

Financial Reporting Quality and International Financial Reporting

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Abstract : Using samples of 250 large listed firms by market capitalization in China and Hong Kong, we conducted empirical test to determine the impact of regulatory environment on reporting quality following IFRS convergence using three financial reporting measures; earning management, timely loss recognition and value relevance. Our results indicate that accounting data are more value relevant for Hong Kong listed firms than the Chinese A-share firms. The empirical results for timely loss recognition further reveal that there is a larger coefficient estimate on bad news earnings, which suggests that Chinese A-share firms are more likely to report losses in a timely manner. The results support the evidence that substantial convergence of IFRS can improve financial reporting quality in a regulated environment such as China. This further supports the expectation that IFRS are relevant to China and has positive effect on its accounting practice and quality.

Keywords : reporting, quality, earning, loss, relevance, financial, China, Hong Kong

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