



## Implementation of IFRS in Kosovo: Effect on the quality and relevance of financial reporting

Nexhmie Berisha Vokshi<sup>a</sup>

Rrustem Asllanaj<sup>b</sup>

<sup>a</sup> Corresponding Author; Associate Professor, PhD, University of Prishtina, Department of Accounting, Faculty of Economy, [nexhmie.berisha@uni-pr.edu](mailto:nexhmie.berisha@uni-pr.edu)

<sup>b</sup> Associate Professor, PhD, University of Prishtina, Department of Accounting, Faculty of Economy, [rrustem.asllanaj@uni-pr.edu](mailto:rrustem.asllanaj@uni-pr.edu)

### **Keywords**

Accounting, accounting information, international financial reporting standards, financial statements, financial reporting, auditing.

### **Jel Classification**

M41, M42.

### **Received**

25.03.2019

### **Revision**

23.04.2019

### **Accepted**

30.04.2019

### **Abstract**

**Purpose:** Kosovo's legal framework requires from businesses to implement IFRS when preparing financial statements. Based on this, the study aims to reflect the current situation regarding the recognition of IFRS by the accountants and the level of their implementation when preparing the financial statements, their attitudes and opinions regarding the effect they have on the quality and relevance of financial reporting for business directors and for all users of accounting information.

**Design and Methodology:** The study was carried out with data collected from 264 businesses with turnover of over 1 million € selected as a research sample and processed through descriptive statistics and the quantitative analytical method. The design of the study involves two essential steps. The first step was a secondary data survey whose purpose was to research and analyze the framework of financial reporting of businesses. Meanwhile, the second step is the primary research conducted through questionnaires filled out in businesses and addressed to accountants (one employee in each business, a total of 264 accountants interviewed).

**Findings:** The research results showed Kosovo's economic reality as far as financial reporting is concerned, which implies that businesses prepare accounting information according to the IFRS and publish it through publicly available financial statements under the regulatory requirements for accounting, financial reporting and auditing. In addition, the study highlights the level of awareness of accountants that the IFRS affect the quality and relevance of accounting information that will be used by third parties for economic decision-making.

**Practical Implications:** Recognition of IFRS by accountants and their full implementation provides a qualitative and transparent financial information, useful to all users of that information, as well as to business executives. Unification of accounting language exceeds group interests by penetrating the capital market in and out of the country.

**The Significance of The Study:** This study presents a clear picture of the level of implementation of IFRS in Kosovo and the identification of factors affecting this level. In this respect, the study has raised the importance of enforcing standards by professionals, contributing to the improvement of financial reporting.

## **Introduction**

The concept of the economic unit (business) has a close relationship with the concept of accounting. By economic unit we mean each independent group of people organized in a certain way to perform a concrete task in the framework of the entire economic activity<sup>1</sup>. Meanwhile, accounting is an information system that measures business activities, processes information through financial reports and communicates results to decision makers<sup>2</sup>.

Within an economic system, a business does not operate in a restricted manner, but in a mutual relationship with other businesses. To carry out its activities, a business uses many resources, such as material, monetary, human, etc. In such manner, it enters into relations with others which lead to the requirements for its performance and overall economic activity, which should be communicated in the form of information presented in financial statements. Therefore, the concept of the business is directly dependent on the concept of accounting.

Furthermore, in addition to other economic developments, the development of the IFRS accounting system, which will provide the right and qualitative information to all users of that information, is a very important factor for a country.

The development and implementation of IFRS for businesses in many countries of the world is one of the most important regulatory changes in the financial reporting history. The legal basis of many countries has moved towards implementing the IFRS when preparing financial statements, thus increasing the comparability, understanding and relevance of information contained in financial reports.

Many studies have documented the effect of IFRS implementation in improving the business environment, overcoming group interests and penetrating capital markets, attracting foreign investment, and increasing business confidence to third parties. Therefore, Tendeloo and Vanstraelen (2005)<sup>3</sup> discussed whether there was a relationship between harmonization to high quality standards such as the IFRS, and high quality of financial reporting. Daske, Leuz dhe Verdi (2008)<sup>4</sup> point out that capital market benefits as a result of

---

<sup>1</sup>Dhamo, S., Basic Principles of Accounting, 2010, Tirana

<sup>2</sup> T. Harrison, Walter; T. Horngren, Charles; Thomas, C. William, Financial Accounting, 2013, Pearson

<sup>3</sup> **Tendeloo and Vanstraelen, European Accounting Review, Earnings management under German GAAP versus IFRS, 2005**

<sup>4</sup> Daske, Leuz dhe Verdi, Journal of Accounting Research, Mandatory IFRS reporting around the world: Early evidence on the economic consequences, 2008

IFRS implementation are only made in countries that have fully implemented the IFRS. The main purpose of the IFRS implementation is the presentation of qualitative financial statements, giving priority to reflecting the economic essence of the transactions more than the legal form, thus the financial statements properly inform their users (Ball, 2006)<sup>5</sup>. Barth, Landsman, Lang and Williams (2012)<sup>6</sup> find earnings smoothing, accrual quality, and timeliness all are potential sources of the increase in comparability after IFRS firms adopt IFRS and of differences in comparability for the post-adoption sample partitions. According to Ujkani, M., (2013) the implementation of standardized accounting standards and financial reporting results successful, despite the difficulties or problems encountered either by previous studies in this area or by her study. According to Vokshi, Krasniqi (2017), high quality financial information is also important and influences the useful decision-making of users of that information. This paper concludes that quality financial information (standardized) is a necessary source for successful business development.

#### **1. Kosovo's accounting, financial reporting and auditing legal system**

Kosovo's legal framework regulates the system of accounting, financial reporting and auditing, whereby business designated under this legal framework as trading companies are obliged to prepare financial statements for general purposes in accordance with IFRS. The general-purpose financial statements contain the statement of financial position, income statement, cash flow statement, statement of changes in equity, supplementary notes and explanatory material for the financial statements. The data in these statements are presented for the business year, which is the same as the calendar year. The accompanying documents contain additional information that is not disclosed in the accompanying statements, in accordance with the relevant financial reporting standards. The business financial statements should be audited in accordance with International Auditing Standards (IAS).

The International Financial Reporting Standards (IFRS) includes International Accounting Standards (IAS) and interrelated interpretations of the Standards Interpretations Committee (SIC), the International Financial Reporting Standards Interpretations Committee (IFRSIC), the revisions of these Standards and Interpretations, and Standards for the Future and

---

<sup>5</sup> Ball, R., IFRS: pros and cons for investors, Accounting and business research, 2006

<sup>6</sup> Barth, Landsman, Lang and Williams, Journal of Accounting and Economics, Are IFRS-based and US GAAP-based Accounting Amounts Comparable?, 2012

Interpretations issued and adopted by the International Accounting Standards Board (IASB) and approved by the Kosovo Council of Financial Reporting (KCFR)<sup>7</sup>.

Legal requirements<sup>8</sup> for accounting purposes are compulsory for businesses, based on their size classification. The size of the businesses is based on criteria such as annual turnover, gross assets in the balance sheet and average number of employees. Consequently, businesses are classified as large, medium, small and micro-businesses. It should be noted that by now the Assembly of Kosovo has adopted the new legal framework on accounting, financial reporting and auditing, which is effective from 01/01/2019<sup>9</sup>. Even under this framework (as well as the past one described above), businesses are obliged to apply IFRS when preparing financial statements, while the legal obligations for financial reporting are based on their size classification. The determining criteria for the size of the businesses are the statement of financial position, net turnover and average number of employees during the financial year<sup>10</sup>. Based on these criteria, they are classified as large, medium, small and micro businesses.

The following table presents the classification of businesses by size, defined by the past legal framework in force and new legal framework, but which will enter into force early next year.

**Table 1** Classification of businesses by size

<b>Law No. 04/L-014</b>	<b>Classification</b>	<b>Annual turnover (Euro)</b>	<b>Gross assets in balance sheet (Euro)</b>	<b>Average number employees</b>
	Large Business	Over 4 million €	Over 2 million €	Larger than 50
	Medium Business	Over 2 million - up to 4 million €	Over 1 million - up to 2 million €	Over 10 - up to 50
	Small Business	Over 50,000 - up to 2 million €	Over 25,000 - up to 1 million €	Up to 10
	Micro Business	Less than 50,000 €	Less than 25,000 €	Fewer than 10
<b>Law No. 06/L-032</b>	<b>Classification</b>	<b>Net turnover (Euro)</b>	<b>Financial statement (Euro)</b>	<b>Average number employees</b>
	Large Business	40 million €	20 million €	250
	Medium Business	40 million €	20 million €	250
	Small Business	8 million €	4 million €	50
	Micro Business	700,000 €	350,000 €	10

Source: Law 04/L-014, Article 4; Law 06/L-032, Article 5

<sup>7</sup> KCFR is an independent professional body that drafts and approves IFRS and aligns them with EU Directives, oversees the implementation of auditing standards, licenses auditing associations, etc.

<sup>8</sup> Law No.04/L-014 on Accounting, Financial Reporting and Auditing, Article 4 (effective until 31/12/2018)

<sup>9</sup> Law No.06/L-032 on Accounting, Financial Reporting and Auditing

<sup>10</sup> Law No.06/L-032 on Accounting, Financial Reporting and Auditing, Article 5

Under current law, large businesses must apply IFRS and interpretations, recommendations and consultations issued by the IASB, which are approved by the KCFR. These businesses must have their financial statements (individual or consolidated) audited by an audit firm licensed by the KCFR. The financial statements of large businesses must include: (i) the independent auditor's report and (ii) financial statements under the IFRS. When submitting the audited financial statements to the KCFR, the financial statements form should be attached to the relevant administrative instruction<sup>11</sup>. The submission to and publication of financial statements by the KCFR should be done in printed and electronic form according to the determined legal deadline.

Even the new legal framework obliges large businesses to implement the IFRS and interpretations, recommendations and advice issued by the IASB, as approved by the KCFR. The audit opinion, the statement of compliance and the management report should be attached to the financial statements.

Small and Medium Businesses (SMEs), which during the reporting period have changes in equity or other changes, should present them in the financial statements. These businesses are required to apply the IFRS on SMEs related to the drafting of annual financial statements. The standards are published by the IASB and are approved by the KCFR.

The medium businesses financial statements should include: (i) the independent auditor's report and (ii) financial statements under IFRS for SMEs. Small businesses should only include financial statements under IFRS for SMEs, and are not required to submit financial statements to the KCFR. Medium businesses, regardless of type of incorporation, must audit their financial statements (individual or consolidated) by statutory audit firm or by legal auditors licensed by the KCFR. Meanwhile, small businesses are not required to have their financial statements audited.

Whereas, under the new legal framework, SMEs shall prepare their financial statements for general purposes, under IFRS for SMEs. Those with a net turnover of over 4 million €, shall attach the audit opinion and the statement of compliance that the financial statements present a true and fair view. Whereas, those with a net turnover of less than 4 million €, shall

---

<sup>11</sup> Administrative Instruction No. 2/2013/Ministry of Finance

attach the independent auditor's review report to the financial statements, to international standards for review engagements.

The applicable criteria for accounting and reporting for micro businesses are regulated by the KCFR in order to minimize the administrative burden for these businesses.

## **2. Empirical analysis of financial reporting of businesses in Kosovo**

Since the legal basis in Kosovo obliges businesses to implement IFRS when preparing financial statements, it is considered very important to prepare accountants professionally, so that they are informed about the legal requirements for financial reporting. It is precisely this matter which is the purpose of this study: to research the degree of knowledge and implementation of the legal framework by accountants, their knowledge of accounting standards and the implementation of such standards in the preparation of financial statements, the rationale for the use, the adequacy of the package of standards on supplying third parties with information, the cost of their implementation, and information related to the auditing of financial statements.

### **2.1 The data, their source and the methodological approach**

The research is quantitative and the research sample consists of 264 businesses with turnover of over 1 million €. The design of the study involves two essential steps. The first step was a secondary data survey whose purpose was to research and analyze the framework of financial reporting of businesses. Meanwhile, the second step is the primary research conducted through questionnaires filled out in businesses and addressed to accountants (one employee in each business, a total of 264 accountants interviewed), in order to obtain information on regarding the level of knowledge available for IFRS, the level of IFRS implementation, accountants level of awareness that the implementation of IFRS affects the quality of financial reporting.

The data are processed through descriptive statistics, in order to enable the interpretation of the results, as well as through the analytical method of cross-tabulation in order to analyze the significance of the link between dependent variables (knowledge of IFRS, level of IFRS implementation, rationale of using accounting standards, cost of implementation of IFRS) and independent variables that represent the characteristics of respondents (education, professional experience and professional training). This methodology was considered reasonable, since the data were discrete categories.

The research questions that have been addressed to the respondents and based on which the data are provided are as follows:

- What is your knowledge of IFRS;
- How much do IFRS apply when preparing the financial statements?
- Indicate the rationale for using accounting standards?
- How far do you think the implementation of IFRS affects the increase of the reliability of the financial statements;
- Do you think the standard package is suitable for supplying information to third parties;
- What do you think about the cost of implementing standards, compared to benefits?
- Do accounting principles affect the transparency of financial reporting?
- Are financial statements certified and audited at the business you work for.

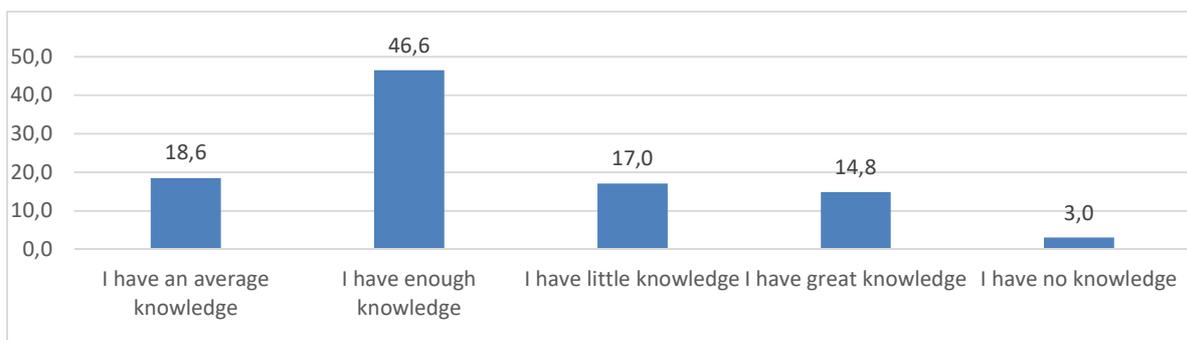
The above research questions raise two main research hypotheses:

H1,0 = The financial statements of the businesses that are obliged to implement IFRS, are prepared in accordance with IFRS.

H2,0 = There is no significant relationship between the application of the IFRS and the characteristics of the target group.

## 2.2 Analysis of data and research results

**Figure 1** What is your knowledge of IFRS?



Source: Author

**Table 2** What is your knowledge of IFRS?

		Frequency	Percent	Cumulative Percentages
Valid	I have an average knowledge	49	18.6	18.6
	I have enough knowledge	123	46.6	65.2
	I have little knowledge	45	17.0	82.2
	I have great knowledge	39	14.8	97.0
	I have no knowledge	8	3.0	100.0
	Total	264	100.0	

Source: Author

Regarding the first research question, the results showed that 46.6% were sufficiently informed about the standards, 18.6% had average knowledge, 17.0% had little knowledge of the standards, and 14.8% admitted that they were very knowledgeable about these standards. The remaining 3.0% stated they have no knowledge of the standards.

The above research question is also analyzed by the analytical method and is singled out as a dependent variable and cross-tabbed with four separate and independent variables (education, duration of professional occupation, professional training and knowledge of legal regulations), to test the dependence between them.

**Table 3** Knowledge about IFRS versus education (in percentage)

	What is your education level?			Total
	Faculty/Bach.	MA/PhD	High School	
I have an average knowledge	19.9	17.5		18.6
I have enough knowledge	42.6	52.5		46.6
I have little knowledge	23.4	7.5	100.0	17.0
I have great knowledge	10.6	20.0		14.8
I have no knowledge	3.5	2.5		3.0
Total	100.0	100.0	100.0	100.0

Source: Author

The data show that accountants with MA and PhD degrees have more knowledge than professionals with BA degrees. 72.5% of accountants with MA degrees have sufficient knowledge of IFRS. Whereas, 53.2% of professionals with BA degrees are sufficiently and

very knowledgeable of IFRS. From this we conclude that education *affects* the level of knowledge about IFRS.

**Table 4** Knowledge about IFRS versus professional experience (in percentage)

	How many years have you practiced your profession?				Total
	1-3 years	4-6 years	Over 6 years	Less than a year	
I have an average knowledge	37.5	38.1	9.8	50.0	18.6
I have enough knowledge	34.4	14.3	56.0	50.0	46.6
I have little knowledge	18.8	21.4	16.3		17.0
I have great knowledge	9.4	14.3	16.3		14.8
I have no knowledge		11.9	1.6		3.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Author

When this question is cross-tabbed with data on professional experience, 72.3% of accountants who practice the profession for 6 years or more are sufficiently and very knowledgeable about the standards, compared to those with 4 to 6 years of professional experience of (28.6%) and 1 to 3 years (43.8%). Consequently, knowledge regarding accounting standards *is dependent* on professional experience.

**Table 5** Knowledge about IFRS versus professional training (in percentage)

	How often have you participated in professional trainings?					Total
	Never	Occasionally	Rarely	Often	Very often	
I have an average knowledge		29.5	12.0	19.7	7.8	18.6
I have enough knowledge	50.0	45.3	16.0	57.4	49.4	46.6
I have little knowledge	50.0	25.3	60.0		3.9	17.0
I have great knowledge				14.8	39.0	14.8
I have no knowledge			12.0	8.2		3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

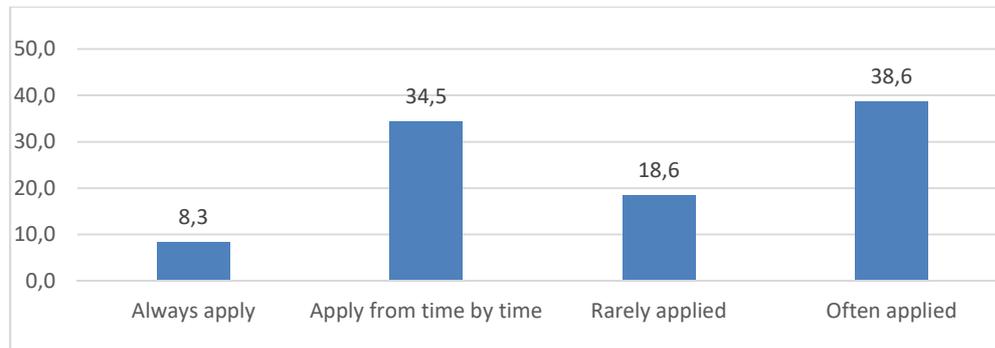
Source: Author

The results show that 88.4% of accountants who often attend professional trainings are sufficiently and very knowledgeable about the standards, compared to those who

occasionally (45.3%) and rarely (16.0%) attend trainings. Consequently, knowledge regarding accounting standards is dependent on professional training.

The above results showed that independent variables affect the level of knowledge of accounting standards, respectively of legal regulations.

**Figure 2** How much do IFRS apply when preparing the financial statements?



Source: Author

**Table 6** How much do IFRS apply when preparing the financial statements?

		Frequency	Percent	Cumulative Percentages
Valid	Always apply	22	8.3	8.3
	Apply from time to time	91	34.5	42.8
	Rarely applied	49	18.6	61.4
	Often applied	102	38.6	100.0
	Total	264	100.0	

Source: Author

When participants were asked for their opinion on how much accounting standards are applied, most of them (38.6%) evaluated that they applied quite often, while 34.5% stated that these standards are sometimes applied. A smaller number of around 18.6% stated that these standards are rarely applied and only 8.3% of respondents that these standards are always applied.

The above questionnaire as a dependent variable is further tested for dependence on three independent variables.

**Table 7** Implementation of IFRS versus education (in percentage)

	What is your education level?			Total
	Faculty/Bach.	MA/PhD	High School	
Always apply	7.1	10.0		8.3
Apply from time to time	37.6	31.7		34.5
Rarely applied	24.1	10.0	100.0	18.6
Often applied	31.2	48.3		38.6
Total	100.0	100.0	100.0	100.0

Source: Author

The attitudes of professionals regarding the level of implementation of standards in the preparation of financial statements are related to the level of school preparation. The results from the data analysis show the dependence between the level of education and the level of implementation of the standards, where 48.3% of professionals with master's or doctoral studies have declared that they are highly applied and 31.2% of professionals with faculty (bch) also have the same opinion.

**Table 8** Implementation of IFRS versus professional experience (in percentage)

	How many years have you practiced your profession?				Total
	1-3 years	4-6 years	Over 6 years	Less than a year	
Always apply	9.4	4.8	9.2		8.3
Apply from time to time	28.1	28.6	36.4	50.0	34.5
Rarely applied	34.4	26.2	14.7		18.6
Often applied	28.1	40.5	39.7	50.0	38.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Author

Professional experience also influences the implementation of standards when preparing financial statements, where professionals with more than 6 years of experience (39.7%) and 4 to 6 years (40.5%) declared that they are frequently applied or always (9.2% and 4.8 %) compared to those who have experienced 1 to 3 years, with 28.1% saying they are often applied and 9.4% said they always applied.

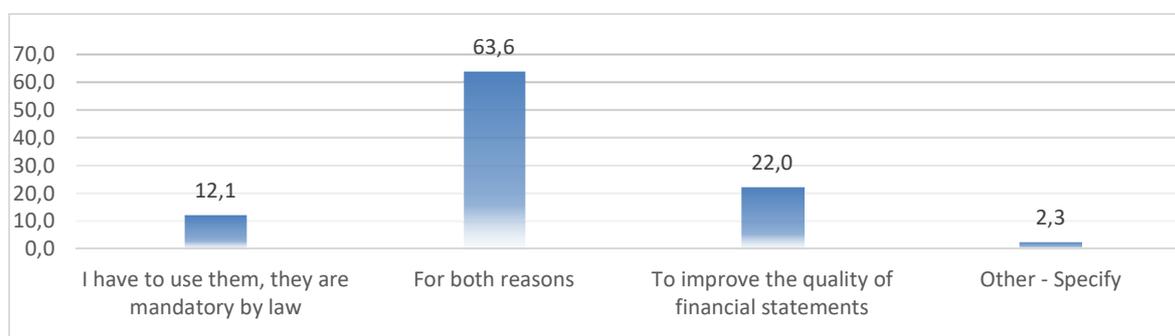
**Table 9** Implemenation of IFRS versus professional training (in percentage)

	How often have you participated in professional trainings?					Total
	Never	Occasionaly	Rarely	Often	Very often	
Always apply		2.1		13.1	15.6	8.3
Apply from time to time	50.0	33.7	56.0	34.4	27.3	34.5
Rarely applied		22.1	32.0	13.1	15.6	18.6
Often applied	50.0	42.1	12.0	39.3	41.6	38.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Author

Concerning the question "how much do you think that IFRS apply to the preparation of financial statements", crossed with data on professional training, it turns out that 57.2% of accountants who frequently attend professional training say that standards often apply or are always applied. Therefore, we say that professional training affects the level of implementation of accounting standards.

**Figure 3** Indicate the reason for using IFRS?



Source: Author

**Table 10** Indicate the reason for using IFRS?

		Frequency	Percent	Cumulative Percentages
Valid	I have to use them, they are mandatory by law	32	12.1	12.1
	To improve the quality of financial statements	58	22.0	97.7
	For both reasons	168	63.6	75.8
	Other-specify	6	2.3	100.0
	Total	264	100.0	

Source: Author

To this question, 63.6% answered that the reason for the use of the standards lies in two points: we are legally obliged and we are aware that standardization affects the quality of financial statements. Meanwhile, 22.0% of them replied that they only use these standards to improve the quality of financial statements. Of the total, 12.1% answered that the reason why they use these standards is that they are obliged to use, and the remaining part, 2.3% of them, have given other reasons.

**Table 11** Rationale for using IFRS versus education (in percentage)

	What is your education level?			Total
	Faculty/Bach.	MA/PhD	High School	
I have to use them, they are mandatory by law	16.3	7.5		12.1
For both reasons	61.0	65.8	100.0	63.6
To improve the quality of financial statements	20.6	24.2		22.0
Other – Specify	2.1	2.5		2.3
Total	100.0	100.0	100.0	100.0

Source: Author

When this question is cross-tabbed with education, it shows that professionals with MA and PhD degrees (65.8%), as well as those with undergraduate degrees (61.0%), stated that they use the standards because they improve the quality of the financial statements and are obliged by law, but also all those without undergraduate degrees claimed both reasons. From this we conclude that the accountants are aware that accounting standardization affects the quality of reporting and that it is also mandatory by law, but this does not depend on the level of education. However, it should be noted that from all the respondents (264), 53.4% have undergraduate degrees, 45.5% have MA or PhD degrees, while only 1.1% have no university-level education.

**Table 12** Rationale for using IFRS versus professional experience (in percentage)

	How many years have you practiced your profession?				Total
	1-3 years	4-6 years	Over 6 years	Less than a year	
I have to use them, they are mandatory by law	18.8	4.8	13.0		12.1
For both reasons	65.6	52.4	66.3	50.0	63.6
To improve the quality of financial statements	15.6	35.7	19.0	50.0	22.0
Other – Specify		7.1	1.6		2.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Author

Professional experience leads accountants to emphasize that the reason they use standards is the legal obligation, as well as the increased reporting quality. Of those with more than 6 years of work experience, 66.3% chose both mentioned reasons, compared to single reason choices of 13.0% and 19.0% respectively. The situation is the same for those with 4 to 6 years of experience, where both reasons were chosen by 52.4%, compared to single reason choices of 4.8% and 35.7% respectively.

**Table 13** Rationale for using IFRS versus professional training (in percentage)

	How often have you participated in professional trainings?					Total
	Never	Occasionally	Rarely	Often	Very often	
I have to use them, they are mandatory by law		11.6	36.0	9.8	7.8	12.1
For both reasons	50.0	54.7	8.0	85.2	76.6	63.6
To improve the quality of financial statements	50.0	33.7	44.0		15.6	22.0
Other – Specify			12.0	4.9		2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Author

Continuous professional development leads accountants to emphasize that the reason they use standards is the legal obligation as well as the increased reporting quality. Of those who

frequently and very frequently attend training, 76.6% and 85.2% chose both mentioned reasons, compared to single reason choices of 7.8% and 9.8% respectively. The situation is different for those who rarely attend trainings, with only 8.0% choosing both reasons, while 36.0% chose the reason of legal obligation, and 44.0% the reason of increasing the quality of reporting.

**Figure 4** Do you think that the implementation of IFRS increases the confidence of information users who use financial statements?



Source: Author

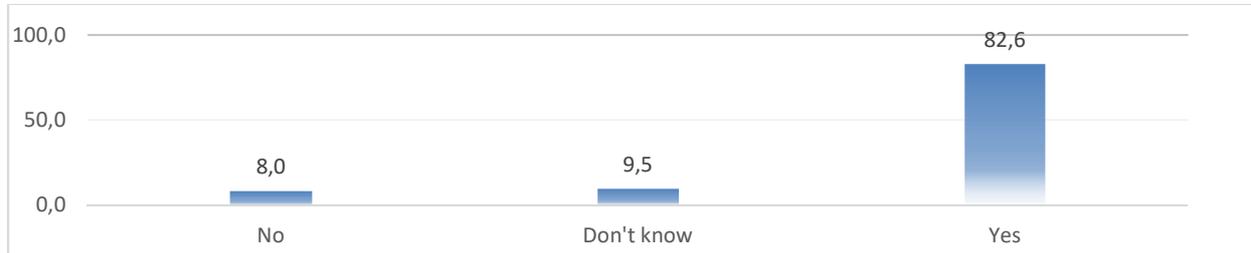
**Table 14** Do you think that the implementation of IFRS increases the confidence of information users who use financial statements?

		Frequency	Percent	Cumulative Percentages
Valid	No	8	3.0	3.0
	Don't know	3	1.1	4.2
	Yes	253	95.8	100.0
	Total	264	100.0	

Source: Author

Regarding this research question, all participants answered unanimously. About 96.0% of them, or 253 people, agreed that the implementation of IFRS standards undoubtedly increases the confidence of users regarding the accounting information provided by the financial statements.

**Figure 5** Do you think that the complete IFRS package for the preparation of financial statements is adequate for the provision of financial information to third parties?



Source: Author

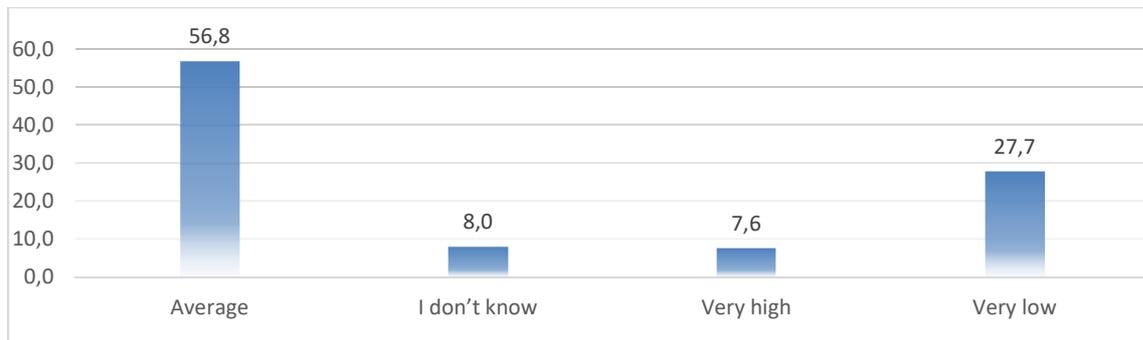
**Table 15** Do you think that the complete IFRS package for the preparation of financial statements is adequate for the provision of financial information to third parties?

		Frequency	Percent	Cumulative Percentages
Valid	No	21	8.0	8.0
	Don't know	25	9.5	17.4
	Yes	218	82.6	100.0
	Total	264	100.0	

Source: Author

To the following question, "Do you think that the complete IFRS package for the preparation of financial statements is adequate for the provision of financial information to third parties", 82.6% of all respondents answered that the full set of standards for financial preparation is adequate for the provision of financial information to third parties, while 9.5% replied that they did not know and 8.0% disagreed that the package is adequate.

**Figure 6** What is the cost of implementing IFRS compared to the benefits that they bring?



Source: Author

**Table 16** What is the cost of implementing IFRS compared to the benefits that they bring?

		Frequency	Percent	Cumulative Percentages
Valid	Average	150	56.8	56.8
	I don't know	21	8.0	64.8
	Very high	20	7.6	72.3
	Very low	73	27.7	100.0
	Total	264	100.0	

Source: Author

When it comes to the cost of implementation of IFRS compared to their benefits, more than half of the respondents, or 56.8%, stated that the cost of implementation is average, 27.7% agreed that the cost is too low, a very small number of respondents, about 7.6%, thought that the cost was very high, and 8% answered that they have no knowledge of the costs.

**Table 17** Cost of Implementation of IFRS compared to benefits versus education (in percentage)

	What is your education level?			Total
	Faculty/Bach.	MA/PhD	High School	
Average	52.5	60.8	100.0	56.8
I don't know	6.4	10.0		8.0
Very high	12.1	2.5		7.6
Very low	29.1	26.7		27.7
Total	100.0	100.0	100.0	100.0

Source: Author

When this question is cross-tabbed with the question on education, over 50.0% of the professionals of all three answered that the cost is average. Therefore, education seems to have an impact on the attitudes of professionals in this matter and in their statements that the cost is average.

**Table 18** Cost of implementation of IFRS compared to benefits versus professional experience (in percentage)

	How many years have you practiced your profession?				Total
	1-3 years	4-6 years	Over 6 years	Less than a year	
Average	56.3	50.0	60.3		56.8
I don't know		14.3	8.2		8.0
Very high	6.3	7.1	6.5	50.0	7.6
Very low	37.5	28.6	25.0	50.0	27.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Author

The situation is the same when it comes to the work experience independent variables. Professionals working from 1 year to 3 years (56.3%), from 4 to 6 years (50.0%) and those over 6 years (60.3%), stated that this cost is average. Consequently, we can say that the duration of professional occupation affects the attitudes of professionals and their statements that the cost of implementing IFRS is average.

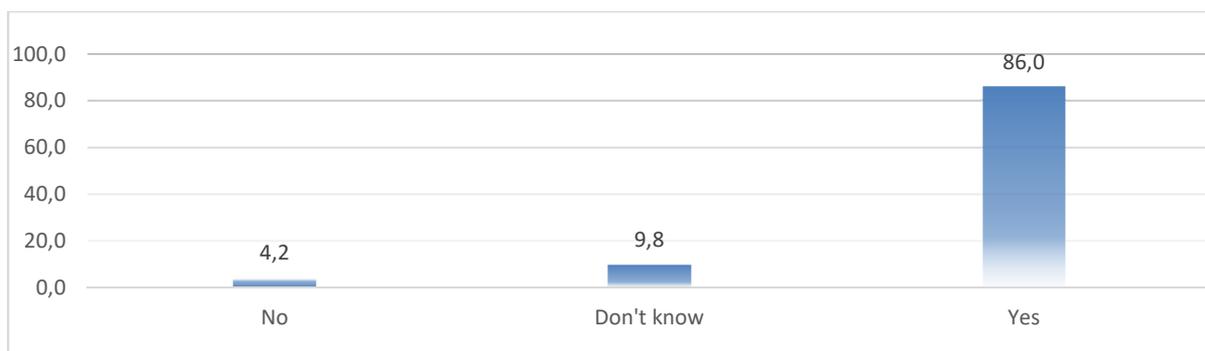
**Table 19** Cost of implementation of IFRS compared to benefits versus professional training (in percentage)

	How often have you participated in professional trainings?					Total
	Never	Occasionally	Rarely	Often	Very often	
Average	50.0	56.8	36.0	60.7	61.0	56.8
I don't know		6.3	12.0	14.8	3.9	8.0
Very high		6.3	20.0	4.9	7.8	7.6
Very low	50.0	30.5	32.0	19.7	27.3	27.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Author

Professional trainings also influence the attitudes of accountants that the cost of implementing standards, along with the benefits they bring, is average. Those who attend professional trainings very often (61.0%) or often (60.7%) and occasionally (56.8%) have a higher percentage of "average costs" replies. Meanwhile, of those who never attend trainings, 50.0% answered that the cost is average and 50.0% answered that the cost is very low.

**Figure 7** Do the relevance, faithful representation, understandability, comparability, and timeliness affect the quality and transparency of financial reporting?



Source: Author

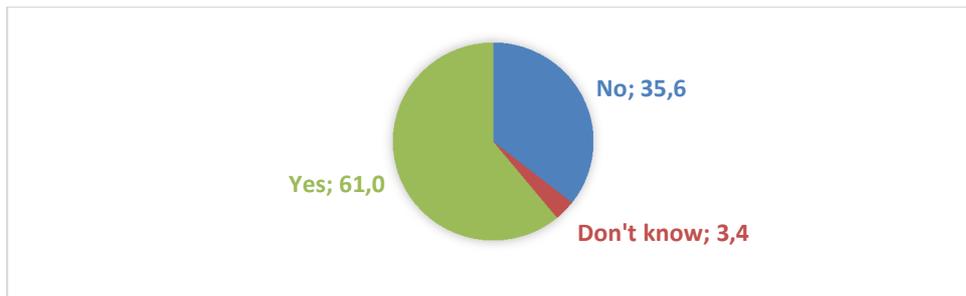
**Table 20** Do the relevance, faithful representation, understandability, comparability, and timeliness affect the quality and transparency of financial reporting?

		Frequency	Percent	Cumulative Percentages
Valid	No	11	4.2	4.2
	Don't know	26	9.8	14.0
	Yes	227	86.0	100.0
	Total	264	100.0	

Source: Author

To the next question about whether the accounting principles affect the quality and transparency of financial reporting, 86.0% of accountants answered "yes", and the rest thought that these principles did not affect the transparency of financial reporting.

**Figure 8** Are the financial statements audited at the business you work for?



Source: Author

**Table 21** Are the financial statements audited at the business you work for?

		Frequency	Percent	Cumulative Percentages
Valid	No	94	35.6	35.6
	Don't know	9	3.4	39.0
	Yes	161	61.0	100.0
	Total	264	100.0	

Source: Author

The next question was also related to the preliminary question, where participants were asked whether the financial statements are audited at the business organization they work for. Of the total, 61.0% admitted to having audited statements, 35.6% did not have audited statements, and the rest (3.4%) had no answer.

## **Summary and Conclusion**

Accounting and the information derived from it are very important for the decision-making of internal and external users. The increasing complexity of the economy, economic globalization and the development of capital markets have led to increased demand for qualitative, relevant and comparable information. This is achieved by financial reporting through the unique language of accounting, with the same rules, namely with international accounting standards.

This was also the main purpose of this study, to investigate the current quality of accounting information, which is provided through financial statements compiled by professionals employed in businesses. The study evidenced the fact that accounting standardization is regulated by the statutory accounting framework and as such is mandatory for businesses.

In practical terms, the results from the analysis of the data showed that the compilers of the financial statements know well and apply the standards, being aware that standardization increases the quality of financial reporting and the reliability of the information held by the financial statements for the needs of third parties. Likewise, the research results showed that there is a significant link between knowledge of IFRS by accountants and the rationale of their implementation on the one hand, and professional preparation, professional experience and professional trainings on the other. Obviously, the issue of the cost of implementing IFRS in relation to benefits is also very important, a matter that has been analyzed in this study, which showed that the costs are average and affordable for business organizations. Likewise, the auditing of financial statements was analyzed, as it is mandatory under the accounting regulatory framework for certain businesses, whereas practical research showed that this regulatory requirement is also met by businesses.

These research findings confirm the hypothesis raised in this study, H1,0=The financial statements of the businesses that are obliged to implement IFRS, are prepared in accordance with IFRS, whereas reject H2,0= There is no significant relationship between the application of the IFRS and the characteristics of the target group, and alternative hypothesis is accepted H2,A= There is a significant relationship between the application of the IFRS and the characteristics of the target group.

The study concludes that Kosovo businesses report in accordance with financial reporting standards, producing relevant and adequate information for decision making. This enables

transparency, comparability, relevance and opportunity for all users of information to understand these financial statements.

Nevertheless, further developments in financial reporting need to take place in the future, further strengthening the statutory framework governing accounting and the basis for financial reporting, establishing mechanisms for systematic monitoring, and expanding the reporting requirements in parallel with the strengthening of institutional and professional capacities.

### **References**

- Dhamo, S., 2010. Basic Accounting Principles. Tirana: s.n.
- T. Harrison, W., T. Horngren, C. & Thomas, C., 2013. Financial Accounting. s.l.: Perason
- E. Kieso, P. D., 2013. Financial Accounting. s. l.: John Wiley.
- Philips, F., Libby, R. & Libby, P., 2013. Fundamentals of Financial Accounting. s. l.: McGraw-Hill.
- D.Kimmel, P., J. Weygandt, J. & E. Kieso, D., n.d. Principles of Accounting. s. l.: Wiley.
- Elliott, B., Elliott, J. (2002): "Financial Accounting, Reporting and Analysis". International Edition, Pearson Education, England
- Tendeloo and Vanstraelen, European Accounting Review, Earnings management under German GAAP versus IFRS,2005
- Daske, Leuz dhe Verdi, Journal of Accounting Resarch, Mandatory IFRS reporting around the world: Early evidence on the economic consequences, 2008
- Ball, R., IFRS: pros and cons for investors, Accounting and business research, 2006
- Barth, Landsman, Lang and Williams, Journal of Accounting and Economics, Are IFRS-based and US GAAP-based Accounting Amounts Comparable, 2012
- Ujkani, M., Applying accounting standards and financial reporting in Albania, PhD dissertation, 2013
- Vokshi, N., Krasniqi, F., Role of Accounting Information in Decision-Making Process, the Importance for its Users, 2017
- Worldbank.org/ BE "Acquis Communautaire"; EU Directives Nr. 78/660/EEC and 84/253/EEC
- <https://ifrs.org/IAS 1>, IFRS 1
- <https://www.ifrs.org/> Conceptual Framework for Financial Reporting

<https://gzk.rks-gov.net/Law No.04/L-014> On Accounting, Financial Reporting and Auditing

<https://gzk.rks-gov.net/Law No.06/L-032> On Accounting, Financial Reporting and Auditing

<https://gzk.rks-gov.net/Law No. 02/L-123> On Business Organizations

<https://mf.rks-gov.net/Administrative Division of Kosovo Council for Financial Reporting>

<https://mf.rks-gov.net/Administrative Instruction MoF 04/2015> On Structure and Contents of Annual Financial Statements for Small and Medium Enterprises