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"Investigating the Influence of IFRS Adoption on the Quality of Accounting Practices – A Review on Augmented Disclosure Demands"

Abstract

This paper conducts a comprehensive review of the existing literature on the impact of converging to International Financial Reporting Standards (IFRS) on accounting quality, specifically examining its influence on manipulative practices in reporting earnings and the enhancement of the value relevance of financial information. The Scopus database was used to gather a sample of 68 research publications, and the inclusion criteria was based on factors that affect the quality of accounting, earnings management, value relevance, and clarity of accounting practices. Results show that value relevance increased due to the adoption of IFRS; this increase is ascribed to improved financial reporting's disclosure, comparability, and transparency. According to several research, value relevance has not altered, conforming to recently established local GAAP criteria. Additionally, investors benefit from a notable decrease in information asymmetry and earnings mismanagement following adoption. The paper contributes to future research by identifying potential areas of study related to the impact of disclosure requirements on enhancing financial reporting integrity and understanding investor attitudes towards increased accounting transparency.

JEL Classification: M4

Keywords

IFRS adoption, disclosure requirements, accounting transparency, Value relevance, earnings mismanagement

Introduction

With the emergence of globalized accounting practices, reporting of financial transactions has gained importance for all the entities. Reporting of financial transactions moved to a different dimension wherein the companies are compelled to retain the desired level of quality especially when it comes to notes to accounts. International accounting practices has paved way to more disclosure requirement which resulted in increased transparency of accounting. The cost benefit analysis of IFRS convergence always give an added advantage to countries.

Shigufta Hena Uzma, in a study aims to enhance understanding of countries transitioning from local accounting principles to International Financial Reporting Standards (IFRS), focusing case of India. Through qualitative analysis, the study explores the transition's cost-benefit outcomes in developed nations, East Asian countries, and BRIC nations. It highlights various issues like corporate governance, fair value accounting, and environmental concerns associated with IFRS convergence. It underscores dissimilarities between Indian GAAP and International GAAP and emphasizes the need for more comprehensive studies in East Asian and BRIC nations. Ultimately, the study underscores the value of mandatory IFRS adoption in developed nations as a guide for emerging markets and IFRS-compliant companies, offering insights into the transformation’s implications (Uzma, 2016) (Păşcan I. D., 2015).

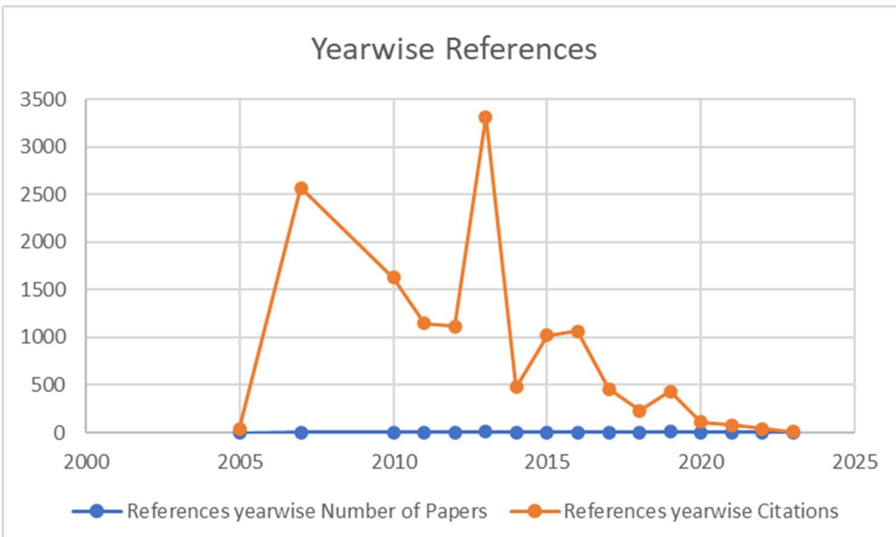
Increased transparency helps in comparison with similar entities reporting (Zeller, 2019). Transparence of financial reporting basically improves the credibility of the entity in terms of quality and comparability (Clarkson, 2011) . Investors who are keen in knowing the financial position of the company may find it convincing because of the heightened transparence of accounting information. The value relevance of the financial information acts as an important role in investment decisions. The research of Henry Agyei-Boapeah *et al* delves into the impact of the adoption of International Financial Reporting Standards (IFRS) on the valuation of African firms listed over the period of 15 years. The research highlight a positive relationship between IFRS adoption and firm value, with a notably amplified impact in regions characterized by robust adherence to legal principles. The study again pinpoints a more pronounced rise in firm value for businesses facing greater financial limitations. Moreover, complete implementation of IFRS is shown to yield more advantages compared to partial adoption. The outcome is demonstrated through controls for other variables influencing firm value and the use of alternative sampling methodologies. (Agyei-Boapeah, 2020, July)

The Major questions that this research try to address are

1. How do augmented disclosure requirements affect accounting quality and impact value relevance in financial reporting?
2. What is the connection between transparency in accounting information and its importance in determining value relevance?
3. How does accounting quality influence performance indicators and its significance for value relevance in financial reporting?
4. What are the existing gaps in research on the impact of augmented disclosure requirements on accounting quality and value relevance, and what future research directions can be suggested for standard-setting bodies and firms adopting International Reporting?

Selection of papers and review design

The methodology employed for this paper involves conducting a comprehensive review of scholarly articles listed in Scopus indexed journals that is published after the year 2005 which has a very good citation score. The central focus of the paper pertains to the widespread adoption of International Financial Reporting Standards (IFRS) across countries worldwide, a phenomenon that gained substantial traction post-2001. The research design entails a deliberate selection of articles, with approximately 30% of the content dedicated to comprehensive review papers that synthesize existing knowledge. The remaining portion of the paper is dedicated to empirical studies that provide concrete evidence and insights. This methodological approach ensures a balanced representation of the subject matter, encompassing both theoretical explorations and practical observations to present a thorough and multifaceted analysis.



After conducting the broad review, the collected papers were categorized into six major headings. This categorization was done to refine the study's objectives and further narrow down the research context. The major headings include:

- ❖ Impact of IFRS adoption on disclosure requirements
- ❖ Interrelationship of accounting transparency and statutory disclosure requirements
- ❖ Impact of enhanced accounting transparency on the significance of value relevance
- ❖ Investors behaviour towards the transparent firms

- ❖ The role of transparency of earnings on investor decision making process.
- ❖ Reduction of earnings manipulation after the IFRS adoption.

1. Unveiling the Synergies of IFRS Adoption and Heightened Disclosure Requirements

The challenge of dual reporting, stemming from discrepancies between local and international accounting standards, presented significant issues for countries, particularly for companies operating within them. For instance, many Indian companies found themselves in the position of having to prepare and present financial statements in both the local Accounting Standards (AS) format and in accordance with IFRS prior to the mandatory adoption of International Financial Reporting Standards (IFRS) in India. When comparing financial statements on a global basis, this position presented challenges. There was a higher possibility of hiding liabilities when using the local Generally Accepted Accounting Principles (GAAP). The adoption of IFRS was thought to be necessary in order to fully resolve these difficulties.

1.1 Navigating Global Standards: Understanding IFRS Adoption"

Improvements to the International Financial Reporting Standards (IFRS)-based financial reporting were discussed by Jenice Prather and others. Global financial reporting uniformity is the goal of the International Accounting Standards Board (IASB). The academics examine current literature and organisational operations using a disciplined technique. They identify difficulties brought on by inconsistent IFRS adoption, application, and enforcement, which reduces comparability. In order to promote more complete and consistent IFRS enforcement, the study examines IASB's efforts to standardise enforcement and makes recommendations for changes to the IOSCO's operating structure. One of the ideas encourages IOSCO to conduct periodic evaluations of the financial reports of internationally listed organisations, increasing transparency and comparability between businesses that use IFRS (Jenice Prather-Kinsey, 2022). In 2002, the European Union (EU) Parliament enforced a regulation mandating the use of International Financial Reporting Standards (IFRS) for consolidated and simplified accounts of all EU-listed companies, effective from 1 January 2005. This transition in accounting practices is poised to significantly impact the information landscape for these companies within the EU. (Sun, 2008) conducts a comprehensive literature review concerning the adoption of various Generally Accepted Accounting Principles (GAAP). By doing so, it establishes a foundational context and offers valuable insights for researchers investigating the implications of widespread IFRS adoption across the EU. The authors claim that despite this change, there will likely still be differences in accounting quality between nations because of the larger institutional framework in which enterprises operate, which includes things like the legal and political systems of their individual host countries.

While it is noteworthy that the adoption of IFRS improves accounting quality, it is crucial to recognise that other factors also contribute to the standard of accounting practises. A study conducted by Kevin Jialin Sun and Naomi S. Soderstrom The European Union (EU) Parliament passed a law in 2002 requiring all publicly traded corporations in the EU to use International Financial Reporting Standards (IFRS) beginning with fiscal years that begin after January 1, 2005. It is predicted that this significant change in accounting standards would have a significant impact on how EU businesses disclose financial information. This essay provides an in-depth analysis of the recent literature on the use of several Generally Accepted Accounting Principles (GAAP). Its primary goal is to lay the groundwork and provide direction for academics researching how the widespread implementation of IFRS inside the EU will affect the quality of accounting practises. The main contention of the paper is that, even after the implementation of IFRS, there would probably still be variances in the standard of accounting practises used in various nations. The fact that selecting accounting standards is only one factor affecting accounting quality may help to explain this continued variety. (Sun N. S., 2007).

1.2 Impact on Financial Reporting: A Closer Look at IFRS Adoption

Joseph Akadeagre *et al* investigates theoretical foundations in studies related to International Financial Reporting Standards (IFRS) and suggests research directions. It analyzes 67 empirical papers from the Web of Science database, using a systematic review approach. The study reveals the prevalence of institutional theories, particularly isomorphism, across IFRS adoption, compliance, and effects areas. The findings contribute to theory development in accounting and offer insights for regulators, academics, and practitioners explaining accounting changes (Joseph Akadeagre Agana, 2023). Further studies also emphasize on the factor that IFRS adoption has widely impacted on the institutional and social aspects of the country. Riahi, O., & Khoufi, W delves into the impact of behavioral factors on the adoption of International Financial Reporting Standards (IFRS) within developing countries (DCs). Employing a logistic regression methodology and an empirical model grounded in the neo-institutional approach, the study scrutinizes the relationship between these factors and the adoption of IFRS across a sample of 108 DCs. The findings reveal a reciprocal link between behavioral variables and IFRS adoption, highlighting the substantial role played by institutional and social pressures. This research furnishes valuable insights for local accounting standard setters and governments seeking a deeper comprehension of the catalysts and impediments to IFRS adoption. Furthermore, it advances the broader comprehension of the interconnection between human behavior and accounting practices. The study introduces novelty by exploring the behavioral dimension within the realm of accounting practices in developing countries Riahi, O., & Khoufi, W. (2019). The widespread implementation of International Financial Reporting Standards (IFRS), spurred by the IAS Regulation in 2002, has prompted numerous empirical studies investigating various aspects of the voluntary or mandatory adoption of IFRS. To realize the expected advantages of adopting IFRS, such as enhanced comparability and transparency in financial reporting, it's crucial that the shift from national accounting standards to IFRS results in improved accounting information quality. Irina-Doina Păşcan aims at understanding the impact of transitioning to IFRS from national accounting standards on accounting quality in Europe, drawing from existing research. The study outlines the measurement methods employed by researchers to gauge accounting quality and provides an overview of the factors influencing accounting quality (Păşcan, (2015).

1.3 Revealing Accounting Excellence: Assessing the Impact of Disclosure on Reporting Quality

The impact of more stringent disclosure standards brought on by the implementation of IFRS affects the accuracy and completeness of financial statements. Miihkinen investigates the impact of a national disclosure standard on IFRS-compliant risk reporting in Finnish businesses. It concludes that although the amount and thoroughness of risk disclosure have both improved as a result of the norm, there has been no equivalent rise in quantitative data. Reporting is influenced by variables like firm size, profitability, and international listing status. Quantitative risk data is disclosed more frequently by larger companies and those that abide with SEC regulations, and these advancements are long-lasting. The findings of this study have significant ramifications for enhancing the narrative value of annual reports (Miihkinen, 2012). The influence of IFRS adoption on the accounting standards of enterprises in Korea was a topic of discussion among Kimberly G. Key et al. The study was carried out over a 10-year period, both before and after the adoption of IFRS. Earnings management, change in cash flow rate, and change in income were the study's variables. The study's conclusion demonstrated that the adoption of IFRS and accounting quality are positively correlated. Investigating the connection between local institutions and accounting quality is the goal of G. Keya, J. Y. (2020). It addresses the impact of regional institutions on this process as well as how the implementation of International Financial Reporting Standards (IFRS) affects accounting quality in Chinese enterprises. The study focuses on accrual aggressiveness and prompt loss identification as two facets of accounting quality.

According to the study's findings, Chinese enterprises generally experienced an increase in discretionary accruals (DA) and a decline in timely loss recognition after adopting IFRS. Notably, businesses in areas with less development in the legal field had more drastic shifts in accrual aggressiveness and timely loss recognition. In particular, in the context of emerging economies like China going through economic transition and adopting IFRS, this study is crucial for advancing our understanding of institutional variables on accounting quality (Jun Hao, 2019). Foreign direct investment's eclectic paradigm hypothesis was examined by Charles J.P. Chen and colleagues. It was emphasised that accounting quality might also be a factor in a country's FDI influx, in addition to location advantages. The convergence of brand-new worldwide financial reporting standards may have an impact on accounting quality. The adoption of IFRS was found to be another element influencing FDI into a nation. According to this study, convergence to international standards might also be a factor that fosters investor confidence and draws greater FDI (Chen, C. J., 2014).

Although there are many factors that affect the integrity of financial reporting, disclosure requirements are one of the key ones. Further research established that the quality of the accounting cannot be guaranteed by reporting alone. In their research, Alessandro Cortesi and Luigi Vena concentrate on something called an Integrated Report (IR), which combines standard corporate reports with information on how a company manages social and environmental issues. Despite the fact that IR has been addressed frequently, the majority of research have focused on the circumstances in which businesses must employ it. On the other hand, this study looks at businesses that voluntarily implemented IR throughout a 15-year period, from 2003 to 2017, in 57 different nations. The results demonstrate that IR encourages corporations to reveal more information and lowers the degree of secrecy surrounding them. Additionally, it raises the standard of data about their earnings. The advantages of IR, however, are not great, and they don't greatly explain a company's entire value. It's interesting that the results don't appear to be impacted by a company's location or the economic structure of its nation. Additionally, it's not apparent whether the motivations behind a company's decision to embrace IR result in increased benefits for them (Cortesi, 2019).

2. the Nexus of Accounting Transparency and Value Relevance

The clarity of a company's financial information is closely tied to its attractiveness to investors. Detailed disclosures mandated for companies enhance investors' ability to evaluate their financial well-being before making investment decisions. This increased transparency is particularly valuable for investors who carefully scrutinize financial statements. The greater importance of accounting information, as noted by Kang (2005), is attributed to improved transparency, contributing value to the users of this information (Outa, 2017).

In a study by Agbodjo et al, the research assesses the value of accounting information for Islamic, conventional, and hybrid banks. It also examines how the adoption of IFRS and AAOIFI standards influences this value relevance. The findings reveal that Islamic banks perceive accounting information as more valuable compared to conventional banks. Furthermore, the adoption of IFRS enhances the importance of accounting information for Islamic banks, while AAOIFI adoption has a moderating effect on its significance for both Islamic and hybrid banks. This research provides valuable insights that can benefit investors who prioritize ethical practices and organizations involved in setting standards in the Islamic banking sector (Agbodjo, 2021).

2.1 Value Relevance in Financial Reporting

In a company's total presence, the value relevance of accounting information is extremely important. The clarity and transparency of the accounting information affects how completely users—in particular, investors—use it to make investment decisions. Investors regard information as reliable when it has a high value relevance (Garca, 2017). The adoption of International Financial Reporting Standards (IFRS) has as one of its main objectives increasing the validity and transparency of financial accounts. In the context of Greek accounting, Panagiotis E. Dimitropoulos et al. investigate the effects of IFRS adoption on the quality of accounting information. The study examines information from 101 companies that were listed on the Athens Stock Exchange between 2001 and 2008, a span of eight years. According to the research findings, the adoption of IFRS has a number of beneficial effects. These include lessening the manipulation of earnings, quicker loss recognition, and better accounting statistics when compared to regional accounting standards. The study also emphasises the positive effect of audit quality on accounting quality, especially when it is carried out by one of the Big 5 audit companies. After taking into account firm-specific aspects like size, risk, profitability, and growth potential, as well as a variety of model settings, these findings are still valid (Panagiotis E. Dimitropoulos, 2013). The importance of accounting quality for investors was covered by Ole-Kristian Hope et al. Since accrual-based accounting information has the capacity to forecast future cash inflows, it has been argued that high quality financial statements have an effect on investors' perceptions. To confirm that accounting quality had an impact on investor impressions across all US enterprises, a study was undertaken on those companies. The value relevance of financial statement data for investors—a concept explored in this paper by B. Thomas Dushyantkumar Vyasc (IFRS adoption and value relevance), 2017—is examined. Prior research found that the US experienced a drop in value relevance as a result of changes to accounting rules, whereas studies on the adoption of IFRS generally found an increase in value relevance. A few deviations were attributed to elements other than those in financial reporting. The study's overall conclusion is that the implementation of IFRS might improve the value relevance of financial reporting (Imhanzenobe, 2022). Mensah investigates how the implementation of IFRS affects the calibre of financial reporting by manufacturing companies listed on the Ghana Stock Exchange. Data from 2001 to 2014 is analysed for eleven firms, comprising 148 observations, using correlation and regression techniques. The results demonstrate a significant decline in profits manipulation following the adoption of IFRS using earnings management as a metric, indicating improved financial reporting integrity. This implies that the use of IFRS can improve financial reporting on the Ghanaian capital market, thereby increasing investor trust and luring in additional capital (Mensah, 2021). In a meta-analysis of research examining the international adoption of International Financial Reporting Standards (IFRS), Kamran Ahmed et al. evaluated the effect of IFRS on capital markets and financial reporting. The findings showed that the significance of book value of equity did not significantly increase after the adoption of IFRS. However, when evaluated using pricing models, the significance of earnings often increased. Although discretionary accruals remained unchanged, analyst forecast accuracy significantly improved. These results were the same across different geographical areas and were influenced by elements such as the precise analytical technique utilised and whether the adoption was optional or required. For policymakers assessing the effects of IFRS implementation on financial reporting and capital markets, this research provides insightful information (Ahmed, 2013).

2.2 Analyzing Factors Affecting Accounting Transparency-Value Linkage

Earnings quality, accounting information transparency, disclosure requirements, the strictness and transparency of regulatory frameworks, and accounting processes are some of the elements that affect the relationship between accounting information and its value. These elements affect both the stock values of individual companies as well as the usefulness of accounting information. International Financial Reporting Standards (IFRS) adoption has addressed and enhanced these elements. Following the introduction and convergence with IFRS, there has been a definite positive effect on these areas. The impact of implementing International Financial Reporting Standards (IFRS) on the calibre of financial reporting worldwide is examined by Ajit Dayanandan et al. It examines income management and smoothing in various geographies and legal regimes. The results demonstrate that the introduction of IFRS enhances the quality of financial reporting by lowering income smoothing and earnings manipulation, particularly in French and Scandinavian civil law nations. Less large changes are observed in nations with robust investor protection and legal systems, such as common law and civil law nations like Germany. A nation's level of financial disclosure also affects how much profit manipulation occurs there. This study provides information on the effects of IFRS adoption on financial reporting quality in various circumstances, which is helpful for those who develop international accounting standards (Dayanandan, 2016). Earnings manipulation, also known as earnings management, is the deliberate manipulation of financial statements by businesses to present a more favourable picture of their financial performance than is actually true of their financial situation. This stratagem encompasses a spectrum of accounting methodologies, including the timing of revenue recognition, deferral of expenses, and the utilization of accounting reserves. Earnings management has the capacity to ensnare investors, creditors, and assorted stakeholders, potentially culminating in misguided investment choices and financial instability. George Iatridis and Sotiris Rouvolis studies about what makes companies share more information before the official switch, how much they try to manipulate their profits under IFRS, and if these new rules make their financial numbers more useful. The results show that when companies first switch, their financial numbers become a bit uncertain, but things get better later on. Some companies try to play with their profits when they switch, but this stops after a while. The size of a company and its need for money affect how much extra information they share before the switch. Overall, using international rules seems to make financial numbers more helpful (Iatridis G. &., (2010).

The International Financial Reporting Standards (IFRS) implementation has been crucial in reducing the practise of manipulating earnings.

Following the implementation of IFRS, Aboubakar Mirza et al. analyse the significance of financial reporting in Malaysia. It makes use of the Ohlson price model and finds that cash flow from operations, equity book value, and earnings all play significant roles in investing decisions. Contrary to what was anticipated, cash flow from operations starts to become more important. This suggests that in order to enhance the standard of financial reporting and increase investor confidence in

Malaysia, practises of earning manipulation must be addressed. In summary, this study contributes to our understanding of the influence of financial reporting in a developing country that has implemented IFRS (Aboubakar Mirza, 2019).

While IFRS adoption undoubtedly plays a role, it's crucial to recognise that there are additional elements that can influence the relationship between accounting and value in addition to IFRS adoption. The impact of managerial financial reporting incentives on changes in accounting quality surrounding the adoption of International Financial Reporting Standards (IFRS) in Germany is examined by Hans B. Christensen. It is noteworthy that it concentrates on the time when IFRS adoption was optional. Contrary to earlier research, this analysis reveals that organisations with incentives to voluntarily adopt IFRS largely see benefits in accounting quality. Companies that are reluctant to implement IFRS frequently have stronger relationships to banks and internal shareholders, which suggests that they have less motivation to do so. This shows that the implementation of IFRS itself has less of an impact on accounting quality than do reporting incentives. (Hans B. Christensen, 2015).

2.3 Investor Behavior towards Transparent Firms

No matter the size of the investment—be it a sizable one or a smaller one—the desire to produce higher returns always drives stock investing. Both individual and institutional investors view this as an essential tool for assessing a company's financial health, spotting potential information concealment, understatement of liabilities, and overstatement of profits, assets, or sales. As a result, accounting transparency stands out as a crucial tool for investors to use in making these judgements. The adoption of International Financial Reporting Standards (IFRS) in this context plays a crucial role because it increases openness and reduces potential for earnings manipulation. This topic has been thoroughly investigated in a number of studies. The impact of implementing International Financial Reporting Standards (IFRS) on the calibre of financial reporting worldwide is examined by Dayanandan et al. It examines income management and smoothing in various geographies and legal regimes. The results demonstrate that the introduction of IFRS enhances the quality of financial reporting by lowering income smoothing and earnings manipulation, particularly in French and Scandinavian civil law nations. Less large changes are observed in nations with robust investor protection and legal systems, such as common law and civil law nations like Germany. A nation's level of financial disclosure also affects how much profit manipulation occurs there. This study provides information on the effects of IFRS adoption on financial reporting quality in various circumstances, which is helpful for those who develop international accounting standards (Dayanandan, 2016). In their article, Arber Hoti & Lulzim Krasniqi discuss the significance of using IFRS as a uniform accounting system when evaluating international SMEs for investment prospects. The study examines how the adoption of IFRS strengthens accountability and transparency, fostering investor interest in businesses that uphold these standards. The impact of IFRS adoption on investors' opinions of SMEs and their propensity to invest in such businesses is being closely examined. The study demonstrates how IFRS promotes openness by improving financial reporting by conducting a thorough analysis of relevant literature and sources. In summary, the paper posits that the adoption of IFRS has the potential to bolster investor confidence and attract increased investments by standardizing accounting practices and mitigating international disparities in reporting standards within the SME sector (Hoti, 2022). Janet Imhanzenobe examines the relationship between value relevance and the adoption of International Financial Reporting Standards (IFRS). Value relevance refers to the significance of financial statement figures to investors when making investment decisions. Previous research on changes in accounting standards, particularly in the US, has shown a decline in value relevance. However, this study finds that in markets where IFRS was adopted, there was generally an increase in value relevance. Some exceptions were noted, attributed to factors like government interference, mock compliance, improper enforcement, firm-specific differences, and non-financial reporting-related business changes. Overall, the study suggests that the adoption of IFRS standards can enhance value relevance in financial statements (Imhanzenobe J. , (2022).

3. Exploring Value Relevance and its Implications for Performance Indicators

While various financial performance indicators hold significance, it's noteworthy that Earnings Before Tax-to-Equity Ratio and Net Profit Margin (Delen, 2013) emerge as the paramount variables for forecasting a firm's performance. Investors extensively rely on these metrics due to their ability to provide robust insights into a company's profitability and efficiency in generating returns for shareholders. These measures serve as fundamental benchmarks that investors rigorously analyze when making investment decisions, as they offer a concise snapshot of a firm's financial health and potential for delivering returns on investment. Regular people who invest in stocks often make mistakes like selling their successful investments and keeping their losing ones, being influenced by recent performance and not paying enough attention, and not diversifying their investments, which can harm their financial well-being (Barber, 2013). George Iatridis and Konstantia Dalla investigates how the switch from Greek GAAP to IFRS impacted Greek listed companies, with a focus on 2004 and 2005. It found that IFRS adoption positively affected profitability for most sectors and companies in specific indices but negatively influenced liquidity in some cases, while also increasing leverage. These effects may change over time, and anticipatory adjustments by companies may have played a role. The findings are useful for investors and analysts assessing the impact of IFRS adoption on different sectors and markets in Greece (Iatridis, 2011). Mohamed A. Elbannan assesses how the adoption of two recent International Financial Reporting Standards (IFRS 15 and IFRS 16) affects the financial statements of maritime companies. It concludes that IFRS 15 has minimal impact, whereas IFRS 16 notably raises leverage ratios, gross profits, and balance sheet figures for these firms. These insights hold great significance for shareholders, appraisers, investors, and standard-setting organizations (Elbannan, 2011). Martha del Pilar Rodríguez García *et al* explains in her study that the adoption of International Financial Reporting Standards (IFRS) enhances the significance of fundamental accounting metrics and implies better timeliness of earnings and better analysts forecasting particularly among larger enterprises (García M. D., 2017) (Ahmed, 2013). Diogenis Baboukardos and Gunnar Rimmel in the study which was conducted at Johennasberg stock exchange discussed that earnings became significantly more valuable in terms of market relevance. Surprisingly, the importance of net assets in the market decreased, contrary to what was anticipated. This reduction in the significance of net assets could be linked to the disclosure or more accurate assessment of risks and unrecorded liabilities facilitated by the Integrated Reporting approach (Baboukardos, 2016)

3.1 Significance of Understanding Value Relevance in Performance Measurement

Firms are incentivized to generate top-tier financial reports that hold significance for investors. Grasping the elements of data that hold value can serve as a compass for companies in enhancing their financial reporting standards. This, in turn, promotes transparency and precision in financial reporting, thereby lowering the chances of financial misconduct or mis-representation. IFRS adoption had a positive impact on the value relevance as investigated by Erick Rading Outa *et al* (Outa, 2017), Isaboke, C. and Chen, Y (Isaboke, 2019) (El-Diftar, 2019) .Alain Devalle *et al* examined that Starting in 2005, European-listed firms have been mandated to adopt International Financial Reporting Standards (IFRS) for their consolidated financial statements. An analysis of 3,721 companies listed on five European stock exchanges (Frankfurt, Madrid, Paris, London, and Milan) yielded diverse results regarding the enhancement of value relevance following IFRS implementation. Nevertheless, in Germany, France, and the United Kingdom, earnings gained more significance in affecting share prices, while the importance of book value of equity declined (with the exception of the UK) (Devalle, (2010). Mariarosaria Agostino *et al* In a different study conducted examines how the market values accounting information in the European banking industry before and after the adoption of IFRS. Using a value relevance framework, the study finds that IFRS adoption improved the importance of earnings and book value for transparent banks, but had less impact on the value relevance of book value for less transparent banks (Agostino, 2011). Ndubuisi Odoemela *et al* study looks at how Nigerian companies using International Financial Reporting Standards (IFRS) change the significance of earning relevance in performance measurement. The research finds that using IFRS makes earnings more important, giving company managers more flexibility in how they report financial information. Interestingly, the significance of book value decreases. When we consider earnings, book value, and specific factors together, earnings become even more important, while other factors don't matter as much. These results are important for Nigerian policymakers, investors, and financial regulators to consider. (Ndubuisi Odoemelam, 2019). Alireza Vafaei *et al* looks at how sharing information about intellectual capital (ICD) affects stock markets in four countries after they adopted international financial reporting standards (IFRS). It finds that talking about ICD in company reports is good for their stock prices, especially in industries that are not typical. Additionally, when this ICD information is combined with regular financial numbers, it makes it much easier to explain how much a company is worth. The study suggests that companies in specific countries and industries should consider talking more about their intellectual capital in financial reports. This research is groundbreaking because it shows that talking about ICD/IFRS can change how people value a company (Vafaei, 2011). Certainly, while the adoption of International Financial Reporting Standards (IFRS) has the potential to enhance accounting quality and the value relevance of financial reporting, it is imperative that companies genuinely embrace and effectively implement IFRS principles. Superficial or "mock compliance" with IFRS, which lacks a commitment to the underlying principles and objectives, can erode trust in financial statements, mislead investors, and potentially lead to regulatory scrutiny (Garanina, 2014). Genuine compliance with IFRS ensures that financial reporting is accurate, transparent, and aligned with global standards, ultimately benefiting both companies and their stakeholders.

3.2 Role of Performance Indicators in Decision-Making

Investors typically engage in a comprehensive analysis of a company's performance indicators before reaching an informed investment decision. Factors such as net income, net sales, return on investment, and return on assets play pivotal roles in this evaluation process. These metrics especially the earnings provide valuable insights into a firm's financial health, profitability, and efficiency, assisting investors in assessing the potential risks and rewards associated with their investment choices. By examining these key performance indicators, investors aim to make well-informed decisions that align with their financial goals and expectations. Ibrahim El-Sayed Ebaid examines the influence of various financial indicators, such as net income and total sales, on the stock prices of companies in Egypt's developing stock market. The results reveal that net income has the most significant effect on stock prices, while total sales have the least impact. Additionally, financial metrics like net income are better indicators for predicting stock prices compared to cash flow (El-Sayed Ebaid, 2012). Fatima A. Alali, Paul & Sheldon assesses how accounting information under IFRS influences stock market performance in the Abu Dhabi Stock Exchange (ADX). The study reveals positive relationships between earnings, earnings per share, and book value per share with stock market performance (Alali, 2012). Libor Závodný and David Procházka finds in the study which conducted among V4 nations, that accounting information is more valuable for investors in the Czech and Hungarian markets compared to Poland, with earnings being the most relevant metric, and there is a notable improvement in value relevance approximately five years after adopting IFRS in the Czech and Hungarian markets (Procházka, 2023).

4. Performance Indicators and the Integrity of Earnings Quality

With the increase of cross border investments countries tend to protect their investors by providing better earnings quality. This can be done to an extent by the adoption of IFRS. Muhammad Nurul Houqe *et al* explains the adoption of IFRS improves the quality of earnings, particularly in nations with effective investor protection. It highlights how country-level conditions influence accounting practices and stresses the significance of strong investor protection mechanisms in preventing managerial manipulation of earnings (Houqe, 2012). Earnings quality generally explains the financial stability. Various performance indicators like liquidity ratios and profitability ratios are used widely in assessing the earning quality. After the adoption of IFRS , there is significant improvement in these ratios.

The adoption of International Financial Reporting Standards (IFRS) has had a notable impact on performance indicators such as liquidity and profitability ratios when assessing earning quality. With the global standardization brought about by IFRS, financial reporting practices have become more consistent and transparent. This enhanced uniformity has, in many cases, improved the accuracy and reliability of financial statements, leading to more reliable ratios for assessing a company's liquidity and profitability. However, it's important to note that the extent of improvement can vary among companies, industries, and regions, and the transition to IFRS may also introduce some initial challenges and adjustments for organizations. Nonetheless, on the whole, IFRS adoption has contributed to a higher quality of financial information, positively impacting these critical performance indicators.

4.1 Understanding Earnings Quality and its Dimensions in light of IFRS adoption.

The impact of IFRS convergence on both larger and smaller firms was explored by Gilraze Wakil *et al*. Earning smoothening, earnings persistence, and earning discretion were among the primary variables under investigation. Additionally, the study examined the value relevance and non-market-based accounting information following convergence. The study findings demonstrated that the transformation was noteworthy for smaller firms, whereas for larger firms, the outcomes were mixed (G Wakil, 2022). The post-convergence accounting quality was the focal point of Ajay Adhikari *et al's* discussion on IFRS standards. Aspects such as reduced variability in net income, increased discretionary accruals, delayed recognition of losses, and diminished value relevance of reported earnings were analyzed. The research uncovered a decline in quality immediately after adoption, but gradual improvement was observed in subsequent years. The authors recommended the integration of new international standards into university curricula and emphasized the importance of intensive courses to enhance subject knowledge (Adhikari, 2022). The correlation between IFRS adoption and the earnings per share (EPS) of shares was examined by Habeeb Mohamed Nijam *et al*. According to the study, adoption increased the information value of accounting statements in a developing country like Sri Lanka, which increased EPS (Habeeb Mohamed Nijam, 2018). Badu, B. et al. examined the degree to which accounting information affects stock valuation. The analysis found a strong correlation between stock price, earnings, and book value of equity. Because accounting information is directly related to share prices, the authors emphasised the continued need for accounting practitioners to improve the quality of accounting information (Badu, 2018). A small number of studies suggest that there were little changes in earnings quality and value relevance between the pre- and post-IFRS adoption periods, despite the fact that numerous studies have demonstrated a significant improvement in earnings quality following the adoption of IFRS (Adibah Wan Ismail, (2013), Chebaane, 2014, Odoemelam, 2019). Susana Callao (2016) is one of those studies. This implies that the local GAAP's quality, which existed before to the implementation of IFRS, might have been in line with IFRS requirements (Ebaid, 2022).

4.2 Role of Transparency resulted from IFRS in Safeguarding Earnings Quality

Madeline Trimble uses earnings distributions to study the impact of mandated IFRS adoption on accounting quality. Examining information from 5691 companies across 46 nations, it concludes that although disparities still exist, they diminish following the implementation of IFRS, particularly in nations that have strict regulations and require high-quality reporting. But before or after the implementation of IFRS, there is no discernible correlation between discretionary accruals, real earnings management, and the earnings benchmark (Trimble, 2018). International Financial Reporting Standards (IFRS) adoption globally improves profits quality, as numerous studies have repeatedly demonstrated (Agostino M. D., 2011). The main reason for this improvement is the decline in earnings manipulation and mismanagement. The greater transparency of accounting practises is largely a result of the IFRS's mandatory higher disclosure standards. The effect of International Financial Reporting Standards (IFRS) on accounting quality in the European Union is discussed by Hufia Chen et al. Data from before and after the complete implementation of IFRS in 2005 are compared, and the results show that IFRS improved a number of accounting quality metrics. These consist of better accruals quality, less discretionary accruals, and less earnings management. On the other hand, post-IFRS eras saw a rise in earnings smoothing and a delay in the realisation of significant losses. Crucially, the research shows that IFRS is responsible for these modifications rather than other elements like institutional characteristics or managerial incentives (Huifa Chen, 2010). According to Ashraf E. Elbakry et al., the early costs associated with implementing IFRS are offset by the decrease in information asymmetry and earnings mismanagement for businesses, which has been shown to guarantee profits quality (Elbakry, 2017). The effects of making International Financial Reporting Standards (IFRS) mandatory in the European Union (EU) are examined by Ulf Brüggemann et al., who also offer recommendations for future study avenues. It makes a distinction between expected and unexpected effects, pointing out that different study findings have different conclusions on the intended benefits of improving comparability and openness in financial statements. However, strong evidence points to positive impacts on financial markets and the overall economy, and research on the implications for contractual agreements is still in its early stages (Ulf Brüggemann, 2013).

Investors highly value firms that adhere to a greater number of mandatory disclosure requirements, as companies with stronger compliance tend to exhibit greater value relevance in their financial figures (Tsalavoutas, 2014). This emphasizes the importance of robust disclosure practices for businesses and underscores the benefits of transparency for investors seeking valuable financial information.

IFRS adoption increased the usefulness of earnings for investors and analysts (Soo Young Kwon, 2019). Wensheng Kang's study found that the mandatory adoption of International Financial Reporting Standards (IFRS) in thirteen European countries in 2005 improved the relationship between stock returns and business earnings. This suggests that investors expected improved information quality as a result of the adoption of IFRS, and that improvement was more pronounced in nations where there was less of a discrepancy between local accounting standards and IFRS. The legal system and earnings management were not significantly impacted (Kang, 2013).

Junjian Gu talked about the effects of IFRS voluntary adoption, with Japan serving as a driving force. Two distinct approaches were used in the study's execution. They are conditional conservatism and income smoothing. The findings demonstrate that voluntary adoption enhances the quality of accounting by having a favourable effect on both variables Gu, J. (2021). Where accounting information is more transparent, investors want to invest. The study found that the cost of equity capital decreased as a result of the implementation of IFRS, particularly in countries with significant power distance and a long-term focus. Earnings management is a tactic used by underperforming businesses to increase reported earnings. This lowers the reported earnings' value relevance, indicating that managed earnings are less useful than unmanaged ones (Mostafa, 2017). The bulk of the articles covered above demonstrate that using IFRS can help to mitigate the issue of profits mismanagement.

Conclusion

Adopting International Financial Reporting Standards has different effects on different nations. Comparability and audit fees are two examples of effects that are more prominent when enforcement is stronger; enforcement that is weaker has less of an influence. Strong enforcement procedures are necessary for countries to get the full benefits of adopting IFRS (Geraroid O Cualain & Vincent Tawiah, 2023). As a result of this thorough analysis of the literature, a number of important conclusions about how adopting International Financial Reporting Standards (IFRS) might improve the integrity of financial reporting are presented. First of all, it is clear that not much study has been done to pinpoint precisely how disclosure requirements affect the integrity of financial reporting. Although the adoption of IFRS is acknowledged as a contributing element, it is important to recognise that, in addition to IFRS adoption, a number of other factors can affect the relationship between accounting practises and value creation (De George, 2016; Christensen, 2015).

Moreover, our data suggests that the impacts of adopting IFRS vary over time. Despite the first friction, adoption generally has a beneficial and long-lasting effect. It may cause a short drop in accounting quality during the adoption phase. The substantial increase in the value relevance of accounting information is one noteworthy result of the introduction of IFRS (Kouki, 2018). Increased disclosure requirements, improved transparency, the adoption of fair value accounting (Hitz, 2007; Landsman, 2007), and the capacity to support financial statement comparability across borders are all credited with this development. It is worth noting, though, that there are very few research that look at investor behaviour and attitudes in reaction to the increased accounting openness that results from increased IFRS implementation.

Furthermore, our analysis shows that companies who implement IFRS and embrace transparency gain a significant boost in value relevance. These companies are typically seen by investors as more reliable and secure for their money. It is noteworthy that a small number of publications show no change in value relevance after the adoption of IFRS; these were mainly taken out of our research.

Adoption of IFRS has generally been shown to reduce earnings mismanagement and mitigate information asymmetry in financial reporting, according to the majority of research. Together, these results highlight how important it is for financial reporting practises to adopt IFRS in order to improve their integrity and dependability on a worldwide scale.

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2023	IFRS Adoption, Theoretical Review	3
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