

The Impact of International Financial Reporting Standards (IFRS) Adoption on Performance's Measure: A Study of UK Companies

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Abstract : This study presents an approach of assessing the choice of performance measures of companies in the United Kingdom after the application of IFRS in 2005. The aim of this study is to investigate the effects of IFRS on the choice of performance evaluation methods for UK companies. We analyse through an econometric model the relationship of the dependent variable, the firm's performance, which is a nominal variable with the independent ones. Independent variables are split into two main groups: the first one is the group of accounting-based measures: Earning per share, return on assets and return on equities. The second one is the group of market-based measures: market value of property plant and equipment, research and development, sales growth, market to book value, leverage, segment and size of companies. Concerning the regression used, it is a multinomial logistic regression performed on a sample of 130 UK listed companies. Our finding shows after IFRS adoption, and companies give more importance to some variables such as return on equities and sales growth to assess their performance, whereas the return on assets and market to book value ratio does not have as much importance as before IFRS in evaluating the performance of companies. Also, there are some variables that have no impact on the performance measures anymore, such as earning per share. This article finding is empirically important for business in subjects related to IFRS and companies' performance measurement.

Keywords : performance's Measure, nominal variable, econometric model, evaluation methods

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