

## **Ifrs Adoption, Enforcement, and the Value Relevant of Accounting Amounts: The Particular Case of South Africa**

**Authors :** Edward Chamisa, Colin C. Smith, Hamutyinei H. Pamburai, Abdul C. Abdulla

**Abstract :** South Africa (SA) adopted International Financial Reporting Standards (IFRS) for listed firms effective 1 January 2005. However, it was not until 2011 that substantial financial reporting enforcement changes were introduced, which were meant to ensure compliance with IFRS. This innovative setting allows us to examine the value relevance of accounting amounts during the (1) pre-IFRS adoption period (2002-2004); (2) post-IFRS adoption, but pre-enforcement changes period (2006-2010); and (3) post-enforcement changes period (2011-2012). The results show that accounting amounts were most value relevant in the post-enforcement changes period (R2, 75.5%) compared to both the pre-IFRS adoption period (adjusted R2 is 24.3%) and the period after IFRS adoption but before enforcement changes (adjusted R2 is 37.5%). Also, during the 2008 financial crisis, the equity book value per share was significantly value relevant (at 1%) but not earnings per share, whereas before the crisis, the opposite was true. We make two important contributions to the literature. First, we identify SA as an innovative setting that allows researchers to examine separately the effects of IFRS adoption and enforcement changes on capital markets and accounting quality. This is a departure from prior studies that are dominated by the European Union setting, where IFRS adoption occurred contemporaneously with enforcement and other regulatory changes. Second, we provide preliminary findings which suggest that while the adoption of IFRS seems to have improved the financial reporting quality of accounting amounts of SA listed firms, its impact appears to be limited unless combined with effective enforcement.

**Keywords :** international financial reporting standards (ifrs), ifrs adoption, financial reporting enforcement, value relevance, price model, equity book value, earnings per share

**Conference Title :** ICFBI 2023 : International Conference on Finance, Banking and Insurance

**Conference Location :** Bangkok, Thailand

**Conference Dates :** November 27-28, 2023