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Stowarzyszenie Księgowych w Polsce

The disclosure of events after the reporting period. The example of listed companies from selected European countries

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Summary

Purpose: The aim of this article is to present a practical study of disclosures of events after the reporting period in the financial reports of listed companies from selected European countries. The paper presents the results of empirical research based on the source material in the form of financial statements for the year 2018 of listed companies included on the following stock exchange indices: DAX, PSI-20, OMX25, BUX, WIG20, which comprise companies listed on the stock exchanges in Germany, Portugal, Denmark, Hungary and Poland. **Methodology/approach**: The research sample includes 110 companies. Content analysis of full versions of individual financial statements was performed**. Findings**: The results show that listed companies comply with the International Financial Reporting Standards regarding the disclosure of events after the reporting period. The occurrence of such events in the business practice of companies listed on the Warsaw Stock Exchange is much more frequent than in other European countries. The results of the study also present the diversity of events disclosed by respective companies included in the sample after the reporting period. **Originality/value**: The research allowed us to compare the scope of financial reporting disclosures of events after the reporting period in companies listed on the Warsaw Stock Exchange and in other European companies. Comparisons of this kind have not yet been carried out in international empirical research, which makes this article all the more valuable.

Keywords: financial statements, accounting, listed companies, events after the reporting period.

Streszczenie

Ujawnienia informacji o zdarzeniach po dacie bilansu na przykładzie spółek giełdowych z wybranych krajów europejskich

Cel: Celem artykułu jest przedstawienie praktycznego studium ujawnień informacji o zdarzeniach po dacie bilansu, dokonywanych w sprawozdawczości finansowej spółek giełdowych wybranych krajów europejskich. Artykuł prezentuje wyniki badań empirycznych opartych na materiale źródłowym w postaci sprawozdań finansowych sporządzonych za rok 2018 przez spółki giełdowe wchodzące w skład indeksów giełdowych: DAX, PSI-20, OMX25, BUX, WIG20, na które składają się spółki notowane na giełdach w Niemczech, Portugalii, Danii, na Węgrzech i w Polsce. **Metodyka/podejście**: Próba badawcza

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obejmowała 110 spółek. Wykorzystano metodę analizy treści pełnych wersji jednostkowych sprawozdań finansowych. **Wyniki**: Z otrzymanych rezultatów wynika, że spółki giełdowe wypełniają wymogi Międzynarodowych Standardów Sprawozdawczości Finansowej w zakresie ujawniania zdarzeń po dacie bilansu. Występowanie takich zdarzeń w praktyce gospodarczej spółek notowanych na Giełdzie Papierów Wartościowych w Warszawie jest dużo częstsze niż w przypadku innych krajów europejskich. Wyniki badań pokazują także różnorodność zdarzeń po dacie bilansu, które są ujawniane przez poszczególne spółki przyjęte do próby badawczej. **Oryginalność/wartość**: Przeprowadzone badania umożliwiają porównanie zakresu dokonywanych w sprawozdawczości finansowej ujawnień dotyczących zdarzeń po dacie bilansu w spółkach notowanych na Giełdzie Papierów Wartościowych w Warszawie i innych krajach europejskich. Tego rodzaju porównania nie były do tej pory dokonywane w międzynarodowych badaniach empirycznych, co czyni artykuł bardziej wartościowym.

Słowa kluczowe: sprawozdania finansowe, rachunkowość, spółki giełdowe, zdarzenia po dacie bilansu.

Introduction

Financial statements are a product of accounting and, at the same time, a component of an entity's settlements with its environment. They must, therefore, meet specific requirements and provide information that is useful for the decision-making processes carried out by a wide range of users. The fundamental qualitative characteristics of useful information include relevance and faithful representation (*Conceptual Framework for Financial Reporting*, paragraphs CJ1 to CJ39). Relevance is related to the capability to make a difference regarding the user's decisions, and faithful representation means completeness, neutrality and freedom from material error of the presented information.

As a result, financial statements may satisfy these conditions, e.g. if they include material events after the reporting period. Financial statements are intended to present the financial position of an entity as of the reporting date and, therefore, they should be updated to include all events that would provide greater clarity about the conditions at the reporting date (Świderska, Więcław, 2007, pp. 13–7). Events after the reporting period may have a material impact on both the financial statements and the opinion of the independent auditor, as well as on the behaviour of investors and other users of the financial statements, as evidenced by the results of surveys conducted among auditors from various countries (Ozdemir, Gokcen, 2016, p. 42).

In this context, the main aim of this article is to present a practical study of disclosures of events after the reporting period in the financial reports of listed companies from selected European countries. The authors conducted their own empirical research based on source material in the form of financial statements of 110 companies listed on the stock exchanges in Germany, Portugal, Denmark, Hungary, and Poland. The selection of companies chosen for the research sample makes it possible to compare the disclosures made in the reports of companies operating in the developed markets of Western Europe and the developing markets of Eastern Europe. The authors also reviewed the foreign literature to present empirical studies related to post-reporting date disclosures in the financial reporting practice of companies from different countries.

The following research methods were also used: analysis of legal acts and standards, content analysis, information comparison and information systematisation research methods.

The authors hypothesised that events after the reporting period occurred more frequently in the business practice of companies listed on the Warsaw Stock Exchange than in the case of other European countries. The research allowed us to compare the scope of financial reporting disclosures of events after the reporting period in companies listed on the Warsaw Stock Exchange and in other European companies. Comparisons of this kind have not yet been carried out in international empirical research, which makes this article all the more valuable.

1. Events after the reporting period in the context of Polish regulations

One of the key accounting principles is the accrual principle, which stipulates that the accounting books for a given financial year should include all revenues and commensurate costs relating to a given year, regardless of their actual date of payment (the Act, 1994, Article 6). This requires that all transactions from a given financial year be recorded in the books for that year, even if the documents relating to such transactions are received or issued bearing the date of the next financial year. The key dates of recognising such events are the date of preparing the financial statements and their subsequent approval. These dates limit in time an entity's obligation to settle with its environment. The key accounting principle is also the principle of faithful representation, which requires a reliable and clear presentation of an entity's property, financial situation and financial results (the Act, 1994, Article 4(1)). This clearly emphasises the need to ensure the reliability of the financial statements. One way of ensuring such reliability is disclosing events after the reporting period in the financial statements for a given financial year.

All events that occurred after the reporting period but before the preparation of the financial statements, which provide evidence of the conditions that existed at the end of the reporting period, are recognised in the financial statements for the financial year to which they refer.

Pursuant to the Accounting Act, if an entity, after preparing its annual financial statements but prior to their approval, receives material information that affects such financial statements or affects its going concern, it should amend the financial statements accordingly. In certain cases, this will also require them to make appropriate entries in the accounting books, or it may result in additional disclosure obligations (the Act, 1994, Article 54(1)). Responsibility in this respect and assessing respective events are the duties of the entity's manager, who is responsible for fulfilling accounting obligations, including supervision, and for preparing financial statements in accordance with legal requirements. It is worth noting that members of a supervisory body are also responsible for the accuracy of financial statements if such a body functions in a given entity (the Act, 1994, Article 4(5), Article 4a).

The Accounting Act does not define in more detail the concept of events after the reporting period. However, it follows from the provisions of the Act that entities may apply the National Accounting Standards (Krajowe Standardy Rachunkowości, KSR) adopted by the Accounting Standards Committee at the Ministry of Finance in matters not regulated by this Act. The Accounting Standards Committee operates pursuant to the Accounting Act and the Ordinance of the Minister of Finance (2011) on the scope of the Accounting Standards Committee's activity and how it is organised.

In the context of KSR 7, events after the reporting period are defined as favourable and unfavourable events which occur after the reporting period, i.e. the date on which the financial statements for a given financial year were prepared, which materially affect the data disclosed in the financial statements. However, an entity must obtain information about such events before the financial statements are authorised for issue (KSR 7). An entity may make accounting adjustments only until the approval of the financial statements. The final closing of the books of an entity which is a going concern should take place within 15 days of the date of approving the financial statements for a given financial year (the Act, 1994, Article 12(4)). There is no possibility to make such adjustments after that date.

Information is considered material if its omission or distortion may influence the decisions made on its basis by the users of such statements (the Act, 1994, Article 4(4a)).

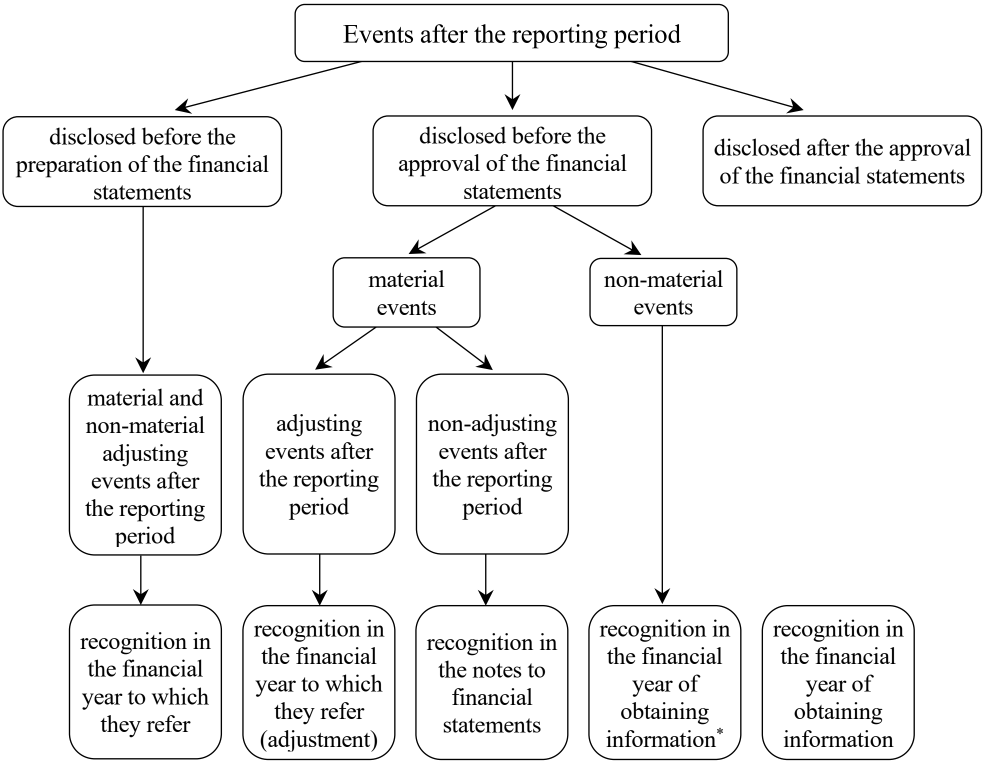
Due to the impact of events on the financial statements, the standard divides them into the following categories:

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

In the former case, the effects of such events are recognised in the prepared financial statements, and adjusted accordingly, when such events significantly affect the presentation of the property and financial situation and the financial result of an entity. This requires adequate entries in the accounting books for the financial year for which the financial statements have been prepared. Such events may include (KSR 7, paragraph 6.2):

- adjustments to proceeds from sales for the financial year related to changes in invoice amounts or cancellation of sales;
- the settlement of a court case which confirms or changes the amount of a created provision or gives rise to a liability for which no provision has been created;
- the receipt of information indicating that an asset was more significantly impaired;
- the determination of the final cost of assets purchased before the end of the reporting period;
- the determination of a lower value of assets sold after the reporting period in relation to proceeds, less the costs of their sale;
- the discovery of errors, including fraud.

Figure 1. The rules of recognising events after the reporting period



* In the case of material events, it is the so-called prior period accounting error, which is recognised in "Profit (loss) brought forward".

Source: authors' own study.

In the latter case, an entity discloses such relevant information by adjusting the notes to financial statements (KSR 7, paragraph 6.3). Such events include:

- the decline in the market value of investments;
- the declaration of dividends which are due to the holders of equity instruments;
- a business combination;
- major purchases of assets;
- the classification of assets as held for sale, or sale of assets;
- the destruction of a major production plant by a fire or flood;
- announcing, or commencing the implementation of, a major restructuring;
- abnormally large changes in asset prices or foreign exchange rates relating to the entity's operations;
- entering into significant commitments;
- issuing significant guarantees or sureties;
- commencing major litigation arising solely out of events that occurred after the reporting period.

The effects of events which occurred after the reporting period, but which will be considered insignificant or which were received after the financial statements had been approved, are disclosed for the current financial year according to the abovementioned rules. The above approaches are presented in Figure 1.

Cases where evidence concerning operations taking place before the reporting date is received, as well as where such a supporting document is issued bearing the date of a new financial year, do not constitute events after the reporting period (KSR 7, paragraph 6.1). Such events refer to the year for which the report was prepared in accordance with the matching principle.

2. Events after the reporting period in the context of international regulations

International regulations concerning events after the reporting period are included in International Accounting Standard (IAS) 10. After its publication, this standard was assessed as a "relatively [straightforward] standard to apply once you have correctly determined whether events which occur require adjusting within the financial statements or whether they require disclosure" (Muthupandian, 2018, pp. 841–843). In accordance with this standard, events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue (IAS 10, p. 937). The date when the financial statements are authorised for issue is the date on which those statements are authorised for issue to shareholders and supervisory bodies by the management of the entity. The date when the financial statements are authorised for issue is disclosed as all events occurring after that date are no longer recognised in the financial statements. It may occur that, after the publication of financial statements, owners or other persons are entitled to make adjustments to them. This requires disclosure.

There are two types of such events after the reporting period (IAS 10, pp. 940–941):

- those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The former requires adjustments to be made by the entity to the already prepared financial statements. Events after the reporting period that require an entity to adjust the financial statements include, e.g. (IAS 10, p. 939):

- the settlement of a court case that confirms that the entity had a present obligation at the end of the reporting period;
- the receipt of information indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted;
- the determination of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period;

- the determination of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date;
- the discovery of fraud or errors that show that the financial statements are incorrect.

The latter type of events does not require any adjustments to the amounts in the financial statements. These may include a decline in fair value of investments after the reporting period or a declaration of dividends to holders of an entity's equity instruments. However, it should be noted that some of these events require disclosure. This applies to material events, the disclosure of which could influence the economic decisions that users make on the basis of the financial statements. Accordingly, the management of an entity is obliged to disclose the nature of the event and, if possible, an estimate of its financial effect (IAS 10, p. 941). The standard presents examples of such events after the reporting period (IAS 10, pp. 941–942):
- a major business combination after the reporting period or disposing of a major subsidiary;
- announcing a plan to discontinue an operation;
- major purchases of assets, classification of assets as held for sale, other disposals of assets, or expropriation of major assets by the government;
- the destruction of a major production plant by a fire after the reporting period;
- announcing, or commencing the implementation of, a major restructuring;
- major ordinary share transactions and potential ordinary share transactions after the reporting period;
- abnormally large changes after the reporting period in asset prices or foreign exchange rates;
- changes in tax rates or tax laws;
- entering into significant commitments or contingent liabilities;
- commencing major litigation arising solely out of events that occurred after the reporting period.

Approaches to recognizing events after the balance sheet date, both in international and national regulations, should be considered convergent. An analysis of the regulations adopted in KRS 7 and IAS 10 allows us to state that both the rules for identifying events after the balance sheet date and their disclosure in the financial statements do not differ significantly. IAS 10 provides a more detailed list of examples of events whose occurrence requires appropriate corrections.

A significant difference occurs in the definition of events after the balance sheet date. Following national regulations, they are events that occur between the balance sheet date and the date of approval of the financial statements. However, under IAS 10, the endpoint of the event recognition period is “the date of approval of the financial statements for disclosure”. The process required for approving financial statements for disclosure may vary depending on the management structure, statutory requirements, or the procedures followed in preparing financial statements (IAS 10, p. 4). Sometimes an entity is required to make available to shareholders for approval previously released financial statements. In such a case, "the date of approval of the financial statements for disclosure" is the date they are made available, not the date of approval of the financial statements by shareholders. Despite the above difference, it should be noted that both national and international regulations emphasize the obligation to present events after the balance sheet date in financial statements, as their occurrence is considered to be significant for the users of the financial statements.

3. Events after the reporting period and the overriding going concern principle

When preparing financial statements, it is assumed that an entity will continue as a going concern in the foreseeable future with no material reduction in its business without going into liquidation or bankruptcy unless this is non-compliant with its actual situation or legal status. The ability of an entity to continue as a going concern is always determined by the manager of the entity taking into account all information available as of the day of preparing financial statements, concerning the foreseeable future, covering the period no shorter than one year from the reporting date (the Act, 1994, Article 5(2)). The going concern principle is also one of the two basic principles on which international regulations are based. When preparing financial statements, management should assess the entity's ability to continue as a going concern.

Thus, the first assessment of whether it is relevant to continue as a going concern is always made by the entity's management when beginning to prepare the financial statements. Such financial statements are actually prepared after the reporting period and management would assess the relevance of the going concern assumption as of the date of preparing the financial statements.

The management's assessment of an entity's ability to continue as a going concern is a separate matter in international regulations with regard to events after the reporting period. This is the basis for a fundamental change in the adopted accounting policy, not a mere adjustment of the previously determined amounts. This is certainly the case when a decision is made after the reporting period to liquidate the entity or to cease trading (IAS 10, p. 940).

Verification of the relevance of the going concern assumption is also carried out at the stage of auditing the financial statements by an auditor.

The problem of late disclosure of events after the reporting period and the difficulties for auditors to initiate appropriate procedures to respond to the risks arising from such events have been recognised in the international literature on the subject. It is emphasised that subsequent events are typically discovered near the end of the audit when the auditor has established an initial view regarding the fair presentation of the financial statement (Phang, Fargher, 2019, pp.167 to 182). According to results of research, auditors propose smaller audit adjustments to subsequent events following prior commitment when the control environment risk is low, relative to when there is no prior commitment.

4. Auditing events after the reporting period

The responsibility for assessing events after the reporting period lies not only with the entity's manager or, in certain cases, with the members of the supervisory body, but also with the auditor who audits the financial statements of the entity. The results of international research show that auditing subsequent events is a difficult audit area as about one-third of the inspection reports of securities and stock market regulators have identified deficiencies in this area (Chung et al., 2013, p. 167).

The National Standards on Auditing (Krajowe Standardy Badania, KSB), in the wording of the International Standards on Auditing (ISAs), adopted by Resolution No. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018, are currently applied to audit financial statements in Poland. This results from adapting Polish legislation to the requirements of the European Union (the Resolution, 2015). ISAs are also applied by auditors carrying out audits in most European countries.

According to the survey by Janvrin and Jeffrey (2007, p. 312) carried out on a sample of auditors conducting audits in accordance with ISAs, in all cases where respondents encountered events after the reporting period, the guidelines of ISA 560 were followed. The list of procedures used by auditors during the audit of events after the reporting period, confirmed by empirical studies, was compiled, e.g. by Latif and Jaber (2015, pp. 78–85). They included, among others, tracking companies' policies, reading the minutes of board meeting, inquiring management about contingent liabilities, changes in capital and accounting estimates.

In the context of ISA 700, an audit of the financial statements concludes with the issue of an auditor's report which includes an opinion. According to the standard, an auditor is required to consider the effect of events and transactions of which they became aware and that occurred up to that date (ISA 700, paragraph A38). Therefore, they will include events after the reporting period. As a result, the recipient of the audit report expects the auditor to have assessed and referred to events that occurred after the date of the financial statements.

Detailed regulations in this respect are laid down in ISA 560. By "subsequent events", the standard understands events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report (ISA 560, paragraph 5e).

The standard requires an auditor to perform the necessary audit procedures designed to obtain sufficient, appropriate audit evidence that relates to all events occurring between the date of the financial statements and the date of the auditor's report. An auditor is not, however, expected to perform additional audit procedures on matters to which previously applied audit procedures have provided satisfactory conclusions. Such events may require adjustments of the financial statements or additional disclosures (ISA 560, paragraph 6).

The procedures adopted by the auditor should include (ISA 560, paragraph 7):

- obtaining an understanding of any procedures that management has established to ensure that subsequent events are identified;

- inquiring of management as to whether any subsequent events have occurred which might affect the financial statements;
- reading minutes, if any, of the meetings of the entity's bodies that have been held after the date of the financial statements and inquiring about matters discussed at any such meetings for which minutes are not yet available;
- reading the entity's latest subsequent interim financial statements, if any.

In addition, the auditor should obtain a written representation from the management of the audited entity in this respect (ISA 580).

The standard also applies to situations where an auditor obtains material information about facts affecting the financial statements after the date of the auditor's report but before the date the financial statements are issued, as well as after such an issue. In the context of ISAs, the management of an entity signs a contractual obligation to inform the auditor of facts that may affect the financial statements and which occurred after the date of the auditor's report but before the date the financial statements are issued. However, following ISA 560, the date the financial statements are issued generally depends on the entity's regulatory environment. In some circumstances, the date the financial statements are issued may be the date that they are filed with a regulatory authority (ISA 560, paragraph A4).

If, after the date of the auditor's report, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor discusses the matter with management or a supervisory body, and determines whether the financial statements need amending and, if so, how management intends to address the matter. If the entity's manager amends the financial statements, the auditor carries out the audit procedures necessary in the circumstances on the amendment. In most cases, this requires an extension of the audit procedures and the provision of a new auditor's report on the amended financial statements (ISA 560, paragraph 11).

However, if management does not amend the financial statements in circumstances where the auditor believes they need to be amended, and if the auditor's report has not yet been provided to the entity, the auditor should modify the opinion. Otherwise, the auditor should notify management and the supervisory body in writing not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor should take appropriate action to prevent reliance on the auditor's report (ISA 560, paragraphs 12–13).

If, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor should proceed similarly to the abovementioned case.

If management does not amend the financial statements in circumstances where the auditor believes they need to be amended, the auditor should notify management and supervisory bodies that the auditor will seek to prevent future reliance on the auditor's report (ISA 560, paragraphs 14–17).

International empirical research on auditing events after the reporting period focuses primarily on matters combining aspects of behavioural accounting and psychology to identify factors that affect the effectiveness of audit procedures applied by auditors in auditing events after the reporting period. Janvrin and Jeffrey (2007, pp. 295–312) examined how auditors search for and discover evidence of subsequent events and factors that influence this process. The results of their survey show that auditors are more likely to find evidence of subsequent events when the period from the balance sheet date to the report date is longer. Latif and Jaber (2015, pp. 78–85) demonstrated that the characteristics of the auditors carrying out the audit (speciality, experience, CPA exams, training) did not have statistically significant effects on their awareness of the importance of complying with the requirements of ISA 560 "Subsequent Events". The developed models also lead to the conclusion (Chung et al., 2013, p. 167) that the effectiveness of these procedures is largely influenced by the auditor's cognitive processing mode, which is initially affected by environmental, individual and task-specific factors. When asked about the possibility of improving the audit of events after the reporting period, auditors participating in the surveys most often considered this area to be very dependent on the specific nature of the client (Herda, Lavelle, 2014, p. A18). According to them, revealing events after the reporting period and applying relevant procedures depend on the clients' awareness of the consequences of events after the reporting period and on improved communication with the clients.

5. Empirical study of events after the reporting period in the financial reporting practice of listed companies in selected European countries

To date, studies on events after the reporting period disclosed in financial statements were conducted by, among others, Papaj-Wisłocka (2017, pp. 55–70), who analysed the disclosures in financial statements of 60 companies listed on the Warsaw Stock Exchange. Hategan and Crucean (2018, pp. 571–583) analysed the financial statements of 62 companies from the Budapest Stock Exchange, grouping the subsequent events which were found. Saidin et al. (2016, p. 1) examined whether the earnings deviation is related more to misstatements rather than the occurrence of events after the reporting period. It was found that only a total of 14 percent of the sample had declared events after the reporting period, while 95 percent had declared misstatements as a reason for earnings deviation. The majority of other empirical studies on events after the reporting period were based on surveys conducted among auditors.

The authors' own empirical research included a sample of 110 companies listed on stock exchanges in five selected European countries. Table 1 presents information on the number of companies from each country and the respective stock indices.

Companies listed on the stock exchanges in both Western and Eastern European countries were selected for the research sample, which allows comparisons to be made. For comparability, companies with high market capitalisation were chosen.

Table 1. Presentation of the sample

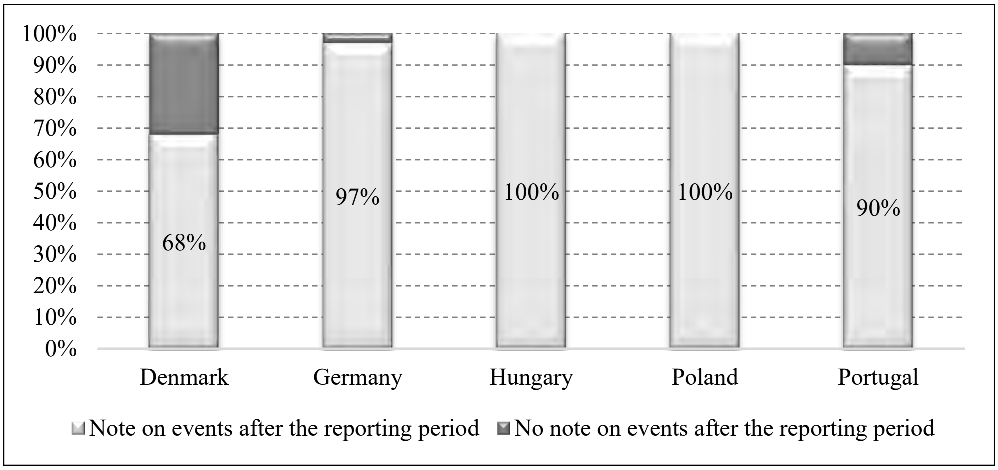
Country	Number of companies	Stock exchange	Stock index	Index characteristics
Denmark	25	Copenhagen Stock Exchange	OMX25	The index comprises the 25 largest companies listed on the Copenhagen Stock Exchange. It is a market value-weighted index that consists of the 25 most-traded stock classes
Germany	30	Frankfurt Stock Exchange	DAX	The index comprises the 30 largest companies listed on the Frankfurt Stock Exchange. Companies are selected based on their capitalisation and turnover
Hungary	15	Budapest Stock Exchange	BUX	The index comprises the 15 largest companies listed on the Budapest Stock Exchange. Companies are selected based on their capitalisation, taking free float into account
Poland	20	Warsaw Stock Exchange	WIG20	The index comprises the 20 largest companies listed on the Warsaw Stock Exchange. Companies are selected based on their capitalisation and turnover
Portugal	20	Euronext Lisbon	PSI-20	The index comprises the 20 largest companies listed on the Euronext Lisbon with the highest market capitalisation and share turnover

Source: authors' own study based on the Budapest Stock Exchange, the Copenhagen Stock Exchange, Euronext Lisbon, the Frankfurt Stock Exchange, and the Warsaw Stock Exchange (access 4.09.2019).

The Authors are aware that the selection of the research sample, which includes only companies from a few selected countries, limits the value of the study. However, the research results obtained on the adopted sample allow us to present a selected situation and make preliminary comparisons, which in the future may be extended after increasing the empirical material.

The analysis covered data from the full versions of the individual financial statements together with the notes to the financial statements. All financial statements had been prepared in accordance with the requirements of the International Financial Reporting Standards and published on the companies' websites. The study used financial statements as of 31.12.2018 or, in the case of companies where the financial year is different from the calendar year, as of 30.06.2019. In 99 financial statements of the companies included in the sample, a separate note on events after the reporting period was available, which accounts for 90% of the total number of analysed financial statements. Figure 2 presents the percentage structure of companies providing such separate note.

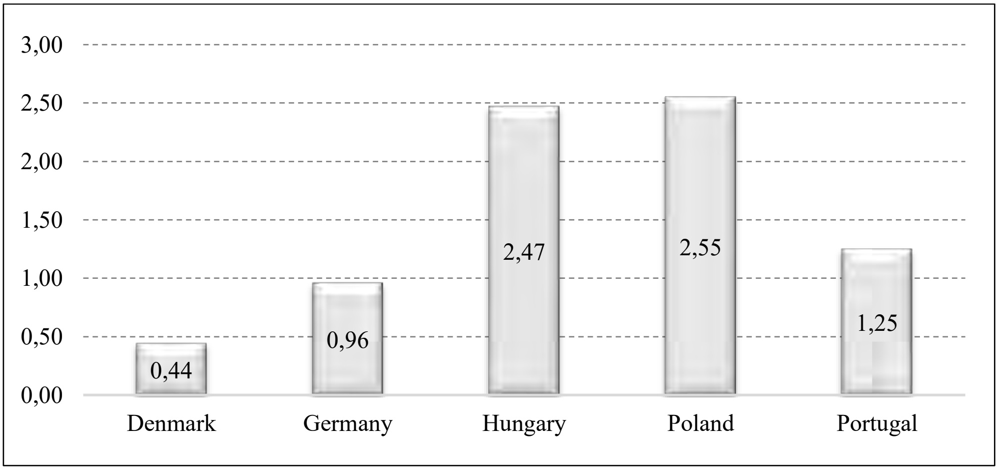
Figure 2. Structure of companies in the sample based on the inclusion of a separate note on events after the reporting period in the financial statements



Source: authors' own study.

The analysis of the contents of the financial statements allowed for a comparison of the information disclosed by listed companies on events after the reporting period. One hundred and fifty-three events after the reporting period were disclosed in the sample, which gives an average of 1.39 events per financial statement. Figure 3 presents the average number of events after the reporting period disclosed by companies from respective European countries included in the sample.

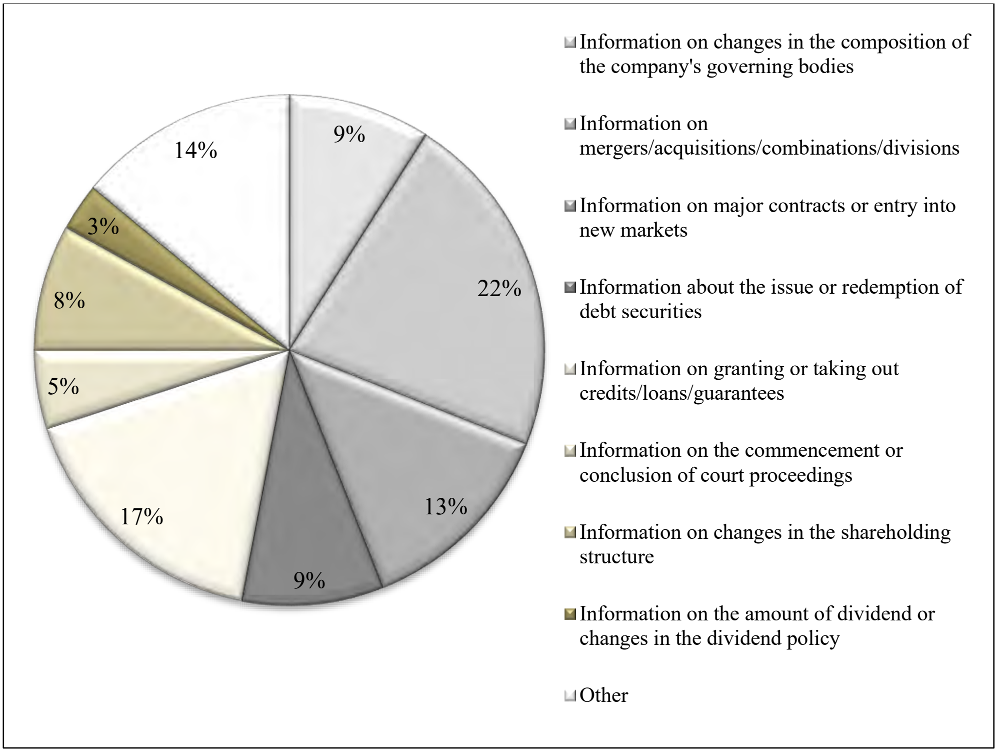
Figure 3. Average number of events after the reporting period disclosed by companies included in the sample



Source: authors' own study.

The results for Poland are comparable to the 2016 survey conducted by Papaj-Wisłocka (2017, pp. 55–70), where the average number of events after the reporting period per company in the sample was two. It should be noted that for companies listed on the Warsaw Stock Exchange and the Budapest Stock Exchange, the average number of disclosed events after the reporting period was higher than in Western Europe (i.e. Denmark, Germany and Portugal).

Figure 4. Classification of events after the reporting period disclosed in the financial statements of companies in the sample



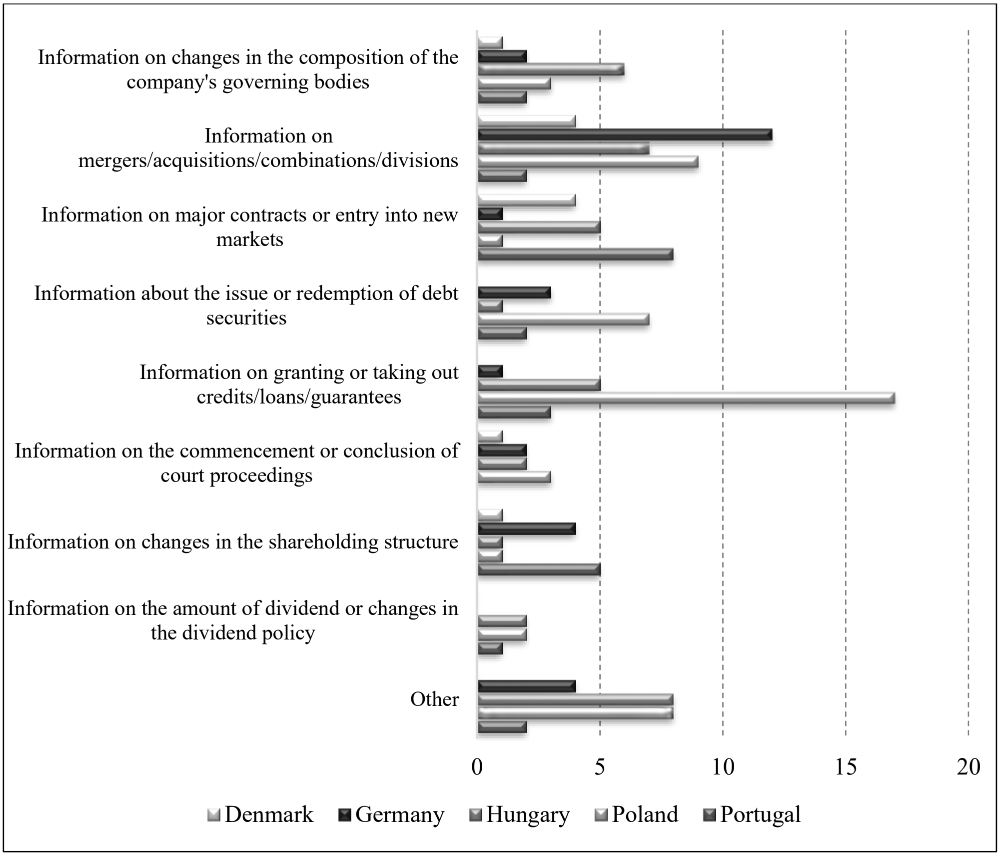
Source: authors' own study.

Figure 4 presents the classification of events after the reporting period disclosed in the financial statements of all companies included in the sample. The highest number of such disclosures related to mergers, divisions and transformations involving the reporting company, information on loans and credits, as well as major agreements and contracts.

Among other disclosed events after the reporting period, the sample featured such events as the sale of a building, a change in the company's stock index, a change of rating, information on awards received, grants obtained and the introduction of new regulations affecting the company's operations.

Figure 5 presents the number of disclosed events after the reporting period broken down by country.

Figure 5. Number of events after the reporting period disclosed in the financial statements of the companies in the sample broken down by country



Source: authors' own study.

The results of the study concerning the number and structure of events after the reporting period may be considered comparable to the previous studies (Papaj-Wisłocka, 2017; Hategan, Crucean, 2018). Among the disclosures, similar types of events after the reporting period prevail. It is worth noting that in the case of Poland and Hungary, there is a significant number of events related to obtaining sources of financing (loans and credits) and participation in divisions or mergers, which may result from the lower maturity of the Central and Eastern European markets. The study conducted by the authors for the first time makes it possible to compare the scope of disclosures of events after the reporting period in the financial reporting practice of companies listed on stock exchanges in Poland and Western Europe.

Conclusions

Financial statements are made available to stakeholders with a long delay, which results from the labour intensity of their preparation, as well as from legally regulated deadlines for approving and publishing financial statements. It is, therefore, essential that both those responsible for preparing financial statements and the auditors carrying out the audit are aware of the importance of appropriate disclosures of events after the reporting period and their impact on the position of the entity and the possible behaviour of stakeholders.

Analysis of national and international legal regulations regarding disclosure of events after the balance sheet date shows that the adopted solutions for identifying and disclosing these events are similar. Both KRS 7 and IAS 10 emphasise the need for relevant disclosures of events after the balance sheet date, with their occurrence considered to be significant for users of the financial statements. These events can significantly affect the entity's financial position and can, therefore, be important for stakeholders to make decisions. Reporting information about no events after the balance sheet date should also be considered good practice. Such information shows that the company has made every effort to identify these events.

The results of the study show that the majority of listed companies comply with the International Financial Reporting Standards regarding the disclosure of events after the reporting period. In 90% of the financial statements of companies included in the sample, there was a separate note on events after the reporting period. The results in the sample confirm that the number of disclosures for companies listed on the Warsaw Stock Exchange is higher than for companies listed on the Western European stock exchanges.

The authors are aware of the limitations of the research. If the financial statements had been analysed over a period of two or more consecutive years, it would have increased the quality of the research presented. It is worth emphasising that the Authors conducted the research in five European countries, so it is possible to regard this analysis as static and spatial. The authors plan to carry out further empirical research on a larger research sample to identify the determinants of more events after the balance sheet date in the practice of national financial reporting.

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