The purpose of my dissertation is to investigate whether the use of International Financial Reporting Standards (IFRS) for financial reporting is associated with incremental changes in...
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I used a price-based valuation model, which shows the association between the market value of equity and accounting earnings (book value), and a returns-based valuation model, which shows the association between returns and earnings levels (changes). In Chapter 2, I investigate whether the use of IFRS is associated with the value relevance of accounting information across sixteen countries using a price (return) sample of 888 (843) firms with 5,180 (4,684) firm-year observations. The results are mixed; in both models, the IFRS dummy is significantly informative, but the interaction terms are not. Next, I examine whether the use of IFRS for financial reporting is related to the country’s legal origin, strength of its judicial system, or secrecy of its culture in Chapter 3 using the same samples. The results suggest that the use of IFRS can affect the informativeness of accounting information and that cross-country factors continue to be informative. Chapter 4 investigates whether firm-level corporate governance mechanisms across fourteen countries provide incremental information to the value relevance of the firm’s accounting information when IFRS is used for financial reporting using a price (return) sample of 176 (163) firms with 610 (554) firm-years. The corporate governance measure is insignificant in the price model and shows some significance in the return model. Overall, my results confirm prior research regarding the use of IFRS and provide evidence that cross-country differences continue to provide incremental information when IFRS are used for financial reporting. Prior research has examined these factors in different combinations, but, to my knowledge, a study of incremental association of these factors with the value
The relevance of accounting information and the use of IFRS has not been investigated. My dissertation contributes to the literature in international accounting and offers policy, practical, and educational implications for convergence with IFRS.

**Accounting, Cash Flow and Value Relevance**

My dissertation comprises of two essays: 1) The Effects of Fair Value Measurements (IFRS 13) on Operating Performance and Market Performance, and on Value Relevance of Firms across European Countries; 2) The Disclosure of Fair Value Pension Asset under SFAS No. 158, Pension Assumptions, and Earnings Manipulation. Fair value accounting has gained attention over years. My first essay focuses on Fair Value measurements (IFRS13), which provides a single source for all fair value measurements, and clarifies the definition of fair value and enhances the disclosures. I examine the effect of IFRS 13 fair value on operating performance, the market reaction to the key event of the announcement date of IFRS 13 adoption, and the effect on value relevance in the context of IFRS 13 adoption by a large sample of five countries in European Union: France, Germany, Italy, Spain, and United Kingdom from 2010 to 2014. Evidences from the analyses of the models revealed that the operating performance overall decreased after IFRS 13 adoption in France and Germany but increased in Italy, Spain and United Kingdom based on some ratios to evaluate the operating performance. Firms with higher ROA in pre-IFRS 13 might report more consecutive earnings after IFRS 13 adoption than firms with lower ROA in pre-IFRS 13. Market reaction was tested on the key event of IFRS 13 adoption: the announcement date of IFRS 13. The results of the...
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Event study indicate that the cumulative abnormal returns (CAR) are negatively associated with the release date of IFRS 13 adoption, suggesting that European markets’ reaction has been somewhat negative to IFRS 13. The adjustment to earnings per share model suggests mixed evidence of an increase in value relevance. In summary, European market may perceive IFRS 13 as an important in financial reporting or a reduction in the formation asymmetry and these results have implications for investors, auditors, and educators. In September 2006, Statement of Financial Accounting Standard (SFAS) No. 158, Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans, required firms to disclose and recognize the full funded status of defined benefit pension plans in the balance sheet instead of only in the footnote. Comparing with recognition, there are limited researches about the effect of the disclosure of fair value pension assets on the expected rate of return (ERR). Therefore, my second essay examines the association between the disclosure of fair value pension plan assets under SFAS No. 158 and ERR. Empirical results support that firms with the Level-3 fair value of pension assets are more like to inflate ERR and are more like to meet ERR through the actual rate of return (ARR) of the Level-3 fair value of pension assets. In addition, I explore the relationship between the disclosure of fair value pension plan assets and earnings target through ERR management. The results document that firms with the Level-3 fair value pension asset more like to achieve earnings target when they marginally fall short of earnings expectations. Such disclosures could improve the efficient use of the information by market participants.
We investigate the change in the value-relevance of earnings and book value information in the financial industry compared to other industries from 1970 to 2005. Prior literature provides mixed evidence as to whether value-relevance reduces over time. Using Ohlson’s model, we find increasing value-relevance for earnings and book value for the financial and other industries. However, the increasing trend is less evident for financial firms. More importantly, we document that the slower growth trend for the financial industry improves compared to other industries after firms adopt SFAS 133 (as amended by SFAS 137 and 138) in 2001. Financial institutions typically hold more derivative instruments and hedging portfolios than other industries. Our results are thus consistent with the view that SFAS 133 may help financial institutions improve the value-relevance of accounting information. Our results have implication for policy makers when they evaluate the benefit of SFAS 133.
This study examines issues relating to the mandatory adoption of International Financial Reporting Standards (IFRS) by Greek listed companies. Initially, the impact of transition, as a result of differences between IFRS and Greek GAAP, on the first IFRS financial statements in 2005 is assessed. Then, a disclosure index is constructed, containing all the disclosure items mandated by the IFRS extant at the end of April 2006. Based on this research instrument, and two disclosure index methods, compliance with IFRS mandatory disclosures in their first year of implementation is examined. A review of disclosure theories, the features of the Greek financial reporting system, and considerations regarding the timing of the research are used as a basis for establishing a priori expectations and testing the potential factors explaining compliance with IFRS mandatory disclosures. Subsequently, any change in the value relevance of accounting information before and immediately after IFRS mandatory implementation is examined. Whether the reconciliation statements required by IFRS 1 provided value relevant information to investors is also explored. Finally, the valuation implications of IFRS mandatory disclosures are explored. The above analyses indicate the following. Greek listed companies' financial statements were affected significantly by the adoption of IFRS. The average level of compliance with IFRS mandatory disclosures approximates to 80%. The impact on net income and shareholders' equity, as a result of the transition to IFRS, as well as audit firm size, are significantly associated with the extent to
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which companies comply. No change in the value relevance of accounting information
between 2004 and 2005 is identified. Reconciliation adjustments are incrementally value
relevant and levels of mandatory disclosures do have valuation effects. Based on the findings
of the above analyses, the study contributes to the relevant literature and discusses policy
implications. It also concludes with suggestions for further research and recommendations
on the methods for measuring compliance with IFRS mandatory disclosures.

Mandatory Earnings Disaggregation and the Value Relevance, Persistence and
Pricing of Earnings Components

International Financial Reporting Standards (IFRS) are internationally-recognized financial
reporting guidelines regulated by the International Accounting Standards Board (IASB) to
ensure that uniformity exists in the global financial system. In addition to regulating
financial reporting, the adoption of IFRS has been shown to impact the flow of foreign
capital and trade. Economics and Political Implications of International Financial Reporting
Standards focuses on the consequences and determinants of the adoption of the
International Financial Reporting Standard (IFRS), which has remained a top issue in
International Accounting. This timely publication brings to the forefront issues related to the
political and economic influences and impacts of IFRS in addition to providing a platform for
further research in this area. Policy makers, academics, researchers, graduate-level students,
and professionals across the fields of management, economics, finance, international
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relations, and political science will find this publication pertinent to furthering their
understanding of financial reporting at the global level.

The Value Relevance of Non-financial Performance Variables and Accounting
Information

Advances in International Accounting is a refereed, academic research annual, that is
devoted to publishing articles about advancements in the development of accounting and
its related disciplines from an international perspective. This serial examines how these
developments affect the financial reporting and disclosure practices, taxation, management
accounting practices, and auditing of multinational corporations, as well as their effect on
the education of professional accountants worldwide. Advances in International Accounting
welcomes traditional and alternative approaches, including theoretical research, empirical
research, applied research, and cross-cultural studies.

Accounting Information and Equity Valuation

The Saudi financial reporting environment witnessed significant development in the past
two decades, which is evidenced by the incorporation of the Saudi accounting standard
setter (Saudi Organization for Certified Public Accountants (SOCPA)) and its subsequent
development of the accounting profession. The main objective of this study is to investigate

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whether developments in financial reporting following SOCPA’s inception resulted in financial statement information being more value relevant over time. This study focuses solely on quantitative methods and employs secondary data in addressing the research questions. This study uses adjusted R² as a primary metric for measuring value relevance. Value relevance of accounting information has been investigated through its association with contemporaneous market values and future cash flow-predictive ability studies. The theoretical frameworks of Ohlson (1995) and Easton and Harris (1991) have been used to specify the relationship between accounting information and market values. To link accrual-based earnings and accrual components with future cash flows, the theoretical frameworks of Dechow, Kothari and Watts (1998) and Barth, Cram and Nelson (2001) have been used. A sample of firms listed in the Saudi Stock Market during the 1993-2009 time period has been used. The total number of observations included in the sample is 997 from 97 firms, which excludes firms in the banking and insurance sectors. The main findings of the value relevance of accounting information in equity valuation are: First, earning (book value) coefficients were found to be significant in (nine) all years in the price regressions. Second, earning levels and changes have not been found significantly related to stock returns in all years. Third, hedge portfolio strategies based on pre-knowledge of accounting information yielded non-zero returns. Fourth, the explanatory power of the price model increased from the 1993-1997 to the 1998-2003 time period and declined in the following time period. Fifth, the explanatory power of the return model shows no significant change over time. Sixth, earnings are not value-relevant in equity valuation for loss-making firms, while book value is value-relevant for the 1993-1997 and 1998-2004 time periods. Earnings are only...
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accounting information has been value relevant during the entire period of this study and that an increase in value relevance might only be present in the early period of this sample.

The Impact of the Global Financial Crisis on the Comparative Value Relevance of GAAP Versus Non-GAAP Earnings

Accounting Quality of UK Firms Under IFRS

I examine the value relevance of earnings measures based on generally accepted accounting principles (GAAP) and non-GAAP (Generally Accepted Accounting Principles) earnings for UK firms under International Financial Reporting Standards (IFRS). The study analyzes the impact of the global financial crisis on the value relevance of these earnings measures. The results indicate that the crisis has had a significant impact on the value relevance of earnings measures, with a decrease in the predictive ability of earnings for future cash flows. The findings suggest that non-GAAP earnings may provide a more accurate measure of a firm's underlying performance during times of financial instability.
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I adopt the Ohlson (1995; 1999) valuation model to test value relevance and a cumulative abnormal returns model to test the information content of these alternative earnings measures. Prior studies consistently show non-GAAP earnings are significantly more value relevant than GAAP earnings (Bradshaw and Sloan, 2002; Bhattacharya et al., 2003; Brown and Sivakumar, 2003; Albring et al., 2010) and that information risk is priced by investors (Easley and O'Hara, 2004). Therefore, factors that impact on information risk, such as, information asymmetry, earnings quality and conservatism, may affect the value relevance of GAAP and non-GAAP earnings. However, prior studies do not examine the impact of these factors on the relative and incremental value relevance of GAAP versus non-GAAP earnings. I separately control and test for the impact of information asymmetry, earnings quality and conservatism on the comparative value relevance of GAAP and non-GAAP earnings. Furthermore, I argue that firm size may impact on the value relevance of GAAP and non-GAAP earnings. In addition, industry may have an effect on the value relevance of earnings, particularly for firms in the financial sector because of their capital structure and regulatory environment. However, prior studies do not investigate the impact of financial and non-financial firms and of size on the value relevance and informativeness of GAAP and non-GAAP earnings. I consider these issues by separately analysing samples of financial, non-financial, S&P 500 and non-S&P 500 firms. Prior studies generally present evidence from before the GFC and there is no published research on the...
Therefore, I examine the impact of the GFC on the value relevance of GAAP and non-GAAP earnings measures before, during and after the GFC. Additionally, prior research focuses on GAAP earnings and pro forma or I/B/E/S earnings. As mentioned above, I use six earnings measures. My sample is drawn from US publicly traded firms between 2002 and 2012. My results indicate that GAAP earnings are incrementally value relevant and that non-GAAP earnings are not consistently more value relevant than GAAP earnings. I find evidence that information asymmetry, earnings quality and conservatism are systematically related to the comparative value relevance of GAAP and non-GAAP earnings. I also find that sample selection impacts on the findings. In addition, investors shift their emphasis on GAAP and non-GAAP earnings over time as a consequence of the GFC and investors generally place greater emphasis on the book value of equity in pricing shares. My findings highlight the fluid nature of the relative emphasis investors place on alternative earnings measures. They provide insights on the impact of information asymmetry, earnings quality and conservatism, and of the GFC on the emphasis investors place on earnings information.
This book continues the discussion on recent developments relating to ethical and sustainable issues in accounting & finance from *Ethics and Sustainability in Accounting and Finance, Volume I*. Accounting is often seen as a technical discipline that records, classifies and reports financial transactions. However, since the financial information produced concerns all interest groups both within and outside the enterprise, accounting also has social characteristics and involves multi-faceted duties and responsibilities. As such, in addition to basic principles and accepted rules and standards in the field, this book focuses on the ethical aspects and fundamentals of this profession that accountants should also take into consideration, as this is the only way to build and preserve society's confidence in accounting and increase its social credibility.

The purpose of this book is to offer a more systematic and structured treatment of the advances in quantitative analysis of finance and accounting, taxes, conservatism in financial reporting, and the value relevance of accounting data.
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Three Essays on the Voluntary Disclosure and Managerial Incentive

News Professor Cheng-Few Lee ranks #1 based on his publications in the 26 core finance journals, and #163 based on publications in the 7 leading finance journals (Source: Most Prolific Authors in the Finance Literature: 1959-2008 by Jean L Heck and Philip L Cooley (Saint Joseph's University and Trinity University). Advances in Quantitative Analysis of Finance and Accounting is an annual publication designed to disseminate developments in the quantitative analysis of finance and accounting. The publication is a forum for statistical and quantitative analyses of issues in finance and accounting, as well as applications of quantitative methods to problems in financial management, financial accounting, and business management. The objective is to promote interaction between academic research in finance and accounting and applied research in the financial community and accounting profession. The chapters in this volume cover a wide range of important topics, including corporate finance and debt management, earnings management, options and futures, equity market, and portfolio diversification. These topics are very useful for both academicians and practitioners in the area of finance. Sample Chapter(s). Chapter 1: Collateral Constraints, Debt Management, and Investment Incentives (127 KB). Contents: Collateral Constraints, Debt Management, and Investment Incentives (E Agliardi & R Andergassen); A Concave Quadratic Programming Marketing Strategy Model with Product...
Differential Changes in the Value-relevance of Earnings and Book Values Over Time

Thus far, the disaggregation of non-recurring items from earnings has been investigated mostly in the United States, in the context of special items and pro forma earnings. The disclosure of these items is mainly on a voluntary basis. Managers of firms have significant discretion in the calculation of such items (McVay, 2006). In this regard, the literature...
suggests that non-recurring items have lower persistence than recurring items, and that recurring earnings has higher value relevance than earnings determined in accordance with Generally Accepted Accounting Practice (GAAP) (Bradshaw and Sloan, 2002; Brown and Sivakumar, 2003). However, surprisingly, non-recurring items (both special items and exclusions from pro forma earnings) are significantly mispriced in the United States (Dechow and Ge, 2006; Doyle, Lundholm and Soliman, 2003). This evidence suggests that, despite the apparently transitory nature of non-recurring items, investors are unable to estimate their implications for future earnings accurately. In this study, this anomaly is investigated by focusing on a different regulatory setting. In South Africa, firms listed on the Johannesburg Securities Exchange (JSE) are required to disclose headline earnings in addition to earnings determined in accordance with the International Financial Reporting Standards (IFRSs). Headline earnings effectively excludes some non-recurring items. In addition, firms are required to present a reconciliation between headline earnings and IFRS earnings in the financial statements. The South African setting differs from the United States in two important respects. Firstly, all firms are required to present headline earnings in South Africa, whereas pro forma earnings reporting is voluntary in the United States. Secondly, the allowable exclusions from headline earnings are formally defined and subject to external audit, while firms in the United States are allowed to define their own exclusions from pro forma earnings. This study investigates the value relevance, persistence and pricing of the earnings components that result from the headline earnings definition in South Africa. The results indicate that headline earnings exclusions contain information that is incrementally value relevant to IFRS earnings. This evidence suggests that investors find the
Read PDF Value Relevance Of Financial Accounting Information Of disaggregation of headline earnings from basic earnings useful. In a sub-sample of firms with positive earnings, headline earnings appears to have higher value relevance than IFRS earnings. The persistence tests indicate that, as expected, headline earnings exclusions (the nonrecurring part of earnings) display lower persistence than headline earnings (the recurring part of earnings). The study shows -- consistent with Sloan's (1996) findings -- that accruals are less persistent than cash flows. This can be attributed largely to headline earnings exclusions. The pricing tests indicate that investors significantly underweight the cash flow component of earnings. Notably, neither headline earnings exclusions nor any of the other earnings components reflect significant mispricing. When additional explanatory variables are included in the analyses, the mispricing of the cash flow component disappears.

An Investigation of the Value Relevance of Accounting Information, IFRS, Institutional Factors, Culture, and Corporate Governance: International Evidence

The Value Relevance of Accounting Numbers and the Implications for International Accounting Standards Harmonization
Value Relevance and Predictive Ability of Financial Statement Information

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...
I identify issues that bank regulators need to consider if fair value accounting is used for determining bank regulatory capital and when making regulatory decisions. In financial
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... the relevance of financial accounting information. Reporting and international accounting standard setters have issued several disclosure and measurement standards for financial instruments and all indications are that both standard setters will mandate recognition of all financial instruments at fair value.

To help identify important issues for bank regulators, I briefly review capital market studies that examine the usefulness of fair value accounting to investors, and discuss marking-to-market implementation issues of determining financial instruments' fair values. In doing so, I identify several key issues. First, regulators need to consider how to let managers reveal private information in their fair value estimates while minimizing strategic manipulation of model inputs to manage income and regulatory capital. Second, regulators need to consider how best to minimize measurement error in fair values to maximize their usefulness to investors and creditors when making investment decisions, and to ensure bank managers have incentives to select investments that maximize economic efficiency of the banking system. Third, cross-country institutional differences are likely to play an important role in determining the effectiveness of using mark-to-market accounting for financial reporting and bank regulation.

The Adoption of IFRS by Greek Listed Companies

Although the concept "Cash is King" is today widely recognized, the cash flow statement was rather neglected until the EU accounting regulators discovered its relevance in explaining the real value of the business. This book investigates the value relevance of the operating cash flow as reported under the International Financial Reporting Standards.
Read PDF Value Relevance Of Financial Accounting Information Of (IAS/IFRS) for the largest European listed companies and US listed companies in the past recent years. Using the model based on the valuation theory developed by Ohlson, which measures the market value of equity as a function of accounting variables, the author concludes that operating cash flow represents a significant variable in determining the value relevance of the largest European and US listed companies. These findings provide significant implications for standard setters and support the continued requirements for disclosure of cash flow information under IAS 7.

Convergence of CAS with IFRS and Value Relevance of Accounting Information in Chinese Stock Market

This volume examines the accounting issues within Central and Eastern Europe, looking back to the fall of communism (1980s-90s) and its effect on the countries' accounting and business models.

Ethics and Sustainability in Accounting and Finance, Volume II

The importance of an effective corporate communication with all stakeholders including shareholders has been extensively debated in the business literature in the aftermath of 2007-2009 global financial crisis. The key indicator of business value have shifted from accounting profits and stock market performance, formerly, to firm reputation and...
Read PDF Value Relevance Of Financial Accounting Information Of Sustainability Performance, currently. Therefore, the transparency and value-relevance of conventional financial reporting has been questioned in terms of its capability to satisfy increasing information needs of all stakeholders. Many doubt whether those traditional financial metrics derived from financial statements can appropriately capture firm’s long-term value creation ability. In recent years, users of corporate reports are demanding more relevant financial and non-financial on key performance indicators and forward-looking information above and beyond conventional financial statements. To satisfy the demands of information users and decision makers, companies are expected to not only increase their reporting transparency in conventional financial statements but also disclose more inside information to outside public through different types of voluntary disclosure.

The first dissertation investigates the role of sustainability report through examining the associations among voluntary disclosure, earnings quality and audit fee. Recently more and more firms begin to release sustainability reports, one important channel of voluntary disclosure, to satisfy the needs of information users and increase the transparency of financial reporting. In this paper, I especially examine the effect of voluntary disclosure quality on those associations. Through Difference-in-Difference test, I find that the release of sustainability report is positively correlated with innate earnings quality and negatively correlated with discretionary earnings quality. Moreover, the positive (negative) correlation between sustainability report and innate (discretionary) earnings quality is more (less) pronounced when the voluntary disclosure quality is high. I also find that the release of sustainability report is associated with higher audit fees and thus it suggests that the sustainability report cannot substitute the traditional financial statement. My conclusions...
The second dissertation investigates how the firm’s cost stickiness strategy is associated with the firm’s management earnings forecast (MEF). I conjecture that the managerial incentive regarding the cost strategy and voluntary disclosure strategy are interdependent. When managers choose their cost management, they will also choose the corresponding management earnings forecast strategy to align their interests. Through the empirical tests with a sample between year 2005 and 2011, I find that the firm’s level of sticky cost is positively associated with the firm’s propensity to issue MEF and the frequency of MEF. Moreover, I find that the firm’s level of sticky cost is associated with more good earnings news forecasted by managers. Finally, I find that the relation between cost stickiness and MEF behaviors is more pronounced when the MEF is long-horizon oriented and when the firm efficiency is high. My research builds a link between financial accounting information and managerial accounting information, and also provides new evidence to understand the managerial incentives behind each strategy chosen by managers. This third dissertation investigates how industry peer firms tend to influence the specific firm’s voluntary disclosure strategy. Through examining the empirical example of management earnings forecast between 2005 and 2011 and implementing the 2SLS regressions, I find that the specific firm’s disclosure frequency, disclosure horizon and the disclosure of bad news are significantly influenced by its peers’ disclosure behaviors. Specifically, the increase in the peers’ disclosure frequency, disclosure horizon and disclosure of bad news tend to encourage the specific firm to increase its disclosure frequency, disclosure horizon and disclosure of bad news.
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Moreover, certain firms (such as firms with S & P credit rating, higher profit, larger size or higher market-to-book ratio) tend to be more sensitive to their peer firms & rsquo; voluntary disclosure strategy. Finally, I find that the specific leader-follower relation doesn & rsquo;t exist in the peer effects of disclosure strategy and thus the signaling theory, litigation risk and CEO reputation are more major reasons than herding theory and free rider theory in explaining this phenomenon.

Research, Standard Setting, and Global Financial Reporting

This study examines the impact of adopting International Financial Reporting Standards (IFRS) and the prior and superseded International Accounting Standards (IAS) on investor returns, the level of earnings management and the value relevance of accounting information in African capital markets. This study is motivated by the growing momentum of African countries adopting International Financial Reporting Standards (IFRS) for listed, cross-listed or even unlisted companies. Prior to the adoption of IFRS, a high level of diversity existed in accounting standards between African countries. These differences consisted of the number of promulgated standards, conservatism of these standards, their completeness for potential accounting transactions, depth and guidelines on allowable measurement methods and disclosure requirements. First, this study empirically examines whether IFRS adoption has impacted investor returns through the informativeness of reported earnings and secondly, whether the level of discretionary earnings management as determined by several models and proxies has declined from the IFRS adoption. Thirdly, this study examines...
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This study finds significantly higher informativeness of reported earnings under IFRS for investor returns compared to earnings per share (EPS) reporting under local GAAP after controlling for confounding factors. This provides evidence for the valuation impact of IFRS adoption. Furthermore, this study finds evidence of significantly lower earnings management by firms using IFRS compared to firms utilizing local GAAP's. This lower earnings management by IFRS reporting firms is observed for both the use of discretionary accruals to manage earnings upwards and earnings smoothing. On the value relevance of financial statements, this study first, finds that accounting reports are value relevant in all African markets examined. In addition, IFRS adopted countries and those harmonizing closely with IFRS are found to have the highest value relevance. Furthermore, test of difference in value relevance in South Africa between IFRS and South African GAAP reporting firms shows significantly higher value relevance for IFRS accounting information. -- Abstract.

The Relevance of the Value Relevance Literature for Financial Accounting Standard Setting

Among banking industries and insurance and security sectors, systemic risk and information uncertainty can generate negative consequences. By developing solutions to address such issues, financial regulation initiatives can be optimized. Value Relevance of Accounting Information in Capital Markets is an essential reference source for the latest scholarly
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Research on the importance of information asymmetries and uncertainties and their effects on the overall regulation of financial industries. Featuring extensive coverage on a wide range of perspectives, such as financial reporting standards, investor confidence, and capital flows, this publication is ideally designed for professionals, accountants, and academics seeking current research on the effects of the underlying elements in investing.

The Value Relevance of Accounting Information in the UK, the Netherlands, Germany and France

In the early 2000s, the Securities and Exchange Commission (SEC) called on firms to provide new MD & A disclosures about their critical accounting estimates. The new disclosures outline how reasonably likely changes in firms' highly uncertain accounting estimates would affect earnings. Because the new disclosure practice potentially highlights accrual estimates with a reduced level of reliability (i.e. greater estimation error) arising from uncertainty in the accrual measurement process, I examine whether the presence of a critical accounting estimate (CAE) disclosure partially explains cross-sectional variation in the value relevance of balance sheet items. Using a sample of non-financial and non-utility S & P 500 firms from 2004 to 2009, I find the value relevance of a balance sheet item is negatively associated with the presence of a related CAE disclosure. To corroborate my value relevance findings, I also examine whether the predictive value of accruals with respect to future cash flows and accrual noise, which are two accounting-based characteristics of useful accounting
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information, are associated with the presence of a CAE disclosure. I find the incremental predictive value of accruals with respect to future cash flows (accrual noise) is negatively (positively) associated with the presence of a CAE disclosure. Overall, these results suggest investors perceive balance sheet items accompanied by a related, account-specific CAE disclosure to have lower reliability, and consistent with investors' perceptions, accrual estimates have less predictive value and are noisier when these disclosures are present. Other findings indicate that the magnitude of estimation error and disclosure complexity play a role in the extent to which investors reduce their reliability perceptions in the presence of a CAE disclosure.

Accounting for Biological Assets

This book explores accounting for biological assets under IAS 41 – Agriculture, and explains the recent adjustments introduced by the IASB which allow firms to choose between cost or revaluation models concerning mature bearer plants. Identifying the firm and country-level drivers that inform the disclosure and measurement practices of biological assets, this concise guide examines the value relevance of measuring those assets at fair value. It also analyses how firm and country-level drivers explain the differences in the disclosure level and practices used to measure biological assets under IAS 41. Finally, it evaluates whether there is a difference in the relevance of biological assets among the listed firms with high and low disclosure levels on biological assets. Based on a major international study of a wide selection of firms and country-level drivers, this book is vital for standard setters,
The aims of this study are to examine whether the adoption of International Financial Reporting Standards (IFRS) in the United Kingdom (UK) has resulted in better accounting quality for UK firms and the specific mechanisms which may have contributed to improvements in accounting quality post IFRS. The specific mechanisms I investigate are: (a) the greater use of fair value measurement and associated more extensive disclosure requirements imposed by IFRS compared to UK Generally Accepted Accounting Principles (UK GAAP) (measurement and disclosure), (b) more extensive disclosure requirements alone imposed by IFRS compared to UK Generally Accepted Accounting Principles (UK GAAP) (disclosure only) and, (c) improvements in the regulatory activities and institutional oversight systems in foreign countries that impact on cross listed firms (enforcement).

Prior to the adoption of IFRS for financial years beginning 1 January 2005, UK firms reported under UK GAAP. My sample consists of 495 firms listed on the London Stock Exchange and I collect data from calendar years 2000 to mid 2009. I use eight individual measures of accounting quality in the categories of earnings smoothing, managing towards earnings targets, timely loss recognition and value relevance. Firms are said to have improved their accounting quality if they display lower levels of earnings smoothing, less management towards earnings targets, timelier loss recognition and higher levels of value relevance.

My results indicate that in
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In general, accounting quality in UK firms improved post IFRS adoption in terms of displaying less management towards earnings targets and improved value relevance. However, there is no evidence that accounting quality improved with regards to reducing earnings smoothing and improving timeliness of loss recognition. Next I investigate the specific mechanisms by which IFRS may have caused accounting quality to improve. The proxies I use to investigate the first mechanism, namely the greater use of fair value measurement and associated disclosure requirements imposed by IFRS, are financial assets, financial liabilities and intangible assets. The results show that the greater use of fair value measurement and more disclosure requirements imposed by IFRS for these three proxies led to improvements in accounting quality by reducing management towards earnings targets. For the financial assets proxy, there was evidence that the value relevance of accounting numbers improved in terms of the relationship between returns and earnings. However, the other measures of accounting quality did not show improvements. Therefore, the overall result is mixed for this mechanism. Next I investigate the second mechanism whereby I examine whether the greater disclosure requirements alone imposed by IFRS (compared to UK GAAP) for segment reporting led to improvements in accounting quality. As these changes only increased disclosure and are not intended to change earnings measurement practices, this mechanism was tested using only the value relevance measures of accounting quality. There was no evidence that the greater disclosure requirements for segment reporting contributed to improvements in value relevance, thereby accounting quality in UK firms.
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Researchers value relevance of financial accounting information, which aids researchers in conducting research relevant to global financial reporting issues, particularly those of interest to financial reporting standard setters. Research, Standard Setting, and Global Financial Reporting examines opportunities for future research on issues related to globalization of financial reporting by identifying motivating questions that are potentially avenues for future research.

Compliance with International Financial Reporting Standards (IFRS) and the Value Relevance of Accounting Information in Emerging Stock Markets

We have spent a great deal of time on the continued development of accounting and...
Read PDF Value Relevance Of Financial Accounting Information Of auditing standards, which are used as a primary component of corporate reporting, to reach today's financial reporting framework. However, is it possible to say that, currently, financial statements provide full and prompt disclosure? Or will they still be useful as a primary element with their current structures in corporate reporting? Undoubtedly, we are deeply concerned about these issues in recent times. This volume contains chapters to discuss the today's and tomorrow's accounting and corporate reporting phenomena in a comprehensive and multidimensional way. Therefore, this book is organized into six sections: "Achieving Sustainability through Corporate Reporting", "International Standardization", "Financial Reporting Quality", "Accounting Profession and Behavioral Aspects", "Public Sector Accounting and Reporting", and "Managerial Accounting".

Advances in International Accounting

The Relative Value Relevance of Accounting Measures Based on Chinese Accounting Standards and Those Based on International Financial Reporting Standards

Masterarbeit aus dem Jahr 2007 im Fachbereich BWL - Bank, Börse, Versicherung, , Sprache: Deutsch, Abstract: Listed Dutch firms are required by law to prepare their financial statements in accordance with the International financial Statements (IFRS) since 2005.

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Before 2005, listed Dutch firms prepared their financial statements using Dutch law, Title 9 of book two of the Dutch Civil Code. It is interesting to investigate the effect of the implementation of IFRS. Is the quality of the financial statements improved by the implementation of IFRS for the users of the financial statements, such as investors, suppliers and banks? This question can be answered in many ways, looking at different characteristics of the accounting information, for example the comparability, the relevance, the reliability and the understandability. In this thesis the relevance will be studied. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or conforming, or correcting, their past evaluations. (IFRS Handbook, 2007, p. 40) In order to be relevant the accounting information must reflect the information needs of the users in valuing a company. In order to determine the market price of a company, investors need accounting information that reflects the share price of a company. The research done studying the relevance of accounting information for valuating companies is called value-relevance research. The implementation of IFRS had consequences for the value-relevance of the accounting information. Whether the value-relevance had improved by the adoption of IFRS is dependent on the differences between the former accounting system and IFRS. The impact on value relevance in the Netherlands has not been studied yet. The impact on value-relevance in other countries has been studied however, for example in the United Kingdom (Harris and Muller, 1999), Germany (Hung and Subramanyam, 2007) and Spain (Callao et al. 2007). These studies can give a powerful insight in how the difference in value-relevance of two accounting systems can be studied.
The case for adoption of International Financial Reporting Standards (IFRS) is generally made on the basis of improvements in accounting reporting quality and comparability across firms and countries. The potential benefits of high quality and more comparable financial reporting are greater market liquidity and a better allocation of capital (Hail, Leuz, & Wysocki, 2010). These arguments are based on the Contract Theory that investigates how individuals and businesses construct legal agreements in the presence of asymmetric information (‘Contract Theory,’ n.d.). This study evaluates convergence of Chinese Accounting Standards (CAS) with IFRS by examining whether reported accounting figures of net income (profit attributable to shareholders) and net equity (equity attributable to shareholders) under the two sets of financial reporting standards are comparable. Researches examining association between accounting information and stock prices are based on the Efficient Market Hypothesis. This study assumes the weak form of market efficiency in Chinese stock market and applies Ohlson’s 1995 valuation model in assessing value relevance of CAS-based and IFRS-based accounting information of earnings and book values in Chinese A-share and H-share markets. Sample include Chinese AH-share companies that issued separate annual financial statements for different classes of stocks from 2007 to
The study reports three primary findings. First, CAS-based and IFRS-based accounting figures of net income and net equity are comparable. Second, accounting information of earnings and book values is value-relevant in both A-share and H-share markets; and the accounting information is more value-relevant in H-share market than in A-share market. Third, analysis of incremental value relevance of CAS-based earnings and incremental value relevance of CAS-based book values on A-share prices shows mixed result. These findings have implications for investors, accounting standard setters, securities regulators and stock exchanges in China and other countries.