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Vestiges of British, German and Polish tax depreciation and amortization regulations in IFRS financial statements

Abstract: The article compares accounting estimates in IFRS financial statements of manufacturing companies. It shows that after adopting IFRS nation-specific assumptions remained. In all analysed countries there was a tendency to use policies that were based on national laws. The borrowing of laws was more visible in Poland and Germany than in the UK. The accounting policies of companies were mostly based on national tax and accounting laws. When making subjective decisions concerning accounting policies companies tended to base their choice on national law regulations.
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Introduction

When IFRS were being introduced, one of the aims was to "put an end to the current Tower of Babel in financial reporting" [European Commission 2003]. Since 2005 companies listed on EU stock exchanges have been required to issue an IFRS financial statement [Regulation (EC) No 1606/2002, art. 4]. The standards were later adopted globally and in 2013 were required for listed

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companies in as many as 101 countries [IFRS Foundation 2013]. This rapid spread is impressive, however, there remains the question of how consistently and uniformly IFRS were adopted. Companies compelled to change their accounting standards may adopt them superficially and still maintain numerous policies pursued earlier. Remnants of the metaphorical "Tower of Babel" could have remained.

The introduction of IFRS in the EU could be perceived as a natural experiment showing how the same accounting rules could be implemented depending on the national legal tradition. Unfortunately, smaller countries lack a sufficient number of listed companies to allow big enough samples which forced the selection of bigger countries. It is quite natural to select Germany as an archetype of the continental tradition and the United Kingdom as the only sufficiently large representative of the Anglo-Saxon tradition in Europe. The former Eastern Block with its period of centralization and commanded economy could also be considered as distinctive which suggests the inclusion of Poland in the sample.

The purpose of this article is to assess the indirect impact of national tax and accounting law on accounting estimates related to depreciation and amortization among the companies that adopted IFRS. The research covers manufacturing companies in Germany, Poland and the United Kingdom. Theoretically, if harmonisation was complete, no such impact would be visible. This article uses quantitative methodology by comparing popularity of policies declared in financial statements.

The historical linkage between tax and accounting law is mentioned by Larson and Street [2004, p. 94] as one of the main problems in the conversion to the international standards. By tracing the remnants of such linkage it could be possible to show persistent application of national laws in spite of the formal adoption of IFRS. Moreover this article is not limited to national obligatory policies but also analyses some implicit expectations that could have been shaped by national law regulations.

Section 1 presents an overview of literature on accounting harmonisation. Section 2 compares national legal traditions and law regulations in Germany, Poland and the United Kingdom. Section 3 analyses actually applied policies in an international sample of companies. The article closes with conclusions.

1. An overview of literature on accounting harmonisation

Heidhues and Patel insist on following the holistic approach in analysing accounting policies "by examining the influence of political, economic, legal, historical and social factors and their interdependencies" [2008, p. 1]. Such an approach might seem reasonable but unfortunately difficult to adopt in practice. Kvaal and Nobes also admit the existence of a very diverse range of factors influencing these policies but mention as the main factors the legal system, the tax system and the financial system [2010, p. 174].

There are multiple ways to analyse problems with the harmonisation of accounting policies. In 2002 Larson and Street made a comparative analysis of tax and accounting laws including the perception of these laws among stakeholders. The researchers found that the main hurdles that the stakeholders expected were the complexity of IFRS and the necessity of a shift from tax-oriented national accounting systems [2004, p. 95]. Jones and Luther [2008] preferred qualitative research – they asked 3 manufacturing and 2 consulting companies of German origin about their motivation, problems with implementation and areas already noticed where fundamental changes would be necessary. They reached the conclusion that adopting IFRS would not only change accounting policies but also affect controlling practices.

After IFRS was implemented it became possible to thoroughly compare policies behind financial reports amongst countries. E&Y, after selecting a sample of the biggest non-financial companies, concluded that financial statements kept their national character and that the explanations of accounting policies offered by companies were still leaving shareholders unaware of the exact consequences of these policies [E&Y 2006, pp. 11–14]. Kvaal and Nobes compared accounting policies behind financial statements of companies from Australia, France, the UK, Spain and Germany. They confirmed the persistent existence of national policies which they explained mostly as a direct influence of national laws. They also showed an example when an early adoption of IFRS in Germany led to the prevalence of a policy that was later unpopular and to the existence of national policies which lacked a fully convincing origin [2010, p. 185]. Haller and Wehrfritz decided to compare accounting policies in IFRS financial statements between British and German listed companies. Not only national accounting policies were persistent in years 2001–2009 but the time series were not even showing convergence [2013, p. 50].

This issue can be addressed indirectly – by measuring differences in market reaction instead of meticulously analysing minor accounting policies. DeFond et al. attempted to check whether the adoption of IFRS boosted international investments of mutual funds. They showed that during the transition there was a sudden surge in transnational investment in IFRS companies which was not accompanied by an analogous increase in investment by national funds in their home countries. It could be interpreted as evidence that even though some discrepancies could have remained accounting rules were harmonized enough for practical purposes [2010, p. 256]. Daske et al. decided to distinguish companies within a multinational sample according to the seriousness of their adoption of IFRS. They used many proxy indicators including amongst them an increase in the number of pages of their financial statements, the relation of accruals to cash flow and the quality of IFRS implementation derived from a different study. They have not found any statistically significant reduction of the cost of capital for the whole sample but only for companies classified as serious adopters [2007, pp. 30–32].

However there are also studies that blur this simple picture of the existence of national standards as distinctive classes which are subject to harmonisation. Liao, Sellhorn and Skaife [2012, p. 155] faced a paradox – after comparing the relationship between market valuation and financial ratios in French and German companies before and after adopting IFRS they reached the conclusion that applied reporting rules had been more convergent earlier when both countries were still using their own national standards. Brochet, Jagolinzer and Riedl [2013, pp. 1374–1375] selected only British companies because UK GAAP was quite similar to IFRS from the beginning and the UK had very strict rules governing the disclosure of insider transactions even before IFRS was adopted. Later movements of share prices had already been anticipated in transactions done by insiders. The researchers reached the conclusion that the adoption of IFRS caused a convergence of reporting standards amongst national companies because reporting policies allowed the shareholders to compare companies more effectively and reduced information asymmetry. The issue of the depreciation of fixed assets for reporting purposes, including the instant write-off, seems to be neglected in English language literature. When describing the anticipated impact of IFRS, Jones and Luther stated that "[t]he arbitrary writing off of low value assets will be prohibited" [2008, p. 24]. This is debatable. In IAS 16 there is no such explicit provision so this statement might appear correct. However it is a point of view of researchers from a country where such a policy has traditionally not been applied. In Poland some scholars felt obliged to justify a locally popular practice and insisted that

such a write-off could be derived from the materiality principle mentioned in IAS 1 [Trzpioła 2012, p. 58].

2. Comparison of national tax law and policies

As new regulations could be interpreted through the prism of the overall legal tradition of a particular country, they merit some attention. Moreover in order to be able to trace vestiges of national laws it is necessary to find regulations which could still be maintained after the change of accounting standards.

German accounting is governed by detailed, legislated law. Tax and accounting law is bound together by authoritative principle *(Maßgeblichkeitsprinzip)*. According to that rule tax income is supposed to be derived from accounting profit calculated according to principles of proper accounting. In practice it leads to an exactly opposite situation, where financial reporting rules are based on tax law regulations. This rule is useful as a simplification; however it leads to a serious undervaluation of assets, especially when accelerated depreciation is permitted by law as an investment incentive. The rule then can be seen as misinformation or, conversely, as the prudence principle protecting creditors [Eberhartinger 1999, pp. 97–102].

In Poland Soviet law was imposed on a system influenced by German and French legal traditions and on top of that EU law was hastily adopted. In the times of the centrally planned economy the government-owned companies followed meticulous reporting rules including a uniform accounting plan. There were many government policies which were quickly abandoned during the transformation such as including within liabilities a category called "funds" or the lack of the requirement to report owned land [Gornik-Tomaszewski & Jermakowicz 2001, pp. 53–57].

The introduction in Poland of the Regulation of the Ministry of Finance of 1991 [Rozporządzenie ministra finansów] and its later replacement by the Accountancy Act of 1994 [Ustawa z dnia 29.09.1994] was intended to end both the remnants of communist law and the makeshift solutions passed after the change of system. The Act was designed to implement EU directives. Its proclaimed source of inspiration was the legal tradition not only of western Europe but also of the USA and Canada. The Act markedly diverged from tax law but there was a vague suggestion of prospective modification of tax law to reintroduce partial convergence with accounting law [Pazura 1994]. In Larson and Street's survey Poland was listed as one of the countries where the account-

ing system was not tax-based [2004, p. 96]. A literal reading of Polish regulations concerning tax and accounting law reveals that they are theoretically fully independent branches except for explicitly mentioned simplifications.

Great Britain is an Anglo-Saxon country, with all the typical features, such as common law using markets as the main source of capital and a way of disciplining companies. There are also distinctive features that influence accounting regulations, for instance, the existence of professional, independent bodies creating reporting rules. Moreover the tax law does not even prescribe exact income calculation rules and instead relies on already accepted practices [Porcano & Tran 1998, pp. 438–440]. Not only is the accounting said to be uninfluenced by tax rules but even conclusions of some tax rulings are actually based on unlegislated accounting practices [Eberhartinger 1999, pp. 107–109].

German law regulations prescribe three classes of tangible assets in a financial statement – buildings; technical equipment and machinery and factory and office equipment [Handelsgesetzbuch, § 266]. Companies can choose which of the two rules to use for a simplified depreciation of low value assets. They can simply select instant write-off up to 410 EUR. Alternatively they can choose a threshold of 150 EUR but additionally they would then be allowed to aggregate all assets purchased in each year worth between 150 and 1,000 EUR and depreciate them on a straight line basis for the next five years. Those thresholds do not include VAT but can be applied only to assets that can be used independently [EstG, § 6 item 2 and 2a]. The German tax law provides a very precise list of tax depreciation periods for narrowly defined classes of fixed assets [Bundesministerium der Finanzen 2000].

In financial statements issued under Polish regulations tangible assets are expected to be subdivided into at least four classes: buildings and structures; plant and equipment; vehicles; other tangible assets [Ustawa z dnia 29.09.1994, Annex 2]. There is also another list that can suggest to companies the classes of assets they are expected to possess – the "Classification of fixed assets," which in Poland is used both for statistical reports and for the determination of tax depreciation rates. Statistical law regulations divide fixed assets into 10 categories. However for tax purposes this list is abbreviated to 8 categories after the exclusion of both land and living animals. For the purpose of depreciation rates those 8 classes are further subdivided [Ustawa z dnia 15.02.1992, Annex 1]. Instant write-off of low value assets is permitted if their individual cost is lower than 3,500 PLN. This threshold excludes the deductible part of VAT but can be applied only for assets that can be used independently. In spite of the formal separation of these two branches of law until the end of 2001 accounting rules permitted the direct use of tax depreciation rates for reporting

purposes [Ustawa z dnia 29.09.1994, art. 32 item 2]. Such an approach was causing mixed feelings among local scholars – some treated it as reasonable simplification [Tarka, Kałwa & Diakonow 2007, p. 71], whilst others pointed out strongly that tax depreciation periods are clearly too conservative in comparison with economic useful life [Nawrot 2009, p. 2].

The British national standard refers to prior local accounting legislation, where except for assets under construction, three groups of fixed assets were listed: land and buildings; plant and machinery; fixtures, fittings, tools and equipment [ASB 1999, p. 66]. Tax law does not prescribe an instant write-off [European Commission 2011, p. 172]. However because the UK is a common law country what is the actual generally accepted practice should also be analysed, which can be inferred from the approach of local authorities and top international accounting companies operating in the UK. Both model financial statements provided by tax authorities and PWC prescribed 4 classes of fixed assets: buildings; machinery; vehicles; fixtures and fittings [PWC 2012, p. 92; HM Revenue & Customs 2012, p. 5]. BDO suggested using an almost identical model but with the addition of the 5th class – computers [BDO 2012, p. 63]. A radically different idea was proposed by E&Y – in its model financial statement there were only two classes of assets: buildings; plant and equipment [E&Y 2012, p. 33]. Under British tax law buildings are depreciated on a straight line basis for 25 years. The rest of the assets is grouped into two pools that are depreciated using the declining balance method.

For the purpose of a clearer comparison the legal regulations are summarized in Table 1. The number of tax depreciation rates includes only the number of basic rates for distinctive classes of tangible assets. Classes listed

Table 1. Summary of national law regulations concerning tangible assets

	Germany	**Poland**	**United Kingdom**
Instant write-off threshold	150 EUR or 410 EUR	3,500 PLN	not applicable
Group depreciation for tax purposes	5 years, linear for low value assets	applicable	2 pools of assets
Number of separate tax depreciation rates for fixed assets	22	10	3
Number of main classes of depreciable fixed assets fixed by national law	3	4 or 8	not applicable

Source: Author's compilation of legal acts.

separately with the same expected lifetime were counted once to avoid artificially increasing the number by legislators who used more elaborate wording. This number does not include any special depreciation schemes because they are generally unrelated to tangible asset durability but serve some additional purpose, such as encouraging investments.

3. Comparison of accounting estimates in financial statements

In order to verify the hypothesis of the existence of the impact of national law and tradition on accounting estimates concerning depreciation it was necessary to choose a sample of financial statements. A complete sample of listed manufacturing companies[1] was drawn from the Amadeus database for the analysed countries. The financial year was variously defined among companies so in each case the latest financial statement accessible on the 31st December 2013 was selected. Accounting practices were mostly constant – some companies informed of changes in the rules although most changes were an outcome of amendments to IFRS and they did not influence depreciation periods.

The first number in each box refers to the number of companies, whilst the numbers in brackets are the averages of natural logarithms of revenue

Table 2. Sample selection

	Germany	Poland	United Kingdom
Manufacturing companies selected from Amadeus database	81 (12.0)	61 (9.5)	82 (10.7)
After elimination of outliers*	71 (11.7)	57 (9.9)	76 (10.9)
National standard & accessible data	16 (10.2)	23 (8.8)	4 (9.6)
IFRS & accessible data	51 (12.2)	33 (10.7)	70 (11.2)

* This number also includes companies with inaccessible financial statements.

Source: Author's calculation based on 185 financial statements of manufacturing enterprises the selection of which was based on the Amadeus database query result.

[1] Manufacturing companies were defined as companies with primary NACE Rev. 2 code between 25 and 30.

converted to euro. In order to reduce the impact of the incomparable size of companies in analysed countries outliers were eliminated. Outliers were defined as companies whose natural logarithm of revenue differed by more than one from the extreme value for the country with the narrowest range of companies. Accessible data was understood to be the financial statement of each company available on the Internet, either on company web pages or on a third party site. The absence of a financial statement precluded an analysis of accounting estimates and in practice usually meant that such a company was no longer listed.

It was also possible to briefly analyse companies on the basis of the sample that used national standards. The fact that tax law and accounting law in Germany are parallel simplified the explanation of depreciation accounting policies since there was typically only information as to which tax depreciation scheme for low value asset was chosen. In the case of Poland, a decade after abolishing a regulation that directly allowed the use of tax depreciation rules, 10 out of 16 companies that specified their accounting depreciation policies still applied tax depreciation rates to simplify reporting. The number of companies applying UK GAAP was too low to allow any conclusions.

Table 3. Vestiges of tax and accounting law in IFRS financial statements

	Germany	**Poland**	**United Kingdom**
Total number of companies	52	31	70
Amongst them those that:			
use instant write-off	4	13	0
use group depreciation	3 (and one that abandoned it)	0	8
group tangible assets according to national law / with one additional class added	(3)*: 30/8	(4): 21/1 (8): 4/1	not applicable

* The numbers in brackets denote the number of classes into which fixed assets are dived under local law.

Source: Author's calculation based on declared accounting policies and estimates from the analysed financial statements.

Only companies that gave at least one piece of information in their financial statement concerning their accounting depreciation policies were count-

ed. All companies that declared using the instant write-off threshold did so in accordance with their tax law. All companies that reported using group depreciation used the depreciation that was derived from their tax law regulation – in the case of Germany aggregating all low value assets from each year and depreciating them for the next five years exactly in the way prescribed by tax law, whilst in case of the UK using a pool of assets with an individual depreciation rate. Group depreciation was used in all cases in conjunction with straight-line depreciation.

Grouping fixed assets according to national law was defined as specifying the depreciation period for assets divided into 3 classes that should be listed in German financial statements and into 4 classes from Polish financial statements or 8 classes according to the Polish statistical classification. Some companies used such legal regulations as their starting point but extended them by including an additional, company-specific class. For the purpose of this calculation it was assumed that an asset class was listed even if it had an

Table 4. Percentage of companies with a given depreciation period for buildings

The upper and lower depreciation period boundaries for building depreciation	Germany		Poland		United Kingdom	
	min	max	min	max	min	max
Less than 10	11.6	0.0	19.2	0.0	0.0	0.0
10	**25.6**	0.0	**26.9**	3.7	2.3	0.0
Between 10 and 25	**34.9**	0.0	**26.9**	0.0	6.8	0.0
25	**23.3**	9.3	7.7	0.0	**27.3**	10.9
Between 25 and 40	2.3	**30.2**	0.0	7.4	2.3	4.3
40	0.0	4.7	11.5	**33.3**	9.1	10.9
Between 40 and 50	0.0	0.0	0.0	7.4	0.0	0.0
50	2.3	**53.5**	3.8	18.5	**43.2**	**65.2**
Above 50 but no more than 67	0.0	2.3	3.8	11.1	4.5	4.3
Above 67	0.0	0.0	0.0	18.5	4.5	4.3
Number of observations	43	43	26	27	44	46
Average	16.8	41.9	19.2	53.0	41.9	48.4
Standard deviation	8.9	9.8	15.7	24.8	18.7	14.5

Source: Author's calculation based on declared accounting estimates from analysed financial statements.

identical depreciation period with some other class because it meant that the company felt obliged to include such a class. Only one Polish company that used IFRS declared using Polish tax depreciation periods for accounting purposes. Amongst all the international sample of analysed companies using IFRS only two in their financial statements explicitly mentioned using non-linear depreciation method unrelated to their national tax law.

Generally companies with accessible data avoided choosing an exact depreciation period but preferred to select a boundary. According to the ANOVA test there were visible differences amongst countries. In the case of lowest values for each country the difference between countries was barely significant as the p-value was 0.02. The highest value was unquestionably different for each country with the p-value of $2.3*10^{-12}$. The mode for both the UK and Germany was 50 years, whilst for Poland it was 40 years; this could not be explained by the assumption that Polish buildings are less durable than those in Germany or the UK because actually Poland has the longest average maxi-

Table 5. Percentage of companies that had the following number of tangible and intangible assets

Number of intangible / tangible assets	Germany		Poland		United Kingdom	
	intan.	tan.	intan.	tan.	intan.	tan.
0	18.9	7.5	24.2	15.2	21.1	1.4
1	22.6	0.0	30.3	0.0	26.8	11.3
2	30.2	7.5	27.3	6.1	22.5	28.2
3	11.3	**52.8**	15.2	6.1	11.3	26.8
4	11.3	13.2	0.0	**51.5**	5.6	18.3
5	1.9	13.2	3.0	9.1	8.5	12.7
6	1.9	3.8	0.0	0.0	4.2	1.4
7	0.0	0.0	0.0	0.0	0.0	0.0
8	1.9	1.9	0.0	9.1	0.0	0.0
9	0.0	0.0	0.0	3.0	0.0	0.0
Number of observations	53	53	33	33	71	71
Average	1.96	3.30	1.41	3.82	1.91	2.90
Standard deviation	1.64	1.48	1.19	2.27	1.68	1.28

Source: Author's calculation based on declared accounting policies from analysed financial statements.

mum depreciation period. Presumably 40 years is alluring for Poles because that is exactly the depreciation period according to Polish tax law. One of German companies openly explained its very short depreciation – it decided to subdivide buildings into groups of differing useful life. The British seem not to accept the idea of such short-lived buildings; instead they quite often depreciate a separate class of assets called "fixtures and fittings".

Even if listed separately assets with an identical depreciation period were counted as one asset. When only the lowest or highest period of depreciation was stated it was counted as half a point. However for the purpose of Table 5 the outcome was rounded up. Information about not depreciating land or goodwill was ignored as it was a natural consequence of applying IFRS. No company openly admitted violating that rule. As the only exception quasi-ownership of land could be perceived; however, it was justifiably presented as a long-term lease. All notes about the depreciation of assets according to their economic useful life were ignored as not informative. In the same way notes concerning assets that were depreciated according to the length of its lease were omitted, unless such a period was actually specified.

Even by comparing the number of distinctive asset classes it is possible to show the existence of the national character of IFRS adoption. Intangible assets tend to be classified in a comparably detailed way in the three analysed countries – for the sample of intangible assets from Table 5. the ANOVA test returned the p-value of 0.26. However for the same companies there was a clear difference in number of categories of tangible assets – in ANOVA test the p-value was 0.03. The most probable explanation for this difference is that both national German and Polish accountancy law required a further subdivision of fixed assets in a way that could be easily reused in financial statements, whilst the same was not true for intangible assets. Polish accounting law required the listing separately of goodwill, which under IFRS is not subject to amortization and R&D expenditures which under IFRS are immediately recognized as costs. The remaining intangible assets are aggregated into merely one category [Ustawa z dnia 29.09.1994, Annex 1]. German accounting law, except from distinguishing goodwill, divides the remaining intangible assets into purchased and self-created [Handelsgesetzbuch, § 266].

No Polish company mentioned the existence of "fixtures and fittings" as a separate class of assets. It could be just classified as part of the category "other". Possibly "fixtures and fittings" as a category might even not exist in the eyes of Polish accountants. Under Polish tax law any big renovation would either increase the value of the underlying assets or immediately become a cost. Moreover amongst the analysed countries Poland has the highest val-

ue of instant write-off – when it is applied many "fixtures and fittings" might be written off immediately without raising a question about their useful life. The difference between Poland and Germany in the number of companies that considered it necessary to state a such depreciation threshold could not only be just a national tradition. Because such a threshold is much higher in Poland, therefore in accordance with the materiality principle it was more likely to be mentioned in this country, thus the difference could have been at least partially merely a measurement device.

It is tempting to believe that only some British companies use the balance pool method in their financial statement because such a method exists in the British tax law. However the same method also exists under UK GAAP so whilst the inspiration of the British legal tradition is clear the exact transmission mechanism can also be indirect or even more convoluted.

Are companies inspired by IFRS while preparing their financial statement according to IFRS? To answer this paradoxically sounding question one would have to analyse which classes of assets are suggested by article 37 of IAS 16 [Commission Regulation No 1126/2008]. The exemplary assets mentioned in the article are: land, land and buildings, machinery, ships, aircraft, motor vehicles, furniture and fixtures, and office equipment. Because of the inclusion of ships and aircraft this list does not seem ideally suitable for more typical companies. But what would happen if a company wanted to use that list whilst omitting not applicable positions? It should list separately "furniture and fittings" and "office equipment". None of the analysed companies provided such a distinction, so surprisingly the answer to this question with respect to classes of depreciated assets should be negative.

Conclusions

It is worth noting that the transfer of accounting policies from national tax and accounting laws was partial. The instant write-off threshold was eagerly applied by Polish companies and reluctantly by German ones. Group depreciation was applied only in Germany and the United Kingdom, in both cases in ways prescribed by local tax regulations. Even though Polish accounting law explicitly allows for group depreciation [Ustawa z dnia 29.09.1994, art. 32 item 6], it seems that since this method is not supported by tax law none of the companies within sample decided to use it. There was a visible difference in building depreciation periods amongst countries. Polish com-

panies leaned towards the maximum value of 40 years as specified in Polish tax law, whilst British and German companies preferred exactly 50 years. The distinction between the classes of assets was clearly based on the distinction derived from local reporting. In the case of Poland and Germany, two countries with continental law, there was a perceived need to base the distinction on some local law either directly or by extending legal classification. In contrast in the United Kingdom there exists no implicit suggestion – neither in the legislated law nor in model financial statements. In the case of intangible assets there was no persistent tradition in any country so in each case the researched companies chose their own set. What is surprising, even though the impact of local tradition on reporting was visible, and although the UK had a drastically lower number of tax depreciation rates, there was a relatively minor difference in the average number of declared classes of assets between companies in analysed countries.

On the other hand when adopting IFRS companies do not feel they are allowed to copy all accounting practices that were acceptable in their country. Even though the wording of contemporary Polish accounting law is no more encouraging than that of IFRS for adopting tax depreciation rates for simplification purposes there was a dramatic difference between the number of companies using such far-reaching simplification depending on the accounting standard. Does the entire issue have practical relevance? Especially in the situation when an identical asset is depreciated over the same period but is mentioned as belonging to a different class? For example, when a company does not list a class named "vehicles", so a car is included within a more general class of "machines"? In that case such an issue would seem purely academic. However in the case of companies that divided their fixed assets into the same categories it would be possible to compare their premises just to reassure oneself that there are no significantly different assumptions, or to be able to make some rough adjustments.

The impact of local tax and accounting rules is clearly visible in accounting estimates. Some might appreciate a wide choice and flexibility offered by accounting practices with Anglo-Saxon leanings. Regardless of whether one accuses IFRS of being an example of Anglo-American hegemony [Heidhues & Patel 2008, p. 3] or appreciates its flexibility, this study shows that in analysed areas such flexibility was eagerly used mainly to continue to be able to use local legal regulations. Paradoxically if one intended to apply IFRS uniformly, as local regulations have been applied, it would have to be much stricter than any local law and would prevail over local traditions and laws. Possibly if one wanted to overcome such variability it would require radical

solutions such as prescribing one method of simplified depreciation for low value assets or at least explicitly forbidding immediate write-off; providing companies with a uniform list of classes of fixed assets for which they would be required to inform about their expected useful life and forcing companies into presenting their precise mechanism of asset residual value calculation.

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