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THE ILLUSION OF COMPARABLE EUROPEAN IFRS FINANCIAL STATEMENTS. BELIEFS OF AUDITORS, ANALYSTS AND OTHER USERS

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ABSTRACT

Reaching higher comparability was one of the main goals of the implementation of the International Financial Reporting Standards (IFRS) in the European Union in 2005. However, national accounting traditions and cultural differences continue to cause differences in the application of IFRS (KPMG & von Keitz, 2006). European IFRS financial statements might therefore be less comparable than users of these statements possibly assume. This study contributes by determining to what extent auditors, analysts and other users of European IFRS financial statements believe that these statements are comparable and what they perceive to be the most important problem areas when it comes to comparability. Our survey of 426 individuals reveals that only 41% of the respondents believe that European IFRS financial statements are comparable. The more experienced respondents are, the less they believe in the comparability of these statements. Overall, 13 areas are perceived as problematic for the comparability of IFRS financial statements by at least half of the respondents. The three main issues that appear in most of these problem areas are interpretation differences, subjectivity and disclosure differences.

Comparability, European IFRS financial statements, survey

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INTRODUCTION

The implementation of the International Financial Reporting Standards (hereafter IFRS) in the European Union in 2005 has had important consequences for the presentation and the content of the consolidated financial statements of listed, or publicly traded European companies. Instead of using different local GAAPs based on the 7th European Directive, all European listed companies now apply the same accounting standards. One might therefore assume that European IFRS financial statements[i] are now comparable. Reaching higher comparability was indeed one of the main goals of the European commission, in order to contribute to a better functioning of the internal market. Studies already showed, however, that differences in the application of IFRS standards still exist due to for example open and covert options or due to different interpretations resulting from different cultural backgrounds (for example Nobes, 2006). Full comparability will therefore probably never be achieved. Users of European IFRS financial statements might however have the illusion that these statements are comparable. If users make bad decisions based on this ‘illusion’ of comparability, then the intended blessings of IFRS might turn to curses. We investigate to what extent auditors, analysts and other users of European IFRS financial statements believe that European IFRS financial statements are comparable and what they perceive to be the key problem areas with respect to comparability. While literature dealing with financial statement comparability is increasing, the ‘perceived’ comparability has rarely been investigated. This is the first contribution our paper makes to the literature. Second, in doing so, we also gain insight in the areas standard setters should consider with priority in order to enhance comparability for users.

Through qualitative fieldwork (i.e. online survey) we get an insight in the perceived comparability of European IFRS financial statements. We received 426 responses of which 47% from users that were often disregarded in previous research (not analysts or auditors). Despite the use of common accounting standards in Europe, the survey indicates that only 41% of the respondents believe that European IFRS financial statements are comparable. The more experienced respondents are, the less they believe in the comparability of these financial statements. Overall, 13 areas are perceived as problematic for the comparability of IFRS financial statements by at least half of the respondents. The five most important problem areas are derivative financial instruments (and hedging), fair value measurement, impairment of financial assets, critical judgments and key sources of estimation uncertainty and goodwill.

1. LITERATURE REVIEW

Research suggests that having the same set of accounting standards is not enough to attain comparable financial statements in practice. As Beechy (1999) for example states: “Uniform accounting standards can enhance comparability only if the underlying factors affecting the enterprises also are similar. Such is not the case. Companies based in different countries have different reporting objectives, different ways of doing business, and different underlying economic and political factors". Moreover, Roberts *et al*. (2008) state that: "whenever the accounting rules permit more than one alternative treatment for the same event, or whenever an accounting rule requires the use of judgments, estimates or forecasts, different individuals and different companies are likely to produce different figures. Similarly, they may decide to disclose voluntarily different amounts or types of information". Despite the introduction of IFRS in the European Union, full comparability will thus probably never be achieved.

In accounting literature, many factors that influence the comparability of financial statements are identified (a.o. Radebaugh, 1975; Zysman, 1984; Gray, 1988; Doupnik & Salter, 1995; la Porta *et al*., 1998; Nobes & Parker, 2008). The accounting system might for example be influenced by several country features (Roberts *et al*., 2008): the political and economic system, the legal system, the taxation system, the corporate financing system, the accounting profession and religion. The country of origin is still an important factor, as is shown by Kvaal and Nobes (2009). They present strong evidence that choices under IFRS can largely be explained by the continuation of a company's pre-IFRS policies. As there were pre-IFRS profiles of national accounting practices, so there are country-specific profiles of IFRS practices.

Besides country related factors, company specific factors exist like company size, capital intensity, capital structure, financial leverage, industry, international activity, market capitalization, listing status, profitability and return on equity (Cooke, 1989; Dumontier & Raffournier, 1998; Murphy, 1999; Street & Bryant, 2000; Glaum & Street, 2003; Cuijpers & Buijink, 2005; Jaafar & McLeay, 2007; Francis *et al*., 2008; Aledo *et al*., 2009; Holthausen, 2009). Before the introduction of IFRS in Europe, several studies investigated which of these factors could explain the voluntary adoption of IFRS. The studies, however, do not always reach the same conclusions (for a good overview, see for example Aledo *et al*., 2009).

Financial statements can also be influenced by the incentives of preparers. Christensen *et al*. (2008) even find that incentives of preparers dominate accounting standards and the institutional framework in determining accounting quality. Some preparers might like to show high profits in order to impress the stock market while others might like to show low profits in order to raise prices or to reduce dividends, wages or taxes. The amount of accounting literature concerning earnings management, managerial opportunism and creative accounting is enormous (a.o. Watts & Zimmerman, 1990; Burghstahler *et al*., 2006; Nobes & Parker, 2010). Recent studies show, however, that earnings management has decreased since the introduction of IFRS (a.o. Barth *et al*., 2008). Several constraints and enforcement mechanisms were also put in place to prevent that accounting choices are made based on earnings management or managerial opportunism. These monitoring and enforcement mechanisms remain, however, national (a.o. the nature and regulation of audit and the stock exchange markets). In countries where the regulator is stronger, companies may be less willing to depart from a strict application of IFRS as opposed to companies in countries where the regulator is softer (Zeff, 2007; Nobes & Parker, 2010). These enforcement differences can be problematic for the comparability of European IFRS financial statements. Bradshaw and Miller (2008) already showed that harmonizing accounting standards may result in more comparable financial statements but effective regulatory oversight is more important in reaching this outcome.

Taken into account the factors discussed above, it is more likely than not that differences in the application of IFRS still exist. Several studies also show that IFRS still offer many options, either open or covert, and require many important estimates. Optional accounting treatments that are used differently by companies can reduce the comparability of IFRS financial statements and can, therefore, be considered as problem areas for the comparability of these statements. *Table 1* gives an overview of some important studies concerning the problem areas of IFRS financial statements. It is clear that the implementation of IFRS standards has not eliminated the need for research concerning the comparability of financial statements.

Table 1. **Overview studies concerning problem areas IFRS**

Study	Sample	Year ends	Countries
Nobes, 2006	0	/	No empirical research
Ernst & Young, 2006	65	2005	Not specified
KPMG & von Keitz, 2006	199	2005	France, Germany, Hong Kong, Italy, the Netherlands, South Africa, Spain, Sweden, Switzerland, UK.
ICAEW, 2007	200	2005 - 2006	EU countries
PriceWaterhouseCoopers, 2007	1300	2004 - 2005	Belgium, Denmark, France, Germany, Italy, Netherlands, Spain, UK
Morais, 2008	523	2005	Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK
Ineum Consulting, 2008	270	2006	EU countries
Aledo *et al.*, 2009	88	2005	Spain
Kvaal & Nobes, 2009	210	2005-2006 2008-2009	Australia, France, Germany, Spain, UK
Cairns *et al.*, 2009	228	2005	Australia, UK
Fornaciari and Pesci, 2010	127	2005 - 2006	Italy
Stadler, 2010	163	1998 - 2006	Germany

2. RESEARCH DESIGN AND SAMPLE SELECTION

Our research objective is to determine to what extent auditors, analysts and other users of European IFRS financial statements believe that these statements are comparable and what they perceive to be the most important problem areas when it comes to comparability. Auditors are important for their professional judgment. Analysts are typically questioned when wanting to know the opinion of 'the users' of financial statements because they are easily accessible professional users. The other users include shareholders, investors, employees, suppliers and other creditors, consultants and competitors. These respondents use financial statements for professional and/or private reasons and are often neglected when studying 'the users' of financial statements because they are hard to reach. In order to obtain a good understanding of what these important stakeholders 'think' of the comparability of European IFRS financial statements, we employed qualitative fieldwork, i.e. an online survey. Surveys are useful to reach out to many respondents in different countries (as opposed to interviews) and allow respondents to express how they perceive the comparability of European IFRS financial statements. Surveys are increasingly used in accounting literature despite some limitations (see for example Graham *et al*., 2005; Lantto, 2007; Daniel *et al*., 2010). Next to a non-response bias for example, respondents can copy explanations they learned elsewhere because they think this is what we want to hear. If this is the case, their answers might not reflect their true beliefs. Moreover, some survey questions can be misunderstood or the responses might be misinterpreted.

The dataset includes responses from 426 individuals to an online version of our survey: 123 analysts (*29%*), 104 auditors (*24%*) and 199 other users (*47%*) of European IFRS financial statements. The survey is based on a literature study and preliminary expert interviews with three Belgian IFRS specialists. The online survey[ii], which was only available in English, started in September 2009 and was closed in March 2010.

Several approaches were used to reach as many respondents as possible. First, we randomly searched for and consulted the websites of 1.055 European listed companies[iii] applying IFRS to obtain information on their auditors and the analysts following these companies. Information on the CFO's, CEO's and/or Investor Relations managers was also gathered since they can also use IFRS financial statements for professional and/or private reasons. Of the 1.055 companies, however, the website of 558 companies did not provide any (of the required) financial information, was not available in English or simply did not exist at all. Only 497 companies provided the necessary information. Through this first approach, we contacted 2.156 persons of which we knew they had experience with IFRS (known experience, *Table 2*).

Table 2. **Sample description**

Known IFRS experience		Unknown IFRS experience		Unknown IFRS experience
Analysts	1.338	Auditors	843	45 LinkedIn groups with 165.375 members
Auditors	492	Other users	170	
Other users	326			
Total	2.156	Total	1.031	2.531 mails were send

In some countries, however, the names of the individual auditors (engagement partner) are not given. As a second approach, we therefore randomly contacted 843 auditors in these countries without knowing a priori whether they had experience with IFRS (unknown experience). We also contacted 170 users identified in a former survey concerning the use of financial statements of listed and non-listed companies (Cole *et al*., 2009). Again, we did not know a priori whether or not they had experience with IFRS. Fourth, we used LinkedIn, a networking website for experienced professionals from around the world. Besides connecting to people, one can also join professional networking groups. In order to reach out to the ‘other users’, we joined 45 economic and business groups like the ‘IFRS Discussion group’, the ‘Finance club’ and some national business networks like the ‘Romania business and professional network’. Being a member of these groups, we could contact other group members. Randomly, 2.531 members of these groups (having experience with IFRS or not) were contacted directly via e-mail. Finally, we asked the respondents to send the survey request to other professionals they know who use IFRS financial statements.

In total, we received 553 responses. 57 respondents did not complete the survey entirely but responded to more than half of the questions. These respondents were partially taken into account during the analysis. Respondents who dropped out earlier (127) were eliminated from the sample. This resulted in 426 valid responses. Interestingly, some potential respondents refused to fill in our survey because they are tired of the constant changes in the standards and fear that surveys like ours will “point to more accounting regulation and/or changes to the current accounting procedures which means more pointless work for the real business world while allowing accountants to move more paper around[iv]”. Other potential respondents (128) replied that they do not have experience with IFRS financial statements. We estimate that our response rate is around 12%. This is in line with or even better than other online surveys (for example ICAEW, 2007: 2.5%). We are aware of the fact that we had a loose control over our population to some extent and we are, therefore, not able to derive our response rate exactly. As stated above though, the ‘other users’ are hard to reach via more conventional mechanisms. We believe that the advantages of reaching out to users groups that were often disregarded in previous research outweigh the disadvantages of our selection methods.

3. RESULTS

3.1. Descriptive statistics: general

Table 3 shows that most respondents are British (12%), Belgian (9%) and Italian (8%). From 15 EU countries we received ten or more responses.

Table 3. **Nationalities of the respondents**

	Analysts	Auditors	Other users	Total		Importance based on number of companies using IFRS (Commission of the European Communities, 2007)
British	**19**	**16**	**15**	**50**	**12%**	**24%**
Belgian	*13*	*9*	*17*	*39*	*9%*	*2%*
Italian	*3*	*4*	*26*	*33*	*8%*	*5%*
French	**7**	**12**	**11**	**30**	**7%**	**12%**
Dutch	*15*	*5*	*9*	*29*	*7%*	*3%*
Swedish	4	10	10	24	6%	5%
Greek	4	5	14	23	5%	5%
Bulgarian	9	2	10	21	5%	6%
German	**6**	**4**	**9**	**19**	**4%**	**13%**
Non-EU	9	2	7	18	4%	n/a
Polish	3	6	8	17	4%	3%
Spanish	10	1	6	17	4%	4%
Austrian	1	4	7	12	3%	1%
Romanian	2	2	8	12	3%	n/a
Danish	3	6	2	11	3%	2%
Estonian	3	2	5	10	2%	0%
Slovak	2	3	4	9	2%	n/a
Finnish	2	1	5	8	2%	2%
Latvian	1	1	6	8	2%	0%
Czech	1	0	5	6	1%	1%
Irish	2	2	2	6	1%	1%
Portuguese	2	2	1	5	1%	1%
Cypriot	0	2	3	5	1%	2%
Lithuanian	1	1	2	4	1%	1%
Slovenian	0	0	4	4	1%	1%
Hungarian	0	1	2	3	1%	0%
Maltese	1	1	0	2	0%	0%
Luxembourger	0	0	1	1	0%	3%
Total	123	104	199	426		
	29%	24%	47%			

Looking at the relative importance of the EU countries based on the number of companies applying IFRS, the British, German and French respondents are underrepresented (e.g. British importance based on number of companies using IFRS is 24% while they represent only 12% of our respondents). The Belgian, Italian and Dutch respondents on the other hand, are overrepresented. The other nationalities are more or less appropriately represented. Although we did not target non-European respondents specifically, we also include them in the analysis since they are also auditors, analysts or other users of European IFRS financial statements.

Most analysts work for a financial institution (*79%*) and most auditors currently work for a Big4 audit company (*63%*[v]). As for the users other than analysts, *Table 4* shows that 68% of them are professional users compared to only 4% private users. We define professional users as any individual or entity using the financial statements for business or professional activities. All other users are considered to be private users. The remaining 28% use financial statements for both professional and private reasons. The low percentage of private users partially reflects reality but is also influenced by our sampling procedures. *Table 4* also shows the viewpoints that are taken by these other users while looking at the financial statements. Most of them consult financial statements as shareholder or investor (58%).

Table 4. **Other users**

	Professional		Private		Both		Total	
Shareholders or investors	65		8		42		115	58%
Employees	41		1		20		62	31%
Suppliers and other creditors	26		1		15		42	21%
Consultants	25		0		14		39	20%
Member of the Board of Directors	20		0		13		33	17%
Academic researchers	17		4		5		26	13%
Competitors	15		0		8		23	12%
Total *This represents the total number of users. Since one respondent can consult financial statements for different reasons at the same time, this number does not equal the sum of the numbers above.*	132	68%	9	4%	54	28%	195 *(4 missing values)*	

3.2. Descriptive statistics: experience and focus of the respondents

72% of the respondents have more than five years of experience using financial statements (*Table 5*). These respondents already used financial statements of European listed companies before the introduction of IFRS in Europe. They might, therefore, be in a better position to judge the comparability of IFRS financial statements. Auditors (*Au, 78%*) have the most experience based on the number of years, followed by the other users (*U, 76%*) and analysts (*An, 62% which is significantly*[vi] *lower than the auditors (sig. = .010) and other users (sig. = .005)*).

Experience using financial statements can also be measured via the number of companies treated by the respondents. 59% of the respondents are involved with more than five companies and are thus more confronted with possible problems when comparing financial statements. Analysts are involved with the highest number of companies (*93 analysts or 79%*), followed by the auditors (*64 auditors or 66%*). Only 78, or 42% of the other users are experienced based on the number of companies (*which is significantly*[vii] *lower than for the analysts and auditors, sig. = .000*).

Overall, 180 respondents, or 45%, have more than five years of experience *and* are also involved with more than five companies. We call these respondents 'experienced' using financial statements. All other respondents (*55%*) are classified as 'inexperienced'.

Besides experience, the focus of respondents on one or more industries and countries is also an important factor. The more experience and the less focus respondents have, the more skilled they are in comparing IFRS financial statements of different companies. *Table 5* shows that most respondents (*65%*) are involved with more than one industry and, therefore, have no industry focus. Understandable, experienced respondents are less focused on one industry (*26%*) than the inexperienced respondents (*49%*) who are only involved with less than five companies. Auditors are the least focused since 80 of them, or 82% are involved with more than one industry. This is significantly higher (*sig. = .000*[viii]) than the other users (*112, or 60%*) and analysts (*68, or 58%*). The respondents with no industry focus are, on average, involved with four different industries. Overall, the most popular industries are financials (*41%*), industrials (*36%*), and consumer goods & retail (*31%*).

34% of the respondents are involved with only one country. We call these 'local' respondents. 29% are only involved with European countries while the others are also involved with non-European countries (*38%*). We call these 'global' respondents. Once again, the experienced respondents (*38, or 21%*) are less focused than the inexperienced respondents (*97, or 44%*). Contrary to the industry focus, the analysts are the least focused with regard to countries since 87 of them, or 74% are involved with more than one country. This is higher than the number of other users (*122, or 66%*) and auditors (*60, or 61%*). Overall, the European and global respondents are, on average, involved with four different European countries. The most popular European countries are the UK (*27%*), Germany (*18%*), France (*18%*), the Netherlands (*14%*) and Belgium (*21%*).

Table 5. **Experience and focus of the respondents**

Number of companies	Industry focus	Country focus	Experience based on years												
			≤ 5				> 5				Total				
			An	Au	U	T	An	Au	U	T	An	Au	U	Total	
≤ 5	Yes	Local	4	2	12	**18**	2	3	23	**28**	6	5	35	**46**	57%
		European	4	2	0	**6**	2	1	9	**12**	6	3	9	**18**	22%
		Global	1	1	3	**5**	2	1	9	**12**	3	2	12	**17**	21%
		Total	**9**	**5**	**15**	**29**	**6**	**5**	**41**	**52**	**15**	**10**	**56**	**81**	49%
	No	Local	1	2	6	**9**	3	10	17	**30**	4	12	23	**39**	46%
		European	1	2	2	**5**	0	3	11	**14**	1	5	13	**19**	22%
		Global	1	4	8	**13**	3	3	8	**14**	4	7	16	**27**	32%
		Total	**3**	**8**	**16**	**27**	**6**	**16**	**36**	**58**	**9**	**24**	**52**	**85**	51%
	Total	Local	5	4	18	**27**	5	13	40	**58**	10	17	58	**85**	51%
		European	5	4	2	**11**	2	4	20	**26**	7	8	22	**37**	22%
		Global	2	5	11	**18**	5	4	17	**26**	7	9	28	**44**	27%
		Total	**12**	**13**	**31**	**56**	**12**	**21**	**77**	**110**	**24**	**34**	**108**	**166**	41%
> 5	Yes	Local	2	0	0	**2**	1	3	1	**5**	3	3	1	**7**	12%
		European	5	1	1	**7**	11	2	9	**22**	16	3	10	**29**	48%
		Global	1	1	0	**2**	14	1	7	**22**	15	2	7	**24**	40%
		Total	**8**	**2**	**1**	**11**	**26**	**6**	**17**	**49**	**34**	**8**	**18**	**60**	26%
	No	Local	7	1	2	**10**	10	17	6	**33**	17	18	8	**43**	25%
		European	9	3	1	**13**	11	10	15	**36**	20	13	16	**49**	28%
		Global	8	3	10	**21**	14	22	26	**62**	22	25	36	**83**	47%
		Total	**24**	**7**	**13**	**44**	**35**	**49**	**47**	**131**	**59**	**56**	**60**	**175**	74%
	Total	Local	9	1	2	**12**	11	20	7	**38**	20	21	9	**50**	21%
		European	14	4	2	**20**	22	12	24	**58**	36	16	26	**78**	33%
		Global	9	4	10	**23**	28	23	33	**84**	37	27	43	**107**	46%
		Total	**32**	**9**	**14**	**55**	**61**	**55**	**64**	**180**	**93**	**64**	**78**	**235**	59%
Total	Yes	Local	6	2	12	**20**	3	6	24	**33**	9	8	36	**53**	38%
		European	9	3	1	**13**	13	3	18	**34**	22	6	19	**47**	33%
		Global	2	2	3	**7**	16	2	16	**34**	18	4	19	**41**	29%
		Total	**17**	**7**	**16**	**40**	**32**	**11**	**58**	**101**	**49**	**18**	**74**	**141**	35%
	No	Local	8	3	8	**19**	13	27	23	**63**	21	30	31	**82**	32%
		European	10	5	3	**18**	11	13	26	**50**	21	18	29	**68**	26%
		Global	9	7	18	**34**	17	25	34	**76**	26	32	52	**110**	42%
		Total	**27**	**15**	**29**	**71**	**41**	**65**	**83**	**189**	**68**	**80**	**112**	**260**	65%
	Total	Local	14	5	20	**39**	16	33	47	**96**	30	38	67	**135**	34%
		European	19	8	4	**31**	24	16	44	**84**	43	24	48	**115**	29%
		Global	11	9	21	**41**	33	27	50	**110**	44	36	71	**151**	38%
Of the 426 respondents, 25 did not respond to all of the questions concerning their experience and are, therefore, not included in the analysis.		**Total**	**44**	**22**	**45**	**111**	**73**	**76**	**141**	**290**	**117**	**98**	**186**	**401**	
			38%	**22%**	**24%**	**28%**	**62%**	**78%**	**76%**	**72%**	**29%**	**24%**	**46%**		

Of the experienced respondents, involved with more than five companies for more than five years, 77% are familiar with comparing IFRS financial statements of companies operating in different industries and 79% are familiar with comparing IFRS financial statements of companies operating in different countries. 54% are even involved with different industries and different countries. Auditors are the most experienced and the least focused followed by analysts and other users.

Table 6. **Different classifications of the respondents**
Numbers and percentages excluding missing values

Classification 1. Type of respondent	Analysts	123	29%
	Auditors	104	24%
	Other Users	199	47%
Classification 2. Experience	Inexperienced	221	55%
	Experienced (*more than 5 years of experience & involved with more than 5 companies.)*	180	45%
Classification 3. Country focus	National (*involved with one country.)*	135	34%
	European (*only involved with European countries.)*	115	29%
	Global (*also involved with non-European countries.)*	151	38%
Classification 4. Industry focus	Industry focus	141	35%
	No industry focus (*involved with more than one industry.)*	260	65%
Classification 5. Nationality	Class A *(based on Nobes, 2008)*	103	27%
	Class B	272	73%
Classification 6. Analysts - Financial institution	Working for a financial institution	97	79%
	Other employment status	26	21%
Classification 7. Auditors - Big 4	Big 4, currently employed or ex-employee	79	76%
	Non-Big 4	25	24%
Classification 8. Other users – Purpose	Professional	132	68%
	Private	9	4%
	Both	54	28%

Based on their characteristics like experience and focus but also nationality, respondents can be classified in different groups (*Table 6*). For each survey question we checked whether or not differences were noted between the answers of the different groups[ix]. Based on their nationalities for example, respondents were classified according to the most recent classification of countries of Nobes (class A and B) (Nobes, 2008). He classifies the accounting traditions of the Member States of the European Union in two groups based on previous classification techniques (Appendix B[x]). The control of companies located in class A countries is widely spread amongst a large number of equity-holders. These companies use their financial statements mainly to inform these equity-holders. For most companies located in class B, however, a controlling stake is in the hands of a small number of owners. These companies use their financial statements mainly to inform their government (Nobes, 1998).

3.3. The illusion of comparable European IFRS financial statements

In order to investigate to what extent auditors, analysts and other users believe that European IFRS financial statements are comparable, we asked our respondents whether or not these statements are comparable according to them. *Table 7* shows that 41% of the respondents believe that European IFRS financial statements are comparable. 17% believe that they are simply not comparable while 20% and 13% respectively believe that they are only comparable for companies operating within the same industry or country.

Table 7. **Do you believe European IFRS financial statements are comparable?**

	Analysts	Auditors	Other users	Total	
Yes	42%	45%	39%	176	41%
Only within the same country	13%	11%	14%	55	13%
Only within the same industry	15%	19%	23%	84	20%
Only for companies of the same size	0%	0%	2%	3	1%
Only when they are audited by the same audit firm	1%	6%	4%	14	3%
No	23%	14%	15%	72	17%
Missing values	6%	5%	5%	22	5%

No significant differences are noted between the opinions of auditors, analysts and other users although the other users are a little more negative about the comparability of IFRS financial statements than the other respondents. Some differences are noted between respondents with different levels of experience. Experienced respondents believe less in the comparability of IFRS financial statements than the inexperienced respondents (*sig.=.015*). Only 38% of the experienced respondents find IFRS financial statements comparable while 48% of the inexperienced respondents believe in the comparability of these statements. A large group of auditors, analysts and other users, especially the less experienced ones, thus believe in the illusion of comparability.

3.4. Perceived problem areas in European IFRS financial statements with respect to comparability

The different problem areas within IFRS financial statements with respect to comparability have been investigated in accounting literature. The IASB is also working on several improvement projects. In order to get an insight in the perceived problem areas of the European IFRS financial statements with respect to comparability, we asked the respondents to indicate whether or not 31 areas caused problems for the comparability of these statements. The listed areas were chosen based on existing accounting literature (see above) and preliminary interviews with three Belgian IFRS experts. Of the 31 areas within IFRS financial statements, 13 are viewed as problematic for the comparability of financial statements by at least 50% of the respondents[xi] (*Table 8*). Seven of the identified problem areas are under revision by the IASB. The improvement process is, however, not always going as smoothly as hoped for. Most of the projects experience serious delays which stress the difficulties associated with these areas. The remaining six problem areas such as goodwill, intangible assets, impairment of non-financial assets, taxation and provisions are not part of any IASB project. Moreover, they all relate to another important problem area, namely 'critical judgments and key sources of estimations uncertainty'. Unfortunately, standard setters cannot fully influence these areas. They are influenced to a large extent by the factors mentioned above: country related factors, company specific factors and incentives of preparers.

Table 8. **Problem areas in IFRS Financial statements with respect to comparability**

(Percentages excluding the missing values from the last column)
*(IASB projects indicated with *)*

		Not at all	Few	Neutral	Some				Many				Missing
		T	T	T	An	Au	U	T	An	Au	U	T	
1	Derivative financial instruments (and hedging)*	3%	8%	19%	42%	37%	34%	**37%**	27%	43%	32%	**33%**	15%
2	Fair value measurement*	3%	8%	21%	29%	45%	39%	**38%**	25%	40%	28%	**30%**	15%
3	Impairment of financial assets*	3%	9%	24%	44%	40%	33%	**38%**	15%	38%	28%	**27%**	13%
4	Critical judgments & key sources of estimation uncertainty	3%	11%	24%	37%	34%	37%	**36%**	16%	43%	21%	**25%**	16%
5	Goodwill	6%	9%	25%	34%	46%	42%	**41%**	8%	27%	22%	**19%**	14%
6	Intangible assets	5%	10%	26%	40%	48%	37%	**41%**	9%	23%	21%	**18%**	15%
7	Business combinations, associates and joint-ventures*	3%	13%	25%	37%	38%	46%	**41%**	17%	22%	15%	**17%**	16%
8	Provisions	3%	13%	27%	37%	40%	33%	**36%**	22%	24%	19%	**21%**	15%
9	Impairment of non-financial assets	4%	9%	30%	38%	38%	33%	**36%**	13%	30%	22%	**21%**	15%
10	Revenue recognition*	5%	11%	29%	31%	51%	35%	**38%**	20%	22%	15%	**18%**	18%
11	Financial liabilities and equity instruments issued by the company*	6%	10%	30%	33%	42%	41%	**39%**	11%	21%	15%	**16%**	16%
12	Financial assets*	6%	11%	32%	31%	45%	35%	**36%**	8%	18%	17%	**15%**	18%
13	Taxation	6%	10%	34%	44%	42%	35%	**39%**	6%	15%	11%	**11%**	15%
14	Share-based payments	5%	13%	36%	31%	35%	36%	**35%**	8%	20%	8%	**11%**	17%
15	Employee benefits*	4%	16%	33%	30%	35%	40%	**36%**	9%	20%	7%	**11%**	15%
16	Construction contracts	6%	14%	33%	30%	42%	37%	**36%**	8%	15%	9%	**10%**	15%
17	Basis of consolidation*	7%	18%	29%	37%	27%	38%	**35%**	7%	11%	15%	**12%**	15%
18	Presentation of the income statement	11%	22%	22%	46%	34%	32%	**37%**	7%	10%	10%	**9%**	13%
19	Presentation of the statement of cash flows	9%	19%	27%	38%	30%	34%	**34%**	15%	8%	10%	**11%**	14%
20	Classification of liabilities	6%	14%	35%	35%	45%	31%	**36%**	8%	6%	12%	**9%**	13%
21	Classification of assets	7%	17%	32%	32%	36%	31%	**32%**	8%	10%	14%	**11%**	14%
22	Leases*	7%	16%	36%	32%	38%	29%	**32%**	8%	11%	9%	**9%**	18%
23	Segment information	4%	17%	37%	33%	38%	29%	**32%**	9%	14%	6%	**9%**	16%
24	Presentation of the balance sheet	11%	22%	28%	39%	26%	29%	**31%**	8%	5%	9%	**8%**	14%
25	Timing of the adoption of new standards	7%	17%	40%	65%	32%	28%	**28%**	4%	9%	10%	**8%**	16%
26	'Own use' contracts	4%	10%	51%	21%	35%	28%	**28%**	5%	8%	9%	**7%**	22%
	(contracts held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements)												
27	Presentation of the statement of changes in equity*	11%	24%	35%	29%	22%	24%	**25%**	2%	3%	7%	**5%**	15%
28	Inventories	10%	17%	42%	25%	23%	27%	**25%**	6%	2%	6%	**5%**	15%
29	Borrowing costs	8%	18%	46%	20%	29%	25%	**24%**	5%	7%	2%	**4%**	16%
30	Government grant	9%	18%	46%	27%	20%	29%	**26%**	2%	3%	0%	**1%**	15%
31	Property, plant & equipment	11%	22%	39%	26%	21%	22%	**23%**	5%	0%	6%	**4%**	15%

The 13 problem areas do not relate to the clear accounting policy options that are offered by IFRS like using FIFO or weighted average for the determination of the costs of inventories. Certain other issues related to the comparability of IFRS financial statements appear, however, in almost all problem areas. The first issue is that IFRS contain a lot of covert options or vague criteria which are open to interpretation like the classification of interest rate risk hedges as fair value hedges or as cash flow hedges or the identification of an indication of impairment based on a mixture of criteria. The 13 problem areas also leave much room for subjectivity. When there is no active and liquid market for an asset for example, preparers often have to estimate the fair value of this asset. This requires subjective judgments and estimates. A way of minimizing the negative impact of the interpretation differences and subjectivity is by disclosing enough and similar information. This is, however, the third issue that appears in almost all 13 problem areas. IFRS financial statements often contain only minimal useful disclosures related to the identified problem areas. The disclosures are often too general to allow users to understand the decisions made by preparers. Many IFRS financial statements include for example, standard wording and the company specific information is rather limited. On top of that, the disclosures are very diverse and/or are located differently in the financial statements. The issues discussed above are clearly reflected in the five most important problem areas with respect to comparability: derivative financial instruments (& hedging), fair value measurement, impairment of financial assets, critical judgments and key sources of estimation uncertainty, goodwill. It might be that the respondents perceive these areas as problematic because they realize what the major issues of European IFRS financial statements are with respect to comparability namely the covert options and vague criteria leaving much for different interpretations, the subjectivity and the lack of useful and comparable disclosures. There are, however, also alternative explanations as to why these areas are perceived as problematic. The most important problem area, derivative financial instruments (& hedging), could for example be seen as problematic due to its complexity. Furthermore, four of the 13 problem areas relate to financial instruments. These areas, together with fair value measurement, could have been viewed as problematic due to the recent financial crisis.

There are many differences between the groups of respondents as shown in appendix C. Some of these differences will be discussed below. The opinions of analysts and auditors differ the most. They disagree significantly on 15 areas (12 for auditors and other users, five for analysts and other users). Overall, auditors view more areas as problematic for the comparability of IFRS financial statements than the other respondents. Experienced respondents are also more pessimistic about the comparability of IFRS financial statements than the inexperienced respondents. The experienced respondents view five areas as more problematic, namely: fair value measurement, derivative financial instruments (& hedging), impairment of financial assets, provisions and revenue recognition. We also find some significant differences between respondents of different nationalities.

Goodwill, for example, is viewed as more problematic by residents of countries classified in class B (countries with weak equity, government driven and tax-dominated, appendix B). Residents of countries classified in class A view the presentation of the statement of cash flows as more problematic. This second difference might be explained by the fact that in our sample, class A relatively contains more auditors and these respondents are significantly more pessimistic about the comparability of the presentation of the statement of cash flows.

3.5. Remaining impact of IFRS 1

IFRS 1 'First-time Adoption of International Financial Reporting Standards' includes many optional exemptions to the general restatement and measurement principles. In 2005, the European companies were thus given a lot of options to prepare their accounts. For example, they could account certain items according to their previous local GAAP and some exceptions to the general principle of retrospective application were allowed. Since some of these options can have an impact on the statement of financial position for many years, they still influence the comparability of IFRS financial statements. *Table 9* shows that only 34% of the respondents realize that the choices companies made as allowed by IFRS 1 still have an important to extremely important influence. 14% of the respondents believe that these choices no longer have an impact on the comparability of IFRS financial statements while 34% have no idea.

Table 9. **Remaining impact of IFRS 1**

	Analysts	Auditors	Other users	Total	
Not at all important	1%	4%	2%	9	2%
Not very important	15%	13%	8%	49	12%
Neutral	41%	27%	33%	143	34%
Important	20%	36%	30%	121	28%
Extremely important	5%	6%	8%	27	6%
Missing	19%	14%	20%	77	18%

The other users and to a lesser extent the auditors are more concerned about the remaining impact of IFRS 1 than the analysts. The analysts and other users differ significantly in opinion on this matter (*sig.=.008*).

4. POTENTIAL INFLUENCES OF SELECTION BIASES

As mentioned above, based on the number of companies applying IFRS, the British, German and French respondents are underrepresented while the Belgian, Italian and Dutch respondents are overrepresented. Respondents from countries classified in class B (according to Nobes, 2008) are slightly overrepresented. This selection bias might have influenced our results.

On an aggregated level, we found however only two significant differences between class A and class B countries (appendix C), namely their view on the comparability of the presentation of the statement of cash flows and of goodwill accounting. When comparing on a country by country level, we found several significant differences (*Table 10*). There are, however, just as many differences between respondents from countries that are normally classified in the same group than between respondents from countries that are classified in different groups. This also shows that the classification of countries based on differences in accounting traditions will not be very helpful when it comes to explaining or predicting the lack of comparability of European IFRS financial statements.

Table 10. **Nationalities – Differences in opinion**

Question	Signif.	More problematic for… or …are more negative.
British – Belgian		
Are European IFRS financial statements comparable according to you?	.034	Belgian
Problem areas - Employee benefits	.023	British
Problem areas - Leases	.031	British
Problem areas - Goodwill	.005	British
Problem areas - Inventories	.042	British
British – Italian		
Problem areas - Impairment of financial assets	.040	British
Problem areas - Revenue recognition	.038	Italian
British – French: /		
British – Dutch:		
Problem areas - Revenue recognition	.015	British
Problem areas - Critical judgments & key sources of estimation uncertainty	.044	British
British – German		
Problem areas - Classification of assets	.030	German
Belgian – Italian		
Are European IFRS financial statements comparable according to you?	.001	Belgian
Problem areas - Employee benefits	.008	Belgian
Belgian – French		
Are European IFRS financial statements comparable according to you?	.017	Belgian
Problem areas - Business combinations, associates and joint-ventures	.016	Belgian
Problem areas - Classification of assets	.032	Belgian
Problem areas - Classification of liabilities	.018	Belgian
Problem areas - Employee benefits	.023	Belgian
Problem areas - Leases	.043	Belgian
Problem areas - Impairment of financial assets	.013	Belgian
Problem areas - Derivative financial instruments (& hedging)	.032	Belgian
Belgian – Dutch:		
Problem areas - Classification of assets	.009	Belgian
Problem areas - Employee benefits	.027	Belgian
Problem areas - Taxation	.032	Belgian
Problem areas - Property, plant & equipment	.036	Belgian
Problem areas - Goodwill	.009	Belgian
Problem areas - Impairment of financial assets	.005	Belgian
Problem areas - Impairment of non-financial assets	.038	Belgian
Problem areas - 'Own use' contracts	.026	Belgian
Problem areas - Critical judgments & key sources of estimation uncertainty	.019	Belgian
Belgian – German:		
Problem areas - Property, plant & equipment	.022	Belgian
Italian – French		
Problem areas - Business combinations, associates and joint-ventures	.025	Italian
Problem areas - Impairment of financial assets	.012	Italian
Problem areas - Impairment of non-financial assets	.037	Italian
Problem areas - Financial assets	.012	Italian
Italian – Dutch		
Problem areas - Presentation of the statement of cash flows	.002	Dutch
Problem areas - Intangible assets	.039	Italian
Problem areas - Impairment of financial assets	.007	Italian
Problem areas - Impairment of non-financial assets	.022	Italian
Problem areas - Financial assets	.021	Italian
Italian – German		
Problem areas - Classification of assets	.026	German
French – Dutch		
Problem areas - Presentation of the statement of cash flows	.035	Dutch
French – German		
Problem areas - Classification of assets	.019	German
Problem areas - Impairment of non-financial assets	.030	German
Dutch – German:		
Problem areas - Presentation of the statement of cash flows	.009	Dutch
Problem areas - Classification of assets	.012	German
Problem areas - Intangible assets	.036	German
Problem areas - Impairment of non-financial assets	.029	German

The under- and overrepresentation of the individual countries could also affect our results. The overrepresented Belgian respondents for example, are more negative about the comparability of European IFRS financial statements than the underrepresented British (*sig.=.034*) and French (*sig.=.017*) respondents. In general, however, we find that the differences between the views of different nationalities are minimal and diverse, suggesting that the under- and overrepresentation of certain nationalities in our sample is not problematic.

Another selection bias might be that private users are underrepresented. We do not have enough data from private users to determine whether this selection bias could have an influence on our results. Furthermore, our survey was only available in English which excludes many potential respondents. Since most companies only offer their financial statements in the local language and in English, international users of these statements are, however, forced to have a basic knowledge of English. During our research we also noted that the websites of many companies did not provide any (of the required) financial information or simply did not exist at all. These availability differences form an extra obstacle for the comparability of European IFRS financial statements. Overall, considering the diversity and the number of the respondents, we believe that the responses can be used to get valuable insights in the view of auditors, analysts and other users of European IFRS financial statements on the comparability of these statements. We also assume that stakeholders that are more confronted with comparing IFRS financial statements were more motivated to answer the survey. These were exactly the stakeholders we targeted most.

CONCLUSIONS

The implementation of the IFRS in the European Union in 2005 has had important consequences for the presentation and the content of the consolidated financial statements of listed, or publicly traded European companies. While for the first time in history all European listed companies have to apply the same standards, this does not mean that these financial statements are fully comparable. In order to prevent users from making wrong decisions based on the illusion of comparable European IFRS financial statements, there is a need for research on how comparable the consolidated financial statements of the European listed companies truly are. To this end, we investigated how their comparability is perceived by important stakeholders. Our study contributes by determining to what extent auditors, analysts and other users of European IFRS financial statements believe that these statements are comparable and what they perceive to be the most important problem areas when with respect to comparability. The study is based on responses from 426 individuals to an online survey: 123 analysts, 104 auditors and 199 other users.

Only 41% of our respondents believe that all European IFRS financial statements are comparable. The more experienced respondents are, the less they believe that

IFRS financial statements are comparable. A large group of auditors, analysts and other users, including the most experienced ones, thus realize that IFRS financial statements are not as comparable as they seem to be at first glance. Another large group does not realize this, though, and should be better informed about the factors threatening the comparability of European IFRS financial statements.

With respect to comparability, respondents perceive 13 areas as problematic. The five most important problem areas are derivative financial instruments (and hedging), fair value measurement, impairment of financial assets, critical judgments & key sources of estimation uncertainty and goodwill. The three main issues that appear in all 13 problem areas are interpretation differences, subjectivity and disclosure differences, related to both content and location within the financial statements. The IASB could try to reduce some of the perceived problems with comparability by forcing preparers to give more concrete disclosures concerning subjective elements of the financial statements instead of general and standard wording. Comparability is, however, not the only qualitative characteristic of financial statements and increasing the number of specific rules can for example, offset or threaten the faithful presentation or relevance of IFRS financial statements. In future research, it might be interesting to ask other related questions to the auditors, analysts and other users like how they would solve the identified problem areas.

Based on characteristics like experience and nationality, we classified the respondents in different groups. We used eight classification methods. As for the different groups based on country focus, industry focus, employment status of the analysts and auditors and the reason why users consult financial statements, we hardly found any significant differences. Differences in these characteristics do not seem to result in differences in the view on the comparability of IFRS financial statements. For three classification methods, we found significant differences: the type of respondents, the experience of the respondents and their nationalities. The opinions of analysts and auditors differ the most. Auditors view more areas as problematic for the comparability of financial statements and they are more concerned about the remaining impact of the options offered by IFRS 1. Experienced respondents are also more pessimistic about IFRS financial statements than the inexperienced respondents since they view more areas as problematic. We also find some significant differences between respondents of different nationalities. Goodwill, for example, is viewed as more problematic by residents of countries classified in class B (weak equity, government driven and tax-dominated, appendix B).

The selection methods used to reach our respondents are not conventional and result in some limitations. We believe however that these disadvantages are outweighed by the advantages of reaching a diverse group of stakeholders. We were able to reach out to many stakeholders who were disregarded in previous research. This approach offers a broader view on the perceived comparability of European IFRS financial statements.

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APPENDIX A: SURVEY GENERAL

What is your nationality?

☐ Austrian
☐ Belgian
☐ British
☐ Bulgarian
☐ Cypriot
☐ Czech
☐ Danish
☐ Dutch
☐ Estonian
☐ Finnish
☐ French
☐ German
☐ Greek
☐ Hungarian
☐ Irish
☐ Italian
☐ Latvian
☐ Lithuanian
☐ Luxembourger
☐ Maltese
☐ Polish
☐ Portuguese
☐ Romanian
☐ Slovak
☐ Slovenian
☐ Spanish
☐ Swedish
☐ Other:

Are you:
☐ Male ☐ Female

ANALYST

How many years of experience do you have as an analyst?
☐ < 5 ☐ 6 to 10 ☐ 11 to 15 ☐ > 15

What is your current employment status?
☐ Working as an analyst with a financial institution.
☐ Working as an analyst with a provider of business information.
☐ Working as an analyst with a rating agency.
☐ Other: ………………...

How many companies who have to apply IFRS are you analyzing?
☐ 1 ☐ 2 to 5 ☐ 6 to 10 ☐ > 10

AUDITOR

How many years of experience do you have as an auditor?
☐ < 5 ☐ 6 to 10 ☐ 11 to 15 ☐ > 15

What is/was your status as an auditor?

☐ I am currently working as an auditor with a Big4 audit company (Deloitte, E&Y, KPMG or PwC).
☐ I am currently working as an auditor with a non-Big4 audit company.
☐ I used to work as an auditor with a Big4 audit company (Deloitte, E&Y, KPMG or PwC).
☐ I used to work as an auditor with a non-Big4 audit company.

For how many companies who have to apply IFRS are/were you involved in the audit-process?

☐ 1 ☐ 2 to 5 ☐ 6 to 10 ☐ > 10

OTHER USER

How many years of experience do you have as a user of financial statements in general?

☐ < 5 ☐ 6 to 10 ☐ 11 to 15 ☐ > 15

For which purpose do you use these financial statements?

☐ Professional ☐ Private ☐ Both

From which point of view do you look at the financial statements?

☐ As an institutional investor
☐ As a private investor
☐ As a portfolio manager
☐ As a shareholder
☐ As an analyst
☐ As a rating agency
☐ As a bond-holder
☐ As an institution granting credit
☐ As an institution not granting credit
☐ As a supplier
☐ As a leasing company
☐ As an insurance company
☐ As another creditor
☐ As a customer
☐ As an employee
☐ As a trade unionist
☐ As a member of the Worker's Council
☐ As a member of the Board of Directors
☐ As a subsidiary company
☐ As a competitor
☐ As a regulator
☐ As a tax inspector
☐ As another government agency
☐ As a consultant
☐ As a journalist
☐ As a student
☐ As an academic researcher
☐ As an auditor
☐ From another point of view:

How many companies who have to apply IFRS are you following?

☐ 1 ☐ 2 to 5 ☐ 6 to 10 ☐ > 10

GENERAL

In which industries are these companies operating?

- ☐ Basic materials
- ☐ Consumer goods and retail
- ☐ Consumer services
- ☐ Energy
- ☐ Financial
- ☐ Food and agriculture
- ☐ Healthcare
- ☐ Industrials
- ☐ Media and telecommunications
- ☐ Technology
- ☐ Telecommunications
- ☐ Utilities
- ☐ Other

Where are the headquarters of these companies located (place the number of companies behind the relevant countries or regions)?

- ☐ Africa:
- ☐ Asia:
- ☐ Australia and Oceania:
- ☐ Central and South America:
- ☐ Middle East:
- ☐ North America:
- ☐ Non EU European countries:

- ☐ European Union, namely:

- ☐ Austria:
- ☐ Belgium:
- ☐ Bulgaria:
- ☐ Cyprus:
- ☐ Czech Republic:
- ☐ Denmark:
- ☐ Estonia:
- ☐ Finland:
- ☐ France:
- ☐ Germany:
- ☐ Greece:
- ☐ Hungary:
- ☐ Ireland:
- ☐ Italy:
- ☐ Latvia:
- ☐ Lithuania:
- ☐ Luxembourg:
- ☐ Malta:
- ☐ Netherlands:
- ☐ Poland:
- ☐ Portugal:
- ☐ Romania:
- ☐ Slovakia:
- ☐ Slovenia:
- ☐ Spain:
- ☐ Sweden:
- ☐ United Kingdom:

Are European IFRS financial statements comparable according to you?

- ☐ Yes
- ☐ Only within the same country.
- ☐ Only within the same industry.
- ☐ Only for companies of the same size.
- ☐ Only when they are audited by the same audit firm.
- ☐ No

Why (not)?

Which of the following aspects of IFRS-financial statements cause problems in obtaining comparability of these financial statements?

	Not at all	Few	Neutral	Some	Many
Presentation of the income statement:	☐	☐	☐	☐	☐
Presentation of the balance sheet:	☐	☐	☐	☐	☐
Presentation of the statement of changes in equity:	☐	☐	☐	☐	☐
Presentation of the statement of cash flows:	☐	☐	☐	☐	☐
Basis of consolidation:	☐	☐	☐	☐	☐
Business combinations, associates and joint-ventures:	☐	☐	☐	☐	☐
Classification of assets:	☐	☐	☐	☐	☐
Classification of liabilities:	☐	☐	☐	☐	☐
Construction contracts:	☐	☐	☐	☐	☐
Borrowing costs:	☐	☐	☐	☐	☐
Government grant:	☐	☐	☐	☐	☐
Employee benefits:	☐	☐	☐	☐	☐
Share-based payments:	☐	☐	☐	☐	☐
Taxation:	☐	☐	☐	☐	☐
Property, plant & equipment:	☐	☐	☐	☐	☐
Leases:	☐	☐	☐	☐	☐
Goodwill:	☐	☐	☐	☐	☐
Intangible assets:	☐	☐	☐	☐	☐

	Not at all	Few	Neutral	Some	Many
Impairments of financial assets:	☐	☐	☐	☐	☐
Impairments of non-financial assets:	☐	☐	☐	☐	☐
Inventories:	☐	☐	☐	☐	☐
Revenue recognition:	☐	☐	☐	☐	☐
‘Own use’ contracts (contracts held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity’s expected purchase, sale or usage requirements):	☐	☐	☐	☐	☐
Financial assets:	☐	☐	☐	☐	☐
Financial liabilities and equity instruments issued by the company:	☐	☐	☐	☐	☐
Derivative financial instruments (and hedging):	☐	☐	☐	☐	☐
Provisions:	☐	☐	☐	☐	☐
Critical judgements & key sources of estimation uncertainty:	☐	☐	☐	☐	☐
Segment information:	☐	☐	☐	☐	☐
Timing of the adoption of new standards:	☐	☐	☐	☐	☐
Fair value measurement:	☐	☐	☐	☐	☐

How important is the remaining impact of the options made under IFRS 1 'First-time Adoption of International Financial Reporting Standards’ for the current financial statements?:

- ☐ Not at all important
- ☐ Not very important
- ☐ Neutral
- ☐ Important
- ☐ Extremely important

Why?

APPENDIX B: CLASSIFICATION OF EU COUNTRIES (Nobes, 2008)

Class A (strong equity, commercially driven)	Class B (weak equity, government driven, tax-dominated)	
Cyprus	Austria	Latvia
Denmark	Belgium	Lithuania
Ireland	Czech Republic	Luxembourg
Malta	Estonia	Poland
Netherlands	Finland	Portugal
(Norway)*	France	Slovakia
UK	Germany	Slovenia
	Greece	Spain
	Hungary	Sweden
	Italy	(Switzerland)*

** Norway and Switzerland are not included since they are not members of the European Union.*

APPENDIX C: PROBLEM AREAS IN IFRS FINANCIAL STATEMENTS

Problem areas in IFRS financial statements – Differences in opinion
(Classifications 4, 6 and 7 do not result in any significant differences)

Classification	Problem areas	Significance	More important for
Classification 1. Type of respondent			
Analysts and auditors	Goodwill	.000	Auditors
	Fair value measurement	.000	Auditors
	Impairment of financial assets	.000	Auditors
	Financial assets	.000	Auditors
	Critical judgements	.000	Auditors
	Intangible assets	.001	Auditors
	Impairment of non-financial assets	.001	Auditors
	Financial liabilities and equity instruments issued by the company	.004	Auditors
	Construction contracts	.005	Auditors
	Revenue recognition	.006	Auditors
	Employee benefits	.010	Auditors
	Presentation of the statement of cash flows	.012	Analysts
	Derivative financial instruments (& hedging)	.012	Auditors
	Share based payments	.016	Auditors
	Own use contracts	.036	Auditors
Auditors and other users	Critical judgements	.000	Auditors
	Revenue recognition	.001	Auditors
	Basis of consolidation	.004	Users
	Fair value measurement	.004	Auditors
	Impairment of financial assets	.009	Auditors
	Derivative financial instruments (& hedging)	.016	Auditors
	Property, plant & equipment	.021	Users
	Inventories	.035	Users
	Impairment of non-financial assets	.036	Auditors
	Segment information	.036	Auditors
	Presentation of the statement of cash flows	.040	Users
	Employee benefits	.046	Auditors
Analysts and other users	Goodwill	.001	Users
	Financial assets	.017	Users
	Own use contracts	.025	Users
	Intangible assets	.038	Users
	Financial liabilities and equity instruments issued by the company	.048	Users
Classification 2. Experience			
	Fair value measurement	.006	Experienced
	Derivative financial instruments (& hedging)	.009	Experienced
	Impairment of financial assets	.037	Experienced
	Provisions	.038	Experienced
	Revenue recognition	.047	Experienced
Classification 3. Country focus			
	Classification of assets	.042	European
	Basis of consolidation	.042	European
Classification 5. Nationality			
	Presentation of the statement of cash flows	.024	Class A
	Goodwill	.030	Class B
Classification 8. Other users – Purpose			
	Employee benefits	.043	Professional users

[i] By this we mean the financial statements issued by European listed companies in accordance with IFRS as endorsed by the European Union.
[ii] See appendix A.
[iii] In total about 10.000 European companies are listed of which approximately 7.500 have to apply the IFRS.
[iv] A quote of one of the respondents who refused to fill in the survey.
[v] 15 of the 104 auditors indicated that they were former employees of audit firms. This number is marginal and these respondents were therefore classified as auditors.
[vi] Based on the Kruskal-Wallis test.
[vii] Based on the Kruskal-Wallis test.
[viii] Based on the Kruskal-Wallis test.
[ix] Using the Kruskal-Wallis test, the Chi-Square test or paired samples statistics.
[x] Member states of the European Union in 2006 plus Norway and Switzerland which both have close ties with the EU. Bulgaria and Romania joined the EU in 2007 and are not yet included in Nobes' classification.
[xi] The sum of 'Some' and 'Many' exceeds 50%.