

IMPLICATIONS OF IFRS ADOPTION ON EARNINGS QUALITY, EMPIRICAL CASE FOR ROMANIAN ENVIRONMENT

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Abstract:

Globalization process has determined visible changes on international accounting regulation, describing a predictive direction of financial reporting development towards IFRS adoption. IFRS is perceived, within the international accounting convergence project, as the unique financial reporting language which lead to more comparable financial information, a higher transparency and an improvement of value relevance. Romanian IFRS adoption case is a specific as the main reasons determining IFRS adoption were mainly defined by the pressure of the international financial institutions and the political factor, not by market-driven motivations. Mandatory IFRS adoption hasn't generated the expected economic benefits as the incentives for a real adoption did not cover the high implementation costs. Our study is aimed to check earnings quality ex-ante and ex-post IFRS adoption. Overall, there is evidence that earnings quality increase, but not in a spectacular proportion as the differences between local GAAP and IFRS regarding the main controversial accounting topics are significantly reduced along the last ten year.

Keywords: IFRS, accruals, earnings management, regression.

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