„Zeszyty Teoretyczne Rachunkowości”
tom 95 (151), 2017, s. 147–161

Stowarzyszenie Księgowych
w Polsce

Benefits and costs of IFRS implementation in the opinion of Polish certified auditors

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Abstract

The article presents the results of a survey conducted among a carefully selected group of Polish certified auditors. The purpose of the study was to determine whether auditors, during the audit of financial statements, perceive certain costs and benefits resulting from the fact that the audited statements were prepared in accordance with IFRS. This survey was undertaken to demonstrate that the cost-benefit analysis of IFRS, after more than a decade of their use in Polish practice, could provide important observations for future legislative changes in this area. The study shows that, thanks to the implementation of IFRSs, auditors gain the benefit of lower audit workloads. At the same time, however, they identify six reasons why the audit process is prolonged, requiring special organization, prior special preparation and, as a result, higher auditing costs.

Keywords: cost-benefit analysis, certified auditors, International Financial Reporting Standards (IFRS).

Streszczenie

Korzyści i koszty implementacji Międzynarodowych Standardów Sprawozdawczości Finansowej w opinii polskich biegłych rewidentów

W niniejszym artykule zaprezentowano wyniki badania sondażowego, przeprowadzonego w starannie wyselekcjonowanej grupie polskich biegłych rewidentów. Miało ono na celu ustalenie, czy podczas wykonywania audytu sprawozdań finansowych, dostrzegają oni pewne koszty i korzyści wynikające z faktu, że audytowane sprawozdania przygotowane zostały zgodnie z MSR/MSSF. Sondaż ten podjęto wobec przekonania, iż analiza kosztów-korzyści związanych z MSSF, po ponad dekadzie ich stosowania w polskiej praktyce, może dostarczyć obserwacji ważnych dla przyszłych zmian legislacyjnych w tym zakresie. Z badania wynika, iż dzięki implementacji MSSF, biegli rewidenci osiągają korzyść, która przejawia się przede wszystkim niższą pracochłonnością procesu audytowego. Jednocześnie jednak identyfikują oni sześć powodów, z jakich proces audytu wydłuża się, wymaga specjalnej organizacji, uprzedniego specjalnego przygotowania i – w efekcie – skutkuje wyższymi kosztami badania audytowego.

Słowa kluczowe: analiza kosztów i korzyści, biegli rewidenci, Międzynarodowe Standardy Rachunkowości (MSR), Międzynarodowe Standardy Sprawozdawczości Finansowej (MSSF).

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ISSN 1641-4381 *print* / ISSN 2391-677X *online*

http://www.ztr.skwp.pl
DOI: 10.5604/01.3001.0010.6571

Introduction

Cost-benefit analysis is a practical tool for assessing any project, irrespective of its subject matter. A full analysis requires taking account of not only direct effects, i.e. relatively easy to quantify, but also side effects of going ahead with a project, which can be observed both in the immediate, as well as in more distant, future (Lissowski, 2015).

Measuring the costs and benefits associated with the adoption of legal norms, in this case IFRS, is not an easy task. That is because legal norms have a multilevel and multidimensional impact. On top of that, in the case of IFRS, the cost-benefit analysis gets complicated by the fact that these standards have been implemented as a result of accounting policy delivered at three levels: global, macro- and microeconomic (Grabowski, Karmańska, 2008).

At all of these levels, we encounter various stakeholders (actors, animators) of accounting policy. Hence, the conditions for implementing accounting policy may differ across the levels. Costs and benefits are linked with the framework of the true and fair view concept, and the imperative, according to which the benefits of IFRS adoption should exceed the cost of their implementation and application (*Wytyczne* [*Guidelines*]*…*, 2015). However, to observe them, we need to take a holistic approach and be familiar with their specificities, which calls for permanent monitoring. Guidelines clearly state that where costs entailed by the application of a given law exceed the benefits resulting from this law, we have a solid premise for the law's modification (*Wytyczne…*, 2015). The above imperative should also apply to cost-benefit analysis in connection with the adoption of IFRS.

A methodical and complex approach to costs and benefits connected with the adoption and application of IFRS requires us first to conduct cost-benefit analysis of the outcomes of the following decisions: legislative decisions taken at the EU level, legislative decisions relevant for the legal order of a given country, and, finally, decisions taken by a business with regard to the accounting principles it adopts.

In June 2015, the European Commission presented a 160-page report on the assessment of the consequences of the application of Regulation 1606/2002 of 19 June 2002 on the application of International Accounting Standards into the EU legal order (2015) (*Report…*, 2015). The report discusses the results of the study conducted to compare the situation created by the adoption of the aforementioned Regulation with the one existing if IFRS had not been adopted by the EU. The assessment took the EU perspective rather than that of individual Member States. The report presents a cost-benefit analysis at a global, not macroeconomic, level.

Importantly, from a cost-benefit analysis of IFRS implementation, we have learnt that studies in this field entail serious difficulties. The authors of the Report, although acting upon the mandate received from the EU and with access to various sources of information, decided that: (Report…, 2015, p. 35) although cost-benefit analysis contributes to the development of evidence-based policy, it has its limitations, which become visible particularly when the costs and benefits are unevenly distributed across the examined population. They add that some researchers engaged in the study claimed that certain key benefits resulting from the adoption of IFRS were very difficult to identify and aggregate. Other benefits, such as enhanced transparency and comparability, or higher quality of accounting, are not quantifiable at all. Moreover, drawing conclusions is not easy as the distribution of costs and benefits is uneven. Costs are largely incurred by companies preparing IFRS financial statements whereas benefits are shared by users of financial statements (investors included). In addition, the authors stress the lack of availability of data, even where the effects of IFRS application could have been calculated relatively easily. They also noted that none of the experts representing Member States organised public consultations, which resulted in little objective data being produced on the costs and benefits entailed by IFRS adoption in the EU. In this way, indirectly, we have been informed that a macroeconomic assessment of costs and benefits connected with the application of IFRS has been, to a certain extent, neglected in the EU Member States.

However, despite obstacles to the research indicated above, the body of publications, which within a relatively short period of time have taken up the issue of identifying the costs and benefits involved in IFRS, seems rather impressive (*Appendix 5…*, 2015). It helps us grasp the relevance and pertinence of the issue. An overview of the research criteria, aspects, and levels at which, and based on which, IFRS related costs and benefits have been identified (Report…, 2015; *Moving to IFRS…*, 2014; *Moving to IFRS…*, 2015; Brüggemann, Hits, Sellhorn, 2012; Pope, McLeay, 2011; Soderstrom, Sun, 2007; da Paixão Duarte, Saur-Amaral, do Carmo Azevedo, 2015; Horton, Serafeim, Serafeim, 2013; Mierzejewska, Łazarowicz 2017; Klimczak, Wachowicz, 2017) has led the Author to believe that it would be both interesting and original to study the costs and benefits at the microeconomic level of accounting policy and IFRS application from the point of view of the experiences of a selected professional group of stakeholders of financial statements. Therefore, the objective of this study is two-fold: the methodological diagnosis of the costs/benefits of using IFRS as perceived by Polish auditors after more than ten years of experience; and an assessment regarding to what extent the specification of costs/benefits could be a potentially important message sent by this group of stakeholders, also pointing out the need for changes related to the application of IFRS.

A survey was used as the research method. The survey was directed only at those certified auditors who have extensive professional experience in the audit of financial statements, auditing both financial statements prepared in accordance with the Polish accounting law and those prepared in accordance with the requirements of IFRS. In order to fulfil the research objective, therefore, the selection of people who are representative from the point of view of the study was chosen as experts in the title area[1].

[1] A complete description of the study can be found in the report from the research conducted in the Warsaw School of Economics by the team headed by Łazarowicz (*The benefits and costs …*, 2017).

1. Background of IFRS implementation in Poland

To start with, we need to note the absolutely unprecedented evolution of solutions adopted in accounting and audit, especially in the years of the economic transformation (Skowroński, 1990). Rapid and radical change in accounting legislation dramatically changed the practice of the professions connected with accounting. Poland, which after WWII was a centrally planned economy, quickly shifted to a market economy after 1990. Under the new circumstances of unprecedented transformation of the social and economic systems, investing in Poland, which at that time was opening itself up to new business opportunities, encountered information barriers resulting from the accounting law, which at that time was inadequate to the new circumstances (*Uchwała*, 1950, 1959; 1973). The Accounting Act was radically amended and improved on many occasions, when market economy mechanisms became clearer, also for the legislator. Macroeconomic accounting policy was defined by: first, the Regulation of 1991 on Accounting (1991), and then the Accounting Act of 1994 (*Ustawa*, 1994) with dozens of amendments adopted on an annual basis. Poland started to experience the effects of global accounting policy after it joined the EU. First, the Polish Accounting Act had to be harmonised with the EU directives in the field of accounting and, finally, as of 1 January 2005, IFRS became mandatory in Poland.

At the same time as the adjustments, there was an urgent need to create favourable conditions for the independent auditing of information included in financial statements, as financial reporting had become increasingly more susceptible to non-professional operations with the adoption of IFRS. Regulations on auditing and certified auditors had to be developed (Pogodzińska-Mizdrak, 2006, pp. 83–92).

IFRS became mandatory in Poland on 1 January 2005. By that time, 2,889 legal acts (laws and regulations) had already been published in Poland. This impressive (compared to earlier and later periods) body of legislation published in 2004 strongly correlated with Poland's EU accession. It was also a record-breaking year when it comes to the publishing of new legal norms (Żaczkiewicz-Zborska, 2014). Thus, it is not difficult to imagine the abundance of new legislation which had to be digested also (or perhaps mainly) by business operators, who were soon expected to cope with the new IFRS. Under such circumstances, the question about costs and benefits was especially relevant.

2. Research method

The primary goal of the research was to find out whether certified auditors, when performing their job, observe the costs and/or benefits of preparing financial statements based on IFRS rather than on the Accounting Act.

The study was conducted using an extensive questionnaire. The questionnaire was drafted to methodically capture key "moments" in auditing, when an auditor may even intuitively identify certain IFRS-related costs/benefits. Before the questionnaire was drafted, we studied the principles included in the national auditing standards and which were published on the website of the National Chamber of Statutory Auditors. These documents comprehensively cover issues connected with the organisation and substance of the work of certified auditors at multiple levels. We carefully reviewed, in particular, National Auditing Standard No. 1 – *General rules of auditing financial statements*. It was done to identify the general (main) areas in which we could look for relationships between auditing and the substantive requirements set out in the IFRS. We decided that such requirements contrasted with auditor effort would help us draw evidence-based conclusions deeply rooted in the nature of the job and the role of a certified auditor. The questionnaire was composed of a preamble and 14 levels of auditor effort (selected audit areas), at which an independent auditor could potentially identify factors leading to increased or decreased costs of examining financial statements drawn in accordance with IFRS. Due to the qualitative nature of the issues at hand, we had to deploy different structures of questions and answers. It helped us grasp the nuances in assessments, which largely addressed the costs and benefits resulting from the auditors' experience, not concrete values. The questionnaire – in the testing stage – was found to be adequate for the study but it required attention when filling it out and was time-consuming for experts. That is why we opted for a study focused on individually selected experts with very high auditing skills and a vast and long professional track record and experience gained before and after 2005. Experts, certified auditors who took part in the study, were selected very carefully.

Four experts[2] were invited to participate in the study. All of them pioneered in auditing individual and consolidated financial statements which had been prepared based on IFRS for the first time in 2005 and then they actively worked to improve auditing skills in Poland. They are still active auditors and people with unquestionable authority amongst certified auditors and experts in IFRS.

The experts' experience in examining financial statements which have been prepared based on IFRS covers the last two decades of the Polish market economy and the questions were commented on with professional due diligence. With the above in mind, we decided that the small sample size could be set off against the quality skills of invited experts.

The study included the following fourteen audit areas:

1 – Assessing data reliability.
2 – Examining compliance with the accounting system adopted within the organisation and internal audit.
3 – Identifying the scope-related risk of the audit.
4 – Reducing audit risk.
5 – Reducing the reliability examination.

[2] The full profiles of the selected experts can be found in: *The benefits and costs...* (2017). Addressing the questionnaire to a big group of experts (even if possible) was immediately assessed as being doomed to fail or producing lower quality feedback.

6 – Auditors' reviews.
7 – Deciding on the sequence of audit operations.
8 – Auditing IT systems.
9 – Planning the audit.
10 – Identification of the level of significance and limits of allowable audit error.
11 – Assessing the amount of work involved in the audit depending on how complex the company is.
12 – Assessing the amount of work involved depending on whether the audit is performed for the first time in a company or not.
13 – Specific areas covered by the audit.
14 – Identifying intentional infringements of the Accounting Act.
The list of the above areas was closed by:
15 – Expert's general comments.

In general, it was a qualitative study. To quantify its results and to be able to compare the obtained responses, we assumed that (on a scale from 1 to 10):
- aspects which scored 1–2 are not relevant but may require greater sensitivity,
- relevant issues are those which scored 3–4,
- very much relevant issues are those which scored 5–7, and
- issues to be thoroughly examined are those which scored 8–10.

3. Received results

In the first audit area (**Assessing data reliability**), it was important to focus attention on the problem: *To what extent has the adoption of IFRS complicated data reliability assessment in the following areas?:*
a) the existence of assets and liabilities reported in the financial statements as of the reporting date;
b) monitoring assets or meeting liabilities reported as of the reporting date;
c) the existence of economic transactions reported in the financial statements within the audited period;
d) a complete presentation of assets, liabilities, economic transactions and other information revealed within the reported period which is subject to the audit;
e) the correctness of the valuation of the assets and liabilities;
f) the correct representation of economic transactions when it comes to the amount and the correct accounting for revenues, extraordinary profits, as well as costs and extraordinary losses within the period to which they belong;
g) the presentation of balance sheet totals of individual assets and liabilities, revenues and extraordinary profits, as well as costs and extraordinary losses.

When comparing responses concerning the identification of costs/benefits, we can see clearly that the experts were not unanimous as to whether IFRS adoption has seriously complicated reliability verification, mainly due to reasons connected with the evaluation of assets and liabilities. This area of reliability assessment was considered the most complicated by one expert who decided reliability assessment was the most difficult in this particular case.

In the second selected audit area (**Examining compliance with the accounting system adopted within the organisation and internal audit**), it was important to focus attention on the problem: *To what extent has IFRS adoption complicated the examination of the compliance of an organisation's accounting system and internal audit?*

According to the opinion expressed by two experts, the adoption of IFRS was irrelevant for examining the compliance of the accounting system and internal audit in the audited organisation. One of the experts, however, represented a completely different opinion. He claimed that although the assessment was difficult, companies which apply IFRS usually have more advanced IT systems that, as implied by the response, help reap certain benefits resulting from, e.g., automated links amongst systems.

The third selected audit area was **Identifying the scope-related risk of audit** and it was important here to focus on the problem: *To what extent has the adoption of IFRS increased the total risk of an audit?*

The experts assessed IFRS implementation as a relevant or even unusually relevant component which increases the total risk of an audit. As a result, one may expect that higher risk requires greater skills in managing its factors. This, in turn, necessitates time and attention spent on their identification and analyses.

In the next, fourth selected audit area (**Reducing audit risk**) it was important to focus attention on the problem: *To what extent has IFRS implementation increased the audit risk: (a) inherent risk, (b) risk of audit, (c) risk of overlooking inconsistencies?*

In that area, the experts claimed that IFRS implementation seriously increased the inherent risk of audit, the risk of overlooking inconsistencies and, finally, the risk of the audit. Thus, each area of the audit risk increases, but besides the increased risk of overlooking inconsistencies, which calls for attention as the level of assessment is important, the increases in the two remaining types of risk are negligible. All in all, we may conclude that the adoption of IFRS is not irrelevant when it comes to audit-related risk. In the opinion of the certified auditors, the risk of overlooking inconsistencies increases as much as the overall risk of the audit. That may mean that solutions proposed in the IFRS call for the diagnosis of a wider range of issues in various "configurations" to minimise the risk of overlooking inconsistencies.

In the fifth selected audit area (**Redusing the reliability examination**) it was important to focus on the problem: *If we find out that the accounting system and internal audit are compliant where books are kept based on IFRS, the auditing of which substantive area regulated in IFRS may be given up without worrying about the quality of audit and to what extent?*

The experts expressed themselves separately in relation to assets and in relation to liabilities. In their responses, they were expected to provide an indication of the category names selected from the following list of substantive areas in relation to which the withdrawal of a detailed audit was acceptable:

a) the existence of assets and liabilities reported in the financial statements as of the reporting date;
b) monitoring assets or meeting liabilities reported as of the reporting date,
c) the existence of economic transactions reported in the financial statements within the audited period;
d) the complete presentation of assets, liabilities, economic transactions and other information revealed within the reported period which is subject to the audit;
e) the correctness of the valuation of assets and liabilities;
f) the correct representation of economic transactions when it comes to the amount and correct accounting for revenues, extraordinary profits, as well as costs and extraordinary losses within the period to which they belong;
g) the presentation of balance sheet totals of individual assets and liabilities; revenues and extraordinary profits, as well as costs and extraordinary losses.

If a company produces IFRS-based financial statements, two certified auditors claimed they could give up auditing assets and liabilities (only when the accounting system and internal audit are compliant) without worrying about the quality of the audit, but only with regard to *economic transactions reported in the financial statements*. The other (six) areas of auditing were assessed differently by the auditors, mostly dramatically differently. One auditor decided no area can be given up.

In the next, sixth selected audit area (**Auditors' reviews**), it was important to focus on the problem: *Is the usefulness of the auditor's review higher for IFRS-based financial statements or is the legal basis irrelevant?*
Two experts argued that the usefulness of the auditor's review is comparable in companies which apply IFRS and in those which apply the Accounting Act. An analytical review is a basic tool to initially examine financial statements under any circumstances, irrespective of what principles are followed while preparing the report. The third expert concluded that since the application of IFRS is more discretionary than that of the Accounting Act, audits conducted more frequently than just at the end of the fiscal year provide a more in-depth view into the management's attitudes and achievements, help analyse them more thoroughly, and prevent distortion. Thus, we may think that he opts for more frequent audits in companies which apply IFRS. However, this is an opinion, not a confirmation that such audits are really performed more frequently.

In the seventh selected audit area (**Deciding on the sequence of audit operations**), the expert was given the following task: *Identify the sequence of audit operations for financial statements prepared based on the Accounting Act [Ranking UoR (1–5)] and – in the second case – when auditing an IFRS-based financial statement [MSSF (1–5)]*:
- review and checks of documents and book entries;
- checks and reviews of material assets;
- observing procedures, levels or processes (e.g. inventories, controls);
- oral and written questions addressed to the management or staff of the organisation;
- calculations.

The experts pointed to rankings of auditing operations identical for both IFRS and the Accounting Act. Although each expert created his ranking without consulting the other three, the identical orders of audit operations for both systems allow us to conclude that if we audit financial statements prepared based on the Accounting Act and, in the second case, based on the IFRS, the ranking requires no prior analysis or change. It suggests this aspect is irrelevant for cost-benefit analysis.

And, in the eighth selected audit area (**Auditing IT systems**), the expert received another task: *Rank the below-listed aspects of IT systems used in bookkeeping which – when financial statements are prepared in accordance with IFRS – call for the greatest attention of a certified auditor*. The quality aspects of an IT system which need to be examined are as follow:

a) IT systems do not leave a complete audit trail in accounting records; we need to find out if we can get an audit trail after additional activities are performed by the system operator or administrator;
b) data relating to uniform economic transactions are processed based on the same procedures, which lets us assume that data describing these operations are either always processed correctly or erroneously; it justifies checking the correctness of data processing systems, at least for mass operations;
c) when complex computerized accounting systems have taken over many important audit functions, you do not perform traditional checks, or you limit them to selected elements;
d) computerized accounting is influenced not just by errors of the operators and administrators; it is also subject to the impact of people who have gained illegal access to the IT system; such access may also be used to commit a crime;
e) complex computerized accounting systems can usually automatically produce accounting records in one or several accounting modules of computerized accounting; in this case, operations (individual or aggregated) are transferred between modules through links or data carriers; in both cases, data are exposed to accidental or intentional distortions;
f) complex computerized accounting systems are usually equipped with analytical modules and modules that produce data (reports, statements) which can be shaped freely; analytical and reporting modules may be used in management as well as for internal and external audits (also during an examination);
g) computerised accounting systems are usually equipped by software producers with appropriate documentation; these documents should be used by certified auditors to find out how the accounting data are processed and to assess their correctness; comparing accounting procedures or functions described in the documentation with those actually applied in processing importantly assists learning about the system, in particular when a certified auditor does not have a specific piece of software that assists the audit.

The experts stated that where financial statements are prepared in accordance with IFRS from books of accounts, four out of seven of the above-presented aspects of the

IT system are relevant or highly relevant. That is mainly true of how the IT system is documented and of the unauthorised access to the system. However, one might expect that similar aspects would also have been selected if accounting were based on the Accounting Act. Nevertheless, the complex IFRS framework makes auditors more sensitive to the careful verification of the above aspects of systems used to process financial data. To us, this conclusion identifies the cost resulting from substantive solutions included in IFRS and incurred by certified auditors as stakeholders of accounting. Since we cannot decide that the cost for a company preparing financial statements in accordance with the Accounting Act would be higher/lower (benefits) compared to an audit performed in the same area, this part of the study, in our opinion, calls for more in-depth analysis in the future.

In the ninth selected audit area (**Planning the audit**), it was important to focus on the problem: *Which of the tasks listed below is the most time-consuming in the case of IFRS financial statements:*

a) the identification of issues (areas) which may have a material negative impact upon reliability and compliance with the mandatory principles (policy) of accounting applied to financial statements;
b) the identification of audit tasks and ways to perform them adequately to the importance of individual issues and risks related to them; this task may be assisted by, e.g., the findings of internal audits available in the company;
c) proper accounting for additional requirements that impact financial statements and which result from, inter alia, detailed legal norms, statutes or agreements binding upon the audited company?

The auditors considered the following tasks to be especially time-consuming in auditing IFRS financial statements:

- the identification of issues (areas) which may have a material negative impact upon reliability and compliance with the mandatory principles (policy) of accounting applied to financial statements, and
- proper accounting for additional requirements that impact financial statements and which result from, inter alia, detailed legal norms, statutes or agreements binding upon the audited company.

Thus, we may assume that the adoption of IFRS matters for planning audit activities, which may be more time-consuming due to the need to perform initial assessment and findings.

In the tenth selected audit area (**Identification of the level of significance and limits of allowable audit error**), it was important to focus on the problem: *Within the above significance level, does it matter that financial statements have been prepared based on IFRS?*

The auditors were of different opinions and concluded that preparing financial statements in accordance with IFRS is irrelevant/relevant. It is irrelevant when an auditor decides a company is familiar with IFRS and has already applied them for some years.

It is relevant when the audited components are (or may be) identified using highly "flexible" methods and principles. Considering that the research criteria should not be based on the retrospective experiences of an audited company, we have decided that IFRS and the solutions included in them may be relevant for identifying the so-called level of significance and limits of allowable audit error. We have assumed there to be a simple relationship between work connected with significance being strongly correlated with the fact that solutions applied in a given company are seen as being complex.

In the eleventh selected audit area (**Assessment of the amount of work involved in audit depending on how complex the company is**), it was important to receive a comment on: *What is your assessment of the amount of work involved in planning an audit to be conducted in a company which applies IFRS compared to the amount of work involved in planning audit in a company that applies the Accounting Act?*
The auditors differed over their assessment of the work involved in planning an audit to be conducted in a company which applies IFRS compared to the amount of work involved in planning audit in a company that applies the Accounting Act, and concluded that the amount of work involved was comparable or much higher. In any case, they did not identify any benefits in this area. Since the experts Since the experts signalled that there is much more work involved, we may conclude that the IFRS are relevant for the course and length of planning the audit, which may entail some costs.

In the twelfth selected audit area (**Assessment of the amount of work involved depending on whether the audit is performed for the first time in a company or not**), it was important to focus on the problem: *To an auditor examining a company for the first time, which audit is more labour-intensive: (a) auditing a company that applies the Accounting Act, (b) auditing a company which applies IFRS?*

The certified auditors unanimously agreed that the first audit of a company which applies IFRS is more labour-intensive.

In the next, thirteenth selected audit area (**Specific areas covered by the audit**), it was important to focus on the problem: *Which audit areas are more labour-intensive in companies which apply IFRS compared to companies which have based their accounting on the Accounting Act*:

a) inventory audit,
b) audit of contingent liabilities and claims,
c) impairment testing,
d) audit of accounting estimates,
e) audit of comparative data,
f) auditing events after the reporting period,
g) assessing the company's ability to continue its involvement in business,
h) audit of the report on activities,
i) audit of transactions with related parties,
j) audit of the compliance of the accounting policy with the values and descriptions presented,
k) in financial statements?

The auditors agreed that two (out of the ten) audit areas are more labour-intensive in companies which apply IFRS compared to audits of reports prepared in accordance with the Accounting Act. They are: the impairment test and the audit of accounting estimates. A potential third labour-intensive area covers the assessment of the company's ability to continue its involvement in business.

In the fourteenth selected audit area (**Identifying intentional infringements of the Accounting Act**) it was important to focus on the problem: *What is your assessment of the errors, infringements and abuses of the Accounting Act:*

- the scale of accounting fraud seems similar, irrespective of whether IFRS or the Accounting Act is applied;
- clearly more accounting fraud is revealed when a company applies IFRS;
- clearly more accounting fraud is revealed when a company applies the Accounting Act;
- areas of accounting fraud are similar in both cases (IFRS and the Act) and usually cover (options to chose from: *fair value measurement of assets*, *excessive reliance on accounting estimates*, s*triving to create desired financial result*);
- areas of accounting fraud are different for IFRS and the Accounting Act. They cover: (to write).

The auditors presented three divergent opinions. The first argues that the scale of accounting fraud seems similar in companies which apply IFRS and the Accounting Act. According to the second, clearly more accounting fraud is revealed when a company applies the Accounting Act. Finally, the third one suggests that clearly more accounting fraud is revealed when a company applies IFRS. The second opinion can come as a surprise. Its positive aspect, although perhaps a bit too far-reaching, is that it provides a premise to conclude that this is where IFRS adoption benefits should be looked for. However, the clear view that more fraud is revealed when IFRS are applied undermines this positive conclusion.

And finally, in the fifteenth selected audit area (**Expert's general comments**), the experts answered the question: *In your opinion, which are the most important benefits of IFRS adoption relevant for a certified auditors job? In your answer, consider the following:*

- the time needed to perform the auditor's job,
- the substantive complexity of the accounting law/ IFRS when it comes to valuation,
- the transparency of information ensured by additional information provided in accordance with IFRS.

The general conclusion of two auditors as to the benefits of IFRS application relevant for a certified auditor's job focused on the benefits experienced during the audit and resulting from information transparency ensured by IFRS, which requires additional information. The third expert did not identify any aspects in the above-mentioned areas that would produce benefits resulting from IFRS-based financial statements. However, the majority opinion leads us to believe that there are some benefits involved.

Conclusion

The above study was undertaken in view of the fact that, in practice, the preparation of financial statements is labour-intensive and costly. It is also costly to audit them. For this reason, it seems natural to wonder about whether the implementation of IFRS was relevant to (increasing/decreasing) the cost of work of Polish certified auditors and whether the cost-benefit changes go hand in hand with the benefits that can be attributed to the time spent performing the audit tasks.

In view of the above, the main purpose of the study presented here was, firstly, to methodically diagnose the costs/benefits associated with the application of IFRS after more than ten years of experience of Polish auditors and, secondly, whether and to what extent the possible cost/benefit specification may be a potentially important message coming from this professional group and pointing to the need for change related to the use of IFRS. The survey used here as a research method was directed only to those certified auditors who have extensive professional experience related to the audit of financial statements. They examine both financial statements prepared in accordance with the Polish accounting law and those prepared according to the requirements of IFRS. Only those certified auditors who met the criteria of being a reliable source of information and, in addition, who are unquestionably experts in the Polish environment in the title area, were selected for the research. On this basis, the results obtained may be considered representative of the purpose of the study.

The synthetic summary of the cost-benefit analysis for certified auditors who examine financial statements prepared based on IFRS have led us to the following conclusions.

IFRS implementation has produced benefits to certified auditors because it has changed auditing into a less labour-intensive process. That is because IFRS require additional information, which contributes to higher information transparency in a company; a factor relevant in any analyses and substantive verifications.

However, the adoption of IFRS results in companies facing additional responsibilities and calls for additional activities, analyses and operations to be performed which, if applicable to the audit of financial statements prepared based on the Accounting Act, would be surely much less labour-intensive. That is why time needed for audit increases, the process must be carefully organised and prepared. *Summa summarum* – for a certified auditor, it becomes more time-consuming and costly. Compared to auditing financial statements prepared in accordance with the Accounting Act, additional costs in audit arise mainly due to:

- there being more difficult checks of reliability for reasons pertaining to the evaluation of assets and liabilities;
- a considerable increase in the total risk of audit and accuracy with which we can identify its scope;
- the increased risk of overlooking infringements;
- the need to make initial assessments and findings before auditor activities have been planned;

- the work involved in the assessment of significance, which is strongly correlated with the assessment of solutions adopted in the audited company and resulting from IFRS;
- certain areas of the audit review which become more labour-intensive when companies apply IFRS compared to auditing financial statements prepared based on the Accounting Act (e.g.: the impairment test and auditing estimates).

On the other hand, if the above cost/benefit specification can be a potentially important message coming from the Polish auditors and pointing to the need for change related to the use of IFRS, the answer at this stage of the research is not clear. Further studies would be needed which would include special measurements. However, thanks to the presented research, knowledge of the areas in which experts identify costs/benefits and which can be further identified, e.g., statistical research tools, has been gained.

Finally, it is worth emphasizing that the presented study makes it possible to notice that, although the specificity of the above-mentioned costs/benefits does not make them quantifiable, in practice they can be reflected financially in higher fees for the audit (Kim et al., 2012). Though the cost is paid directly by the audited company, it is the customer who is burdened by the higher cost of auditing IFRS-based financial statements. Here comes a more general comment: the aforesaid should be borne in mind when identifying direct and further consequences (costs and benefits) of adopting various legal norms, including those in the area of accounting law.

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