Ekonomika Economics
Management Management
Inovace Innovation

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

ANALYSIS OF GOING CONCERN ASSUMPTION

Jan Hospodka
University of Economics in Prague, Department of Financial Accounting and Auditing
jan.hospodka@vse.cz

Abstract:

This paper analyses going concern as one of the main pillars of the accounting theory and at the heart of the accounting principles. Apart from analyzing why does accounting theory work with going concern and why is it so important, this paper focuses on comparing the going concern rules in the Czech Republic, United States, United Kingdom and Slovakia. The goal of this research is to compare how the going concern concept is approached in the different accounting standards and related legislation and to come up with recommendations on how to improve accounting rules regarding disclosure of the doubt of the entity's ability to continue as a going concern in the Czech Republic. The results of the research show that rules for going concern disclosure are by far the most detailed in the United States and the poorest in the Czech Republic. The paper is a part of broader research focused on bankruptcy accounting in the Czech Republic.

Key words:
going concern, GAAP, liquidation, insolvency, accounting

JEL: M41, G33

1 Introduction and Literature Review

Going concern was introduced first in the middle ages when trading ships went on repeated voyages and liquidation of assets after each voyage was too costly and ineffective when the same investors were involved. The principle enabled continuity in the business (Sapori, 1970, in Philipson et al, 2016)

Today, going concern is generally considered to be one of the main pillars of the accounting theory and to be at the heart of accounting principles. In Czech, as well as foreign academic literature, the going concern principle is considered to be a necessity for the accounting. This is stated in many accounting textbooks, such as Kovanicova (2004) or Janhuba (2010). Bokšová & Randáková (2014) mention that whether the accounting entity meets the going concern or not, has implications on the valuation methods to be used. Some literature even says that the company cannot fully assess its "true income" before its liquidated (Moonitz & Jordan, 1964, in Sterling, 1968).

May (1948) suggests that allocation of revenue and costs between the past and the future depends on the assumption of going concern. This can be presented for example in calculation of accruals, such as prepayments or accrued income, or depreciation. These are booked and can be booked only because of the continuing ability of the business. This argument can be examined in more detail in a particular example. A coal mine, which is bought by a new owner, is going to operate only for six more months as the stock of coal will be depleted in that time, with prospects of being liquidated afterwards. This business obviously does not meet the going concern assumption (The GCA). The new owner buys a new truck, with expected useful life of 10 years. The monthly depreciation is calculated as a difference between the cost of purchase and the estimated value for which the owner resells the truck in six months. Hence, the depreciation works the same way even though the GCA is clearly not met. This indicates that going concern principle does not have a direct connection to the ability of a company

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

to exist and perform accounting, including its ability to allocate revenues and costs between the past and the future.

We have thus established that going concern is not a necessity for accounting as such. However, the GCA must be met if it wants to use bases of measurement other than liquidation value as the primary valuation method. Marik (1998) states that bankrupt companies or those on the verge of bankruptcy should use liquidation costs as their valuation method, as their assets are likely to be sold or liquidated. It is possible to further argue that bases of measurement other than liquidation value require the GCA because one of the main definitions of assets in accounting is that they exist as a result of past actions, and will bring benefit to the company in the future. As we do not know whether the assets will actually bring any benefits, this assumption does not have to be correct. However, for this assumption to at least have the opportunity to be correct, we need to have an underlying assumption that the company is going to operate in the future. And that is why we need the GCA. The same logic could be applied also to liabilities valuation, which should represent potential liabilities for the entity in the future periods.

One must question to whom is this responsibility attributed. In the first place, it should be the management which should have the best understanding of the financial situation that the company is in and if there is any doubt about its ability to continue as a going concern, it should disclose the information in the notes to financial statements. The problem is that, in general, management is quite reluctant to disclose any doubts of the company’s going concern doubts for two possible reasons. Firstly, the management does not has the ability to foresee much of the future anymore, as the life cycle of products has become shorter due to omnipresent technological disruption. Secondly, it is not in the management interest to disclose doubts when the going concern is in question due to the fact that it could harm their personal interests. Some literature argues that this could be partly solved by mandatory management disclosure on the GCA (Venutti, 2004). In case that the doubt of the entity to carry-on as a going concern is not expressed in the notes to the financial statements, accounting obviously fails at its primary role: control of the management.

In the second place, it should be the auditor that provides the entities with their opinion on the financial statements who should analyze the going concern and disclose their doubts. Out of the twenty largest bankruptcy filings in the U.S. history, twelve took place in 2001 and 2002 and all of them had unqualified opinions from their auditors on their financial statements prior to the bankruptcy (Carnegi & Connell, 2014, Uang, Citron, Sudarsanam & Taffler, 2006 and Venuti, 2004, in Philipson et all, 2016). The quality of auditors’ going concern opinions has been questioned in some papers before (Philipson et al, 2016). This could be again caused by many reasons. Firstly, the auditors might not be provided with enough information from the management. Secondly, they might be reluctant themselves for the same reasons as the management, because such information in the notes to financial statements would be likely to only worsen the situation of the company (especially if it leads to change in valuation basis).Thirdly, the auditors are paid by their clients and it is often the local management that takes part in the decision on who should be the auditor which creates a conflict of interest.

As a result of that, the going concern basis is used for preparing financial statements even when companies are in deep trouble, even when the GCA turns out false. Opposed to that, liquidation basis of accounting is used only in situations when liquidation is either inevitable or imminent. This leads to the GCA to be favoured, even though in most of the cases the GCA results in less conservative accounting (Kausar & Lennox, 2017).

Altogether 959 companies that went bankrupt in 2015 were analyzed by the author of this paper for their financial statements that were published prior to the bankruptcy as these statements should be publicly available in the Commercial register. However, even though all companies are required by law to publish their financial statements, only 97 published their statements (out of which only 7 were audited). None of these entities has expressed a doubt of their ability to continue as a going concern. On the following pages, an approach to going concern is the Czech Republic, the United States, the United Kingdom and Slovakia is analyzed and consequently compared. The paper presents a narrow part of a broader research that aims to present suggestions on how to improve Czech accounting rules

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

for companies that either face imminent insolvency or are already going through the process of bankruptcy.

2 Methodology of the research

The research has been prepared on the basis of accounting rules of the following countries:

- The Czech Republic
- The United States
- The United Kingdom
- Germany
- Slovakia

The following sources have been identified as the main sources for accounting rules which relate to the going concern evaluation:

Table 1: Overview of sources of the accounting rules

Country	Main source for accounting rules
Czech Republic	Act no. 563/1991 Coll on accounting (the Accounting act)
United States	Accounting Standard 205-40
United Kingdom	Financial reporting standard 102
Slovakia	Act no. 431/2002 Coll on accounting (the SK Accounting act)

Source: Authors' own analysis,

Each of the four countries that are used in the comparison was chosen for a particular reason. Slovakia was chosen as it shares a similar history a development of law and accounting rules as the Czech Republic. The United States were chosen due to the fact that US GAAP is well known for its detailed accounting rules and a long history of bankruptcy legislation. The United Kingdom was chosen due to the fact that London Stock Exchange Group is the biggest stock exchange in Europe which makes the United Kingdom an influential player in setting the quality of the reporting standards.

In the United States, the whole standard 205-40, which could be found under "presentation – presentation of financial statements", was analyzed as it is devoted only to the going concern and related items. In the UK, Financial reporting standard 102, was analyzed for any item that would be related to the going concern assumption (as presented further in the subsection devoted to the UK). For the purposes of the research, the issuer of the UK accounting standard, Financial Reporting Council, has been thoroughly analyzed for any other accounting-related publication that would include guidelines for going-concern assumption. In Slovakia, the SK Accounting act as well as decrees of Ministry of Finance of Slovakia were analyzde for any mention of going concern. The same applies to the Czech Republic, where the author also analyzed the Czech accounting standards. Both the Czech and Slovakian law and accounting rules have also been analyzed for any further guidelines on the going concern assumption.

3 Going concern assumption in different reporting standards

3.1 Going concern – The Case of the Czech Republic

In the Czech Republic, main acts to describe accounting rules are Act no. 563/1991 Coll. on Accounting (Accounting Act) and Decree no. 500/2002 Coll. on Accounting.

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

Going concern in Accounting Act is described only in very vague terms in the following ways: *"The accounting entity must use accounting methods, which origin in the assumption of going concern and that no conditions or events that raise substantial doubt about an entity's ability to continue as a going concern in the nearest future are present. In case the entity has any knowledge of such condition or event, it must apply appropriate accounting methods and disclose information about the accounting methods used in its notes to financial statements"* (Accounting act, section 7, article 3). Accounting Act further describes that when going concern no longer applies that the entity must keep financial accounts even during the liquidation process until they cease to exist. (Accounting act, section 4, article 1).

In practice, this results in using different valuation methods in case there is a substantial doubt about an entity's ability to continue as a going concern.

Furthermore, this is supported by section 3, article 1, which states, that entities need to keep doing accounting even during the liquidation process until they cease to exist. If the entity actually goes bankrupt, Insolvency Act becomes applicable and states that when determining the value of the business, it is important to know whether the company is going to continue operating (i.e. undergoes reorganization) or is going to cease its activities (Insolvency Act, section 3, article 4). This means that when the entity is going to go into liquidation, or undergo a process of reorganization. In case of reorganization, it is safe to assume that the going concern is still applicable and that bases of measurement other than liquidation value should be used. In case of bankruptcy, the GCA is likely no longer applicable and therefore the valuation method should change into a more appropriate one. In general, accounting should provide true and fair a reflection of the corporate reality. If the company is facing eminent liquidation, this needs to be reflected in its financial statements, in order to maintain true and fair view.

Above mentioned example shows that the Czech legislation fails to give a clear idea of difference between what is a going concern, and what cannot be considered to be a going concern entity as well as the time frame to be considered. Furthermore, it also fails to provide the entity with proper guidance on what to do if the entity is no longer a going concern (however that is a completely different story whatsoever).

In this paper, accounting standards from three other countries are going to be compared with the Czech one. Analysis of US, UK and Slovak approach to the going concern should help us understand, whether they can be used as an inspiration for improving Czech accounting standards.

In general, Czech law sets fairly strict rules as to when financial statements should be published during the different stages of the insolvency process. However when it comes to the accounting methods specific for such financial statements, it is, in the author's opinion, insufficient.

3.2 Going concern – The Case of the United States

In US GAAP, continuation of the accounting entity as a going concern is presumed as the basis for preparing its financial statements unless and until the liquidation of this entity becomes imminent. In such cases, financial statements should be prepared under the liquidation basis of accounting in accordance with US GAAP.

Compared to Czech GAAP, US GAAP covers situation when the entity no longer meets the GCA, to a considerable detail. A whole subsection of US GAAP is devoted to the GCA, how to understand it and what to do if there is substantial doubt to remain compliant to the GCA. It specifies that if the entity faces imminent liquidation, going concern should no longer be presumed as the basis for financial reporting. Instead, the financial statements should be prepared on the liquidation basis of accounting. (FASB ASC 205-40-50-1). An equivalent legislation is non-existent within the Accounting rules of the Czech Republic.

US GAAP also specifies that going concern basis of accounting can no longer be automatically applied even though the liquidation is no longer imminent, however a "substantial doubt about the entity's ability to continue as a going concern is present" (FASB ASC 205-40-5-2). In such cases,

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

financial statements should be prepared under the GCA, however disclosure of further information is necessary. Standards state that management should evaluate conditions and events that would raise such doubts, when preparing financial statements and that these conditions and events should be considered within one year after the date that the financial statements are issued (FASB ASC 205-40-50). This not only makes management accountable, it also sets the time frame for the assessment.

Management should evaluate whether any event might affect the business's ability to meet its obligations within the next year. It also specifically points out that any potential plans of the management to improve the condition of the business that have not been fully implemented as of the date of the financial statements (for example, plans to raise capital, borrow money, restructure debt, or dispose of an asset) should not be taken in to consideration (FASB ASC 205-40-50-4).

The standards point out particular tenets that should be assessed by the management, when evaluating the GCA. Among others, those are the following (FASB ASC 205-40-50-4):

- The entity's current financial condition, including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit
- The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in the entity's financial statements
- The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued.

As per US GAAP, unless management proposes a plan to mitigate any such event or condition that would raise substantial doubt and is conducted within the next financial period, an indication of going concern uncertainty needs to be present in the notes to financial statements. Furthermore, the management also needs to include in the notes to financial statements the following (FASB ASC 205-40-50-13):

- Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern
- Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligation.

Management's plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

If the management is confident that its plans help the company to evade any such doubt, the following should include (FASB ASC 205-40-50-12):

- Principal conditions or events that raise substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans)
- Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligation.
- Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

US GAAP also includes examples of situations which may raise the doubt of not meeting the GCA. Those are, among others, the following (FASB ASC 205-40-55-2):

- Negative trends, such as recurring operating losses, working capital deficiencies, negative cash flows from operating activities

- Other indications of possible financial difficulties, such as dispose of substantial assets, need to seek new sources or methods of financing, default on loans or agreements or denial of usual trade credit from suppliers
- Internal matters such as work stoppages, substantial dependence on the success of a particular project or uneconomic long-term commitments
- External matters, such as legal proceedings, loss of a key franchise, license or patent, loss of a principal customer or supplier or a uninsured or underinsured

The inherent detail when approaching the GCA within the accounting framework of the US is incomparable to the Czech approach.

3.3 Going concern – The Case of the United Kingdom

In UK GAAP, as well as US GAAP, the Financial Reporting Council (FRC) has issued a guidance for directors of the companies on how to approach the going concern basis of accounting. This guidance comprise a very detailed description of what to do in case the entity is no longer a going concern. It also gives information on who should assess the going concern (the directors of the Company), what should they assess and what period (at least 12 months) should they take into account. FRS 102 describes going concern in the following way:

"*When preparing financial statements, the management of an entity using this FRS shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.*" (FRS 102, 3.8.)

It also states that in cases when the management is aware of any material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, these events or conditions should be disclosed. The entity can prepare its financial statements on a different than going concern basis, however it needs to disclose this information together with the basis used and the reason why the entity is no longer regarded as going concern. (FRS 102, 3.9). In general, the directors of the companies are responsible for the financial statements to give a true and fair view (Companies Act 2006, section 393). This means that a different basis of accounting should be used when preparing the financial statements.

The Companies Act 2006 requires all companies that are not small or micro to prepare a strategic report. The strategic report must contain a fair review of the company's business, and a description of the principal risks and uncertainties it faces.

The UK GAAP is thus definitely not as detailed compared to the US GAAP and apart from the time frame, it gives fairly similar information as Czech GAAP. What is however different, is the approach to accounting issues via guidance booklets that give the management a thorough explanation on what, how and when. Something that is missing in the Czech republic.

3.4 Going concern – The Case of Slovakia

The accounting rules in Slovakia are mainly covered by Act no. 431/2002 Coll on accounting (the SK Accounting act) and decrees of the Ministry of Finance of Slovakia which describe accounting procedures in detail. Due to the fact that the SK Accounting act comes from the same original accounting act as the Czech one (due to common history), the going concern is described in section 7 of the act as well. The SK Accounting act describes going concern as "*The accounting entity must use accounting methods, which origin in the assumption of going concern and that no conditions or events*

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

that raise substantial doubt about an entity's ability to continue as a going concern in the nearest future (minimum of 12 months after the period for which are the statements reported) are present. In case the entity has any knowledge of such condition or event, it must apply appropriate accounting methods and disclose information about the accounting methods used in its notes to financial statements"

Until 2003, the accounting rules regarding going concern were the same as the ones in force in the Czech Republic. Since 2003, the rules are still very similar, however a small detail was added to the text, specifying that the entity should evaluate events at least 12 months after the reporting period. Even though it might not change the meaning much, it give more clarity to the management on what it is supposed to be targeting. Firstly, this should be helpful to the management itself. Secondly, it also makes it more responsible for the way accounting methods used in the financial statements.

This suggests that the Slovakian case is fairly similar to the UK GAAP in terms of the description of the Going concern (however, being a little vaguer on the definition of the situation when the going concern is no longer applicable which the SK GAAP only describes as "conditions or events that raise substantial doubt" compared to "management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so" in the UK GAAP). The Ministry of Finance of Slovakia has however issued nothing similar to the guidance issued by Financial Reporting Council in the UK.

4 Discussion

It is no surprise that US GAAP provide a considerable detail on liquidation accounting (something for example entirely missing in IFRS) as well as information on how to approach doubts about the going concern. This might be very helpful to management as well as auditors. It is however not confirmed that this makes a difference in how the doubt about entity's ability to continue as a going concern is reported in the financial statements. As was already mentioned earlier, many authors point out that in many bankruptcy cases, management and auditors indicated no issue with the going concern prior to the firm's bankruptcy in the US as well (e.g. Philipson et all, 2016).

Unlike US GAAP, financial reporting standards in the United Kingdom (FRS 102, in particular) give much less detail on how to approach the GCA. It, however, makes it very clear that management is the body that is responsible for the assessment and what period should the management take into account. Apart from the standards, the Financial Reporting Council, issuer of the reporting standards, has also issued 34 pages-long document with intstructions on how to approach going concern. This document provides entities with numerous examples on how to assess particular situations, who should assess them and how to measure the risk. It also gives instructions to auditors on their responsibilities regarding the entity's ability to continue as a going concern. FRS 102 also mentions that management should consider for the evaluation at least 12 months period after the reporting date. This is also mentioned in the Slovakian GAAP (which is otherwise fairly similar to the Czech approach to the going concern). From this it is very clear that the Czech approach to the going concern is the most limited from these four countries, falling slightly behind Slovakia, further behind UK GAAP and furthest from the US GAAP.

It is unclear whether this fact has any negative impact on the evaluation of the going concern by the management and consequently by the auditors. It is very hard to compare this due to the fact that in the US and the UK, financial statements are publicly available only for listed companies which there is only a few of in the Czech Republic and Slovakia. Therefore, the size of the sample population is too limited. On the other hand, both the Czech Republic and Slovakia have a public commercial register were all the entities are required by law to publish their financial statements. In case of the Czech Republic, however, majority of companies are not publishing the statements even though there is at the moment discussion between the politicians to better enforce this requirement. This means that in the Czech Republic and Slovakia all the companies which enter bankruptcy should have published their financial statements prior to their bankruptcy. In general manner of speaking, this could make the

EMI, Vol. 10, Issue 2, 2018
ISSN: 1804-1299 (Print), 1805-353X (Online)
www.emijournal.cz

financial situation of these entities much more transparent to the public. Such publicly available registers are not present in the UK nor the US which, again, makes the comparison impossible.

It is clear that going concern and the disclosure of the entity's ability to continue as a going concern needs to be described in more detail. Firstly, it should be made clear to the management which period is to be assessed in order to make the management more responsible. Secondly, it should also be stated clearly what is to be considered when assessing the going concern and how the entity should report about it the doubt of entity's ability to continue as a going concern. In my opinion, the best way how to tackle this would be to issue a new accounting standard which would be related to the going concern. I also completely support the notion of Venutti (2004) that it should be compulsory to include a confirmation about entity's ability to continue as a going concern in the notes to financial statements. The need to confirm the entity's ability to continue as a going concern should put make the management aware of the fact that it needs to disclose any potential nearing difficulties.

5 Conclusion

Going concern is often mentioned as one of the pillars of the accounting theory. Considering this, it comes as a surprise that Czech GAAP isn't covering going concern almost at all and leaves accounting entities with very little support as to how to act if there is a substantial doubt about the entity's ability to continue as a going concern. As we have established in the first chapter, the GCA is primarily connected to the bases of measurement used by the entity which is to a certain extent also confirmed by the Czech GAAP and Insolvency Act. Apart from this, however, Czech GAAP completely fails to describe the going concern and the ability of the entity to continue as one. This might result in decreased understanding of going concern by the accounting entities and also their negligence when it comes to reporting about it.

Comparison of the Czech GAAP and the accounting rules in the United States, the United Kingdom and Slovakia has further shown that Czech GAAP approach to the going concern it the poorest among the four. Czech GAAP could thus find a lot of inspiration in the reporting standards especially of the US and the UK. Bauer (2015) mentions that the information role of accounting is extremely important and is referred to as such by many authors. Because the entities who are facing imminent liquidation have to change the valuation methods and because their financial statements could serve slightly different information needs (of creditors, owners, employees), it is extremely important that the going concern is finely described and approached by the Czech GAAP. This paper is part of a broader research that is trying to assess to quality of bankruptcy accounting in the Czech Republic, compare it with relevant countries and suggest improvements.

6 Bibliography

[1] Bauer, K. (2015). Accounting in the Juridical Restructuring Proceedings: Theory and Practice. In Knowledge, Economy, Society: Challenges and Development Trends of Modern Economy Finance and Information Technology. Foundation of the Cracow University of Economics. ISBN: 978-83-65173-32-4

[2] Bokšová, J., Randáková, M. (2014). Účetní závěrky v České republice při porušení předpokladu trvání podniku. Český finanční a účetní časopis, 2014, roč. 9, č. 3, s. 156-164.

[3] FASB (2017). FASB Accounting Standards Codification Notice to Constituents. (US GAAP). [online]. Available at: https://asc.fasb.org/ [Accessed 1 November 2017].

[4] FRC (2016). Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks. [online]. Available at: https://www.frc.org.uk/news/april-2016/guidance-on-the-going-concern-basis-of-accounting. [Accessed 10 October 2017].

[5] Fremgen, J. (1968). The Going Concern Assumption: A Critical Appraisal. [online]. The Accounting Review, 43(4), 649-656. Available at: http://www.jstor.org/stable/243624. [Accessed 1 October 2017].

[6] Hospodka, J., Randáková, M. (2017). Indicating Insolvency in Firms. 11th International Scientific Conference on Financial Management of Firms and Financial Institutions. VŠB-TU of Ostrava, Faculty of Economics, Department of Finance.

[7] ICAEC (2017). Financial reporting standard 102. [online] Available at: https://www.icaew.com/technical/financial-reporting/new-uk-gaap/frs-102-the-financial-reporting-standard [Accessed 1 November 2017].

[8] International Accounting Standards Board (2003a). Conceptual Framework. *In: International financial reporting standards (IFRS's) including international accounting standards (IAS's) and interpretations.* London, International Accounting Standards Board.

[9] International Accounting Standards Board (2003b). IAS 1. *In: International financial reporting standards (IFRS's) including international accounting standards (IAS's) and interpretations.* London, International Accounting Standards Board.

[10] International Accounting Standards Board (2003c). IAS 10. *In: International financial reporting standards (IFRS's) including international accounting standards (IAS's) and interpretations.* London, International Accounting Standards Board.

[11] Janhuba, M. (2010). Teorie účetnictví. Praha : Oeconomica, 1. vydání ISBN 978-80-245-1662-2

[12] Kausar, A., Lennox, C. (2017): Balance sheet conservatism and audit reporting conservatism. In Journal of Business Finance & Accounting, 44(7–8), 897–924.

[13] Kovanicová, D. aj. (2004). Abeceda účetních znalostí pro každého. Praha, Bova Polygon, 2004. ISBN: 80-7273-098-3

[14] Legislation.gov.uk. (2015). Companies Act 2006. [online] Available at: http://www.legislation.gov.uk/ukpga/2006/46/section/993 [Accessed 5 October 2017].

[15] Mařík, M. aj. (2007). Metody oceňování podniku. Proces ocenění – základní metody a postupy. Praha, Ekopress, 2007.

[16] May, G. O. (1948). Postulates of Income Accounting. In *The Journal of Accountancy* (August 1948), p. 108

[17] Ministry of Finance of Slovakia (2002). Act No. 431/2002 Coll. On Accounting

[18] Ministry of Justice of the Czech Republic (1991). Act No. 563/1991 Coll. On Accounting (Accounting Act).

[19] Ministry of Justice of the Czech Republic (2002). Decree no. 500/2002 Coll. on Accounting.

[20] Ministry of Justice of the Czech Republic (2006). Act No. 182/2006 Coll. on insolvency (Insolvency Act).

[21] Ministry of Justice of the Czech Republic (2017a): Insolvenční rejstřík. [online]. [cit. 2017-07-19]. Available at: http://www.justice.cz.

[22] Ministry of Justice of the Czech Republic (2017b): Obchodní rejstřík. [online]. [cit. 2017-07-19]. Available at: http://www.justice.cz.

[23] Philipson, S., Johansson, J., Schley, D.G., (2016): Global Corporate Governance: The Maelstrom of Increased Complexity – Is it Possible to Ride the Dragon?. [online]. In Journal of Business and Economics. [cit. 2018-04-14]. ISSN: 2155-7950. DOI: 10.15341/jbe(2155-7950)/03.07.2016/007

[24] Venuti, E.K. (2004): The going concern assumption revisited: Assessing a company's future viability. In Accounting Auditing, the CPA Journal.

[25] Sterling, R. (1968). The Going Concern: An Examination. [online]. The Accounting review, 43(3), 481-502. Available at: http://www.jstor.org/stable/244071