

UVM Student Research Conference Abstract

In 2001, the European Union (EU) announced that companies listing in the EU would be required to adopt and prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This mandatory adoption was set to begin in 2005, and further aided in the movement towards a common set of universal financial reporting standards. Several studies found that EU companies were largely unprepared for the adoption, and some in the professional and academic accounting communities speculated that clients would place increased reliance on their auditors as they managed the adoption of IFRS. My research addresses how these EU companies managed to comply with IFRS and investigates whether or not individual auditor influence is evident in EU IFRS-based financial statements prepared in 2006, one year after the mandatory adoption date in 2005.

After the announcement, many of the Big-4 public accounting firms developed in-house guidance and held training sessions to help their clients manage the mandatory switch to IFRS. One form of guidance developed by all the Big-4 public accounting firms was model/illustrative financial statements (IFS). These IFS are issued for a fictitious company and contain every possible disclosure a company may need to include in its financial statements. Each of the Big-4 has these IFS and makes them available on their website. Therefore, one way to measure auditor influence on clients is to compare the client's published financial statements with their respective auditor's IFS.

Using a sample size of approximately 100 publicly traded EU IFRS-based companies audited by one of the Big-4 accounting firms, I will be able to make my comparisons and generate results indicating whether or not Big-4 auditor influence over clients existed upon the mandatory adoption of IFRS in the EU.