“Analyzing the external auditor’s perception of the impact of IFRS 15 on the profitability and performance of emerging market companies”

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ANALYZING THE EXTERNAL AUDITOR'S PERCEPTION OF THE IMPACT OF IFRS 15 ON THE PROFITABILITY AND PERFORMANCE OF EMERGING MARKET COMPANIES

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Abstract

Revenue recognition is a very complex area due to user interest in this metric and can even lead to errors and fraud in its understanding. The difficulties of revenue recognition are well known to practitioners because, even if the principles and standards are stable, economic conditions may require new experiences, adaptive knowledge, and flexibility. Therefore, thinking about how to apply the new IFRS 15 standard is more important than ever as the transition to the new standard takes place.

In this context, this study aims to evaluate the way external auditors understand how implementing IFRS 15 will probably affect business performance and profitability, and to identify the main problems and obstacles that could come up during that process. In this sense, a quantitative study was conducted using a survey of auditors working for Big Four companies during 2021–2022.

To address these problematic aspects of revenue disclosure under the standard, the study's findings look into how external auditors perceive the complexity of IFRS 15, the openness of their professional judgment, and the anticipated advantages of engagement activities. In addition, the literature review identified business sectors that demonstrated a significant impact on revenue recognition as a result of the implementation of IFRS 15.

Keywords revenue, Big 4 companies, external auditors, emerging economies

JEL Classification M41

INTRODUCTION

Implementing International Financial Reporting Standards (IAS/IFRS) in emerging economies provides organizations responsible for enforcing these standards with an answer and solution that satisfies the demands of reporting companies and all other stakeholder groups. As a result of business internationalization and economic globalization, state-level relations have changed in tandem with the growth of transnational corporations. Common standardization as well as the development and consolidation of a common language in the financial and economic domains were therefore necessary (Nguyen et al., 2023). For these reasons, the adoption of IFRS by certain businesses has resulted in increased investment, information comparability, transparency, and the simplification of some cross-border processes (De George et al., 2016). One of the most recent standards to be released, IFRS 15, addresses one of an entity's most significant flows, namely revenues. Perhaps the most significant financial indicators of a business's present state, future prospects, and financial standing is its sales revenue.

Conflict of interest statement:
Author(s) reported no conflict of interest

Against this background, the motivation for this study stems from the desire to improve existing research on the scope of IFRS reporting by focusing on the specifics of revenue recognition. At the same time, answers to a number of questions were found, such as how auditors and accountants perceive the application of IFRS 15 in practice, what are the main areas of interpretation of IFRS 15, and to what extent they are related to manipulation risks. Finding answers to these questions is basically the motivation for empirical research. Revenue recognition is an area of very high complexity, a fact that derives from the users' interest in this indicator, which can be the basis for errors and even fraud at the time of reflection. The difficulty of revenue recognition is well known to practitioners, even when principles and standards are stable, because economic circumstances may require new experiences, adaptive knowledge, and flexibility. So as the transition to the new IFRS 15 standard takes place, thinking about how to implement it is more critical than ever.

To complement the literature on the major issues and challenges that may arise during the implementation of IFRS 15 and to see what is the likely impact of IFRS 15 on firm profitability and performance, a mixed quantitative study was used, based on both a questionnaire and a survey of auditors working for Big Four companies.

From various angles, this study enhances the body of literature. Firstly, some solutions to address these problematic aspects of revenue disclosure under the standard by looking into how external auditors perceived the complexity of IFRS 15, the transparency of their professional judgment, and the anticipated benefits of the engagement activity have been provided. Secondly, after analyzing the literature, it was determined which industries were significantly affected by the introduction of IFRS 15 on revenue recognition.

In view of the above, the novelty of the study lies in the way the topic has been approached, namely the identification and assessment of the sectors most affected by the emergence of IFRS 15 in emerging economies.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The business community's desire to modify revenue recognition principles to accommodate expanding entities led to the revision of the revenue standard. Due to its stricter requirements, IFRS 15 made revenue recognition more complicated than it was under the standards that were repealed (IAS 18 Revenue, IAS 11 Construction Contracts, and several related interpretations). This change implies a change in the level of judgment involved in applying the standards, but because the new standards are very prescriptive in some areas, more ambiguous in others, and require a significant level of judgment in still others, this topic needs to be addressed separately for each area (Ernst & Young, 2019). Many would characterize IFRS 15 as a complicated standard that frequently stems from the requirements of financial statement users – the basic tenet upon which IFRS 15 was founded (Cosmulese, 2021; Jieri, 2021). Thus, IFRS 15 does away with the distinction between revenue recognition criteria for goods and services, whereas IAS 18 maintains separate guidelines for each.

Furthermore, to better present the particularities regarding the implementation and the effects of IFRS 15 on financial reporting and in order to correlate them with the established assumptions, they were grouped by areas of activity.

The effects of IFRS 15 on the banking industry will differ based on the kind and scope of a bank's current products as well as its current accounting practices. The sectors that may be most impacted include, but are not restricted to, fees, advisory contracts, bundled products, credit cards, and loyalty programs. There may not be significant changes in the way some banks account for revenue, but all banks will need to review their contracts to

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check how the new standard applies to their specific circumstances. Banks should also consider how they will comply with the new disclosures required by IFRS 15 (PwC, 2017a, b). According to research done in the Romanian banking industry, the new standard did not significantly affect annual results in the year it was adopted. In many cases, banking institutions also failed to consider the applicability of IFRS 15 because they failed to analyze or disclose the impact in their annual financial statements for the year that IFRS 15 was adopted (Levanti, 2020). Thus, the first hypothesis was developed, which is confirmed by previous studies and empirical findings:

H1: During the first year of IFRS 15 adoption, companies in the banking and IT sectors exhibit the lowest levels of compliance and, in every instance, do not demonstrate the possible impact of implementing the standard.

Customers in this service and/or goods sector typically have very consistent contracts because they need hardware for IT products, installation and implementation services, and post-installation maintenance services. Therefore, in these situations, it is essential to provide as much detail as possible in the contract to ensure that the components of the contractual obligations are clearly distinguished. Estimation would be helpful in these situations, but it should be as equitable as feasible.

Karim and Riya (2022), in a study of entities in the emerging economy between 2019 and 2020, found that the degree of compliance varies by industry, with the IT sector exhibiting the lowest level of compliance and the telecom sector having the highest level. The disclosure pertaining to operating segments, the performance obligation in the bill and hold arrangement, the nature of goods and services in the event of an agent, warranties, and modifications to variable estimates are, therefore, the areas with the least compliance. Furthermore, Heeralall (2021) offers an alternative perspective, stating that certain highly interdependent or highly related aspects of goods or services will typically need to be combined as a separate performance obligation. A leading judgment is necessary because, for many technology companies, it can be very challenging to determine whether the promise to deliver software is so closely tied to other promises made to the customer. Also, in Smith and Williamson's view, these cash flow implications could negatively impact the ability of entities to pay dividends or meet the terms of loan agreements.

In terms of forecasting the impact that IFRS 15 will have in different industries, numerous studies by the "Big-4" companies have reached a consensus: the telecommunications industry will have a greater impact than other sectors on the implementation of the new standard (Ferreira, 2020). Numerous shortcomings of the new telecommunications standard, including the value of additional information, the difficulty of estimating it, the degree of subjectivity involved (which would affect the comparability of information), or the complexity and cost of implementation, were the basis for the telecom industry's decision (Kohler et al., 2021). In conclusion, telecom companies sought to participate in the IFRS 15 standard setting process to have their concerns taken into consideration because they anticipated severe repercussions for both operational implementation and financial reporting.

Kohler and Le Manh (2018) have previously addressed these concerns as well, arguing that the telecom industry has experienced multiple negative effects from the adoption of the new IFRS 15 standard. These include the value of extra disclosures, the difficulty of estimating them, the degree of subjectivity involved (which impacts information comparability), and the complexity and implementation costs. To try to minimize the major operational implementation and financial reporting consequences, telecommunications companies have tried to participate in the IFRS 15 standard setting process and have their arguments considered. Sadly, this initiative was not adopted; the chosen industry spokespersons' inadequate representative legitimacy is the reason for this failure. Thus, based on these previous findings, the following hypothesis was formulated:

H2: The impact of IFRS 15 is greater for companies in the telecommunications and construction sectors than in other sectors.

Due to the lengthy lifespan of contracts with construction clients, an entity is required to maintain meticulous records of any variable price factors that may emerge. Revenue must be disclosed in the notes to the financial statements in accordance with IFRS 15, regardless of the industry in which an economic entity operates. This is done to simultaneously provide users of financial statements with pertinent and in-depth information. The following factors may be taken into consideration when dividing up revenue: market, geography, contract types, timing of recognition, and/or product and/or service categories. In this sense, a preliminary study (Boujelben & Kobbi-Fakhfakh, 2020) on a sample of European construction and telecommunications companies reports non-compliance with IFRS 15 disclosure requirements. Another study (Napier & Stadler, 2019) looks at the effect of IFRS 15 on revenue, profit, and retained earnings likewise on a sample of European businesses and concludes that the impact is, on average, negligible. IFRS 15 deals with revenue recognition, which is associated with costs (like cost of goods sold), assets (such as inventories, receivables, and deferred tax assets), and liabilities (for instance, unearned income and deferred tax liabilities) due to the way financial statements are articulated.

In the case of Coetsee et al.'s study (2021), none of the firms that were examined thought that IFRS 15's impact on recognition and measurement was particularly complicated or noteworthy. Only companies in the food and beverage, telecommunications, leisure, and construction and materials sectors indicated that one of the most crucial aspects of the financial statement audit is the impact of IFRS 15. Contrary, using a different methodology, Vieira et al. (2023) create an index to evaluate the quality of explanatory notes and analyze their impact on the application of IFRS 15. According to the authors' analysis, the new standard did not significantly alter anything that would have a significant impact, but it did allow for more relevance and usefulness of the financial information that businesses provided to their creditors and investors, particularly in industries like communications, utilities, and civil construction.

This supports the contention that the new standard requirements will require greater justification, allowing reporting entities to provide more details on topics that were not previously very transparent (Cosmulese & Grosu, 2019; Molociniuc et al., 2022). As a result, entities will have to provide more detailed information – which may not be simple to quote from the standards – as well as an explanation for their decisions in response to stricter disclosure requirements on methods, inputs, and assumptions. As mentioned by the analysts in the interview, this will guarantee a greater degree of transparency (Mayer & Larsen, 2016). One of the qualitative features is that users will be able to verify whether the values presented in the financial statements accurately reflect the revenue recognized, and have a better understanding of how entities arrive at these values.

2. METHODOLOGY

To achieve the main objective, a quantitative study was chosen, first using an opinion survey as a research tool. The conceptualized research design contained 20 mixed questions. The opinion survey was sent electronically to 30 entities from different sectors: manufacturing, IT services, banking, construction, and telecommunications. The reason for selecting these business areas is because (Coetsee et al., 2021; Mattei, & Paoloni, 2019; Moore, 2018; Bauer & Centorrino, 2007) these sectors are the most affected by the changes imposed by IFRS 15.

Two inclusion and exclusion criteria were used to generate the sample. Thus, the inclusion criteria were the following: public enterprises or enterprises belonging to an international group of enterprises that prepare their financial statements in accordance with IFRS requirements, as well as enterprises originating from Romania or the Republic of Moldova and belonging to one of the six selected sectors. As far as the exclusion criteria are concerned, they considered several aspects such as those companies that do not apply IFRS 15 and do not operate in any of the six selected sectors, as well as companies that have not been continuously active for more than three years. The survey consists of three sections (see Table 1).

As a result, 30 respondents, represented by external auditors who are members of Big 4 audit firms, managers or partners, auditors participating in external audit assignments mainly at IFRS reporting entities in Romania and the Republic of Moldova, agreed to take part in the survey. As

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Table 1. Structure of the opinion survey

Source: Own elaboration based on the survey.

Sections	Section description	Number of items
The standard's complexity	Features pertaining to the organization's past experience implementing IFRS 15, as well as features that statistically support implementation strategies	7 items
Transparency and professional judgement	Questions evaluating the transaction's pricing and its vulnerability and assumed risk	7 items
The intended benefits of contracting activity and the parties' options in the commercial process	Aspects pertaining to the audited entities' internal control environment, the transaction price calculation, consideration in kind, and contract performance obligations	6 items

respondents from Big 4 companies have a higher exposure to auditing entities applying IFRS, it was determined that it was necessary to focus on these respondents. Auditors with extensive work experience were chosen so that their answers reflect the general reality. After applying the exclusion criteria, it is worth noting that the sample includes responses from 20 external auditors from various Big 4 organizations. Excluded from the sample was that segment of auditors in companies outside the Big 4 who participated only in statutory audit engagements, i.e. predominantly applying local accounting standards, auditors participating in internal audit engagements and other assurance engagements. The selection of countries was based on common characteristics of the business environment, accounting culture, territorial proximity and not least for reasons of accessibility and availability of respondents. Therefore, the countries come from the area of emerging economies in Eastern Europe (Romania and Moldova). The findings are mainly based on the auditors' experience from 2021–2022.

3. DATA ANALYSIS AND FINDINGS

To increase transparency and accuracy, it was decided to include external respondents who were external auditors of four large companies. It is noted that external auditors occupy a different position than those in the organization, it was not possible to use the same questionnaire for accounting experts. First, the questionnaire was applied to a heterogeneous sample of five sectors of activity: banking, IT services, construction, food industry and telecommunications services. All companies that participated in the survey, whether they are public companies or part of an international group of companies, prepared their financial statements in accordance with IFRS requirements. The questions included in the opinion survey are based on the personal experience and expertise of the auditor, as well as on the professional reasoning required by these international standards to make it possible to determine the degree of applicability of IFRS 15 within economic entities in emerging economy countries.

On the other side, to conceptualize the opinion poll, two aspects were considered: the privacy policy and the fact that external auditors did not experience the implementation of the standard by direct application but are involved in several audit missions to assess the accuracy of revenue recognition in the financial statements of entities applying IFRS.

Regarding the structure of the questions of the public opinion survey conducted with the participation of auditors, the sector in which the companies of auditors who participated with external audit missions were active represented 20% for construction, telecommunications, and food production, 25% for IT services, and only 15% for those auditors involved in audit missions in the banking sector.

The graphical representation of the respondents to the opinion survey according to the industry of the entities in which they are audited is illustrated in Figure 1.

The sample is representative of the study as it looked at these respondents (financial auditors) who evaluated this implementation in practice in audit engagements. Next, it was proposed to study the complexity of the standard from the point of view of external auditors.

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Source: Own elaboration based on the survey.

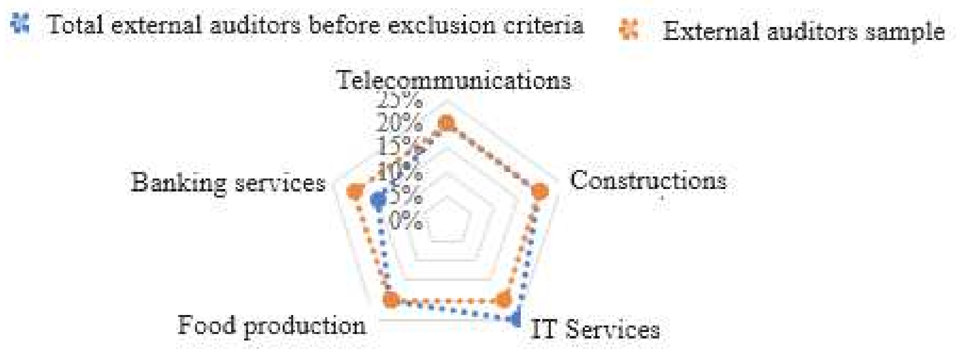

Figure 1. Share of respondents who assessed the implementation of IFRS 15 in practice in audit missions taking into account the industry of entities

3.1. Section 1 – Standard's complexity

In the opinion poll, questions 3-6 concern the measurement of the degree of interpretation of both IFRS standards in general (question 5) and IFRS 15. It is observed that most respondents consider the interpretation of IFRS to be of medium level of difficulty, as the standards have been translated into several working languages. Therefore, if the auditors taking part in the survey worked for local organizations whose primary clientele consisted of statutory audit work, the level of interpretation would be higher. They would refer to national rules such as OMFP 1802/2014 in the case of Romania and SNCs in the case of the Republic of Moldova, where the rules are drafted in the native language, which would help them to understand more clearly the information presented with regard to certain accounting issues, significantly reducing misinterpretations (Ministry of Public Finance, 2014).

These results are in line with the explanation provided by Camfferman and Zeff (2007), which states that language can affect the comparability of accounting information and threaten the uniform interpretation of accounting standards. Two key elements that could undermine the impartial interpretation and application of IFRS are translation and culture (Tsakumis, 2007; Tsakumis et al., 2009).

Most auditors surveyed considered the determination of the performance obligation transaction price, the funding component, the separation of the performance obligation and the respective allocation of the transaction price to be key technical issues under IFRS 15 at the medium and large scale. However, none of the respondents doubt that there are other areas of complexity related to IFRS 15 that are not covered when talking about the standards. This is not the only area of com-

Source: Own elaboration based on the survey.

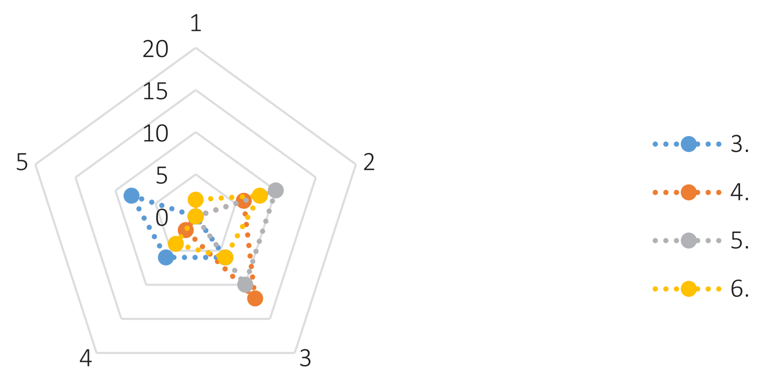

Figure 2. Presentation of the level of interpretation and uncertainty of IFRS 15 in the vision of auditors

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plexity related to IFRS 15. Additionally, auditors believe that IFRS 15 may cause misunderstandings because it employs expressions of probability and uncertainty in important areas. These key issues related to uncertainty and probability in the recognition of revenue and related items under IFRS 15 were found to be most common in relation to retrospective discounts, performance guarantees, project stage estimates, and concept agent and principal. Thus, certain measurement and scaling procedures were carried out, in particular, on a Likert scale of 1-5, the opinions of external auditors were measured regarding the degree of interpretation and the level of uncertainty regarding the application of IFRS 15 (based on questions 3 to 6), where 1 represents "to a very limited extent" and 5 represents "to a very extensive extent" (see Figure 2).

3.2. Section 2 – Transparency and professional judgement

Uncertainty and interpretation of accounting practices is a major risk to transparency, which is a fundamental feature of financial statements. As can be seen from Figure 2, a significant number of auditors consider that IFRS 15 presents a risk of distorting the fairness of revenue recognition and measurement because the extent of uncertainty and interpretation is quite high. The next section of the survey, questions 7-11, is designed to further acknowledge the complexity of IFRS 15 through the lens of transparency and, more specifically, to assess the degree of freedom in the application of revenue recognition and measurement principles compared to the standards it replaces. The set of questions also examines the tendency to alter and manipulate revenue within the requirements of the standard, where this is not fraud or error, but managing financial performance without violating certain principles already established by the standard. Most auditors do not think that IFRS 15 will make revenue manipulation much simpler, and respondents think there is very little room for discretion when it comes to applying the revenue recognition principles of IFRS 15 in comparison to the fundamental standards it replaces, IAS 11 and IAS 18. Based on these results, one of the intentions of those responsible for issuing IFRS is to ensure transparency and standardize economic processes from an accounting point of view. According to the results, more than 15 out of 20 auditors indicated that they had no experience of companies introducing specific measures to facilitate the exercise of discretion when applying IFRS 15. This indicates that the effort that may be required to manipulate financial performance may be more costly than the expected outcome. In addition, more than 10 auditors have encountered cases where companies try to modify their contracts with customers, which usually affects not only revenue recognition but also the presentation of these changes in the financial statements under IFRS 15.

3.3. Section 3 – The intended benefits of contracting activity and the parties' options in the commercial process

The last few years have been very difficult for business due to several crises, including epidemiological, geopolitical and, above all, economic crises caused by high inflation. As a result of the crises mentioned above, it was a necessary and urgent measure to change contracts with customers, and the answer to question 10 was expected to be mostly "quite often". In particular, in 2022, the costs of producing and delivering goods and services would have increased significantly, and it was absolutely necessary to translate these costs into sales prices, even if they had been agreed in advance (Onie et al., 2023).

Renegotiating specific trade agreements is very complex, but such events happen all over the world. It is worth noting that under IFRS 15, significant changes to customer contracts must be disclosed in financial statements, while the impact on deferred revenue, recognized revenue, assets and liabilities related to customer contracts must be remeasured and recognized in the financial statements when quantified under IFRS 15, when asked whether there are many options to change the contract in favor of the company from the auditor's perspective, many respondents answered that there are quite a few possibilities (Ma et al., 2021). While there are certainly a number of options for amending a contract, it should be remembered

Source: Own elaboration based on the survey.

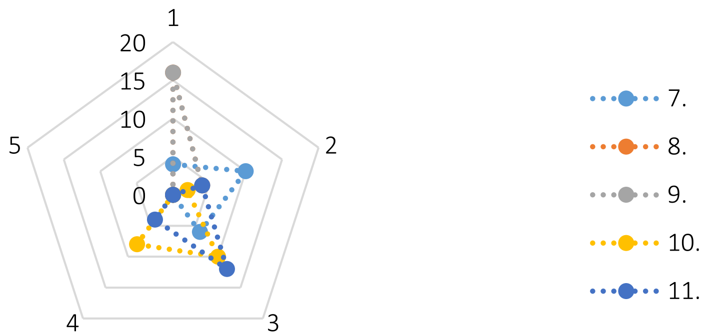

Figure 3. Presentation of the level of discretion and manipulation of income through IFRS 15

that commercial transactions are bilateral relationships. This means that any initiative to modify an existing contract in favor of the seller must be based on reasonable grounds, otherwise, there is a risk that such a modification will not be accepted by the other party, i.e. the customer.

Thus, considering measurement and scaling procedures – Likert scale 1-5, based on questions 7-11, the auditors' opinion on the level of discretion and manipulation of revenue under IFRS 15 was measured, where 1 represents a very low level, and 5 represents a very high level (see Figure 3).

Although there have been cases where external auditors have modified contracts with clients, as illustrated in Figure 3, this is extremely rare. On the other hand, given current economic and market conditions, business is more dynamic than ever, and suppliers and clients need to react quickly when economic trends have a significant impact. As the business environment changes, many delivery terms, prices and discounts are changed in contracts with customers, and these changes are disclosed in the financial statements. To meet the challenges caused by changes in standards, crises and other factors, business entities must have a well-developed internal control environment. The final set of questions (12-15) on the survey added to the findings, which were once more anticipated based on this analysis. Romanian and Moldovan economic entities should strengthen their internal control protocols. More than half of the auditors surveyed consider their judgment, professional judgement, and documentation of uncertainty in relation to IFRS 15 to be below average. This indicates that the role of accountants and CFOs in national entities is limited to accounting and not much to financial management. It is obvious that in 2021–2022, companies have not yet automated IFRS 15 principles in their accounting systems (see auditors' answers to question 13). As a result, the auditors' opinion on the degree of internal control over revenue recognized in accordance with IFRS 15 was measured using the Likert scale, where 1 denotes a very low level, and 5 denotes a very high level, based on questions 12 to 15 (see Figure 4).

According to the results, most auditors believe that documentation of key areas such as judg-

Source: Own elaboration based on the survey.

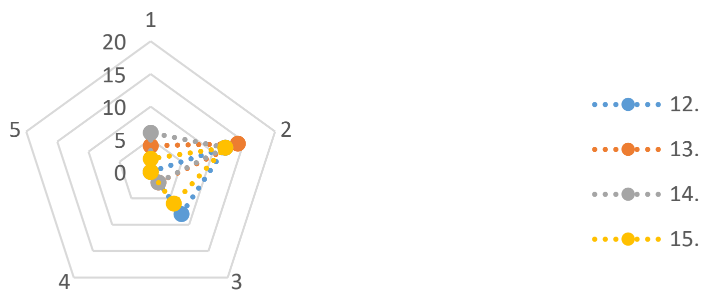

Figure 4. Disclosure of the level of internal control over revenue recognized based on IFRS 15

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ment, professional judgement and uncertainty is at a very low level within the entity, indicating a focus on operational activities and records rather than monitoring and controlling economic facts. The lack of an internal control environment over revenue in the context of IFRS may lead to long-term errors that would not have been detected at the time.

4. DISCUSSION

Searching the literature, it was found that there is a relatively small number of studies assessing the level of compliance with IFRS 15 requirements, and as a general remark most of the previous studies (Karim & Riya, 2022; Boujelben & Kobbi-Fakhfakh, 2020; Mattei & Paoloni, 2019; Bubnovskaya et al., 2022) address this topic only from the perspective of a maximum of 1-2 sectors, most frequently assessing the telecommunications sector. Also, few studies have used a sample of companies from the EU or emerging economies (Grosu et al., 2022; Karim & Riya, 2022).

Thus, this study addresses this gap in the literature and attempts to provide some answers to the concerns raised about the early effects of IFRS 15 implementation on the level of disclosure in relation to various industries.

According to Hypothesis 1, it is tested whether in the context of the first year of adoption of IFRS 15, entities in the banking and IT sectors show the lowest level of compliance, failing in all cases to disclose the potential effect of the standard's impact. This hypothesis was confirmed by the literature but also by the respondents to the survey. In this regard, Levanti's (2020) survey of banks in Romania highlights that banks should pay more attention to contract issues to assess how the new standard applies to their particular circumstances. One explanation would be that banks should separate customer contracts into two major streams, namely contracts for financial instruments and contracts for other different services. Additionally, the author believes that because IFRS 15 has less bearing on banking services, some banking institutions failed to analyze or disclose the impact of the new revenue recognition guidance in their annual financial statements for the year in which IFRS 15 was adopted. Furthermore, a similar analysis by Ogunode and Salawu (2021) demonstrates that, in the context of the banking sector's adoption of IFRS 15, the standard appears to be applied only to the residual elements of the contractual elements that, in the opinion of the commercial entity, do not pertain to the application of IFRS 9.

Limited research (Levanti, 2020) conducted in the banking sector in Romania indicates that the new standard in the first year it was adopted did not have a significant impact on annual results; and in many cases, banking institutions overlooked the applicability of IFRS 15 in the sense that they did not analyze or disclose the impact in the annual financial statements for the year of adoption of IFRS 15. Thus, the results of the study show that in banking entities, prepayments are frequently made by customers, and in accounting practice they are recorded as advance liabilities. In this situation, IFRS 15 takes a different approach and recommends that the recording of these payments should be recognized as a liability on contracts with customers.

Regarding working hypothesis 2, which postulates that the impact of IFRS 15 is greater for companies in the telecommunications and construction sectors than in other sectors, the results of the study reveal several important points.

For the telecommunications and construction industries, key challenges relate to the need for persistent contract changes, contract cost recovery and collectivity issues (Ogunode & Salawu, 2021). These results are also supported by the recent study conducted by Karim and Riya (2022) among emerging economy entities, the degree of compliance differs across industries, with the highest level of compliance found in the telecommunications sector and the lowest level of compliance observed in the IT sector.

Additionally, companies in these sectors often work on long-term projects (construction) and bundled contracts (telecommunications).

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These types of contracts are likely to be significantly impacted by IFRS 15's accounting treatment rules because complex transactions involve several components and frequently call for the customization of the goods and services offered. Due to these issues, Ciesielski and Weirich (2011) believe that industries with long-term contracts and complex transactions using bundled contracts are likely to be candidates for significant changes after the implementation of IFRS 15.

The specific consequences of the implementation of IFRS 15 have a positive impact on both reporting companies and stakeholders in general and are associated with improving the quality of financial and accounting information, especially in terms of relevance and comparability of financial statements. The degree of these effects obviously varies from company to company, and in certain businesses, IFRS 15 has a big influence and modifies how profits are calculated. It is possible that the system will be implemented or that its effects will be minimal. In addition, the next stage will be the implementation of new systems and procedures, or this may have less of an impact depending on the terms of the contract that the contracting parties have agreed upon, the length of the contract, or the complexity of the accounting and legal procedures intended to generate profits.

It is justified that the adoption of the degree of evolution and application of IFRS 15 by economic entities in countries with a developing economy, Romania and the Republic of Moldova, are two continuous processes. The developing situation in these two nations is unique not only because of the regulations that have been put in place, but also because of the acknowledged significance brought about by the growth of corporate cultures, the internationalization of business, and the growing responsibility for sustainability and integrated reporting.

CONCLUSION

The purpose of the paper is to demonstrate how much standardized theoretical knowledge can aid practitioners in applying revenue recognition principles by providing support and developing a theoretical-applicative approach. As a result, a number of relevant responses were presented throughout the essay to support the choice of this topic. As a result, the theoretical and applied components of the study achieved their main goal, and the results of the analysis of public opinion survey data provided real support for the proposed strategy.

With these considerations in mind, three specific objectives were set at the beginning of the study, which were addressed in the order in which they were presented during the study. Thus, objective 1 was made specific and met by using a brief presentation of the impact of IFRS 15 implementation on financial reporting in various sectors of activity (i.e. banking, telecommunications, retail, IT, construction, food production).

It was argued that the transition to IFRS 15 was subject to and driven by many factors, including early adopter motivations, stressed financial conditions and fiscal management issues that arose when the standard was first adopted. A second aspect considered in section 2, which ensures that this objective is met, is to use a critical review of the literature on the impact of applying IFRS 15 in relation to different industries. After a broad review of previous research, it appears that the level of compliance varies between business sectors, with the highest level of compliance found in the telecommunications sector and the lowest level of compliance observed in the IT sector. Thus, the least observed areas are disclosures related to operating segments, performance obligation in the bill and hold arrangement, nature of goods and services in the case of an agent, warranty, and changes in variable estimates. In terms of the impact of IFRS 15, according to the literature, the standard does not have a significant impact equally on all sectors, some of which, such as utilities, communications, non-cyclical inventories, industrial goods, and civil construction, have been significantly affected.

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