



A Review of International Financial Reporting Standards in Iran and Its Effect on The Quality of Accounting Financial Statements

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ABSTRACT

The main purpose of this research is to review the international financial reporting standards and its effect on the quality of presentation of financial accounting statements. In fact, this standard is a set of accounting standards compiled by the International Accounting Standards Board (IASB) and the purpose of these standards is to prepare the statements of financial companies in the form of a global standard. In this regard, in the present study, the impact of this standard on the quality of financial statements is investigated. The established standards include common rules and procedures that provide transparency, unification of financial statements presented, comprehensibility and reliability of financial statements worldwide. In fact, these standards specify how companies should maintain and report their accounts. The statistical population of the research includes 96 financial managers in 2023 who are responsible for preparing financial statements, whose opinions about the impact of adopting the IFRS standard have been collected in the form of a questionnaire. In order to analyze the collected data, structural equation modeling and path analysis using PLS software were used. The current research is descriptive - analytical and data collection was done through library studies and questionnaires. The variables of the research are: relevance, transparency, comprehensibility, reliability and comparability of the presented financial statements. Finally, according to the investigations, the research results indicate that there is a positive and significant relationship between the presentation of financial statements in a common format with its relevance, transparency, reliability, comparability and comprehensibility.

Keywords: IFRS standard, quality of presentation of financial statements, uniformity, comprehensibility, reliability.



1. Introduction

Considering the process of globalization, the growth, development and progress of multinational companies as well as multilateral partners of countries with each other, the main issue and problem that is addressed in the current research is, in fact, the need and necessity of developing common standards and procedures in order to achieve It is a single and common language for financial statements presented by companies around the world. International Financial Reporting Standards or IFRS is one of the most important global standards. In fact, this standard is one of the most important global standards that has been used for many years in most countries of the world, both developed and developing countries, especially Iran. We are going to. IFRS Abbreviation for International Financial Reporting System and means International Financial Reporting Standards. IFRS is a set of accounting standards developed by the International Accounting Standards Board (IASB). The purpose of these standards is to prepare the financial statements of joint-stock companies in the form of a global standard. This board is an independent body in London that has 15 members from different countries and started its work in 2001. The establishment of this board has been done by large accounting companies, private financial institutions and a number of other professional organizations in the field of accounting. So far, more than 120 countries have required IFRS for their companies' financial reporting. In fact, by adopting IFRS, a company has the ability to present its financial statements with similar principles to foreign competing companies. As a result, it is possible to compare the information of these companies and, in addition, the parent companies whose subsidiaries exist in other countries and have accepted IFRS; They can have a common accounting language and this increases the reliability of financial statements. One of the main issues regarding this standard is its acceptance in countries. In fact, the benefits of adopting International Financial Reporting Standards (IFRS) depend on the level of investor support and implementation in the adopted country (Christensen et al., 2013; Persakis and Iatridis, 2017; Wang and Yu, 2015).

Another important issue is regarding the concept of conflict of interest; Recent research from the Asia-Pacific region examining the impact of institutional investors on firm performance lends credence to this

“conflict of interest” hypothesis (Muniandi et al., 2016; Guo and Platikanov, 2019). Accordingly, activist investors may have the potential to reduce the impact of the founder on the value effectiveness of IFRS. However, there is no empirical evidence for this. One of the main criteria and goals regarding the presentation of financial statements of companies is the transparency of the information provided; In this way, by presenting financial statements by companies nationwide in a single format, presenting the information contained in the financial statements according to the approved laws, with regard to the ability to compare information related to all parts of the financial statement in the past years, in fact, the transparency of the information in the financial statements increases undeniably. Another criterion that is discussed in this research is the comprehensibility of financial statements; In order for the financial information to be understandable, it is necessary to integrate and classify the items in an appropriate way. Financial information should be prepared and presented based on the assumption that the users of financial statements have a reasonable understanding and knowledge about business and economic activities and accounting methods and that they are willing to study the information with reasonable effort. On the other hand, complex information that is considered relevant should not be removed on the grounds that it is difficult to understand, although this information should also be presented as simply as possible. In fact, financial statement information should be understandable.

The next criterion that we examined is the **comparability** of the presented financial statements; One of the prerequisites for comparability is the disclosure of the accounting procedures used in the preparation of financial statements, as well as the disclosure of any changes in those procedures and the effects of such changes. The financial statement of a company must be comparable with the financial statement of previous years and similar units, and to achieve this, it is necessary to observe the consistency of the procedure in accounting methods and the proper disclosure of the procedure and comparative figures. In fact, the ability to compare financial statements reduces the possibility of fraudulent reporting by the company. On the other hand, he pointed out that the comparability of financial statements can reduce the opportunistic behavior of managers and the possibility

of fraudulent reporting by increasing the transparency and comprehensibility of financial reports. Comparability requires that the measurement and presentation of the financial effects of transactions and other similar events be done in each accounting period and from one period to the next with the consistency of the procedure, as well as maintaining the coordination of the procedure by different business units. One of the most important issues regarding the comparability of financial statements is that the users of financial statements should have the ability to compare the financial statements of a business unit over time and also with the financial statements of different business units; Based on this issue, the effect of transactions and other similar events within the business unit and over time for that business unit should be measured and presented with a consistent procedure, and the procedure coordination between different business units should be observed regarding the measurement and presentation of similar issues, for The comparability of two features is necessary, which are the stability of the procedure and disclosures. **Stability of the procedure:** comparability requires that the measurement and presentation of the financial effects of transactions and other similar events in each accounting period and from one period to the next are done with the consistency of the procedure and also that the coordination of the procedure is maintained by different business units. **Disclosures:** One of the preconditions for the comparability of financial statements is the disclosure of the accounting procedures used in the preparation of financial statements, as well as the disclosure of any changes in those procedures and the effects of such changes. Regarding the **relevance** of financial statement information; Relevant information is considered to affect the economic decisions of users of financial statements to confirm or correct their assessment of past, present or future events. **Reliability** of financial statement information also means that the information reflected in financial statements must be reliable; In the sense that the information is provided without wrong, special intention and without bias or applying personal opinions and honestly represents and expresses what it claims. One of the most important goals of compiling these financial and accounting standards is to establish and create a unified procedure for performing financial and accounting calculations at the world level, so that this process and procedure can

be used in all countries of the world, both developed and developing, with one The same method was used to calculate and analyze the calculated and presented financial indicators. This issue will ultimately facilitate the process of foreign investment in different countries of the world and clarify financial and accounting processes. In some cases, there are discrepancies between the national financial and accounting standards of countries and international standards that can lead to differences in the preparation and analysis of financial and accounting indicators and complications in the process of analyzing financial indicators. This means increasing the risk of foreign investment and sometimes the lack of transparency in the performance of the economic sectors of a country. This issue is one of the main reasons for the creation and refinement of international financial reporting standards under the title of IFRS.

2. Theoretical Foundations

Lam and et al (2023) in a study, investigated the mandatory adoption of IFRS and earnings management: the role of culture. In this research, using a sample of 7936 annual observations of the company and 922 companies adopting International Financial Reporting Standards (IFRS) from 19 countries that required the adoption of IFRS in 2005 and 922 standard companies from 8 countries that adopted IFRS in the period The sample is not required, it has been examined; The role of trust in the impact of IFRS adoption on profit management in accordance with the predictions. Finally, it is understood that the effect of increasing profit management due to the adoption of IFRS in countries or societies with low trust is more obvious after controlling for country-level institutions, and the adoption of IFRS increases the total profit management in Countries with high confidence reduce.

Shruti and Thanmuzhi (2023) In a study, investigated the founder's ownership and the relationship of IFRS convergence value: the role of institutional investors. They examine how founding shareholders shift between alignment and establishment, thereby shaping the value impact of IFRS convergence. Using a sample of Indian firms that adopt IFRS, convergent standards in the first stage, they find that founder ownership affects the ability of IFRS to improve value communication non-uniformly, and this effect even after addressing the endogeneity

concern in Ownership remains with the founder. However, we find that the non-uniform effect is limited to domestic owners and not foreign owners. Further analysis shows that the non-uniform founder effect exists only in large firms and highly leveraged firms that experience higher equity adjustment after convergence. We also find that active (passive) institutional investors have a positive (negative) effect on the relationship between founder equity and the impact of IFRS, indicating that monitoring incentives are active investors rather than passive investors. Solving for milestones, they find that founders facilitate effective IFRS implementation only when they hold enough shares to have significant influence but do not exceed the supermajority level (about 60%), indicating an alignment effect. However, establishment prevails at extreme levels of founder shareholding, leading to opportunistic implementation of IFRS, which worsens value relevance. Finally, according to the investigations, the results of the research indicate that the minimum public stock of around 35% is desirable for promoting financial transparency and information disclosure.

Wakil and Petroska (2022) in a study, investigating whether the mandatory adoption of IFRS has a different effect on the accounting quality of large and small public companies? They gave evidence from Canada. Canada has adopted International Financial Reporting Standards (IFRS). Indeed, in 2011 they examined the impact of this mandatory change by examining whether the correlation of value and non-market-based accounting information for a set of Canadian companies on the Toronto Stock Exchange (TSX) changed. The research results indicate that the effects of IFRS adoption are not consistent in all companies, as shown by the minimal change in the value relationship for large companies, but a significant increase for small companies. These differences are primarily attributed to the weaker (strengthening) relationship of book value with stock price for large (small) firms and the strengthening (weakening) relationship of earnings with stock price for large (small) firms. This suggests that the objective of IFRS in providing balance sheet improvement is only achieved for small companies in Canada.

Martínez and et al (2022) In a study, examined the perception of Spanish economists-accountants on the changes in regulations resulting from the adoption of IFRS. The adoption of International Financial

Reporting Standards (IFRS) in Spain by companies that are not included in the mandatory scope of EU regulations has led to the modification of accounting standards. They analyzed the opinions of Spanish accountants-economists following this change and examined the effect of time and the level at which they understood the new requirements. They studied the results of four consecutive surveys to analyze how regulatory reform is applied in practice and found that the complexity that economists-accountants face when faced with regulatory changes varies significantly over time, as does initial understanding. They are also different from it. The perception of economists-accountants is analyzed during the period and changes with different changes in regulations. They prefer the reform and adaptation of the Spanish legal system to IFRS rather than the direct application of IFRS in Spain. A major part of the current research is that it emphasizes that regulators need to take a practical perspective and recognize that physicians will need extensive training and education to implement the new standards. In addition, a long-term perspective is needed. For countries with similar characteristics, the results can be a useful example of coping with changes in accounting regulations.

Norunbi and et al (2022) in a study, investigated the effect of mandatory adoption of IFRS in Saudi Arabia. They investigated whether the adoption of International Financial Reporting Standards (IFRS) by companies reporting under the Islamic accounting framework is associated with greater comparability and relevance of financial reporting. Using a sample of Saudi companies listed on Tadawul, the Saudi stock market, we compare accounting figures reported under Saudi GAAP (Generally Accepted Accounting Principles) issued by the Saudi Arabian Organization for Certified Public Accountants. (SOCPA) and IFRS for the same year. The amount of equity and net income reported on the transition to IFRS decreased as a result of adjustments primarily related to mergers and strategic investments, property, plant and equipment, employee benefits and other liabilities. Their empirical findings document several reasons for the improved relevance of subject financial reports. Finally, according to the investigations, the research results indicate that the adoption of IFRS increased the perceived relevance of reports. Furthermore, reporting in English compared to reporting in Arabic positively affected communication. Regarding transparency,

based on the number of pages and informative notes, reporting based on IFRS also improved the financial reporting process.

Hamdem and et al (2022) in a study, identified the components and factors affecting the transfer of IFRS knowledge with emphasis on knowledge content, knowledge actors and the organizational distance between them with the theme analysis method. International Financial Reporting Standards (IFRS) is an explicit knowledge and its transfer will follow a knowledge transfer pattern. The aim of the present research is to identify the components and factors affecting the transfer of IFRS knowledge with emphasis on knowledge content, knowledge actors and the organizational distance between them with the method of theme analysis. The present research was conducted in a hybrid way and in the first stage, data was collected through interviews with experts and in the second stage, through a questionnaire. The statistical population of the first stage was 16 people from accounting and related fields, and the second stage was university professors, financial managers, formed accountants and auditors. In the first stage, theme analysis was used to analyze the data and extract the components. In the second step, the validity of the extracted results of the first step was confirmed by using exploratory and confirmatory factor analysis of the first order. According to the investigations, the results of the research indicate that knowledge transfer actors, knowledge senders, knowledge transfer objects, knowledge receivers, and knowledge content factors that include clarity, ambiguity in understanding and translation, and complexity, they identify the dependence, the comprehensiveness and practicality of knowledge and finally the factors of organizational distance in the presence of an independent agency and transparent transfer contract.

Hamdem and et al (2021) In a study, identified and ranked the background and knowledge factors affecting the transfer of knowledge of international financial reporting standards with the approach of international business development. International financial reporting standards, as a common language in international business, is an explicit knowledge and its transfer will follow the patterns of knowledge transfer. The aim of the current research is to identify the background and knowledge factors affecting the transfer of IFRS knowledge with the approach of international business development, which can

facilitate the process of converting IFRS knowledge into value in the country's economy. The current research is a mixed method and in the first stage, data was collected through interviews with experts and in the second stage, through a questionnaire. The statistical population of the first stage consisted of 16 experts in accounting and related fields, and the second stage consisted of university professors, financial managers, accountants and auditors. In the first stage, interview data analysis was done using theme analysis and effective components were identified. In the second stage, to validate the results of the first stage, a questionnaire was designed and distributed among 240 people from the statistical population, and the results of the first stage were examined and confirmed by exploratory and confirmatory factor analysis. To rank the extracted components, the designed questionnaire was distributed among 25 elites and its data was ranked using TOPSIS technique. Finally, according to the conducted investigations, finally according to the conducted investigations, the results of the research indicate that in the contextual factors, the components related to structural and legal, political and economic fields have high ranks and cultural fields have The ratings were low. Also, in the knowledge factors, the components related to the factors of explicitness and comprehensiveness of knowledge had high ranks, and the factors of knowledge dependency had low ranks.

Heydari and et al (2021) In a study, examined the influence of the economic, social and cultural environment of countries on the adoption of international financial reporting standards. The purpose of this research is to investigate the influence of environmental factors on the adoption of international financial reporting standards at the level of countries. Environmental factors in this research include the existence of the capital market, economic growth, the openness of the economy, the legal system, the level of education, and cultural indicators such as power distance, individualism, masculinity, and uncertainty avoidance. The research sample included 93 countries in 2016 and the data were analyzed using binomial logistic regression. The results of the research indicate that in countries with a capital market and a customary legal system, as well as countries with a high level of education and power distance index, and low economic growth and cultural indicators of individualism and avoidance of certainty;

There is a greater tendency to accept international financial reporting standards. Also, the economy's openness variable and masculinity index did not show a significant effect on the acceptance of international financial reporting standards.

Bahramian and et al (2021) in a study, investigated the future research of the auditing profession with an emphasis on IFRS requirements and business cycles. The future state of any phenomenon is subject to many factors and conditions, the future of the auditing profession is no exception to this rule. Based on this, the aim of the current research is to identify the factors affecting the future of auditing and how these factors affect the future of this profession. This research is considered to be descriptive, correlational in terms of method, and applied in terms of purpose, which was designed and implemented using the ground theory method. For this purpose, first, a sample of 16 audit experts and specialists was selected and through interviews with them, the initial model and data collection tool were designed. Then, the designed questionnaire was provided to 264 auditors and financial managers of companies active in the stock exchange. The collected data were analyzed by network analysis (ANP) and partial least squares (PLS) using Matlab 2018 and Smart PLS software. The results of the research indicate that 66 factors affecting the research future of the auditing profession were identified and prioritized. According to the final model, IFRS requirements and business cycles play a decisive role in the future of the auditing profession.

Adhikari and et al (2021) In a study, investigated IFRS convergence and accounting quality: India a case study. This study examines the impact on accounting quality in India after converging Indian generally accepted accounting principles (IGAAP) with International Financial Reporting Standards (IFRS). The converged form of IGAAP is referred as Indian Accounting Standards (Ind AS). Using a pre-and post-IFRS adoption period design, we compare the quality of accounting information reported under IGAAP and Ind AS. Our results show that accounting quality deteriorates immediately after the adoption of Ind AS. In particular, we document that the implementation of IFRS-converged standards results in lower variability in net income, a higher magnitude of discretionary accruals, less timely recognition of losses, and lower value relevance of reported earnings. Subsequent tests

suggest that the deterioration in accounting quality ameliorates with the passage of time. The findings of the study suggest that there may be a learning curve for the benefits of IFRS adoption/convergence to diffuse over time through a system. Moreover, simply adopting or converging to IFRS without concurrent changes in institutional and enforcement frameworks may not result in improvements in accounting quality, especially in countries with weak regulatory jurisdictions. Consequently, more attention needs to be paid to implementation and diffusion issues, such as integrating IFRS intentionally in the University curriculum and providing workshops and continuing education courses to improve stakeholder familiarity with IFRS. Improvements in the institutional structures of financial reporting should also be implemented.

Rafiyan (2019) In a study, examined the approach of the Australian Accounting Standards Board in the field of implementing international public sector accounting standards. The goal of the International Public Sector Accounting Standards Board (IPSASB) is to promote public sector financial reporting in the world by developing an accrual basis for governments and other public sector entities around the world. It is important to know the views of leading accounting bodies in the world regarding the implementation of international public sector accounting standards. Therefore, in this article, the general discussions as well as the cost and benefits of implementing this standard in Australia are presented according to the statements of the Australian Accounting Standards Board (AASB). The AASB's main focus is on accrual accounting, which has been used in all Australian sectors for many years. What is important is the alignment of IPSAS with International Financial Reporting Standards (IFRS); Although each of them has a separate conceptual framework. In this regard, the users of public sector financial statements in Australia acknowledge that the current framework of AASB's non-profit entities standard formulation based on IFRS standards cannot provide favorable information; In other words, public sector financial reporting cannot satisfy the financial reporting objectives of AASB's conceptual framework; With all that said, it seems that the adoption of IPSAS in Australia would be beneficial when the economic costs do not outweigh the benefits.

Kavrazian and et al (2018) In a study, investigated the consequences of risk related to international financial reporting standards in Iranian banks admitted to the stock exchange. These days, the discussion of replacing international and national standards has attracted a lot of attention. The present study has been conducted in Iran for the first time in order to investigate the consequences of the mandatory adoption of IFRS international financial reporting standards on the relationship between risk-based criteria and accounting variables in Iranian banks admitted to the Tehran Stock Exchange. Mean changes were used by the paired T test. The findings of the research show that the adoption of IFRS increases the relationship between loan-to-asset ratio and systematic risk in a positive direction, while size and credit have a negative relationship with systematic and unsystematic risk, earnings per share, and conservatism and systematic risk, after the transition to IFRS. They show . In addition, there is a positive relationship between income diversity and market risk measure after the implementation of IFRS, and finally, IFRS has not affected the relationship between liquidity and systematic non-systematic risk.

3.Literature Review

In general, by accepting and complying with IFRS standards, foreign investors can get a better understanding of the business situation, and this issue is effective in gaining their trust for investment. IFRS helps companies to improve their accountability, transparency and financial reporting indicators in global and international dimensions. Companies can adjust their financial reports based on IFRS standards; Provide opportunities for cooperation with large international and multinational companies. Applying IFRS helps companies to have their agencies in other geographical parts of the world. It is also important that the compilers of the IFRS standard have emphasized more on general principles and concepts in order to increase the compatibility of the standards with the conditions of different countries. While the current accounting standards are more detailed.

IFRS advantages

- As we mentioned at the beginning of the text, the existence of transparency in the financial and accounting reports that follow the IFRS

standard makes the financial statements transparent for both legal authorities and investors, and to a large extent prevents manipulation of the financial statements. to be avoided, although unfortunately the ways of financial fraud will still exist.

- IFRS helps foreign investors to check the financial reports of different companies at the international level and thus identify investment opportunities. In fact, the existence of IFRS and its use helps to make investments
- with greater growth and reduce the cost of investing and receiving financial and audit reports.
- Since the application of IFRS makes the financial and accounting statements of companies to be presented with a common accounting language, the gap of financial information between two or more companies is eliminated and companies can use financial and accounting methods.
- IFRS helps investors to identify investment opportunities and threats around the world and allocate resources. For companies, using a reliable accounting language reduces capital costs and international reporting costs.
- One of the benefits that will be achieved by the implementation of international financial reporting standards is the increase in transparency and timely identification of losses (due to the limitation of the possibility of profit management), which leads to an increase in the effectiveness of agency contracts between companies and their managers, and a reduction in costs caused by problems. representation between managers and shareholders and achieving corporate governance. Increasing transparency will make managers act more in line with the wishes and needs of shareholders.

In fact, with the adoption of international financial reporting standards, all companies that intend to use IFRS must present the initial financial statements based on IFRS on the date of transition to this standard. In these financial statements, the following points should be considered:

- Identification of all current and long-term assets and liabilities; as required by the IFRS standard.

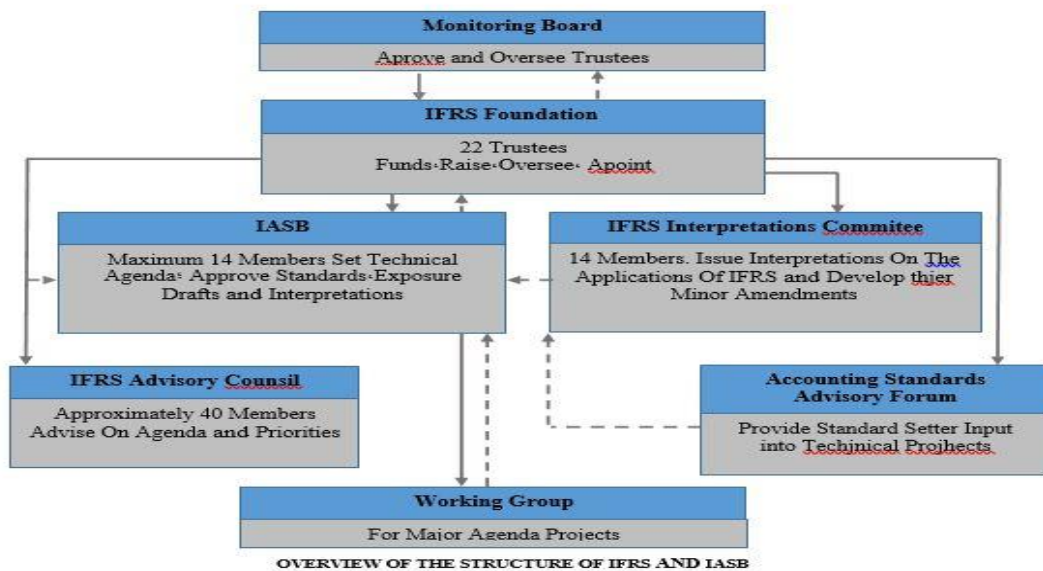
- Items that IFRS does not allow to be identified as assets or liabilities, whether current or long-term, should not be considered.
- IFRS helps investors to identify investment opportunities and threats around the world and allocate resources. For companies, using a reliable accounting language reduces capital costs and international reporting costs.
- Changing the classification of items identified as assets and liabilities under the internal accounting standard; But this classification is done in different types with IFRS.

Criticisms Of IFRS

Despite some people's belief in the necessity of universal adoption of IFRS, some people believe that the full adoption of IFRS will reduce the quality of financial reporting and there is an idea that bearing the high costs of changing the domestic standard to IFRS will not create high benefits. Although this will reduce costs for companies with extensive foreign operations, the harmonization of financial reporting standards imposes high costs on small companies, while these companies do not need Do not provide information based on foreign standards. Also, there are other countries against the companies that use the foreign model for progress, who believe that they should use the exclusive and national path for progress because

they believe that these standards were created only for the benefit of powerful countries.

In general, it seems that the EU accounting harmonization process seeks to achieve greater financial information homogeneity and comparability. It would appear, however, that the benefits of this effort are distributed unevenly between firms and countries (Nobes, 2013), as it is unclear to what extent the benefits and costs resulting from IFRS adoption are directly attributable to the financial regulation change (Giner, 2016). Also, professional associations such as the Icaew, 2014, Icaew, 2015 conclude that there is insufficient evidence of the benefits of mandatory IFRS adoption. The advantages of this harmonization process and IFRS adoption are studied and classified by several authors (André et al., 2012, Bae et al., 2008, Brown et al., 2014; European Commission (EC), 2015; European Federation of Accountants and Auditors for SMEs (EFAA), 2010; Latridis, 2010; Vergauwe & Gaeremynck, 2013). Other studies examining the main disadvantages (Brown et al., 2014, Cole et al., 2011, Jarva and Lantto, 2012, Yip and Young, 2012) highlight the complexity and costliness of the transition from national standards to IFRS (André et al., 2012). Recently, other studies have analyzed the implementation of IFRS in developing countries and examined it from the point of view of economist-



accountants (Mbawuni, 2018).

In order to confirm the claim that the implementation of international financial reporting standards increases the ability of investors to predict earnings, most of the researches have been conducted, indicating that the same and reliable accounting standards lead to the presentation of accurate earnings reports with less deviation (Ashbaugh and Pincus, 2001 and 2007). Research conducted by (Ball and et al, 2003) and (ball and et al, 2000) shows that managers in low-quality reporting regimes for various reasons, including: reducing volatility related to their tenure, reduction of corporate tax and avoidance of loss recognition in different years, they act to smooth the profit. Conversely, in high-quality reporting regimes, reported earnings and profits are highly accurate and of high quality. The results of the above research are supported by the emphasis of international financial reporting standards on the use of fair value accounting (FVA). The purpose of fair value accounting is to combine timely information about gains and losses in the value of securities, derivatives or other financial events related to financial statements.

in diagram that presented in the section below, is the composition of the full IFRS and IASB committees. In addition to this role, the members and the field of activity of each of these committees are presented.

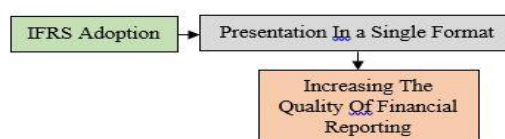
Regarding accounting and its monitoring, it can be said that each country has different laws for example of Spain is relevant internationally since the accounting profession in Spain is not an externally regulated activity; it is entirely self-regulated (Gracia & Antón, 2015). The accountancy profession is organized differently around the world. In the European Union (EU), the main difference is between auditors, who are regulated, and economist-accountants and advisors, whose regulation depends on each Member State (CGE, 2020). Some countries, such as Belgium and France, regulate accountancy and protect the title of accountant, while others, such as Spain and the United Kingdom, do not protect it, although economist-accountants have to comply with some minimum requirements established in EU Directives (Accountancy Europe, 2020). The results obtained in this paper are relevant to regulatory and professional accountancy bodies, especially if the accounting regulatory framework is similar to the Spanish one. Like other economic and institutional factors, the professional regulatory framework can

determine the adoption of new accounting rules (Jindrichovska & Kubickova, 2017). In Iran, IFRS rules are under the direct supervision of the International Accounting Standards Foundation and the necessary measures have been taken to translate the international financial reporting standards. The translation of IFRS standards is very helpful for domestic companies to use them. In Iran, due to the movement towards the creation of an international capital market, the Stock Exchange has decided to implement this standard in listed companies from 2015. In this way, all companies and organizations registered in the stock exchange and their subsidiaries and affiliates are allowed to present IFRS consolidated financial statements and no longer need to present consolidated financial statements based on internal standards. According to the above issue, it is necessary to convert financial information from current standards to IFRS, and to achieve this goal, it is necessary to have two capabilities in large companies. In the diagram presented in the following section, the process of adopting IFRS, as well as the benefits and costs of adopting this standard, are fully described.

According to the existing procedures in trade and business, globalization is inevitable; Globalization does not mean unquestioningly accepting the views of others, but the specific sensitivities and needs of the country's capital market should be taken into consideration. Therefore, to increase information transparency in the capital market, a set of international accounting standards (IFRS) is needed.

Today, we are witnessing increasing efforts to harmonize accounting standards at the international level. In today's world, the internationalization of capital markets and the ever-increasing multinational joint investments in different countries have doubled the necessity of relevance, timeliness and comparability of multinational financial reports and information. The primary economic reason for the desirability of accounting harmonization is that important differences in accounting methods are an obstacle for investors in the effective use of capital. In most societies, the accounting standards are similar in most cases. However, until now, their integration has not been practically possible in the whole world, because the compilation of accounting standards is affected by the environmental and economic conditions of each society. In general, one should pay attention to the information provided in financial

reports, measurement criteria, and empirical research done in the capital market. The transition from national accounting principles of countries to international financial reporting standards is one of the heaviest topics raised in the business world. As stated, this transition is expected to bring advantages such as uniformity of reporting, promotion of global competition and improvement of transparency of financial reporting. Using the accounting standards of the societies where the capital market has the necessary efficiency and the ownership of the private sector in industries has grown and the separation of ownership from management has been done relatively, in a society where the capital market is weak and the ownership is concentrated in the hands of the government. and the separation of ownership from management does not exist in content, it probably cannot be completely beneficial. The organization that prepares the standards should always establish standards that balance the demands of different interest groups. In order for a standard to be useful from a decision-making point of view, even though many countries in the world have currently accepted reporting based on international financial reporting standards (according to statistics published on www.IFRS.org, 138 countries by 2015) In the world, they have accepted the international standards of financial reporting, and what is more interesting is that seven countries in the Middle East are still following these standards.) Some countries have carefully examined the effects of this event from the perspective of economics and the quality of financial reporting, and have preferred to rush to the group of users. They did not follow these standards.

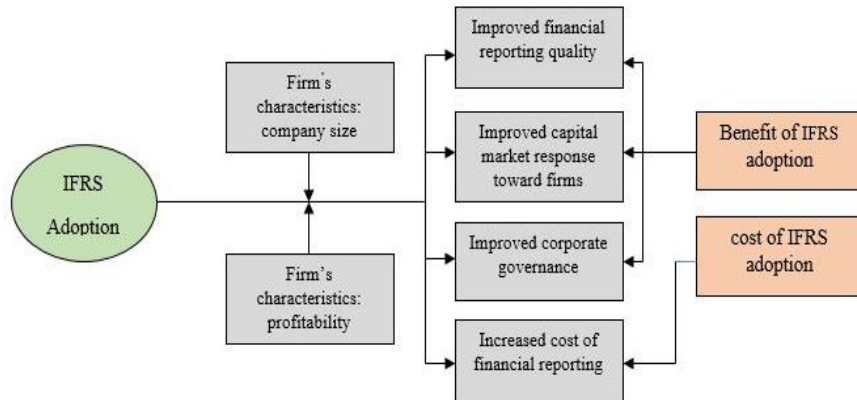


- The domino's trend effect of adoption IFRS standards is presented in the following section:

According to the conceptual model presented in the above section , adoption of international financial reporting standards (IFRS) according to the characteristics of profitability and the size of companies, the accountability of companies in the capital market, improving the quality of presenting financial statements, and on the other hand, increasing Reporting costs are financed (the last case, is considered as a kind of restriction and excess cost in some of the last companies).

The objectives of IFRS

- Improving and applying the mentioned standards accurately.
- Creation of financial statements with high quality features, comprehensible, applicable, acceptable, etc., on behalf of the Standards Development Board.
- aware from the financial reporting needs of emerging economies and small and medium-sized organizations.
- Converging national accounting standards and IFRS to adopt quality solutions.
- Many companies around the world prepare and present financial statements to external users. Although it seems that the financial statements of different countries are similar to each other, the differences that probably come from the diversity in social, economic and legal conditions and the attention of different countries to the needs of different users of financial statements when formulating national requirements are only differences. in the financial statements. The existence of these



Conceptual model of IFRS adoption process and its consequences

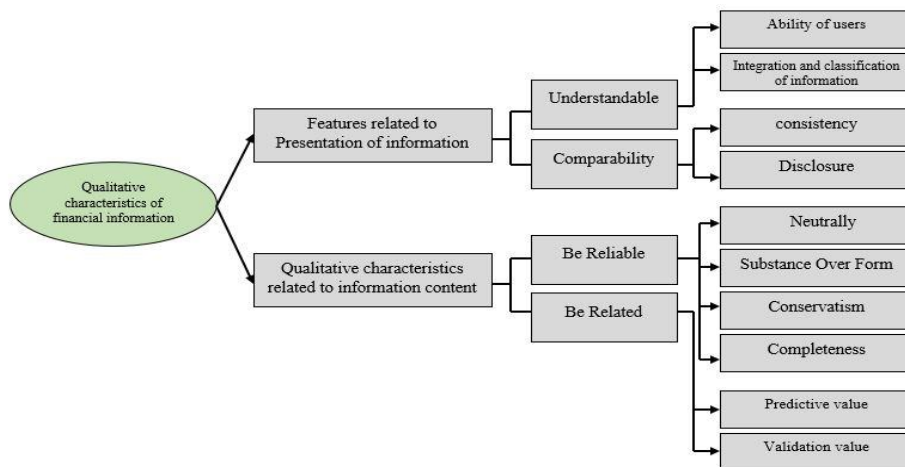
conditions has led to a variety of definitions for the elements of financial statements, such as equity, assets, liabilities, income and expenses, and others. According to this issue, one of the main goals of the financial reporting standards development board is to create an integrated structure in order to present the financial statements of companies and institutions in a single format. The International Accounting Standards Board is committed to reduce these differences through the harmonization of regulations, accounting standards and methods of preparation and presentation of financial statements. The board believes that further harmonization is best achieved by focusing on the preparation of financial statements to provide information useful for decision making.

What is the main focus of IFRS?

IFRS is also limited to the subjects that have raised their standards in accordance with the same subjects. IFRS international financial reporting standards include topics such as those mentioned in the picture:

- 1) balance sheet.
- 2) income statement.
- 3) comprehensive income statement.
- 4) cash flow statement.

Also, in the conceptual model presented in the following section, the qualitative characteristics of the information presented in the financial statements are fully presented.



Qualitative characteristics of financial

Research Hypothesis

- 1) The relevance of the information provided in the financial statements affects the quality of the presentation of financial statements
- 2) the transparency of the information presented in the financial statements affect the quality of the presentation of financial statements
- 3) the Comprehensibility of the information presented in the financial statements affect the quality of the presentation of financial statements
- 4) the Reliability of the information presented in the financial statements affect the quality of the presentation of financial statements.
- 5) the Comparability of the information presented in the financial statements affect the quality of the presentation of financial statements

4-Methodology

The current research is applied development in terms of purpose and survey description in terms of data and information collection. Research variables include: relevance, transparency, comprehensibility, reliability and comparability of the presented financial statements. Data collection has been done through library studies and questionnaires. The present research is Descriptive- analytical terms of its purpose, and when the results are obtained, it will have a practical and executive application in the organization. The statistical sample of the research includes 96 financial managers in 2023 who are responsible for preparing financial statements, whose opinions about the impact of adopting the IFRS standard have been collected in the form of a questionnaire. To determine the sample size, Cochran's

Research Questions

- 1) Does the relevance of the information that presented in the financial statements affect the quality of the presentation of financial statements?
- 2) Does the transparency of the information presented in the financial statements affect the quality of the presentation of financial statements?
- 3) Does the Comprehensibility of the information presented in the financial statements affect the

quality of the presentation of financial statements?

- 4) Does the Reliability of the information presented in the financial statements affect the quality of the presentation of financial statements?
- 5) Does the Comparability of the information presented in the financial statements affect the quality of the presentation of financial statements?

method and random sampling method were used. SMART PLS3 software was used to analyze and classify the data extracted from the questionnaire, as well as test the main hypothesis, model structural equations and fit the structural models of Squares R, chi-square, Redundancy GOF indicators. The current research is one of the researches, the data collection tool is a standard questionnaire, and the intended validity and reliability were adjusted.

4-1. Examining some statistical measures and measuring the reliability of the research variables

In this section, we apply some statistical measures, including mean, median, standard deviation, Cronbach's alpha, in order to measure the reliability of research variables, which in table no. It is fully explained below. As in table number of 1 It can also be seen that according to the fact that the Cronbach's alpha of the research variables is equal to 0.721, it can be concluded that the research variables have good reliability.

4-2. Fitting the normality status of research variables

In this section, the research variables were checked for normality by using skewness and kurtosis. According to the obtained results of skewness and stretch and the calculation of the Z statistic of skewness and stretch and the fact that most of the results were in the range between +1.96 and -1.96, which were calculated through the two formulas provided. Finally, according to the obtained results, it can be concluded that the variables are in a normal state.

variable	Relevance	Transparency	Comprehensibility	Reliability	Comparability
Relevance	1.000				
Transparency	0.297	1.000			
Comprehensibility	0.611	0.354	1.000		
Reliability	0.477	0.789	0.479	1.000	
Comparability	0.547	0.412	0.201	0.702	1.000

Table No 3 - Measurement of research correlations

Row	Variable	Mean	Median	Std Deviation	Cronbach's Alpha
1	Relevance	0.543	0.321	0.569	0.721
2	Transparency	0.130	1.110	1.223	
3	Comprehensibility	1.365	0.463	0.365	
4	Reliability	0.630	0.214	0.278	
5	Comparability	0.147	0.231	0.501	

Table No 1 - The fit of some statistical measures and the reliability of the variables

variable	Relevance	Transparency	Comprehensibility	Reliability	Comparability
Relevance	0.745				
Transparency	0.547	0.687			
Comprehensibility	0.623	0.465	0.643		
Reliability	0.710	0.544	0.632	0.746	
Comparability	0.587	0.457	0.547	0.664	0.877

Table No 4 - Fornell - Larcker criterion

Z Skewness = $\frac{Skewness(S.E)Skewness}{\sqrt{3}}$			Z Kurtosis = $\frac{Kurtosis(S.E)Kurtosis}{\sqrt{24}}$		
Variable	Relevance	Transparency	Comprehensibility	Reliability	Comparability
Skewness	0.214	0.147	0.236	-1.325	0.324
Kurtosis	0.232	0.325	0.144	-1.121	0.451
Status	Normal	Normal	Normal	Normal	Normal

Table No 2 - Investigating the normality of the variable

4-3. Measuring research correlations

In this section, we use the correlation matrix to identify the correlation between the research variables. The elements of this matrix show the correlation between the row and column variables. As in the table number of 3, It has been fully explained and the existing correlation between the variables of the research has been adjusted. Considering the fact that the correlation coefficients between the research variables are higher than 0.3, it can be concluded that

the correlation between the research variables has a high level of importance and significance.

4-4. fornell - larcker criterion

This test is one of the main criteria for the fit of measurement models in the PLS method and is determined based on factor loadings related to the items of each construct. Divergent validity refers to the low correlation of measures of a latent variable with an unrelated variable. In this section, this test is used to

calculate the divergent validity in the partial least squares structural equation model in the variables of the questionnaire. In the table number of 4 which is explained in the following section, by performing this test, we realize that finally the variables of the research have good reliability.

4-5. PLS-SEM model

In this section, using the econometric model of structural equations, we examine the relationship between research variables and their influence on each

other. Research variables for which questions are designed through questionnaires are: relevance, transparency, comprehensibility, reliability and comparability of the presented financial statements. According to the fitted model of structural equations using smart PLS software and the fact that the factor loadings of all variables are higher than 0.4, it can be concluded that all the tested hypotheses are confirmed. In the section below in the diagram number of 1, Summary of the fitted model of structural equations has been described.

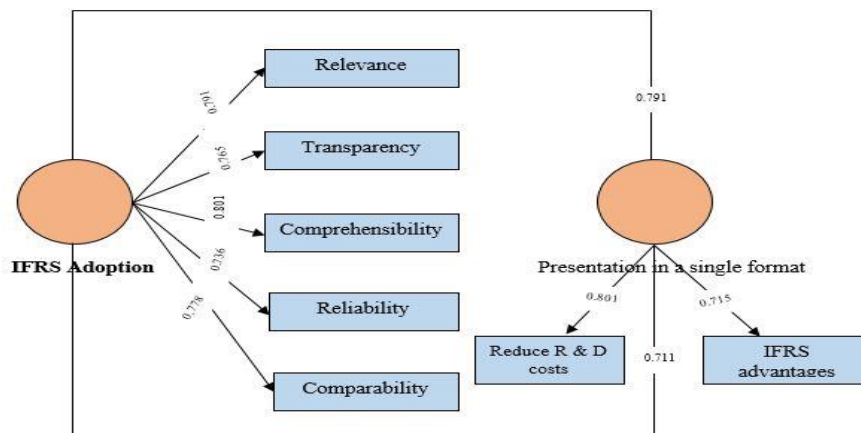


Diagram No 1 – PLS SEM Model

4-6. Breusch–Pagan test

This test is used to test the variance of heterogeneity in linear regression models and examines the dependence of the variance of residual terms obtained from linear regression on the values of explanatory variables of the model. In this study, the Breusch–Pagan method was used to detect variance homogeneity. According to Table 5, the significance of test statistics for both models shows that the null test assumption (based on homogeneity of variances) is rejected. For this reason, the generalized least squares model should be used instead of the standard least-squares model. This changes the method of calculating the standard error of the coefficients and, consequently, corrects Student Statistics and the relevant significance levels for the existing variance homogeneity. The results of this test are completely in the table number of 6 Provided.

4-7. Calculate the goodness of fit and chi-square

The goodness of fit test can be used to measure the hypotheses of research changes. This test states that the "statistical model" fits a set of "observations". The goodness-of-fit measure usually summarizes the difference between the observed and the expected probability in the investigated model. The table in the table number? Also, it can be seen that all research projects can be accepted according to the values are above 0.9. The chi-square or chi-square or chi-square test is a test that compares many expected cases with several studies to determine whether there is a significant difference between these two frequencies. According to the results of this test, if the significance value of the test for a group is less than 0.05, it can be concluded that there is a significant difference between the frequencies of that group. In other words, the difference between frequencies is statistically confirmed. The results of the test in table number of 6 Complete provided.

GOF = Average (AVE) * Average (R ²)				
Chi-Square = $x = \sum \frac{O_i - E_i}{E_i}$				
Row	Variable	GOF	Chi-Square	Status
1	Relevance	0.963	0.432	Acceptable
2	Transparency	0.904	0.466	Acceptable
3	Comprehensibility	0.974	0.412	Acceptable
4	Reliability	0.957	0.477	Acceptable
5	Comparability	0.946	0.365	Acceptable

Table No 6 - Calculate the goodness of fit and chi-square

model	$y_{it} = \beta_1 RELE_{it} + \beta_2 TRANS_{it} + \beta_3 COMPRE_{it} + \beta_4 RELI_{it} + \beta_5 COMPARA_{it} + \epsilon_{it}$		
Breusch-Pagan test statistics	Statistic test	Significant level	Result
	6.354	0.000	Variance inequality
$R_{it} = \beta_1 RELE_{it} + \beta_2 TRANS_{it} + \beta_3 COMPRE_{it} + \beta_4 RELI_{it} + \beta_5 COMPARA_{it} + \epsilon_{it}$			
Breusch-Pagan test statistics	Statistic test	Significant level	Result
	7.655	0.000	Variance inequality

Table No 5 - Breusch-Pagan test

the Comprehensibility of the information presented in the financial statements affect the quality of the presentation of financial statements					
R Value	Degrees Of Freedom	Officent Of Determination	F Value	T Value	Significante Level
0.297	1	0.41	1.54	3.664	0.0

4-8. Testing research hypotheses

4-8-1. Test of the first hypothesis

H₀= The relevance of the information presented in the financial statements does not affect the quality of the presentation of financial statements.

H₁= the Relevance of the information presented in the financial statements affect the quality of the presentation of financial statements.

As you can see in the summarized table above, different values have been calculated and presented in summary form. On the other hand, the significance level of the test error was significant for the confidence level of 99% (SIG = 0.0). Therefore, it can be concluded that the null hypothesis is rejected and the research hypothesis is accepted.

4-8-2. Test of the Second hypothesis

H₀= The Transparency of the information presented in the financial statements does not affect the quality of the presentation of financial statements.

H₁= The Transparency of the information presented in the financial statements affect the quality of the presentation of financial statements.

As you can see in the summarized table above, different values have been calculated and presented in summary form. On the other hand, the significance level of the test error was significant for the confidence level of 99% (SIG = 0.0). Therefore, it can be concluded that the null hypothesis is rejected and the research hypothesis is accepted.

The relevance of the information that presented in the financial statements affects the quality of the presentation of financial statements					
R Value	Degrees Of Freedom	Coefficient Of Determination	F Value	T Value	Significant Level
0.312	1	0.24	1.28	4.365	0.0

the transparency of the information presented in the financial statements affect the quality of the presentation of financial statements					
R Value	Degrees Of Freedom	Coefficient Of Determination	F Value	T Value	Significant Level
0.354	1	0.22	1.74	3.366	0.0

4-8-3. Test of the Third hypothesis

H₀= The Comprehensibility of the information presented in the financial statements does not affect the quality of the presentation of financial statements.

H₁= The Comprehensibility of the information presented in the financial statements affect the quality of the presentation of financial statements

As you can see in the summarized table above, different values have been calculated and presented in summary form. On the other hand, the significance level of the test error was significant for the confidence level of 99% (SIG = 0.0). Therefore, it can be concluded that the null hypothesis is rejected and the research hypothesis is accepted.

4-8-4. Test of the Fourth hypothesis

H₀= The Reliability of the information presented in the financial statements does not affect the quality of the presentation of financial statements.

H₁= The Reliability of the information presented in the financial statements affect the quality of the presentation of financial statements.

As you can see in the summarized table above, different values have been calculated and presented in summary form. On the other hand, the significance level of the test error was significant for the confidence level of 99% (SIG = 0.0). Therefore, it can be concluded that the null hypothesis is rejected and the research hypothesis is accepted.

4-8-5. Test of the Fifth hypothesis

H₀= The Comparability of the information presented in the financial statements does not affect the quality of the presentation of financial statements

H₁= The Comparability of the information presented in the financial statements affect the quality of the presentation of financial statements

As you can see in the summarized table above, different values have been calculated and presented in summary form. On the other hand, the significance level of the test error was significant for the confidence level of 99% (SIG = 0.0). Therefore, it can be concluded that the null hypothesis is rejected and the research hypothesis is accepted.

the Reliability of the information presented in the financial statements affect the quality of the presentation of financial statements					
R Value	Degrees Of Freedom	Coefficient Of Determination	F Value	T Value	Significant Level
0.256	1	0.56	1.72	4.322	0.0

the Comparability of the information presented in the financial statements affect the quality of the presentation of financial statements					
R Value	Degrees Of Freedom	Coefficient Of Determination	F Value	T Value	Significant Level
0.311	1	0.36	1.74	4.202	0.0

5- Conclusion

The global trend, the growth and development of multinational companies along with the multilateral partners of the common countries, has pre-made the need to formulate and procedures to reach a common language between different actors. International Financial Reporting Standards or IFRS is one of the most important global standards. IFRS is abbreviation of International Financial Reporting System and means International Financial Reporting Standards. IFRS is a set of accounting standards developed by the International Accounting Standards Board (IASB). The purpose of these standards is to prepare financial statements of joint-stock companies in the form of a global standard. In Iran, many companies and organizations have been trying to consider these standards in their financial reporting system for years. This will facilitate the process of connecting them to the global market and cooperation with international companies. by adopting IFRS, a company can present its financial statements with similar principles to foreign competing companies. As a result, there is a comparison with these companies and, in addition, parent companies whose subsidiaries are included in other information and have received IFRS. It can have a common accounting language.

Despite some people's belief in the necessity of universal adoption of IFRS, some people believe that the full adoption of IFRS will reduce the quality of financial reporting and there is an idea that bearing the high costs of changing the domestic standard to IFRS will not create high benefits. Although this will reduce costs for companies with extensive foreign operations, the harmonization of financial reporting standards imposes high costs on small companies, while these companies do not need Do not provide information based on foreign standards. Also, there are other countries against the companies that use the foreign model for progress, who believe that they should use the exclusive and national path for progress because they believe that these standards were created only for the benefit of powerful countries. on the other hand, The advantages of adopting IFRS are: As we mentioned at the beginning of the text, the existence of transparency in the financial and accounting reports that follow the IFRS standard makes the financial statements transparent for both legal authorities and investors, and to a large extent prevents manipulation of the financial statements. to be avoided, although

unfortunately the ways of financial fraud will still exist. IFRS helps foreign investors to check the financial reports of different companies at the international level and thus identify investment opportunities. In fact, the existence of IFRS and its use helps to make investments with greater growth and reduce the cost of investing and receiving financial and audit reports. Since the application of IFRS makes the financial and accounting statements of companies to be presented with a common accounting language, the gap of financial information between two or more companies is eliminated and companies can use financial and accounting methods. IFRS helps investors to identify investment opportunities and threats around the world and allocate resources. For companies, using a reliable accounting language reduces capital costs and international reporting costs. One of the benefits that will be achieved by the implementation of international financial reporting standards is the increase in transparency and timely identification of losses (due to the limitation of the possibility of profit management), which leads to an increase in the effectiveness of agency contracts between companies and their managers, and a reduction in costs caused by problems. representation between managers and shareholders and achieving corporate governance. Increasing transparency will make managers act more in line with the wishes and needs of shareholders. In this research, In order to check the reliability of the research variables, Cronbach's alpha test was used, and the results from the table number of 1 Is presented; Considering that Cronbach's alpha of the variables is higher than 0.7, as a result, the variables have good reliability. Also, in the current research, the Fornell-Larker test was used to measure the validity of the variables, and the results are shown in table number of 4; The results of this test indicate the appropriate validity of the research variables. In the present study, in order to check the goodness of fit, we fitted the research variables, which is acceptable considering that the calculated value is higher than 0.9. Also, the purpose of this issue is to compare the expected frequencies with the frequencies of the research to determine whether there is a significant difference between these two frequencies or not. Chi-square test was used; The results of this section indicate that all the variables are lower than 0.5, which is acceptable as a result. Finally, in the current study, we examined the research hypotheses

using the structural equation model, the result of which indicates that the relationship between the IFRS adoption effect and the obvious variables is significant. This topic also applies to Research variables. Also, the hypotheses of the research were tested, the results of which indicate that all the hypotheses of the research were confirmed; In the sense that there is a significant relationship between research variables and IFRS adoption, with the Research variables, and the impact of IFRS adoption on the Quality of presentation of financial statements and financial reporting is undeniable.

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