

Prudence Principle and Students' Perception on Measurement in Financial Reporting

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Abstract—Prudence principle belongs to traditionally generally accepted accounting principles and is closely linked with another accounting principle - going concern in the foreseeable future. Both of these accounting principles, based on which accounting systems are built, have one common denominator; it is measurement as one of the basic methodological elements of accounting. The fundamental problem in the use of the above instruments of prudence principle is a strong dependency of accounting of the companies on tax incidences. Paper also provides an analysis focusing on knowledge of Czech university graduates in the area of accounting measurement and perceptions in relation to a series of transformation processes taking place at national and international level. The employed research methodology relies on implementing a questionnaire survey. Paper documents relatively good knowledge of local accounting legislature, however the huge knowledge gap in international legislature.

Keywords—Prudence principle, financial reporting, measurement, impairment, education, Czech Republic

I. INTRODUCTION

PRUDENCE principle belongs to traditional generally accepted accounting principles and is closely linked with another accounting principle - going concern in the foreseeable future. Both of these accounting principles, based on which accounting systems are built, have one common denominator; it is measurement as one of the basic methodological elements of accounting.

Measurement, or more precisely value expression, can be called a common accounting language, which records the ongoing economic events of an accounting entity. Accounting theory puts certain requirements on the measurement, especially

- fair value measurement so the monetary expression corresponds to the actual resources spent;
- uniformity measurement that should ensure the comparability of measurement of the same resources

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both within one entity and among enterprises and in time;

- reliability measurement is a requirement that the value of a certain item can be reliably determined;
- stability measurement which requires that the measurement has not been influenced by insignificant temporal fluctuations.

During the practical enforcement of these requirements various problems may occur; the stated principles, in particular, may get into disagreement with each other. Under certain conditions, stability measurement may be subject to contrary to the fair value measurement; the uniformity may not respect the individual conditions and may become unreliable. Therefore, we cannot say that there is only one correct method of measurement, which ensures compliance with all such requirements.

The objective of measurement is essentially to provide users of accounting with two basic groups of information:

- information on the financial position of an accounting entity that demonstrates the ability to optimally allocate assets and resources of financing, which the entity has. At the same time, this gives information about its financial position and also the ability to continue its work in the future;
- information on profit/loss achieved during the reported financial year, which characterizes how effectively the entity used its resources and sources.

Both these groups of information are linked together and should be considered as interrelated. Under certain circumstances, positive financial results can be temporarily achieved, however, at the expense of the financial structure or financial equilibrium, possibly at the expense of the future development of accounting entity. On the contrary, a short-term adverse loss may not necessarily represent a threat to its future.

The question is to what extent an auditor should take into account these facts in auditing the financial statements. The auditor's opinion expresses as to whether the financial statements give a true and fair view of financial position of an entity and profit/loss for the monitored period. The auditor therefore does not pass judgment on the entity's good or poor financial performance. If the financial statements fairly present poor financial performance, the auditor may issue a clean opinion. Not every user of the auditor's report, however, perceives the auditor's opinion this way. So if the performance of the accounting entity is in such a degree and so poor in the long term that the entity is at risk in the foreseeable future, the auditor should - in accordance with auditing standards - inform

the user of the auditor's report with a note under the opinion (so-called emphasis of matter).

A conceptual framework for international financial reporting standards provides prudence as one of the qualitative characteristics of financial statements. It draws attention to the fact that financial statements processors must address the uncertainty, recognize it, and express its nature and scope. Prudence means a degree of caution in making estimates under uncertain conditions. Eventually, the assets or revenues should not be overestimated and liabilities or expenses underestimated. On the other hand, exaggerated prudence could lead to the creation of hidden or excessive provisions, causing the financial statements not being impartial and reliable.

International financial reporting standards work with a variety of measurement bases (historical cost, current cost, realizable value, present value and fair value) which are applied in varying degrees and in different combinations. The Czech accounting legislation enables an application of the following measurement bases (historical cost, production cost, replacement cost, nominal value and fair value) [9, 21].

The prudence issue is included in IAS 36 - Impairment of Assets.

If the recoverable amount of an asset is less than its carrying amount, the company must reduce the carrying amount to its recoverable amount. This reduction is called an impairment loss and is recognized immediately in the income statement. The exception is when the asset is carried at revaluated amount and the impairment loss reduces the revaluation reserve in accordance with relevant standards (e.g. IAS 16 - Property, Plant and Equipment or IAS 38 - Intangible Assets). After the recognition of an impairment loss, it is necessary to adjust depreciations in future periods to allocate a new carrying amount less its residual value over the remaining useful life of asset.

A decrease or a reversal of an impairment loss for an asset is immediately recognized in the income statement, except where the asset is carried at revaluated amount under another standard (e.g. IAS 16). After reporting reversal of an impairment loss, depreciation of assets for future periods shall be adjusted to allocate the revised carrying amount of the asset less its residual value over the remaining useful life of asset.

The issue of determination of impairment loss and its reversal is a problem and can be viewed as one of possible tools of creative accounting from companies. Companies by means of reporting impairment losses and reversals "pour" profits from one accounting period to another and thus align, for example, fluctuations in financial performance, or achieve planned financial gains in a given period [19]. It is also one of the reasons why, e.g., U.S. GAAP requires accounting for impairment losses but prohibit their reversal.

II. LITERATURE REVIEW

The separation of tax statements and financial statements is common practice in many countries. European countries have discussed abolishing book-tax conformity. E.g. Spain has relaxed the strong link between tax accounting and book accounting; France and Austria are discussing clearer separations of their accounting systems in the future [2, 16, 22].

A large strand of literature has examined the connections between tax and financial accounting. Many authors identify increasing divergence in reported financial and taxable income, e.g. [1, 12]. [4, 7, 15] discuss costs and benefits of a possible book-tax alignment. All of them emphasize disadvantages of such a development. [10] identify a strong tax influence on financial accounting regulations in Germany. Compared to other countries, [3] describe a (implicit) strong emphasis on the conservatism principle in German financial accounting regulations, which is partly due to its closeness to tax accounting. [8] discuss investment incentives caused by a one-book or a two-book accounting system. [13, 14] provide an overview of the literature dealing with the developments in national financial reporting systems.

[18] provide a framework for measuring tax rate and tax-base effects and discuss the optimal complexity of taxable income. [17] empirically measures the complexity of the tax systems of US states. [6] find that nonuniformity among US states' tax systems increases corporations' compliance cost burdens; [11] identifies ongoing nonconformity and concludes that compliance costs will remain "needlessly high". Transferring these findings to the current German situation, one might argue that reporting three parallel income statements as it is required induces high compliance costs.

We can find a number of qualitative papers dealing with possible new determinations of taxable income for German companies. However, analyses quantifying the effects of alternative tax bases on the tax burden of companies are rare. Quantitative evidence is provided by [2, 5]. [5] analyzes differences between US GAAP and the current German tax base and finds that German companies would save taxes if German taxable income was connected to US GAAP. [20] finds that the tax burden of companies would decline if uniform accounting based on IFRS was implemented. In Austria, [2] uses a business model simulation to analyze various tax bases, including the IFRS and US GAAP. But according to the most recent publications, there will be no uniform accounting based on IFRS or US GAAP either in Austria or in Germany.

III. PRUDENCE PRINCIPLE IN CZECH SMEs

SMEs often work with historical cost, which indisputable advantage is its conclusiveness. On the other hand, its disadvantage is the obsolescence and thus breach of the condition of fair value measurement. However, despite this fact, it is clear that in combination with other measurement instruments, historical costs are the most suitable base of measurement) from the perspective of prudence Principle. The fundamental problem in the use of the above instruments of prudence Principle in small and medium-sized enterprises (reserve provisions, allowances, and depreciation expenses) is a strong dependency of accounting of the firms on tax incidences.

The issue of provisions, allowances and write-offs for SMEs was studied by the authors by a simple questionnaire. About 500 companies were approached during this research. Only 202 companies filled in questionnaire. For purposes of this paper, only following questions were processed:

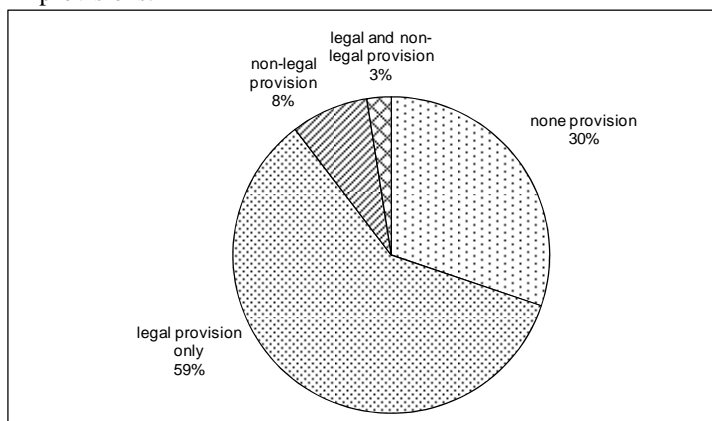
- Does the company make provision (none, legal, other)?
- Does the company use impairment (none, legal, other)?
- What type of depreciations does the company account (tax and accounting depreciation)?

A. Provisions Issues

SMEs make provision only if it has tax advantages for them. According to the Act on Provisions there are mentioned those affecting the tax base. For business entities it mainly involves provisions for repairs of long-term assets. The Act determines detailed rules for how long and to what amount is possible to form provisions for repairs of long-term assets and how to use them in case that the repair was made, or its implementation cancelled. Creation of provisions for repairs was misused in the long term to reduce the tax base, especially in the past when there was a prospect of reducing the tax rate in future periods. For example, if an accounting entity started a provision during the period when the income tax rate was 24% knowing that the repair will be implemented in four years and at that time the tax rate is planned to be reduced to 19%, the creation of provision at a higher rate and vice versa its cancellation at a lower rate meant tax savings.

Given that some accounting entities formed provisions in good faith to actually carry out the repair, but when it should happen, they were unable to fund them. For this reason, the Act on Provisions added a condition for the creation of provisions – to transfer the same amount of money to a special bank account. Thanks to this measure the creation of provisions ceased to be interesting for the entities and most small and medium-sized enterprises stopped using it.

This fact is illustrated by the result of research. Most companies (59 %) make legal provisions; a large portion of enterprises (30%) does not calculate any provision at all. Only 8% of companies present other provisions and a very small portion of 3% of businesses report both legal and other provisions.



When we discuss the application of international referential, i.e. IFRS for SMEs, company may recognize a provision only when:

- has an obligation at the reporting date as a result of a

past event;

- it is probable that the company will be required to transfer economic benefits in settlement;
- the amount of the obligation can be estimated reliably.

Provisions are measured as the best estimate of the amount required to settle the obligation at the reporting date.

In case that the effect of time value is significant, provision has to be calculated at the present value of the amount expected to be required to settle the obligation. As a discount rate shall be used pre-tax rate reflecting the current market assessments of the time value of money.

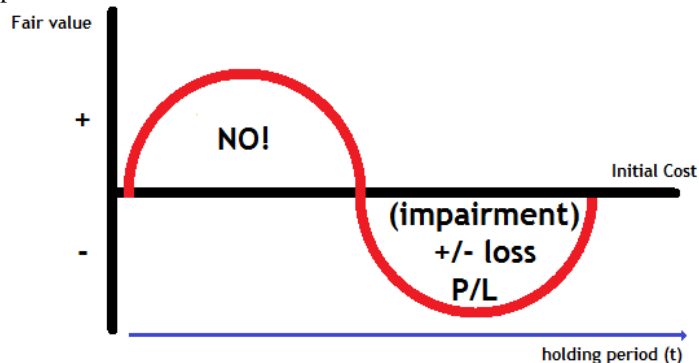
According to the standard company shall disclose for the area of provisions:

- a reconciliation showing
 - the carrying amount at the beginning and end of the period;
 - additions during the period, including adjustments that result from changes in measuring the discounted amount;
 - amounts charged against the provision during the period;
 - unused amounts reversed during the period;
- a brief description of the nature of the obligation and the expected amount and timing of any resulting payments;
- an indication of the uncertainties about the amount or timing of those outflows;
- the amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement.

B. Impairment Issues

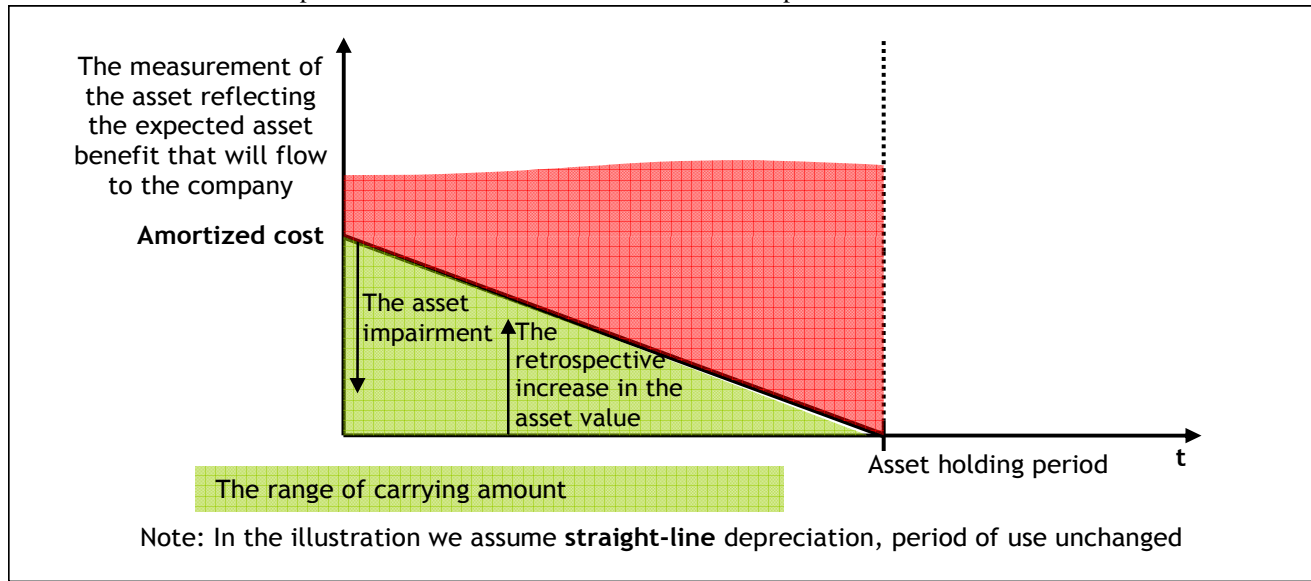
The carrying amount of assets should reflect the benefits expected from the asset. If the expected benefits that will arise from the asset in the future are lower than its carrying amount, the carrying amount should be reduced in accordance with the principle of prudence and with the accrual principle. If the value in use of the asset in the next period increases again, the original impairment is revoked; the subsequent increase in value shall not exceed the original historical value, though. The retrospective increase in value may be prohibited by specific accounting rules.

The illustration of reduction and retrospective increase of the asset value within the model of historical costs of non-depreciable assets:



within the historical cost model of depreciated assets assuming linear depreciation:

The reduction and the retrospective increase in the asset value



The impairment of assets or the retroactive increase always affects the economic result (profit or loss).

Impairment testing is dependent on the nature of an asset and its use in the entity. Testing for impairment may be in the national (international) accounting rules modified in various ways.

The impairment of long-term assets

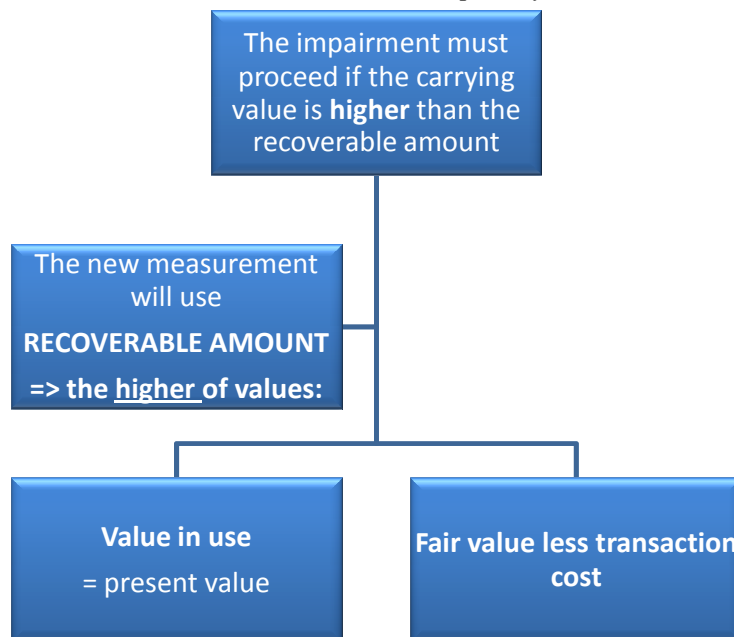
Under IFRS the model based on rational behavior of the entity is used for the detection of impairment of long-term assets. Long-term assets are held for long-term use by the entity. The benefits that these assets bring may be twofold - first, benefits brought gradually throughout the use of the asset and also

benefits that can be obtained by selling the asset.

The detection of impairment may be based on the determination of the maximum amount of benefit, which the asset is able to bring to the entity under circumstances given (under IFRS this value is known as recoverable amount) and from comparison of this amount with the carrying amount.

The determination of the recoverable amount is based on the assumption that the entity considers the effects that the asset can provide. This fact will be reflected in determining of the recoverable amount as a higher value of: fair value of assets less the estimated costs of sales and the present value of future benefits, which an asset could bring the entity.

The procedure of recognition of impairment may be shown transparently as follows:



To determine the selling prices of such assets IFRS requires

using the price that meets the definition of fair value. It is still

necessary to reduce this price by the costs that will be incurred in bringing the asset to market (transport, advertising, brokerage fee for sales, etc.).

Value in use is determined by estimating the future net cash flows (i.e., the revenue expected from the use of an asset less the costs of operating the asset), the asset is expected to bring the entity. Perhaps the biggest practical problem in determining the value in use of an asset is represented by the assets that do not generate cash flows independently.

It should be noted that not all accounting legislation approaches impairment testing in so much detail, as IFRS. For example, to detect impairment the asset's carrying amount can only be compared to its market value. It is evident that for long-term assets this approach does not correspond with the assumption of going concern.

Impairment of inventories

Inventories bring a single effect – by consumption or sale.

Selling prices of inventories may decrease during their holding due to damage, obsolescence, changes in market demand, etc. The impairment test is based on the fact that the carrying amount is often compared with the „net realizable value“. If the carrying amount exceeds the net realizable value, impairment has occurred and the carrying amount should be reduced.

Net realizable value can be defined within the national frameworks with various nuances of content. According to IAS 2 it is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of receivables

The impairment of receivables is a specifically important area. Each receivable represents a risk that it will not be paid in future and the expected benefit of the receivable – increase in cash or other assets – will not be fulfilled. The risks connected with receivables are probably considered most strictly within US GAAP, where it is not even allowed to recognize the income that arises in connection with a receivable with a long maturity by a customer at the very moment of sale. Revenue in the case of a long-term-deferred maturity of a receivable is recognized gradually on the basis of different methods. To reflect the risk associated with uncollectible receivables in the cost of claims it can be proceeded in two ways - the “individual” basis or “estimation method”, which refers to the entire portfolio of receivables.

The entity accesses the impairment of the receivable individually if the particular receivable has not been paid in the due date. In view of the fact that entities have often a great amount of receivables, internal rules are usually created for impairment and also depreciation of uncollectible receivables. The situation is often complicated by tax provisions (in the accounting systems that are linked to taxation), which significantly limit the tax applicability of the expenses incurred by the impairment of receivables. The disadvantage of the suggested “individual approach” is that the situation linked to bad debts is starting to be dealt with as late as in the period when

the specific receivable remains unpaid after the maturity date, which may be in the accounting period following the emergence of the receivable and related revenue. The probability that a part of receivables will remain unpaid exists already at the time of their creation. An entity can estimate this risk and reflect in the value of receivables immediately - right in the period when the claim arose (the estimation method).

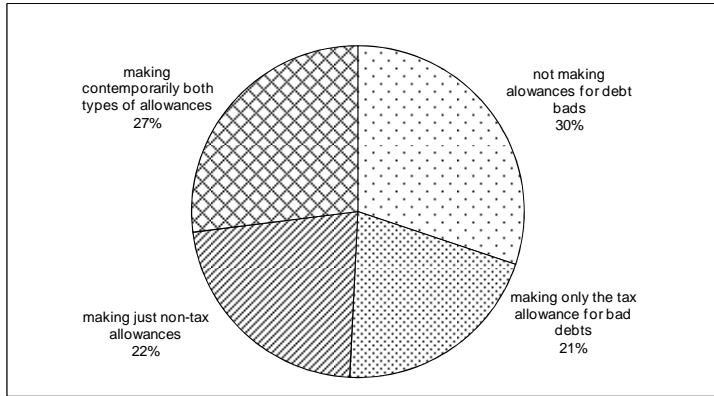
The “estimation method“ lies in the fact that the value of receivables is reduced already in the period in which the receivable arose. The receivables may not be after the maturity date and it may not even be known if the recoverability of certain specific receivables is risky. Thus the profit is reduced by the estimated amount of uncollectible receivables in the period when the related revenue and at the same time the risk of partial non-payment of these receivables is generated.

Just as for provisions, the impairment might have some tax implications. According to the Act on Provisions, it is possible to create tax deductible impairment on bad debts. The creation and use of such impairment is regulated by the Act in the following four modes:

- impairment for receivables for insolvent debtors;
- impairment for outstanding receivables in the event that it has been more than 6 months since the end of the agreed period for payment, up to 20% of book value of receivables. Higher impairment for the receivables can only be created by the income tax payers, who have submitted a proposal to initiate proceedings against the debtor pursuant to the provisions on arbitration or court;
- impairment for receivables arising from guarantee for the customs debt (i.e. the provision of customs debt) under the customs law;
- impairment for receivables can be formed up to 100% of the outstanding balance value without accessories under the conditions that, on the date of making allowances for the taxpayer the total value of receivables without accessories incurred to the same debtor to which this approach is applied, does not exceed the amount of CZK 30 000.

Thus, if SMEs make impairment, then it is only for bad debts with tax implications. Impairments are calculated for the other items of assets only in exceptional circumstances (e.g. for slow-moving or unsellable inventory) and only under pressure from auditors, if they have a statutory audit.

The questionnaire survey shows that 30 % of enterprises do not make impairment for bad debts. A portion of 21 % SMEs make only the tax impairment for bad debts and 22 % of enterprises make just non-tax impairments. The remaining 27% of companies report both types of impairment.



The vast majority of enterprises, more than 95%, do not calculate any impairment to inventories.

C. Depreciation Issues

Income Tax Act regulates tax depreciation. Since the Accounting Act requires entities to prepare a depreciation schedule, it is not an exception when an accounting entity charges depreciation in the amount of tax depreciation. This has resulted in a significant distortion of assets, because the tax depreciations do not respect the expected useful life.

With the exemption of land and artworks all other tangible assets shall be depreciated. From 2009 it is possible to apply (but it is not obligatory) the residual value when calculating the depreciation base. From 2010 is also possible (but again not obligatory) to apply component approach.

Income Tax Act divides the tangibles into six groups and states how long shall be each group depreciated:

Group	Years
Group 1	3 years
Group 2	5 years
Group 3	10 years
Group 4	20 years
Group 5	30 years
Group 6	50 years

For the calculation of tax depreciation it is possible to use two methods:

- linear

$$depreciation = cost \times rate\ of\ depreciation$$

The rates for the linear depreciation are following (in %):

Group	1st year	Other years
1	20.00	40.00
2	11.00	22.25
3	5.50	10.50
4	2.15	5.15
5	1.40	3.40
6	1.02	2.02

- degressive

$$depreciation_{1st\ year} = \frac{cost}{coefficient}$$

$$depreciation_{other\ years} = \frac{2 \times (cost - accumulated\ depreciation)}{2 \times (coefficient - number\ of\ years\ when\ was\ the\ asset\ already\ depreciated)}$$

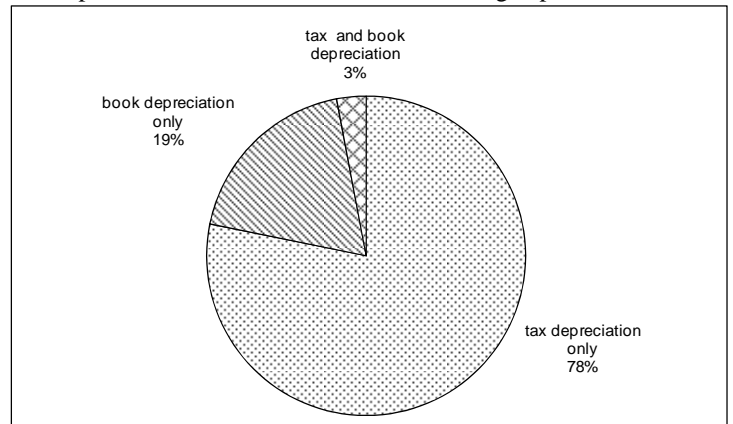
The coefficients for the degressive depreciation are following (in

%):

Group	1st year	Other years
1	3	4
2	5	6
3	10	11
4	20	21
5	30	31
6	50	51

Most SMEs report tax depreciation once a year. It has the advantage that it is not necessary to quantify the difference between accounting and tax depreciation in the tax return and adjust the tax base. Also on disposal of fixed assets not fully depreciated, there is no need to find out the difference between accounting cost and tax residual cost. On the other hand, this procedure is unacceptable from the auditor's point of view.

The questionnaire survey shows that 78% of companies recorded tax depreciation. Surprisingly, almost one fifth of companies accounted for an accounting depreciation. Only 3% of companies recorded tax as well as accounting depreciation.



According to IFRS for SMEs company has to select a depreciation method that best reflects the pattern in which it expects to consume the asset's future economic benefits. As a general depreciation method shall be stated the following ones:

- linear method

$$depreciation = \frac{cost - residual\ value}{useful\ life\ (in\ years)}$$

- double-declining balance method (DDB)

$$\%_{DDB} = \frac{100\ \%}{useful\ life\ (in\ years)} \cdot 2$$

$$depreciation = net\ value \cdot \%_{DDB}$$

- sum-of-the-years'-digits method (SYD)

$$depreciation = (cost - residual\ value) \cdot \frac{residual\ years\ of\ useful\ life}{sum\ of\ the\ years'\ digits}$$

$$sum\ of\ the\ years'\ digits = \frac{useful\ life\ (in\ years)}{2} [1 + useful\ life\ (in\ years)]$$

IV. RESEARCH FOCUSED ON STUDENTS' PERCEPTIONS ABOUT MEASUREMENT

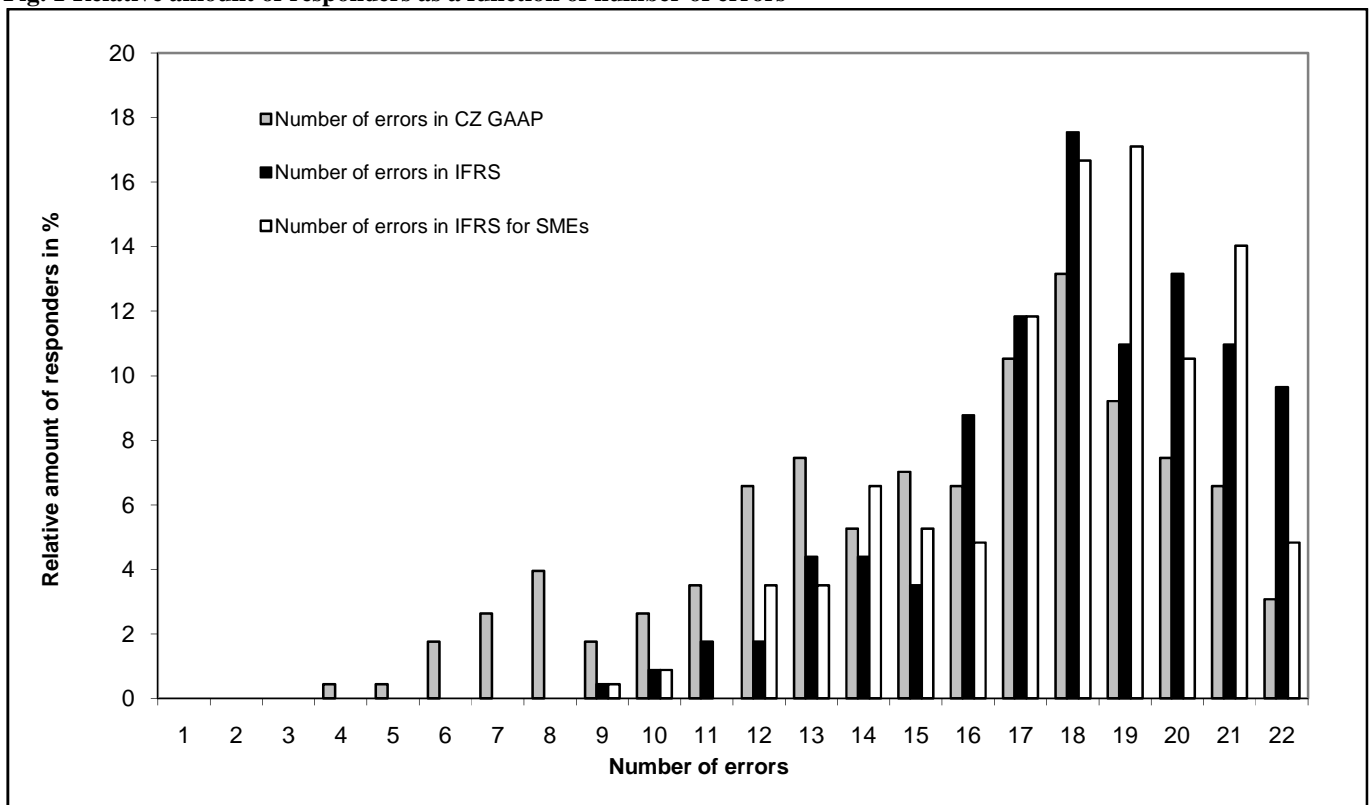
The main purpose of the questionnaire research was to evaluate students' knowledge in measuring of balance sheet items. Questionnaire included 21 balance sheet items and offered 19 measurement techniques for each item. Respondents were supposed to select a measurement technique for each item to be used in three different accounting systems - CZ GAAP, IFRS and IFRS for SMEs. In addition, they were asked to select for each item a measurement technique that seemed the most appropriate for them, regardless of the accounting system they

chose.

A total of 228 students of economic faculties in Zlín and Karviná conducted the survey. In both cases, students had a basic knowledge of accounting, but had not completed a course that would familiarize them with details of measurement techniques used in different accounting systems. Their responds can thus be taken as intuitive responds of an informed laic.

Upon this research we tried to evaluate the relative frequency of errors in measuring balance sheet items under all three accounting systems. The results are provided within Figure 1.

Fig. 1 Relative amount of responders as a function of number of errors

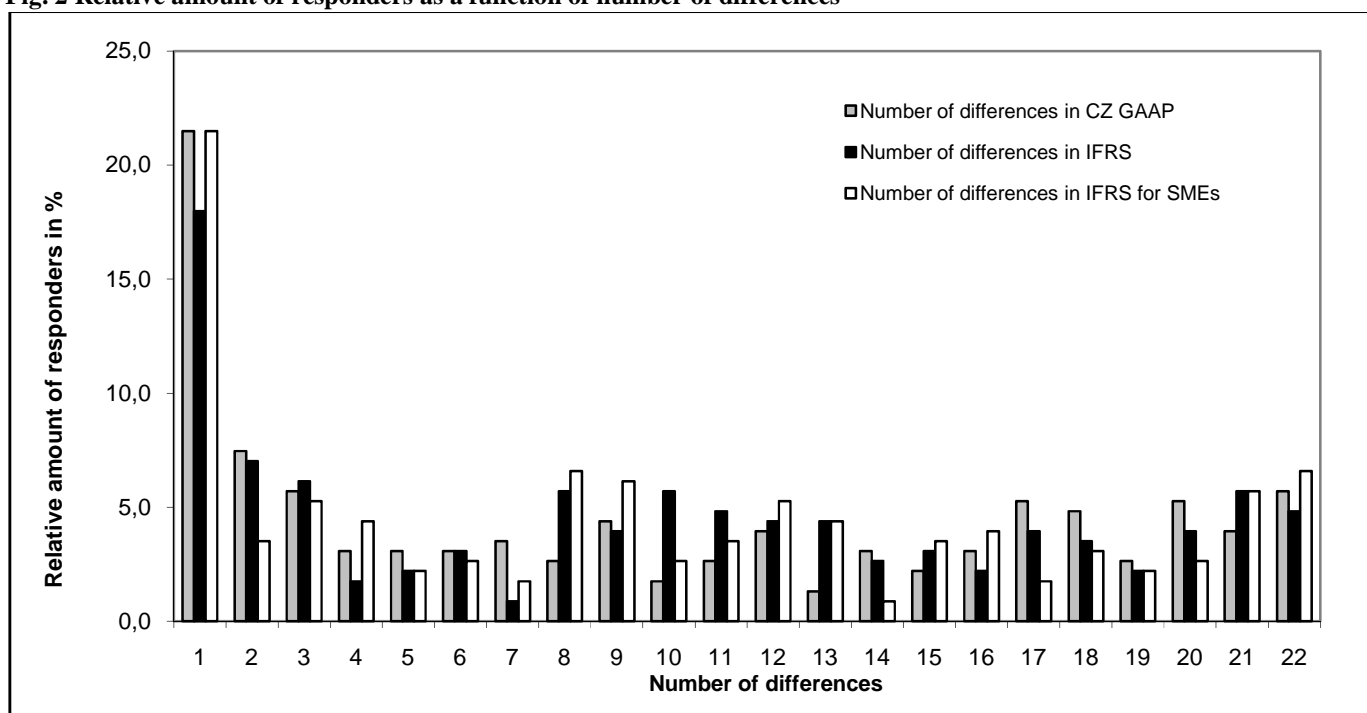


Source: own analysis

A maximum frequency of errors is approximately 18 errors in all accounting systems. The accuracy of responses from the respondents measured by the number of errors is in certain level slightly better in CZ GAAP knowledge (a greater percentage of low numbers of frequency of errors in the range from 4 to 13

errors).

There was also tested a relative frequency of differences between the measurements chosen and the measurements selected within individual accounting systems. The results are provided within Figure 2.

Fig. 2 Relative amount of responders as a function of number of differences

Source: own analysis

The figure indicates that none of the accounting systems in comparison with the respondents "own choice" does not seem to be preferred.

Interesting results can be seen from the table showing a relative frequency of the choice of measurement bases for balance sheet for different accounting systems. The first row of the table presents measurement approaches. The maximum frequency value in each result field of row of the table is highlighted in bold and the field with correct response is displayed with a yellow background.

The results are provided within Table 1 (see Appendix). The table is divided into four groups (1a-1d) of balance sheet items. The first two groups include items for which the correct measurement approach for individual accounting systems inside the item does not differ. The first group includes those items for which the fields with the maximum frequency of occurrence correspond to the fields with the correct responses. The second group involves those items for which the field with the maximum frequency of occurrence differs from the fields with the correct responses.

The third group consists of items where the correct response under IFRS complies with is the correct response under the IFRS for SMEs, but differs from the correct response under CZ GAAP.

The last group is composed of two items, within which the correct responses under different accounting systems differ from each other.

V. CONCLUSION

Based on the results of the questionnaire survey, students have

relatively good knowledge of local accounting legislature in the area of measurement in financial accounting. However there shall be also pointed out several negative results from this survey:

- students prefer net book value as a measurement base for non-current assets, i.e. they don't apply prudence principle and don't indicate the impairment,
- as present value can't be used as a measurement base upon Czech legislature, students have minimal knowledge of its use upon international standards,
- students have a very limited knowledge in applying fair value.

The intent of the authors of the research is to obtain responses to this questionnaire from the very same students after they had participated in the appropriate course. Results will be then published in a follow-up paper. The same research will be conducted by the authors in companies. The results acquired in this way could be useful both in terms of education and in terms of gathering an opinion of the professional public on the issue of measurement.

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Appendix

Table 1a – Items Measured Same within All Three Systems (all responses were correct)

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Purchased inventories	CZ	0	12	10	4	4	3	2	0	1	52	3	1	0	0	0	6	0	0
	IFRS	1	10	11	7	7	2	3	0	6	37	3	1	0	2	1	6	2	0
	SME	1	12	11	5	5	3	1	1	6	38	3	2	1	1	1	5	1	0
Own inventories	CZ	1	3	2	3	2	0	0	0	1	1	6	1	1	1	0	75	1	1
	IFRS	2	4	4	6	2	2	2	1	4	3	7	2	0	0	1	57	3	0
	SME	3	1	4	4	1	3	3	1	3	1	7	2	1	2	1	60	2	0
Issued shares	CZ	3	4	2	1	0	53	0	4	0	7	10	3	0	6	2	3	0	0
	IFRS	3	1	1	3	1	38	3	3	2	6	19	5	2	9	2	2	1	0
	SME	3	2	4	2	0	43	1	2	2	7	17	4	2	5	1	2	2	0

Source: own research

Table 1b – Items Measured Same within All Three Systems (all responses incorrect)

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Purchased PPE (SM)	CZ	0	7	0	1	1	2	1	1	0	9	13	3	2	7	0	1	34	16
	IFRS	0	7	2	2	2	4	3	1	1	11	15	6	1	9	0	1	25	10
	SME	1	9	2	1	3	2	2	1	3	8	13	8	1	7	1	2	28	11
Securities HFT (SM)	CZ	4	1	2	1	0	9	2	4	1	9	34	10	6	10	0	1	3	2
	IFRS	4	2	2	0	2	11	3	3	2	4	30	13	8	9	2	0	4	0
	SME	3	2	4	1	0	9	1	2	6	7	32	10	8	10	1	1	3	1
Substantial influence (SM)	CZ	3	4	0	1	1	3	2	13	4	2	27	14	12	8	1	0	2	2
	IFRS	2	2	3	1	1	6	3	9	6	3	23	13	12	7	1	2	4	3
	SME	2	1	3	2	1	4	3	7	5	2	26	12	11	9	1	3	5	4
Interests in controlled entities (SM)	CZ	2	5	2	1	0	5	1	12	3	2	25	13	14	7	1	2	2	1
	IFRS	2	1	2	1	1	5	3	8	3	4	25	16	12	6	1	1	5	4
	SME	1	4	1	0	1	7	1	10	2	4	29	12	12	8	1	1	2	2

Source: own research

Table 1c – Items Measured Same upon IFRS and IFRS/SME but Differently from CZ GAAP

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Purchased PPE (IR)	CZ	1	25	3	0	0	2	0	0	0	66	0	0	0	0	0	1	0	0
	IFRS	2	19	4	2	1	2	2	0	1	56	4	1	1	2	1	1	0	0
	SME	2	21	2	2	0	1	2	2	2	56	4	2	0	2	0	1	0	1
Investment properties (IR)	CZ	0	20	2	0	0	3	1	0	1	49	8	2	2	3	0	7	2	0
	IFRS	0	16	1	1	3	7	1	2	2	36	11	7	1	4	0	6	1	1
	SME	0	14	4	1	1	5	4	2	1	41	10	6	2	3	0	6	2	0
Substantial influence (IR)	CZ	0	11	3	3	0	13	1	7	0	28	13	9	2	4	1	0	2	2
	IFRS	1	6	3	2	2	14	3	5	3	21	17	10	2	5	1	1	2	2
	SME	1	6	4	2	1	14	3	6	4	22	16	8	3	4	2	1	2	1
AFS securities (IR)	CZ	3	5	2	1	1	16	1	3	1	33	14	8	1	5	1	2	1	1
	IFRS	1	5	2	2	0	16	3	2	3	26	18	11	3	3	2	2	2	0
	SME	2	4	1	2	1	14	4	2	3	27	15	9	2	5	4	3	2	0
Minority interests (IR)	CZ	0	7	2	3	0	12	3	7	2	29	11	10	2	5	2	1	3	1
	IFRS	1	6	3	3	0	14	2	6	1	19	21	10	1	6	2	2	2	1
	SME	1	6	2	2	1	12	2	6	3	21	20	8	2	7	1	2	4	0
Interests in controlled entities (IR)	CZ	3	6	1	1	1	10	1	6	2	31	14	9	6	7	0	1	2	0
	IFRS	1	3	1	2	1	13	2	6	3	23	24	9	4	4	1	1	2	0
	SME	1	6	2	2	1	12	4	6	2	22	21	7	5	5	2	1	1	1
Investment properties (SM)	CZ	3	1	2	2	1	1	1	2	0	8	14	7	5	9	0	1	31	12
	IFRS	1	2	2	3	2	4	3	1	1	7	21	8	5	10	0	3	21	7
	SME	1	2	2	5	1	2	3	0	3	5	27	7	5	7	1	4	19	7
Securities HFT (IR)	CZ	2	14	2	0	0	20	3	1	2	34	9	6	0	5	0	2	1	0
	IFRS	3	7	2	3	0	18	0	2	6	24	19	5	0	5	0	4	0	0
	SME	1	9	0	2	2	23	2	3	2	25	16	3	1	4	1	3	2	0
Issued bonds	CZ	4	3	2	0	1	41	3	2	4	9	11	3	2	8	2	3	2	0
	IFRS	3	4	3	0	1	37	2	2	4	5	19	4	3	8	1	1	2	1
	SME	4	3	1	2	1	35	2	3	3	7	17	3	3	8	1	4	3	1
Accounts receivable	CZ	1	3	4	0	1	40	2	3	3	4	14	3	2	9	2	1	7	2
	IFRS	2	2	4	1	1	21	2	3	2	8	18	2	3	13	2	2	11	4
	SME	2	4	3	1	1	25	4	3	2	5	20	0	1	14	2	2	8	3
Accounts payable	CZ	3	3	2	1	0	36	3	4	3	4	14	3	1	9	0	4	9	3
	IFRS	2	4	3	2	2	21	3	3	3	5	18	1	2	13	3	4	9	3
	SME	1	4	2	1	1	24	3	3	4	5	19	2	1	14	2	4	9	2
Provisions	CZ	3	2	1	0	1	14	0	3	2	1	16	1	4	16	1	18	11	5
	IFRS	3	2	3	1	1	10	2	3	2	3	16	1	4	21	2	12	9	5
	SME	2	1	2	0	2	11	1	2	1	3	17	2	4	21	2	13	9	5

Source: own research

Table 1d – Items Measured Differently within All Three Systems

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Minority interests (SM)	CZ	2	3	1	2	2	5	4	5	4	4	32	14	9	8	2	1	2	0
	IFRS	1	2	3	2	2	6	4	4	2	3	31	15	11	6	2	3	4	0
	SME	2	1	3	1	2	7	4	5	2	5	31	12	9	9	1	2	5	0
AFS securities (SM)	CZ	1	3	0	1	1	6	2	2	3	6	32	12	9	9	2	1	2	4
	IFRS	2	2	2	2	2	6	4	3	1	3	32	16	12	9	2	0	4	1
	SME	2	1	3	1	1	7	1	3	2	4	32	14	11	11	0	2	4	2

Source: own research

Identification of columns:*1 – amortized costs**2 – costs**3 – FIFO**4 – FIFO, weighted average**5 – FIFO, weighted average, LIFO**6 – nominal value**7 – LIFO**8 – equity method**9 – LCM method**10 – fair value**11 – fair value (equity / P/L)**12 – fair value (OCI)**13 – fair value (P/L)**14 – present value**15 – weighted average**16 – own costs**17 – net book value**18 – net book value less impairment**IR – initial recognition**SM – subsequent measurement*