International Comparative Study of International Financial Reporting Standards Adoption and Earnings Quality: Effects of Differences in Accounting Standards, Industry Category, and Country Characteristics

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Abstract-The purpose of this study is to investigate whether firms applying International Financial Reporting Standards (IFRS), provide high-quality and comparable earnings information that is useful for decision making of information users relative to firms applying local Generally Accepted Accounting Principles (GAAP). Focus is placed on the earnings quality of listed firms in several developed countries: Australia, Canada, France, Germany, Japan, the United Kingdom (UK), and the United States (US). Except for Japan and the US, the adoption of IFRS is mandatory for listed firms in these countries. In Japan, the application of IFRS is allowed for specific listed firms. In the US, the foreign firms listed on the US securities market are permitted to apply IFRS but the listed domestic firms are prohibited from doing so. In this paper, the differences in earnings quality are compared between firms applying local GAAP and those applying IFRS in each country and industry category, and the reasons of differences in earnings quality are analyzed using various factors. The results show that, although the earnings quality of firms applying IFRS is higher than that of firms applying local GAAP, this varies with country and industry category. Thus, even if a single set of global accounting standards is used for all listed firms worldwide, it is difficult to establish comparability of financial information among global firms. These findings imply that various circumstances surrounding firms, industries, and countries etc. influence business operations and affect the differences in earnings quality.

Keywords—Accruals, earnings quality, IFRS, information comparability.

I. INTRODUCTION

THIS paper examines whether the adoption of IFRS provides high-quality and comparable earnings information to participants in the major capital markets of the world. Focus in determining high-quality and comparable information is on earnings quality of firms listed on primary securities market worldwide: Australia, Canada, France, Germany, Japan, the UK, and the US. These countries, except for Japan and the US, require the preparation of consolidated financial statements in accordance with the IFRS by firms listed in their major securities markets. Japan allows specific listed firms to use the IFRS for preparing their consolidated financial statements. The US permits to apply IFRS for foreign firms listed on the US securities market but prohibit to apply it for listed domestic firms. This paper compares the differences in earnings quality between firms applying local GAAP (hereinafter, "local GAAP firms") and firms applying IFRS (hereinafter, "IFRS firms") in each country and industry category, and analyzes the effects on earnings quality of some other factors that influence it.

The remainder of this paper is organized as follows. In Section II, the methods used for the analysis of earnings quality are classified and related research is discussed. Next, the hypotheses and the overall research design are presented in Section III, and the sample selection procedures and descriptive statistics are discussed in Section IV. Then, Section V shows the results of tests relating to differences in earnings quality and the factors that influence it. Finally, in Section VI, some conclusions are presented and their implications discussed.

II. RELATED LITERATURE

Prior studies on earnings quality are classified into four topics: (i) time-series properties of earnings; (ii) selected qualitative characteristics in the conceptual framework; (iii) the relations among income, cash, and accruals; and (iv) implementation decisions [23]. These four topics are mutually exclusive. In general, a popular method for analyzing earnings quality is derived from the relation between the accruals and cash components of earnings, and that is the approach that will be adopted in this paper.

The international convergence of accounting standards to the IFRS¹ has prompted research on the effect on earnings quality of applying IFRS. Some studies have compared measurements of earnings quality in one country between pre-IFRS adoption terms and post-IFRS adoption terms or between IFRS firms and non-IFRS firms. This approach has been extended to look at multiple countries where IFRS has been adopted, at least by some firms. International comparative studies of earnings

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¹ Several prior studies ([3], [5], 820], [25]) examine the effects of the International Accounting Standards (IAS), which were accounting standards used before the advent of IFRS. In this paper, the term IFRS includes IAS.

quality tend to investigate whether IFRS adoption not only results in an increase in accounting quality but also provides international comparative information to information users.

The effects of voluntary or mandatory IFRS adoption on earnings quality in Germany are examined by [5], [20], and [25]. Reference [25] investigated whether German firms that had adopted IFRS engaged significantly less in earnings management compared to German firms reporting under German GAAP. Earnings management was analyzed using the absolute discretional accruals that were measured by using the model of [11] and correlation between accruals and cash flows from operating activities (CFO) based on [17]. They found that IFRS adopters did not exhibit different earnings management behavior compared to firms reporting under German GAAP. References [5] and [20] compared the impacts of voluntary and mandatory adoption of IFRS on earnings quality and found results that are different from those of [25]. These studies used the analysis models of [3] and measured the extent of earnings smoothing and timely loss recognition. Reference [5] showed that the earnings quality after voluntary IFRS adoption was higher than that after mandatory IFRS adoption. Reference [20] also argued that earnings management continues even after mandatory IFRS adoption.

The study of [17] investigated the impact of IFRS adoption in Canada. Earnings quality was evaluated using five measures: absolute discretionary accruals based on [8]; the comparison of performance-matched discretionary accruals between sample firms and paired firms using the model of [13]; the frequency of small positive earnings measured using the model of [4]; the earnings persistence computed using the model of [8]; and market-based measure of earnings quality based on [10]. The results of this paper also did not indicate a causal effect of IFRS adoption on earnings quality.

References [12] and [27] examined the differences in earnings quality between IFRS firms and local GAAP firms in emerging economic countries, using a model similar to that of [3]. The study of [27] focused on firms listed on primary securities markets in China. They analyzed earnings quality on the basis of measures of earnings smoothing and timely loss recognition. The results of their tests indicated some improvements in earnings quality associated with IFRS adoption. Reference [12] examined the influence of IFRS adoption on earnings quality of listed firms in Brazil by comparing the pre-IFRS adoption period and in the post-IFRS adoption period. The results of their tests showed an increase in the income smoothing level after IFRS adoption. Thus, they concluded that earnings quality is not increased by only applying IFRS.

Several researches [1], [3], [26] addressed the question whether IFRS adoption is associated with higher earnings quality in many countries. Reference [3] compared the earnings management levels of firms that had voluntarily adopted IFRS and local GAAP firms in 21 countries. They examined earnings quality based on earnings management and timely loss recognition. Earnings management was analyzed using four metrics: three for earnings smoothing and one for managing earnings towards a target. The earnings smoothing level was evaluated by the variability of change in net income, mean of the ratio of the variability of the change in net income to the variability of the change in CFO, and the Spearman correlation between the accruals and CFO. Their metric for managing towards positive earnings was the regression coefficient for small positive net income, and timely loss recognition was measured by the regression coefficient for large negative net income. Their results indicated that the earnings quality of firms that voluntarily adopted IFRS is higher than that of local GAAP firms.

Reference [26] focused on 15 countries in the European Union (EU) and measured earnings quality in the periods before and after IFRS adoption. Earnings quality was analyzed using six measures: earnings smoothing based on [16]; variability of accruals measured using the models of [7] and [18]; absolute discretionary accruals measured by the method of [6]; managing toward earnings targets, as proposed by [3] and [15]; timeliness and conditional conservatism following [2] and [14]; and value relevance, as suggested by [15]. The results suggested that there had been some improvement in earnings quality after IFRS adoption. The findings of this paper were more pronounced for firms in countries where the distance between pre-existing local GAAP and IFRS was large. They did not identify any changes within firms that had converged their local GAAP toward IFRS before the mandatory adoption.

The study of [1] compared earnings quality for firms in 20 countries that had adopted IFRS and firms in 15 countries where IFRS had not been adopted. They analyzed earnings quality from earnings smoothing, small positive income recognition, and timely loss recognition. The results showed that earnings quality related to income smoothing, amounts of accruals, and timely loss recognition in IFRS firms was lower level than those of non-IFRS firms. However, they did not find significant differences between IFRS and non-IFRS firms in meeting or beating earnings targets.

Since foreign firms in the US are permitted to apply IFRS. some studies have examined earnings quality for foreign firms cross-listed on the US securities markets. Reference [24] focused on foreign firms in 23 countries that applied IFRS for filing documents to the Securities and Exchange Commission (SEC) in the US. They compared the earnings quality of filing documents before and after IFRS adoption with that of domestic US listed firms. They examined five measures of earnings quality related to discretionary accruals, target beating, earnings persistence, timely loss recognition, and the earnings response coefficient. They did not find any differences in earnings quality between the pre-IFRS period and the post-IFRS period when earnings quality was measured by absolute discretionary accruals, timely loss recognition, or a long-window earnings response coefficient. However, for the incidence of small positive earnings and earnings persistence, they found significant differences.

In their study, [21] analyzed the level of earnings management in Latin America, and focused on firms in Brazil and Chile that apply IFRS for the preparation of financial statements. This paper compares the earnings management levels of firms in Latin American countries with those of firms in Anglo-Saxon countries (the UK and Australia) and Continental European countries (France and Germany). The results showed that Latin American firms presented a higher level of earnings management than both Continental European and Anglo-Saxon firms. Based on this, [21] argued that even with a unique set of high-quality accounting standards, namely IFRS, national characteristics still play an important role in the way IFRS is implemented in each country.

Previous studies have analyzed the relationship between IFRS adoption and earnings quality using various measures, revealing mixed evidence for the effect of IFRS adoption on earnings quality. Some studies have found that IFRS adoption results in increases of earnings quality, while others did not find any such increase. Most studies, except for those of [21] and [26], have not analyzed differences in earnings quality between the different countries applying IFRS. Prior research focusing on many countries has not examined the impact of IFRS adoption on earnings quality for the individual countries and, with particular relevance for us, there is no research relating to Japanese firms².

This study seeks to address the shortcomings identified in the previous studies. Focusing on developed countries including Japan, earnings quality is measured and ranked, and changes in earnings quality and the factors influencing them are evaluated by country, industry, and accounting standards.

III. HYPOTHESIS AND RESEARCH DESIGN

The question of interest is whether the IFRS achieves its objectives and provides high-quality and comparable financial information to participants in the world's capital markets. The existing literature does not provide consistent results. In particular, we do not know whether and how earnings quality differs by IFRS adoption country or industry sector. Therefore, the following pair of simple hypotheses is proposed.

- H₀₋₁: IFRS adoption does not affect earnings quality.
- H₁₋₁: IFRS adoption increases earnings quality.
- Next, the following hypotheses are tested.
- H₀₋₂: Adoption of the IFRS does not affect differences in earnings quality.
- H₁₋₂: Adoption of the IFRS diminishes differences in earnings quality.

These hypotheses are examined by country and industry. Accruals quality has been widely used as a proxy for earnings quality in prior studies, so earnings quality is modeled by (1) and (2). Earnings that are more closely related to cash flows give better quality. Uncertainty in accruals is best predicted by the modified [7] model ([9]). Reference [18] added two variables to the [7] model: the change in revenue; and the value of property, plant, and equipment. These variables are important in forming expectations about total current accruals. Total accruals are estimated by (1).

$$\frac{TA_t}{Assets_{t-1}} = \alpha_1 \frac{CFO_{t-1}}{Assets_{t-1}} + \alpha_2 \frac{CFO_t}{Assets_{t-1}} + \alpha_3 \frac{CFO_{t+1}}{Assets_{t-1}} + \alpha_4 \frac{\Delta REV_t}{Assets_{t-1}} + \alpha_5 \frac{PPE_t}{Assets_{t-1}} + \varepsilon_t$$
(1)

 TA_t : total accruals in year *t*, $Assets_{t-1}$: total assets at the end of year *t*-1, CFO_t : cash flows from operating activities in year *t*, ΔREV_t : change in revenues between year *t*-1 and year *t*, PPE_t : value of property, plants, and equipment at the end of year *t*.

Accruals are evaluated by using the residual ε as a measure of a firm's financial performance. Accruals quality is given by (2) for each country and industry.

$$AQ_{t} = \beta_{0} + \beta_{1} LnAssets_{t} + \beta_{2} SDCFO_{t} + \beta_{3} SDRev_{t} + \beta_{4} LnOpCycle_{t} + \beta_{5} NegEarn_{t} + \zeta_{t}$$
(2)

 AQ_t : accruals quality (a residual ε) in year *t*, $LnAssets_t$: natural logarithm of total assets at the end of year *t*, $SDCFO_t$: standard deviation of CFO over the three years before year *t*, $SDREV_t$: standard deviation of revenue over the three years before year *t*, $LnOpCycle_t$: natural logarithm of operating cycle in year *t*, $NegEarn_t$: incidence of negative earnings over the three years before year *t*.

The residual ζ after estimating AQ with (2) represents earnings quality. Smaller absolute values of the residual ζ indicate higher earnings quality. The evaluation of earnings quality is tested by two analyses. The first tests the difference in the population mean of earnings quality between local GAAP firms and IFRS firms. If the result of the test is statistically significant, then earnings quality is different between local GAAP firms and IFRS firms.

TABLE I Samples											
Country	Local GAAP	IFRS	Total	US GAAP							
Australia	3.610	6.936	10.546								
Canada	2.633	2.530	5.163	261							
France	744	4.134	4.878								
Germany	616	2.643	3.259								
Japan	26.924	69	26.993	93							
UK	709	3.869	4.578								
US	13.284		13.284	13.284							
Total	48.520	20.181	68.701	13.638							

After evaluating earnings quality, the following regression model is estimated by using earnings quality; that is, absolute values of ζ , as the dependent variable. Based on [17], several control variables are included in (3) to control for other factors that may affect earnings quality: market value means that firms with a large market value have higher earnings quality; financial leverage is positively associated with earnings management; return on assets that means earnings performance is related to discretionary accruals; dummies of the industry and the accounting standards represent proxies to circumstances influencing a firm's performance and activities. If the coefficients of industry and accounting standards dummies are statistically significant, then earnings quality is influenced by differences of industry and accounting standards.

² Reference [19] measured earnings quality for examining value relevance of earnings focusing on Japanese firms. However, this research used the data before Japan adopted IFRS.

 $EQ_{t} = \gamma_{0} + \gamma_{1} LnMV_{t} + \gamma_{2} Lev_{t} + \gamma_{3} ROA_{t} + \gamma_{4} DummyInd + \gamma_{5} DummyAcStand$ (3)

leverage at the end of year t, ROA_t : return on assets in year t, DummyInd: industry dummies by Global Industry Classification Standard (GICS), DummyAcStandards: accounting standards dummies.

 EQ_t : earnings quality (absolute values of residual ζ) in year *t*, $LnMV_t$: market value at the end of year *t*, Lev_t : financial

					DES	CRIPTIVE	TABLE II STATISTICS	OF VARIA	BLES					
Var.	Accruals	CFO _{t-1}	CFOt	CFO_{t+1}	dSales	PPE	Ln Assets	SD CFO	SDRev	LnOp Cycle	Neg Earn	LnMV	Lev	ROA
AU (GAAP										0			
Ave.	-0.049	-0.115	-0.133	-0.212	0.194	0.755	3.342	0.550	21.203	1.869	0.527	3.579	0.408	-0.164
Med.	-0.013	-0.025	-0.022	-0.021	0.041	0.271	2.945	0.091	0.140	1.817	0.667	3.177	0.340	-0.016
St.Dev.	0.886	0.603	0.748	1.302	1.084	14.257	2.153	10.49	989.225	0.670	0.450	2.133	0.636	0.960
CAC	JAAP	0.020	0.050	0.000	0.214	0.705	4.9/7	0.400	0.400	1 771	0.407	5.057	1 700	0.260
Ave. Med	-0.056	0.020	0.058	0.066	0.214	0.795	4.867	0.400	0.406	1.//1	0.407	5.05/	1./09	-0.369
St Dev	-0.022	0.072	0.082	1 4 1 0	2 373	6.152	2.608	2 3 5 8	4 997	0.506	0.000	2 3 3 8	0.405 36.406	4 354
FR (ο.748 3ΔΔΡ	0.540	0.937	1.410	2.373	0.152	2.098	2.338	4.777	0.500	0.401	2.336	30.490	4.554
Ave	-0.014	0.042	0.050	0.059	0.057	0.225	5 699	0.066	0.633	1.994	0.203	5.093	0.626	0.031
Med.	-0.014	0.058	0.064	0.070	0.036	0.137	5.342	0.045	0.183	2.013	0.000	4.723	0.647	0.054
St.Dev.	0.102	0.125	0.117	0.131	0.272	0.275	2.453	0.068	6.279	0.293	0.354	2.379	0.208	0.152
GE C	GAAP													
Ave.	-0.008	0.004	0.009	-0.084	0.068	0.438	3.852	0.100	0.891	1.749	0.315	3.571	0.548	-0.002
Med.	-0.023	0.047	0.049	0.063	0.022	0.185	3.670	0.070	0.168	1.745	0.000	3.229	0.576	0.040
St.Dev.	0.370	0.333	0.265	1.485	0.701	3.630	2.316	0.110	12.106	0.534	0.387	2.232	0.266	0.241
JP C	GAAP													
Ave.	-0.006	0.057	0.060	0.063	0.027	0.325	10.942	0.034	0.101	1.763	0.080	10.211	0.506	0.050
Med.	-0.010	0.056	0.058	0.060	0.022	0.298	10.817	0.026	0.061	1.894	0.000	10.066	0.512	0.042
St.Dev.	0.052	0.058	0.060	0.064	0.117	0.209	1.450	0.030	0.692	0.450	0.203	1.623	0.205	0.054
UK	JAAP	0.007	0.105	0.112	0.0(2	0.200	5 002	0.042	0.250	1 720	0.004	5 (20	0 (70	0.000
Ave.	-0.019	0.097	0.105	0.113	0.062	0.390	5.803	0.043	0.250	1./39	0.084	5.628	0.679	0.082
St Day	-0.020	0.098	0.104	0.100	0.042	0.299	2.070	0.033	0.109	1.855	0.000	2,250	0.333	0.085
SLDEV.	0.004	0.085	0.080	0.090	0.150	0.527	2.087	0.039	0.004	0.440	0.235	2.250	5.058	0.211
Δve	-0.008	0.091	0.100	0.112	0.069	0.411	7 897	0.036	0.165	1 634	0.077	7 8 1 8	0.602	0.086
Med	-0.006	0.083	0.089	0.096	0.005	0.285	7.858	0.023	0.069	1 713	0.000	7 753	0.587	0.000
St Dev	0.075	0.079	0.093	0.115	0.208	0.414	1.616	0.045	2.701	0.410	0.222	1.645	0.259	0.186
AU-	IFRS	0.075	01075	01110	0.200	0	11010	01012	21/01	01110	0.222	110.12	0.209	01100
Ave.	-0.094	-0.132	-0.177	-0.252	0.088	0.475	3.753	0.550	0.191	2.024	0.584	3.750	0.431	-0.325
Med.	-0.029	-0.021	-0.023	-0.021	0.003	0.276	3.384	0.059	0.068	1.895	0.667	3.360	0.299	-0.050
St.Dev.	0.469	0.723	1.829	3.937	0.974	1.104	2.302	11.95	0.579	0.762	0.452	2.244	1.422	2.268
CA-	IFRS													
Ave.	-0.050	0.058	0.065	0.066	0.103	0.627	5.988	0.108	0.157	1.665	0.386	5.791	0.509	-0.078
Med.	-0.028	0.075	0.079	0.081	0.027	0.530	6.047	0.034	0.076	1.721	0.000	5.794	0.432	0.035
St.Dev.	0.547	0.271	0.335	0.610	0.807	1.634	2.015	0.441	0.473	0.449	0.436	1.910	1.661	1.022
FR-	IFRS													
Ave.	-0.009	0.054	0.057	0.061	0.049	0.242	6.107	0.043	0.124	2.005	0.167	5.510	0.605	0.031
Med.	-0.007	0.061	0.065	0.067	0.032	0.146	5.785	0.028	0.065	1.993	0.000	5.146	0.596	0.050
St.Dev.	0.070	0.096	0.104	0.116	0.149	0.332	2.289	0.049	0.816	0.324	0.323	2.292	0.321	0.135
GE-	0.007	0.041	0.044	0.050	0.007	0.254	5.816	0.073	0 252	1 766	0.180	5 276	0 501	0.025
Med	-0.007	0.041	0.044	0.039	0.097	0.234	5.010	0.075	0.333	1.700	0.180	5.089	0.591	0.055
St Dev	0.203	0.008	0.315	0.070	0.044	0.210	2 416	0.035	6 308	0.356	0.000	2 477	0.392	0.033
JP-IFRS	0.205	0.21)	0.515	0.234	0.542	0.525	2.410	0.210	0.500	0.550	0.517	2.477	0.527	0.220
Ave.	-0.018	0.049	0.052	0.052	-0.000	0.200	14,193	0.014	0.080	1.990	0.075	13.219	0.600	0.034
Med.	-0.017	0.047	0.049	0.052	0.003	0.186	14.547	0.014	0.050	1.984	0.000	13.805	0.635	0.030
St.Dev.	0.029	0.030	0.030	0.028	0.047	0.119	1.964	0.007	0.114	0.262	0.139	1.805	0.176	0.031
UK-	IFRS													
Ave.	0.000	0.090	0.097	0.106	0.058	0.319	6.662	0.120	6.209	2.463	0.088	6.351	1.364	0.079
Med.	0.002	0.083	0.088	0.093	0.036	0.221	6.600	0.117	6.253	1.980	0.078	6.393	0.564	0.077
St.Dev.	0.062	0.086	0.093	0.105	0.143	0.337	1.826	0.618	1.981	12.216	0.089	1.946	48.328	0.414
JP-US	GAAP													
Ave.	-0.011	0.046	0.045	0.046	0.013	0.192	14.904	0.014	0.044	1.927	0.064	13.912	0.604	0.032
Med.	-0.013	0.048	0.049	0.051	0.022	0.169	15.475	0.010	0.044	1.935	0.000	14.219	0.684	0.032
St.Dev.	0.021	0.020	0.024	0.022	0.045	0.094	1.402	0.013	0.026	0.270	0.140	1.080	0.220	0.022
CA-US	S GAAP	0.000	0.007	0.000	0.001	0 410	6 (0)	0.212	0.192	1 750	0.256	7 440	0.529	0 100
Ave.	-0.031	0.000	-0.006	0.000	0.081	0.418	0.090	0.212	0.182	1./50	0.356	7.440	0.538	-0.188
Ivied.	-0.010	0.074	0.0//	0.08/	0.032	0.310	0.813	0.041	0.101	1./49	0.000	1.5/9	0.541	0.030
St.Dev.	0.148	0.328	0.397	0.430	0.278	0.300	3.080	0.362	0.209	0.350	0.431	2.240	0.301	0.782

Equation (4) adds a country dummy in place to accounting standards dummy in (3). This model analyzed the effects of

several factors on earnings quality individually using pooled data of local GAAP firms and IFRS firms. This analysis

complements the results of the tests performed by country in (3). If the coefficient of the country dummy is statistically significant, then earnings quality is influenced by country differences.

$$EQ_{t} = \delta_{0} + \delta_{1} LnMV_{t} + \delta_{2} Lev_{t} + \delta_{3} ROA_{t} + \delta_{4} DummyInd + \delta_{5} DummyCountry$$
(4)

DummyCountry : country dummies.

IV. SAMPLES AND DESCRIPTIVE STATISTICS

The initial sample consists of all publicly listed firms incorporated in the years 1997-2017 in seven developed countries: Australia, Canada, France, Germany, Japan, the UK, and the US. In the EU, member countries mandate the adoption of IFRS by listed firms. The Financial Service Agency (FSA) of Japan permits specific listed firms to prepare their consolidated financial statements in accordance with the IFRS. The SEC of the US allows applying IFRS for foreign firms listed on the US securities market, however, prohibits doing it for listed domestic firms. The SEC emphasizes that the US GAAP represent the most comprehensive and high-quality set of accounting standards in the world when compared to other individual countries' GAAP [22]. In this paper, the US firms are included for analysis in order to examine whether applying the US GAAP will provide higher quality financial information than applying the IFRS or other countries' accounting standards.

Table I reports the distribution of sample firms across countries and accounting standards. Financial institutions (GICS codes 4010-4030) are dropped from the samples. Financial data is from the Capital IQ database of Standard and Poor's. Total samples size is 69,055 firm-year observations, including 20,181 IFRS observations. They are divided to 21 industry categories.

Table II presents the descriptive statistics for estimating total accruals and evaluating earnings quality according to country and accounting standards. Most accruals have a negative average and median, except for UK-IFRS. CFO variables are positive in many countries; however, they are negative in Australia.

TABLE III	
TIMATION FOR ACCRUALS	S

<u> </u>		< 1°			ſ	2 5 1 IMA	ATION FOR	ACCRUAL	5						
Country	AU	Istralia		IEDC			Ca	inada		UC			IFDC		
AcStand.	AU	GAAP		IFKS	4 1		Carff	GAAP		US Cooff	4 1		IFKS	4 1	
Var.	Coeff.	t-value	**	Coeff.	t-value	ب ب	Coeff.	t-value	ىك ىك	Coeff.	t-value	**	Coeff.	t-value	ىلە بىلە
Const.	0.100	-3.504	**	0.100	-13.757	**	0.000	-4.170	**	0.552	-4.852	**	0.150	24.610	**
CFOt-1	-0.126	-6.494	**	0.102	6.796	**	0.266	18.316	**	0.553	6.009	**	0.150	9.443	**
CFOt	0.093	4.158	**	-0.280	-6.583	**	-0.477	-25.911	**	-0.605	-6.372	**	-0.263	-12.627	**
CFOt+1	0.132	6.425	**	0.532	13.769	**	0.597	36.141	**	0.244	3.197	**	0.136	8.060	**
dSales	0.107	6.776	**	0.008	0.685		0.124	8.300	**	0.303	5.388	**	-0.074	-6.817	**
PPE	-0.021	-1.320		-0.007	-0.613		-0.419	-33.448	**	0.095	1.721		-0.857	-80.072	**
adj.R ²		0.036			0.104			0.763			0.219			0.784	
Country	France						Gei	rmany							
AcStand.	FR	GAAP		IFRS			GE	GAAP		IFRS					
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value				
Const.		-2.861	**		-7.666	**		-0.033			0.558				
CFOt-1	0.436	12.403	**	0.409	22.767	**	0.192	4.260	**	0.409	17.083	**			
CFOt	-0.655	-18.334	**	-0.833	-43.507	**	-0.325	-6.035	**	-0.642	-23.564	**			
CFOt+1	0.185	5.543	**	0.306	16.958	**	0.100	1.885		0.220	9.150	**			
dSales	0.176	5.960	**	0.219	16.920	**	0.195	4.736	**	0.097	5.308	**			
PPE	-0.003	-0.111		0.008	0.628		-0.089	-2.112		-0.056	-3.067	**			
adj.R ²		0.305			0.331			0.116			0.218				
Country	Japan									UK					
AcStand.	Ĵ₽	GAAP		US			IFRS			UK G	JAAP		IFRS		
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value	
Const.		35.707	**		0.957			-0.149			2.641	**		5.521	**
CFOt-1	0.285	57.575	**	0.103	1.179		0.552	4.130	**	0.298	7.378	**	0.371	17.516	**
CFOt	-0.742	-145.757	**	-0.584	-6.255	**	-0.772	-5.376	**	-0.783	-17.200	**	-0.845	-35.884	**
CFOt+1	0.215	42.648	**	-0.133	-1.505		0.094	0.682		0.195	4.705	**	0.282	13.133	**
dSales	0.294	66.016	**	0.311	3.739	**	0.192	2.019	*	0.235	8.288	**	0.191	12.849	**
PPE	0.174						0.01.5	0 100	*	0.000	2.070	**	0.006	-0.410	
	-0.1/4	-39.750	**	0.097	1.197		-0.215	-2.189		-0.082	-2.979		-0.000	0.110	
adi.R ²	-0.1/4	-39.750 0.491	**	0.097	1.197 0.377		-0.215	-2.189 0.421		-0.082	-2.979		-0.000	0.255	
adj.R ² Country	-0.174	-39.750 0.491	**	0.097	1.197 0.377		-0.215	-2.189 0.421		-0.082	-2.979 0.279		-0.000	0.255	
adj.R ² Country AcStand.	-0.174 US US	-39.750 0.491 GAAP	**	0.097	1.197 0.377		-0.215	-2.189 0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var.	-0.174 US US Coeff.	-39.750 0.491 GAAP t-value	**	0.097	0.377		-0.215	0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. Const.	US US Coeff.	-39.750 0.491 GAAP t-value 3.469	**	0.097	1.197 0.377		-0.215	0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. Const. CFOt-1	-0.174 US US Coeff.	-39.750 0.491 GAAP t-value 3.469 29.392	**	0.097	0.377		-0.215	0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. Const. CFOt-1 CFOt	-0.174 US US Coeff. 0.329 -0.543	-39.750 0.491 GAAP t-value 3.469 29.392 -41.664	** ** **	0.097	1.197 0.377		-0.215	0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. CFOt-1 CFOt CFOt+1	-0.174 US US Coeff. 0.329 -0.543 0.193	-39.750 0.491 GAAP t-value 3.469 29.392 -41.664 16.464	** ** **	0.097	0.377		-0.215	-2.189 0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. CFOt-1 CFOt CFOt+1 dSales	-0.174 US US Coeff. 0.329 -0.543 0.193 0.157	-39.750 0.491 GAAP t-value 3.469 29.392 -41.664 16.464 19.119	** ** ** ** **	0.097	1.197 0.377 *:5%		-0.215	-2.189 0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. Const. CFOt-1 CFOt CFOt+1 dSales PPF	-0.174 US US Coeff. 0.329 -0.543 0.193 0.157 -0.189	-39.750 0.491 GAAP t-value 3.469 29.392 -41.664 16.464 19.119 -23.806	** ** ** ** ** **	0.097	1.197 0.377 *:5% **:1%		-0.215	-2.189 0.421		-0.082	0.279		-0.000	0.255	
adj.R ² Country AcStand. Var. CFOt-1 CFOt-1 CFOt+1 dSales PPE adj.R ²	-0.174 US US Coeff. 0.329 -0.543 0.193 0.157 -0.189	-39.750 0.491 GAAP t-value 3.469 29.392 -41.664 16.464 16.464 19.119 -23.806 0.166	** ** ** ** ** **	0.097	*:5% **:1%		-0.215	-2.189 0.421		-0.082	0.279		-0.000	0.255	

TABLE IV

					ESTIMAT	TION F	OR ACCRU	JALS QUAL	ITY						
Country	Aus	stralia					Ca	nada							
AcStand.	Local	GAAP		IFRS			Local	GAAP		US C	GAAP		IFRS		
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value	
Const.		5.951	**		11.503	**		5.352	**		0.266			7.149	**
LnAssets	-0.142	-5.268	**	-0.205	-10.942	**	-0.150	-6.082	**	-0.080	-0.899		-0.052	-2.088	*
SDCFO	0.047	1.206		0.140	8.869	**	0.522	18.511	**	0.254	2.915	**	0.482	18.464	**
SDRev	-0.040	-1.048		-0.005	-0.289		-0.361	-12.867	**	0.147	1.884		-0.130	-5.161	**
LnOpCycle	0.040	1.925		0.020	1.226		-0.003	-0.154		0.055	0.717		-0.088	-3.759	**
NegEarn	0.007	0.247		-0.010	-0.524		0.048	1.920		0.150	1.617		0.050	2.062	*
adj.R ²		0.025			0.066			0.190			0.280			0.208	
Country	France						Gei	many							
AcStand.	Local	GAAP		IFRS			Local	GAAP		IFRS					
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value				
Const.		-0.631			4.195	**		-0.272			5.602	**			
LnAssets	-0.118	-2.240	*	-0.097	-5.261	**	-0.113	-2.085	*	-0.157	-6.794	**			
SDCFO	0.255	5.221	**	0.247	13.088	**	0.463	8.238	**	0.095	4.048	**			
SDRev	0.102	2.213	*	-0.028	-1.608		0.047	0.912		0.134	5.684	**			
LnOpCycle	0.126	2.945	**	0.042	2.543	*	0.141	2.992	**	0.043	2.038	*			
NegEarn	0.219	4.538	**	0.157	8.657	**	0.085	1.611		0.224	9.552	**			
adj.R ²		0.251			0.158			0.356			0.182				
Country	Japan														
AcStand.	Local	GAAP		US (GAAP		Local	GAAP		Local	GAAP		IFRS		
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value		Coeff.	t-value	
Const.		28.080	**		0.914			0.350			3.379	**		8.472	**
LnAssets	-0.082	-12.848	**	-0.075	-0.477		0.207	0.822		0.015	0.336		-0.020	-1.157	
SDCFO	0.243	36.740	**	-0.205	-1.312		-0.098	-0.412		0.174	3.295	**	0.218	11.803	**
SDRev	0.063	9.718	**	-0.136	-1.003		-0.248	-0.933		-0.086	-1.654		0.040	2.287	*
LnOpCycle	-0.090	-14.808	**	0.154	1.015		-0.082	-0.290		-0.031	-0.716		-0.036	-2.169	*
NegEarn	0.114	18.415	**	0.354	2.398	*	0.484	1.869		0.210	4.599	**	0.265	15.144	**
adj.R ²		0.126			0.025			0.086			0.065			0.161	
Country	US														
AcStand.	Local	GAAP													
Var.	Coeff.	t-value													
Const.		14.105	**												
LnAssets	-0.059	-6.747	**												
SDCFO	0.315	32.528	**												
SDRev	-0.010	-1.118													
LnOpCycle	-0.016	-1.971	*		*:5%										
NegEarn	0.280	32.088	**		**:1%										
- J: D ²															
adj.ĸ		0.241													

V.RESULTS

Table III shows the results of estimating the accruals for each country and accounting standards by (1). Most of the CFO variables used to estimate the accruals are statistically significant.

Equation (2) estimates the accruals quality by using the residuals ε as dependent variables and some financial performance indicators as independent variables. The results of the regression analysis based on (2) are presented in Table IV.

PANEL A in Table V presents the absolute values of residuals ζ resulting from the evaluation of accruals quality according to country and accounting standards, the differences of absolute values of residuals between local GAAP and IFRS firms, along with the results of testing the difference in the population mean of the absolute values of residuals between local GAAP and IFRS firms. The absolute values of residuals

 ζ resulting from the evaluation of accruals quality show earnings quality. Smaller absolute values of the residual ζ indicate higher earnings quality. Differences in the absolute values of residuals between local GAAP and IFRS firms represent differences in earnings quality. A positive difference means that the earnings quality of IFRS firms is higher than that of local GAAP firms and a negative difference means that the earnings quality of IFRS firms is lower than that of local GAAP firms. The test of the difference in the population mean of absolute values of residuals between local GAAP and IFRS firms provides evidence of differences in earnings quality.

Except for the average in the UK and the median in Canada, the absolute values of residuals calculated for IFRS are smaller than those for local GAAP. This result means that the earnings quality of IFRS firms is higher than that of local GAAP firms in many countries. The standard deviation of the absolute values

of residuals shows variance of earnings quality in each country. In all countries except the UK, the standard deviation of IFRS firms is smaller than that of local GAAP firms. This indicates that application of the IFRS diminishes differences in earnings quality in each country.

	EARNINGS QUALITY											
PA	NEL A: ABSOI	LUTE VA	ALUES (OF RESIDUAL	S							
Country	Australi	a		Canada					France			
AcStand.	Local GAAP	IFRS	Diff.	Local GAAP	US GAAP	IFRS	Diff. (L-I)	Diff. (U-I)	Local GAAP	IFRS	Diff.	
Ave.	0.159	0.131	0.028	0.083	0.045	0.077	0.006	-0.031	0.033	0.026	0.008	
t-test			**				**	*			**	
Med.	0.110	0.088	0.022	0.048	0.024	0.058	-0.009	-0.034	0.023	0.018	0.005	
St.Dev.	0.400	0.296	0.104	0.289	0.082	0.138	0.151	-0.056	0.038	0.031	0.007	
Country	German	у		Japan					UK			US
AcStand.	Local GAAP	IFRS	Diff.	Local GAAP	US GAAP	IFRS	Diff. (L-I)	Diff. (U-I)	Local GAAP	IFRS	Diff.	Local GAAP
Ave.	0.046	0.034	0.012	0.016	0.008	0.005	0.011	0.002	0.023	0.023	-0.000	0.026
t-test			**				**	**				
Med.	0.034	0.023	0.011	0.013	0.006	0.004	0.009	0.002	0.018	0.017	0.000	0.018
St.Dev.	0.055	0.049	0.006	0.017	0.006	0.004	0.013	0.002	0.024	0.025	-0.001	0.033
*:5%												

TABLE V

Diff.: Positive values indicate that earnings quality of IFRS firms is higher than that of local GAAP firms. Diff. (L-I): differences between residuals of Local GAAP firms and IFRS firms Diff. (U-I): differences between residuals of US GAAP firms and IFRS firms

PANEL B: RANK	ING OF EARNI	NGS QUALITY								
Country/AcStand.	Local GAAP	Country/AcStand.	IFRS	Country/AcStand.	US GAAP					
Japan	0.016	Japan	0.005	Japan	0.008					
UK	0.023	UK	0.023	US	0.026					
US	0.026	France	0.026	Canada	0.045					
France	0.033	Germany	0.034							
Germany	0.046	Canada	0.077							
Canada	0.083	Australia	0.131							
Australia	0.159									
*) Smaller values is higher quality of earnings.										

PANEL B in Table V is a ranking of the earnings quality, in ascending order of residuals, for each set of accounting standards. Differences of average values among countries are confirmed by the test of the difference of population mean. As shown in PANEL B, the earnings quality in Japanese firms is the highest in all categories of accounting standards. The residuals increase in the order of the UK, France or the US, Germany, Canada, and Australia. The earnings quality of local GAAP firms and IFRS firms is relatively low in both Australia and Canada. In the US GAAP firms, the earnings quality of Japanese firms is the highest and that of Canadian firms is the lowest.

Table VI presents only the differences between residuals for local GAAP and IFRS firms by industry. Both positive and negative differences of residuals exist. In the industries 2010: Capital Goods, 2520: Consumer Durables & Apparel, 2550: Retailing, 4510: Software & Services, and 4520: Technology Hardware & Equipment etc., the differences in residuals are positive in each country. In other words, the earnings quality for IFRS firms is higher than that for local GAAP firms in those industries. On the other hand, there are some specific industries in all countries for which a difference of accounting standards does not always result in an increase or decrease of earnings quality.

From the two countries which use both IFRS and US GAAP, it can be seen that the absolute values of residuals of IFRS firms are larger than those of US GAAP firms in Canada, but the reverse is true in Japan. That is, in Canada, the earnings quality of IFRS firms is lower than that of US GAAP firms, while the earnings quality of IFRS firms is higher than that of US GAAP firms in Japan. The standard deviation of the absolute values of residuals shows that application of the IFRS diminishes the differences in earnings quality in Japan and expands the differences in Canada.

Equation (3) analyzes the influence of a firm's financial situation, industry type, and accounting standards on earnings quality. PANEL A in Table VII shows the results of tests of whether earnings quality depends on differences in industry and accounting standards within each country. Many industry dummies are significant except Canada and Germany, but the signs of them are negative. However, most of accounting standards dummies are statistically insignificant and the signs of them are negative.

PANEL B summarizes the results of tests examining earnings quality by using pooled data of different accounting standards in (4). In the local GAAP firms, earnings quality is influenced by each factor: the industry and the country. In the local GAAP firms, many industry factors are significant; however, some industry factors change to be statistically insignificant in the IFRS firms. The country dummies are also insignificant. The result of analysis using pooled data shows that various environmental factors of different countries have effects on earnings quality. These results mean that if IFRS were adopted throughout the world, earnings quality would

differ by industry and country, and would not be comparable.

Odd Industry Country Ause 0.001 - Ause 0.001 - Ause			DUDD	T	ABLE VI						
Code Industry Country Australia Canada France Cermany Japan UR + - 1010 Energy Med. 0.0013 -0.010 0.012 -0.011 2 3 1510 Materials Med. 0.023 0.012 -0.014 -0.008 3 2 1510 Materials Med. 0.028 -0.014 0.005 0.012 0.012 0.001 -0.003 5 1 2010 Capital Goods Med. 0.035 0.050 0.006 0.008 0.009 0.003 5 1 2020 Commercial & Med. 0.001 0.002 0.011 0.003 3 2 2030 Transportation Med. 0.030 0.010 -0.001 0.002 3 2 210 Automobiles & Med. 0.013 -0.010 0.003 -0 3 2	<u>a</u> 1	• • •	DIFF	ERENCES I	N EARNIN	GS QUAL	JTY G	•	* ***		
Ave. 0.004 -0.001 -0.001 -0.002	Code	Industry	Country	Australia	Canada	France	Germany	Japan	UK	+	
Info Lettery State 0.035 -0.003 -0.004 0.012	1010	Enorgy	Ave.	0.094	-0.001	-0.010	0.020		-0.020	2	3
	1010	Energy	St Dev	0.033	-0.013	-0.000	0.012		-0.011	Z	3
1510 Materials Med. SLDev. 0.028 -0.048 0.012 -0.010 0.010 -0.044			Ave	0.029	0.023	0.012	-0.014		-0.029	3	2
	1510	Materials	Med.	0.029	-0.014	0.012	-0.010		-0.007	2	3
Ave. 0.039 0.012 0.012 0.009 0.003 5 1 2010 Cammercial & Professional Services Ave. 0.012 0.005 0.029 0.004 0.009 -0.003 2 2020 Commercial & Professional Services Med. 0.003 0.014 0.009 -0.003 2 2030 Transportation Med. 0.036 -0.001 -0.0008 0.003 0.003 0.003	1010		St.Dev.	-0.048	0.238	0.001	-0.044		-0.011	-	2
2010 Capital Goods Med. 0.036 0.006 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 0.008 3 2 2020 Commercial & Med. 0.030 0.014 0.006 -0.013 0.000 3 2 3 2030 Transportation Med. 0.034 -0.020 -0.010 0.002 2 3 2510 Automobiles & Med. 0.015 0.009 -0.030 0.002 2 3 2520 Consumer Durables & Med. 0.017 0.013 0.001 -0.010			Ave.	0.039	0.050	0.012	0.012	0.009	-0.003	5	1
SLDev. 0.065 0.029 0.004 0.009 -0.003 3 2 2020 Commercial & Professional Services Ave. 0.012 0.001 -0.020 -0.013	2010	Capital Goods	Med.	0.036	0.005	0.006	0.008	0.008	-0.002	5	1
Commercial & Professional Services Ave. 0.012 0.002 -0.011 -0.003 3 2 2030 Transportation Med. 0.030 0.010 -0.000 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.003 0.001 0.017 2 3 3 2			St.Dev.	0.065	0.594	0.029	0.004	0.009	-0.006		
2020 Professional Services Med. St.Dev. 0.012 -0.010 -0.003		Commercial &	Ave.	0.012	0.005	0.002	-0.014		-0.003	3	2
	2020	Professional Services	Med.	0.030	0.014	0.006	-0.013		-0.005	3	2
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			St.Dev.	-0.102	-0.010	-0.020	-0.013		-0.003		
2030 Iransportation Med. 0.015 0.0001 0.0012 2 3 2510 Automobiles & Components Nuce. 0.015 0.003 0.0101 0.008 0.0017 2 3 2520 Consumer Durables & Apparel Med. 0.018 -0.038 0.001 0.004 0.009 0.035 - - 0.033 0.010 0.005 4 1 2520 Consumer Durables & Apparel Med. 0.001 -0.012 0.006 0.009		—	Ave.	0.034	-0.029	0.010	-0.008		-0.004	2	3
	2030	Transportation	Med.	0.036	-0.025	0.004	-0.001		-0.002	2	3
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$			St.Dev.	0.019	-0.015	0.009	-0.030		-0.008	2	2
	2510	Automobiles &	Ave. Med	0.037	-0.030	-0.005	0.010		-0.017	4	3
	2510	Components	St Dev	0.018	0.015	-0.001	0.004		-0.035	7	1
			Ave.	0.013	0.015	0.004	0.001		0.058	5	0
	2520	Consumer Durables &	Med.	0.001	-0.012	0.006	0.009		0.065	4	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		Apparel	St.Dev.	0.033	0.032	0.001	-0.020		0.020		
			Ave.	0.031	0.031	0.002	-0.059		-0.004	3	2
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	2530	Consumer Services	Med.	0.021	0.028	0.001	-0.015		0.000	4	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			St.Dev.	0.032	0.033	0.006	-0.109		-0.010		
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			Ave.	0.019	-0.007	-0.002	0.016		0.001	3	2
$ \begin{array}{c} {\rm St.Dev.} & -0.072 & -0.017 & -0.010 & -0.003 & & 0.001 \\ {\rm Ave.} & 0.025 & -0.007 & 0.016 & -0.003 & 0.016 & 0.006 & 4 & 2 \\ {\rm St.Dev.} & 0.063 & -0.014 & 0.012 & -0.066 & 0.018 & -0.002 & {\rm V} \\ {\rm St.Dev.} & 0.063 & -0.014 & 0.012 & -0.066 & 0.018 & -0.002 & {\rm I} \\ {\rm Retailing} & {\rm Med.} & -0.085 & -0.032 & -0.003 & & {\rm} & 0.003 & {\rm I} & {\rm 3} \\ {\rm Retailing} & {\rm Med.} & -0.085 & -0.032 & -0.003 & & {\rm} & 0.001 & {\rm} \\ {\rm St.Dev.} & 0.005 & 0.006 & -0.003 & & {\rm} & 0.001 & {\rm} \\ {\rm Food, Beverage \& Med.} & -0.085 & -0.012 & -0.006 & 0.020 & {\rm} & -0.002 & {\rm 4} & {\rm 1} \\ {\rm Tobacco} & {\rm St.Dev.} & 0.031 & 0.004 & 0.005 & 0.036 & & -0.002 & {\rm 2} & {\rm 1} \\ {\rm Tobacco} & {\rm St.Dev.} & 0.031 & 0.004 & 0.005 & 0.006 & & {\rm} & 0.001 & {\rm} \\ {\rm Household \& Personal \\ {\rm Products} & {\rm Ave.} & -0.011 & -0.019 & 0.009 & {\rm} & {\rm} & 0.003 & {\rm} \\ {\rm St.Dev.} & -0.028 & 0.028 & -0.022 & {\rm} & {\rm} & 0.003 & {\rm} \\ {\rm Full Health Care \\ {\rm Fquipment \& Services} & {\rm Ave.} & -0.029 & 0.024 & 0.013 & {\rm} & 0.011 & {\rm} \\ {\rm St.Dev.} & 0.182 & -0.066 & 0.010 & -0.007 & {\rm} & 0.043 & {\rm} \\ {\rm Full Health Care \\ {\rm Fquipment \& Services} & {\rm St.Dev.} & 0.182 & -0.066 & 0.010 & -0.007 & {\rm} & 0.003 & {\rm} \\ {\rm St.Dev.} & 0.182 & -0.066 & 0.010 & -0.007 & {\rm} & 0.004 & {\rm} \\ {\rm St.Dev.} & 0.032 & 0.057 & 0.024 & 0.033 & {\rm} & -0.010 & {\rm} \\ {\rm Ave.} & 0.032 & 0.057 & 0.024 & 0.039 & {\rm} & -0.010 & {\rm} \\ {\rm Ave.} & 0.022 & 0.104 & 0.014 & -0.013 & {\rm} & -0.013 & {\rm} \\ {\rm Ave.} & 0.022 & 0.104 & 0.014 & -0.013 & {\rm} & -0.013 & {\rm} \\ {\rm Ave.} & 0.022 & 0.057 & 0.024 & 0.039 & {\rm} & -0.000 & {\rm} \\ {\rm Ave.} & 0.026 & 0.068 & 0.014 & 0.029 & {\rm} & -0.013 & {\rm} \\ {\rm Ave.} & 0.026 & 0.068 & 0.014 & 0.029 & {\rm} & -0.013 & {\rm} \\ {\rm Ave.} & 0.026 & 0.002 & 0.006 & {\rm} & -0.03 & {\rm} \\ {\rm Ave.} & 0.020 & {\rm} & -0.015 & {\rm} & -0.033 & {\rm}$	2540	Media	Med.	0.027	0.002	0.002	0.017		-0.003	4	1
Ave. 0.025 -0.007 0.016 -0.006 0.006 4 2 2550 Retailing Med. 0.007 0.001 0.002 0.005 6 0 3010 Food & Staples Retailing Ave. -0.070 -0.017 -0.003 0.002 1 3 3020 Food, Beverage & Tobacco Med. -0.032 -0.006 -0.002 0.001 -0.002 4 1 3020 Food, Beverage & Tobacco Med. -0.032 -0.006 0.020 -0.002 2 3 3030 Household & Personal Products Med. -0.021 -0.006 -0.011 -0.007 2 2 4 Health Care Equipment & Services Ave. -0.024 0.016 -0.011 0.013 -0.011 3 2 510 Keaubold & Life Med. 0.030 0.008 <td< td=""><td></td><td></td><td>St.Dev.</td><td>-0.072</td><td>-0.017</td><td>-0.010</td><td>-0.003</td><td></td><td>0.001</td><td></td><td></td></td<>			St.Dev.	-0.072	-0.017	-0.010	-0.003		0.001		
		D . 11	Ave.	0.025	-0.007	0.016	-0.003	0.016	0.006	4	2
	2550	Retailing	Med.	0.007	0.001	0.002	0.025	0.012	0.005	6	0
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$			St.Dev.	0.063	-0.014	0.012	-0.066	0.018	-0.002	1	2
	2010	Food & Staples	Ave. Med	-0.070	-0.017	-0.003			0.002	1	3
$ \begin{array}{c} \mbox{Suber}{1.5} & \mbox{Suber}{1.5} $	3010	Retailing	St Dev	0.005	0.0052	-0.003			0.003	1	3
3020 Food, Beverage & Tobacco Med. 0.038 -0.012 -0.006 0.020			Ave.	0.032	0.004	0.005	0.036		-0.002	4	1
	3020	Food, Beverage &	Med.	0.038	-0.012	-0.006	0.020		-0.002	2	3
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		Tobacco	St.Dev.	0.031	0.031	0.009	0.041		-0.003		
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		TT 1 110 D 1	Ave.	-0.011	-0.019	0.006			0.007	2	2
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	3030	Products	Med.	0.021	0.039	0.009			0.012	4	0
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		Troducts	St.Dev.	-0.028	0.028	-0.022			0.003		
$\begin{array}{cccccccccccccccccccccccccccccccccccc$		Health Care	Ave.	0.043	0.016	0.015	-0.011		0.018	4	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	3510	Equipment & Services	Med.	0.004	0.055	0.017	-0.013		-0.011	3	2
Pharmaceuticals, Sciences Ave. -0.029 -0.045 0.021 -0.008			St.Dev.	0.182	-0.066	0.010	-0.007		0.043		
	2520	Pharmaceuticals,	Ave.	-0.029	-0.045	0.021	-0.008		-0.000	1	4
$ \begin{array}{c} 4510 & \text{Software & Services} \\ 4510 & \text{Software & Services} \\ 4510 & \text{Software & Services} \\ \hline \text{Med.} & 0.032 & 0.057 & 0.024 & 0.030 & & -0.007 & 4 & 1 \\ & \text{St.Dev.} & 0.022 & 0.104 & 0.014 & -0.013 & & -0.004 & 4 & 1 \\ & \text{St.Dev.} & 0.022 & 0.104 & 0.014 & -0.013 & & -0.004 & 4 & 1 \\ & \text{St.Dev.} & 0.022 & 0.104 & 0.014 & -0.013 & & -0.013 \\ \hline \text{Med.} & 0.043 & 0.028 & 0.007 & 0.011 & 0.009 & -0.003 & 5 & 1 \\ & \text{Med.} & 0.043 & 0.028 & 0.007 & 0.011 & 0.009 & -0.003 & 5 & 1 \\ & \text{Med.} & 0.043 & 0.028 & 0.007 & 0.011 & 0.009 & -0.003 & 5 & 1 \\ & \text{Semiconductors & Ave.} & -0.069 & 0.245 & 0.022 & 0.064 & 0.012 & -0.002 \\ & \text{Semiconductor & Med.} & 0.089 & & -0.015 & & -0.039 & 1 & 3 \\ \hline \text{4530} & \text{Semiconductor} & \text{Med.} & 0.089 & & -0.017 & -0.044 & & -0.028 & 2 & 2 \\ & \text{Equipment} & \text{St.Dev.} & 0.020 & & -0.017 & -0.044 & & -0.013 & 2 & 3 \\ \hline \text{5010} & \text{Telecommunication} & \text{Ave.} & -0.080 & 0.031 & -0.010 & 0.001 & & -0.016 & 2 & 3 \\ \hline \text{St.Dev.} & -0.234 & 0.007 & -0.010 & -0.058 & & -0.016 & 2 & 3 \\ \hline \text{St.Dev.} & -0.234 & 0.007 & -0.010 & -0.058 & & -0.016 & 2 & 3 \\ \hline \text{St.Dev.} & -0.507 & -0.006 & -0.002 & 0.007 & & -0.013 & \\ \hline \text{Ave.} & 0.036 & -0.002 & -0.009 & 0.019 & & 0.004 & 4 & 1 \\ \hline \text{St.Dev.} & -0.507 & -0.006 & -0.002 & 0.007 & & -0.013 & \\ \hline \text{Ave.} & 0.076 & -0.060 & 0.002 & 0.014 & & -0.013 & \\ \hline \text{Ave.} & 0.076 & -0.060 & 0.002 & 0.014 & & -0.003 & \\ \hline \text{Colubertor} & \text{Med.} & 0.037 & -0.047 & 0.005 & 0.010 & & -0.013 &$	3320	Sciences	St Day	0.030	0.008	0.034	0.009		0.004	3	0
$\begin{array}{cccccccccccccccccccccccccccccccccccc$		Sciences	Δve	0.032	0.057	0.012	0.032		-0.010	4	1
	4510	Software & Services	Med.	0.044	0.029	0.024	0.039		-0.004	4	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			St.Dev.	0.022	0.104	0.014	-0.013		-0.013		-
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$			Ave.	0.026	0.068	0.014	0.029	0.012	-0.000	5	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	4520	Technology Hardware	Med.	0.043	0.028	0.007	0.011	0.009	-0.003	5	1
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		& Equipment	St.Dev.	-0.069	0.245	0.022	0.064	0.012	-0.002		
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		Semiconductors &	Ave.	0.095		-0.015	-0.015		-0.039	1	3
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	4530	Semiconductor	Med.	0.089		-0.009	0.006		-0.028	2	2
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		Equipment	St.Dev.	0.020		-0.017	-0.044		-0.045		
		Telecommunication	Ave.	-0.080	0.031	-0.010	0.001		-0.013	2	3
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	5010	Services	Med.	-0.010	0.039	-0.010	0.008		-0.016	2	3
Ave. 0.036 -0.002 -0.004 0.014 0.002 3 2 5510 Utilities Med. 0.069 0.002 -0.009 0.019 0.004 4 1 St.Dev. -0.507 -0.006 -0.002 0.007 -0.013 Ave. 0.076 -0.060 0.002 0.014 0.001 4 1 6010 Real Estate Med. 0.037 -0.047 0.005 0.010 -0.003 3 2 St.Dev. 0.097 -0.073 -0.004 0.019 0.000			St.Dev.	-0.234	0.007	-0.010	-0.058		-0.003	2	2
S10 Outlines Med. 0.009 0.002 -0.009 0.019 0.004 4 1 S10 St.Dev. -0.507 -0.006 -0.002 0.007 -0.013 Ave. 0.076 -0.060 0.002 0.014 -0.001 4 1 6010 Real Estate Med. 0.037 -0.047 0.005 0.010 -0.003 3 2 St.Dev. 0.097 -0.073 -0.004 0.019 0.000	5510	T 14:1:4:	Ave.	0.036	-0.002	-0.004	0.014		0.002	5	2
6010 Real Estate Med. 0.037 -0.047 0.005 0.014 -0.003 3 2 St.Dev. 0.097 -0.073 -0.004 0.019 -0.003 3 2	3310	Ounties	Med.	0.069	0.002	-0.009	0.019		-0.012	4	1
$\begin{array}{cccccccccccccccccccccccccccccccccccc$			Ave	0.076	-0.000	0.002	0.007		0.001	4	1
St. Dev. 0.097 -0.073 -0.004 0.019 0.000	6010	Real Estate	Med.	0.037	-0.047	0.002	0.010		-0.003	3	2
			St.Dev.	0.097	-0.073	-0.004	0.019		0.000	-	-

Positive values indicate that earnings quality of IFRS firms is higher than that of local GAAP firms.

TABLE VII
RESULTS OF TESTS FOR INFLUENCING FACTORS TO EARNINGS QUALITY

I ANEL A. DI	COUNTRY											
Country	Aus	tralia		Canada			France					
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value				
Const.		17.371	**		14.366	**		8.940	**			
LnMV	-0.123	-9.813	**	-0.039	-2.445	*	-0.163	-9.293	**			
Lev	0.007	0.461		-0.741	-22.298	**	0.203	12.723	**			
ROA	-0.067	-4.421	**	-1.111	-32.955	**	-0.116	-6.901	**			
DummyInd1	-0.005	-0.281		-0.016	-0.970		-0.074	-2.355	*			
DummyInd2	-0.052	-3.585	**	-0.004	-0.278		-0.120	-3.241	**			
DummyInd3	-0.025	-1.847		-0.003	-0.207		-0.084	-2.821	**			
DummyInd4	-0.027	-2.171	*	0.011	0.751		-0.084	-3.364	**			
DummyInd5	-0.018	-1.484		-0.002	-0.112		-0.099	-4.217	**			
DummyInd6	-0.035	-2.751	**	-0.016	-1.143		-0.067	-2.032	*			
DummyInd7	-0.029	-2.216	*	0.000	0.007		-0.096	-3.939	**			
DummyInd8	-0.025	-2.008	*	-0.003	-0.216		0.041	1.275				
DummyInd9	-0.028	-2.093	*	0.006	0.396		-0.064	-2.611	**			
DummyInd10	0.003	0.220		0.004	0.301		-0.102	-5.102	**			
DummyInd11	-0.031	-2.399	*	0.003	0.204		-0.098	-3.304	**			
DummyInd12	-0.013	-1.098		-0.011	-0.768		-0.010	-0.516				
DummyInd13	-0.018	-1.306		-0.045	-3.165	**	-0.067	-2.421	*			
DummyInd14	-0.007	-0.535		-0.101	-6.575	**	0.015	0.568				
DummvInd15	-0.021	-1.531		0.008	0.534		-0.041	-1.022				
DummvInd16	-0.014	-1.081		-0.021	-1.442		-0.048	-1.603				
DummvInd17	-0.008	-0.683					-0.030	-1.565				
DummvInd18	-0.005	-0.445		0.010	0.696		0.036	1.899				
DummvInd19	0.016	1.339		0.003	0.176		-0.091	-3.865	**			
DummyInd19	-0.024	-1.760		0.029	1.837		-0.135	-3.774	**			
DummyAcStand1	-0.049	-4 107	**	0.002	0.166		-0.050	-3 265	**			
DummyAcStand?	0.015			-0.031	-2 043	*	0.050	5.205				
adi R ²		0.032		0.001	0 299			0 141				
Country	Ger	many		Ianan	0.277		the UK	0.111		the US		
Var	Coeff	t-value		Coeff	t-value		Coeff	t-value		Coeff	t-value	
Const	00011.	t-value		Cocii.	t-value		Cocn.	t-value			t-value	
Consi.		3 412	**		24 547	**		1/ 500	**	000111	28 534	**
InMV	-0.173	3.412	**	-0.107	24.547	**	-0.093	14.599	**	-0.113	28.534	**
LnMV Lav	-0.173	3.412 -7.176 9.646	** ** **	-0.107	24.547 -14.450	**	-0.093	14.599 -5.063 2.396	** **	-0.113	28.534 -11.265 8.908	**
LnMV Lev ROA	-0.173 0.204	3.412 -7.176 9.646	** ** **	-0.107 -0.007 0.146	24.547 -14.450 -0.968	** **	-0.093 0.043	14.599 -5.063 2.396 -3.340	** ** *	-0.113 0.086	28.534 -11.265 8.908	** ** **
LnMV Lev ROA Dummvlad1	-0.173 0.204 -0.289	3.412 -7.176 9.646 -12.919 0.118	** ** **	-0.107 -0.007 0.146	24.547 -14.450 -0.968 19.779 -12.097	** ** **	-0.093 0.043 -0.060	14.599 -5.063 2.396 -3.340 -4.947	** ** * **	-0.113 0.086 -0.131	28.534 -11.265 8.908 -12.904	** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2	-0.173 0.204 -0.289 0.007	3.412 -7.176 9.646 -12.919 0.118	** ** ** **	-0.107 -0.007 0.146 -0.300	24.547 -14.450 -0.968 19.779 -12.097	** ** ** **	-0.093 0.043 -0.060 -0.138	14.599 -5.063 2.396 -3.340 -4.947	** * * ** **	-0.113 0.086 -0.131 -0.132	28.534 -11.265 8.908 -12.904 -10.382 -13.736	** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3	-0.173 0.204 -0.289 0.007 -0.091	3.412 -7.176 9.646 -12.919 0.118 -0.834	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 0.165	24.547 -14.450 -0.968 19.779 -12.097 -10.650 0.668	** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 0.177	14.599 -5.063 2.396 -3.340 -4.947 -5.981 6.504	** * * ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 0.120	28.534 -11.265 8.908 -12.904 -10.382 -13.736	** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4	-0.173 0.204 -0.289 0.007 -0.091 -0.045 0.024	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 0.565	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 0.101	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 11.785	** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 0.108	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 4.870	** * * ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 0.053	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 5.226	** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 0.500	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 0.180	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785	** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 0.028	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879	** * * * * * * * * * * * * * * * * * *	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 0.058	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 5.752	** ** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 0.017	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 0.243	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 0.169	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 & 930	** ** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576	** * * * * * * * * * * * * * * *	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 0.012	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 1.076	** ** ** ** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 0.002	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 0.051	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 0.128	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 7.992	** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 0.149	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 5.681	** * * * * * * * * * * * * * * *	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 0.070	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 6 210	** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd7 DummyInd7	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 0.017	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 0.354	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 0.101	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 9.133	** ** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 4.666	** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 0.099	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 9.506	** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd6 DummyInd6 DummyInd7 DummyInd8 DummyInd8	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 0.132	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 7.387	** ** ** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 0.001	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 3.290	** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 0.068	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 \$ \$ \$ \$	** ** ** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd6 DummyInd6 DummyInd8 DummyInd8 DummyInd9 DummyInd9	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 0.005	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 0.132	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 0.465	***	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 0.060	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 2.782	** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 0.067	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 6.851	** ** * * ** ** ** ** ** ** ** ** ** **
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd3 DummyInd5 DummyInd6 DummyInd7 DummyInd8 DummyInd9 DummyInd10 DummyInd10	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 0.702	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 0.107	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465	* * * * * * * * * * * * * * * * * * * *	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 5.754	**********	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 0.062	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 5.854	**********
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd6 DummyInd6 DummyInd7 DummyInd8 DummyInd9 DummyInd10 DummyInd11 DummyInd11	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.042	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 (534)	*** **********	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 0.069	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754	** * * * * * * * * * * * * * * * * * * *	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854	***
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd5 DummyInd5 DummyInd6 DummyInd7 DummyInd8 DummyInd8 DummyInd10 DummyInd11 DummyInd12 DummyInd12	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.042	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 	** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 0.022	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.422	*** * * * * * * * * * * * * * * * * * *	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 0.072	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 2.851	** * * * * * * * * * * * * * * * * * * *	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 0.117	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124	* * * * * * * * * * * * * * * * * * * *
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6 DummyInd7 DummyInd8 DummyInd10 DummyInd11 DummyInd12 DummyInd13 DummyInd13 DummyInd13	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.035 -0.032 -0.032	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 0.555	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 0.052	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.534	** ** ** ** ** ** ** ** ** ** ** ** **	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.069 -0.131 -0.083 -0.072 0.072	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 0.615	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 -0.117 0.020	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 2.901	* * * * * * * * * * * * * * * * * * * *
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6 DummyInd7 DummyInd7 DummyInd10 DummyInd11 DummyInd13 DummyInd13 DummyInd13 DummyInd14 DummyInd14	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.035 -0.032 -0.029 0.018	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.242	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 0.052	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450	** ** ** *** *** *** *** *** *** ***	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 0.042	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901	* * * * * * * * * * * * * * * * * * * *
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6 DummyInd7 DummyInd7 DummyInd10 DummyInd10 DummyInd11 DummyInd13 DummyInd14 DummyInd15 DummyInd15	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.035 -0.032 -0.029 0.018 0.006	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.243 0.055	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 -0.082 -0.192	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450 -4.372 -9.51	**	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 -0.043 0.013	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615 -1.914	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018 0.052	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901 1.582 -7.555	***********************
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6 DummyInd7 DummyInd7 DummyInd8 DummyInd8 DummyInd10 DummyInd11 DummyInd13 DummyInd14 DummyInd15 DummyInd16	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.035 -0.032 -0.029 0.018 0.006 0.001	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.243 0.095 1.667	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 -0.082 -0.183 0.012	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450 -4.372 -8.781	*** *** *** ***	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 -0.043 -0.043 -0.111	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615 -1.914 -5.071	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018 -0.082	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901 1.582 -7.556 -2.151	***************************************
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd4 DummyInd5 DummyInd6 DummyInd6 DummyInd7 DummyInd7 DummyInd8 DummyInd10 DummyInd10 DummyInd11 DummyInd12 DummyInd13 DummyInd13 DummyInd14 DummyInd15 DummyInd16 DummyInd17	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.042 -0.032 -0.029 0.018 0.006 0.0061	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.243 0.095 1.667 2.011	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 -0.082 -0.183 -0.019	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450 -4.372 -8.781 -1.670	** ** *** *** *** *** *** *** *** *** *** *** *** *** *** *** ***	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 -0.043 -0.111 0.086	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615 -1.914 -5.071 4.745	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.069 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018 -0.023 -0.023 -0.025	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901 1.582 -7.556 2.454	***************************************
LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd5 DummyInd5 DummyInd6 DummyInd7 DummyInd7 DummyInd7 DummyInd8 DummyInd10 DummyInd10 DummyInd11 DummyInd13 DummyInd13 DummyInd14 DummyInd15 DummyInd16 DummyInd18 BummyInd18	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.042 -0.032 -0.029 0.018 0.006 0.061 0.091	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.243 0.095 1.667 2.416	** ** ** **	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 -0.082 -0.183 -0.019 0.021	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450 -4.372 -8.781 -1.670 2.894	**	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 -0.043 -0.043 -0.111 0.086 -0.052	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615 -1.914 -5.071 4.745 -2.728	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018 -0.023 -0.020	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901 1.582 -7.556 2.454 -2.004	***************************************
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LnMV Lev ROA DummyInd1 DummyInd2 DummyInd3 DummyInd5 DummyInd5 DummyInd6 DummyInd7 DummyInd7 DummyInd8 DummyInd10 DummyInd10 DummyInd11 DummyInd13 DummyInd13 DummyInd15 DummyInd16 DummyInd16 DummyInd18 DummyInd19 DummyInd20 DummyInd20	-0.173 0.204 -0.289 0.007 -0.091 -0.045 -0.024 -0.030 -0.017 -0.002 -0.017 0.035 -0.035 -0.035 -0.032 -0.029 0.018 0.006 0.061 0.091 -0.076 -0.026 -0.018	3.412 -7.176 9.646 -12.919 0.118 -0.834 -0.906 -0.565 -0.500 -0.243 -0.051 -0.354 0.611 -1.030 -0.792 -0.494 -0.558 0.243 0.095 1.667 2.416 -1.337 -0.425 -0.874	* * * * * * * *	-0.107 -0.007 0.146 -0.300 -0.334 -0.165 -0.191 -0.180 -0.169 -0.128 -0.101 -0.132 -0.135 -0.197 -0.068 -0.083 -0.052 -0.082 -0.183 -0.019 0.021 -0.083 -0.087 -0.011	24.547 -14.450 -0.968 19.779 -12.097 -10.650 -9.668 -11.785 -10.333 -8.930 -7.992 -9.133 -7.387 -9.465 -11.440 -6.534 -6.432 -4.450 -4.372 -8.781 -1.670 2.894 -7.582 -5.951 -1.633	*** ***********************************	-0.093 0.043 -0.060 -0.138 -0.212 -0.177 -0.108 -0.028 0.028 -0.149 -0.121 -0.091 -0.069 -0.131 -0.083 -0.072 -0.013 -0.043 -0.043 -0.052 -0.092 -0.265 0.010	14.599 -5.063 2.396 -3.340 -4.947 -5.981 -6.504 -4.879 -1.576 1.190 -5.681 -4.666 -3.290 -3.782 -5.754 -4.289 -3.851 -0.615 -1.914 -5.071 4.745 -2.728 -4.351 -8.593 0.606	** ** ** ** ** ** ** ** ** ** ** ** **	-0.113 0.086 -0.131 -0.132 -0.194 -0.120 -0.053 -0.058 -0.012 -0.070 -0.099 -0.068 -0.067 -0.063 -0.042 -0.117 -0.030 0.018 -0.082 0.023 -0.020 -0.204 -0.248	28.534 -11.265 8.908 -12.904 -10.382 -13.736 -10.775 -5.226 -5.752 -1.076 -6.219 -9.596 -5.888 -6.851 -5.854 -4.124 -10.255 -2.901 1.582 -7.556 2.454 -2.004 -17.261 -18.580	**********************************

PANEL A: BY	COUNTRY								
Country	Aus	tralia		Canada			France		
Var.	Coeff.	t-value		Coeff.	t-value		Coeff.	t-value	
adj.R ²		0.232			0.069			0.082	0.099
PANEL B: BY AG	CCOUNTIN	G STANDAI	RDS						
AcStand.	Local			IFRS					
Var.	Coeff.	t-value		Coeff.	t-value				
Const.		16.563	**		3.135	**			
LnMV	-0.092	-11.625	**	-0.106	-11.551	**			
Lev	0.010	1.528		-0.004	-0.403				
ROA	-0.169	-25.632	**	-0.129	-12.544	**			
DummyInd1	-0.047	-5.292	**	0.024	1.768				
DummyInd2	-0.076	-7.555	**	-0.045	-3.603	**			
DummyInd3	-0.042	-6.240	**	-0.022	-2.141	*			
DummyInd4	-0.037	-5.719	**	-0.020	-2.196	*			
DummyInd5	-0.033	-5.047	**	-0.013	-1.461				
DummyInd6	-0.037	-5.211	**	-0.023	-2.228	*			
DummyInd7	-0.034	-5.152	**	-0.027	-2.851	**			
DummyInd8	-0.032	-5.504	**	-0.020	-1.955				
DummyInd9	-0.034	-4.857	**	-0.021	-2.099	*			
DummyInd10	-0.030	-5.018	**	-0.006	-0.726				
DummyInd11	-0.039	-5.793	**	-0.026	-2.638	**			
DummyInd12	-0.014	-2.463	*	-0.007	-0.831				
DummyInd13	-0.029	-4.565	**	-0.020	-2.056	*			
DummyInd14	-0.021	-3.577	**	0.016	1.674				
DummyInd15	-0.021	-2.940	**	-0.021	-1.898				
DummyInd16	-0.039	-5.381	**	-0.022	-2.249	*			
DummyInd17	-0.010	-1.811		-0.006	-0.725				
DummyInd18	-0.012	-2.376	*	0.007	0.835				
DummyInd19	-0.035	-5.644	**	-0.002	-0.248				
DummyInd20	-0.053	-7.290	**	-0.029	-2.625	**			
DummyCountry1	0.061	10.015	**	0.007	0.106				
DummyCountry2	-0.009	-1.788		-0.085	-0.943				
DummyCountry3	-0.007	-1.271		-0.099	-1.067				
DummyCountry4	0.185	25.882	**	0.075	0.722				
DummyCountry5	-0.004	-0.811		-0.064	-0.871				
DummyCountry6	-0.004	-0.549							
adj.R ²		0.117			0.099				

VI. CONCLUSION

This paper examined whether IFRS adoption results in an increase in earnings quality and provides comparable earnings information by using firm data covering different accounting standards, industries and countries. As a whole, the results of tests show that the earnings quality of IFRS firms is higher than that of local GAAP firms. The differences in earnings quality are decreased by applying IFRS in each country. However, in the UK, earnings quality is not very different for firms using local GAAP and for those using IFRS and, in Canada, the earnings qualities of US GAAP firms are generally higher than those of local GAAP and IFRS firms.

Among IFRS firms, the earnings quality of Japanese firms is the highest. The ranking then decreases in the order of the UK, France or the US, Germany, Canada, and Australia. In fact, Japanese firms are ranked at the top of earnings quality in all accounting standards. In particular, the earnings quality of Japanese firms is higher than that of both IFRS firms in other countries and US GAAP application firms in all countries. Analysis of the results also shows that earnings quality is influenced by differences in accounting standards in some countries, but not in others. These results suggest that it is necessary to consider several factors that affect earnings quality and not only accounting standards.

According to the analysis by industry, earnings quality in some industries is increased by IFRS adoption; however, no trends common to all countries is found. This is explained by national differences in industrial structure, firm size, financial position, and other factors.

This research found that, overall, the earnings quality of IFRS firms is higher than that of local GAAP firms and IFRS application diminishes the differences in earnings quality of firms in each country; however, the effect is different in each country and industry category. The implications of these findings are that various circumstances surrounding firms, industries, and countries etc., will influence business operations and affect the differences in earnings quality, even if a single set of global accounting standards is used for all listed firms in the world. Thus, it is difficult to establish global comparability

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of financial information among global firms.

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