

## **Extended Implementation of IFRS 15 Integrated Model in Countries with an Emerging Economy**

**Veronica Grosu<sup>1</sup>, Svetlana Mihaila<sup>2</sup>, Nicolai Jieri<sup>3</sup>, Monica-Laura Zlati<sup>4</sup>, Marian Socoliuc<sup>5</sup>, Cristina-Gabriela Cosmulese<sup>6</sup>**

<sup>1,3,4,5,6</sup>*Ștefan cel Mare University of Suceava  
13 Universitatii, 720229, Suceava, Romania*

*E-mail.* <sup>1</sup>[veronica.grosu@usm.ro](mailto:veronica.grosu@usm.ro); <sup>3</sup>[colea93@yahoo.com](mailto:colea93@yahoo.com); <sup>4</sup>[monica.sorici@usm.ro](mailto:monica.sorici@usm.ro); <sup>5</sup>[marian.socoliuc@usm.ro](mailto:marian.socoliuc@usm.ro); <sup>6</sup>[gabriela.cosmulese@usm.ro](mailto:gabriela.cosmulese@usm.ro)

<sup>2</sup>*The Academy of Economic Studies of Moldova  
59 Banulescu-Bodoni, MD-2005, Chisinau, Moldova  
E-mail.* [svetlana.mihaila@ase.md](mailto:svetlana.mihaila@ase.md)

**crossref** <http://dx.doi.org/10.5755/j01.ee.33.4.27638>

*The mandatory implementation of the International Financial Reporting Standard 15 (IFRS 15) Revenue from Contracts with Customers starting with the 2018 financial year for all those companies using the IFRS has led to a significant change in approaching the accounting policies on profits, especially those related to their evaluation and identification within the financial statement. It is a fact that this significant change has had visible effects on the information disclosed by stakeholders especially given the stressful financial statement when both the costs themselves and the lack of cash flow have amplified these results. Consequently, the aim of the present study is both to evaluate the real impact of the use of the IFRS 15 in different fields of activity and to identify those solutions in terms of solving the issues for each and every significant sector given the stressful financial conditions, especially in those countries with an emergent economy. Thus, the main objectives of the study itself refer to the identification of the framework of applicability of the IFRS 15 and its matrix transposition in the form of a scoreboard based on certain cross-panel correlation keys and the design of an extended modelling methodology for applying the IFRS 15 based on dynamic indicators and indexes. The final results refer to the design of a replicable model of extended usage of the IFRS 15 which will serve all the analysed fields of activity. This up-to-date topic is the result of the implementation of the right model in itself as well as an accurate and objective evaluation of the value of those profits originating from the contracts signed with clients for all those categories of entities using the IFRS irrespective of the type of activity or the business model.*

**Keywords:** *IFRS 15; Evaluation and Recognition Policies; Stakeholders; Business Model.*

### **Introduction**

The implementation of the International Accounting Standards IAS / IFRS in countries with an emerging economy is a solution and a response offered by the entities which are responsible for applying these rules both to the requirements and needs of the reporting companies and of all categories of stakeholders (Achim & Tiron-Tudor, 2018). The process of economic globalization and implicitly the internationalization of companies led to the development of interstate relations from the point of view of the evolution of transnational companies. Consequently, there was a need to switch to a common standardization and to promote and consolidate a unitary economic-financial language. In addition to a natural phenomenon in terms of the companies' alignment with IFRS which is broadcasted in more and more countries in order to maintain a sense of competitiveness in the international markets. In the emerging countries, there was a need to improve both the accounting system. The IFRSs were considered as having the most acceptable referential. We consider that as far as the emerging economies are concerned, both the World Bank and the Monetary Fund have had a strong influence on the IAS/IFRS implementation process.

Accounting harmonization has become a necessity which was imposed primarily by the stakeholders' requirements and needs. Thus, one of the most current and significant topics, when we talk about companies using the IFRS refers to the implementation of "Revenue from Contracts with Customers" IFRS 15. As of November 18, 2016, the (EU) Regulation no. 1905/2016 has adopted IFRS 15, companies are required to apply this standard in their financial statements of financial years beginning on January 1st, 2018 or from a later date (Cosmulese, 2021; Grosu & Socoliuc, 2016). Basically, IFRS 15 brings about both accounting and legal changes in terms of signing contracts with clients, namely it forces the entities to specify for every performance duty whether the control is transferred in due time or at a certain moment (BDO, 2019).

This standard has had a rather sophisticated evolution in itself both in terms of time and processes in terms of becoming a model as applicable to companies. IFRS 15's main objective is to establish the principles that the company must use in order to provide the users of financial statements with useful information about the nature, amount, timing and degree of income uncertainty and cash flows coming from the customer contracts. According to

IFRS 15, revenue recognition is based on the transfer of control and does not refer to the transfer of significant risks and benefits as before. Therefore, the financial position and the statement presented in the profit and loss account may be significantly different which will require the reporting of additional information in the financial statements so that stakeholders have a better grasp of the company's image (Tulvinschi & Socoliuc, 2008; Ciubotariu *et al.*, 2019). It is very important to be well-prepared for the transition to react to the challenges promptly as well as to the opportunities that arise in these situations.

In this context, the present study aims to estimate the actual results of the implementation of the IFRS 15 in different sectors of activity and to identify those solutions regarding the issues in terms of every field given the financial stress, especially for those countries with an emergent economy. In contrast to developed countries, emerging economy countries have faced more pronounced impediments in implementing IFRS 15 (such as those related to vocabulary and applicability, insufficient number of trained professionals, misperceptions and misunderstandings about the purpose of the new standard), accentuated by financial security conditions exposed to higher financial stress.

Consequently, the following objectives have been established: *O1* – to Identify the general applicability framework of the IFRS 15 and matrix transposition in the form of a dashboard based on cross-panel correlation keys; *O2* – to transpose the dashboard on the two-way pyramidal structure to build a working tool for the reporting companies in order to facilitate the implementation of the IFRS 15; *O3* – to design the methodology for modelling the applicability of the IFRS 15 within the extended framework based on dynamic indicators and indices. *O4* – to design economic models; *O5* – to consolidate the models into a unique, viable and applicable model.

In order to achieve the objectives, the following were applied as study premises: all IFRS 15 revisions; the most recent and innovative publications/studies on IFRS 15 and the application of IFRS in emerging economy countries; the individual and consolidated treatment in the proposed model of all the steps for measuring revenue from contracts with customers under IFRS 15.

To achieve the above-mentioned objectives, the present study focussed on evaluating the standard through a mixed procedure based on making use of a questionnaire to identify the issues related to the implementation of the IFRS 15 and of the econometric modelling of the results which were adjusted to the impact coefficients based on our methodology. The questionnaire was designed to cover all those issues that the emerging economies had to face when they applied for the IFRS. At the same time, we consider that the topic is of real interest for all the public companies around the world since their activity arouses the interests of investors regardless of the country of origin. This is the reason why their financial statements are prepared based on the IFRS.

This study is structured in three main parts: the first part includes the empirical aspects related to the study of literature; the second part aims to define the methodological aspects whereas the third part focuses on interpreting the results by discussing them based on the validation of the study's objectives to formulate conclusions.

## Literature Review

The need of getting information from the *involved parties* combined with the improvement of the communication with all those who make use of the financial statement has become of utmost importance as a result of the evolution of technology, globalization and the power gain of the multinationals. The committee for the accounting international standards (IASB) focuses on harmonizing the existing accounting systems by thus contributing to the creation of a unitary economical language. The harmonization is accomplished based on a certain set of IFRS accounting standards which, given their conceptual framework, are meant to provide useful financial information for the *involved parties* in their decision-making process. Consequently, this IFRS system served as the foundation for the IFRS 15, too, which replaces the former IAS 18 and, thus, significantly changes the information disclosed by the stakeholders in terms of an entity's reported profits. The European Union's regulation no. 1906/2016 required companies to use the IFRS 15 standard for those financial statements which were disclosed as of January 1<sup>st</sup>, 2018 and later on. In the event, an entity has to use the IFRS 15 from an early period, that particular situation had to be disclosed in an explanatory note as part of the financial situation. The standards replace many of the GAAP guidelines in the USA with those principles converging partly towards the IFRS, the latter providing minimal guidance in terms of the acknowledgement of the profits prior to this standard (Peters, 2018). The changes regarding the way companies identify, measure, organize and disclose their profits (i.e. the accounting effects) may have an impact on the image of these companies as such and on their daily activity (i.e. information effects) due to the fact that they modify the security prices (i.e. capital market effects) and even change the way companies operate (Napier & Stadler, 2020; Siminica *et al.*, 2020). In many aspects, the 5 steps approach stipulated by the IFRS 15 is considered to bring about not only the acknowledgement of the profits in terms of the ones that are mentioned in chapter 606 of the US GAAP, but also takes into account those changes in terms of the profits of several industries, too. Many of those 64 illustrative examples from the IFRS 15 are chosen from several industries and refer to identifying profits (Zhou, 2021; van Wyk & Coetsee, 2020; Al-Shatnawi, 2017). This particular standard provides a general framework that is used in identifying both a particular situation and the value of the profits as such which applies to all contracts with clients from all sectors of activity. Given that the IFRS 15 is a comprehensive standard in itself, it has an impact on all the industries by replacing the following: the IAS 11 regarding the construction contracts, the IAS 18 regarding profits, the IFRIC 15 regarding the agreements for the real estate sector, the IFRIC 13 regarding the loyal clients, the IFRIC 15 regarding the agreements for the real estate construction, the IFRIC 18 regarding the transfer of assets to clients and the SIC 31 regarding advertising services (Ancuzo & Delle Femmine, 2016). Moreover, the IFRS 15 focuses on certain weak points and the drawbacks of the former standards from the point of view of their use and the poor disclosure of the information (Tomi, 2018). Their accurate use and understanding depend

both on professional judgement and the consistent use of accounting principles (Usurelu & Dutescu, 2021). On the other hand, it is a well-known fact that a company's management team shares information with the *involved parties* based on the financial reporting which was designed according to the requirements stipulated in the IFRS. Consequently, they focus on disclosing relevant economical and financial information which will influence the *involved parties* in terms of making positive decisions in terms of the interests of that reporting company (Tawiah & Boolaky, 2019; Amidu & Issahaku, 2019; Garrido-Miralles, Zorio-Grima, & García-Benau, 2016). Thus, an improvement in the quality of the disclosed information on the company's profits was necessary to inform stakeholders in an accurately and comprehensively manner (Ionescu *et al.*, 2020). One can state based on the consultation of part of the speciality literature that the IFRS 15 has a broad framework of applicability by impacting both all the industries and the stakeholders. These particular aspects have served as a basis for the drafting of the 1<sup>st</sup> and 2<sup>nd</sup> objectives. The transition to the IFRS is a very important step in the economic development of each country especially for emerging economies where the process of adjusting and reforming the financial regulatory framework has been difficult and long (Erhan *et al.*, 2015; Khamis, 2016; Kumar, 2016). One of the important differences in the countries with an emergent economy which has an impact on the accounting system refers to the funding resources as the majority of them come from the International Monetary Fund (IMF) and the World Bank. This means that the users of the financial information from these countries differ from the ones in the developed countries as there are different needs and requirements in terms of economic and financial information. This is the main unique factor which makes a difference for stakeholders as the reporting companies will always tend to satisfy the demands of the creditors at a disadvantage to the investors (Bauer & Centorrino, 2017). Even though the transition to the IFRS standards has led to an improvement in terms of the quality of the accounting information and a reduction of the informational asymmetry among countries, they all have a significant impact only in those countries with efficient judicial systems in using the accounting standards and in protecting the involved parties (Tomi, 2018; Jilani & Nefissa, 2020; Akisik, 2020). Moreover, studies have shown that the use of the IFRS is also related to national legislation. The economic entities need to function within the legal framework and obey the IFRS standards, too, and this is something hard to achieve. For example, in terms of estimating profits, the Romanian legislation (i.e. Law no. 227/2015 regarding the Fiscal Code) requires entities the gross estimation of profits and not just the one that is expected to make. The expected profit needs to be considered as compensation, whereas in its financial statement that particular entity needs to take into account the provisions of the IFRS 15, too, and deduct that compensation from the gross income (Paunescu, 2019). Other issues refer to: the state's role and its involvement as such which does not characterize the countries with a developed market economy; the lack of an efficient system of personnel continuous training in the field; the poorly developed methodological framework; the insufficient methodological and scientific literature in the field of the

international practices; insufficient control and monitoring mechanisms of the evaluation activity; complicated red tape etc. Many of these issues have not been taken into account seriously so far (Akisik 2020; van Helden & Uddin, 2016) as they still need to be studied in detail, to be made up-to-date by adjusting them to the present-day situation. The actual accounting reform in the countries with an emerging economy is mainly the result of the need to ensure quality and comparison of the financial reports for accurate disclosure of the information for the investors, managers and all those users of accounting information (Masoud, 2014; Ghedrovici & Mihaila, 2013).

Another issue the countries with an emerging economy have to face is related to vocabulary and applicability as a result of the insufficient number of trained specialists, certain distorted perceptions and erroneous ideas related to the aim of the latest standards. However, the advantages of implementing the international standards are higher compared to the transition costs because the type of reporting based on international standards will contribute to the significant reduction of the information's systematization, processing and presentation costs. Consequently, there will be a common financial reporting set in place and the economic relationships among countries will be harmonized (Turcanu *et al.*, 2008). Some authors consider all these transition challenges as an opportunity for investors which will enable them to get to know the business better, to be more familiar with the quality of the profits as well as with the relationship between the entity itself and its clients (Napier & Stadler, 2020; Peters, 2018; Fourati & Bougacha, 2021). Thus, based on the speciality literature, the frequent issues related to the implementation of the IFRS standards in the countries with an emergent economy are due to their own economic, legal and educational aspects. However, the advantages of transitioning toward the IFRS standards are many more and the transition itself should take place in a shorter period. The present study does a meta-analysis of the speciality literature in terms of the impact of the IFRS standards and their effects. The meta-analysis is shown in Table 1.

The table shows that in the analysed speciality literature the findings differ regarding the impact of the IFRS standards. Many authors have expected to observe a significant impact, yet the results have shown that this has been a minimal one (Piechocka-Kaluzna, 2021; Napier & Stadler, 2020; Tomi, 2018). On the other hand, some authors claim that the implementation of the IFRS standards combined with the rapid transition to them may bring huge benefits to countries with emerging economies (Akisik, 2020).

**Meta-Analysis of the Impact of the IFRS Standards and Their Corresponding Consequences**

Author(s), year	Studied phenomenon	Purpose	Results/Consequences
Piechocka-Kaluzna, 2021	Quality of Financial Statements & Conversion to IFRS	The study of the financial statement of the companies listed on the stock market of Warsaw during 2004–2019 on the evaluation of the quality of information following the implementation of the IFRS standards.	The IFRS standards are more satisfactory regulated than the local ones. However, as far as Poland is concerned, the differences that have emerged as a result of its usage have been smaller because local regulations have already been superior. The author takes into account the fact that benefits are a result of a shift in terms of the accounting quality (i.e. the economic and financial information) and that new approaches should be taken into account, such as the differences that exist among the accounting standards.
Akisik, 2020	Financial development, IFRS & rule of LAW on investments	The review of the effects as a result of the financial development, the IFRS and the state of law for 51 developed countries as well as emerging countries during 1997–2007.	The findings have shown that financial development, the IFRS and the state of law are important factors which have a direct impact on foreign investors' decisions. The author claims that both the use of the IFRS and the state of law raise the direct foreign investments (DFI) in relationship with the total investments. In his view, a powerful state of law combined with the use of the IFRS would lead to a decrease in the number of asymmetrical information which would, in their turn, determine investors to proceed to the transition from the DFI to portfolio investments in the hosting economies. The findings are regarded as extremely important for emerging countries.
Napier & Stadler, 2020	Effects of IFRS 15 & capital market and cash flows	The study of the effects as a result of the change or introduction of the latest IFRS standards on the economic entities, capital market and cash flow.	The analysis of the largest European companies has shown the fact that the impact of the IFRS 15 standard has been a small one for the majority of the studied companies with few exceptions such as telecommunications. On the whole, transparency has risen and, as far as the effects of the information are concerned, there is evidence that certain companies have taken advantage of the introduction of the IFRS 15 to revise their business.
Tomi, 2018	IFRS 15 & analysts' forecast accuracy	The evaluation of the impact of the IFRS 15 on the accuracy of the analyst's forecasts.	The IFRS 15 does not have a significant influence on the analyst's forecasts of the EPS index. The possible changes in terms of identifying actual profits did not impede the accuracy of those forecasts. The findings refer to the market's efficient theory which stipulates that the prices of the shares are established based on the investor's expectations related to the future performance of an entity and that the change in the accounting practices will not have a significant impact on these expectations. However, the accuracy of the sales forecasts has diminished. In conclusion, the accuracy of the analysts has been impacted temporarily and only for certain indicators.
Yousefinejad <i>et. al.</i> , 2018	IFRS & Foreign Direct Investment (FDI)	The study focuses on the causality relationship between the use of the IFRS and the FDI in the ASEAN countries during 2001–2016.	The findings reveal the fact that there is a relationship between the use of the IFRS and the ISD. The author sustains the idea that the implementation of the IFRS standards will naturally attract foreign investments. Moreover, the degree of conformity with the IFRS represents a key factor for foreign investors.
Aladwan, 2019	Fluctuations of stock price and revenue & IFRS 15	The objective of the study is to examine whether the early adoption of IFRS 15 which supersedes the International Accounting Standards (IAS) 18 concerning revenue recognition has affected or not Jordanian company's revenue levels and the value of stock prices.	The results of the study provided conclusive evidence that IFRS 15 have impacted accountability and quality of information reported in the financial statement for Jordanian mining, construction and engineering companies and that there was a significant difference in the value of revenue and stock prices before and after the new standard inclusion. Moreover, both revenue and stock prices were found negatively decreased after IFRS 15 inclusion.
Mattei & Paoloni, 2019	IFRS 15 & quantity and quality	The analytical correlation between the potential impact of IFRS 15 and the quantity and quality of the information provided in the annual report elaborated for the two years prior to the adoption of the latest standard.	In the analyzed companies, some managers are able to balance stakeholders' interests and their expectations that converge with the company. The ability of these managers is deductible from the fact that disclosures report information about IFRS 15. The disclosures are a tool to facilitate relations between stakeholders and the company, more information and higher quality information contained in the annual reports could be considered a better management relationship.

Source: Author's compilation

However, in the majority of the analyzed studies, the authors believe that the implementation of the standards will lead to the reduction of the information asymmetry and a better comparison of them. Having in view that there are very different opinions in the speciality literature in terms of the effects as a result of the implementation of the IFRS standards and few studies which have focused on the

countries with an emergent economy, the present study is based on an analysis of both the challenges and the effects which take place in several industries as a result of the implementation of the IFRS 15 in Romania and the Republic of Moldova. Starting from the year 2000, we have all witnessed an update of the former IAS with the latest IFRS as the development of the worldwide economy and the

company's internationalization require their continuous improvement (Tomi, 2018; Akisik, 2020), while their financial development has determined the replacement of the IAS 18 with the IFRS 15 because there were certain visible risks in terms of the stakeholder informational tampering (Mattei & Paoloni, 2019; Aladwan, 2019).

The claims which have been presented in the 2<sup>nd</sup> part of the literature review are the foundation of the 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> objectives defining the empirical research.

In terms of the actual research in the field, the study aims at consolidating these concepts based on an extended implementation model of the IFRS 15 thus laying the foundation for necessary premises supporting those companies using the IFRS reference system and bringing together the actual knowledge with the regulating bodies, the practitioners and the researchers.

### Research Methodology

The analysis of the implementation of the IFRS 15 in the developing economies represents a challenge for the decision-makers in the field given the specifics of the standard that involves the flexibility of the regional regulatory framework for the customs who used to experience the expected effects of the success of the implementation mission.

The IFRS 15 has as features, among others, the five steps of identifying revenues that ensure the standard matrix structure with validation components and valuation of variables (in this case the transaction prices) in correlation with the specific conditions of the economic activity in the region. The matrix structure of the standard was transposed by the author into a dashboard as follows:

- *Step 1 – Defining elements of the contract (identification)*. Contracts are a source of materialized rights and obligations which are assumed under their signature. In the case of the contract portfolio, the identification of the contract becomes mandatory and is based on its unique elements (i.e. number, object, parts, terms). The defined portfolio of contracts represents an identifier of the provider's experience for similar services.

- *Step 2 – Obligations*. The obligations identified by the contract represent the assumption of the transfer of goods and services to the beneficiary as a result of the provider's activity. These are generally defined as a package of goods and services for mixed contracts in which it is performed in addition to the transfer of goods and the transfer of related services.

- *Step 3 – Transaction price*. The transaction price represents the estimation of the equivalent value of the transfer of goods and services. It consists of a variable component whose limitation is imposed by the IFRS 15 only in the case of production or provision of additional goods and services based on the beneficiary's option. The estimation of the financially significant component represents a feature of price traceability for which the provider is required to honour its obligations under the conditions of the amounts paid to the beneficiary.

- *Step 4 – Allocation of the transaction price*. The allocation of the transaction price on components is overwritten by the assumed obligations generated by law by the termination of the contract. The residual method has, in this case, its applicability within limited circumstances.

- *Step 5 – Income recognition*. The recognition of the incomes and the verification of the expenses are performed in stages depending on the fulfilment of the contractual obligations. The criteria for honouring the contract require the staging of operations and the recognition of revenues following this staging.

From a methodological point of view, the authors suggested evaluating the implementation of the standard based on a mixed procedure including a questionnaire and econometric modelling of the results of the questionnaire which were adjusted to the impact coefficients according to their methodology.

The study is based on a 30 questions questionnaire as a research tool. The questionnaire was submitted online via the Google Forms platform to 30 entities from different sectors of activity such as production, IT services, banking services, construction and telecommunication. The selection relies on the most affected sectors by IFRS 15 (Mattei & Paoloni, 2019; Aladwan, 2019; Tomi, 2018; van Wyk & Coetsee, 2020; Bauer & Centorrino, 2017). The selection of the respondents has been done according to their willingness to respond to the questionnaire and the company's field of activity. Consequently, the respondents such as the entities' financial managers, have been tested beforehand in terms of their willingness of answering a questionnaire regarding the estimation of the actual effects of the implementation of the IFRS 15 in several sectors of activity. They were 30 respondents represented by financial managers of multinationals or of public companies from Romania and the Republic of Moldova who had agreed to respond to the questionnaire. The reason for choosing these countries is related to the common features of the business environment, the accounting knowledge, the territory vicinity and, last but not least, the availability of the respondents as such.

The questionnaire was designed in order to address the issue of the IFRS 15 in its entirety and was used for all those entities which were available to respond to the questions and admittedly use the IFRS 15. The countries belonging to the group of countries with an emergent economy in Eastern Europe (more specifically Romania and the Republic of Moldova). The inclusion criteria of the respondents are as follows: companies either of public interest, or part of those international entities, companies which design their financial statements according to the requirements of the IFRS 15, Romanian companies or companies from the Republic of Moldova, or those belonging to one of those 6 above-mentioned sectors. The exclusion criteria were as follows: entities which do not use IFRS 15, entities which do not belong to those 6 analysed fields and which haven't operated for less than 3 years. It is worth mentioning that the present questionnaire was supplied to the financial managers of 30 economic entities from Romania and the Republic of Moldova in 2019, entities who agreed to complete the questionnaire after reporting their first IFRS 15 financial statements. The sample has been divided into 6 types of industries such as 6 respondents from the banking sector, 6 entities from the IT services, 6 entities from the construction sector, 6 from the food industry and 6 from the telecommunication services. The questions were formulated based on the author's professional knowledge by having in view the evaluation of the degree of applicability of the

IFRS 15 within the local economic entities as subjects of the IFRS reporting. Consequently, the questions have been organized in 2 sections, the first section comprising a set of 10 questions referring to general data on the questioned entity (i.e. the field of activity, the type stockmarket it was listed on) as well as several other questions referring to the main financial indicators (i.e. the value of the turnover, the value of the company's assets, its capital, its liabilities, fixed receivables, current receivables) which were reported on December 31<sup>st</sup>, 2018. Section no. 2 comprises 20 questions which focus on the issue of the use of the IFRS 15 and it has 3 subsections such as: contracts (i.e. questions 1-6), tariffs (i.e. questions 11,12,13,14,15,19 and 20) as well as performance (i.e. questions 7,8,9,10,16,17,18). All these aspects are part of Appendix no.1 of the questionnaire.

To have the most comprehensive image of the use of the IFRS 15 for sectors of activity, the selected industries have

been taken into account both as service and production sectors which are operational in the short and long term such as, for example, the construction sector taking into account the fact that the standard's applicability differs based on certain peculiarities of the activity itself. As far as the answers are concerned, it is worth mentioning the fact that all those 30 entities have all responded and this aspect represents one of the main inclusion criteria for all the studied entities.

The development of the "Bitriangular" structure based on the 5 steps of IFRS 15 that form the basic framework for measuring revenue from contracts with customers creates the matrix network for achieving O 1, 2 and 3.

The results of the questionnaire allowed the bitriangular structuring of the IFRS 15 implementation as shown in Figure 1.

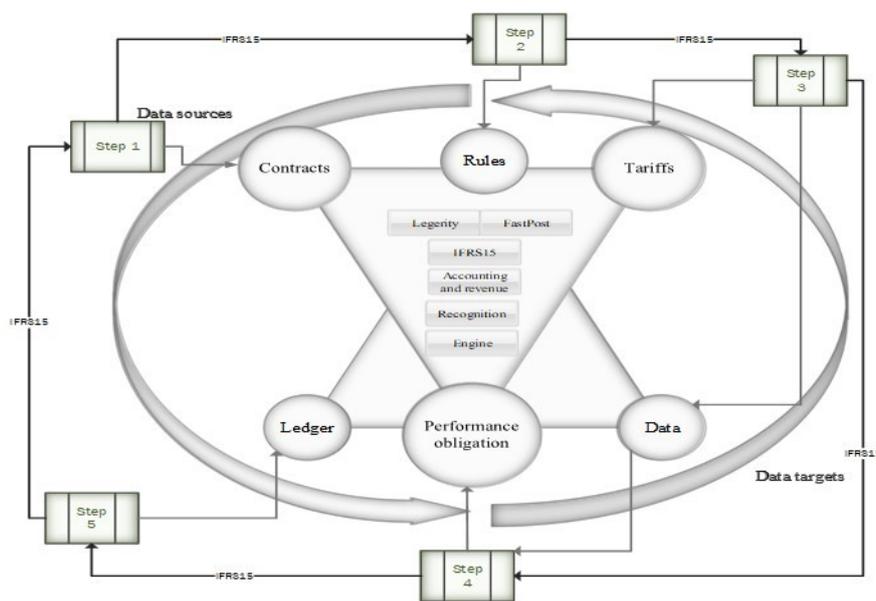


Figure 1. "Bitriangular" Model of the Input-Output Correlation of Resources

Source: Developed by the Author Based on IFRS 15 Revenue from Customer Contracts, <https://www.iasplus.com/en/standards/ifrs/ifrs15>

The above-mentioned scheme serves as a basis for defining the theoretical model regarding the extended implementation of the IFRS 15 for the emergent economies in terms of the estimation of the recovery of financial stress as follows (in this sense the O4 of the paper was achieved):

$$\begin{cases} C_i = \alpha * T_i + \beta * PO_i \\ R_j = \varphi * D_j + \delta * L_j \end{cases} \quad (1)$$

The vectorial space in the absence of the influence of the standards (under the impact of the agreements between the parties) can be defined as follows:

where:

C = Contracts; T = Tariffs; PO = Performance obligation

R=Rules; D =Data; L=Ledger;

$\alpha, \beta, \varphi, \delta$  - regression coefficients;

i – total sampled population (economic agents)

$$C_i \odot R_j = \alpha * T_i \odot \varphi * D_j + \beta * PO_i \odot \delta * L_j \quad (2)$$

where:

$C_i \odot R_j$  - the regulated vector space of contracts made between the parties.

By using the normalization under the IFRS based on the National Standards the equation becomes:

$$(C_i \odot R_j)_{IFRS15} = (\alpha * T_i \odot \varphi * D_j)_{IFRS15} + (\beta * PO_i \odot \delta * L_j)_{IFRS15} \quad (3)$$

$$(C_i \odot R_j)_{NG} = (\alpha * T_i \odot \varphi * D_j)_{NG} + (\beta * PO_i \odot \delta * L_j)_{NG} \quad (4)$$

where:

$(C_i \odot R_j)_{IFRS15}$  - the regulated vector space of contracts between parties under IFRS 15;

$(C_i \odot R_j)_{NG}$  - the regulated vector space of contracts made between the parties under national regulations specific to the emerging countries analysed;

NG = National GAAP.

The normalization differences allow the identification of the following conditional relationship:

$$(C_i \odot R_j)_{IFRS15} \ll (C_i \odot R_j)_{NG} \quad (5)$$

The recovered financial stress can be estimated based on the relationship:

$$SFR = 1 - \frac{(C_i \odot R_j)_{IFRS15}}{(C_i \odot R_j)_{NG}} \quad (6)$$

where:

SFR= recovered financial stress.

As anticipated by Duprey & Klus (2021) the financial indicators that monitor this phenomenon are Real total credit to the private non-financial sector and Real bank credit to the private sector (excl. banks) Ratio of total credit to the private non-financial sector to GDP. Although financial stress is a phenomenon that is difficult to predict, the indicators mentioned out of the 27 evaluated in the article fall conceptually into the early warning indicator category. The authors did not assess the regulatory capacity of the rules in the modelling, which is corrected by the present research.

The conclusion is that the normalization regulates a niche which comprises part of the profits which have been generated by the contracts with clients, especially the long-term ones or those generating several types of profits. Yet, the most important aspect refers to the fact that a direct causal relationship between the contract defining elements (i.e. tariffs and requirements) and the corresponding accounting elements (i.e. data and ledger) thus creating a limited vectorial space combined with the size of the recovered financial stress resulting in the use of the IFRS 15 in those countries with an emergent economy.

Financial stress is defined as the force exerted on economic agents by uncertainty and changing expectations of loss in financial markets and institutions (Illing & Liu, 2016; Bordo & Schwartz, 2000).

In terms of the contracting segment (i.e. Area 1 of the business triangle), there were certain questions regarding the history of using the IFRS 15 within the company. These issues have been a source of statistical confidence regarding the implementation of policies. The final result was unfavourable as there were questions (in terms of the retroactive effects of the use of point C3 of IFRS 15) for which the overall average assumption was below 20 %. The general results regarding the history of the use of the IFRS 15 defined the impact coefficients which were determined based on the principle of the statistical relevance of the variables in relation to the general objective.

Similarly, the pricing activities were tested based on the matrix grid. A package of 7 questions was selected in order to assess the transaction’s assumed pricing, vulnerability and risk. The general values resulting from those 7 questions were more homogeneous with the average of the general subunit representation for all the questions. The grid of statistical relevance was applied in their case based on the impact coefficients. The last area in the activity triangle was allocated to the performance itself to test the performance from the point of view of the European perception of the concept which also includes the issue of sustainability in performance. The respondents were asked a set of 7 questions mainly related to the intended benefits of the contracting activity and the options of the parties in the trading process.

The performance results follow the structure of zone 1 related to the contracts with minimum-maximum variations for the proactive attitude in relation to the IFRS 15 depending on the type of instrument used to increase the attractiveness of the contract. The conclusion of the methodology applied to the primary triangulation reflects the fact that effectiveness precedes efficiency in developing countries. This is a causal aspect related to the level of economic development in the region. The secondary triangulation refers to the methodological aspects related to the implementation of IFRS 15. The novelty of the suggested model is based on the translation of the answers that satisfy methodological requirements and activity requirements so as they cover both the studied areas.

From a normative and contractual point of view, the changes brought to the structure of the questions on the two primary and secondary areas target 17 % of the questions. This fact confers structural stability to the first area of the two triangles. From the tariff and cryptological point of view, the structure differs by 28 %. It has been reshaped by translating some information assimilated to the performance in the script registration segment. Area 3 (i.e. the conceptualization of performance and data consolidation) which is the most important segment within those two triangles is the most different structure-wise between the two triangles (i.e. primary and secondary). The correlations which were calculated based on the results of the questionnaire are presented in Table 2 below:

Table 2

**Statistical Correlations as a Result of the Interpretation Based on the Activity Fields of the Answers to the Questionnaire**

Type of activities		General	Telecommunications	Banking services	Construction	IT Services and solutions	Food production
General	Pearson Correlation	1	-,104	,240	-,513	-,327	,567
	Sig. (2-tailed)		,845	,647	,298	,528	,240
	N	6	6	6	6	6	6
Telecommunications	Pearson Correlation	-,104	1	,894*	-,198	-,205	-,477
	Sig. (2-tailed)	,845		,016	,707	,697	,339
	N	6	6	6	6	6	6
Banking services	Pearson Correlation	,240	,894*	1	-,216	-,499	-,367
	Sig. (2-tailed)	,647	,016		,682	,313	,474
	N	6	6	6	6	6	6
Construction	Pearson Correlation	-,513	-,198	-,216	1	-,196	-,227

Type of activities		General	Telecommunications	Banking services	Construction	IT Services and solutions	Food production
	Sig. (2-tailed)	.298	.707	.682		.710	.665
	N	6	6	6	6	6	6
IT services and solutions	Pearson Correlation	-.327	-.205	-.499	-.196	1	.475
	Sig. (2-tailed)	.528	.697	.313	.710		.341
	N	6	6	6	6	6	6
Food production	Pearson Correlation	.567	-.477	-.367	-.227	.475	1
	Sig. (2-tailed)	.240	.339	.474	.665	.341	
	N	6	6	6	6	6	6

\* Insignificant correlation at the 0.05 level (2-tailed).

Source: Elaborated with the GRETL statistical software version 2019

The correlation coefficients indicate the fact that from a statistical point of view the IT and the banking sectors maintain homogeneity of the distribution of the options in terms of the IFRS 15's implementation of the reporting companies (i.e. the correlation coefficients are close to 0 valid), while, at the opposite pole, there is the construction sector whose correlation coefficients tend to 1. The calculation of the representation area of the effects of the implementation of the IFRS 15 was performed by the authors according to the formula given below:

$$A_{\Delta} = \frac{\sum_{i=1}^n (r_{ia} * n_i)}{\sum_{i=1}^n (n_i)}, \text{ where } r_{ia} > 0 \Leftrightarrow a > 0$$

The symbols that were used are as follows:

$\Delta$  - the positive result of the IFRS 15's implementation on each section of the two primary and secondary triangles;  
 $r_i$  - the share of the affirmative answers of the companies that use the IFRS 15 out of the total analyzed companies;

a - the logical coefficient for testing the affirmative answers.

The data collected by the questionnaire were modelled by using the *Curve estimation model* in SSPS based on the linear, cubic growth functions which were combined with the following descriptive table of the model, achieving the last objective (O5) of the work (see Table 3):

Table 3

**Description of the IFRS 15 Integrated Model Use**

Model Name	IFRS 15 Integrated Model use	
Dependent Variable	1	Telecommunications
	2	Banking services
	3	Construction
	4	IT services and solutions
	5	Food production
Equation	1	Linear
	2	Cubic
	3	Compounds
	4	Growth
Independent Variable		General
Constant		Included
Variable Whose Values Label Observations in Plots		Unspecified
Tolerance for Entering Terms in Equations		.0001

<sup>a</sup> The model requires all non-missing values to be positive.

The tests of statistical significance that positioned the banking services sector and the IT sector on levels of medium significance were calculated for the model while the construction and agricultural production sectors were

located on statistical levels of significance, which were higher than 50 % (see Table 4).

The standard regression error is minimal in the case of the agricultural production and telecommunications sectors.

Table 4

**The IFRS 15 Integrated Model Use – Summary**

Activity sector	Statistical coefficients			
	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error of the Estimate
Telecommunications	.104	.011	-.237	.041
Banking services	.240	.058	-.178	.152
Construction	.513	.264	.079	.065
IT services and solutions	.327	.107	-.117	.068
Food production	.567	.322	.152	.049

The ANOVA test performed for the data disseminated by activity sectors is presented in the table below:

Table 5

The ANOVA Test for the Use of the IFRS 15 Integrated Model

Activity sector	Variable	Sum of Squares	df	Mean Square	F	Sig.
Telecommunications	Regression	.000	1	.000	.043	.845
	Residual	.007	4	.002		
	Total	.007	5			
Banking services	Regression	.006	1	.006	.245	.647
	Residual	.092	4	.023		
	Total	.098	5			
Construction	Regression	.006	1	.006	1.431	.298
	Residual	.017	4	.004		
	Total	.023	5			
IT services and solutions	Regression	.002	1	.002	.477	.528
	Residual	.018	4	.005		
	Total	.021	5			
Food production	Regression	.004	1	.004	1.899	.240
	Residual	.009	4	.002		
	Total	.014	5			

The value of the regression coefficients (Beta) indicates the fact that the model generates an increasing trend both in the banking services sector and in the food

production sector while for the construction segment the trend is negative (see Table 6).

Table 6

Correlation Coefficients

Sectors		Unstandardized Coefficients		Standardized Beta Coefficients	t	Sig.
		B	Std. Error			
Telecommunications	General	-.216	1.037	-.104	-.208	.845
	(Constant)	.502	.426		1.178	.304
Banking services	General	1.886	3.811	.240	.495	.647
	(Constant)	-.476	1.566		-.304	.776
Construction	General	-1.939	1.621	-.513	-1.196	.298
	(Constant)	1.247	.666		1.873	.134
IT services and solutions	General	-1.178	1.705	-.327	-.691	.528
	(Constant)	.912	.701		1.302	.263
Food production	General	1.679	1.218	.567	1.378	.240
	(Constant)	-.300	.501		-.598	.582

The general data of the consolidated econometric models graphically reflect the confidence of the reporting

companies in using the IFRS 15 income measurement tools (see Figure 2):

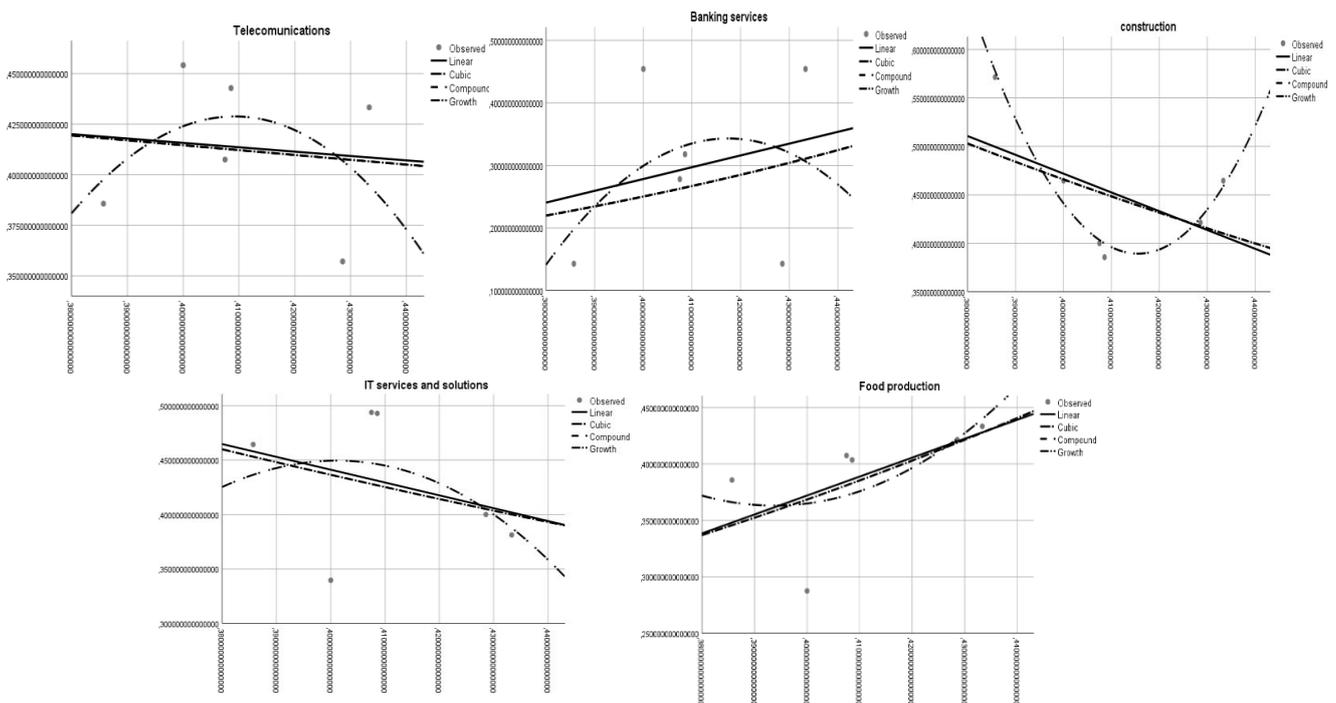


Figure 2. Graphic Representation of the IFRS 15 Integrated Model Used in the Main Fields of Activity

It is worth mentioning that the banking sector occupies the best position due to the fact that the statistical tests allow the highest correlations for this sector of activity including the specific information transparency requirements required by the IFRS.

On the other hand, the colours which were highlighted for the construction and telecommunications sectors emphasize significant disturbances when using the IFRS requirements in countries with an emerging economy.

## Results and Discussions

It is important to note that this questionnaire was used for a heterogeneous sample of five industries such as the banking sector, the IT services sector, the construction sector, the food industry and telecommunications services. The companies participating in the research, whether in the public interest or part of a group of international companies, all design their financial statements in accordance with the requirements of the International Financial Reporting Standards (IFRS). The questions included in the questionnaire were based both on the professional reasoning imposed by these international norms and on the authors' experience and expertise in order to determine the degree of applicability of the IFRS 15 within the companies in emerging economies.

Given the present-day conditions of the market economy, special importance is given to the universality concept which involves the alignment of methods, techniques and approaches to business management. Financial reporting is one of the key elements of the integrated processes in a business given the fact that based on the indicators of financial position and performance, the users of financial statements can make certain investments and operational and managerial decisions. Standardization is one of the levers through which the concept of universality of financial reporting is achieved. As far as a company's revenues are concerned, the regulatory framework has decided to come up with reform. The basic premise is the demand from the business environment because the market economy that is constantly evolving requires other techniques for income identification and evaluation. This reform is defined by the advent of IFRS 15 whose requirements have become mandatory since January 1, 2018 for those companies that design financial statements in accordance with the IFRS.

Our research focuses on the companies' analysis belonging to five areas: banking, IT services and solutions, telecommunications, food production and the construction

industry. Thus, we have noticed an active implementation of the IFRS 15 based on the answers to the questions formulated in the questionnaire. It is clear that some aspects of the standard do not apply to the companies belonging to different industries and business policies. For example, if a company operates with a relatively short production cycle (i.e. 30–180 days), then it will not consider it necessary to implement a new module in its internal practices regarding the involvement of multiple accounting periods for revenue recognition based on a contract with its customers. However, the research has shown that there were companies, which provided an affirmative answer to the question of whether most of their revenue can be traced out during several accounting periods. We have noticed that such an approach is representative for those companies in the construction industry where the carry out of the contractual obligation usually takes a little longer and it is required that the accounting approach on these types of contracts requires a maximum and detailed rigour to avoid the risk of being "cut-off".

The questions included in the questionnaire were formulated based on the specifics of the existing industries in the vast majority of the emerging economies. The list of questions can be used independently by the companies. The most common situations refer to concluding a new contract with customers when the representatives of the reporting company can use this list of questions as a "check-list" tool in order to assess whether the concluded contract falls under the IFRS 15 or another approach or accounting policy based on other standards must be used (Mardini & Ammar, 2019). The use of such a tool would be a solution bringing about tangible advantages that would lead to a visible reduction of costs and have a direct impact on the techniques, methodologies and internal practices as well as certain positive effects in terms of increasing the level of the employees' professional knowledge and familiarity of the new requirements of the IFRS 15 standard.

In order to make the use of the instrument more specifically, it is important to highlight the key elements based on the industry the company is part of (i.e. "Tips on the IFRS 15"):

a) *Banking services*. It is important to note that as far as the banking sector is concerned, in addition to the use of the IFRS 15, another relatively new standard – the IFRS 9 "Financial Instruments" is likely recommended so that the economic reality regarding these two standards for banks would be defined by the following equation as shown in the figure below:

$$\boxed{\text{Total value of the contract}} - \boxed{\text{The value under IFRS 9}} = \boxed{\text{The value under IFRS 15, which can also be 0}}$$

**Figure 3.** The Presentation of the Correlation between the Applicability of the IFRS 9 and the IFRS 15 in the Banking Sector

Source: *The IFRS 15 Revenue for the Banking Sector*

<https://home.kpmg/gr/en/home/insights/2018/03/gr-ifs-15-revenue-banking.html>

Based on the correlation mentioned above, we can conclude that banking entities may have many contracts with customers however, these contracts may be subject to

the IFRS 9 rather than the IFRS 15 even though a combination of standards may be a more suitable approach. An issue in the sense of combinations of standards within

the same contract may arise when assessing the distinction of goods and/or services if and only they have the ability to be distinguished and this fact is clearly shown in the contract. An important specific aspect in terms of the banking industry refers to the time factor in identifying the income itself based on the IFRS 15 so that the identification can be at a certain time or for a period depending on the services/products that are delivered.

It is important to highlight the fact that in the case of those companies with banking activity, the payments in advance are frequently made by customers, while in the accounting practice they are recorded as debts on advances. In this situation, the IFRS 15 comes with a different approach and recommends that the recording of these payments should be considered as a commitment to the contracts with the customers.

b) *IT services and solutions*. As far as the software industry is concerned, the applicability of the IFRS 15 requires a great deal of professional judgment and study of the recommendations of the standard in place.

Contracts with customers in this service and/or goods sector are usually very consistent as customers require an IT product in the form of hardware and installation, some deployment services and some post-installation maintenance services. Consequently, in such cases, it is indispensable to detail the contract to the maximum. This fact will ensure a process of clear distinction of the elements from the contractual obligations. Following a well-defined structure, it will be possible both to identify constant and/or variable prices for each separate bond and the time of revenue recognition in stages depending on the time factor: the product - hardware will be recognized at the time of transmission, while the revenues generated by installation services and maintenance will be recognized during the period in which they are provided directly. Yet, in this case, there could be differences due to the fact that the inflows of economic benefits coming from the installation services could be recorded in accounting after the installation is completed, while the maintenance services must be periodically identified.

A difficulty in contracts with customers in the IT services and solutions industry can be encountered when assigning the transaction price to each of the distinct goods/services identified in the contract. In such instances, the estimation would be useful, but this estimation should be as accurate as possible. For example, if the contract refers to 4 separate goods and services, yet the contractual value is for all these related obligations, then an estimation must be made, namely to assess the value of each separate good/service as if it were delivered independently while using the individual reports as a whole to be applied as part of the current actual contract.

Local companies focused on the delivery of IT services and/or products operate in many cases as official dealers of IT giants. So, if we correlate this hypothesis with IFRS 15 for economic entities in emerging economies, then there is a big problem with how the distributor operates: as an agent or as a principal?; the difference in terms of the standard between them is that in the case of operating as principal, the entity will recognize its income in full, in the event of taking part in the transaction as an agent, then the recognition

of income will be only in regards to the delivery fee which represents the net value of the sale price and the purchase price from the principal.

c) *Food production*. The companies from the food industry face similar difficulties as other companies, but the nature of the significant problems is more or less different from the ones in the service industry.

A significant aspect related to the production activity, namely the sale of the finished products, is the prices. In such a business, the equation that is used for estimating the transaction price often emerges as the tool to win customers (i.e. the discounts). From the point of view of the FRS 15, price reductions are part of the transaction prices that have a special treatment compared to the SIC 18. Thus, the option for discounts must be highlighted in these contracts and taken into account when identifying the income even if at the time of the identification there is no certainty as to whether or not this reduction will be granted. The IFRS 15 recommends that income should be recorded at its net value. In the event the reductions are granted according to the contractual conditions, then the value of the income remains the same. In case of a non-compliance, an additional income is identified in the amount of the stipulated reduction.

d) *Telecommunications services*. In the case of the companies operating telecommunications services, the revenue recognition was significantly influenced by the emergence of the IFRS 15.

In this area, the contracts with customers are very diverse such as telecommunications services, equipment sales, internet services, television services, connection/maintenance services, subscription services and equipment. In this context, the companies shall sort out all contracts by their nature in order to use the IFRS 15 algorithms for the sample contracts. The homogenization of contracts will allow the use of accounting treatment for a large number of contracts based on the same approach. As for the integrated contracts where the equipment and subscriptions for services are sold, it is necessary to identify the products/services and to allocate a transaction price for each individually. This procedure is performed based on estimation, assuming that each of the goods and/or services are sold independently by using the rates that a price is allocated to the performance bonds.

Another important aspect in the telecommunications industry refers to the contracts with customers with a payment period of more than one year. Thus, in the note to the financial statements, it is necessary to separate the revenue which was identified at the time of delivery from the revenue which was generated by customer contracts where the acknowledgement takes place over a given period of time. As far as the telecommunications industry is concerned, the payment for subscriptions is usually made before the actual delivery period of the services (i.e. they must be acknowledged as a contractual commitment and not as debt on advances as it was the case until the advent of the IFRS 15).

It looks like a specific feature of the telecommunications industry in terms of the IFRS 15 refers to the implementation of the requirements of the standard in the company's billing system as this adjustment is very expensive. Otherwise, the corresponding income adjustments must be performed monthly.

It is important to note that in the field of telecommunications, a combination of standards in a particular contract with customers can often be encountered due to the fact that in addition to the IFRS 15, the “Financial Instruments” IFRS 9 often appears according to which receivables and payables need to be valued at a fair value. The “Leases” IFRS 16 has many leases for antennas, commercial spaces and consultation spaces as the provisions of the mentioned standard must be strictly applied starting from January 1, 2019.

- e) *Construction*. This field of activity had as a guide, until the implementation of IFRS 15, the International Accounting Standard 11 “Construction Contracts”.

The impact, as in the other areas listed by the author, is major and specific to the construction industry. Construction companies have very valuable contracts with customers compared to contracts on trading activity, telecommunications, etc. Thus, unless the contracts are very valuable, it is difficult to get such contracts and there are some related costs, too. One of the issues is whether the company is allowed to collect pre-contractual costs in the amount of the contract or it needs to consider them as current expenses as part of its income statement. Consequently, the standard comes with a recommendation to recognize current expenses as those incurred in the short term. However, those which are longer than one year are to be capitalized in a cost account in order to sign contracts and amortize them over the term of the contract.

An important and very difficult aspect of construction contracts refers to the time of revenue identification. The contracts in this industry last for a fairly long period. Thus, the revenue of the income must be identified for the finishing stages. The amount of revenue identified for example at the 50 % finishing stage will be equal to the costs which were actually incurred for the construction of 50 % of the entire object. In practice, there are instances when the construction company may be subcontracted by another construction company in order to come up with some specific works. Consequently, more attention must be paid to the position in which it operates - as principal or agent depending on the role the revenues, they will fully identify it in case they act as principal as well as within the commission in the event they act as an agent. Given that contracts with customers in construction have a very long-life cycle, the company must keep a strict record of the variable price factor which may occur during the contract.

Regardless of the field in which a company operates, the IFRS 15 requires that income needs to be disclosed in the notes to the financial statements. This is done in order to provide users with financial statements that are detailed and relevant at the same time. The criteria for disaggregating revenues can be the following: geographical, market, the types of contracts, the moment of acknowledgement, the types of goods and/or services, etc.

The reporting framework based on the use of the IFRS represents an important step in terms of the development of the financial reporting due to the fact that the qualitative result of those from IASB was possible solely based on the use of the universal approach which refers to a unique concept in terms of the reporting itself. The IFRS 15 had in view a unique set of regulations for identifying the profits

as a result of which several standards were ruled out and replaced with one to be used in different fields of activity. The most important aspect refers to the focus on the most important aspect of an entity’s activity in order to get profits, namely, the focus is geared towards getting profits.

The IFRS 15 in the present study has been analyzed from a qualitative point of view in order to evaluate the degree of applicability in emergent countries such as the Republic of Moldova and Romania.

The respondent entities have been the ones already using the IFRS reporting framework otherwise the present research would have been pointless. The authors have noticed at least the following aspects related to the fairly new IFRS 15 standard:

- the IFRS reporting entities of the Republic of Moldova and Romania from different sectors make use of the IFRS 15 and are those which are in favour of a prospective system without estimating the impact during the previous periods. They have led extra costs which could have been avoided at the time when it was implemented as such;

- the IFRS 15 can be much more widely used and has a more visible impact on those companies which opt for signing contracts with their clients during more than one year. In the case of these types of contracts, the impact of the IFRS 15 from the accounting perspective will definitely have an impact on the balance sheet, PL as well as on the disclosure of the profits in the financial statement, during short-term shipments up to one year. However, the IFRS 15 does not have a significant impact on the financial statement as compared to the IAS 18 except for the event when the shipment is done during two distinct financial periods of time.

- the 5 steps in estimating the profits as established by the IFRS 15 are a framework for those entities using this particular standard including the respondent entities as part of the present study.

- the implementation of the IFRS 15 is mandatory, thus entities have no options whatsoever, whereas the IFRS reporting brings about indirect extra advantages by making investments more appealing and attracting the niche of clients with an elevated financial education - a crucial phenomenon for any emergent economy as the total can have a high value solely based on the increase of the key parts.

- the former profits standard comprises multiple sub-standards for estimating the revenues. The overly accepted accounting principles in the USA comprise more than 80 articles regarding the estimation of the profits while the Council for the international accounting standards comprises IAS 11, IAS 18 and IFRIC 13. All these varied standards have created discrepancies in terms of reporting the financial statement, whereas the latest standards of estimating profits are meant to solve this issue. The latest standard provides a framework which is supposed to generate more comparable financial statements. However, one can argue that the number of estimations and trials which can be done based on this latest standard may have an impact on the very nature of the reporting of the financial statement.

- the financial statement has been used in the case of reporting historical financial data. Several improvements have been brought about by the IFRS 15 in this respect. The

latest standard requires the need for making forecasts. The forecasts may bring about higher profits as well as the budgeting of the cash flow. A company's planning and performance management would be influenced by the latest standard due to the fact that the latest profit standards are related to a closer look at the contracts' advancement. This fact could provide stakeholders more useful information. Moreover, the disclosure requirements provide information which will allow the users of the financial statement to understand the nature, the value, the timeframe as well as the uncertainty in terms of the profits and cash flow corresponding to the contracts with clients.

## Conclusions

The present study has managed to evaluate the actual effects of the IFRS 15 implementation in the fields such as telecommunications, construction, the banking system, production, services and IT from countries like Romania and the Republic of Moldova with an emergent economy. Thus, it is a fact that the IFRS 15 is able to make adjustments in terms of the informational or accounting shortcomings when estimating, identifying and reporting the profits resulting from the contracts with clients as part of the former IAS 18 and address the weak points and the legal deficits which were prone to interpretations and the stakeholders'tampering. Taking into account the fact that IFRS 15 is responsible for this change and that it forces the use of the 5 steps approach for those profits resulting from the contracts with clients, the present issue proves the fact that in these companies there are managers who are capable of balancing the interests of the involved parties and meet their expectations in such a way as to consolidate the relationships throughout time.

Another obvious effect of making use of the IFRS 15 which has a positive influence on both the reporting companies and the stakeholders in general refers to the improvement of the quality of the financial and accounting information, especially in terms of the relevance and the comparability of the financial statement. The magnitude of these effects is obviously different in regards to every field in the sense that for some of them the IFRS 15 will have a significant impact which will bring about changes in the way profits are estimated. This fact will be followed by the adoption of new systems and processes or it can have a lower impact depending on the nature of the contract terms and the conditions which have been negotiated by the contracting parties based on the duration of the contract or the complexity of the accounting and legal treatments of the resulting profits. This aspect has been verified in the present study, too, which highlights the fact that all the analyzed

economic entities from the 5 sectors of activity have leaned towards an active implementation of the IFRS 15.

Thus, the emergent countries (in our case as countries of origin for the analyzed companies) have proved to be more affected by the financial stress than the emergent countries, they are open and embrace the changes brought by the IFRS on the whole and imposed by the new configuration of the worldwide economy. Consequently, the authors believe that the conceptualization of a unique and viable model for an extended implementation of the IFRS 15 has become mandatory in itself. This model would be implemented by all companies using the IFRS15 irrespective of their field of activity. The advantages of implementing this model support these companies because it addresses a niche regarding the estimation and acknowledgement of the profits which are generated as a result of the contracts signed with clients which will lead, in its turn, to a visible improvement of the way stakeholders will perceive and interpret the transactions of these companies, their level of informational transparency as well as the decrease of the informational asymmetry.

There is no doubt of the fact that there have been certain obstacles in regard to designing the present study related to the fact that the authors have chosen to focus solely on the Romanian companies as well as on those from the Republic of Moldova based on the fact that, to fill in the questionnaire, there was the need of having a direct connection among the authors and the respondents alike. However, future research will be devoted to the study of other countries with an emergent economy from South-Eastern Europe in order to be able to compare the results.

Another drawback of the present research has to do with the fact that, even if many companies use the IFRS 15, they are still not totally familiar with the requirements of this particular standard which is a reason why shortly there may be shifts in their interpretation or in their full use. These facts may have an influence on their relationships with stakeholders.

In conclusion, the authors believe that the use of the IFRS 15 by the companies from Romania and from the Republic of Moldova which are countries with an emergent economy, represents a continuous process in itself together with the implementation of the degree of evolution. The emergency phenomenon for these two countries is a particular one not only from the point of view of those standards which have been imposed by authorities, but also due to the fact that the influence of the emergency is also perceived as resulting from the global business expansion, the development of the corporate culture, the increase of the responsibility in terms of the integrated sustainability and reporting.

## References

- Achim, A. M., Tiron-Tudor, A. (2018). IFRS Adoption and Stock Price Delay: The Case of Romania. *Annales Universitatis Apulensis Series Oeconomica*, 20(2), 32–44. <https://doi.org/10.29302/oeconomica.2018.20.2.3>
- Akisik, O. (2020). The impact of financial development, IFRS, and rule of LAW on foreign investments: A cross-country analysis. *International Review of Economics & Finance*, 69, 815–838. <https://doi.org/10.1016/j.iref.2020.06.015>
- Aladwan, M. (2019). Fluctuations of Stock Price and Revenue after the Early Adoption of IFRS 15, "Revenue from Contracts with Customers". *Italian Journal of Pure and Applied Mathematics*, 41, 691–707.

- Al-Shatnawi, H. (2017). The Possibility of the Jordanian Industrial Corporations to Apply the IFRS No. 15. *Asian Journal of Finance & Accounting*, 9(1), 375–395. <https://doi.org/10.5296/ajfa.v9i1.11212>
- Amidu, M., & Issahaku, H. (2019). Do Globalisation and Adoption of IFRS by Banks in Africa Lead to Less Earnings Management? *Journal of Financial Reporting and Accounting*, 17(2), 222–248. <https://doi.org/10.1108/JFRA-05-2017-0035>
- Ancuzo, G., & Delle Femmine, A. (2016). IFRS 15: Il nuovo standard per la revenue recognition, "bilancio e informazione esterna d'impresa, 1–30. Available from internet: [https://web.uniroma1.it/deap/sites/default/files/ifrs\\_15\\_sapienza\\_v4\\_def.pdf](https://web.uniroma1.it/deap/sites/default/files/ifrs_15_sapienza_v4_def.pdf). <https://doi.org/10.1002/9781119200772.ch1>
- Bauer, K., & Centorrino, G. (2017). Financial Statements of Banks as a Source of Information about Implementation of IFRS 15: The Evidence from Poland. *Journal of Modern Accounting and Auditing*, 13(6), 235–248. <https://doi.org/10.17265/1548-6583/2017.06.001>
- BDO (2019). IFRS in practice 2019 - IFRS 15 Revenue from contracts with customers: transition. Available from internet: [https://www.bdo.global/getmedia/1b05f674-8233-4e4c-b6b2-48693a7a5a03/ifrs15\\_transition\\_screen.aspx](https://www.bdo.global/getmedia/1b05f674-8233-4e4c-b6b2-48693a7a5a03/ifrs15_transition_screen.aspx)
- Bordo, M., & Schwartz, A. (2000). Measuring real economic effects of bailouts: historical perspectives on how countries in financial distress have fared with and without bailouts. *Carnegie-Rochester Conference Series on Public Policy*, 53(1), 81–167. [https://doi.org/10.1016/S0167-2231\(01\)00028-8](https://doi.org/10.1016/S0167-2231(01)00028-8)
- Buk, H. (2018). Trends of Changes in Recognizing the Companies' Revenues from Ordinary Activities. *Problemy Zarzadzania*, 16(72), 176–184. <https://doi.org/10.7172/1644-9584.72.10>
- Ciubotariu, M. S., Socoliuc, M., Mihaila, S., & Savchuk, D. (2019). Companies' Image: Marketing and Financial Communications. *Marketing and Management of Innovations*, 3, 223–241. <https://doi.org/10.21272/mmi.2019.3-17>
- Coetsee, D., & Van Wyk, M. (2020). The adequacy of IFRS 15 for revenue recognition in the construction industry. *Journal of Economic and Financial Sciences*, 13(1), 1–13. <https://doi.org/10.4102/jef.v13i1.474>
- Commission Regulation (EU) 2016/1905 of 22 September 2016 Amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 15. Available from internet: <https://eur-lex.europa.eu/legal-content/en/txt/pdf/?uri=celex:32016r1905&from=ro>
- Cosmulese, C. G. (2020). Key theoretical aspects of applying IFRS 15. *European Journal of Accounting, Finance & Business*, 9(3), Available from internet: <http://www.accounting-management.ro/index.php?pag=showcontent&issue=27&year=2021>
- Does IFRS 15 change the pattern of revenue recognition? 2019, BDO, United Kingdom. Available from internet: <https://www.bdo.co.uk/en-gb/insights/audit-and-assurance/ifrs-us-gaap-and-international-gaap/does-ifrs-15-change-the-pattern-of-revenue-recognition>
- Duprey, T., & Klaus, B. (2021). Early warning or too late? A (pseudo-) real-time identification of leading indicators of financial stress. *Journal of Banking & Finance*, 106196. <https://doi.org/10.1016/j.jbankfin.2021.106196>
- Erhan, L., Socoliuc, M., Mihaila, S., & Grosu, V. (2015). Policies and Practices for the Implementation of IFRS and NAS in the Republic of Moldova. *The USV Annals of Economics and Public Administration*, 15(3), 147–162.
- Fourati, Y. M. M., & Bougacha, D. (2021). The Effect of the Mandatory IFRS Adoption on Audit Fees in Malaysia. In A. Alqatan, K. Hussainey & H. Khelif (Eds.), *Corporate Governance and Its Implications on Accounting and Finance* (pp. 171–184), IGI Global Publisher. <https://doi.org/10.4018/978-1-7998-4852-3.ch008>
- Garrido-Miralles, P., Zorio-Grima, A., & Garcia-Benau, M. A. (2016). Sustainable Development, Stakeholder's Engagement and Analyst Forecasts' Accuracy: Positive Evidence from the Spanish Setting. *Sustainable Development*, 24(2), 77–88. <https://doi.org/10.1002/sd.1607>
- Ghedrovici, O., & Mihaila, S. (2013). Accounting harmonization in Moldova: thinking about the process, difficulties and opportunities. *International Journal of Arts and Commerce*, 2(2), 1–6.
- Grosu, V., & Socoliuc, M. (2016). Effects and Implications of the Implementation of IFRS 15-Revenue from Contracts with Customers. *Management Strategies Journal*, 34(4), 95–106.
- IFRS 15 Revenue for the Banking Sector. Available from internet: <https://home.kpmg/gr/en/home/insights/2018/03/gr-ifrs-15-revenue-banking.html>
- IFRS 15- Revenue from contracts with customers. Available from internet: <https://www.iasplus.com/en/standards/ifrs/ifrs15>

- Illing, M., & Liu, Y. (2006). Measuring financial stress in a developed country: An application to Canada. *Journal of Financial Stability*, 2(3), 243–265. <https://doi.org/10.1016/j.jfs.2006.06.002>
- Ionescu, B. S., Feleaga, L., & Batae, O. M. (2020). Stakeholder Prioritization in European Companies. In: R. Pamfilie, V. Dinu, L. Tachiciu, D. Plesea, C. Vasiliu (Eds.), *Proceedings of 6th BASIQ International Conference on New Trends in Sustainable Business and Consumption* (pp. 403–410), Messina, Italy, 4–6 June 2020. ASE, Bucharest.
- Jilani F., & Nefissa B. B., (2020). The Mandatory adoption of IFRS and timely loss of recognition. *International Journal of Auditing and Accounting Studies*, 2(1), 11–39. <https://doi.org/10.1504/IJCA.2020.110333>
- Khamis, A. M. (2016). Perception of preparers and auditors on new revenue recognition standard (IFRS 15): evidence from Egypt. *Jurnal Dinamika Akuntansi dan Bisnis*, 3(2), 1–18. <https://doi.org/10.24815/jdab.v3i2.5383>
- Kivioja, T. (2018). The impact of IFRS 15 on analysts forecast accuracy (Doctoral dissertation), Oulu Business School, Finlanda. Available from internet: <https://core.ac.uk/download/pdf/344905548.pdf>
- Kohler, H., Pochet, C., & Le Manh, A. (2021). Auditors as intermediaries in the endogenization of an accounting standard: The case of IFRS 15 within the telecom industry. *Accounting, Organizations and Society*, 91, 101227. <https://doi.org/10.1016/j.aos.2021.101227>
- Kumar, D. R. (2015). Implementation of IFRS in India: Opportunities & Challenges. *International Journal of Business Management and Scientific Research*, 3, 73–78.
- Mardini, G. H. & Ammar, S. (2019). Quality and Quantity of the FTSE-100 Segmental Information Reporting. *Accounting Research Journal*, 32(3), 326–343. <https://doi.org/10.1108/ARJ-05-2017-0093>
- Masoud N., (2014). Accounting, FRQ, Emerging countries transition: How can a country implement an IFRS standard change succesfully. *Global Journal of Management and Business Research: Accounting and Auditing*, vol. 14(2D). Available from internet: <https://journalofbusiness.org/index.php/GJMBR/article/view/1420/1327>
- Mattei, G., & Paoloni, N. (2019). Understanding the Potential Impact of IFRS 15 on the Telecommunication Listed Companies, by the Disclosures' Study. *International Journal of Business and Management*, 14(1), 169–179. <https://doi.org/10.5539/ijbm.v14n1p169>
- Napier, C. J., & Stadler, C. (2020). The real effects of a new accounting standard: the case of IFRS 15 Revenue from Contracts with Customers. *Accounting and Business Research*, 50(5), 474–503. <https://doi.org/10.1080/00014788.2020.1770933>
- Paunescu M. & Popa A. F., (2019). Challenges for Romanian IFRS adopters - conflicting legislation regarding the interim dividend. *Proceedings of 14th International Conference* (pp. 309–325), AMIS IAAER.
- Peters, S. J. (2018). Revenue Recognition: Top 10 Questions investors should ask about the adoption of the new standard. CFA institute. Available from internet: <https://www.cfainstitute.org/en/advocacy/policy-positions/revenue-recognition-top-10-questions-investors-should-ask-about-the-adoption-of-the-new-standard>
- Piechocka-Kaluzna A., (2021). Measuring the quality of financial statements after the conversion to IFRS, case of Poland. *Journal of Financial Studies and Research*, 2021, 1–26. <https://doi.org/10.5171/2021.119430>
- Siminica, M., Sighigea, M., & Craitar, A. (2020). The Impact of Non-financial Reporting on Stock Price: A Case Study of Romanian and Bulgarian Listed Companies. In S.O. Idowu, C. Sitnikov (Eds.), *Essential Issues in Corporate Social Responsibility* (pp. 157–176). Springer, Cham. [https://doi.org/10.1007/978-3-030-39229-1\\_11](https://doi.org/10.1007/978-3-030-39229-1_11)
- Socoliuc, M., & Tulvinschi, M. (2008). Accountancy Viewpoints Referring to Companies' Performance. *Annals of the University of Oradea, Economic Science Series*, 17(3), 1471–1474.
- Tawiah, V., & Boolaky, P. (2019). Determinants of IFRS Compliance in Africa: Analysis of Stakeholder's Attributes. *International Journal of Accounting & Information Management*, 27(4), 573–599. <https://doi.org/10.1108/IJAIM-09-2018-0110>
- Țurcanu, V., Mates, D., Bostan, I., Grosu, V., & Socoliuc, M. (2008). The Evolution of the International Standards of Accountancy IAS/IFRS, Area of Application and the Adoption Mechanism. *The USV Annals of Economics and Public Administration*, 8(1), 142–146.
- Usurelu, V. I., Dutescu, A., & Jarvis, R. (2021). Challenges and Controversies Related to IFRS 15 Implementation. In A.M. Dima, F. D'Ascenzo (Eds.), *Business Revolution in a Digital Era* (pp. 331–343). Springer, Cham, UK. [https://doi.org/10.1007/978-3-030-59972-0\\_23](https://doi.org/10.1007/978-3-030-59972-0_23)
- van Helden, J., & Uddin, S. (2016). Public sector management accounting in emerging economies: A literature review. *Critical Perspective on Accounting*, 41, 34–62. <https://doi.org/10.1016/j.cpa.2016.01.001>

Yousefinejad, M., Ahmad, A., Salleh, F., & Rahim, A. R., (2018). Causal relationship between International Financial Reporting Standard (IFRS) and Foreign Direct Investment (FDI): A panel data analysis of ASEAN countries. *Asian Journal of Accounting and Governance* 10, 61–72. <https://doi.org/10.17576/AJAG-2018-10-06>

Zhou, S. (2021). Current Income Recognition Principal Analysis of IFRS 15, ASC 606 and CAS 14. Proceedings of 6th International Conference on Financial Innovation and Economic Development (ICFIED 2021) (pp. 38–44). Atlantis Press. Available from internet: <https://www.atlantis-press.com/article/125954362.pdf>. <https://doi.org/10.2991/aebmr.k.210319.008>

### Authors' Biographies

**Veronica Grosu** is a PhD Professor at the University of Suceava “Ștefan cel Mare”, Romania, Department of Accounting, Auditing and Finance. She is also the editor-in chief of the Journal of Accounting, Finance & Business. Areas of interest: international accounting, IFRS, corporate governance, financial audit, intellectual capital, CSR, integrated reporting, digital revolution. Her research appeared in journals such as Environment, Development and Sustainability, Frontiers in Nutrition, Revista de Economia Mundial, Economic Research-Ekonomska Istraživanja, Journal of Business Economics and Management, Polish Journal of Environmental Studies, Journal E&M Economics and Management, Argumenta Oeconomica, Economic Annals-XXI, Sustainability, Entrepreneurship and Sustainability Issues.

**Svetlana Mihaila** is a PhD Associate professor at the Academy of Economic Studies of Moldova, Chisinau, Moldova, Department of Accounting, Audit and Economic Analysis. Areas of interest: international accounting, management accounting, audit, integrated reporting. Her research appeared in journals such as Economic Research-Ekonomska Istraživanja, Journal of Business Economics and Management, Sustainability.

**Nicolai Jieri** is a PhD student at the University of Suceava “Ștefan cel Mare”, Romania, Department of Accounting, Auditing and Finance. Areas of interest: international accounting, audit, financial reporting, business economics. His research appeared in Eastern European Journal for Regional Studies (EEJRS), European Journal of Accounting, Finance & Business.

**Monica-Laura Zlati** is a PhD in accounting at the University of Suceava “Ștefan cel Mare”, Romania, Department of Accounting, Auditing and Finance. Areas of interest: international accounting, CSR, audit, food industry, management, digitalization, agriculture, health and education economics, business economics, econometrics. Her research appeared in journals such as Technological and Economic Development of Economy, Economic Research-Ekonomska Istraživanja, Mathematics, Healthcare, Sustainability, Technological Forecasting and Social Change, International Journal of Finance & Economics, Journal of cleaner production, Environment, Development and Sustainability, Economic Annals-XXI.

**Marian Socoliuc** is a PhD Associate Professor at the University of Suceava “Ștefan cel Mare”, Romania, Department of Accounting, Auditing and Finance. Areas of interest: public accounting, fiscal policy, tax evasion, international accounting, audit, financial reporting. His research appeared in Frontiers in Nutrition, Economic Research-Ekonomska Istraživanja, Journal of Business Economics and Management, Polish Journal of Environmental Studies, Journal E&M Economics and Management, International Journal of Finance & Economics, Argumenta Oeconomica, Economic Annals-XXI, Sustainability.

**Cristina-Gabriela Cosmulese** is a PhD Assistant professor at the University of Suceava “Ștefan cel Mare”, Romania, Department of Accounting, Auditing and Finance. She is also assistant editor of the Journal of Accounting, Finance & Business. Areas of interest: international accounting, financial audit, business economics, intangible assets, CSR, integrated reporting, digital revolution. Her research appeared in journals such as Frontiers in Nutrition, Economic Research-Ekonomska Istraživanja, Journal of Business Economics and Management, Polish Journal of Environmental Studies, Journal E&M Economics and Management, International Journal of Finance & Economics, Argumenta Oeconomica, Economic Annals-XXI, Sustainability.

The article has been reviewed.

Received in October 2020; accepted in July 2022.



This article is an Open Access article distributed under the terms and conditions of the Creative Commons Attribution 4.0 (CC BY 4.0) License <http://creativecommons.org/licenses/by/4.0>