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Timely loss recognition and the value relevance of the Romanian listed companies considering the IFRS approach

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Abstract: The Romanian listed entities had to report their individual financial statements under International Financial Reporting Standards (IFRS) from 2012. As at international level the adoption of the new regulation created mixed effects, we investigate how the timely loss recognition and the value relevance changed in Romania after their implementation. The present research looks both at timely loss recognition and at value relevance for Romanian entities that are listed on the Bucharest Stock Exchange. The research is conducted on a four year period of time. The research is based on logit and panel data analysis. The results provide evidence that there seems to be more timely loss recognition and more value relevance for Romanian listed entities after the adoption of the IFRS in the individual financial statements. As a consequence, there is more accurate accounting information on the Romanian market which might trigger higher confidence both for the stakeholders of the company and for the foreign investors.

Keywords: timely loss recognition, value relevance, Romania, IFRS, listed entities

JEL codes: M20, M40, M41

1. Introduction

At international level, the adoption of International Financial Reporting Standards (IFRS) as accounting framework created mixed effects. On one hand, the value of earnings management was mitigated; there is more timely loss recognition and

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more value relevance. On the other hand, either an opposite effect was observed, according to which the indicators that measure the performance of the company decreased (for example, the switch from national to international accounting framework implies that higher costs are needed for the recognition of financial elements (Houqe *et al.*, 2012) or the switch from national to international accounting regime did not involve any change.

At European level, the entities had to report their consolidated financial statements using the international approach from 2005. The idea on which the implementation of IFRS started to be mandatory was based on the fact that these standards could ensure a higher protection of investors, free movements of capitals and could encourage the competitiveness of European capital market. Further, the regulation extended to the construction of individual financial statements.

In Romania, starting with 2012, all entities that are listed in the Bucharest Stock Exchange (main market) have to construct their individual financial statements using the International Financial Reporting Standards. Actually, the adoption of IFRS, as a way of reporting the financial statements, has been previously done. IFRS as adopted by the European Union were required in the consolidated financial statements of listed entities starting with 2007 (when Romania became a member of the EU). However, the influence of IFRS over the Romanian accounting system and practices was older than that. The main reasons for that could be based on the pressure of shareholders, the need to obtain foreign resources and the need to have a more transparent accounting system (Albu & Albu, 2012, King *et al.*, 2001). At international level, Romania seems to be a promoter for the adoption of IFRS (Zeghal & Mhedhbi, 2006) as the first regulations based on IFRS (back in 2001) was required not only from the listed entities, but also from large entities (Larson & Street, 2004).

Taking into account the adoption of IFRS and its implications, it is considered that the changes in timely loss recognition and on value relevance should be tested in more than one period of time. As Romania adopted the IFRS from 2012, we wonder how these indicators changed. Consistent with the literature, the data was collected both under the national and the international accounting framework. According to our knowledge, there are no studies that provide evidence about the value of timely loss recognition and the value of value relevance of the companies that are listed on the Bucharest Stock Exchange, in a period of time of more than one year.

The research conducted on Romania is important for both the investors and the academic environment. First of all, it fills a gap considering the adoption of IFRS in an emerging market as most of the studies are conducted on developed economies. In Romanian listed entities the major shareholder has in many cases

more than 50% of the shares of the entity, the companies that are listed have different liquid characteristics, few of them are international traded and they have different ways of implementing the new regulation. The study provides evidence about the financial quality in Romania, revealing the way on how to implement future policy. The study on Romanian emerging market could be useful for further research in markets with similar characteristics with Romania. The study could also be useful for additional foreign investment because of the possibility of growth and further development of the market. It seems that the adoption of IFRS should increase the relationship with regional partners as the transaction costs are going to be mitigated. Considering this, a detailed perspective on the effect of the adoption of IFRS for Romanian companies regarding the timely loss recognition and the value relevance is important both from the theoretical and practical point of view. It brings further possibilities for development and it creates value added to the existing literature.

The rest of the paper is structured as follows: the first part reveals the literature review that is both correlated with timely loss recognition and the value relevance. The second section reports the methodology of research where we provide evidence about the sample selection and about the methods of estimation (logit and panel) that we used. The third section is the section where the results are presented and are discussed. The paper ends with a section of conclusion, where we revealed the problems of the research and where we presented several ways of improving it.

2. Literature review

The research done on the adoption of the International Financial Reporting Standards provides mixed evidence, considering that the switch from national to international accounting framework was either voluntary or mandatory. While there are researchers according to whom the implementation of IFRS impacts positively the quality of accounting information and increases the degree of transparency in reporting (Daske, 2006), there are also opinions that reveal the marginally effect of their adoption. Cascino and Gassen (2014) consider that the individual characteristics' of the entities and of the region where they belong to and the degree of uncertainly that their country has affects the comparability of data.

The switch of accounting framework is tested by multiple regression models, logit models or by the analysis of panel data models. The results could focus either on earnings management or on the impact of the earnings on financial performance. According to Lang *et al.* (2003), the entities that are listed have higher value relevance and lower values of earnings management. Similar results were obtained by Barth *et al.* (2008) who showed that the entities that have adopted the IFRS have lower values of earnings management, more timely loss recognition and more

value relevance than the companies that use the national accounting framework for reporting. Other mixed results were provided by Zhou *et al.*(2009) who revealed that the Chinese entities report less earnings management, but the adoption of international regulation have no effect on the period on which timely loses recognition is done.

On the other hand, negative effects of the adoption of the IFRS were obtained by Lin *et al.* (2012). They reveal that using similar way of reporting of financial statements is not enough to ensure comparability of data due to the flexibility that the new accounting framework implies. Their results are summarize in a research conducted by Ahmed *et al.* (2013) who provides evidence that, on average, in the countries where the international accounting measures are used higher earnings management and lower timely loss recognition are detected towards the countries that use national accounting measure for financial reporting.

Regarding the magnitude of the value relevance before and after the adoption of IFRS, the literature provides evidence of two models on which it can be computed. One is based on price models (the price is regressed on earnings per share). Recent research that was conducted on price models is the one conducted by: Liu *et al.* (2011), Tsalavoutas *et al.* (2012), Chandrapala (2013) Chebaane and Othmanb (2014). The second way of testing the value relevance is based on return models. Recent research that was conducted on return models is the one conducted by Callao and Jarne (2010), Houqe *et al.* (2012), Lin *et al.* (2012), Cheng *et al.* (2013.)

The use of both models can provide different results. Kothari and Zimmerman (1995) proved that the value of the coefficients that are estimated by price models are less biased, while return models can encounter problems in estimation. On the other hand, Van der Meulen *et al.* (2007) consider that price models do not take into account the market reaction when positive or negative results are obtained by a company. Similar results are found by Ahmed *et al.* (2013). In a review on value relevance, they revealed that there is more value relevance when IFRS are used rather than national accounting framework in price models and less value relevance when IFRS are used rather than national accounting framework in return models.

There are also some problems on each model. The price models included the scale effect, which impacts the value of R-squared (unreliable increase of its value Brown *et al.*, 1999). The return models can be affected by lagged effect of accounting elements on the value of stock market returns and by the fact that the earnings per share are not constant. (Easton *et al.*, 2000)

The value relevance was tested both on countries that adopted voluntary or mandatory the international regulation. Regardless the type of the research that was conducted, the results are also mixed. Hung and Subramanyam (2007) found that

there is less evidence that an increase in the value relevance is detected even after the IFRS are used. Contrary to them, Jermakowicz *et al.* (2007) report that more value relevance is obtained by the countries that adopt the IFRS as voluntary even though they admit that the lack of information, the complex character of IFRS and the costs associated with them can mitigate the positive influence of them.

On the other hand, the research conducted on samples that have to adopt the IFRS as mandatory provide negative influence. Taylor (2009) considers that there is less value relevance in Great Britain, Hong Kong and Singapore when the IFRS are used. Contrary to their results, Iatridis (2010) reveals that more value relevance is obtained in Great Britain after the entities adopted the IFRS. Other mixed results were found in the research conducted by Devalle *et al.* (2010). They provide evidence that there is much more influence of earnings on price level in Germany, France and Great Britain after the IFRS were implemented.

The legal environment seems also to be very important. Clarkson *et al.* (2011) concluded that there is no difference in value relevance between Common Law countries and Civil Law countries when they use a linear model, but an improvement is found in Common Law countries when an un-linear model is used. Similar results were found by Chebaane and Othman (2014).

Other researches proved that the impact of adoption of the IFRS is higher when there is significant difference between national and international accounting framework (Cai et al, 2014). Moreover, the way in which the accounting information is reported under IFRS implies more value relevance (Tsalavoutas & Dionysiou, 2014)

In Romania, few studies were conducted and the sample dimension is in general small. Brüggemann *et al.* (2013) argue that that there is not a sample or a group of Romanian entities that has been used in international comparisons. Considering the research conducted on the value relevance, Filip and Raffournier (2010) and Filip (2010) emphasize that there is a correlation between book values and the return of the market. The correlation remains statistically significant even if an adjustment with the level of inflation is done. The authors proved that the Romanian entities that are listed on the second category on the Bucharest Stock Exchange have higher returns which are more correlated with market return. Similar, Pascan and Neag (2012) found that there is no more value relevance in the value of global profit with the value of net profit, no matter what is the accounting framework that the entities use.

Based on this, we aim to provide evidence about the accounting quality in Romania, considering the changes that occurred in the timely loses recognition and in the value relevance that the Romanian listed entities have.

3. Methodology of research

The purpose of this research is to provide evidence about the changes that have occurred in the recognition of loses and in the value relevance of the entities that are listed on the Bucharest Stock of Exchange that had to construct their individual financial statements using the IFRS.

In order to achieve this objective, we selected the entities that have to comply with this regulation (according to the Romanian Supervision Authority at the end of 2013, 71 entities have to mandatory adopt the IFRS for their financial statements. Initially, only 68 companies have to comply with this regulation. After that, one company was delisted and 4 companies had to construct their individual financial statements using the IFRS from 2013). In order to create a more homogenous sample, we have omitted the entities that had to report their individual financial statements using the international accounting framework starting from 2013. These companies are COTE, SNN, SNG, CNTE (these are the symbols that each entity has). We have also omitted the companies (SRT, UZT) that were in insolvency between 2010 and 2012 (the period of transition to IFRS and the year of adoption them). Finally, we have excluded the companies that have a negative value of their own capital (there were 8 companies from 2010 to 2012 and one company in 2013). In order to confer robustness to the results, we have selected financial information from 2010 to 2013.

The methodology of research is divided in two parts. One reveals the computation of timely loss recognition and one looks at the computation of value relevance.

Timely loss recognition is a technique according to which we can detect the value of earnings management. Lang *et al.* (2003) consider that, in international framework, the financial statements should focus on timely loss recognition in the moment when they had appeared, rather than reporting them on several periods of time. This method is correlated with the principal of earnings management. If an entity has higher values of earnings management than timely loss recognition is rarely seen.

The timely loss recognition is correlated with the conservative and the prudence principals from accounting. It is considered that the entities should recognize all loses, and should not provide evidence about any gain (Bliss, 1924: 110). As a fact, there is an asymmetry between loses and gains recognition as the bad news affect quicker the value of net profit than good news do (Basu, 1997).

In the literature, by timely loss recognition is understood that the ratio between net profit and the value of total assets is under -0.2. Considering that the companies that are part of our sample have rarely loses and the ratio between the net profit and total is closely to zero, we consider that a timely loss recognition is when the ratio

between net profit and total assets is lower than -0.05. This adjustment is the contribution of authors at the literature as neither article uses this threshold.

In order to reveal how the recognition of loses occurred after the adoption of IFRS, we used an econometric model where the dependent variable is a binary one. The value of timely loss recognition is measured on several individual factors. This model is represented in equation (1). The model is similar with the model provided by Lin *et al.* (2012). However, the model was adjusted to Romania, considering available information. Thus, from the initial model, the variable EISSUE shows the changes found in the number of stocks, rather than the changes found in common stocks. Moreover, from the initial model the number of exchanges on which the firm's stock is listed is excluded from the analysis as few companies are international traded and the per cent of closely-held shares of the firm's stock is also excluded as there is no available information about it.

$$\begin{aligned} LNEG_{it} = {} & \alpha_0 + \alpha_1 \times SIZE_{it} + \alpha_2 \times GROWTH_{it} + \alpha_3 \times EISSUE_{it} + \\ & + \alpha_4 \times LEV_{it} + \alpha_5 \times TURN_{it} + \alpha_6 \times DISSUE_{it} + \alpha_7 \times AUD_{it} + \\ & + \alpha_8 \times CF_{it} + \alpha_9 \times POST_{it} + \varepsilon_i \end{aligned} \quad (1)$$

Where

LNEG is a binary variable that looks at loses recognition, this takes one if the value of net profit divided by total assets is smaller than -0.05.

SIZE is the size of the company, which is measured by the logarithmic value of total assets

GROWTH is a variable that measures the percent changed in sales from one year to another

EISSUE is an indicator that measures the percent changed in the value of total stocks from one year to another.

LEV is the rate of indebtedness that the entities have. The indicator is computed by dividing the value of total debts to the value of own capital.

TURN is an indicator that measures the value of turnover that the entity had

DISSUE is an indicator that measures the percent changed in the value of total debts from one year to another

AUD is a dummy variable that takes value 1 if the financial auditor is among BIG 4 companies.

CF is the value of cash flow from operations scaled by the value of total assets

POST is a dummy variable that takes value 1 if the accounting framework that the entity uses for reporting its individual financial statements is under IFRS. Otherwise, the variable takes value 0.

The result look at the interpretation of the coefficient $POST$. A negative coefficient denotes that the companies are inclined to have more timely loss recognition when they use national accounting framework in order to construct their individual financial statements. A positive value of the coefficient suggests that once that the international accounting measures were implemented, there is a more timely loss recognition at company level.

In order to provide robustness to the results, we have also switched the dependent variable $LNEG$ with the independent variable $POST$. The interpretation is similar. As a fact, if we have a negative coefficient of $LNEG$ than the companies had more timely loss recognition when they use the national accounting regime. Otherwise, if we are going to find a positive coefficient then the entities tent to have more timely loss recognition after the adoption of IFRS.

In order to reveal the changes in the value relevance, we have calculated values for earnings per share. We have also computed the difference between the earnings per share. As we wanted to reveal if this information has an impact on value relevance, we use the annual return computed 9 month prior to three months before fiscal year end. Considering this, we used a return model as the results in price model can be biased. The model is revealed in equation 2. The model is similar with the model provided by Lin *et al.* (2012). The author contribution is based on providing information about the value relevance of Romanian companies.

$$R_{it} = \gamma_0 + \gamma_1 \times EPS_{it} + \gamma_2 \times \Delta EPS_{it} + \gamma_3 \times YEAR_{it} + \varepsilon_{it} \quad (2)$$

Where

- R is the annual return computed 9 month prior to three months before fiscal year end.
- EPS is the earnings per share that is scaled with the price of share from the first day when it was traded in that year
- ΔEPS is the difference between earnings per share. It is scaled with the price of share from the first day when it was traded in initial period of time
- $YEAR$ is a dummy variable that takes 1 for each year included into the analysis
- i and t are the elements that look at cross sectional effect and at the time effect

Considering this, we based our analysis on two hypotheses of research:

H1: There is more timely loss recognition after the adoption of IFRS for Romanian entities

H2: There is more value relevance after the adoption of IFRS for Romanian entities

3. Results and discussions

In order to provide evidence if more timely loss recognition is found in Romania after the adoption of the International Financial Reporting Standards, we consider that we could provide evidence about the number of companies that had timely loss recognition between 2009 and 2013. The results are presented in Table 1.

Table 1. The number of comapanies that had timely loss recognition between 2009-2013

YEAR	2009	2010	2011	2012	2013
Nr of companies with *LNEG* < -0,2	0	0	1	0	1
Nr of companies where -0,2 < *LNEG* < -0,10	2	0	4	3	3
Nr of companies where -0,1 < *LNEG* < -0,05	0	1	2	5	4
Nr of companies where -0,05 < *LNEG* < 0	3	8	6	6	3
Nr of companies where *LNEG* < 0	5	9	13	14	11

By *LNEG* we computed the ratio between net profit and total assets. The use of *LNEG* denotes that the entity register a negative value.

From Table 1 it can be seen that the Romanian entities report rarely loses. Even though the number of companies that had a negative value of the ratio between net profit and total assets is higher in 2011, 2012 and 2013 in comparison with 2009, timely loss recognition is still a rare activity for Romanian entities. Considering the results, it could be possible to obtain not statistically significant coefficients. We used a panel data model for four year: 2010 -2013. We used both *LNEG* and *POST* as dependent variables. The results are presented in Table 2.

From Table 2, it can be concluded that the model which offers better results is the model where the dependent variable is *LNEG* . One element that is very interesting is that the entities that have an auditor from BIG 4 have a higher probability to report more timely loss recognition. The results are similar with the results found by Lin *et al.* (2012). Similar with them, are also the results on cash flow from operation estimation. In this case, higher the value of cash flow from operation scaled by total assets is, higher the probability of reporting less timely loss recognition is.

Table 2. Timely loss recognition in Romania

Dependent Variable *LNEG*	**Value**	**P-Value**	**Dependent Variable** *POST*	**Value**	**P-Value**
Constant	2,1004	0,4027	*Constant*	-0,2842	0,8410
SIZE	-0,3687	0,2402	*SIZE*	0,0413	0,8120
GROWTH	0,0008	0,9825	*GROWTH*	-0,5633	0,0513*
EISSUE	-1,1475	0,3819	*EISSUE*	-0,9968	0,0510*
LEV	0,100	0,1504	*LEV*	0,0549	0,3854
TURN	-1,122	0,0163**	*TURN*	-0,0673	0,5957
DISSUE	-0,2598	0,3676	*DISSUE*	0,0003	0,9713
AUD	0,8561	0,009***	*AUD*	0,1813	0,4134
CF	-9,9525	0,0001***	*CF*	-1,3980	0,2794
POST	0,1295	0,6253	*LNEG*	0,2106	0,4933
McFadden $R-Squared$	0,3333	0,0000***	*McFadden* $R-Squared$	0,0525	0,0729*

The analysis is conducted on a four year panel period of time. The sign ***,**,* denotes statistically significant at 1%, 5% and 10%

Even though the value of the coefficient that looks at accounting influence ($POST$) is not statistically significant, its sign is also important. We consider that the adoption of IFRS for individual financial statements increase the degree of timely loss recognition in comparison with the number of loses that were reported using the national accounting framework. In fact, timely loss recognition is a measure that influences the earnings management process. Thus, the fact that there is more time loss recognition should imply that the managers manipulate less the financial statements. Moreover, the Romanian firms applying the IFRS for their individual financial statements are inclined to recognize losses in a timely manner rather than smooth and defer them as they did when the national regulation was used. The consequence is that firms will recognize their losses soon as they occurred. Even though this could decrease their financial performance, it could also attract new investors because of the higher accounting quality of the financial data that they provide. As the entity reports its losses the investors could have a more reliable perspective of the evolution of the company. The existence of more timely loss recognition generates higher confidence in the accounting data and higher confidence from the stakeholders of the entity.

From the econometric point of view, the model is statistically significant even though there are much more observations where the dependent variable is zero (192 observations) than the cases when the dependent variable is 1. From the economic point of view, we consider that the use of this model is appropriate as it

looks how the timely loss recognition changes considering individual characteristics of the entities.

Regarding the value relevance, the results were estimated using a return model and not a price model as the results in the price model can include the scale effect and thus, can generate bias in estimations.

Firstly, we consider that it is necessary to reveal several characteristics of the companies included into the analysis. In order to shed the robustness of the results, we used both the initial database (comparison between the values registered in 2012 and 2011) and the expanded database when the analysis is conducted on two periods of time: 2010 -2011 and 2012-2013. The results are presented in Table 3 and Table 4.

Table 3. Descriptive statistic of the expanded database : period 2010-2011 and period 2012-2013

Elem	Mean			Median			Standard deviation		
	RAS	IFRS	p-value	RAS	IFRS	Wilc. prob.	RAS	IFRS	Levene test
R	0,045	0,054	0,00***	-0,333	-0,027	0,000***	0,556	0,405	0,305
EPS	0,018	0,032	0,821	0,033	0,0721	0,324	0,201	0,600	0,010**
ΔEPS	0,002	0,049	0,394	0,001	-4,24E-05	0,867	0,317	0,488	0,374

Symbols *** and ** denote significance level at 1% and 5%

From Table 3 it can be observed that significant differences are found between the mean value and the median value of annual return. Other significant differences are related with the variability of earnings per share. It seems that after the adoption of IFRS, this indicator has a higher variability.

When we interpret the results, we have to consider that as the number of companies that are listed on the Bucharest Stock of Exchange is not constant, we have different a different number of companies included into the sample for each year. In order to shed the robustness of the results, we have done additional analysis using a comparison between the values from 2011 registered using the Romanian regulation and the values from 2012 registered using International accounting framework. The results are presented in Table 4.

By comparing the results from Table 3 with the results from Table 4, it can be concluded that the fluctuations are based on the fluctuations from 2011 and 2012. It can be observed that there is still an influence of the variables from 2010 and 2013. As we assume that we are going to obtain better results by using the expanded database, we have computed the value relevance on it. The results are presented in Table 5.

Table 4. Descriptive statistic of the initial database: period 2011 and 2012

Elem	Mean			Median			Standard deviation		
	RAS	IFRS	p-value	RAS	IFRS	Wilc. prob.	RAS	IFRS	Levene test
R	-0,262	-0,021	0,009***	-0,327	-0,081	0,00***	0,443	0,479	0,890
EPS	0,0004	-0,012	0,840	0,033	0,073	0,435	0,265	0,393	0,123
ΔEPS	0,030	-0,016	-0,016	0,002	0,004	0,665	0,231	0,259	0,720

Symbols *** denote statistically significance at 1%.

Table 5. The value relevance estimated from 2010 to 2013 for Romanian Entities

Element	RAS Period	IFRS Period	2010-2013 Period
Constant	0,0514	-0,2773***	-0,2774***
EPS	-0,0716	-0,0753	-0,0720
ΔEPS	0,0951***	0,0914***	0,0951***
$\gamma_1 + \gamma_2$	0,0235	0,0161	0,0231
POST	Not included	Not included	0,3288***
R adjusted	10,0134%	10,6371%	11,8111%

Symbols *** denote statistically significance *at 1%*.

From Table 5 it can be observed that the results are mixed. While the value of R adjusted suggests that more value relevance is obtained after the adoption of IFRS, the sum between $\gamma_1 + \gamma_2$ suggest the opposite. If we analyze its value, we conclude that more value relevance was obtained when the national accounting framework was used. As a fact, the information is quicker incorporated in stock market price and can impact the value of annual return. The results are mixed and similar with the one found in the literature (Tsalavoutas & Dionysiou, 2014; Taylor, 2009). On the other hand, the interpretation should be done considering a panel data analysis where the influence of the accounting measure is included. It can be observed that the value of R adjusted of 11,81% is the largest. The value of the sum of the coefficients $\gamma_1 + \gamma_2$ is similar with the one when the entities used the national accounting framework for reporting. Based on the fact that the coefficient POST is statistically significant and the model is also statistically significant (F=8,7054, with F-Statistic=0,000019***) we conclude that there is more value relevance after the adoption of IFRS as the differences between earnings per shares are incorporated in the value of annual return.

4. Conclusions

The present research tries to provide evidence about the changes that occurred in the value relevance and in the timely loss recognition for Romanian entities, after the adoption of IFRS. The research is conducted on logit and panel data analysis. The research takes into account all the listed entities that had to adopt the IFRS for their individual financial statements, that were not in insolvency during the period of analysis, that had not a negative value of the equity and or that had to construct their individual financial statement later than the other listed entities (in 2012, the regulation became mandatory, but there are some companies that were listed or had to report under IFRS from 2013).

The results are a little bit mixed. On one hand, there seems to be more timely loss recognition after the adoption of IFRS. In fact, if there is more timely loss recognition then the value of earnings management should be mitigated as the managers of the Romanian companies tend less to manipulate the financial statements. As the Romanian companies are inclined to recognize sooner their financial loses, their financial performance could decrease. In the same time, the confidence of the investors and of other stakeholders could increase as more accurate accounting information is available for them. Consequently, the existence of more timely loss recognition increases the accounting quality of the Romanian listed entities. The problem that we had is that the coefficient of the variable is not statistically significant. We consider that this could be due to the fact that in the period of adoption there are higher costs of implementation.

On the other hand, same mixed results are found on the value relevance of the listed entities As a fact, when year dummy variables are included, it seems that more value relevance was found when the national accounting measures were used. On the other hand, when we repeat the analysis using a panel data model, considering the influence of the both accounting measures, we reveal that there is more value relevance after the adoption of IFRS for individual financial statements. We tend to consider that these results provide evidence that more value relevance can be found for Romanian entities that report their individual financial statements according to IFRS accounting framework.

Overall, for Romanian entities there seems to be an improvement on the accounting quality. We consider that repeating the analysis on a longer period, there is a possibility to have more statistically significant coefficients (for the value relevance only the difference between earnings per share is incorporate in annual return, while for the timely loss recognition the coefficient associated to POST was not statistically significant).

The problems that we had with our research are related with manual data collection and with the dimension of the sample. We aim to improve it by conducting an

analysis on a longer period of time and by estimating the impact of IFRS on the value of discretionary accruals.

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