mandatory under the Order of the Minister of Public Finance no. 881/2012⁸.

IFRS application is a challenge for Romanian professionals, as it represents a transition from national accounting regulations mainly based on rules to an accounting referential where professional judgment and accounting principles play a key role. Regarding the Romanian professionals' preference for rules, Bunea (2006) shows that 80% of the sample he studied upon felt the need of detailed regulations, and only 20% agreed with the principle-based regulations. Another study conducted by Bunea *et al.* (2012) show that respondents having an experience of up to 10 years reject more willingly the idea of detailed rules and accept the need for professional judgment. Consequently we expect that experienced accountants to be more reluctant on the use of IFRS.

Until 2012, the application of IFRS had been made exclusively by the restatement of financial statements prepared on the basis of national accounting regulations compliant with the European Directives, without using IFRS as the accounting basis. IFRS were required to be used as accounting basis first for credit institutions starting with 1 January 2012. However, in the case of credit institutions, the use of IFRS as the accounting basis was required after a period of 6 years during which they concurrently applied IFRS and the specific accounting regulations compliant with the Fourth European Directive. Ștefan and Mușat ⁹(2011) explain that this compromise solution was necessary because of the heterogeneity of credit institutions preparedness to apply immediately IFRS (some banks were very experienced as they reported for many years in compliance with IFRS while other banks had to apply IFRS for the first time).

Under the Order of the Minister of Public Finance no. 881/2012, the entities listed on the BSE were required to apply IFRS as the accounting basis, starting with 1 January 2013, and year 2012 was the first year of application of IFRS. It is worth mentioning that the companies listed on the BSE experienced a different situation than the companies listed on stock exchanges across the European Union. Under Regulation no. 1606/2002, the companies listed on stock exchanges in the European Union were informed three years before the mandatory application of IFRS to the preparation of consolidated financial statements, whereas the listed companies in our country found out about the mandatory application of IFRS at the individual financial statements level in the very year for which they had to apply it. Although a number of the companies listed on the BSE used IFRS for their consolidated financial statements, other small listed companies are less prepared to face the transition process. This explained the decision of double reporting period in the case of the companies regulated by the National Securities Commission¹⁰ and of the companies in the insurance sector¹¹.

We therefore investigated the opinion of the accounting professionals on whether or not, in an initial phase, it would have been necessary to apply IFRS concurrently

with the accounting regulations compliant with the Fourth EEC Directive, and to subsequently adopt IFRS as basis of accounting, after a period of three years.

Preparers from banks considered that the new prescriptions included in the Fiscal Code are not sufficient to clarify the tax impact of all IFRS treatments (Gîrbină *et al.*, 2012). Thus we expect as fiscal risk to be considered a significant difficulty of IFRS application as basis of accounting for listed companies.

The principal objective of this study is to identify the perceptions of IFRS by the accountant professionals in Romania regarding the benefits, costs and challenges of IFRS use as basis of accounting for listed companies. Following the main purpose we developed the research questions and hypotheses described in Table 4.

Table 4. Research Questions and Hypotheses

Research Questions	Hypotheses
1. What are the perceptions of Romanian accounting professionals on the use of IFRS as basis of accounting for listed firms?	H1: Romanian accounting professionals consider that the application of IFRS at the individual accounts level would have been necessary for listed companies. H2: Romanian accounting professionals consider that a preparation period would have been necessary before the application of IFRS as basis of accounting. H3: The fiscal risk is a significant challenge of IFRS use at the statutory accounts level.
2. Do different categories of accounting professionals have different perspectives?	H4: Experienced accounting professionals are more reluctant to the use of IFRS.

4. RESULTS

As in the case of banks (Gîrbină *et al.*, 2012), we identified a positive attitude of preparers towards IFRS. We have found that most respondents believe that the application of IFRS would have been necessary (79.6%), even if it had not become mandatory, which means that they are aware of the superiority of IFRS to the National Accounting Regulations compliant with the Fourth EEC Directive (Table 5) which confirms the first hypothesis. However, a difference can be noted between the respondents of Bucharest and those of respondents outside Bucharest. Whereas 82.8% of the respondents of Bucharest believe that the application of IFRS would

have been necessary, even if it had not become mandatory, the corresponding percentage outside Bucharest was of 72.1%. This difference might be explained by the fact that, lately, most seminars, lectures, and meetings on the implementation of IFRS have been held in Bucharest and the educational offer in this area is higher in Bucharest. Also, Bunea *et al* (2013) underlie differences regarding the importance given to IFRS in the curricula of universities from different regions of the country.

Furthermore, it is noteworthy that out of 29 respondents who believed that the application of IFRS by the companies listed on the BSE would not have been necessary, 93.1% (27 respondents) have an experience of over 10 years which confirms the forth hypothesis. Carmona and Trombetta (2008) show that the use of principle based standards require different skills from accountants. Mature professionals had studied less IFRS during their university study and that they are more reluctant to changes (being more familiar with national regulations specific procedures).

Table 5. Respondents' answers concerning the need to apply IFRS to the preparation of individual financial statements by companies listed on the BSE

	Bucharest		Outside Bucharest		Total	
	No.	%	No.	%	No.	%
Yes	82	82.8	31	72.1	113	79.6
No	17	17.2	12	27.9	29	20.4
Total	99	100	43	100	142	100

As shown in table 6, 69.7% of the respondents replied that, in an initial phase, IFRS should have been applied concurrently with the accounting regulations compliant with the Fourth EEC Directive, and the adoption of IFRS as the basis of accounting should have been implemented after a period of three years. The responses could be explained by the fact that practitioners acknowledged the challenges of IFRS use in practice and the responsibilities involved by the use of IFRS as basis of accounting.

Table 6. Respondents' answers concerning the concurrent application of IFRS and of the accounting regulations compliant with the Fourth EEC Directive for a period of three years

	Bucharest		Outside Bucharest		Total	
	No.	%	No.	%	No.	%
Yes	66	66.7	33	76.7	99	69.7
No	33	33.3	10	22.3	43	30.3
Total	99	100	43	100	142	100

Beyond the benefits associated with the application of IFRS as basis of accounting advanced by regulators, such as reducing restatement costs, eliminating confusion caused by the existence of two reporting sets and the existence of a single referential for individual and consolidated financial statements (Ştefan & Muşat, 2011) this process also generates certain difficulties.

Accounting professionals believe that the greatest difficulty associated with the application of IFRS is the increased fiscal risk which confirms the third hypothesis (Table 7). This opinion is not surprising in a country where the accounting system has been mainly oriented towards meeting fiscal information needs. The limits of the legal framework could also play a role as auditors consider that the changes brought to the Fiscal Code in certain instances leave room for interpretation (Dochia, 2012).

Table 7. Respondents' answers concerning the difficulties in applying IFRS as the basis of accounting

	Mean	Mode	Std. dev.
Fiscal risk involved by the application of IFRS	2.06	1	1.13
Difficulty in rigorously managing the transition to IFRS	2.23	2	1.02
Changing internal record systems	2.73	2	1.01
Meeting accounting and fiscal requirements	2.97	4	1.05

Note: The lower the mean, the more significant the difficulty of applying IFRS is deemed

Based on the relevant literature (Jermakowicz & Gornik-Tomaszewski, 2006), we have asked the accounting professionals to rank the possible benefits and costs resulting from the application of IFRS to individual financial statements by the companies listed on the BSE. The respondents ranked the possible benefits of the transition to IFRS as follows (Table 8): 1) increased attractiveness to investors; 2) better information of managers; 3) increased transparency of the information presented in the financial statements; 4) increased comparability of information presented in the financial statements, and 5) lower cost of financing.

Table 8. Benefits of applying IFRS

	Total		
	Mean	Mode	Std. dev.
Increased attractiveness to investors	2.39	1	1.44
Better information of managers for decision-making purposes	2.86	3	1.34
Increased transparency of information presented in the financial statements	3.13	2	1.27
Increased comparability of the information presented in the financial statements	3.17	4	1.39
Lower cost of equity capital	3.34	5	1.43

Note: The lower the mean, the more important the benefit is deemed

In the case of banks preparers considered that comparability, transparency and the access to capital are major benefits of IFRS application (Gîrbină *et al.*, 2012). Increased attractiveness for investors was rated as main benefit in the case of listed companies. This is consistent with Amiram (2012) which provides evidence that foreign equity investment increases post-IFRS.

We observe that a lower cost of equity capital ranks last in the hierarchy of the benefits of applying IFRS. Similar situation were reported in previous literature. In the study conducted by Jermakowicz and Gornik-Tomaszewski (2006), the cost of equity capital was not considered among the major benefits of the transition to IFRS. Likewise, the studies conducted after the mandatory adoption of IFRS in the European Union have shown contradictory results. Daske (2006) found that the application of IFRS did not result in a decrease in the cost of equity capital, whereas Li (2010) found a significant decrease thereof. In our country, Ionaşcu *et al.* (2010), after the application of IFRS to the preparation of consolidated financial statements by the companies listed on the BSE, have found a decrease in the cost of equity capital of these companies; however, later on, Munteanu *et al.* (2011) specified that the decrease in the cost of equity capital was rather an outcome of other factors (the quality of corporate governance, investor protection, efficiency of the capital market) than of the quality of financial reporting.

As far as the costs are concerned, the hierarchy was the following: 1) adaptation of IT systems; 2) staff training; 3) fees to external consultants; 4) fiscal costs of the transition to IFRS; 5) additional fees to auditors; and 6) hiring additional staff.

Table 9. Costs of applying IFRS

	Mean	Mode	Std. dev.
Adaptation of IT systems to IFRS requirements	3.03	2	1.60
Staff training	3.14	1	1.93
Fiscal costs of the transition to IFRS	3.38	3	1.59
Fees to external consultants	3.24	3	1.52
Additional fees to auditor	3.81	5	1.57
Additional staffing for the reporting activity	4.39	6	1.62

Note: *The lower the mean, the more important the cost is considered*

Overall, accounting professionals share the opinion of preparers from banks as they believe that the benefits of applying IFRS will outweigh the costs (Table 10). This is different from results conducted in other counties. For instance, Jones and Higgins (2006) showed that in Australia preparers were skeptical about the benefits of IFRS, but more concerned about the costs of applying the IFRS.

Table 10. Respondents' answers concerning the ratio between the benefits and costs of applying IFRS

	Total	
	Nr.	%
Benefits > Costs	89	63
Benefits < Costs	53	37
Total	142	100

CONCLUSIONS, LIMITATIONS, AND FUTURE DIRECTIONS OF THE RESEARCH

By the application of IFRS is aimed an improved quality of their financial reporting. However, the results of studies conducted at European Union level after the mandatory adoption of IFRS indicate contradictory results. Our research has attempted to depict the opinion of accounting professionals concerning the application of IFRS for the preparation of individual financial statements by the companies whose securities are listed on the BSE. 79.6% of the respondents believe that the application of IFRS would have been necessary, even if it had not become mandatory starting with 2013. Furthermore, 69.7% of the respondents believe that, in an initial phase, the application of IFRS should have been performed concurrently with the application of the accounting regulations compliant with the Fourth EEC Directive, and the application of IFRS as the basis of accounting should have been subsequently implemented, after a period of three years, as in the case of the entities regulated by the National Securities Commission and the Insurance Supervisory Commission).

Accounting professionals believe that the most important benefit of applying IFRS is an increased attractiveness of the listed companies to investors, whereas the most significant costs associated with the application of IFRS are those incurred for adaptation of IT systems and the training of personnel. Following our study, we observed a positive attitude toward IFRS application, accounting professionals considering that the benefits of applying IFRS will outweigh the costs.

As our study surveys the opinions of accounting professionals participating at certain courses held during the analysed period the main limitation of our research concerns representativeness. This is explained by the limited access of researchers to respondents. We consider a future extension of our research to encompass the opinions of accounting professionals throughout the country, and to rely on a representative sample.

Moreover, the opinion of accounting professionals has been tested before the application of IFRS. However, as they will have started to apply IFRS, it is possible that their opinions may change.

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- ¹ The Order of the Minister of Public Finance No. 882/2012 concerning the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market. A number of 68 companies whose securities are listed on the Bucharest Stock Exchange, under categories I and II, fall under the scope of this Order.
- ² The Order of the Minister of Public Finance No. 403/1999 on the approval of Accounting Regulations harmonized with the Fourth Directive of the European Economic Communities and with the International Accounting Standards, and the Order of the Minister of Public Finance No. 94/2001 on the approval of the Accounting Regulations harmonized with the Fourth Directive of the European Economic Communities and with the International Accounting Standards.
- ³ The Order of the Minister of Public Finance No. 907/2005 regarding the approval of the entities required to apply the accounting regulations based on IFRS, or accounting regulations in conformity with the European Directives, respectively.
- ⁴ The Order of the Minister of Public Finance No. 1121/2006 regarding the application of International Financial Reporting Standards.

- ⁵NBR Order No. 15/2009 regarding the preparation by credit institutions, for information purposes, of annual individual financial statements compliant with the International Financial Reporting Standards.
- ⁶ The Order of the President of the National Securities Commission No. 116/2011 regarding the approval of Instruction No. 6/2011 on the application of International Financial Reporting Standards by entities authorized, regulated, and monitored by the National Securities Commission.
- ⁷ The Order of the Minister of Public Finance No. 882/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market.
- ⁸ The Order of the Minister of Public Finance No. 882/2012 regarding the application of International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market.
- ⁹ Experts of the Regulation and Authorisation Direction within the National Bank of Romania;
- ¹⁰ Starting with year 2011, the companies authorized, regulated, and monitored by the National Securities Commission have been applying IFRS for their own information needs. However, these companies concurrently keep their accounting records and produce financial reports based on the specific regulations compliant with the Fourth European Directive.
- ¹¹ Moreover, starting with 2012, for information purposes, 11 companies of the insurance sector have been preparing financial reports in accordance with IFRS, while concurrently keeping accounting records and producing financial statements based on the specific regulations compliant with the Fourth European Directive.