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Stowarzyszenie Księgowych
w Polsce

The comparability of IFRS statements of cash flows in Poland. The influence of national regulations

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Abstract

This paper analyses the comparability of the structure and content of IFRS consolidated statements of cash flows within Polish listed companies and the influence of national accounting rules on these statements. Two research methods have been used: a literature review and an analysis of the content of financial statements. It has been found that there are small differences in the structure and content of IFRS consolidated statements of cash flows in Poland. The results indicate that the options in IAS 7 and the lack of an obligatory format of the IFRS statement of cash flows do not significantly reduce the comparability of these statements in Polish practice. Moreover, it has been observed that Polish listed companies follow national regulations only in some aspects for which IAS 7 provides options or has no regulations at all. The findings of this study may be relevant for standard setters, in particular, the current IASB *Primary Financial Statements* project, for users of financial reporting, and for academics for future research.

Keywords: statement of cash flows, comparability, structure and content, IFRS, Poland.

Streszczenie
Porównywalność sprawozdań z przepływów pieniężnych według MSSF w Polsce
Wpływ krajowych regulacji

W artykule dokonano analizy porównywalności struktury i treści skonsolidowanych sprawozdań z przepływów pieniężnych według MSSF wśród polskich spółek giełdowych oraz zbadano wpływ krajowych regulacji na te sprawozdania. Dwie metody badawcze zostały zastosowane: przegląd literatury i analiza treści sprawozdań finansowych. Zaobserwowano, że w Polsce istnieją małe różnice w zakresie struktury i treści sprawozdań z przepływów pieniężnych według MSSF. Wyniki badania wskazują, że opcje istniejące w MSR 7 oraz brak obowiązkowego wzoru sprawozdania z przepływów pieniężnych nie zmniejsza znacząco porównywalności tych sprawozdań w polskiej praktyce. Ponadto zaobserwowano, że polskie spółki opierają się na polskich regulacjach tylko w przypadku niektórych zagadnień, odnośnie do których MSR 7 zawiera opcje lub w ogóle tego nie reguluje. Wyniki tego badania mogą być przydatne dla instytucji tworzących standardy, w szczególności dla obecnego projektu IASB *Podstawowe sprawozdania finansowe*, dla użytkowników sprawozdawczości finansowej oraz dla naukowców do przyszłych badań.

Słowa kluczowe: sprawozdanie z przepływów pieniężnych, porównywalność, struktura i treść, MSSF, Polska.

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Introduction

One of the main aims of IFRS implementation around the world is to increase the comparability of financial reporting. However, options contained in the standards, discretion in interpretations, and the need for estimation give companies some flexibility in using IFRS (Haller, Wehrfritz, 2013, p. 39). Zeff (2007, pp. 290–291) mentions four cultures (the business and financial culture, accounting culture, auditing culture, and regulatory culture) which differ across countries and which could be obstacles to global financial reporting comparability at a high level of quality. Empirical research confirms differences in applying IFRS around the world (e.g., Ernst&Young, 2006; KPMG, von Keitz, 2006; Cole et al., 2011; Klimczak, 2017). A number of studies show the impact of national GAAP on IFRS policy choices (e.g., Nobes, 2011; Kvaal, Nobes, 2012; Cole et al., 2013; Haller, Wehrfritz, 2013; Walkowiak, 2014; Istrate, 2015).

E. Kvaal and C. Nobes (2012) analysed IFRS policy choices made in IFRS financial statements by large listed companies from Australia, the UK, France, Spain, and Germany. They found clear evidence of the persistence of national patterns of policy choices. Also, A. Haller and M. Wehrfritz (2013) found that most German and UK firms preparing IFRS financial statements tended to continue accounting policies required by national GAAP. M.P. Walkowiak (2014) analysed accounting estimates in IFRS financial statements of manufacturing companies from Germany, Poland, and the UK. He found that there is a tendency to use policies based on national legal regulations. C. Istrate (2015) examined the accounting policies chosen by listed companies in Romania, and confirmed the persistence of the national pattern in IFRS financial statements.

This paper analyses the comparability of the structure and content of IFRS consolidated statements of cash flows within Polish listed companies[1] and the influence of national accounting rules on these statements.

It focuses on these statements and Polish companies for several reasons. First, the IASB is currently working on improving the structure and content of the statement of cash flows. Second, some research indicates that the form of presenting financial statements can influence the usefulness of financial information[2]. Third, Polish regulations on the statement of cash flows are consistent with IAS 7 but are much more detailed. Fourth, Poland comes from the region of Central and Eastern Europe, which is often under-represented in international research on IFRS corporate reporting (ICAEW, 2015, p. xi; Albu et al., 2017, p. 249). Finally, there is little research on the structure and content analysis of the IFRS statements of cash flows of Polish listed companies[3].

[1] In Poland, the adoption of IFRS is widespread within listed companies, financial institutions, and subsidiaries of foreign companies, while the national accounting regulations persist among locally owned private companies (Klimczak, Krasodomska, 2017, p. 158).

[2] This subject is more extensively described in the next section.

[3] There is a number of studies analysing the structure and content of statements of profit and loss and other comprehensive income of Polish listed companies,e.g., Walińska, Bek-Gaik(2011); Szychta, de la Rosa (2012), Bek-Gaik (2013),Frendzel, Szychta (2013), Winnicka(2013), Gad (2014), Łazarowicz (2018), but to the best of my knowledge, there is only one extensive study on the analysis of cash flow reporting practices under IFRS in Poland - Śnieżek (2008).

I have found that there are small differences in the structure and content of IFRS consolidated statements of cash flows in Polish practice. The existing options in IAS 7 and the lack of an obligatory format of the IFRS statement of cash flows do not have a significant negative impact on the comparability of these statements in Poland. Moreover, there is evidence that Polish listed companies follow national regulations in some but not all of those aspects for which IAS 7 provides options or has no regulations at all.

This paper contributes to the international accounting literature by complementing prior studies that document the continuation of national accounting policies in IFRS financial statements. The practices of listed companies are analysed in a single country context, where national regulations are much more detailed, contain fewer options than IAS 7, and prescribe the format of this statement. The findings of this study may be relevant for standard setters, in particular, the current IASB *Primary Financial Statements* project, for users of financial reporting[4] for whom the comparability of financial information is very important, and for academics for future research.

The remainder of this paper is organised as follows. Section 2 reviews prior research regarding the structure and content of statements of cash flows under IFRS across different countries. Section 3 describes the IAS 7 requirements and Polish regulations on the statement of cash flows. Section 4 shows the data, hypotheses, research methodology, and the results of the analysis of statements of cash flows of Polish companies. Section 5 concludes the paper.

1. Literature review

The Conceptual Framework for Financial Reporting states that: "If financial information is to be useful, it must be relevant and faithfully represent what it purports to represent. The usefulness of financial information is enhanced if it is comparable, verifiable, timely and understandable" (2013, par. QC4). In addition to these quality features, the form of presenting financial statements may also have an influence on the usefulness of the financial information (Kędzior, Grabiński, 2018) and the decisions of managers and investors (Libby, Emett, 2014). Some research indicates that it matters whether an item is recognised or disclosed[5] (e.g., Davis-Friday et al., 1999; Ahmed 2006; Davis-Friday et al., 2004). Research also shows that it can matter whether the information is aggregated or disaggregated (Koonce et al., 2017).

[4] Cash flows, and particularly operating cash flows (OCF), are used in business valuation, contracting, and financial analysis (Gordon et al., 2017, p. 840). Lee (2012, pp. 1–2) mentions several studies which document an increase in cash flow forecasts and explains this trends as evidence for the growing importance of OCF for investors.

[5] In the literature there is also research which provides evidence that capital market participants treat disclosed information and recognized information in similar ways, provided that the disclosed information is reliable and can be easily processed (e.g., Bratten et al., 2013).

This paper focuses on the form of presenting only one element of financial statements, i.e., the statement of cash flows.

In the international literature, there is a number of studies concerning the analysis of the whole structure and content of the IFRS statements of cash flows (e.g., SEC, 2011; IASB, 2016), as well as studies concerning selected issues, especially the method of presenting operating cash flows and/or the classification of interest and dividends (e.g., KPMG, von Keitz, 2006; Deloitte, 2008; Bond et al., 2012; Kvaal, Nobes, 2012; Haller, Wehrfritz, 2013; Nobes, Perramon, 2013; Istrate, 2015; Kretzmann et al., 2015; Baik et al., 2016; Gordon et al., 2017; Fernandes Pinto et al., 2018). Moreover, there are studies on factors that explain the choices within cash flow classification and its consequences (e.g., Lee, 2012; Kretzmann et al., 2015; Baik et al., 2016; Gordon et al., 2017; Fernandes Pinto et al., 2018).

Deloitte (2008) surveyed the annual reports for 2007/2008 of 130 UK companies (30 investment trusts and 100 other companies). This survey showed that for all companies other than investment trusts, the variety in presenting cash flow items across companies was considerable. A total of 97% of companies used the indirect method to present operating cash flows. Over half of the companies (51%) classified cash flows from interest received as investing activities, and 42% classified them as operating activities. The remaining companies classified them as financing activities (6%) or in both categories (operating and investing activities – 1%). On the other hand, interest paid was classified primarily as operating (68%) or financing (30%) activities. Dividends received were presented as investing activities (69%), operating activities (25%), or financing activities (6%). Only dividends paid were classified as financing activities by almost all companies (97%) (Deloitte, 2008, pp. 15–16).

The SEC (2011) analysed the 2009 consolidated financial statements of 183 companies which were prepared in accordance with IFRS. The selection of companies was based on the 2009 Fortune Global 500[6]. Most companies are domiciled in the European Union (approximately 80%). The SEC observed significant differences in the presentation of the statement of cash flows across companies. The vast majority of companies reported cash flows from operating activities using the indirect method, thereby enhancing comparability on a global basis. However, the SEC noted 10 variations in the starting point for determining net cash flows from operating activities. These measures include: net profit; profit before tax; net profit to shareholders; profit before tax and financial items; operating profit; cash flows from operating activities; beginning cash and cash equivalents; net profit from continuing operations; earnings before interest, taxes, depreciation, and amortisation; and company determined subtotals. Moreover, over half of the companies presented one or more subtotals within cash flows from operating activities. These subtotals included: group operating profit; cash flows from operating activities before changes in working capital and provisions; cash flows from

[6] Fortune Global 500 is an annual ranking of the top 500 corporations by revenue in the world published by *Fortune magazine* ("FG500") (SEC, 2011, p. 4).

operating activities before changes in working capital; cash generated from operations; cash generated from operations before tax items; cash from continuing operations; cash generated from operations before finance items; cash generated from operations before finance and tax items; cash flows from operating activities before changes in working capital, tax, dividends and interest; adjusted EBITDA; and other, as defined by the company. Moreover, the SEC also noted the following differences: (1) in the classification of items within operating, investing and financing activities (for example, companies in the banking industry classify cash flows from loans and securities as operating or investing activities); (2) in the presentation of discontinued operations on the face of the statement of cash flows; and (3) in items classified as cash equivalents (SEC, 2011, p. 4, 19–20).

Kvaal and Nobes (2012, p. 350) analysed IFRS policy choices made in 2005/6 and 2008/2009 IFRS financial statements by large listed companies from Australia, the UK, France, Spain, and Germany[7]. The examined policy options included, among other things, the method of presenting cash flows from operating activities and the classification of interest paid and dividends received in the statement of cash flows. Then C. Nobes and J. Perramon (2013) made the same analysis[8] for small companies[9] and compared it with the findings of Kvaal and Nobes (2012). All large and small companies from the UK, Germany, France, and Spain[10] presented operating cash flows using the indirect method while all small companies and most large companies (91.7%) from Australia used the direct method. More significant differences existed in relation to the classification of interest paid. For example, most large (87.5%) and small (91.2%) companies from Australia presented interest paid as operating activities, while in Spain almost half of large companies (47.6%) and over half of small companies (58.3%) presented interest paid as 'operating' flow. The biggest difference between large and small companies within one country existed in France, where 80% of large companies but only 56% of small companies classified interest paid as operating activities (Nobes, Perramon, 2013, p. 212).

Ch. Kretzmann et al. (2015), following cross-country research by Gordon et al. (2014), examined classification choices for interest and dividends in the statements of cash flows of German listed companies. Analysing a sample of 1,064 firm-year observations from 2005 to 2012, they found substantial differences. More than two-thirds of the firms presented interest paid (70%), interest received (71%), and dividends received (69%) as operating activities. Less than one-third of the firms classified interest paid

[7] The average market capitalisation for those companies ranged from €8,326m for Australia to €28,440m for France ((Nobes, Perramon, 2013, p. 214).

[8] In that analysis, the authors deleted one presentation subject (classification of dividends received) because they found it hard to assess for small companies (Nobes, Perramon, 2013, p. 211).

[9] The market capitalisation for those companies ranged from €60m to €700m (Nobes, Perramon, 2013, p. 214).

[10] In Spain, 100% of large and 96% of small companies used the indirect method.

(29%) as financing activities, and interest received (18%) and dividends received (28%) as investing activities; meanwhile, dividends paid were classified as financing activities almost without exception (Kretzmann et al.,2015, p. 907, 917).

The IASB (2016) analysed the IFRS financial statements of 25 large companies from Asia, Europe, South America, and the Middle East, and found the following inconsistencies in the structure and content of the statement of cash flows: (1) the starting point for determining net cash flows from operating activities; (2) the presentation of interest and dividends; and (3) the use of additional subtotals. The companies in the sample used the following subtotals as the starting point for determining operating cash flows: profit or loss; profit attributable to shareholders; profit from continuing operations; profit before tax; operating profit; and cash generated from operations. At the same time, more than half of the entities (13 out of 25) used profit or loss as the starting point. Most companies classified interest paid as operating or financing activities, but interest received and dividends received as operating or investing activities. Only dividends paid were presented as financing activities by all companies (except one). Moreover, few companies presented additional subtotals in their statements of cash flows. These subtotals included: free cash flows (two companies); and cash flows from continuing operations in cash flows within each activity (another two companies) (IASB, 2016, p. 3, 14–17).

E. A. Gordon et al. (2017) analysed flexibility in cash flow classification under IFRS. They studied IFRS reporting by firms from 13 European countries[11]. The final sample was 798 firms (excluding financial firms), and data was for the period from 2005 to 2012. They found significant differences in classifications across industries and most countries. About 76% of the sample firms classified interest paid as operating activities and 23.5% as financing activities. The presentation of interest received also varied. About 60% of firms classified interest received as operating activities, 31% as investing activities, and 9% as financing activities. Dividends received, in turn, were primarily presented as operating (57%) and investing (40%) activities (Gordon et al., 2017, pp. 851—855).

In Poland, E. Śnieżek (2008, pp. 317–331) analysed IFRS consolidated statements of cash flows for 2005[12] prepared by domestic listed companies. The final sample was 142 companies (excluding financial institutions). Almost 93% of companies used the indirect method to present operating cash flows. The companies used different starting points for determining net cash flows from operating activities, including profit or loss (67%) and profit before tax (30%). Over half of the companies in the sample (54%) used the structure of information in the statement of cash flows consistent with the requirements of the Accounting Act or with the stock exchange requirements. Only in

[11] Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, United Kingdom.

[12] In Poland, since 2005 listed companies have been preparing consolidated financial statements in accordance with IFRS.

the case of four companies was the industry in which they operate reflected in the structure of items in their statements of cash flows. Over half of companies (51%) did not present any additional information to the statement of cash flows in the notes. Śnieżek (2008, p. 330) summed up that the information about cash flows, especially from operating activities, to a large extent lost the characteristics of comparability.

The above-mentioned research provides evidence that the options which exist in IAS 7 reduce the comparability of statements of cash flows between countries and also among companies within one country. Major differences are observed in the classification of interest and dividends, the starting point for determining net cash flows from operating activities, and subtotals within cash flows from operating activities. Table 1 summarises the literature review on cash flows reporting under IFRS.

Table 1. The structure and content of the IFRS statements of cash flows – the literature review

Publication	Data	Main results
Deloitte (2008)	Annual reports for 2007/08 by 130 UK companies	Considerable variety in the presentation of cash flow items across all companies other than investment trusts; differences in classification of interest paid and received, and dividends received. Reporting of operating cash flows using the indirect method by the vast majority of companies
Śnieżek (2008)	Consolidated financial statements for 2005 by 142 Polish companies	Different starting points for determining net cash flows from operating activities. Presentation of operating cash flows using the indirect method by the vast majority of companies. Structure of the statement of cash flows of over half of companies similar to that required by the Accounting Act
SEC (2011)	Consolidated financial statements for 2009 by 183 large companies (most of them domiciled in the EU)	Significant differences in the presentation of the statement of cash flows across companies; variations in the starting point for determining net cash flows from operating activities, variations in subtotals within cash flows from operating activities. Presentation of operating cash flows using the indirect method by the vast majority of companies.

Table 2. The structure and content of the IFRS statements of cash flows – the literature review *(cont.)*

Publication	Data	Main results
Kvaal and Nobes (2012) Nobes and Perramon (2013)	Financial statements for 2005/6 and 2008/9 by 155 large and small companies from Australia, the UK, France, Spain, and Germany	Differences in the classification of interest paid. Presentation of operating cash flows using the indirect method by all companies from the UK, France, Spain, and Germany. Presentation of operating cash flows using the direct method by all small companies and most large companies from Australia.
Kretzmann et al. (2015)	Financial statements of German listed companies from 2005 to 2012, a sample of 1,064 firm-year observations	Substantial differences in classification of interest paid and received, as well as dividends received
IASB (2016)	Financial statements of 25 large companies from Asia, Europe, South America, and the Middle East	Inconsistencies in the structure and content of the statement of cash flows: the starting point for determining net cash flows from operating activities, classification of interest and dividends, the use of additional subtotals
Gordon et al. (2017)	Financial statements of 798 firms from 13 European countries for the period from 2005 to 2012	Significant differences in classification of interest paid and received, and dividends received across industries and countries

Source: author's own elaboration based on a literature review.

2. The statement of cash flows under IFRS and Polish regulations

In Poland, there are three main sources of accounting regulations and guidelines: the Accounting Act (1994) and National Accounting Standards; several executive regulations of the Council of Ministers; and executive regulations of the Minister of Finance (Klimczak, Krasodomska, 2017, p. 159).

The issues concerning the statement of cash flows are regulated by two legal documents: the Accounting Act (1994), which describes general requirements (including three obligatory formats – for banks, insurance companies, and other entities) and National Accounting Standard No. 1 *Statement of Cash Flows* (2003), which contains detailed requirements. Polish regulations are consistent with IAS 7 (MSR 7) but are much more detailed and contain fewer options (see Table 2). The obligatory format of the statement of cash flows for entities other than banks and insurance companies contains a detailed and long list of items. Cash flows from operating (direct method),

investing, and financing activities are divided into two sections: gross cash receipts and gross cash payments. Under the indirect method, net cash flows from operating activities are determined by adjusting profit or loss for the effects of non-cash items, items for which the cash effects are investing or financing cash flows, and for changes of working capital.

Table 3.Statement of cash flows under IAS 7 and Polish regulations (excluding banks and insurance companies)

Subject	IAS 7	Polish regulations
Method of presenting cash flows from operating activities	Direct method or indirect method	Direct method or indirect method
Starting point for determining net cash flow from operating activities	Profit or loss*	Net profit or loss
Subtotals within the section of cash flows from operating activities	No requirements**	No requirements
Classification of interest	Interest paid – operating or financing activities Interest received – operating or investing activities	Interest paid – financing activities (with some exceptions***) Interest received – investing activities (with some exceptions***)
Classification of dividends	Dividends received – operating or investing activities Dividends paid – financing or operating activities	Dividends received – investing activities Dividends paid – financing activities
Breakdown into sections related to cash flows from investing and financing activities	No requirements****	Breakdown into two sections: gross cash receipts and gross cash payments
Format	No format, only an illustrative example	Obligatory format

* In the illustrative example accompanying IAS 7, 'profit before taxation' was used as the starting point for determining net cash flow from operating activities (*A Guide*, 2013, p. B1139).

** In the illustrative example accompanying IAS 7, the subtotal 'Cash generated from operation' was presented in cash flows from operating activities (direct and indirect method) (*A Guide*, 2013, p. B1138-9).

*** Interest received on deposits made for up to 3 months is included in operating activities. Interest received on late payments due in operating activities is shown in operating activities. Interest paid for late payments of liabilities in operating activities is shown in the same way.

**** In the illustrative example accompanying IAS 7, cash flows from investing and financing activities are not broken down into two sections.

Source: author's own elaboration based on IAS 7 (MSR 7) and Polish regulations.

3. Data, hypotheses, methodology, and results

The initial sample used for the analysis of comparability of statements of cash flows under IFRS in Poland includes all companies listed in three indices of the Warsaw Stock Exchange (WSE): WIG20, mWIG40, and sWIG80. The first index comprises the 20 largest and most liquid companies on the WSE Main List; the second one consists of 40 medium-sized companies listed on the WSE Main List; the last one comprises 80 small companies on the WSE Main List. For the purpose of this study, banks, insurance companies, foreign companies, and companies which do not prepare consolidated financial statements were excluded from the initial sample. The final sample consists of 107 companies. The analysis covered the IFRS consolidated statements of cash flows for 2016. The data was hand collected.

Given the results of prior studies on the influence of national GAAP on IFRS policy choices and very detailed regulations on the statement of cash flows in Polish regulations, the following two hypotheses can be formulated:

H_1: There are small differences in the structure and content of IFRS consolidated statements of cash flows within Polish listed companies.

H_2: Polish listed companies follow national regulations in those aspects of the structure and content of the statement of cash flows for which IAS 7 provides options or has no regulations at all.

In order to find evidence for H_1 and H_2, the author analyses the following aspects of the structure and content of the statement of cash flows: (1) the presentation method of cash flows from operating activities; (2) the starting point for determining net cash flows from operating activities; (3) the classification of interest and dividends; (4) subtotals within cash flows from operating activities; (5) breakdown in sections showing cash flows from investing and financing activities; (6) the place and form of presenting detailed information on changes in working capital for determining cash flows from operating activities; and (7) the format of the statement of cash flows.

The differences between companies and the influence of national regulations on the reporting practices are analysed for all these aspects.

All the analysed companies present cash flows from operating activities with the indirect method (Table 3). This has a favourable impact on comparability at the domestic level. However, not all the companies take the same starting point when determining net cash flows from such activities (Table 4). That is to say, 65% companies take *profit before tax* as the starting point when determining net cash flows from operating activities, while 30% of companies take *net profit or loss* as the starting point. Accordingly, two-thirds of companies take the same starting point as the one taken in the illustrative example for IAS 7 and not in the Polish regulations.

Table 4. Methods of presenting cash flows from operating activities

Method	Number of companies	%
Direct method	–	–
Indirect method	107	100
Total	107	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Table 5. The starting point for determining net cash flows from operating activities

Starting point	Number of companies	%
Net profit or loss	32	30
Profit before tax	70	65
Other starting point	5	5
Total	107	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies

A large majority of the studied companies present interest and dividends identically in their statements of cash flows (Table 5). Dividends received and interest received are presented in cash flows from investing activities, whereas dividends paid and interest paid are in cash flows from financing activities. Accordingly, these companies are guided by the classification under domestic regulations.

Table 6. Interest and dividends in the statement of cash flows

Cash flows	Classification	Number of companies	%
Dividends received	Investing activities	44	96
	Financing activities	2	4
Interest received	Investing activities	66	87
	Other activities	10	13
Dividends paid	Financing activities	89	98
	Other activities	2	2
Interest paid	Financing activities	93	91
	Other activities	9	9

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Most companies (66%) do not present any subtotals within cash flows from operating activities (Table 6). Only one-third of companies present one or two subtotals (Tables 6 and 7). Most often, companies report the following subtotals:(1) *Cash from operating activities* (before income taxes paid); (2) *Cash from operating activities* (before interest and tax items); and (3) *Cash generated from operating activities before changes in working capital*. When disclosing subtotal(s) within operating cash flows, companies are probably guided by the illustrative example under IAS 7 which presents one subtotal because such subtotals are not required in Polish regulations.

Table 7. Number of subtotals within cash flows from operating activities

Number of subtotals	Number of companies	%
One subtotal	25	23
Two subtotals	12	11
No subtotals	70	66
Total	107	100

Table 8. Type of subtotals within cash flows from operating activities

Type of subtotals	Number of companies	%
One subtotal, including:		
Cash from operating activities (before income taxes paid)	13	52
Cash from operating activities (before interest and tax items)	8	32
Other subtotals	4	16
Total	25	100
Two subtotals, including:		
Cash generated from operating activities before changes in working capital and *Cash generated from operating activities* (before income taxes paid))	11	92
Other subtotals	1	8
Total	12	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Some companies show their cash flows from investing and financing activities broken down into receipts and payments (Table 8), which has a favourable impact on the transparency of such cash flows, especially in the case of companies which present several items within specific activities. Such a breakdown is not required under IAS 7 but is required under the Accounting Act.

Table 9. Breakdowns in sections related to cash flows from investing and financing activities

Breakdown	Number of companies	%
Breakdown into two sections: gross cash receipts and gross cash payments	30	28
No breakdown	77	72
Total	107	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Most companies show detailed information on changes in working capital in their statements of cash flows; other companies show only one general item: *Changes in working capital* with detailed information provided in the notes (Table 9).

Table 10. Place of presenting detailed information on changes in working capital for determining cash flows from operating activities

Place of presentation	Number of companies	%
Statement of cash flows	97	91
Notes	10	9
Total	107	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Those companies which present detailed information on changes in working capital directly in their statements of cash flows use one of two forms to present them: presentation in a separate section or a joint presentation with other adjustments without detailing the adjustments resulting from changes in working capital (Table 10).

Table 11. Forms of presenting changes in working capital within cash flows from operating activities

Form of presentation	Number of companies	%
Separate section	30	31
No separate section	67	69
Total	97	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Some companies use the format of statements of cash flows that is identical with, or very close to, the format of such statements included in the Accounting Act. More details are shown in Table 11.

Table 12. Format of the statement of cash flows

Type of format	Number of companies	%
Format very close to that in the Accounting Act	17	16
Format different from that in the Accounting Act	90	84
Total	107	100

Source: author's own elaboration based on the consolidated financial statements of all studied companies.

Conclusions

IAS 7 (2016, par. 19) encourages companies to present cash flows from operating activities using the direct method. However, SEC (2011, p. 19) finds that a vast majority of companies around the world use the indirect method. Nobes and Perramon (2013, p. 212) find that among companies from Australia, the UK, France, Spain, and Germany only a majority of Australian companies choose the direct method. In Poland, on the other hand, as in other countries, companies prefer the indirect method. The dominance of the indirect method in the world contributes to greater comparability of those statements both internationally and domestically.

The SEC (2011, p. 19) and IASB (2016, p. 14-15) observed differences in the starting points for determining net cash flows from operating activities. Polish companies also make use of different methods. In 2005, two-thirds of Polish companies used net profit or loss as the starting point for determining net cash flows from operating activities. In 2017, on the other hand, two-thirds of Polish companies used profit before tax as the starting point. As mentioned earlier, in Polish regulations, net profit or loss is required as the starting point, but in the illustrative example accompanying IAS 7, it is profit before tax. This may show that, in 2005, national regulations had a greater impact on the IFRS financial reporting of Polish listed companies than in 2017.

A number of studies provide evidence that there are inconsistencies in the classification of interest and dividends, except for dividends paid. There are differences between companies from various countries (e.g., Nobes, Perramon, 2013; IASB, 2016; Gordon et al., 2017) and between companies from one country (e.g., Deloitte, 2008; Kretzmann et al., 2015; Gordon et al., 2017). In the case of Polish companies, basically, no such inconsistencies have been observed. A large majority of Polish companies apply the requirements of national regulations for their classifications.

The IASB (2016, p. 17) noted that only a few entities present additional subtotals in their statements of cash flows. The SEC (2011, p. 19), on the other hand, observed that over half of the companies determine one or more subtotals within cash flows from operating activities. In Poland, only one-third of companies present one or two subtotals in this segment of activity. Probably, the presentation of the subtotal 'Cash generated from operation' in cash flows from operating activities in the illustrative example accompanying IAS 7 has an impact on the practice of Polish companies.

In the case of Polish companies, one can also observe small differences in the form of presenting cash flows in individual types of activity. The most transparent form of presentation was when, within investing and financial activities, cash flows were broken down into two groups: receipts and payments, and, in operating activities, changes in working capital were presented in a separate section. However, less than one-third of companies applied this method.

The findings confirm the first hypothesis that there are small differences in the structure and content of IFRS consolidated statements of cash flows within Polish listed companies. All companies present cash flows from operating activities with the indirect method. A large majority of companies identically classify interest and dividends in their statements of cash flows. Moreover, most companies take the same starting point when determining net cash flows from operating activities and do not present any subtotals in these activities. The results indicate that options in IAS 7 and the lack of an obligatory format of the statement of cash flows do not significantly reduce the comparability of these consolidated statements within Polish listed companies.

This study also shows that there is an impact of national regulations on the IFRS statements of cash flows of Polish listed companies, especially in the classification of interest and dividends. Moreover, some companies (16%) use an identical or very similar format to that prescribed in the Accounting Act. However, Polish companies also use methods proposed in the illustrative example accompanying IAS 7 but other than those included in national regulations (for example, profit before tax as the starting point for determining net cash flows from operating activities or subtotals within cash flows from operating activities). These findings do not confirm the second hypothesis that Polish listed companies follow national regulations in those aspects for which IAS 7 provides options or has no regulations at all. The analysed companies follow national regulations only in some aspects which are not regulated by IAS 7 or for which options are provided.

This study has some limitations. First, the analysis is focused on a relatively small sample of companies. Second, only the influence of national regulations on the structure and content of the statements of cash flows under IFRS has been analysed. Third, the research concentrates on the main issues concerning the structure and content of the statement of cash flows. It can be broadened with other issues, including the evaluation of quality and comparability of additional information to the statements of cash flows, as presented in the notes.

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