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The effect of the transition to IFRS on the value judgement of investors

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In our research, we examined the profitability of companies switching to IFRS and the value judgement of investors in the two accounting systems. During the examination, we established that there is no significant difference in the ROS and ROA profitability indicators in the two accounting systems. It is important to note that in the case of both indicators, for companies with a high fixed asset requirement, there is a significant difference in the two accounting systems based on the results of the Wilcoxon rank sum test. Taking into account the number of elements of the clusters, their proportion, and the value of the effect size, in our opinion, the conclusion cannot be drawn for the entire basic population that the indicators significantly differed as a result of the transition, because the difference can only be observed in the cluster with a lower number of elements, or a particularly strong relationship cannot be revealed for any of the indicators. On the other hand, for the ROE indicator, a significant difference can be clearly established in the two accounting systems, as the significant relationship can be demonstrated both in companies with low and high capital requirements. Overall, in the IFRS, the companies showed more favourable profitability with regard to the ROE indicator. The second examination of our research is related to this, which aimed to determine whether the significant deviation of the ROE indicator in the year of the transition can be attributed to the transition to IFRS.
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1. Introduction

The process of globalisation of the international money and capital market accelerated tremendously at the end of the 20th century (Erdey, 2006). As a consequence of globalisation, the need for international harmonisation of accounting is increasingly coming to the fore (Borker, 2012; Fazekas – Becsky, 2021). As a result of the rapid flow of capital characteristic of the current economic life, national borders are increasingly losing their importance since as soon as we examine the data of companies under several jurisdictions, it becomes almost impossible to compare the financial statements made from this data (Mackenzie et al., 2014). Reports prepared according to different principles make it particularly difficult for businesses, owners, investors, other decision-makers and authorities alike to assess the financial, financial and profitability of companies (Alfredson et al., 2007; Dékán T-né Orbán, 2013). Economic changes strengthen the need for the unification of the main communication language of the economy, accounting, for those who intend to invest in different countries to be able to compare the performance of individual companies (Nagy, 2014; Fazekas – Becsky, 2018). In addition to the advantages described so far, unification efforts also have obstacles that must be overcome during harmonisation. Such difficulties are, for example, the economic, cultural, traditional and legal differences of individual countries (Akisik, 2020). The impact of the transition to IFRS on the result determines, among other things, not only the dividend due to the owners, or possibly the basis of the corporate tax but also the group of relative indicators related to the result, such as the development of indicators used to measure the profitability or financial situation. In our opinion, the differences between the two accounting systems, highlighting the advantages and disadvantages of each system, can only be examined if it is done in the year of the first application of IFRS. This allows us to conduct different tests and analyses based on the same data in terms of comparing the two accounting systems since it is mandatory to include data from both accounting systems in the report in the year of the first application.

2. Literature review

2.1. The impact of the transition to IFRS on company performance

Profitability is a company's ability to perform, which shows how effectively the given company uses its available resources. Basically, it examines the ratio of the profit achieved in a given period to the invested capital (Husain – Sunardi, 2020). Analysing profitability is a key tool for companies as it helps them understand

how effectively they can utilise their resources to maximise profits. In addition, with the help of the profitability indicator, we have the opportunity to explore the efficiency of the operating processes, providing opportunities for improvements. Overall, the analysis of the profitability is essential for the long-term success and sustainability of the company. The most important indicators of profitability include the Return On Sales (ROS), Return On Assets (ROA), and Return On Equity (ROE) profitability indicators; the system of their correlation is illustrated by the DuPont indicator system (Nalurita, 2015).

In their study, Tangl – Vágner (2021) examined how the profitability situation of listed companies operating in Hungary changed after the transition to IFRS. The examination mainly deals with the change in the different types of profitability ratio (ROS) indicators of companies applying IFRS at the individual reporting level in the year of the transition. In the course of their research, the authors compare the indicators from the same period but calculated based on different accounting systems, the purpose of which is to help managers of companies thinking about transition or potential investors in informed decision-making by revealing the underlying accounting relationships. Based on the results of the study, the authors found that there is a significant difference in the operating ROS in the two different accounting environments, and more favourable profitability can be demonstrated in IFRS compared to the Hungarian accounting environment.

Takács et al. (2017) analysed the development of the capital strength index and the Return On Equity (ROE) after the transition. The research was carried out through a sample of 200 European companies. Based on the study's results, it was established that the value of the indicators calculated from the data cleaned of the effects of real valuation developed more favourably after the transition to IFRS.

In their research, Tarpataki et al. (2022) examined the balance sheet, profit and loss statement and cash flow statement data of 42 Hungarian companies operating in different industries in the Hungarian and IFRS accounting environment, which had switched to applying IFRS at an individual level. The authors examined the changes in the main categories of the profit and loss statement, during which they determined that a significant change in the profit after tax occurred only in the case of a few companies. In most cases, this change was more related to the reorganisation of the subcategories. In addition, indicators that determine the rating criteria of credit institutions were analysed. Among the indicators was the Return On Sales (ROS), which, due to the lower sales revenue, showed a higher value in IFRS than in the Hungarian accounting environment.

Examining the impact of the transition to IFRS on results and profitability, several publications have been published that are the same as my research topic. Overall, based on the results, it can be concluded that the first application of IFRS positively affected the result and the profitability indicators. Still, it should be

emphasised that the authors examined either only a few companies or not the entire group of indicators. On the other hand, during our research, we carried out the same study on the entire basic population of non-financial companies.

3. IFRS 1 – First-time Adoption of International Financial Reporting Standards

The IFRS 1 standard defines the rules and procedures that an entity must follow when it prepares its financial statements for the first time in accordance with IFRS. The restructured version of IFRS 1 was issued in November 2008, which must be applied if the entity's first financial statements according to IFRS relate to a period starting on or after July 1, 2009 (Alexander – Nobes, 2013). A first-time adopter is an entity that makes an explicit and unreserved declaration for the first time that its general-purpose financial statements comply with IFRS. The business entity can be a first-time adopter if it has prepared IFRS-based financial statements for internal management use in the previous year (for example, the obligation to provide data to the parent company), as long as these IFRS financial statements have not been made available to the owners or external parties, for investors or creditors, among others. In the event that a part of the financial statements in accordance with IFRS was made available to the owners or external parties for any reason in the previous year, then the business entity is already considered to be applying IFRS, as a result of which the provisions of the IFRS 1 standard are no longer applicable (IFRS 1).

The most important question is to clarify when a company should switch. After that, the companies should prepare various surveys on the possible effects of the transition on accounting and taxation; these are called impact studies. This includes, among other things, the identification of differences between Hungarian and international accounting rules, the accounting of IFRS 1 standard exemption options, the identification of accounting policy decisions regarding the transition, and the assessment of taxation effects by tax type for the period after the transition. During the impact assessment, it is necessary to identify the essential areas in which the Hungarian accounting rules and IFRS regulations differ. In accordance with this, companies must develop an accounting policy according to IFRS in a way that supports the company and business strategy. Within this framework, the provisions of all IFRS standards that are in effect at the time of the transition must be taken into account. During the transition, the necessary information and data must be determined in time so that adequate and sufficient information is available for the compilation of financial statements according to IFRS and for comparative data (Hegedűs, 2014; Hegedűs, 2021). Companies should evaluate business and company processes and, if necessary, modify them in accordance

with IFRS. It is worth incorporating new controls into the individual processes in order to ensure the reliability of the new information requirements resulting from the transition (Zeff, 2012).

The first financial statements, according to IFRSs, must contain, quantified, the differences caused by the difference between the Hungarian accounting regulations and the requirements of IFRSs. The differences arising in the opening balance sheet, the profit and loss statement, and the statement of changes in equity must be derived and presented in the additional notes (Hegedűs – Szentesi, 2021). During the compilation of the first IFRS opening balance sheet, the entity must take into account several basic principles. Converting companies must include in their balance sheet all assets and liabilities that were not shown in the Hungarian accounting environment but must be shown in IFRS. The most typical example of this is the presentation of deferred tax assets and tax liabilities among fixed assets and long-term liabilities (Palea, 2013).

Another important principle demands the opposite: that all assets and liabilities be removed from the books that have been shown in the accounts according to the Hungarian Accounting Act, but cannot be included in the balance sheet according to the provisions of the IFRS. Accordingly, the capitalised value of the founding reorganisation must be derived, and the research and development costs must be shown as the capitalised value of the experimental development, which do not meet the criteria for activation or all items qualifying as research. Another important principle is that during the transition, assets and liabilities must be classified and evaluated according to the provisions of IFRS. When compiling financial statements according to IFRS, the amendments described above affect not only the balance sheet but also the income statement (Weygandt et al., 2012).

The results are primarily affected by changes related to the transition when the previously recognised asset must be shown as an expense, and when the valuation of assets and liabilities according to IFRS differs from previous practice. Other important questions and tasks include the necessary development of the company's IT system and software, the further training of employees participating in the transition process, and the determination of what effects the transition will have on the company's reporting data and on the individual indicator groups (Hegedűs, 2021). Finally, it is necessary to define the standards that the company wishes to apply even before their entry into force, it uses the possibility of early application, and it is necessary to identify what facilitations are applied (Lukac, 2022).

4. Materials and methods

During our research, in order to achieve our goal, we examined the differences in the relative indicators characterising the profitability. For this, we used the

non-parametric Wilcoxon signed rank test. The Wilcoxon signed rank test calculates the difference between two related samples and then ranks them. A positive sign is associated with each rank if the first sample has a larger value, and a negative sign if the second sample had a larger value (Wilcoxon, 1992). The ranks obtained in this way are added up and then compared with the expected amount. If the significance level of the test, the p-value, is below 5%, then there is a difference between the samples (Bilder – Loughin, 2015, Mehmood et al., 2024). In addition, we also calculated the relationship between the data, the effect size using the following formula:

$$effectsize(r) = \frac{|Z|}{\sqrt{N}} \tag{1}$$

where the value Z represents the standardised value of the sample element, and N represents the number of elements of the sample. An effect size below 0.3 indicates a weak relationship between the variables, above it a moderately strong relationship, and above 0.5 a particularly strong relationship (Field, 2013).

4. Results

After examining the absolute indicators related to the profit and loss statements of the companies that have switched to IFRS, we analysed the evolution of the relative indicators, including the indicators of profitability, formed from the balance sheet and income statement data in the two different accounting systems. Our examination covers profitability indicators Return On Sales (ROS), Return On Assets (ROA), and Return On Equity (ROE). The main goal of the research is to examine the profitability of companies that have switched to IFRS, as well as the value judgment of investors as a result of the switch to IFRS. By setting up our related hypothesis (H1), it claims that the profitability indicators determined from the data of the report prepared according to the rules of the Hungarian Accounting Act and IFRS of the applied companies differ significantly in the year of the transition. To test the hypothesis (H1), we used the Wilcoxon rank sum test separately for companies with high and low fixed asset needs for each profitability indicator.

Table 1 and Table 2 contain the results of the Wilcoxon rank sum test for the differences in the ROS indicators per cluster. The first sub-hypothesis (H1a) of our hypothesis (H1) is related to the examination of the ROS indicator, which is that the ROS indicators calculated from the data of the report prepared according to the rules of the Hungarian Accounting Act and IFRS of the applied companies differ significantly in the year of the transition.

Table 1. The difference in the ROS indicators calculated from the data of reports prepared in two accounting systems of companies with high fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	15	33	662,5
Negative	35	994	662,5
Zero	1	1	1
Total	51	1326	1326
H0: ROS (HAS) = ROS (IFRS)			
Z = -3,1070			
p = 0,0019*			
r = 0,4350			

*Significant at p <0.05 level
Source: Own editing, 2024

Although the group of companies with a high fixed asset requirement consists of 54 companies, the number of Wilcoxon rank sum test observations is made up of only 51 companies' ROS indicators. The reason for this is that before the test was carried out, zero divisors were filtered out, i.e. the data of the 3 companies for which it was not possible to calculate the indicator, as no sales revenue was shown in at least one of the accounting environments. As can be seen in Table 1, the test significance value of the rank sum (0.19%) does not even exceed 1%, which means that with a 95% confidence level, the null hypothesis of the test can be rejected, that is, we do not accept it, that the ROS values calculated on the basis of the report data published in the two accounting systems are the same. Based on the value of the correlation coefficient (43.50%), a moderately close relationship can be established between the variables. Based on the results of the Wilcoxon rank sum test (T = 33 Z = -3.1070 p = 0.0019 r = 0.4350), it can be concluded that in the case of companies with a high demand for fixed assets, the value of the ROS indicators calculated from the reporting data published in the Hungarian accounting environment is significantly lower than the value of the indicators according to the data of the financial statements prepared according to the rules of IFRS (Böcskei et al, 2017). Consequently, as a result of the transition to IFRS, more favourable profitability can be demonstrated in terms of profitability indicators proportional to sales revenue. The reason for this is that, based on our examination, the companies showed significantly lower sales revenue in IFRS than in the Hungarian

accounting environment, which is a direct effect of the value of the ROS indicator becoming higher. In this way, it can also be concluded that the provisions of the IFRS 15 standard have a significant impact on the demonstrated profitability. Our conclusion is closely related to our earlier statement, which states that the value of the average reported profit after tax is higher in IFRS than in the Hungarian accounting environment. The higher after-tax profit also has an increasing effect on the development of the ROS indicator.

It is important to note, however, that based on the results of the Wilcoxon rank sum test, it cannot be proven that companies with high fixed asset requirements show a higher after-tax profit in IFRS, so we consider the after-tax profit unchanged when examining the profitability indicators. On the other hand, in the case of companies with low capital requirements, different results can be observed (Table 2).

Table 2. The difference in the ROS indicators calculated from the data of reports prepared in two accounting systems of companies with law fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	41	1657	1349
Negative	30	1041	1349
Zero	2	3	3
Total	73	2701	2701
H0: ROS (HAS) = ROS (IFRS)			
Z = 1,6930			
p = 0,0904*			
r = 0,1981			

*Significant at p <0.05 level
Source: Own editing, 2024

Based on Table 2, it can also be observed that the number of observations (73) is lower than the number of elements in the cluster (80) for companies with low capital requirements. This - similar to the previous case - is due to the fact that 7 companies did not show sales revenue in their reports prepared according to the requirements of at least one accounting system, so filtering out zero divisors was essential before conducting the examination. Since the significance value of the

Wilcoxon rank sum test (9.04%) exceeds the 5% limit, we, therefore, accept the null hypothesis of the test.

Based on this, it can be stated that there is no significant difference between the values of the ROS indicators calculated on the basis of the reporting data published in the two accounting systems. According to the value of the effect size (19.81%), the relationship between the variables can be considered weak. Based on the results of the test (T = 1041 Z = 1.6930 p = 0.0904 r = 0.1981), it can be concluded that there is no significant relationship between the values of the ROS indicators calculated from the report data published in the two accounting environments for companies with low capital requirements, i.e. in terms of the profitability indicators in relation to sales revenue in this cluster, the conversion to IFRS transition does not have a significant impact on the profitability.

Based on the results of the Wilcoxon rank sum test, we reject the first sub-hypothesis (H1a) because a significant difference can only be observed in companies belonging to one cluster as a result of the transition, that is, it cannot be established with complete certainty that the proportional profitability indicators of sales revenue calculated from the data of the report prepared according to these rules differ significantly in the year of the transition.

The subject of the following studies is the ROA indicators, the results of which are presented in Table 3 and Table 4. The second sub-hypothesis (H1b) is related to the examination of the ROA indicator, according to which the proportional profitability indicators of the assets calculated from the data of the reports prepared according to the rules of the Hungarian accounting law and the IFRS rules of the applied companies differ significantly in the year of the conversion.

Table 3 shows that the result of the Wilcoxon rank sum test shows a significance value below 5%, based on which the null hypothesis of the test can be rejected. This means that in the case of companies with high fixed asset requirement, there is a significant difference between the ROA values calculated based on the report data published in the two accounting systems. Although a significant correlation can be observed, we think it is important to emphasise that the value of the correlation coefficient (27.60%) indicates a weak relationship between the variables.

According to the results of the test (T = 504 Z = -2.0280 p = 0.0426 r = 0.2760), the value of the ROA indicators for companies with a high demand for fixed assets is significantly lower in the Hungarian accounting environment than in the IFRS system. This means that in IFRS, the companies probably presented lower value total assets (total assets) in their financial statements compared to their Hungarian accounting reports.

The primary reason for this may be that, during the transition, many assets included in the Hungarian accounting balance sheet do not meet the presentation criteria according to IFRS and are therefore derecognised. Although assuming

Table 3. The difference in the ROA indicators calculated from the data of reports prepared in two accounting systems of companies with high fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	20	504	739,5
Negative	31	975	739,5
Zero	3	6	6
Total	54	1485	1485
H0: ROA (HAS) = ROA (IFRS)			
Z = -2,0280			
p = 0,0426*			
r = 0,2760			

*Significant at p <0.05 level
Source: Own editing, 2024

a higher market value, valuation at fair value or revaluation (Tamimi & Orbán, 2022) has an increasing effect on the reported assets. Presumably, the value of the transferred assets had a stronger impact on the value of all assets. Based on this, it can be assumed that companies with a high demand for fixed assets recorded a lower depreciation in the IFRS system. Based on this, it can be concluded that during the first application of IFRS, more favourable profitability can be demonstrated, similar to the proportional profitability indicators of the sales revenue, both in terms of the proportional profitability indicators of the asset.

In the case of the ROA indicator, there are also different results between the two clusters. Table 4 shows the results of the rank sum test for companies with low capital requirements.

Table 4. The difference in the ROA indicators calculated from the data of reports prepared in two accounting systems of companies with law fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	43	1835	1619,5
Negative	36	1404	1619,5
Zer**o**	1	1	1
Total	80	3240	3240
H0: ROA (HAS) = ROA (IFRS)			
Z = 1,0340			
p = 0,3013*			
r = 0,1156			

*Significant at p <0.05 level
Source: Own editing, 2024

Based on the data in the table, it can be established that the significance value of the test significantly exceeds the 5% level; that is, we accept the null hypothesis of the test that no significant difference can be shown between the ROA indicators calculated on the basis of the reporting data of the two accounting systems. According to the value of the correlation coefficient (11.56%), the relationship between the variables is characterised by a weak relationship. Based on the results of the Wilcoxon rank sum test (T = 1404 Z = 1.0340 p = 0.3013 r = 0.1156), it can be said that the reports published in the Hungarian accounting environment and under the IFRS system for companies with low capital requirements no significant difference can be detected in the values of the ROA indicators calculated based on the data. This means that the first application of IFRS does not significantly influence the development of profitability, similar to the profitability indicators relative to sales, nor in the case of profitability indicators relative to assets.

Based on the conclusions drawn from the results, we also reject the second sub-hypothesis (H1b), as no clearly significant difference can be demonstrated only in one group. Thus, it cannot be verified that the data calculated from the report prepared in accordance with the Hungarian Accounting Act and the IFRS rules of the transferred companies, the proportional profitability indicators of the asset differ significantly in the year of the transition.

Table 5 and Table 6 present the results of the rank sum test related to the proportional profitability indicators of equity capital. In relation to the ROE indica-

tor, we set up the third sub-hypothesis (H1c), according to which the proportional profitability indicators of the equity capital calculated from the data of the reports prepared according to the rules of the Hungarian accounting law and the IFRS rules of the applied companies differ significantly in the year of the transition.

Table 5. The difference in the ROE indicators calculated from the data of reports prepared in two accounting systems of companies with high fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	18	484	739,5
Negative	33	995	739,5
Zero	3	6	6
Total	54	1485	1485
H0: ROE (HAS) = ROE (IFRS)			
Z = -2,2000			
p = 0,0278			
r = 0,2994			

*Significant at p <0.05 level
Source: Own editing, 2024

As can be seen in Table 5, the Wilcoxon rank sum test results show a significance value below 5% (2.78%) for companies with a high demand for fixed assets. Based on this, the null hypothesis of the test can be rejected, according to which there is no significant difference between the values of the ROE indicators calculated from the data of the financial statements prepared according to the rules of the two accounting systems. Based on the value of the correlation coefficient (29.94%), it can be said that the relationship between the variables almost reaches the lower limit of the interval, indicating a medium-strength relationship. According to the results of the Wilcoxon rank sum test (T = 484 Z = -2.2000 p = 0.0278 r = 0.2994), the value of the ROE indicators calculated from the reporting data published in the Hungarian accounting environment is significantly lower for companies with a high demand for fixed assets than the value of indicators based on data from financial statements prepared according to the rules of IFRS. As a result, it can be concluded that, as a result of the transition to IFRS, significantly more favourable profitability can be demonstrated for these companies, similarly to the other profitability indicators, as well as in the case of equity proportional profitability indi-

cators. As we mentioned earlier, no significant difference can be shown between the value of the post-tax profit shown in accordance with the Hungarian accounting regulations and the IFRS, so the favourable change in the ROE indicator may be due to the fact that the companies presented a lower value of equity as a result of the transition. The ROE indicator is the only profitability indicator, the deviations of which show the same result for both companies with high and low fixed asset needs (Table 6).

Table 6. The difference in the ROE indicators calculated from the data of reports prepared in two accounting systems of companies with law fixed asset requirement

Sign	Element number	Rank sum	Expected Value
Positive	22	791	1619,5
Negative	57	2448	1619,5
Zero	1	1	1
Total	80	3240	3240
H0: ROE (HAS) = ROE (IFRS)			
Z = -3,9740			
p = 0,0001			
r = 0,4443			

*Significant at p <0.05 level
Source: Own editing, 2024

Table 6 shows that the significance value of the Wilcoxon rank sum test (0.01%) is close to zero for companies with low capital requirements. Since it does not exceed the 5% significance value, we also reject the null hypothesis of the test, according to which there is no significant difference between the values of the ROE indicators based on the report data published in the two different accounting environments. According to the effect size of the test (44.43%), a medium-strength relationship between the variables can be demonstrated. Based on the test results (T = 791 Z = -3.9740 p = 0.0001 r = 0.4443), the value of the ROE indicators calculated from the reporting data published in the Hungarian accounting environment for companies with low capital requirements is significantly lower than the IFRS the value of indicators based on the data of financial statements prepared in accordance with its rules. This allows us to conclude that, as a result of the first application of IFRS, significantly more favourable profitability has been demon-

strated for these companies only in terms of the equity proportional profitability indicator. In the case of companies with low capital requirements, based on the results of the previously described Wilcoxon rank sum test, no significant difference can be shown between the value of the after-tax profit shown in the two different accounting systems, so in this case, too it can be concluded that the more favourable profitability is due to the decrease in the value of equity capital can be shown. Based on the results of the Wilcoxon rank sum test, we accept our third sub-hypothesis (H1c) because a clearly significant difference can be observed in the case of both clusters, i.e. it was confirmed that the transferred companies' own financial statements calculated from the data of the report prepared in accordance with the Hungarian Accounting Act and the rules of IFRS the proportional profitability indicators of capital differ significantly in the year of the transition.

There may be a significant difference between the value of equity according to Hungarian accounting law and IFRS, which is not primarily due to valuation differences between the two accounting systems but to differences in presentation and classification requirements. During the transition to IFRS, one of the most significant differences in the value of equity is caused by the company's own shares and business units bought back. On the basis of Hungarian accounting regulations, treasury shares are presented among current assets, which must be shown with a negative sign within equity as an item reducing the owner's capital during the transition to IFRS. The reclassification also has a reducing effect on the value of all assets (total assets) other than equity, which, in addition to the ROE indicator, also affects the evolution of the ROA indicator and the turnover rate of all assets.

5. In conclusion

After examining the factors affecting the result, we examined the profitability of the companies and the value judgment of the investors in the two accounting systems. During the examination, we established that there is no significant difference between the two accounting systems in the case of the proportional to sales (ROS) and proportional to assets (ROA) profitability indicators. It is important to note, however, that in the case of both indicators, there is a significant difference in the two accounting systems based on the results of the Wilcoxon rank sum test for companies with a high demand for fixed assets. Taking into account the number of elements of the clusters, their proportion, and the value of the effect size, in our opinion, the conclusion cannot be drawn for the entire basic population that the indicators significantly differed as a result of the transition, because the difference can only be observed in the cluster with a lower number of elements, or particularly strong relationship cannot be revealed for any of the

indicators. On the other hand, a significant difference in the ratio of equity (ROE) profitability indicator can be clearly established in the two accounting systems, as the significant relationship can be demonstrated both in companies with low and high capital requirements. On the whole, in the IFRS, the companies showed more favourable profitability with regard to the ROE indicator. Table 7 summarises the differences in profitability indicators in the two accounting systems.

Table 7: Results of the Wilcoxon rank sum test for profitability indicators

	Companies with high fixed asset			**Companies with low fixed asset**		
	p*	**r**	**Z**	**p***	**r**	**Z**
ROS	0,0019	0,4350	-3,1070	0,0904	0,1981	1,6930
ROA	0,0426	0,2760	-2,0280	0,3013	0,1156	1,0340
ROE	0,0278	0,2994	-2,2000	0,0001	0,4443	-3,9740

*Significant at p <0.05 level
Source: Own editing, 2024

Overall, we see the significance of our research work in the fact that the examination of all non-financial companies in Hungary was carried out in relation to the transition from Hungarian accounting regulations to IFRS. Although there have been many studies examining the profitability, in each case only sampling was done. By examining the basic population as part of our research work, we had the opportunity to draw correct conclusions regarding the application of IFRS to the individual report implemented in Hungary.

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