

Radojević, Aleksandra; Jovković, Biljana; Dragičević, Predrag

Article

Dynamic analysis of business development of auditing firms: Case of the Republic of Serbia 2010-2020

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**DYNAMIC ANALYSIS OF BUSINESS
DEVELOPMENT OF AUDITING FIRMS:
CASE OF THE REPUBLIC OF SERBIA 2010-2020**

Aleksandra Radojević

University of Kragujevac, Faculty of Economics, Republic of Serbia

✉ aleksandra.radojevic@ekonomski.org

Biljana Jovković

University of Kragujevac, Faculty of Economics, Republic of Serbia

✉ bjovkovic@kg.ac.rs

Predrag Dragičević

State Audit Institution, Republic of Serbia

✉ predrag.dragicevic@dri.rs

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Review
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Abstract: Auditing firms are very important for business decision-makers and they have a large impact on business development, due to issued reports and competent opinions contained in such reports. The purpose of this paper is to present, to professional public, the current condition and changes of business results achieved by active auditing firms in the Republic to Serbia over the period of eleven years. The goal of the paper is an objective assessment of the state of play and operations of active auditing firms, as well as a determination of business trends and monitoring of the results achieved in the audit services market. The paper analyzes the changes in individual balance sheet items and profitability indicators, that is their average growth during the eleven years. The results indicate that the members of the "Big Four" had not acquired a leadership position in the market, observed according to the productivity indicators. Actually, the results indicate that the auditing firms with the largest growth of net results, in the observed period, are not the leaders according to the criterion of assets growth. At the same time, the firms with the greatest growth of business income in the observed period are not at the same time the most productive firms, measured by net result per employee. The results obtained in this paper contribute to the formation of a realistic view of the situation in the audit services market, as well as the perspectives and tendencies in the development of audit firms.

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1. Introduction

Financial statements are the key source of information for assessing the state and success of a company's operations, regardless of the activity they perform. The information contained in the reports refer to the previous period, but is used to make business decisions and direct investments in the future. Because of this role, financial statements may be subject to embezzlement, the data contained in them may be falsely or incorrectly presented. The credibility of the presented data is confirmed by the auditors and provides the necessary credibility to the financial statements, prepared by the management. If viewed chronologically, it can be said that first a business change occurs, which is then recorded in the business books, based on the documentation that is the basis for entering into books; then, financial statements are drawn up, and finally they are audited and an audit report is issued (which contains an audit opinion). At the same time, with an increase in the credibility of information, the information risk faced by economic decision-makers also decreases, that is, the risk that financial information may be inaccurate, unreliable or false (Ivanović, 2014, 118). Key for audit development is the separation of the ownership function from the management function. In this regard, the audit opinion is the only form of direct communication between the auditor and the shareholders about the audit process and the outcome of that process (Tessema, 2020, 676). Due to the possibility of hiding information and not acting in accordance with the interests of the owners, the management, that is, the holders of the management functions, must be adequately controlled. The audit is an instrument by which the gap of distrust can be overcome between shareholders as owners and managers as persons who govern the company (Hodžić & Gregović, 2016, 118). External audit relies on the work of internal audit, but this reliance implies checking and considering the quality of internal audit (Zain et al., 2015, 134).

At the end of 2020, there were 75 active auditing firms in the Republic of Serbia (RS), both domestically and foreign-owned. This number also includes members of the so-called "*Big Four*": Ernst & Young, Deloitte, PricewaterhouseCoopers (PWC) and KPMG. The members of this group are world-renowned companies, with a wide range of services and a developed business system. Such a position enables them to have the greatest trust among the users of audit reports. In professional circles, it is believed that the auditing firms of the "*Big Four*" have more resources than others and they can certainly provide a better quality audit (Hakim & Ali Omri, 2008, 8), that is, the well-established business networks of these companies provide them with

higher legitimacy and better control (Boiral et al., 2020, 312). In this regard, the dominance of the "*Big Four*" audit firms was confirmed (Clacher et al., 2019, 1301).

The subject matter of the research in this paper is to review the development trends in auditing over the eleven-year-period, with the aim of observing the rules of change in the basic economic parameters during the operations of audit firms. The main goal of the conducted research is an objective assessment of the state and operations of existing auditing firms and, accordingly, the determination of business trends and the results achieved in the audit services market during the analyzed period. We want to present the structure, power, competitiveness and development of audit firms, as well as the distribution of power and the position of the members of the "*Big Four*" in relation to all other companies.

According to the needs for completing the work, qualitative and quantitative methodology was used. For the purpose of collecting necessary data for analyzing the operations and development of auditing firms, we analyzed the content of relevant financial statements. Quantitative economic analysis includes descriptive statistics and the use of dynamic indicators, which implies using total assets, operating income, net results, productivity, the number of employees and ROA indicator values. Induction and deduction methods have been applied, in order to perform general conclusions based on the results of individual auditing firms, as well to bring down general results to the level of individual auditing firms.

The main hypotheses that this paper is based upon are the following:

H1: If companies achieved the highest growth in net results, then that audit firm will have leadership position in growth assets.

H2: Companies with the biggest growth of operating income are not at the same time the most productive companies, measured by net result per employee.

H3: "*Big Four*" companies have leadership position in productivity, measured by the ratio of net results and the number of employees.

The first part of the paper represents an overview of the earlier research and the obtained results in the areas relevant and connected to the subject matter and the goal of the research. Later, it presents the methodology used in drafting of this paper, and after that, the obtained results of the research are presented, which include the dynamic analysis of the operations of auditing firms. The assessment of the condition and opportunities for development of auditing services market implies monitoring of the achieved level of development and finding areas which require changes or improvement.

2. Literature review

An audit examination is a carefully planned activity whose goal is to define the activities that will be carried out during the audit engagement (Jovković, 2014, 53). Independent, external auditors review the entire setup of the company, its organization, they monitor accounting policies, internal control systems and the validity of all records that document economic events (Kalač & Aljušević, 2014, 111). The question arises: why auditors perform these activities? In an idealized environment, the entity's financial statements should represent an "economic reality" (Singh & Doliya, 2015, 63). However, numerous embezzlements, such as the Enron case, are a testimony that financial statements can be subject to manipulation. Consequently, the Enron scandal and other scandals affected the relationship between auditing firms and the competition between them (Nam, 2018, 512). The responsibility of auditing firms is to provide the confirmation that the accounts represent a true and fair view of the state of the company's operations, through the presentation of an audit opinion (Collins et al., 2019, 2088).

As the results of the auditor's work relate to many stakeholders, it is important that there is a certain stability in operations of audit firms, so that they can perform their activities in the best possible way. All major stakeholders are aware of the influence of audit firms in predicting the continuity of client's operations subject to audit (Stanišić et al., 2015, 35). The pressure on audit firms to improve audit quality and timeliness is inevitable (Duh et al., 2020, 52). The task of external auditors is to determine objectively, and with the necessary degree of skepticism, whether there are significant errors in the financial statements and to express their opinion on the basis of valid financial reporting standards, on whether the company's financial statements represent its financial position and profitability fairly (Jovković et al., 2012, 43). Earlier researches on the operations of audit companies showed that the ROA ratio, as an indicator of profitability, is extremely high in the audit services sector, and it ranged from 11.18% to 15.13%. The results of those researches indicated that high revenues and net profit in relation to "modest" assets are the result of these companies not having large assets, but above all due to "intellectual capital", i.e. of licensed authorized auditors that are not presented in the balance sheet (Jovković & Ljubisavljević, 2015, 555).

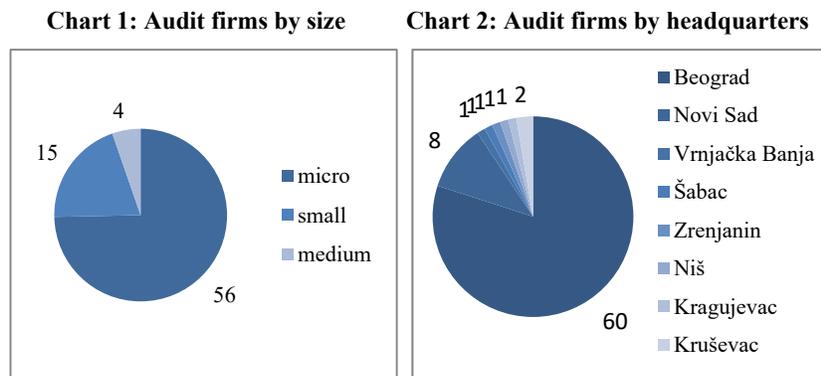
3. Research methodology

The analysis of development changes in audit services was carried out at the level of the Republic of Serbia, using the entire population, i.e. 75 audit firms that were active and registered with the Chamber of Authorized Auditors at the end of 2020 (https://www.kor.rs/registri_preduzeca.asp). The data was collected from their published financial reports, more specifically the balance sheet and income statement, available on the website of the Business Registers Agency

(<https://pretraga2.apr.gov.rs/unifiedentitysearch>). The collected data was processed in Microsoft Office - Excel software.

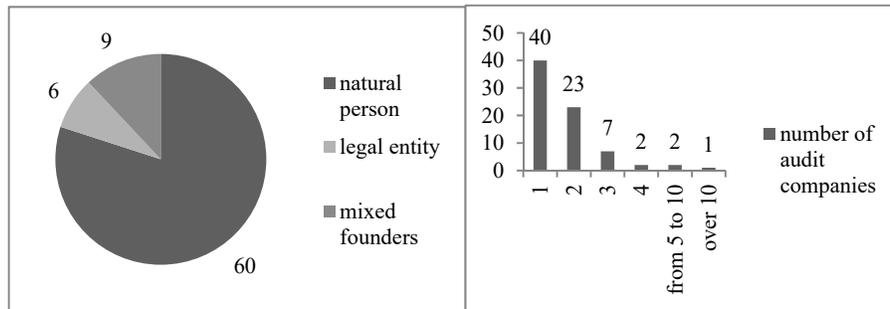
In accordance with the determined subject-matter and goal of the paper, descriptive statistics, deduction and induction methods were used, whereby general conclusions are drawn based on individual findings. The presentation of the balance sheet and results of the audit firms' operations was carried out using the dynamic indicators. This includes reviewing total assets, operating income, net results, productivity measured by the ratio of net results to the number of employees and ROA indicators. The paper is supplemented with a graphic representation of the trends in the auditing services market in the Republic of Serbia (RS) and a presentation of the structure of auditing firms.

The description of the population of auditing firms, whose business indicators are analyzed, will be made according to: firm size, headquarters and years of operations of the audit firm, type of founder (natural person, legal entity or mixed), number of founders and number of auditors.



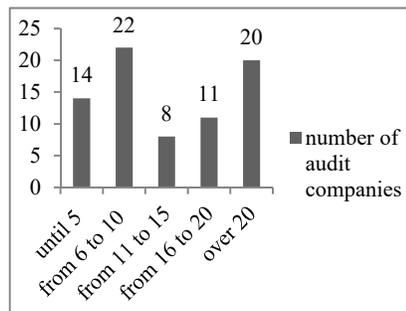
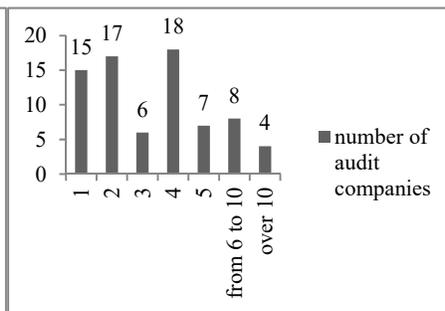
Source: Author's calculation based on data from the Chamber, https://www.kor.rs/registri_preduzece.asp, Overview January 2022

According to the size of the audited companies, they can be micro, small, medium and large, whereby criteria for such structure in the RS are defined by law (Accounting Act, Article 6). Medium-sized companies form the smallest group and these are the members of the "Big Four". The largest number of audit firms by size belong to micro group, the share of these companies in the total number of audit firms amounts to 74.67%. Belgrade is the most frequent headquarters of audit firms in the RS - 60 of them. Novi Sad is the headquarters for 8 audit firms, and Kruševac for two.

Chart 3: Audit firms by type of founder; Chart 4: Audit firms by number of founders

Source: Author's calculation based on data from the Chamber, https://www.kor.rs/registri_preduzeca.asp, Overview January 2022.

Legal entities are rarely founders of audit firms, with only 6 audit firms in the RS. Mixed founders, consisting of both natural and legal persons, have a similar participation with 12% of firms were founded in this way. The largest number of audit firms was founded by natural persons, which is the most common type of founder in 80% of cases. The largest number of audit firms (40 of them) according to the number of founders has one founder (natural or legal person).

Chart 5: Audit firms by longevity of operations**Chart 6: Audit firms by number of auditors**

Source: Author's calculation based on data from the Chamber, https://www.kor.rs/registri_preduzeca.asp, Overview January 2022.

Looking at active audit firms, the oldest among them is *Deloitte*, founded in 1991. As many as 20 firms have been providing auditing services in the RS for more than 20 years. The largest number of firms in this market employ four auditors, as many as 18 of them. The least number of audit firms employ more than 10 auditors, namely *Ernst & Young*, *EuroAudit*, *KPMG* and *Moore Stephens*.

The mentioned population of audit firms in the RS is analyzed covering the period from 2010 to 2020. The subject of consideration is the dynamic change (increase) of the indicators in the current year compared to the previous year, by calculating the chain indices and, in accordance with the level of that growth, the positioning of the company in the audit services market of the RS.

4. Results and discussion

When making business decisions and analyzing the company's operations, it is important, in addition to monitoring its functioning through individual indicators for a specific year, to monitor the change of those indicators over a period, in order to better understand the company's activities and its ability to survive in the long term.

The dynamic analysis of the profitability of audit firms in this work was measured by: growth in balance sheet (assets), operating income, net results, productivity (net results per employee) and ROA growth. The change of the increase in the value of the company's assets was monitored for the period from 2010 to 2020 and is provided in Table 1.

Table 1: Auditing firms according to average assets increase in the period from 2010 to 2020 (in %)

No.	Audit firm	Average Δ assets
1	I&V Audit	1,166.46
2	COR Consult	548.81
3	Most revizija	536.60
4	Centar za reviziju i ekonomska istraživanja	524.23
5	ASW audit & advisory	374.60
6	SMN audit & tax	272.45
7	Advisory & Finance MB	224.01
8	Sigma revizija	151.37
9	Institut za javne finansije i računovodstvo	147.95
10	Bojić revizija	119.43
11	Σ other audit firms	2,342.28

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, Overview, January 2022

The increase in total assets of the top ten audit firms (according to the average value for the analyzed period) was in the range of 1,166.46% to 119.43%. It is noted that the first ten companies have achieved higher growth for the observed

period in relation to all other audit firms that have operated in the RS. It is interesting to point out that the top ten companies are micro companies, according to the average increase in total assets of domestic ownership and by size.

Table 2: Audit firms according to the average increase in operating income in the period from 2010 to 2020 (in %)

No.	Audit firm	Average Δ operating income
1	Libra audit	1,664.29
2	ASW audit & advisory	1,155.15
3	KLM audit	969.79
4	Most revizija	912.39
5	Saldo revizija plus	819.30
6	COR Consult	665.00
7	Rosh audit	604.24
8	Roedl & Partner Audit	515.70
9	Kapital revizija	438.84
10	Lege arts audit	297.96
11	Σ other audit firms	3,325.40

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzecca.asp, overview January 2022

The average increase in operating income for the observed period for the ten companies with the highest increase was between 297.96% and 1,664.29 %. There are no members of the "Big Four" in the top ten companies in terms of business revenue growth, despite the fact that these are the largest audit firms in the RS. The first ten companies achieved a higher increase in operating income than all other companies on the RS market in the observed period. If we look at the growth of operating income for each individual year, in 2020 the audit company *Saldo revizija* recorded the largest increase in operating income, in 2019, according to this indicator, the audit company *Most revizija* had the largest increase, while in 2018 it was the audit company *Cube audit*. Table 3 below provides an overview of the best-positioned audit firms according to the increase in net results over the eleven-year period.

Table 3: Audit firms according to the average increase in net results in the period from 2010 to 2020 (in %)

No.	Audit firms	Average Δ net results
1	Most revizija	12,683.35
2	MC Global Audit	2,867.75
3	Aksios revizija	2,775.40
4	Auditing	2,384.09
5	Centar za reviziju i ekonomska istraživanja	1,917.31
6	Vizura revizija i računovodstvo	1,854.63
7	Mazars Audit	1,051.93
8	Audicon	1,032.63
9	UHY revizija	897.40
10	Prva revizija	670.27
11	Σ other audit firms	5,802.37

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, Overview January 2022

The largest average increase in net results in the analyzed period was achieved by the audit company *Most revizija*. This company had a higher average increase than the sum of the average increases in net results of all other auditing companies. The reason for such a high amount of increase is the year 2019, in which there was a significant increase in net profit compared to the previous year 2018. The company's productivity is measured according to the ratio of net results compared to the number of employees. The obtained values of the average growth of this measure are provided in Table 4 below.

The highest average increase in productivity, measured by net result per employee was achieved by the domestic company *MC Global Audit*, which in the observed period was the second, in terms of average increase in net result. The top ten audit firms had a significantly higher amount of average productivity growth, compared to the remaining 65 audit firms in the RS. The following Table 5 provides an overview of audit firms that achieved the best productivity, measured by net result per employee in each analyzed year.

Table 4: Audit firms according to average increase of productivity in the period from 2010 to 2020 (in %)

No.	Audit firms	Average Δ productivity
1	MC Global Audit	2,862.35
2	Mazars Audit	2,728.37
3	ASW audit & advisory	2,444.72
4	Aksios revizija	2,204.84
5	Invent revizija	1,152.13
6	Vizura revizija i računovodstvo	1,119.76
7	Centar za reviziju i ekonomska istraživanja	1,009.9
8	UHY revizija	825.12
9	Sigma revizija	628.54
10	NBC revizija	380.49
11	Σ other audit firms	3,224.39

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, Overview January 2022

Table 5: Audit firms that are leaders in productivity in the analyzed year

Year	Name of audit firm	Δ productivity
2020.	Mazars Audit	13,752.17%
2019.	Invent revizija	4,790.78%
2018.	Grant Thornton	2,904.54%
2017.	Aksios revizija	8,940.00%
2016.	Kulezić & consultation	743.08%
2015.	Auditor	513.91%
2014.	MC Global Audit	30,050.00%
2013.	Auditing	24,792.31%
2012.	Sigma revizija	4,819.61%
2011.	Audicon	2,005.53%
2010.	Vizura revizija i računovodstvo	12,176.52%

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, overview January 2022

It can be seen that the "Big Four" companies have not been top ranked, according to productivity in none of the analyzed year. In the observed period, dominant place regarding productivity increase was achieved by domestic auditing

firms. The biggest growth of net results per employee, achieved by one auditing firm, was recorded in 2014. The yield on the in total engaged assets is measured by the ratio of net results and balance sheet amounts (ROA ratio). The best positioned auditing firms according to average increase of this indicators, are given in Table 6.

Table 6: Audit firms according to average increase in ROA in the period from 2010 to 2020

R. b.	Audit firm	Average Δ ROA
1	Centar za reviziju i ekonomska istraživanja	7,129.87
2	MC Global Audit	1,574.45
3	Audicon	1,075.98
4	Most revizija	1,032.34
5	Aksios revizija	931.90
6	Auditing	863.62
7	Codex audit	805.85
8	Mazars audit	613.71
9	UHY revizija	580.91
10	Saldo revizija plus	367.90
11	Σ other audit firms	1,302.40

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, overview January 2022

Taking into consideration average increase in the return on total assets, the biggest growth was achieved by the company *Centar za reviziju i ekonomska istraživanja* (Center for Audit and Economic Research). The average increase in ROA of this company alone was larger than the sum of aggregate increments of the largest number of auditing firms in the RS. Increase in ROA indicators in 2013, compared to 2012, had the largest influence sign on these figures, when there was an increase of net results, along with the reduction of total assets. The following Table 7 provides an overview of auditing firms which have achieved the biggest increase in ROA ratio in each of the analyzed year.

The largest increase in ROA ratio was recorded by audit firm *Centar za reviziju i ekonomska istraživanja* in 2013, when the ROA grew up from 0.29% in 2012 to 163.53% in 2013. In the observed period, the lowest growth was recorded in 2016 at leading firms according to the ROA ratio.

Table 7: Audit firms that are leaders in the growth of ROA in the analyzed year

Year	Name of audit firm	Δ ROA
2020	UHY revizija	6,390.17%
2019	Most revizija	2,108.38%
2018	Vinčić	3,733.46%
2017	Aksios revizija	3,871.73%
2016	DFK konsultant - revizija	606.74%
2015	Codex audit	4,652.52%
2014	MC Global audit	17,153.75%
2013	Centar za reviziju i ekonomska istraživanja	56,481.18%
2012	Prva revizija	987.74%
2011	Audicon	10,998.72%
2010	Vizura revizija i računovodstvo	1,823.19%

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, overview January 2022

5. Status and Opportunities for the Development of the Audit Services Market

In 2010, there were 42 audit firms operating in the RS (Jovković & Ljubisavljević, 2015, 540), whose number increased by more than 50% in the following 5 years, so that in 2015 there were 66 companies (Ljubisavljević & Jovković, 2016, 363). In the second half of the analyzed period, the number of companies grew more slowly, so that in 2019 it reached the number of 73 audit firms, which is an increase of 10.6% compared to the situation 5 years ago (Jovković et al., 2021, 208).

Total assets of auditing firms has increased in the observed period. An increase of assets in the amount of 3,526,157,000 dinars in 2020, compared to 2010, shows that the assets of these companies doubled in the analyzed period. The amount of engaged capital that has also increased for the given period, and amounts to 2,025,325,000 in 2020, which is an increase of 149.96%, compared to the first analyzed year. Operating revenues have a tendency of growth in the analyzed period. An auditor may provide to companies-clients, in addition to the core audit services, secondary (incompatible) services, services related audit, as well as others assurance and non-assurances services. These services cannot be the provided to the same client in parallel with auditing services (Ljubisavljević & Jovković, 2016, 48). The majority of auditing firms in RS realize net profit, the amount of which was the largest in 2015, 553,616,000 dinars. The biggest participation in the net profit for the observed year was recorded by the company *Auditor*, with almost

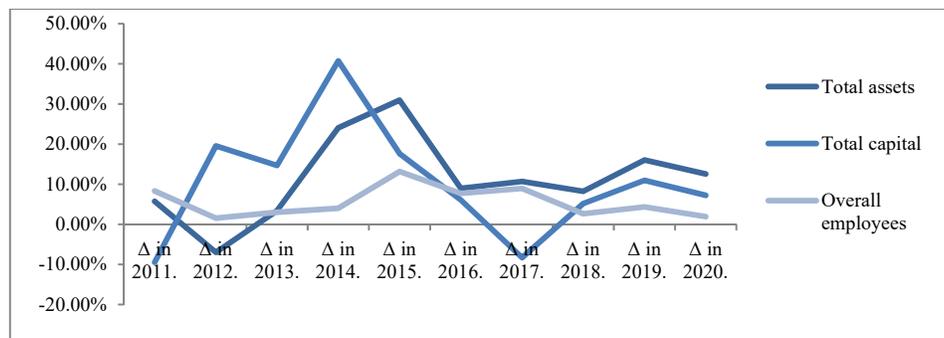
30% of participation in the total net profit and which amounts to 163,788 (in 000 dinars). The biggest net loss was recorded in 2016 (18,150,000 dinars), while the smallest net loss was realized in 2011 (738,000 dinars). During that year, only one auditing firm recorded a total income, which was smaller than total expenditure, and that is *Rosh audit*.

Table 8: Status of the main indicators of audit firms in the Republic of Serbia in the period from 2010 to 2020 (in 000 dinars)

Year	Total assets	Total capital	Overall employees	Overall business revenues	Total net profit	Total net loss	ROA of the sector
2010	1,941,126	810,252	904	3,889,242	271,479	841	13.94%
2011	2,051,958	733,441	979	4,088,429	241,676	738	11.74%
2012	1,908,685	876,722	994	4,692,615	209,667	1,273	10.92%
2013	1,973,963	1,005,602	1,024	4,854,327	252,262	3,395	12.61%
2014	2,448,824	1,415,326	1,065	5,241,300	369,894	17,838	14.38%
2015	3,207,046	1,664,863	1,205	5,800,267	553,616	17,525	16.72%
2016	3,494,757	1,765,726	1,298	6,416,411	348,738	18,150	9.46%
2017	3,868,053	1,618,756	1,414	7,449,014	246,377	8,595	6.15%
2018	4,186,414	1,702,549	1,451	7,335,228	220,979	1,978	5.23%
2019	4,857,526	1,888,928	1,514	8,360,857	403,095	3,882	8.22%
2020	5,467,283	2,025,325	1,543	7,866,018	390,112	4,128	7.06%

Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzecca.asp, overview January 2022

Graph 7: Changes in operations of audit firms in the period from 2010 to 2020

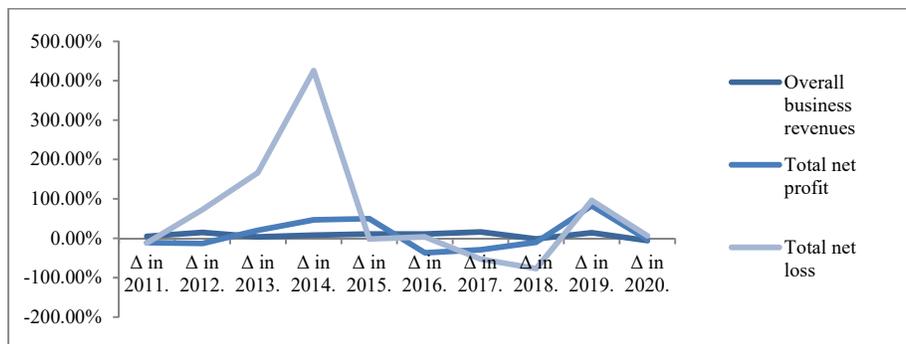


Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzecca.asp, overview January 2022

The auditing firm sector recorded the highest ROA indicator of 16.72% in 2015. In the following years, a decline in value of this indicators is recorded, its value is lower in relation to all earlier observed years, whereby the minimal value for the observed period was achieved in 2018 and amounted to 5.23%.

Observing the fluctuation of total capital, one can note that in 2017, in relation to 2016 and 2011 and 2010, capital growth was negative, which means that during those years, there was a decrease in total capital. On the other hand, the biggest growth of total capital of audit sector, amounting to 40.74%, was achieved in 2014, which is a significant increase in the ratio of the all observed years. Growth of total assets recorded negative value in 2012 in relation in 2011. Its biggest growth was achieved in 2015 by 30.96% in comparison to the previous year. The biggest growth in number of employees with auditing firms was recorded in 2015, 13.15%. During all other years, there was a positive growth in the number of employees.

Graph 8: Changes in successful operation of audit firms in the period from 2010 to 2020



Source: Author, based on disclosed financial statements individually for all auditing firms, https://www.kor.rs/registri_preduzeca.asp, overview January 2022

Total operating revenues recorded by all auditing firms in RS had increased in all observed years, except in 2018 and 2020, when a negative flow (reduction) of operating income was recorded. The net profit of the sector had a cyclical movement, in six years it recorded a decrease in the ratio compared to the preceding years. The biggest drop in total accomplished not that gain was recorded in 2016 (37.01%). On the other hand, the largest growth of net profit of 82.41% was achieved in 2019. A similar trend can be found with net loss - in four years auditing firms recorded a smaller net loss in the observed period compared to the previous year. In the last observed year, a net loss was recorded of 4,128,000 dinars, which is more compared to the first observed year (841,000 dinars), but it is significantly less in relation to the years when auditing firms recorded the largest amounts of net loss.

6. Conclusion

Due to reviewing whether the information contained in the financial statements of companies, auditing firms are true and fair, they represent very important participants in the business environment. Auditors and audit firms are on the front line of criticism if fraud and irregularities occur in the audited financial statements. In order to perform the audit work in the most qualitative and reliable way, it is important to have successful, stable and well-organized audit firms, with staff and auditors who support the established goals and monitor changes in the environment and the market.

The results of the research show that only two audit firms that had the highest average increase in net results also had the highest average increase in total assets for the observed period. This does not confirm hypothesis number one, and it can be said that the companies with the highest increase in net results did not have the highest increase in total assets, that is, they do not achieve a leadership position in the growth of assets.

The conducted research indicates that the largest number of audit firms that have the highest average increase in operating income did not achieve the highest average increase in net results. For the analyzed eleven-year period, one audit firm with the highest average increase in operating income had the highest average increase in net results. This research result points to the conclusion that a high amount of realized operating income is not a guarantee for achieving the highest net results, which implicitly implies that expenses are a very important factor in profitability. Companies should maintain an adequate ratio of income and expenses, that is, influence the keeping of expenses within the limits that would enable a greater increase in net profit with the growth of operating income. The productivity of the company depends not only on the achieved net result, but also on the number of employees engaged in the company. The results of the research showed that the audit firms that achieved the highest increase in operating income were not, at the same time, the most productive ones, in terms of net result per employee. The company *MC Global Audit* is the most productive, in terms of the average increase in productivity, and in terms of the average increase in operating income, it is not in the top ten audit firms. In accordance with the obtained results, the Hypothesis no. 2 was confirmed.

Previous researches have shown that the size of the audit firm has a great influence on other factors and consequently on the quality of the audit (Kondić & Vranješ, 2017, 222). In accordance with the Hypothesis no. 3, the obtained results of the conducted research points to the conclusion that this hypothesis is rejected. This means that auditing firms, as measured by the ratio of net results to the number of employees. In this case, looking at the ratio of net results and the number of employees, audit firms that do not belong to the "*Big Four*" group emerge as leaders. Taking into account the amount of total assets and business

income, the conclusion would be drawn that the "*Big Four*" companies do not have a dominant position, that is, they are not leaders in the audit services market. In fact, the members of the global four, in accordance with their size and reputation, realize higher amounts of operating income over the years, have assets of higher value, but in accordance with their volume of work, they hire a larger number of employees, which consequently affects their productivity. Large audit firms achieve a significantly higher amount of operating income, have a more noticeable growth in net profit and hire a larger number of employees (Mijić et al., 2014), where the members of the "*Big Four*" are looking for employees who will have an adequate and specific ratio of characteristics, skills and experience (Gebreiter, 2020, 236). The obtained results are in accordance with the previously mentioned research, in terms of the highest amount of realized net profit and the highest number of employees; however, looking at the growth of the mentioned positions, different conclusions are drawn.

Earlier studies have shown that the leading position is held by members of the "*Big Four*", companies that are members of global networks, compared to domestic and smaller audit firms (Mijić et al., 2014; Milenković, 2018; Mrdak, 2019). This contradicts the results obtained in this paper, where the fluctuations of the observed positions are not more dominant and favorable among the members of the "*Big Four*", but rather they are equal to smaller audit firms. The obtained results are in accordance with the results stating that the amount of net profit achieved by the members of the "*Big Four*" is balanced with the net profit achieved by other audit firms (Jakšić et al., 2015, 558).

The main scientific contribution of this paper is related to sharing knowledge about the importance of audit firms and their contribution to adequate decision-making. The social contribution of the conducted research is based on the formation of conclusions that audit firms have a dominant and leading position on the RS market. The conducted research enables the identification of the key segments and contributes to the formation of a realistic attitude about the state and prospects of development of the auditing firm, either regarding audit services or other services they offer. On the other hand, the paper may be used by various stakeholders when deciding on the choice or level of trust in some of the audit firms.

The main limitations of this work are related to the analysis of the operations and the success of the audit firm's business based only on the most important balance sheet items. The indicators of the success of the company's work are numerous, starting from the analysis of all balance sheet items and the use of numerous ratios. Also, the company's operations present a dynamic process, with numerous changes. During the analyzed period, new auditing firms were founded and some auditing firms ceased to exist. Therefore, only active audit firms in 2020 were taken into account. It is important to point out that in 2019 the company *Baker Tilly WB Audit* became *Global Audit Services*, and *AGM Audit* became

Mazars Audit, while in 2020 the company *Confida* became *Audicon* and the company *Finodit* is now *ECOVIS FinAudit*. Future research could examine further developments and changes in audit firm operations. In this context, it is useful to examine in detail the external factors, as well as the quality of the audit staff within the company, and their impact on the comprehensive results.

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DINAMIČKA ANALIZA RAZVOJA POSLOVANJA REVIZORSKIH KUĆA: SLUČAJ REPUBLIKE SRBIJE U PERIODU 2010-2020.

Rezime: Revizorske kuće, zahvaljujući izdatim izveštajima i u njima iznetim kompetentnim mišljenjima, imaju veliki značaj za donosiocce poslovnih odluka i bitan uticaj na razvoj privrede. Svrha ovog rada jeste prikazivanje stručnoj javnosti trenutnog stanja i promene rezultata poslovanja, ostvarenih u jedanaestogodišnjem periodu aktivnih revizorskih kuća u Republici Srbiji. Cilj rada je objektivna ocena stanja i poslovanja aktivnih revizorskih kuća, kao i utvrđivanje tendencija u poslovanju i praćenje rezultata ostvarenih na tržištu revizorskih usluga. U radu se analiziraju promene pojedinih bilansnih pozicija i pokazatelji rentabilnosti, odnosno njihov prosečni prirast za jedanaestogodišnji period. Rezultati ukazuju da članovi „Velike četvorke“ ne ostvaruju lidersku poziciju na tržištu, posmatrano putem pokazatelja produktivnosti. Zapravo, rezultati ukazuju da revizorske kuće sa najvećim prirastom neto rezultata u posmatranom periodu ne zauzimaju vodeću poziciju prema prirastu aktive. Istovremeno, preduzeća sa najvećim rastom poslovnih prihoda u posmatranom periodu nisu ujedno i najproduktivnija, mereno neto rezultatom po zaposlenom. Rezultati do kojih se došlo u ovom radu doprinose formiranju realnog stava o situaciji na tržištu revizorskih usluga, ali i perspektivama i tendencijama u razvoju revizorskih kuća.

Ključne reči: revizorske kuće, „Velika četvorke“, tržište revizorskih usluga, produktivnost, rentabilnost, neto rezultat

Authors' biographies

Aleksandra Radojević is a research trainee of the Faculty of Economics of the University in Kragujevac, at the Departments of Accounting, Auditing and Business Finance. She defended her master's thesis in 2020 at the Faculty of Economics, the University in Kragujevac. The key areas of her interest are financial statement audit, internal audit and internal control.

Biljana Jovković is a full-time professor of the Faculty of Economics of the University in Kragujevac, at the Departments of Accounting, Auditing and Business Finance. She defended her master's thesis in 2007 at the Faculty of Economics in Belgrade. Furthermore, she defended doctoral dissertation in 2012 at the Faculty of Economics, the University in Kragujevac. The key areas of her interest are internal control, financial statement audit, accounting in insurance companies and banks, supervision over public administration and internal audit.

Predrag Dragičević is an audit advisor in the State Audit Institution, where he performs work in financial statement audit, compliance audits and performance audit. He defended his master's thesis at the Faculty of Business Economics in Bijeljina, University of Istočno Sarajevo in 2019