**Georgiana Ioana Tircovnicu,**
**Camelia-Daniela Hategan**

# ANALYSIS OF ACCOUNTING QUALITY RISK IN THE MSE REPORTING SECTOR

**Abstract**

Micro and small enterprises (MSEs) in the Central and Eastern European countries (CEECs) have been under pressure from both political and economic changes. To build trust, MSEs must disclose information as clearly as possible, through transparent financial reporting. The article aims to study the impact of eight accounting quality risk indicators, based on MSE-sector financial reporting in the EU countries, particularly in the CEECs. The qualitative research methodology consists of a descriptive study of the financial reporting risks, emphasizing the types of reports and the association thereof with company characteristics. The study is covers a sample of 70 US stock market listed MSEs, which are included in the Audit Analytics database, an online platform collecting information contained in financial statements. The period considered relevant was 2002–2022. A total of 289 flags were identified, 7.97% of which represented CEECs. According to the results, the Altman Z-Score indicator showed the highest (nearly half of the identified flags) impact of the accounting quality risk on the financial statements of MSE in the EU. The Altman Z-Score and the Deviation from Benford's Law index exhibited significant impact on the MSE financial reports in CEECs. Considering the rapid evolution of the possible risks affecting MSE financial statements, as well as the fact that this topic has not been researched thoroughly, the findings are of relevance. Originality/contribution: The contribution of this article can be viewed through the prism of the scarcity of research in this area, which is why this sphere presents potential for further and broader discussion.

**Keywords:** Financial Reporting; Accounting Quality Risk, MSE sector, Altman Z-Score, Benford's Law.

# ANALIZA RYZYKA JAKOŚCI RACHUNKOWOŚCI W SEKTORZE SPRAWOZDAWCZOŚCI MŚP

**Streszczenie**

Mikro i małe przedsiębiorstwa (MŚP) w krajach Europy Środkowej i Wschodniej (CEE) znajdują się pod presją zmian politycznych i gospodarczych. Aby zbudować zaufanie, MŚP muszą przekazywać informacje w sposób jak najbardziej klarowny, co osiąga się poprzez przejrzysty proces sprawozdawczości finansowej. Celem artykułu jest zbadanie wpływu ośmiu wskaźników ryzyka jakości rachunkowości w sektorze sprawozdawczości finansowej MŚP w krajach UE, w szczególności

w krajach Europy Środkowo-Wschodniej. Metodologia badań jakościowych polega na opisowym badaniu ryzyka w sprawozdaniach finansowych, z podkreśleniem jego rodzajów i związku z cechami przedsiębiorstwa. Badanie opiera się na próbie 70 MŚP, notowanych na amerykańskim rynku giełdowym i włączonych do bazy danych Audit Analytics, platformy internetowej zawierającej informacje ze sprawozdań finansowych spółek. Okres 2002–2022 został uznany za odpowiedni; zidentyfikowano 289 flag, z których 7,97% należy do krajów Europy Środkowo-Wschodniej. Zgodnie z wynikami, wskaźnik Altmana miał największy wpływ na ryzyko jakości rachunkowości w sprawozdaniach finansowych MŚP w UE, tj. prawie połowy zidentyfikowanych flag. Wskaźnik Altmana oraz wskaźnik Odchylenie od Prawa Benforda znacząco wpływały na sprawozdania finansowe MŚP w krajach Europy Środkowo-Wschodniej. Biorąc pod uwagę szybką ewolucję ryzyka, które może mieć wpływ na sprawozdania finansowe MŚP oraz fakt, że temat ten nie został dokładnie zbadany, uważamy go za istotny. Wkład tego artykułu do literatury przedmiotu może być postrzegany w świetle faktu, że nie istnieje zbyt wiele badań na ten temat.

**Słowa kluczowe:** Sprawozdawczość finansowa, ryzyko jakości rachunkowości, sektor MŚP, Wskaźnik Altmana, prawo Benforda.

## Introduction

Micro and small enterprises (MSEs) are the engines of the European economy. MSEs These types of enterprises are the basis for the growth of the world economy because, thanks to these entrepreneurs, many jobs are created, and thus social stability takes place. According to the statistics, MSEs are creating 9 out of 10 businesses, stimulating innovation worldwide but especially in the European Union. Considering this, we need to consider that these types of companies are vital for the competition in the field of work and among employees.

Since these companies represent an essential point in the European Union, it is understandable that it must consider many European-level developments.

The European community is trying to offer these companies all the conditions and possibilities to improve their capacities and reach their maximum potential, rising to the optimal global level. Considering that we are dealing with micro and small enterprises, it goes without saying that their size differs depending on specific criteria such as the number of employees, share capital, etc. In the economic field, it is important that MESs be differentiated in order to benefit from the European Union support. Therefore micro and small enterprises must overcome all barriers like lack of knowledge, technical problems or negative influences from the market in which it operates.

This paper is structured in three parts; in the first part, we find some theoretical aspects, thus creating the conceptual framework of the research field, followed by the research methodology based on qualitative statistical analysis. The third part of this article details the results of this study combined with the

comments generated by this research. In the final part of this paper, we summarized the conclusions, the limitations we faced and future possible research directions.

## 1. Literature review

Over the years, the countries of Central and Eastern Europe have undergone political, social and economic transformations. Even if the economy of these companies is still developing, it is to be appreciated that they are trying to keep up with market laws.

Since 2000, there has been a growing need to harmonize and simplify financial reporting for MSEs globally. To meet this need, the International Accounting Standards Board (IASB) has begun work on developing an appropriate standard for MSEs. With the help of a working group specially formed to achieve this standard and the entity's constant concerning opinions, the IASB published the International Financial Reporting Standard for Micro and Small Enterprises – IFRS for MSEs[1].

The process of implementing IFRS for micro and small enterprises brings some advantages that we need to take into consideration:
– Improving access to capital,
– Improving the quality of the financial reporting,
– Improving the stability of the accounting framework.

However, very often, it is concluded that attention needs to be drawn to the disadvantages of MSEs:
– Existence of unprofitable investment cases.
– Taxes and requirements too high.
– Too little market demand for products or services offered by some small or medium-sized enterprises.
– The entrepreneur may not have all the skills needed to run the business, so sometimes difficulties may arise in the process of organizing activities, and if the entrepreneur intends to expand its business sector and is not sufficiently prepared for it, it may suffer a failure.
– The legislation, the policy of the country in which the company operates and the monopoly situations can negatively influence its development;
– Difficulties in obtaining loans or persuading investors to receive the financial resources needed to grow the business may arise.
– Also, the high-interest rate often leads to the inability of the company to adapt to all requirements and bankruptcy.
– Insufficient information and experience in the field.

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[1] European Federation of Accountants and Auditors, *International Financial Reporting Standard (IFRS) for Small and Medium-sized Enterprises (SMEs),* 2009, available at: https://www.iasplus.com/en/news/2009/July/news4969 [access: May 2022].

During the implementation of these processes, the emphasis is always on the needs of users of the company's financial results[2]. Applying the complete set of IFRS to micro and small enterprises might be much since the proportion if it is too high for small firms. Implementing the IFRS requirements for MSEs is substantially reduced compared to implementing the complete set of IFRS since not all information provided by the rules is appropriate for the user's needs. Holt mentions that the many full IFRS presentations are more relevant to capital market investment decisions than micro and small enterprises[3].

The IFRS for MSEs can provide a non-publicly liable entity with the opportunity to adopt a reporting framework that can reduce its complexity and accounting and financial reporting costs. However, a careful analysis of accounting and reporting requirements and other qualitative criteria is required before adopting this standard[4].

IFRS for MSEs is an essential path toward worldwide intersection of financial reporting practices for SMEs. Applying this standard would reduce the differences between international accounting practices and open up new opportunities for MSEs, such as increasing the quality and comparability of financial statements but also the possibility of attracting new investors[5].

Albu conducted an empirical study regarding the criteria based on which the IFRS coverage area for MSEs can be chosen. This study showed that size should not be the only criterion, but should two criteria for defining this area are considered[6].

The process of harmonization in the definition of MSEs at the global level should be based on qualitative rather than quantitative criteria, as each economy often influences quantitative and value limits. Although some quantitative definitions could be adapted in several economies, the value levels of these

[2] Bunea C., P. M. C, Petroianu O. G., *Consensual and Controversial Issues on IFRS for SMEs*, 2011, Retrieved from: https://www.yumpu.com/en/document/view/38583219/consensual-and-controversial-issues-on-ifrs-for-smes [access: June 2022].
[3] Holt G., *IFRS for SMEs*, 2014, available at: http://www.accaglobal.com/za/en/discover/cpd-articles/corporate-reporting/ifrs-smes.html [access: May 2022].
[4] Ernst & Young, *IFRS for SMEs: Implications for US Private Entities*, 2009, available at: http://www.ey.com/UL/en/AccountingLink/Current-topics-IFRS-matters [access: May 2022].
[5] Neag R., Maşca E., Păşcan I., *Actual Aspects Regarding IFRS for SME – Opinions, Debates and Future Developments*, "Annales Universitatis Apulensis Series Oeconomica" 2009, vol. 1, nr 11.
[6] Albu C. N., *How Relevant is Size for Setting the Scope of the IFRS for SMEs,* "Accounting and Management Information Systems" 2013, vol. 12, nr 3, pp. 424–439.

criteria should be adapted depending on the sector of activity and the stage of development of economies[7].

The main difficulty in performing IFRS for MSEs is that the notion of small and medium-sized enterprises covers a wide variety of entities, regardless of the size, category or knowledge demand. In several countries, some entities follow the definition of MSEs given by the IASB but are not classified as such[8].

Adopting measures to simplify financial reporting at the European level can only be effective if all Member States approve it and combine reporting for different purposes to reduce the difficulties of maintaining different accounting and financial reporting systems[9]. On the other hand, the Federation of European Chartered Accountants has expressed its support for high-quality financial reporting standards for companies, as they promote coherence and transparency and help entities to respond appropriately to new developments in business practice. In this regard, the Federation of European Chartered Accountants has supported IFRS for MSEs, through which entities with branches, subsidiaries, or operate in several countries experience simplification in financial reporting using a single standard and accounting framework[10].

Further harmonization of accounting in Europe, including the use of IFRS for MSEs within the European Union, would require addressing barriers in all areas of accounting, in particular the relationship with taxation and profit sharing. The Federation of European Chartered Accountants considers that Member States should be allowed to consider concerns such as taxation for them and decide, at the Member State level, whether or not to allow the implementation of IFRS for MSEs[11].

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[7] Buculescu M. M., *Procesul de armonizare în definirea întreprinderilor mici şi mijlocii. Argumente pentru o definire cantitativă versus o definire calitativă*, "Economie teoretică şi aplicată" 2013, vol. XX, nr 9 (586), pp. 91–103.

[8] Tiron T. A., Muţiu A., *Pro and Contra Opinions Regarding a SME Accounting Standard*, "Annales Universitatis Apulensis Series Oeconomica" 2008, vol. 1, nr 10, pp. 12–16.

[9] Rotilă A., *Proiectul european de simplificare pentru IMM-uri în domeniul contabilităţii şi al auditului*, "EIRP Proceedings" 2008, vol. 3, available at: http://www.proceedings.univ danubius.ro/index.php/eirp/article/view/1084/1003 [access: June 2022].

[10] European Federation of Accountants and Auditors, *International Financial Reporting Standard (IFRS) for Small and Medium-sized Enterprises (SMEs)*, 2009, available at: https://www.iasplus.com/en/news/2009/July/news4969 [access: May 2022].

[11] European Federation of Accountants and Auditors, *FEE Position on EC Consultation on IFRS for SMEs*, 2010, available at   http://www.fee.be/images/publications/accounting/ FEE_Position_on_EC_Consultation_on_ IFRS_for_ SMEs_1003121632010171233.pdf [access: May 2022].

Implementing this standard is inappropriate for entities in European Union due to cultural diversity and accounting systems. However, they must simplify their financial reporting content[12].

Among the primary users of the financial reports of MSEs are the managers/owners, which are the main interested in tax information and those on the company's availability. This is the reason is why accountants should determine the most suitable accounting regulations for the company for which they prepare financial reporting so that the information they send to managers is not limited to those contained in the administrative reporting required by the state[13].

The importance of a qualitative reporting process is observed in developing a financial accounting structure as suitable as possible for the company and a regulatory framework by the legislation in force. Although the process of qualitative financial reporting is quite recognized by researchers and is at the same time a current problem of enterprises, this aspect becomes essential in the case of financial disasters. According to IASB, a high-quality financial reporting structure provides valuable information to stakeholders, especially in decision-making.

Thus, it is recommended that micro and small enterprise managers find ways to improve the transparency of annual financial reports. In doing so, several indicators have been developed to measure the quality of accounting risk in the financial statements. In order to have a better understanding of what the analyzed indicators refer to, we considered it relevant to detail them.

We considered the Out of Period Adjustment (OP) index the first accounting quality risk indicator. This indicator refers to a specific adjustment to the immaterial errors found in the previous periods. Impairment (I) is the second indicator, indicating if a company disclosed an impairment based on extensible business reporting language (XBRL) tagging disclosures. The third indicator (Change in Accounting Estimates/CAE) suggests that there is a possibility of a change in the estimate, as it is defined in Accounting Changes and Error Corrections (Topic 250) (ASC 250-10-20). The Financial Restatement (FR) indicator shows a recently disclosed financial restatement. Another indicator found in the financial reports of the analyzed companies is the complexity of the accounting disclosure (ADC). This indicator follows the methodology developed by Barac, which states that the ratio of custom to standard tags is more than

[12]Deaconu A., Popa I., Buiga A., Fulop M., *Conceptual and Technical Study Regarding Future Accounting Regulation for SMEs in Europe*, "Theoretical and Applied Economics" 2009, nr 1, pp. 19–32.
[13] Buculescu M. M., Velicescu B. N., *An Analysis of the Convergence Level of Tangible Assets (PPE) According to Romanian National Accounting Regulation and IFRS for SMEs*, "Accounting and Management Information Systems" 2014, vol. 13, nr 4, pp. 774–799.

2 Standard Deviations significant than the industry group average, based on two-digit NAICS codes[14].

According to Audit Analytics explanations legend, the deviation from Benford's law (DBL) mentions that a flag will appear if the company's financial reports considerably deviate from the law[15]. Using the Kolmogorov-Smirnov test, a "notable" flag will appear if the KS Score is greater than the critical value with 95% confidence. A "significant" flag will occur if a company fails the KS test and the MAD Score increases in two consecutive years. The Beneish indicator specifies whenever a company's M-Score exceeds the threshold of -1.78. Therefore, the company has a higher probability of manipulating earnings. Finally, the last indicator, Altman Z-Score, assumes that if the company falls below the threshold identified as the distress zone, it will be indicated with a notable flag. Second, if the Z or Z score decreases for two consecutive years and falls within the "grey zone", then that will likewise be indicated by a notable flag. The second flag is meant to catch cases where the Z-Score is not yet in the distress zone, but the decreasing Z-Score value indicates deteriorating financial health.

### Research methodology

According to the research method, this paper presents a qualitative descriptive study of the accounting risk indicators identified by auditors in the company's financial reports. The case study focuses on observing the evolution of the indicators and their type and the link between identified indicators from the company's financial reports and their specific characteristics.

Considering the nature of the case study, we decided to select the sample from the database provided by Audit Analytics, an online platform consisting of published information extracted from the company's financial statements. By the time of creating this sample, we considered some criteria to be relevant. First, we considered the value of the company's revenue to follow the imposed legislation on micro and small enterprises. Usually, the maximum ceiling at which a company can still be considered micro or small is 10 million EUR. The platform currently provides information from the companies listed on the US stock exchange; therefore, the numerical values are expressed in dollars. Also, it is essential to mention that the lowest value managed to be set in the Audit Analytics platform was $ 10 million in revenue[16].

To present relevance in the present study, we selected only companies with revenues of less than one million dollars, approximately one million euros. Another criterion for creating the sample was the period between 2002 and 2022, selecting only foreign countries. Therefore, following the imposed criteria,

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[14] Barac Z. A, *Financial Reporting Quality Measurement - Approaches, Issues and Future Trends*, Conference Paper, 2021.
[15] Audit Analytics 2022 IVES Group...
[16] Ibidem.

a sample of 70 MSEs resulted. For the 70 identified companies, approximately 289 red flags were found regarding accounting quality risk indicators, of which 7.97% belong to CEECs. The geographical structure of the sample is shown in Table no. 1.

**Table 1.** Sample structure.

| Countries | Number of companies | AQRM flags | Reports number |
|---|---|---|---|
| Belgium | 3 | 24 | 19 |
| Bulgaria | 1 | 5 | 3 |
| Cyprus | 3 | 12 | 8 |
| Czech Republic | 2 | 6 | 4 |
| Denmark | 7 | 26 | 18 |
| France | 6 | 31 | 18 |
| Germany | 7 | 11 | 8 |
| Greece | 9 | 47 | 31 |
| Ireland | 10 | 58 | 35 |
| Italy | 4 | 11 | 6 |
| Latvia | 1 | 2 | 1 |
| Lithuania | 1 | 5 | 4 |
| Luxembourg | 2 | 2 | 2 |
| Netherlands | 6 | 25 | 17 |
| Norway | 1 | 3 | 2 |
| Poland | 1 | 1 | 1 |
| Portugal | 1 | 2 | 2 |
| Romania | 1 | 4 | 3 |
| Spain | 1 | 3 | 2 |
| Sweden | 3 | 11 | 8 |
| **Total** | **70** | **289** | **192** |

Source: own processing.

During the analysis, we established around 35 financial report statements dispersed between 2003 and 2022.

Considering the table presented above, we can see that Ireland has the most significant number of micro and small enterprises (10 companies), where most accounting quality risk flags have been identified (58 flags), representing 20.06% of the total AQRM flags. Observing the sample, we notice six out of ten central and eastern European countries: Bulgaria, Czech Republic, Lithuania, Latvia, Poland, and Romania.

Considering only the CEE countries, we realize that the Czech Republic, whose MSEs, have presented the most annual financial reports in which the auditors have identified accounting qualitative risk indicators. For this country, we have identified two companies whose financial reports have been found with six accounting quality risk indicators for 2006–2021.

At the same time, we can see that Bulgaria, although only one company met all the required criteria, returned three reports containing five AQRM flags. We also notice that Romania, with the only micro-enterprise, presented during the relative three consecutive years four flags that indicate the possibility of irregularities regarding the risk of the quality of the accounting process. Finally, the last micro-enterprise of a CEE country belongs to Poland, with only one AQRM indicator found for the year 2021.

**Results**

Following the sample presented above, we analyzed the frequency of the accounting quality risk indicators identified in the financial statements of European countries and CEE countries. The detailed performed analysis is represented in table no. 2 below.

**Table 2.** AQR Indicator Frequency.

| AQR Indicator | Frequency in European countries | Percentage by flags | Frequency in CEECs countries | Percentage by flags |
|---|---|---|---|---|
| Out of Period Adjustment | 4 | 1% | 0 | 0% |
| Impairments | 20 | 7% | 0 | 0% |
| Change in Accounting Estimates | 13 | 4% | 0 | 0% |
| Financial Restatement | 30 | 10% | 2 | 9% |
| Accounting Disclosure Complexity | 38 | 13% | 3 | 13% |
| Deviation from Benford's Law | 40 | 14% | 6 | 26% |
| Beneish M-Score | 9 | 3% | 0 | 0% |
| Altman Z-Score | 135 | 47% | 12 | 52% |
| **Total** | **289** | **100%** | **23** | **100%** |

Source: own processing.

Table 2 shows that the average frequency of identified qualitative accounting risk indicators in the financial statements was 46.71%, practically almost half of the possible irregularities found in the annual financial reports. The *out of period adjustment* indicator represents the lowest percentage for companies in

Europe (1%), while for companies in eastern and central Europe, it did not show any alarm signal.

Another critical indicator we can observe in this analysis is the *Deviation from the Benford Law*, being identified for the companies from the European countries in the proportion of 14%, while for the countries positioned in the east and centre of Europe in a higher proportion, namely 26%. For both situations, this indicator ranks as the second most identified accounting quality risk, which means that in a series of data numbers, the frequency distribution of the first digit was not uniform but negatively exponential. This indicator detects bank, election, credit card or tax fraud. In the United States, it is considered evidence if it is proven in court for fraud cases.

The last indicator that the auditors considered is Altman Z-Score, the most significant accounting quality indicator found in both analyses. Looking at the table above, we see that this indicator represents 47% of the total flags identified for companies in European Union countries. In contrast, the indicator exceeds 52% of the total number of identified signals for Eastern and Central European countries.

Altman Z-Score is one of the models known and used in a company's bankruptcy risk analysis norm. This model uses several essential indicators to understand a company's health, from operating profit margin, asset quality, working capital or capitalization. These indicators say a lot about the insolvency risk of a company in the medium and long term. The model is advantageous when talking about 'bad' companies, but it does not show 'good balance sheet' companies with liquidity problems because it does not include cash flows.

What is very interesting is the fact that this indicator was highlighted in the annual financial reports of all companies in Eastern and Central Europe for the period between 2011 and 2022.

To have an overview, we considered it relevant to observe the areas of activity for which the accounting quality risk indicators were identified. The primary industries the companies activate are set out in table no.3,  by Standard Industrial Classification (SIC) code.

**Table 3.** Industries.

| SIC Code | Divisions | Flag number in European countries | Percent-age by flags | Flag number in CEECs countries | Percent-age by flags |
|---|---|---|---|---|---|
| 1 | Mining, Construction | 9 | 3% | 1 | 4% |
| 2 | Manufacturing – Groups 20–29 | 134 | 46% | N/A | N/A |
| 3 | Manufacturing – Groups 30–39 | 41 | 14% | 5 | 22% |
| 4 | Transportation, Communications, Electric, Gas, And Sanitary Services | 37 | 13% | N/A | N/A |
| 6 | Finance, Insurance and Real Estate | 6 | 2% | N/A | N/A |
| 7 | Services – Groups 70–79 | 49 | 17% | 17 | 74% |
| 8 | Services – Groups 80–89 | 13 | 4% | N/A | N/A |
| | **Total** | **289** | **100%** | **23** | **100%** |

Source: own processing.

From table no. 3 results that the companies with the field of activity directed in the area of construction and mining represent 39% of the financial documents of the CEECs on which the financial auditors identified AQRM flags. In contrast, for the European micro and small enterprise, it represents only 3%. An essential category is represented by the manufacturing sector (pharmaceutical and chemical products). Regarding the analysis performed at the European level, 134 flags were identified, thus representing the highest percentage in which irregularities were identified (46%).

On the other hand, we notice that the indicator did not represent significance in the analysis of Eastern and Central European companies. Regarding the analysis of the services sector included in groups 80-89 (services-computer programming, data processing), we realize this is the sector that represented the reddest signals in CEECs. We notice that the percentage is above the AQRM average of the flags identified in the financial statements (74%). In this sector of activity, the companies from the Czech Republic, Lithuania, Latvia and Romania carry out their business, thus resulting in seven annual financial reports with a high risk on the quality of the accounting process.

Another interesting aspect that we can observe in the table above is that although there were 23 flags identified in the analysis, they did not appeal to the transport, communications, electricity, gas and sanitary services sector.

This aspect shows us that although Covid-19 caused many problems, this aspect did not determine the occurrence of accounting risks in the abovementioned areas.

According to the results, we realize that some activities could be more affected by the accounting quality risks than others, depending on how national regulations are managed.

**Conclusions**

The lack of transparency or opacity and, therefore, the uncertainty of regulatory policy has a negative impact, in particular, on MSEs, creating additional costs for them, including because the latter have fewer resources and skills to deal with these factors.

Transparent, fair rules, access to information on the procedures required to enter the domestic and export market, and free competition are primarily for the benefit of MSEs. The law aims to promote the sustainable development of micro and small enterprises by improving the legal framework and the economic environment in which they are created and operate. The law aims to ensure and increase the competitiveness and performance of micro, small and medium enterprises and to facilitate the prompt adjustment to economic and technological changes.

According to the results of this study, we realize that deviation from Benford's Law and Altman Z-Score were the most identified indicators for both European enterprises and as well as for the CEECs. This fact indicates that the auditors have paid particular attention to the possibility of detecting fraud or insolvency, as the two indications point to this.

At the same time, we realize that the fields of activity found in the category Manufacturing – Groups 20–29 and Services – Groups 70–79 represented the most risks in which external and internal factors affect the quality of the accounting process. The object of this paper was to highlight the main accounting quality risk indicators found by the auditors in the financial statements and how this may affect the company's value. The results of the study showed that there was an average trend of 3-4 reported situations per year, with a substantial increase over the last years for CEECs.

The main conclusion from the study is that the uncertainties reported by the auditors depend more on the company's field of activity and how it is managed; therefore, the MSE sector should be coordinated according to the accounting regulations regarding the principles and the content of the financial reports.

The contribution of this article can be seen in the light of the fact that there is not much research on this topic, which is why the field can be discussed more widely. Since all the information was extracted from only one database (Audit Analytics), this paper faced a series of limitations, such as the small number of

identified company's lack of financial reports from all central and eastern European countries[17].

This article can only be the beginning of a series of research in this area, considering the numerous possibilities for future studies. For future research directions, we can consider using a larger sample and why not even using a database whose information includes companies listed on the European Capital Exchange. At the same time, we can consider developing a bibliometric analysis, thus creating a qualitative statistical analysis for an econometric model analysing the factors that influence the content of financial documents.

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**Information about the authors**

**Camelia-Daniela Hategan,** PhD, prof.
West University of Timisoara, Romania
e-mail camelia.hategan@e-uvt.ro

**Georgiana Ioana Tircovnicu**, Phd Candidate
West University of Timisoara, Romania
e-mail: georgiana.tircovnicu96@e-uvt.ro