

## Accounting Quality and The Adoption of IFRS: Evidence from China

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**Abstract :** Since 2007, all companies listed on both Shanghai Stock Exchange and Shenzhen Stock Exchange are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). This study investigates the impact of adopting IFRS on accounting quality for a sample of listed on Chinese companies during the period 2003-2013 with sample of 10846 observations over a four-year period before and a five-year period after the adoption of IFRS. This study tests whether the level of earnings management is significantly lower after the adoption of IFRS, and reported earnings is more value relevant during the IFRS period by using the Ohlson model and Jones model, as modified by Dechow. The empirical results show that accounting quality improved with lower earnings management and higher value relevant after the adoption of IFRS in China. The current study contributes to the literature on IFRS adoption and earning quality in two ways. First, As most of the existing studies on earnings quality and IFRS have been conducted on data from the U.S and European countries, this study fills a gap in the existing literature by studying the effect of adoption of IFRS on earnings quality in an emerging market. Second, the findings of our study have important implications for policymakers, auditors, multinational firms, and users of financial reports. As the rapid growth of China's economy gains global recognition, the Chinese stock market is capturing the attention of international investor.

**Keywords :** international financial reporting standards (ifrs), accounting quality, earnings management, value relevance, china

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