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Implications of IFRS Adoption on Balance-Sheet vs Income Statement Figures

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ABSTRACT

On the last two decades, financial reporting area has suffered lot of changes in order to respond properly to the dynamics of the economic system characterized by continuous process of globalization, international capitalization, and multinational corporations increasing economic impact. Implementation of IFRSs has been positively perceived by both preparers and users from quality of financial information improvement point of view and economic effects perspective as well. Romanian regulators have decided to align to the EU accounting legislation by adopting IFRS for the consolidated accounts preparation. Furthermore, they have chosen to extend IFRS use to individual financial statements in case of all listed companies. In this study we will provide evidence using an index of conservatism that there are small changes on the financial accounts pre IFRS adoption versus post IFRS adoption at the statutory financial statements level. This evidence is actually reflecting the continuous efforts of Romanian regulator to harmonize the local accounting regulation with IFRS.

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1. Introduction

Contemporary issues in financial reporting extend on a wide variety of interests. Thus, the focus has been redirected not just in the direction of simple national accounting regulation with the international accounting standards, but the international accounting standards-setter has set a clear strategy of continuous improvement of the actual accounting standards and the publishing of new accounting standards meant to clarify numerous critical topics raised by an exponential growth of financial internationalization and a globalized economy. Moreover, there has been recorded visible modification around the relation between offer and demand of financial information, as the users of the financial statements have claimed a more integrated approach of financial communication process. The new requirements of the users for financial statements underline the need of an extended policy of voluntary disclosures, which are preferably to combine the financial and non-financial information in order to reflect more accurately management's activity, creating a ground base for reliable financial forecasting, or focusing on the recent topics of green accounting and social topics of an enterprise (Beyer et. al., 2010; Lungu et. al., 2012). The paradigm appears when we realize that the difference between mandatory financial statements and corporate financial disclosures is the obligation of certifying only the first ones, which can lead to the perception that voluntary disclosures can become just an additional marketing tool for a company. Additionally, the interest shown for the IASB current project of revising the actual conceptual framework for financial reporting reveal the opportunity and necessity of simplifying understanding the contents of the financial statements, especially in the context of more complex business models, an increasing number of creative accounting tools.

It is well known that the quality of the accounting standards does not automatically translate into qualitative financial information, as the economic transactions complexity does not permit any regulation to describe exactly its accounting content. Convergence to high quality financial information is assured only under fulfilling cumulative conditions regarding corporate governance mechanisms efficiency, effective enforcement process, and high expertise and integrity of financial auditors, as well (Nobes & Parker, 2008; Doupnik & Perera, 2012). Moreover, Ball & Shivakumar (2005) reveal the causal relation between demand and quality the offer for financial information, which conduct us to the conclusion that the financial education of the users of the financial information tend to gain a more important place in the process of financial reporting configuration. This is especially in case of the individual investors who can't access financial analyst services by financial reason, or even by high specificity of the activity area analyzed. Moreover, Ball et. al. (2008) notice that the demand for financial information disclosed by financial statements is relative to the financing politics of the firms, because a firm on a market-based financing economy will not give so much importance to the financial statements than a firm on a credit-based financing

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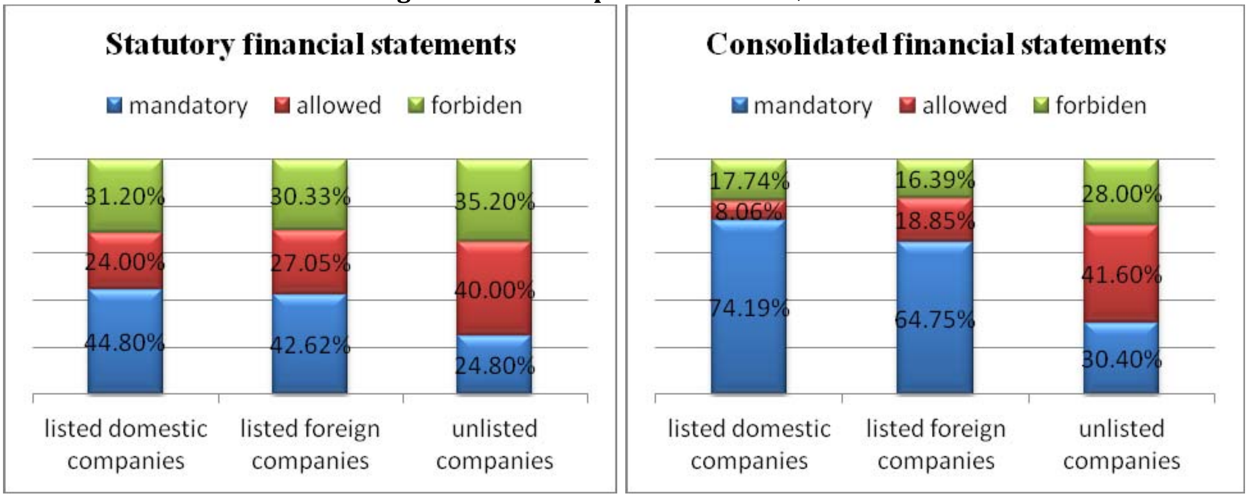
economy, as the first one consider the stock price enough relevant because of the multitude of informational sources incorporated on the stock-market price.

Figure 1. IFRS adoption worldwide, 2013



Source: projection based on centralized data from IASB site, Deloitte website and KPMG site

IFRS are already used on over than 100 jurisdictions, with the perspectives of extending the use not just for consolidated financial accounts preparation, but also for statutory accounts preparation and even for SMEs accounts. Even though, the solution of IFRS adoption is still perceived cautiously, looking at the small number of voluntary IFRS adopters, as there is still small evidence of the balance between costs and benefits of adopting such treatment (Christensen, 2012). On these conditions, the mandatory adoption treatment for IFRS implementation is placing the political factors in the central role of financial reporting normalization, which means, not necessarily, the best long-term solution for a national economic environment, especially in the case IFRSs are allowed after revisions decided within an endorsement process (Hansen, 2011; Ramanna, 2013). Even Hans Hoogervorst, the chairman of International Accounting Standards Board, recognize the effect of the politics behind the accounting standard-setting, though claiming that a real debate around the role of uncertainty and materiality on financial reporting would be ideal to figure out the optimal balance between mandatory financial statements and voluntary corporate financial disclosures (KPMG, 2013).

The quality of the international accounting standards is unanimously certified, at empirical and perceivable level by most of the financial reporting environment actors. The reluctance on adopting IFRS worldwide is justified especially when even the President of IFRS Foundation Trustees himself, Michael Prada, who claimed in a recent interview that *the standard-setting process is messy, controversial and unpopular* (IASB, 2014). Important is that IASB find out the way of involving as many actors as possible within the due process in order to gain a veritable legitimacy, and consequently determine the local enforcers to monitor for a proper IFRS implementation and use (Colasse, 2010).

In this paper we will try to analyze the implications of adopting IFRS on the balance-sheet figures and income statements. These results will be analyzed in the context of the Romanian environment, characterized by a high level of prudence and a more pronounced focus on the balance-sheet accounts, comparing to the income statements accounts. Such analysis is relevant in the context of current accounting regulation changes, regarding the extent of IFRS use, which can deter the content of most used debt covenants (Christensen & Nikolaev, 2012). We sustain the utility of this study especially by the consideration that, for now, the economic Romanian environment is still financed predominantly by the banking system, with a capital market still with a low liquidity (MSCI, 2012) and with a low informational efficiency (Pele & Voineagu, 200; Dragota & Oprea, 2014).

2. Literature review

Worldwide, IFRS adoption is positively perceived, not just cause of the increase in quality of financial information, but taking in account the implied economic effects as well. Also, the empirical studies make difference between the effects provided by voluntary IFRS adoption vs mandatory IFRS adoption. Finally, there is clear evidence on the comparative approach of IFRS adoption effects focused on the level of disclosures compliance with IFRSs' provisions.

Ball et. al. (2008) provide evidence on the decrease of conservatism and financial reporting timeliness, as IFRSs are market-oriented standards, while local GAAPs, especially in case of countries with predominant banking financing, basically focus on creditors financial informing. Further, Barth et. al. (2008) reveal a significant increase on the relevance of financial information, which is a predictable result considering that IFRS state the main beneficiary of the financial information provided through financial statements are the investors. Moreover, Barth et. al. (2008) reveal the opportunity of adopting voluntary IFRS, as the effects are superior comparing to mandatory adoption. Even though, the principle-based design of the IFRSs, lead to the use of numerous creative accounting tools, as the professional rationale becomes central on drawing the financial communication strategies (Barth et. al., 2008; Chen et. al., 2010). As expected, the increase on value relevance of financial information is well explained by the evidence on accruals quality which seem to be more correlated with operational cash flows (Chen et. al., 2010; Houqe et. al., 2012). On the same context, Kim & Shana (2012) proves a considerable increase on financial information predictability, really necessary for financial analysts on firms valuation. Additionally, the evidence proves relevant improvement on the international comparability of financial statements (Barth et. al., 2008; Cascino & Gassen, 2012). If these studies have revealed an increase on financial information comparability by a quantitative analysis of the financial figures, the evidence on comparability of financial statements compliance with IFRS state a heterogeneous level of compliance on an international view, as the way of implementing IFRS at national level differs cause of specific environment factors, such as capital markets development, political influences, level of professionals education, regulatory enforcement and so on (Bova & Pereira, 2012).

In the last two decades there were realized numerous empirical studies on the economic effects of IFRS adoption, underlining the opportunity of IFRS adoption by macroeconomic and microeconomic effects as well, mentioning the increase of direct foreign investments (Chen et.al., 2014), stimulating merger and acquisition transactions (Francis et. al., 2012), gross domestic capital influence (Konchitchki, 2014), economic growth (Li & Shroff, 2010), economic integration (Jayaraman & Verdi, 2013), capital markets integration (Cai & Wong, 2010), increase of market capitalization (Daske et. al., 2013), increase on foreign investments (Chen et. al., 2011; Louis & Urcan, 2012), or investment efficiency (Biddle et. al., 2009; Chen et. al., 2013). Moreover, at reporting entity level, there are also significant positive effects on the cost of capital evolution (Naranjo et. al., 2013; Ball et. al., 2013) , liquidity and value of firm (Daske et. al., 2008; Buggemann et. al., 2012; Daske et. al., 2013), or cost transaction (Ramana & Sletten, 2014). But, these results have to be analyzed cautiously as some of the firms have chosen the way of IFRS only for positively signaling the market, without efforts of real IFRS implementation. Anyway, the evidence shows that the capital markets are able to distinguish between the labeled IFRS adopters and the real ones (Daske et. al., 2013)

Once the decision of adopting IFRS was taken, the decision factors have subscribed to a long-term commitment that the financial statements will be in full compliance with the previsions of the international accounting standards. We underline this consideration as, usually, turning away from IFRS to local GAAP, or simply implementing superficially IFRS at firm level, is negatively perceived by the capital markets (Daske et. al., 2008, Daske et. al., 2013). Of course, there are voices that contradict this thesis as was the case of Fietcher et. al. (2012) who proved no significant changes on the quality of financial information in case of Swish companies, who decided to turn back to local GAAP on the preparation of the financial statements. Not the least, there are studies that even reduce the importance of accounting standards on assuring financial information quality, as there are more other important factors such as regulatory environment (Christensen et al., 2013; Barth et. al., 2013), or financial incentives (Burgstahler et. al.2006; Christensen et. al., 2008), which condition IFRS effects on financial quality information.

Transition from local GAAP to IFRS has raised various questions regarding reliability of information disclosed by reconciliation financial statements. This reluctance to first financial statements prepared according to IFRS is explainable if we think to the numerous exceptions and exemptions provided by IFRS 1. Moreover, the evidence has revealed the fact that as different the local GAAPs are comparing to IFRS, as there will be the transitory accruals which can lead to important financial ratios deterioration. IFRS 1 covers four essential aspect:

- providing a set of comparative financial information;
- identify the financial reporting base;
- retroactive application of IFRSs, considering the exceptions and exemptions provisioned;
- establishing the date of transition and publishing of the new financial statements.

Nobes (2011) continue the same research direction, emphasizing the need of a continuous improvement cycle, by relating main factors of variations in IFRS adoption and practice, placing on a central angle the problems of accounting estimates and the overt and covert options in IFRS.

Van Greuning et. al. (2010) underline the importance of the professional rationale behind the application of IFRS 1 provisions, especially focusing on the effects generated by the various exceptions and exemptions used, as these discretionary treatments can lead to serious deterioration, not just of financial information comparability, but of the reliability of the financial information as well. This is well documented by empirical evidence on Daske et. al. (2013) study, who have noticed that there are firms which implemented IFRS on a superficial manner, just because of the financial reporting regulation of a jurisdiction. More than that, Bruggemann et. al. (2012) emphasized a trend that numerous firms have tried to avoid IFRS implementation, even by delisting decision, because of lot of uncertainty regarding cost-benefit analysis, or difficulties on comparative quality analysis of various accounting standards vs IFRS.

The multiple option provisioned by IFRSs in numerous cases make the financial information to be less comparable, even within firms in the same country and with the same area of activity. IFRS 1 comes to amplify this perception, especially because in the last decade the main revisions of the standard focused on the exceptions and exemptions permitted on the process of retroactive application of IFRSs in the transition financial exercise (IASB, 2014).

Cormier et. al. (2009) becomes more specific, stating that the exceptions and exemptions used by managers translate, actually, on veritable aggressive creative accounting techniques, meant to maximize the financial performance and at least conserve the actual financial position of the firms they manage. At the same conclusion come Osma & Pope (2011) who realize a study analyzing the effects of IFRS 1 adoption on firms' financial statements from 20 countries. They reveal an inverse relation between the level of the adjustments requested by the reconciliation process and the quality of earnings reported for the next immediate financial exercises from IFRS adoption. This way, there might be the risk of deterring financial ratios by big bath accounting techniques, excessive use of accounting estimates and so on. Concisely, the study emphasize there is a positive correlation between adjustments amplitude and:

- great probability of reporting small earnings;
- high values of accruals;
- increase of the economic earnings variation;
- reduction of value relevance of earnings.

The adjustments vary from firm to another, based on the specific of the operating area, the business model, assets structure, or the size of the firm. Even though the most part of the cumulated adjustment can be explained by reconciliation adjustments made in the base of several accounting standards, as is the case of IAS 12, IAS 29, or the conceptual framework for financial reporting (Osma & Pope, 2011; Fifield et. al., 2011).

Another step on analyzing the first time adoption of IFRS is the importance given to capital covenants vs performance covenants, which is different considering the case of common law vs code law countries, capital market-based vs credit-based economies, principle-based vs rules-based accounting regulation and so on.

First of all, Hail (2013) notice on her study that accounting practice evolution has negatively affected especially the profit and loss statement, on the ground of various used earnings management techniques, while the balance-sheet informational content relatively remained constant under the pressure of the bond-holders. But this reality varies among jurisdictions because the capital-market based economies believe that the markets are efficient, and automatically able to integrate on the stock market price any attempt of earnings management. On the other side, for the debt-holders is not so important of how a firm assure its solvability, focusing especially on balance-sheet information which synthesize the ability of managers to conserve their investment.

Christensen & Nikolaev (2011) study more specifically the problem of using accounting information in solving the agency problem. First of all, they emphasize that the use of the two types of covenants are negatively correlated. More than that, they notice that the use of capital covenants is preferable in case the contractibility of accounting information decreases, implying potential future litigation costs. Essentially is the implication the investors want to have on drawing the firms strategies, as using performance covenants means they will focus not just on preserving their investment, but also will follow the efficiency and effectiveness of managerial actions.

Correlating the conclusions of these two studies, we can realize that the adjustments made on the accounts of balance-sheet of profit and loss statements represent a trade-off based on the cost of monitoring the accuracy of the financial information. It is obvious that the balance-sheet accounts are more affected by value amplitude. But the challenge of IFRS transition process is how managers will handle the accounting issues as reconciliation adjustments mean balance-sheet capitalization, or profit loss affecting for each transaction. That is why financial covenants can be affected by IFRS adjustments especially by incorrectly balancing the two types of covenants. For instance, there is large debate around the term of economic resource and control of such economic resource, which would be the premises for an asset recognition. In case if the topic would be clear the asset would be capitalized. Instead, if uncertainty of the control over the economic resource exists then this asset should just be recorded as an expense.

Overall, the empirical evidence is mixed around the effects of first time IFRS adoption, drawing a relative lack of confidence of investors on the information disclosed by first IFRS financial statements. For instance, Gaston et. al. (2010) revealed in their study that the impact of first time IFRS adoption is on UK firms, rather than of Spanish firms, justifying these results by the use of the exceptions provisioned by IFRS 1, and especially stronger regulation enforcement in case of Spain. This utopia does not mean that the Spanish GAAP are closer to IFRS than UK GAAP are, but emphasize the importance of an efficient enforcement institutional framework. These results might be explained even by the local GAAP orientation, where we find the opposition between the code law countries, firms focusing on balance-sheet accounts, whereas in common law countries firms give more importance to the financial performance analysis. If we remind Dunne et. al. (2008) study, we will realize as previous study that in case of firms from common law countries the adjustments are higher on equity accounts than on firms from code law countries, whereas on the case of net income the situation reverses.

There is also debate around the immediate effects of IFRS adoption worldwide, as the capital markets seem to react negatively to the first IFRS financial statements, because of the significant reconciliation adjustments. On this direction we mention Platikanova & Perramon (2012) study, who provide evidence, on a sample of European countries, that first time adoption generate negative reaction on the capital markets, by reducing the stock-market liquidity, on the ground of a decrease of investors' confidence based on significant differences between local GAAP figures and IFRS figures and low level of comparability of financial statements. A more complex study is Daske et. al. (2008) study, who have emphasized the importance of reporting incentives offered to preparers in order to be transparent and the power of the legal enforcement. Capital market incentives translate especially into higher economic effects on the case of voluntary IFRS adoption. Moreover, the reconciliation adjustments are differently perceived in case of voluntary adoption vs mandatory adoption, underlining the fact that effective IFRS adoption is rewarded by investors, comparing to the situation of superficial IFRS adoption determined by a mandatory IFRS adoption. Also, the study reveal the correlation between economic effects amplitude and the level of local GAAP harmonization with IFRS. Overall, on this study the researchers find out, using a difference-in-differences analysis, that mandatory IFRS adoption will immediately generate a cost reduction, and a slightly increase of firm-valuation.

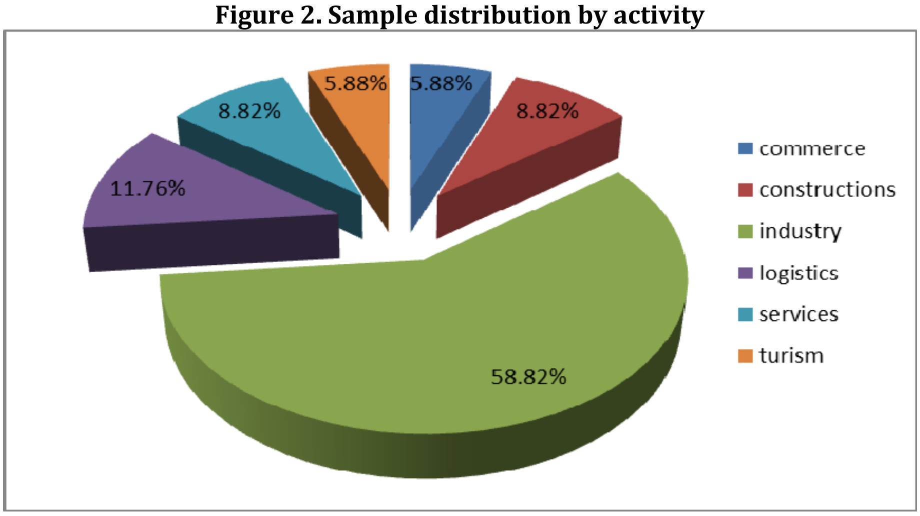
Overall, the results of first time IFRS adoption are mixed, depending on other institutional factors that can amplify, or worst, deter the premises of qualitative financial information obtained by applying high quality accounting standards. All the studies done till now just raise the thesis that the amplitude of the effects of IFRS adoption circles around a battle of a perceptions battle, fundamentally dependent on IASB ability to gain an increasing legitimacy worldwide.

3. Methodology research

The study will be realized on a sample of 34 firms listed on Bucharest Stock Exchange market, having the most liquid stock shares among the non-financial sectors. All information used on the study were gathered manually from the reconciliation statements corresponding to 2011 financial exercise. In case such reconciliation statement was missing, we used the financial statements prepared according to Romanian GAAP and the financial statements prepared in compliance with IFRS.

We will analyze the data with SPSS 20.0 statistical software. The main focus of the analysis is of analyzing in comparison the effects of IFRS reconciliation adjustments on balance-sheet accounts vs income statement accounts. For this, additional to a simple descriptive analysis of the most important financial accounts, we will proceed to estimating a multiple linear regression model that will have as a dependent variable the index of conservatism of the reported financial result determined by IFRS adoption, widely used in the literature review.

Figure 2. Sample distribution by activity



Source: own projection

The reported result generated by IFRS adoption will exclude IAS 29 adjustments as this component lead us to a heterogenous sample. The independent variables are expresions of the index of conservatism for sales (CA), plant, buildings and equipment (TCE), current assets (AC), and current debt (DC). The regresion model is expressed as follows:

$$i_{RR} = \alpha_0 + \alpha_1 \cdot i_{CA} + \alpha_2 \cdot i_{TCE} + \alpha_3 \cdot i_{AC} + \alpha_4 \cdot i_{DC} \ .$$

The index of conservatism (*Gray index*) is calculated using the relation $i = \left(\frac{Valoare_{IFRS} - Valoare_{RCR}}{|Valoare_{RCR}|}\right)x\,100$. This index is interpreted according to the following rules (Istrate, 2013):

- $i > 1{,}05$, if IFRS values are smaller than the figures reported under local GAAP, meaning a prudent transition to IFRS;
- $0{,}95 < i < 1{,}05$, if IFRS values are similar with the figures reported under local GAAP, meaning a neutral transition to IFRS;
- $i < 0{,}95$, if IFRS values are greater than the figures reported under local GAAP, leading to an optimist transition to IFRS.

1. Results and discussion

IFRS adoption in Romanian case was a gradual process, which lead to a relative harmonization of local GAAP with IFRS. Despite the efforts of harmonization, the empirical evidence still reveal a low level of similarities between local GAAP and IFRS, and a significant level of discordance between the two accounting regulations (Strouhal et. al., 2011; Albu et. al., 2012). Indeed, there are variations along a standard analysis. But, the variations are explained not just by the low formal harmonization between Romanian GAAP and IFRS, but they are explained by variations in compliance with IFRS on firm analysis level as well. Bellow we remind some of the most relevant differences between Romanian GAAP and IFRS:

Table 1. Major differences between IFRS and Romanian GAAP

Topic	Standard	Comments
investment property	*IAS 40 „Investment Property”*	- tangible assets reclassification, given that OMFP 3055/2009 does not provide a separate position for investment properties, being included in category of tangible assets;
non-current assets held for sale	*IFRS 5 „ Non-current Assets Held for Sale and Discontinued Operations”*	- tangible assets reclassification, given that OMFP 3055/2009 does not make a separation between the assets held for use and those held for sale;
biological assets	*IAS 41 „Agriculture”*	- tangible assets reclassification, given that OMFP 3055/2009 does not provide a separate position for biological assets, being included in category of tangible assets;
foreign exchange rates	*IAS 21 „ The Effects of Changes in Foreign Exchange Rates”*	- the concept of functional currency is not defined by OMFP 3055/2009; all the transactions have to be registered in RON;
inventories	*IAS 2 „Inventories”*	- OMFP 3055/2009 permits also LIFO inventory method valuation, even if IFRS prohibits it;
post-retirement benefits	*IAS 19 „ Employee Benefits”*	- OMFP 3055/2009 treat all types of employee benefits as a hole even if they should be evaluated separately under specific circumstances; also, cause of method of valuation used there appear actualization differences;
construction contracts	*IAS 11 „ Construction contracts”*	- OMFP 3055/2009 does not provide any treatment for this issue;
deferred taxation	*IAS 12 „Income taxes”*	- OMFP 3055/2009 does not regulates the notion of deferred taxation, but provides some special situations in which may be constituted provisions for taxation;
derivative financial instruments	*IAS 39 „ Financial Instruments: Recognition and Measurement”*	- OMFP 3055/2009 regulates the accounting for these instruments only when settlement.
assets depreciation	*IAS 36 „ Assets depreciation ”*	- OMFP 3055/2009 does not define the concept of residual value for assets; so they are amortized at their cost; the regulation give less guidance on topics such as discounted rates, the concept of cash generating units, the method used on impairment test etc.;
Revenue	*IAS 18 „ Revenue”*	- OMFP 3055/2009 does not mention anything about effective interest method; also, there are no

Topic	Standard	Comments
		specification regarding income actualization;
accounting policy definition	*IAS 8 „ Accounting Policies, Changes in Accounting Estimates and Errors"*	- OMFP 3055/2009 consider amortization as an accounting policy, while IASB consider it as an estimation; also, it discourage using estimations;

Source: KPMG, 2012; Ernst & Young, 2012; CECCAR, 2012

Regarding effects on financial ratios of IFRS adoption, there are small number of studies on the Romanian literature. Sacarin (2013) was the first who tried to measure the implications of IFRS adoption the financial accounts, revealing that there are small values of the index of conservatism for equity and net income evolution as well after the transition process to IFRS. Similarly, Istrate (2014) provided evidence that net income has decreased in small amount, while the equity capital has relatively increased. This would lead immediately to a financial return decrease. But this reality has to be analyzed cautiously as the impact of reconciliation adjustments on equity capital was significant under the IAS 29 provisions.

Table 2. Index of conservatism
(absolute frequency)

Transition	*Operational Cash flow*	*Current assets*	*Long-term debt*	*Current debt*	*PPE*	*Net income*	*Sales*	*Equity capital*
Prudent	10	**28**	**23**	12	4	9	4	5
Neutral	**15**	1	6	**17**	**18**	**17**	**26**	**20**
Optimist	7	3	3	3	10	6	2	7

Source: own calculus based on reconciliation statements

Table 3. Index of conservatism
(relitve frequency %)

Transition	*Operational Cash flow*	*Current assets*	*Long-term debt*	*Current debt*	*PPE*	*Net income*	*Sales*	*Equity capital*
Prudent	31.25%	***87.50%***	***71.88%***	37.50%	12.50%	28.13%	12.50%	15.63%
Neutral	***46.88%***	3.13%	18.75%	***53.13%***	***56.25%***	***53.13%***	***81.25%***	***62.50%***
Optimist	21.88%	9.38%	9.38%	9.38%	31.25%	18.75%	6.25%	21.88%

Source: own calculus based on reconciliation statements

Table 4. Descriptive statistics for index of conservatism

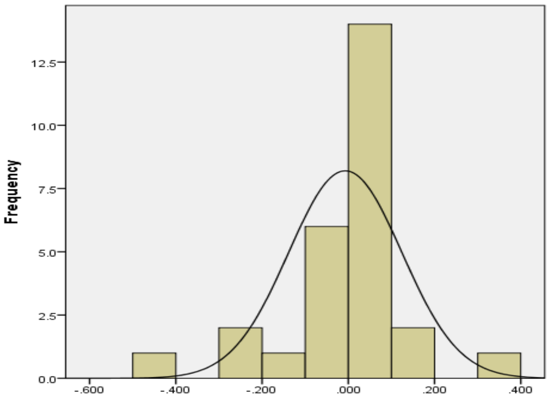
	Operational Cash flow	*Current assets*	*Long-term debt*	*Current debt*	*PPE*	*Net income*	*Sales*	*Equity capital*
Average	0.660	-0.736	0.353	1.055	**1.435**	0.887	0.993	0.960
St. Dev.	1.201	1.784	1.322	0.351	3.063	0.631	0.234	0.297

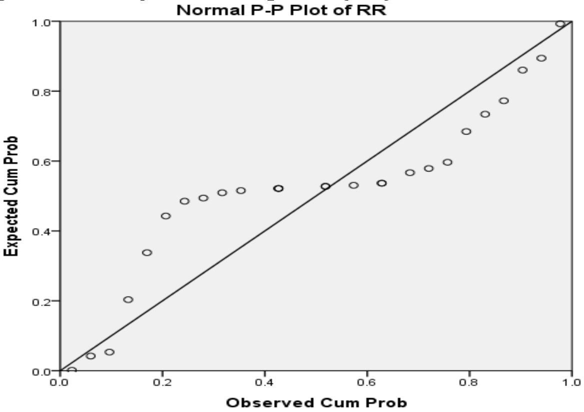
Source: own calculus based on reconciliation statements

As expected, our results are similar to the previous mentioned studies. Most of the balance-sheet accounts and all performance accounts haven't been changed significantly. On these circumstances, the only the liquidity ratios will suffer more visible. This is because of the reclassification operations done on the receivables as significant amount were classified as inventory. The equity capital, because of the methodology used, hasn't suffered much after IFRS adoption, as the changes in reserves were relatively low.

We can notice that the most affected balance-shhet account is the PPE account, cause especially by the transition to fair value valuation base for the plant, property and equipments. This reality is amplified by the fact that most of the firms from our sample are operating in the industry area where PPE has a high percentage in the structure of total assets. Also, we can observe a high variation on the index of conservatism for current assets, leading us to the conclusion that the recognition criteria for inventory and receivables still remained different on the Romanian GAAP from IFRS provisions.

Figure 4. Histogram for result generated by IFRS adoption (RR)





Source: peojection with SPSS 20.0

Table 8. Descriptive statistics for result generated by IFRS adoption (RR)

Index of conservatism	
Mean	-0.01
St. Dev.	0.13
Minimum	-0.41
Maximum	0.31

Source: calculus based on reconciliation financial statements

The result of transition to IFRS is unsignificant, but it must be analyzed with cautios as the standard deviation is high, meaning the adjustments vary among the entire sample selected. The distribution of *RR* seems to follow the normal distribution, which means that we have efficiently avoided potential outliers on our sample design.

Table 6. Area of activity influence on reported result generated by IFRS adoption

		Sum of Squares	df	Mean Square	F	Sig.
Reported result	Between Groups	.109	5	.022	***1.344***	.285
	Within Groups	.340	21	.016		
	Total	.448	26			

Source: calculus based on reconciliation financial statements

Table 7. Auditor influence on reported result generated by IFRS adoption

		Sum of Squares	df	Mean Square	F	Sig.
Reported result	Between Groups	.009	1	.009	***.511***	.481
	Within Groups	.439	25	.018		
	Total	.448	26			

Source: calculus based on reconciliation financial statements

Table 9. Regression analysis

	Model Summary[b]				
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.560[a]	.313	.189	.118	1.869

	B	S.E.	t	Sig.	Confidence Interval Lower Bound	Confidence Interval Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
(Constant)	.330	.141	2.329	2.94%	.036	.623		
CA	.020	.038	.514	***61.25%***	-.059	.098	.791	1.264
TCE	***-.352***	.114	-3.084	0.54%	-.589	-.115	.812	1.232
AC	.019	.014	1.356	18.89%	-.010	.049	.755	1.325
DC	.027	.073	.367	***71.73%***	-.125	.179	.956	1.046

a. Predictors: (Constant), DC, CA, TCE, AC

b. Dependent Variable: result

Source: calculus with SPSS 20.0

The statistics, also, reveal some influence of the area of activity on the level of transition to IFRS result ($F_{calculated} = 1.344 < F_{tabel} = 4.04$). Same influence is confirmed by the ANOVA analysis in the case of the type of auditor (local auditor vs international auditor), observing a lower result of transition in case of firms using the services of a local auditor.

The factorial analysis, realised using the multiple linear regression model, reveal small influence of the financial accounts, no matter they are balance-sheet accounts, or income statement accounts. There is one execption, the plant, property and equipment variable (TCE) which is the only variable included in the model affecting the index of conservatism for transition to IFRS result in negative direction. This can be explained especially by the use of the fair value convention in measuring the assets.

Even though, the coeficients of sales and current debt seems to be statistical insignificant as the probability of making a type II error is over 50%. Overall, the influence on the transition result appears to be more visible from the balance-sheet accounts side, as the differences registered in case of the sales and net income are small, almost insignificant.

5. Conclusions

Financial reporting dynamics have drawn an exponential trend of changes, as the users requirements have become more and more complex. More than that, the recent financial crisis has determined a more active debate around the role of financial reporting regulation on the economics of the financial crisis. The political factor has allocated substantial resources worldwide and reiterated their support for IASB and FASB research. The results became visible in short time, as IASB working plan shows currently. The most debatable project seems to be the project of conceptual framework modernization, because everybody considered the old version as insufficient to reflect in the financial statements a true and fair view.

Romanian accounting regulators have decided to extend IFRS use not just for consolidated accounts preparation, but for statutory accounts as well, considering this step would bring an advantage for the capital markets actors, and automatically would increase stock shares liquidity.

Overall, the decision to extend IFRS use seems to be positively perceived by all preparers and users as financial information become more comparable, more relevant and the financial disclosures gain timeliness and lower conservatism, all characteristics being fundamental on assuring an optimal capital allocation. Though, our study revealed small changes on the accounts, determined by IFRS implementation. The central result of the study proves that, as expected, the major changes have been registered at the balance-sheet level, especially because of the measurement operations made on the reconciliation process for plant, property and equipment.

Anyway, these results have to be analyzed carefully, as our sample is small. Also, the sample is relatively heterogeneous because the variance coefficient 95%. Moreover, the samples is reflecting in the most part the industry specific changes as about 58% from the sample firms activate on the industry area.

Further research can be realized in order to measure the impact of IFRS implementation on statutory financial statements by accounting standard. Also, there would be opportune a deeper analysis of the reconciliation adjustments in order to emphasize the effects of accounting policy changes lead by fiscal incentives vs market incentives, as Romanian economic environment still kept a strong connection between fiscal rules and accounting rules. The last but not the least, we consider relevant for future research an analysis of the impact of IFRS adoption on the dividend policy chosen by firms pre and post IFRS adoption and a correlation analysis with the consolidated accounts used on the dividend policy.

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