

---

# MANDATORY AUDIT OF FINANCIAL STATEMENTS: DOES AGRICULTURAL SECTOR DIFFER FROM OTHERS?

---

Maja Kljajić<sup>1</sup>, Vule Mizdraković<sup>2</sup>, Marko Milojević<sup>3</sup>

\*Corresponding author E-mail: [mkljajic@singidunum.ac.rs](mailto:mkljajic@singidunum.ac.rs)

---

## ARTICLE INFO

Review Article

Received: 22 September 2020

Accepted: 24 May 2021

doi:10.5937/ekoPolj2102407K

UDC 657.6:336]:338.43

---

### Keywords:

*agriculture, public companies, audit opinion, Belgrade stock exchange, Big 4*

**JEL:** M41, M42

## ABSTRACT

The main purpose of this paper is to determine if there are any differences when it comes to the type of opinion and content of audit reports between agricultural and other public companies (non-agricultural). Research sample consists of 398 public companies, and this number makes up about 70% of the total number of public companies listed on the Belgrade Stock Exchange. The sample was divided into two groups; one comprising companies from the agriculture, forestry and fishing sector (29); while the second group consists of public companies from other sectors (369). The research results indicate that companies in the first group received unqualified auditor's opinions more often than second group companies. The similarity between the first and the second group is the dominant use of auditing services of domestic companies with an average share of 64.70% compared to the international and Big 4 auditing companies.

© 2021 EA. All rights reserved.

---

## Introduction

The result of auditing process is an audit report which discloses an expert professional opinion on the quality of the accounting information contained in audited financial statements (Ljubisavljevic, Jovkovic, 2016). Namely, audit opinion explains whether client's financial statements present financial position, results of operations, and cash flows in a fair and objective manner, and in accordance with adopted financial reporting framework (Louwers et al., 2018). Obviously, audited financial statements are of an

- 
- 1 Maja Kljajić, Ph.D. Candidate, Singidunum University, Danijelova no. 32, Phone: +381 113 093 364, E-mail: [mgligoric@singidunum.ac.rs](mailto:mgligoric@singidunum.ac.rs), ORCID ID (<https://orcid.org/0000-0002-2232-5725>)
  - 2 Vule Mizdraković, Ph.D., Associate Professor, Singidunum University, Danijelova no. 32, Phone: +381 113 093 364, E-mail: [vmizdrakovic@singidunum.ac.rs](mailto:vmizdrakovic@singidunum.ac.rs), ORCID ID (<https://orcid.org/0000-0002-7886-9203>)
  - 3 Marko Milojević, Ph.D., Associate Professor, Singidunum University, Danijelova no. 32, Phone: +381 62 282 777, E-mail: [mmilojevic@singidunum.ac.rs](mailto:mmilojevic@singidunum.ac.rs), ORCID ID (<https://orcid.org/0000-0003-4513-6131>)

importance for continuous business and management of public companies, but they also serve as a base for investment-related and other decisions (Gabric, Bosnjak, 2017). Auditor's opinion from the auditor's report is of significance to both internal and external parties who are interested in company's operation (Butler et al., 2004). Key public company's stakeholders are existing and potential investors, lenders and other creditors, and they are at the same time primary users of general purpose financial statements and accompanying audit reports. Investors and other financial statement users will consider information presented in financial statements, together with information from other sources (information disclosed on client's website and other electronic information, information-gathering agencies, industry reports, newspaper and magazine articles etc.) (Atrill, McLaney, 2011). On the other hand, management is able to generate financial information from within a company, and therefore do not rely solely upon these financial statements (Melville, 2019). Remaining stakeholders might use general-purpose financial statements, but these statements are not prepared for their needs in the first place. Therefore, it can be presumed that potential investors and other stakeholders are main users of financial statements that seek useful information concerning financial position, financial performance and cash flows of audit client. Previously stated explains the reason why audit of general purpose financial statements is mandatory for companies whose securities are traded publicly in accordance with the Law on the Capital Market (Securities Commission Republic of Serbia, 2019). Public companies serve as an example of good practice in all economies and therefore their financial reporting should be of the highest quality. If investors are able to make a proper decisions based on high quality financial reporting and auditing, that will lead to efficient functioning of capital and other markets and otherwise assist in promoting efficient allocation of scarce resources in the economy (Rosenfield, 2006; Stanković et al., 2019), (Atrill, McLaney, 2011). One of the most important parts of audit reports is the opinion that auditor expresses in it. This has been subject of research by many authors, for example authors (Stanisic et al., 2019) report that Serbian business entities mostly received unmodified opinions (approx. 70%, depending on the year of issue), while the remaining were modified opinions. An adverse opinion was issued to only 1% of sampled entities. However, small number of authors dealt with the actual content of the auditor's reports. It is safe to assume that the content of auditor's report will differ from one business entity to another i.e. from one type of auditor's report to another. Likewise, differences in the contents of auditor's reports will probably depend on the industry sector in which audit client operates. It can be presumed that industry specific sectors will require a certain type of knowledge and experience from the auditor. Previous will be reflected on the planning; execution of activities within auditing process; gathering of auditing evidence; and ultimately opinion issued. Accordingly, we can now define research question: What are the aspects in which audit reports for agricultural, forestry and fishing public companies differ in type and content from the audit reports of other public companies (non-agricultural) and which audit companies performed the audit?

## Literature review

It is vital to note that public companies in the territory of the Republic of Serbia operate in very specific market conditions, particularly companies in the agricultural sector (Popovic et al., 2017). The Serbian capital market is a developing market with very low market capitalisation compared to stock exchanges in the developed countries. In terms of market capitalisation i.e. main indicator of the size and volume of turnover at the stock exchange, the total market capitalisation of the agriculture, forestry and fishing companies amounted to €128,233,904 which is equal to 3.12% of the total market capitalisation of the observed companies (Belgrade Stock Exchange, 2019). On average, these companies had the market capitalisation of €4,421,859. When it comes to other industries, total market capitalisation amounted to €9,958,473,474 whereas the average market capitalisation was €10,727,570. Consequently, it is might be difficult for all public companies to attract potential investors, and especially the ones from agriculture. Despite the fact that agriculture is an essential element of the global economy, it is often neglected by regulations due to focus on rapidly growing sectors (Fischer, Marsh, 2013). However, the nature of the demand for agricultural produce results in the fact that the agricultural industry has its own place in the economic development (Lloyd, Malcolm, 1997), (Muhammad, Ghani, 2014). Namely, unlike other sectors, the agricultural sector is characterised by a constant demand whereas the demand in other sectors is of volatile nature. According to the rolling forecast for 2020, the agricultural population will have a 9.3% share in the total population in the region (FAOSTAT, 2019). The foregoing implies that the agricultural sector, both in the region and in Serbia, has potential for development.

When it comes to research regarding audit reports of Serbian business entities, three research papers were considered. The first paper is focused on business entities that operate on the territory of the city of Kragujevac. Authors (Ljubisavljevic et al., 2014) selected a sample of 58 medium and large companies, whose audit reports were analysed for the period 2010 - 2012. Research results showed that there is a correlation between the size of the entity and the type of opinion issued in the auditor's report, as well as between the entities that operated with positive / negative net result and the type of opinion expressed in the audit reports. Authors (Jovkovic, Djordjevic, 2018) analysed differences between audit opinions issued to clients from financial and real sector (manufacturing business entities) for the period from 2011 to 2017. The research showed that unmodified opinions were the least present in the real sector, ie. modified opinions were more dominant in the real sector (24%) compared to the financial sector (banks 3.45% in 2017, insurance companies 0% in 2017). Authors concluded that financial result of sampled entities was in correlation with the issuance of unmodified auditor's opinions. Namely, unmodified opinions were mostly issued to profitable entities: banks (84%), insurance companies (90%) and manufacturing entities (87%) in 2017. Qualified opinion is not in correlation with the achieved result, because the number of clients that operated with profit is the same as the number of the ones that operated with loss. The remaining opinions, disclaimer of opinion and adverse opinion, were

issued to non-profit entities solely, as accumulated losses threaten the going concern assumption. The last research (Jovkovic, 2018) analysed the reports of independent auditors of financial statements of insurance companies for the period 2009 – 2016. All insurance companies were divided in two groups; clients that have always received unmodified opinion in the observed period, and clients that at least once in the period had some form of qualification. In addition, research results showed that companies with unmodified opinions mostly operated with profit, had foreign capital, and one of Big 4 companies did audits of their statements.

When it comes to neighbouring countries, we have found two research papers that deal with the content of audit reports. The first one covered 32 companies operating in Bosnia and Herzegovina. Authors (Kondic, Poljasevic, 2015) analysed the published auditor's reports of these companies which are listed on the Banja Luka Stock Exchange. Results show that auditors often drew the users' attention to information disclosed in financial statements which were not prepared in accordance with International Financial Reporting Standards (IFRS) and which could have resulted in a modified opinion. The research proved that as much as 59% of auditor's reports included emphasis of matter paragraph. In accordance with the auditing standards (regulation), emphasis of matter was issued when it was questionable if audit client was able to continue its business in accordance with going concern assumption. Authors (Gabric, Bosnjak, 2017) conducted their research on a sample of companies operating on the capital market of Bosnia and Herzegovina in the period from 2010 to 2014. The research results indicated that the most significant misstatements were balance sheet items such as fixed assets, inventories and short-term accounts receivable. Likewise, research showed that a significant number of misstatements by companies from Bosnia and Herzegovina were related to the valuation of items of property, which resulted in hidden (latent) losses in financial statements.

The evidence that the ability to continue in accordance with going concern assumption is not an issue solely for developing companies is found in the research conducted on the territory of the United States of America. Namely, the authors (Butler et al., 2004) analysed a total of 7,093 modified auditor's opinions for the period between 1994 and 1999 (approximately 1,200 annually). It was noted that there was a clear connection between modified opinions and abnormal accruals of the companies operating according to going concern assumption. The authors (Lin et al., 2011) presented data that explained why 11% of the companies listed on China's stock exchanges, received modified audit opinions for the period 1992-2009. The authors specified three reasons: incentives for applied earnings management technique; poor quality of financial reporting; and poor budgeting control. In addition, it was noted that the clients with modified opinions generally received more funding from their related entities after such opinions were issued.

The matter researched in this paper was not the focus of attention of foreign authors; however, a large number of them conducted research on the relationship between individual items of financial statements and the type i.e. the content of the auditor's report. For example, authors (Butler et al., 2004), (Francis, Krishnan, 1999), (Bartov

et al., 2000), (Bradshaw et al., 2001) point out that there is a relationship between abnormal accruals and modified auditor's opinions. Somewhat scarce literature in this area includes no prior works dealing directly with the agricultural industry and therefore this paper is a contribution to this scientific literature. It is safe to assume that the issues this paper is concerned with are topical matters which are insufficiently researched both in domestic and regional literature.

### Research methodology

For the purpose of this research, 398 annual reports/companies listed on the Belgrade Stock Exchange (BELEX) in the Republic of Serbia were selected. These companies operate as open joint-stock companies. At the time of this research, a total of 582 public companies were listed on this market. Companies without publicly available financial statements and/or auditor's reports were excluded from research sample. The elimination of such companies decreased research sample to 398 companies, comprising nearly 70% (68.38%) of all legal entities listed. With the aim of gaining an insight into current results of the disclosed mandatory audit reports for companies operating in different sectors, the sample was divided into two groups: agriculture, forestry and fishing public companies and other public companies (non-agricultural). The later group consists of companies from all other sectors, including financial sector (banks, insurance companies and other financial institutions).

The following table shows research sample structure according to the company size and industry sector each business entity operates in. As suspected, the highest share belongs to manufacturing entities and micro and small entities represent app. 70% of the sample.

**Table 1.** Sample structure (company size and industry sectors)

Industry sectors	Number of public companies		Size			
			Micro	Small	Medium	Large
Manufacturing	128	32.16%	34	44	30	20
Mining	7	1.76%	2	1	3	1
Financial and insurance activities	11	2.76%	1	/	2	8
Wholesale and retail trade	61	15.33%	38	14	4	5
Real estate activities	12	3.02%	10	1	/	1
Construction	49	12.31%	22	14	10	3
Agriculture, forestry and fishing	29	7.29%	6	13	9	1
Electricity, gas and steam supply	0	.00%	/	/	/	/

Industry sectors	Number of public companies		Size			
			Micro	Small	Medium	Large
Transportation and storage	20	5.03%	6	6	6	2
Professional, scientific and technical activities	22	5.53%	10	6	6	/
Accommodation and food service activities	23	5.78%	9	12	2	/
Information and communication	14	3.52%	9	3	2	/
Administrative and support service activities	9	2.26%	6	2	1	/
Education	4	1.01%	2	2	/	/
Other service activities	4	1.01%	3	1	/	/
Arts, entertainment and recreation	1	0.01%	/	1	/	/
Water supply and sewerage	3	0.75%	2	1	/	/
Human health and social work activities	1	0.01%	1	/	/	/
Total	398	100%	161	121	75	41
	100%	/	40.45%	30.40%	18.84%	10.30%

*Source:* Authors' research

Having in mind that a certain number of public agriculture companies did not disclose auditor's reports, the sample that refers to companies operating in the agriculture, forestry and fishing sector comprised 29 out of 42 agricultural public companies in total at the time of research. The sample of the agriculture, forestry and fishing companies has a 4% share in the total number of companies on the Serbian market (SBRA, 2019). Financial statements and the related auditor's reports of the sampled companies were taken from the database maintained by the Serbian Business Registers Agency (SBRA, 2019) for 2017, which was the reporting year. It is important to note that auditor's reports referred to individual and not consolidated financial statements. Having in mind that the reporting currency for these financial statements was Serbian dinar (RSD), the amounts were converted to a more stable currency (EUR) at the mean exchange rate prevailing on 31<sup>st</sup>, December 2017.

The primary method used in this research was the content analysis. The said method implies a broad use of qualitative research technique focused on the systematic review of collected data (Hsieh, Shannon, 2005). Qualitative content analysis can be an important alternative to the classical quantitative analysis in the case when the author is working in an interpretative paradigm (Zhang, Wildemuth, 2019). The following section of the paper will present research results and short discussion.

## Research results and discussion

As mentioned before, audit opinion is an essential part of the audit report, therefore our analysis started there. Each audit report has been read carefully and audit opinion has been noted, either based on the audit opinion paragraph or based on the wording auditor used when issuing the opinion. Table below shows the research results on the type of opinions issued to agriculture, forestry and fishing companies and their share in the total number of opinions.

**Table 2.** Audit opinion type of Serbian public companies operating in agriculture, forestry and fishing sector in 2017

Audit Opinion	Number of opinions		% in total number
Total unmodified opinion	17		58.62%
Unmodified opinion without emphasis of matter	9	52.94%	31.03%
Unmodified opinion with emphasis of matter	8	47.06%	27.59%
Total modified opinion	12		41.38%
Qualified opinion	7	58.33%	24.14%
Disclaimer of opinion	4	23.53%	13.79%
Adverse opinion	1	8.33%	3.45%
Total audit opinions	29		100%

Source: Authors' research

As can be noticed, more than half of these companies (close to 60%) received unmodified audit opinion on their audited financial statements. Out of 17 companies with unqualified opinions, less than half received unqualified opinions with explanatory paragraph, without modifying the report. The total number of companies which were issued modified opinions was dominated by companies which received qualified opinions (as much as 58.33%). When it comes to the disclaimer of opinion, as much as 23.53% of companies obtained this type of audit opinion. Finally, only one public company in the agricultural industry received an adverse opinion. Further on, the table below shows the research results in terms of the type of opinion issued to the rest of the companies and their share in the total number of opinions.

**Table 3.** Audit opinion type of other Serbian public (non-agricultural) companies in 2017

Audit Opinion	Number of opinions		% in total number
Total unmodified opinion	175		43.97%
Unmodified opinion without emphasis of matter	89	50.86%	22.36%
Unmodified opinion with emphasis of matter	86	49.14%	21.61%
Total modified opinion	223		56.03%
Qualified opinion	139	62.33%	34.93%
Disclaimer of opinion	75	33.63%	18.84%
Adverse opinion	9	4.04%	2.26%
Total audit opinions	398		100%

Source: Authors' research

The preceding table indicates that slightly more than half of public companies in non-agricultural sectors received a modified opinion (56.03%) on their audited financial statements. It has to be mentioned here that results, for both groups of companies, differ from research previously cited, where close to 70% of sampled entities got unmodified opinion (Stanisic et al., 2019). In terms of the type of modified opinion, it is noticeable that qualified opinions were dominant with as much as 62.33% of the total number of modified opinions. Of the same number of modified opinions, almost 33.63% of companies received a disclaimer of opinion, which is an indicative situation of the circumstances in which the auditors were unable to obtain sufficient audit evidence to form their opinions. Finally, as much as nine public companies from other sectors received adverse opinions on their published financial statements - the reason for which these companies would probably be removed from developed capital markets. When comparing research results in terms of the type of opinion received by public companies operating in the agriculture, forestry and fishing sector and those received by companies in other sectors, the situation swings in favour of the former group. The structure of modified opinions is very similar, though adverse opinions have a significantly lower share.

When it comes to audit company that issued audit report, in this paper, two types of companies providing audit services have been differentiated: domestic i.e. Serbian companies, which are not branches of foreign audit companies; and international audit companies (including Big 4 companies). It can be assumed that clients more often choose domestic companies probably due to lower rates, but also because of the peculiarities of certain business activities, including agriculture and similar activities. Accordingly, the table below shows the research results in terms of types of auditor hired to conduct a statutory audit of the sampled companies.

**Table 4.** Type of auditors of sampled public companies

	<b>Agriculture, forestry and fishing</b>	<b>%</b>	<b>Other industries</b>	<b>%</b>
Domestic audit companies	20	68.97	223	60.43
International audit companies	9	31.03	146	39.57
Total	29	100	369	100

*Source:* Authors' research

The previous table shows that the majority of public agriculture, forestry and fishing companies used the services of domestic audit companies (68.97%). These companies probably had more confidence in domestic auditors because of the national legislation, which these companies should be more familiar with. When it comes to companies from other industries, they more often opted for domestic audit companies (60.43%), as well. International audit companies were hired by public companies operating in the agriculture, forestry and fishing sector in only nine instances (out of which six belong to Big 4). When it comes to companies operating in other industries, results were different, as international audit companies had a 39.57% share.

Comparative analysis of differences in explanations or reasons for emphasis of matter provided by auditors in their reports will be in focus next. Previous is of fundamental importance for the understanding of the published auditors' opinions and for the high-quality analysis of audited financial statements. Based on the results of this research, it can be noticed that auditors specify just several situations as emphasis of matter reasons.

**Table 5.** Emphasis of matter reasons in auditor's reports in the agriculture, forestry and fishing sector

	Unmodified opinion	Unmodified opinion with explanatory paragraph	Qualified opinion	Disclaimer of opinion	Adverse opinion	Total	Average
Valuation of property, plant and equipment	/	/	4	4	/	8	12.12%
Going concern assumption	/	3	1	4	/	8	12.12%
Disclosures (in notes to financial statements)	/	3	2	2	/	7	10.61%
Inventories valuation	/	1	3	2	/	6	9.09%
Recognition and valuation of liabilities	/	/	2	3	1	6	9.09%
Transfer pricing report	/	1	2	3	/	6	9.09%
List of assets	/	1	1	3	/	5	7.58%
Account payable valuation and impairment	/	/	2	1	1	4	6.06%
Provisions recognition and valuation	/	1	1	1	1	4	6.06%
Bankruptcy reorganisation	/	2	/	1	/	3	4.55%
Mortgage and warranty	/	1	1	/	1	3	4.55%
Revaluation	/	/	2	/	/	2	3.03%
Valuation of biological assets	/	/	1	1	/	2	3.03%
Accounting policies and procedures	/	1	1	/	/	2	3.03%
Total	0	14	23	25	4	66	100.00%

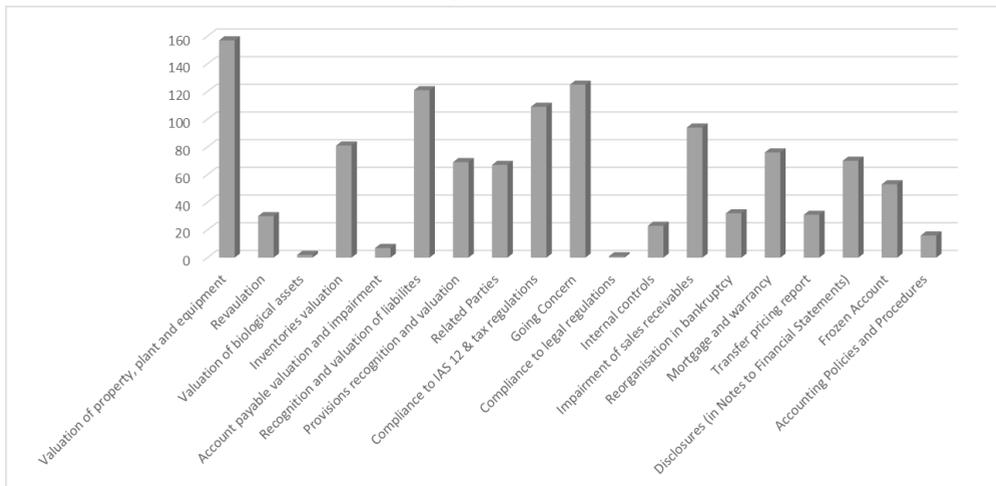
Source: Authors' research

As expected, when auditor issued an unmodified opinion, there were no additional information on emphasis of matter, because financial statements are true and fair. However, when an auditor issues an unqualified opinion, i.e. an unmodified opinion with explanatory paragraph, the auditor indicates that there is information that would have been of importance for the understanding of the financial statements. There are nine situations described in emphasis of matter paragraph in unmodified opinion reports that have been identified in this research; and the most common were: Going concern and Disclosures (in the notes to financial statements). However, when

an auditor issues a modified opinion, the reasons for emphasis of matter increases. When all types of modified opinions are taken cumulatively, there are 52 emphasis of matter that are indicated in such opinions, which is 78.79% of the total sample. When qualified opinions are concerned, all situations are present, however the most often cited is Valuation of property, plant and equipment. Furthermore, auditors who issued a disclaimer of opinion also indicate this situation, and in equal number of reports, they express doubts concerning the client’s ability to continue their business according to a going concern assumption. Having in mind that adverse opinions had the smallest share in the total number of opinions issued, the number of reasons for such opinions was thus smaller and included only following: Recognition and valuation of liabilities; Account payable valuation and impairment; Provisions recognition and valuation; and Mortgage and guarantees.

When it comes to the sample of 369 public companies operating in other sectors and listed on the Belgrade Stock Exchange in 2017, the results show differences to some extent. Namely, the structure of reasons cited in auditor’s reports for other public companies was the same as for companies operating in the agriculture, forestry and fishing sector when it comes to the type of audit opinion issued. However, unlike the first group of companies, the most common issue cited for the second group of companies that received unqualified opinions with explanatory paragraph was Going Concern, followed by Recognition and valuation of liabilities; Mortgage and guaranties; and Valuation of property, plant and equipment.

**Figure 1.** Reasons for emphasis of matter in auditor’s reports in other public companies (non-agricultural)



Source: Authors’ research

Other public companies had 1,164 cases of emphasis of matter reported in total. When all types of modified opinions are taken in aggregate, there were a total of 1,062 cases of emphasis of matter described, which makes 86.62% of the total number of situations mentioned in the relevant auditor’s reports. In qualified opinions, there were 548 cases

of emphasis of matter situations specified and the ones that occurred the most often were the same as in unqualified opinion with emphasis of matter (Valuation of property, plant and equipment; Going concern), only their frequency was higher. However, it is interesting to note that when the auditor issued a disclaimer of opinion, the number of issues specified by the auditor was lower for public companies in other sectors. Valuation of property, plant and equipment; Going concern; Disclosures according to IAS 12; Bankruptcy and financial restructuring; were mentioned to a considerably lesser extent. As can be expected, when the auditor issued an adverse opinion on audited financial statements, the number of issues specified by auditor was lower compared to the agricultural, forestry and fishing sector. In this case, auditors expressed concerns regarding going concern assumption, disclosed value of fixed assets and impact that mortgages and guarantees issued have on the client's business.

Having in mind that in addition to qualitative differences there may be quantitative differences in the relevant auditor's opinions, comparative analysis of the number of pages and paragraphs contained in auditor's reports per type of auditor and type of audit report will be presented next.

**Table 6.** Auditor's reports per type of auditor and industry

Industry sectors		Agriculture, forestry and fishing		Other industries	
		Average number of pages	Average number of paragraphs	Average number of pages	Average number of paragraphs
Auditor type	Domestic	2.95	13.1	3.43	15
	International	5	19.6	4.68	20.11
Auditor opinion type	Unmodified opinion	2	8.44	2.21	8.58
	Unmodified with explanatory paragraph	2.88	12.35	2.52	11.05
	Modified opinions	3.25	14.58	3.6	16.03

*Source:* Authors' research

In terms of the type of auditor (domestic and international) in agriculture, forestry and fishing sector, it can be noted that auditor's report was issued on 3.98 pages on average. In terms of the average number of paragraphs, auditor's reports on average mainly consisted of 16.35 paragraphs. The situation was similar in public companies in other sectors. Auditor's report issued for public companies in other sectors was on average 4.06 pages long with the average number of paragraphs of 17.56. When it comes to types of auditor's opinion (Unmodified Opinion, Unmodified with Explanatory Paragraph and Modified Opinions), it can be noticed that the number of pages changed with the type of opinion, both for public companies in the agricultural sector and for public

companies in other sectors. Having in mind the obligation of the auditors to specify the grounds for forming an opinion, the length of the report for modified opinions became increasingly longer the more unfavourable the type of opinion was. The same applies to companies in other sectors.

### Conclusion

Development of agricultural and other environmental performances has become an essential element of sustainable growth policies in countries across the world; and it is certainly an important economic sector in Serbia (Zecevic, et al., 2019). This paper examined the extent to which the audit results differ between companies operating in the agriculture, forestry and fishing sector and the companies in other sectors. The sample used in research comprised 398 public companies: 29 public agriculture, forestry and fishing companies and 369 public companies in other sectors that account for 70% of all public companies listed on the Belgrade Stock Exchange. When it comes to the first group of entities, research results show that 17 companies (58.62%) received an unmodified opinion on audited financial statements, including opinions with emphasis of matter. In the other group of companies (non-agricultural), majority of companies received modified opinion on audited financial statements with a 56.03% share. Regarding the type of auditor selected by the clients, it is interesting to notice that the public companies operating in the agriculture, forestry and fishing sector and the companies in other sectors generally decide to use the services of domestic audit companies. When it comes to emphasis of matter situations cited in auditor's reports for companies in agriculture, forestry and fishing industry, the majority of matters were in relation to Valuation of property, plant and equipment and Going concern. The emphasis of matter most cited in auditor's reports of companies from other sectors were Valuation of property, plant and equipment and Going concern. Likewise, related to valuation process, the matter of Recognition and valuation of liabilities has occurred also in these reports, which altogether points out that valuation of assets and liabilities might be one of the most complex areas of financial reporting and thus one that is perceived with a greater risk of misstatements by auditors. Other papers and researches that deal with the content of the auditor's reports and financial reporting practices in the Republic of Serbia pointed this issue. For example, authors (Obradovic et al., 2018) found that Revaluation of property, plant and equipment and Capitalisation of post-purchase costs of property, plant and equipment are areas that are considered to be particularly complex or problematic by respondents from Serbia. Furthermore, it seems that Serbian business entities also struggle with Disclosures in notes to financial. Namely, two separate research papers show that relatively significant number of Serbian business entities did not or did not clearly disclose the model for subsequent measurement of owner-occupied Properties, plant and equipment; Investment properties; as well as Goodwill (Karapavlovic et al., 2020), (Spasic, 2018). The same has been proved by authors (Dencic-Mihajlov, Spasic 2016) that claim that there is a low level of both mandatory and voluntary disclosures of Serbian public companies. The insufficiently developed market may have an impact on the company's decision to opt out of acquiring the services of Big 4 companies. Namely, only 0.32% of all companies

in Serbia are large entities, 1.29% is medium-sized entities, 9.42% are small entities and 88.98% are micro-entities (SBRA, 2019). The situation in the sample companies is different as the large entities have an almost 11% share, medium-sized entities have a 19% share, with the rest being small (about 30%) and micro-entities (40%). When observing the share which differently sized companies have in the selection of the type of auditor, it can be noted that the structure is roughly similar, which means that the size of an entity has no impact on the selection of a certain type of auditor. It can then be concluded, for example, that micro and large entities have an equal probability of choosing a Big 4 company or any other audit company. To conclude, despite the peculiarities of the agricultural activities, it seems that the results obtained do not show that auditors are required to adapt considerably the process of data collection and opinion-forming for clients from agriculture, forestry and fishing, as their financial statements suffer from almost the same issues as the ones from other sectors. The results of this research should be taken with caution having in mind that public companies involved in the agricultural activity do not represent a significant part of companies whose securities are traded in the Belgrade Stock Exchange. Finally, research in this field in the future could be focused on the analysis of the timeframe needed for disclosure of auditor's reports.

### Acknowledgements

This research paper is the part of project “*Organizational and Information Support to the Quality Management System as a Key Factor in Increasing the Competitiveness of Our Companies and Faster Entry into the World and EU Market*”, no. 179001, financed by the Ministry of Education, Science and Technological Development of the Republic of Serbia.

### Conflict of interests

The authors declare no conflict of interest.

### References

1. Atrill, P., & McLaney, E. (2011). *Financial Accounting for Decision Makers*. Pearson Education Limited, Harlow.
2. Bartov, E., Gul, F., & Tsui, J. (2000), Discretionary-Accruals models and audit qualifications, *Journal of Accounting and Economics*, 30(1), 421–452. <https://doi.org/10.2139/ssrn.214996>
3. Belgrade Stock Exchange, Information Services, Retrieved from [https://www.belex.rs/proizvodi\\_i\\_usluge/recnik](https://www.belex.rs/proizvodi_i_usluge/recnik) (October 25, 2019)
4. Bradshaw, M., Richardson, S., & Sloan, R. (2001), Do analysts and auditors use information in accruals?, *Journal of Accounting Research*, 39(1), 45–74. <https://doi.org/10.1111/1475-679X.00003>
5. Butler, M., Leone, A., & Willenborg, M. (2004), An empirical analysis of auditor reporting and its association with abnormal accruals, *Journal of Accounting and Economics*, 37(2), 139-165. <https://doi.org/10.1016/j.jacceco.2003.06.004>

6. Dencic-Mihajlov, K., & Spasic. D. (2016). Mandatory and Voluntary Disclosures of Serbian Listed Companies – Achieved Level and Some Recommendation for Improving their Relevance. *International Journal of Business and Economic Sciences Applied Research*, 9(1), 27-38.
7. FAOSTAT (Food and the Agriculture Organization of the UN), Retrieved from <http://www.fao.org/faostat/en/#data> (October 21, 2019)
8. Fischer, M., & Marsh, T. (2013). Biological assets: Financial recognition and reporting using US and international accounting guidance. *Journal of Accounting and Finance*, 13(2), 57-74.
9. Francis, J., & Krishnan, J. (1999), Accounting accruals and auditor reporting conservatism, *Contemporary Accounting Research*, 16(1), 135–165. <https://doi.org/10.1111/j.1911-3846.1999.tb00577.x>
10. Gabric, D., Bosnjak, Z. (2017), Empirijska analiza obeležja značajnih pogrešnih prikazivanja u finansijskim izveštajima preduzeća u Federaciji BiH. *Zbornik radova Ekonomskog fakulteta Sveučilišta u Mostaru*, 23(1), 7-25. Preuzeto sa <https://hrcak.srce.hr/202145> (Oktober 25, 2019) [in English: Gabric, D., & Bosnjak, Z. (2017). An empirical analysis of the characteristics of material misstatements in the financial statements of companies in the Federation of BiH. *Journal of Economy and Business Faculty of Economics, University of Mostar*, 23 (1), 7-25. Retrieved from <https://hrcak.srce.hr/202145> (October 25, 2019)]
11. Hsieh, H.F., & Shannon, S. (2005), Three Approaches to Qualitative Content Analysis, *Qualitative Health Research*, 15(9), 88-127. <https://doi.org/10.1177/1049732305276687>
12. Jovkovic, B., & Djurdjevic, M. (2018). Comparative analysis of the cause of modification in auditor's opinion in financial sector and real sector companies, *Contemporary issues in economics, business and management, Faculty of economics University of Kragujevac*, 401-412. Retrieved from <http://ebm.ekfak.kg.ac.rs/sites/default/files/download/EBM%202018.pdf>
13. Jovkovic, B. (2018), The analysis of auditor's reports of insurance companies in the Republic of Serbia, *Teme*, 42(4), 1277-1295. <https://doi.org/10.22190/teme1804277j>
14. Karapavlovic, N., Obradovic, V., & Bogicevic, J. (2020). The use of historical cost and fair value for property and plant and equipment measurement – evidence from the republic of Serbia, *Economic Annals*, 65(227), 95-118. <https://doi.org/10.2298/eka2027095k>
15. Kondic, N., & Poljasevic, J. (2015), Adekvatnost pitanja koja dovode do skretanja pažnje u revizorskom mišljenju u Republici Srpskoj. *Zbornik radova Ekonomskog fakulteta Sveučilišta u Mostaru*, Posebno izdanje 2015, 174-188. Preuzeto sa <https://hrcak.srce.hr/204412> (Novembar 5, 2019). [in English: Kondic, N., & Poljasevic, J. (2015). Adequacy of the questions that comes pursuing attention to auditorship opinion in the Republic of Srpska. *Journal of Economy and Business Faculty of Economics, University of Mostar*, Special edition 2015, 174-188. Retrieved from <https://hrcak.srce.hr/204412> (November 5, 2019)].

16. Lin, S., Jiang, Y., & Xu, Y. (2011), Do modified audit opinions have economic consequences? Empirical evidence based on financial constraints, *China Journal of Accounting Research*, 4(3), 135–154. <https://doi.org/10.1016/j.cjar.2011.06.004>
17. Ljubisavljevic, S., & Jovkovic, B. (2016). *Revizija finansijskih izveštaja*. Ekonomski fakultet Univerziteta u Kragujevcu, Kragujevac.
18. Ljubisavljevic, S., Jovkovic, B., & Stancic, V. (2014). Vrste mišljenja iznetih u revizorskim izveštajima privrednih društava grada Kragujevca za period 2010-2012. *Stanje i perspektive ekonomskog razvoja grada*, Ekonomski fakultet Univerziteta u Kragujevcu, 487-500. Preuzeto sa <http://www.ekfak.kg.ac.rs/images/Nir/ProjekatFakulteta/Zbornik2014.pdf> (April 27, 2021). [in English: Ljubisavljevic, S., Jovkovic, B., & Stancic, V. (2014). Types of opinions expressed in the audit reports of companies of the city of Kragujevac for the period 2010-2012. *Status and prospects of economic development of the city*, Faculty of economics University of Kragujevac, 487-400. Retrieved from <http://www.ekfak.kg.ac.rs/images/Nir/ProjekatFakulteta/Zbornik2014.pdf> (April 27, 2021)].
19. Lloyd, A., & Malcolm, B. (1997). *Agriculture and the family farm in the economy*. in J. Lees (Eds.) *A legacy under threat? Family farming in Australia*, 59-80. The University of New England Press, Armidale.
20. Louwers, T., Blay, A., Sinason, D., & Strawser, J. (2018). *Auditing & Assurance Services*. McGraw-Hill Education, New York.
21. Melville, A. (2019). *International Financial Reporting: A Practical Guide*. Person Education Limited, Harlow.
22. Muhammad, K., & Ghani, E. (2014), A fair value model for bearer biological assets in promoting corporate governance: A proposal, *Journal of Agricultural Studies*, 2(1), 16-26. <https://doi.org/10.5296/jas.v2i1.4630>
23. Obradovic, V., Cupic, M., & Dimitrijevic, D. (2018), Application of International Financial Reporting Standards in the Transition Economy of Serbia, *Australian Accounting Review*, 28(1), 48-60. <https://doi.org/10.1111/auar.12187>
24. Popovic, S., Novakovic, S., Djuranovic, D., Mijic, R., Grubljesic, Z., Anicic, J., & Majstorovic, A. (2017), Application of international accounting standard-16 in a public company with predominantly agricultural activities, *Economic research*, 30(1), 1850-1864. <https://doi.org/10.1080/1331677X.2017.1383171>
25. Rosenfield, P. (2006). *Contemporary Issues in Financial Reporting: A user-oriented approach*. Routledge. New York.
26. SBRA (The Serbian Business Registers Agency), Retrieved from <http://www.apr.gov.rs/> (December 3, 2019)
27. Securities Commission Republic of Serbia, Retrieved from <http://www.sec.gov.rs/index.php/en/regulations/implementation/opinions> (October 10, 2019)
28. Spasic, D. (2018), Do Serbian companies provide relevant disclosures about goodwill?, *Economic Themes*, 56(1), 127-138. <https://doi.org/0.2478/ethemes-2018-0008>

29. Stanisić, N., Radojević, T., & Stanić, N. (2019), Predicting the type of auditor opinion: statistics, machine learning, or a combination of the two?, *The European Journal of Applied Economics*, 16(2), 1-58. <https://doi.org/10.5937/EJAE16-21832>
30. Stanković, V., Mrdak, G., & Miljković, M. (2019). Economic-legal analysis of international investments. *Oditor – časopis za menadžment, finansije i pravo*, 6(3), 89-122. <https://doi.org/10.5937/Oditor2003089S>
31. Zecević, M., Pezo, L., Bodroza-Solarov, M., Brlek, T., Krulj, J., Kojic, J., & Maric, B. (2019), A business model in agricultural production in Serbia, developing towards sustainability. *Ekonomika poljoprivrede*, 66(2), 437-456. <https://doi.org/10.5937/ekoPolj1902437Z>
32. Zhang, Y., & Wildemuth, B. (2019). *Qualitative Analysis of Content*, 318-329. Applications of Social Research Methods to Questions in Information and Library Science, Libraries Unlimited, California.