

THE EFFECTS OF IFRS IMPLEMENTATION IN POLAND. PILOT RESEARCH

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Abstract:

From 2005 companies whose securities are traded on a regulated market in the EU must apply International Financial Reporting Standards (IFRS) to the consolidated financial statements. EU countries can extend this obligation to individual annual financial statements and to non-listed companies. The aim of the IFRS adoption in the EU was to improve the efficient and cost-effective functioning of the EU capital markets and the internal market. This important regulation has provided researchers some topics to investigate, including benefits and costs of IFRS adoption in the EU. From the literature review it appears that there is little research on the effects of IFRS implementation in central and eastern Europe compared with western Europe. The aim of the research¹ is to identify the benefits and costs of IFRS adoption, to analyze it in the Polish practice and to compare achieved results with findings of similar research concerning other countries. Our study is divided into several stages. At first the benefits and costs of IFRS implementation will be identified on the basis of the international literature review. Next a questionnaire will be compiled basing on the results of the first stage of the research. Three separate sets of questions will be prepared and will be sent to different Polish stakeholders (preparers, auditors and users of annual financial statements). In addition to the questionnaire, several interviews will be conducted. Finally, after collecting opinions of stakeholders on the effects of IFRS implementation in Poland, the results of the survey will be compared with the findings of other studies from other countries. At present the first and second stages of the research have been completed (the literature review and compilation of the questionnaire). Different benefits and costs of IFRS implementation are mentioned in the literature. From our literature review appears that many authors distinguish such benefits as higher transparency and comparability of financial reporting, lower cost of capital, higher liquidity of capital markets, an increase in cross-border investments, greater access to capital, an improvement of accounting quality. These and other benefits vary from company to company and from country to country. The discussion of the benefits of IFRS adoption is broad in the literature in contrast with the costs. The costs of preparers of financial statements are mainly analyzed in the literature. It is emphasized that the process of IFRS adoption by companies is costly and time-consuming. These costs include internal staff time spent on IFRS implementation, training staff, changing software and systems, external advice (technical, tax, valuation or IT advice), additional external audit. The costs of IFRS adoption depend on the size of the company. For some companies these costs probably exceed the benefits. There are different opinions whether the benefits of IFRS application in the EU outweigh the costs. The cost/benefit analysis of the IFRS implementation is not easy because some benefits are difficult to quantify. Moreover the companies preparing IFRS-based financial statements incur the majority of these costs, while the benefits are shared between different stakeholders.

Keywords: accounting, financial reporting, International Financial Reporting Standards (IFRS), Poland.

¹ The research is conducted by six authors: