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ASSESSING THE IMPACT OF IFRS ADAPTATION ON EARNINGS MANAGEMENT: AN EMERGING MARKET PERSPECTIVE

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ABSTRACT. ***This paper examines whether adaptation of standards to IFRS has converted Mexican GAAP into high quality standards by increasing comparability with US GAAP and reducing earnings management. We also question, according to Agency Theory, whether the differences between earnings reported by Mexican GAAP and US GAAP may be due to the opportunistic interpretation of Mexican standards by managers, rather than to differences between the accounting standards of both countries.***

Since the adaptation of Mexican GAAP to IFRS was initiated in 2005, using the Form 20-F of Mexican companies listed on NYSE during the period 1997-2008, we investigate whether accounting earnings of firms in the post-adaptation period exhibit more convergence and less management than in the pre-adaptation period.

The results of our study suggest that efforts to converge accounting standards have increased comparability of accounting earnings. However, the adaptation to IFRS is not associated with lower levels of discretionary accruals. We also find that the choice of accounting method could be driven by opportunistic behaviour of managers. Based on our findings, we could conclude that managerial opportunism is a determinant of accounting choice decisions in cross-listed Mexican firms.

KEYWORDS: IFRS adaptation, emerging market, US GAAP restatement, earnings convergence, earnings management.

JEL classification: M14, M41, M48.

Introduction

International accounting literature suggests that standards promulgated for developed countries may not be useful for participants in emerging markets (Prather-Kinsey, 2006). In fact, according to Perera (1989), the accounting information produced according to developed countries' accounting systems is not relevant to the decision models of less-developed countries. In this sense, Nair (1982) argues that British and U.S. financial reports are prepared for investors in organized capital markets, whereas Latin American financial reports are prepared for creditors, owner-managers, and tax collectors. According to Richter Quinn (2004), accounting and financial information originating from developing countries is still difficult to trust, despite the urgent need for these countries to attract foreign investment and foreign capital, and despite the pressing demands from individual and institutional investors, lending institutions, and multinational agencies. These arguments, and others, have led some authors to strongly oppose the adoption of International Financial Reporting Standards (IFRS) by developing countries, and to support adapting it.

The Mexican accounting standard-setter has taken the initiative to "adapt" its generally accepted accounting principles (GAAPs) to IFRS, rather than directly adopt it, in order to take into consideration its particular legal, political, and cultural environment. Conscious of the need to adapt accountancy to the new requirements of decision makers, on 21st August 2001 the Mexican Institute of Public Accountants (IMCP) and other institutions[1] launched an initiative to create the Mexican Council for Research and Development of Financial Reporting Standards (CINIF), which has been responsible for issuing financial reporting accounting standards according to IFRS since 2005. This process is expected to improve the quality and credibility of accounting information and improve the flow of capital and investment, and so lead to resulting in economic development.

Recent studies suggest that strong investor protection laws and strong enforcement mechanisms are necessary conditions for high-quality accounting (Leuz *et al.*, 2003; Lang *et al.*, 2003; Meek, Thomas, 2004). Mexico is known for its lack of investor protection laws and weak legal environment. The existence of corruption and social and economic inequality can

create a demand for low quality financial statements which managers and auditors may supply. The Mexican legal framework is based on the civil law tradition. There is no procedure for class action or shareholder derivative lawsuits. This state of affairs makes it difficult for minority shareholders to enforce their rights against management, directors or controlling shareholders. Mexico's dominating controlling family ownership structure, coupled with weak minority shareholder investor protection, creates a significant agency problem for outside investors. This weak legal environment might also facilitate opportunistic earnings management resulting in lower earnings quality (e.g., Ball *et al.,* 2000; Leuz *et al.,* 2003; Siegel, 2005).

In general, extant literature has found a positive impact of IFRS adoption on accounting quality. However, some authors argue that cross-country differences in accounting quality are likely to remain following IFRS adoption, because accounting quality is also a function of the firm's overall institutional setting, including the legal and political system of the country in which the firm resides (e.g. Ball *et al.,* 2000; Soderstrom, Sun, 2007). Positive accounting research provides evidence that the accounting policy choices made by firms are determined not only by the regulations in force but also by factors that are specific to the firm, including its operating circumstances and managerial preferences, all of which will result in a diversity of accounting treatments (Watts, Zimmermann, 1986; 1990).

Accordingly, the purpose of this paper is to examine whether adaptation of standards to IFRS has converted Mexican GAAP into high quality standards by increasing comparability with US GAAP and reducing earnings management. We also question, according to Agency Theory, whether the differences between earnings reported by Mexican GAAP and US GAAP may be due to the opportunistic interpretation of Mexican standards by managers, rather than to differences between the accounting standards of both countries. The paper examines the Form 20-F of Mexican companies listed on the New York Stock Exchange (NYSE) during the period 1997-2008. The period analyzed includes the effects before and after the IMCP'S Convergence Project, through which many core accounting standards have been revised to make them compatible with IFRS. Firms that reconcile to US GAAP face a mixture of legal and institutional environments from their home country and from the US as a result of their cross-listing. It can be expected that Mexican financial reporting quality improve because the IFRS adaptation, but not their enforcement.

While there is a substantial body of literature on cross listing in general and the quality of IFRS-based accounting amounts compared with that of US GAAP-based accounting, there is little evidence on the characteristics of the US GAAP accounting data that result from the reconciliation process. One feature that differentiates the US from other regulatory environments is its requirement that foreign firms wishing to cross list on US exchanges reconcile their earnings and shareholders' equity to US GAAP in Form 20-F. An ongoing debate in accounting regulation focuses on the appropriateness of permitting non-US firms to file with the US Securities and Exchange Commission (SEC) financial statements based on domestic accounting standards after cross-listing their securities on US exchanges.

This paper contributes to the literature in a number of ways and differs from prior research on the quality of IFRS accounting measures in several aspects. Firstly, while most previous papers examine the quality of accounting standard after the adoption to IFRS, we examine the quality of accounting standards adapted to IFRS. This study is the first to compare the quality of accounting amounts based on GAAPs adapted to IFRS and reconciled US GAAP-based accounting amounts for a sample of Mexican firms. Mexico was classified as a code law country characterized by weak investor protection, a less developed capital

market and higher levels of earnings management than Anglo-American countries (Leuz *et al.,* 2003). On the other hand, Mexico is an emerging country that has experienced rapid growth in recent years. There is a need to investigate empirically this topic because empirical research carried out in the context of emerging markets remains scarce. The Mexico's movement to IFRS may provide new insights as firms from developing economies adapt their accounting system toward IFRS. No study, to our knowledge, has empirically examined this issue in developing countries.

The remainder of this paper is presented as follows. In Section 1, we discuss prior research and develop hypotheses. Section 2 describes the research design. The results of the study are presented in Section 3. Finally, in the last Section we summarize our results and discuss the implications of our analysis.

1. Previous Literature and Hypothesis Development

There is substantial literature comparing quality of accounting numbers internationally as well as capital market effects of IFRS adoption (e.g. Daske, Gebhardt, 2006; Hail *et al.,* 2009). In general, the papers evidence the higher quality of US and international standards against local standards, but they differ in the definition of accounting quality, the period covered or the country of reference. The attributes to fulfil quality of accounting numbers include comparability/convergence, earnings management, conservatism, relevance and opportunity, among others. In this paper, we study two attributes: earnings convergence and earnings management.

Prior research on comparability has mainly focused on the differences between a specific domestic set of accounting standards and either IAS/IFRS or US GAAP (Gray, 1980; Meek, 1983; Alford *et al.,* 1993). Several studies have used data from overseas, incorporating companies that have securities traded in the US. Most analyse the impact of accounting differences using US GAAP reconciliations. This research line uses US GAAP as a benchmark and compares it with other GAAPs, such as UK GAAP (Weetman, Gray, 1990, 1991; Weetman *et al.,* 1998; Adams *et al.,* 1999), GAAPs of other European countries (Hellman, 1993; Whittington, 2000), Australian GAAP (Norton, 1995) and Japanese GAAP (Cooke, 1993). Other studies document the historical differences between IAS/IFRS and US GAAP and/or standard-setters' efforts to eliminate these differences. This research suggests that efforts by standard-setters to address differences are proving successful in converging IFRS and US GAAP (Street, Shaughnessy, 1998; Street, Gray, 1999). Street *et al.* (2000) examine trends in 20-F adjustments by companies using IAS during 1995–1997 and 1995–2001, respectively. Both studies indicate that the materiality of differences decreased over time. Based on 20-F reconciliations provided by the population of US listed European companies filing IFRS-based statements with the SEC in 2005, Gray *et al*. (2009) examine whether 'European' and US GAAP measures of income and equity converged under IFRS. They find that for US listed European companies that adopted IFRS in 2005, there has been a significant de facto divergence from US GAAP in terms of income determination, in contrast to the expected convergence. Specifically, IFRS adoption resulted in a widening of the gap, in respect of the measurement of income compared to that previously existing between European and US GAAP.

From a regional perspective, some studies have examined the differences between Latin American accounting practices and international standards. Only a few studies on US GAAP comparability have included companies from developing countries (Rueschhoff,

Strupeck, 1998; Davis-Friday, Rivera, 2000; Palacios *et al.,* 2007). Rueschhoff, Strupeck (1998) find that differences in accounting principles cause extreme variations in reported earnings, shareholders' equity and equity return for some developing countries (Mexico, Argentina and Chile). They observe that domestic GAAP are less conservative than US GAAP. The greatest disparities occur for the Mexican firms. Davis-Friday, Rivera (2000) analyse the 1995 and 1996 20-F reports filled with the SEC by Mexican firms. The results show that on average, earnings measured under Mexican GAAP is about 26 per cent greater than the US GAAP measure, and Mexican GAAP equity is on average 74 per cent greater than US GAAP equity. Palacios *et al*. (2007) examines the comparability between Latin American GAAP and US GAAP by studying 314 Forms 20-F reported by Latin American firms (Argentina, Brazil, Chile and Mexico) during the period 1997-2001. The study finds that for the period 1997-2001, Latin American earnings are 67 per cent higher than US earnings. Brazil was the least conservative country of the sample. The results indicate that the differences between Latin American and US GAAP are not significant, but have not narrowed during the period 1997-2001. The temporal trend in the use of adjustments has increased over time, suggesting a decline in the comparability of the financial statements.

Since the adaptation of Mexican GAAP to IFRS was initiated in 2005, our first hypothesis (H1) examines whether the comparability of earnings differs before and after the Convergence Project. The purpose of this examination is to determine whether comparability between Mexican-based earnings and US GAAP-based earnings is higher in the post-adaptation period than in the pre-adaptation period because of the IMCP´s Convergence Project. We address this competing view by testing the following hypothesis:

H1: Adaptation of IFRS has increased comparability of earnings

Another way of assessing the quality of reported earnings is by examining to what extent earnings are managed. Accounting rules can limit a manager's ability to distort reported earnings. But the extent to which accounting rules influence reported earnings and curb earnings management depends on how well these rules are enforced (Leuz *et al.,* 2003). Findings in Bradshaw, Miller (2005) suggest that the regulatory and litigation environment is important to the application of accounting standards. Consistent with these, Lang *et al*. (2003) find that cross-listed firms appear to be less aggressive in terms of earnings management and report accounting data that are more conservative. However, when they compare the characteristics of reconciled accounting data for cross-listed firms with data reported by a matched sample of US firms, the results indicate that earnings quality for cross-listed firms in the United States is lower than their US matched samples. They suggest that a similar litigation and regulation environment does not ensure accounting amounts of similar quality. They find that US standards-based earnings of firms that cross-list on US markets exhibit significantly more earnings management than do earnings of US firms, despite the fact that cross-listed firms are required to use US standards and in principle face a regulatory and litigation environment similar to US firms.

Our second hypothesis (H2) examines whether the earnings management of Mexican firms listed on the NYSE differs before and after the Convergence Project. The purpose of this examination is to investigate whether accounting earnings of cross-listing Mexican firms in the post-adaptation period exhibit less earnings management than accounting earnings of these firms in the pre-adaptation period. Firms with a foreign exchange listing are presumed to have greater incentives to report transparently because they are subject to restrictions imposed by different countries and are exposed to a higher litigation risk. Therefore, it can be

expected that earnings quality is enhanced when listed on an international capital market (Ball *et al.*, 2000; 2003). We assume that the recent developments in international accounting standards have led to changes in the quality of financial reporting over time. Therefore, the question remains whether accounting quality is higher as a result of the IMCP' initiatives and actions.

H2: Adaptation of IFRS has reduced earnings management

Finally, according to Agency Theory, in the third hypothesis (H3) we question whether the differences between earnings reported by Mexican GAAP and US GAAP may be due to the opportunistic interpretation of Mexican standards by managers, rather than to differences between the accounting standards of both countries. In this sense, Leuz *et al.* (2003) report that earnings management is more pervasive in countries where the legal protection of outside investors is weak, because in these countries insiders enjoy greater private control benefits and hence have stronger incentives to obfuscate firm performance. In Mexico, the regulation of the Securities Market Law, as it applies to publicly traded companies, is performed by the Mexican National Banking and Securities Commission (CNBV), a government oversight agency. The CNBV is responsible for the review and enforcement of disclosure compliance in financial statements of listed firms. The CNBV has authority to institute administrative proceedings, impose administrative sanctions, fines, suspension and disbarment of directors as well as management, and report market abuse offenses to the Attorney General. However, although the CNBV monitors adherence to accounting standards, effective sanctions for infractions are difficult to impose within the Mexican legal framework. Under the laws covering commercial activities, there is no provision for civil or criminal penalties to deter fraudulent or erroneous financial reporting by board of directors. High quality corporate financial reporting can result only with proper enforcement of the established standards (Machuga, Teitel, 2009). We address this competing view by testing the following hypothesis:

H3: The convergence of earnings depends on the opportunistic interpretation of Mexican standards by manager.

2. Research Design

2.1 Sample

Our sample is drawn from the population of Mexican non-financial firms listed on the NYSE during the period from 1997 to 2008. The principal sources of our data are Infosel database. Financial statements are available for the 12-year period. The earnings reconciled to US GAAP are hand collected from the 20-F reports published in the corporate websites of each company. Consistent with previous research, firms providing financial services such as financial institutions, holding companies and insurance firms are excluded, due to the specialized financial statements prevalent in these sectors.

The final sample comprises 178 firm year observations. We divide the sample according to the year of the financial statements. Financial statements under Mexican GAAPs between 1997 and 2004 belong to the Pre-adaptation period, while financial statements under standards adapted to IFRS between 2005 and 2008 belong to the Post-adaptation period.

Table 1. Sample characteristics

Panel A: Composition by Year		
	Number of firm-year observations	Percentage of firm-year observations
Pre-adaptation period	122	68.53
1997	6	3.40
1998	16	9.00
1999	20	11.20
2000	22	12.40
2001	21	11.80
2002	11	6.20
2003	15	8.42
2004	11	6.20
		0
Post-adaptation period	56	31.46
2005	14	7.90
2006	15	8.42
2007	14	7.90
2008	13	7.30
Total	178	100
Panel B: Composition by Industry		
	Number of firm-year observations	Percentage of firm-year observations
Manufacturing	65	36.50
Construction	18	10.10
Commercial	20	11.20
Service	75	42.10
Total	178	100

Source: own calculations.

Panel A of *Table 1* shows the distribution of the sample of 178 firms by year. 122 firms or 68.53% of the sample belong to the pre-adaptation period while 56 (31.46%) firms belong to the post-adaptation period. Panel B of *Table 1* provides and industry breakdown. The sample also comprises a range of industries, with the greatest proportion from services and manufacturing.

2.2 Model and Variable Definitions

The purpose of this study is to investigate empirically whether the new accounting regulation in Mexico could be considered a high quality financial reporting standard because it is associated with higher earnings convergence and lower earnings management.

As a measure of convergence of earnings, following the research designs in prior studies that quantified differences between amounts reported under different GAAPs, we use an index similar to the metric developed by Gray (1980). The Gray index indicates the "bottom-line" impact of accounting differences (Gray *et al.*, 2009). Initially Gray's index was referred to as the conservatism index (Gray, 1980; Weetman, Gray, 1990, 1991; Adams *et al.*, 1993; Cooke, 1993; Hellman, 1993; Norton, 1995). The name was later changed to the comparability index to focus more on relative accounting treatment, without requiring a judgment in regard to which accounting treatment is more or less conservative (Weetman *et al.*, 1998; Street *et al.*, 2000). The Gray's index is expressed by the formula (1):

$$IndexofConservatism = 1 - \left[\frac{EARNINGSusa - EARNINGSdom}{|EARNINGSusa|} \right] \quad (1)$$

where:
EARNINGSusa = Earnings according to US GAAP
EARNINGSdom = Earnings according to domestic GAAP

The neutral value of 1.0 is used as the US GAAP benchmark. Extreme values of the index (high and low values) indicate a lack of comparability. This index is not appropriate for our objective for two reasons. First, if causal methodologies are considered (e.g. regression analysis), high values do not imply a better comparability (dependent variables are not explained). Second, it is proper because of the dispersal obtained when US results are negative. Moreover, in line with Gray *et al.*'s (2009) argument, the comparability index has some disadvantages when incomes /losses are close to zero, since extreme values may arise. In such cases, the value of the index is flawed. That is why previous research (e.g. Palacios *et al.*, 2007) started to adopt the following index, called "Index of convergence" (2):

$$IndexofConvergence = IC = \left[\frac{EARNINGSusa - EARNINGSmex}{|EARNINGSmex|} \right] \quad (2)$$

where:
EARNINGSusa = Earnings according to US GAAP
EARNINGSmex = Earnings according to Mexican GAAP
IC = Index of convergence

This metric examines the total reconciliation between earnings reported under Mexican GAAP and US GAAP. The absolute value of the denominator is introduced to avoid the misleading effect of firms having losses. Two aspects are considered in the Index of convergence. The sign of the index points to conclusions about the degree of earnings conservatism of Mexican versus US accounting standards, and the amount of accounting restatement to metric convergence between standards. However, this study intends to introduce a new approach that takes into account the main limitations of previous research using the comparability index. The use of statistical techniques finds difficulties, because positive and negative values in each company index are compensated. Thus, in order to prove whether differences are higher or lower with regard to a set of exploratory factors, the absolute value of the index is employed. More accurate conclusions could be obtained about the effectiveness of the accounting harmonization process. This new definition of the convergence index is expected to achieve the intended purpose. In order to evaluate the effect of adaptation of IFRS on convergence of earnings, in our first stage we regress the absolute value of index of convergence on new accounting regulation and control variables. Hence, our empirical model is as follows (***Model 1***):

$$\boldsymbol{Abs\ (IC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ SIZE_{it} + \beta_3\ LEV_{it} + \beta_4\ GROWTH_{it} + \beta_5\ CFO_{it} + \beta_6 DEBT\_ISS_{it} + \beta_7\ ASSET\_TURN_{it} + \beta_8\ BI_{it} + \varepsilon_{it}\ldots\ldots\ (Model\ 1)}$$

where: Abs $(IC)_{it}$ is the absolute value of index of convergence in year t; NAR is a dummy variable (compliance with adapted IFRS=1, else=0); $SIZE_{it}$ is the natural logarithm of total assets in year t; LEV as end-of-year total liabilities divided by end-of-year total equity; $GROWTH_{it}$ as percentage change in sales; CFO_{it} as value of annual net cash flow from operating activities, scaled by lagged total assets;

$DEBT\_ISS_{it}$ as the percentage change in total liabilities during the period; $ASSET\_TURN_{it}$ as sales divided by end-of-year total assets ; BI is a vector of industry dummies (Manufacturing industry, Construction industry, Commercial industry).

Because the management of earnings is usually considered as a measure of the quality of financial statements, the second part of the analysis investigates how the adaptation of IFRS influences the level of discretionary accruals. As a measure of earnings management, we use the magnitude of absolute discretionary accruals. Since only total accruals are known, discretionary accruals have to be estimated. Several models have been developed for this purpose. Following Dechow *et al.* (1995), we compute the accrual component of earnings as:

$$\text{Total Accruals}_{it} = (\Delta CA_{it}-\Delta Cash_{it})-(\Delta CL_{it}-\Delta STD_{it})-Dep_{it} \quad (3)$$

where: ΔCA_{it} = change in total current assets; $\Delta Cash_{it}$ = change in cash and cash equivalents; ΔCL_{it} = change in total current liabilities; ΔSTD_{it} = change in long-term debt included in current liabilities; Dep_{it} = depreciation and amortisation expenses.

We use the cross-sectional version of the modified Jones (1991) model to estimate the non-discretionary component of total accruals (TAC) (DeFond and Jiambalvo, 1994; Yeo *et al.*, 2002; Larcker and Richardson, 2004).

$$\frac{\text{TAC}_{it}}{\text{A}_{i,\,t-1}} = \beta_0 + \beta_1 \frac{\Delta REV_{it}}{A_{i,\,t-1}} + \beta_2 \frac{PPE_{it}}{A_{i,\,t-1}} + \varepsilon_{it} \quad (4)$$

For each year and industry we regress total accruals (TAC) on the change in revenues (ΔREV) and the level of gross property, plant and equipment (PPE), scaled by lagged total assets (A_{t-1}) in order to avoid problems of heteroskedasticity.

The model is estimated in its cross-sectional version for each industry-year combination based on the industry classification of the Mexican Stock Exchange. Industry-years with fewer than six observations are excluded from the analysis (DeFond and Jiambalvo, 1994; Park and Shin, 2004).

Using the estimates for the regression parameters, ($\hat{\beta}_0, \hat{\beta}_1, \hat{\beta}_2$), we estimate each sample firm's non-discretionary accruals (NDCA) by adjusting the change in sales for the change in accounts receivable (ΔAR) to allow for the possibility that firms could have manipulated sales by changing credit terms (Dechow *et al.*, 1995).

$$\text{NDCA}_{it} = \hat{\beta}_0 + \hat{\beta}_1 \frac{\Delta REV_{it} - \Delta AR_{it}}{A_{i,\,t-1}} + \hat{\beta}_2 \frac{PPE_{it}}{A_{i,\,t-1}} \quad (5)$$

And we define discretionary accruals ($DACC_{it}$) for firm i in year t as the remaining portion of Total accruals:

$$DACC_{it} = \frac{TAC_{it}}{A_{i,t-1}} - NDCA_{it} \quad (6)$$

Following previous studies (Warfield *et al.*, 1995; Gabrielsen *et al.*, 2002) we employ the absolute value of discretionary accruals [Abs(DACC)] as our measure of earnings manipulation. In order to evaluate the effect of the adaptation of IFRS on discretionary accruals, in our second stage we regress the absolute value of discretionary accruals [Abs(DACC)] on new accounting regulation and control variables (***Model 2***).

$$Abs\ (DACC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ SIZE_{it} + \beta_3\ LEV_{it} + \beta_4\ GROWTH_{it} + \beta_5\ CFO_{it} + \beta_6\ DEBT\_ISS_{it} + \beta_7\ ASSET\_TURN_{it} + \beta_8\ BI_{it} + \varepsilon_{it} \quad \textit{(Model 2)}$$

where Abs $(DACC)_{it}$ is the absolute value of discretionary accruals in year t, scaled by lagged total assets; NAR is a dummy variable (compliance with adapted IFRS=1, else=0); $SIZE_{it}$ is the natural logarithm of total assets in year t; LEV as end-of-year total liabilities divided by end-of-year total equity; $GROWTH_{it}$ as percentage change in sales; CFO_{it} as value of annual net cash flow from operating activities, scaled by lagged total assets; $DEBT\_ISS_{it}$ as the percentage change in total liabilities during the period; $ASSET\_TURN_{it}$ as sales divided by end-of-year total assets ; BI is a vector of industry dummies (Manufacturing industry, Construction industry, Commercial industry).

Finally, in the third stage, we investigate whether the differences between earnings reported by Mexican GAAP and US GAAP may be due to the opportunistic interpretation of Mexican standards by managers, rather than to differences between the accounting standards of both countries. We regress the absolute value of the index of convergence on new accounting regulation, absolute value of discretionary accruals and the interaction of these variables and control variables. The final step involves the introduction of earnings management (***Model 3***).

$$Abs\ (IC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ Abs\ (DACC)_{it} + \beta_3\ NAR * Abs\ (DACC)_{it} + \beta_4\ SIZE_{it} + \beta_5\ LEV_{it} + \beta_6\ GROWTH_{it} + \beta_7\ CFO_{it} + \beta_8\ DEBT\_ISS_{it} + \beta_9\ ASSET\_TURN_{it} + \beta_{10}\ BI_{it} + \varepsilon_{it} \ldots\ldots \quad \textit{(Model 3)}$$

where Abs $(IC)_{it}$ is the absolute value of index of convergence in year t; NAR is a dummy variable (compliance with adapted IFRS=1, else=0); Abs $(DACC)_{it}$ is the absolute value of discretionary accruals in year t, scaled by lagged total assets; $SIZE_{it}$ is the natural logarithm of total assets in year t; LEV as end-of-year total liabilities divided by end-of-year total equity; $GROWTH_{it}$ as percentage change in sales; CFO_{it} as value of annual net cash flow from operating activities, scaled by lagged total assets; $DEBT\_ISS_{it}$ as the percentage change in total liabilities during the period; $ASSET\_TURN_{it}$ as sales divided by end-of-year total assets ; BI is a vector of industry dummies (Manufacturing industry, Construction industry, Commercial industry).

The control variables which may affect earnings quality are firm size, growth, financing structure, need for capital, and frequency of debt (Ashbaugh, 2001; Pagano *et al.*, 2002; Tarca, 2004; Barth *et al.*, 2008; Lang *et al.*, 2006). There is an extensive body of research concerning the firm-specific and industry level determinants of financial reporting practices. This is particularly so with respect to the extent of financial disclosure (e.g. Lang, Lundholm, 1993; Wallace *et al.*, 1994; Wallace, Naser, 1995). Firm-specific attributes are important in determining disclosure policies, and this also applies to their accounting policy choices. In the international context, for example, Leuz, Verrecchia (2000) demonstrate how size, financing needs and performance positively affect the firm's international reporting strategy. As a proxy for firm size we use the natural logarithm of total assets (SIZE). We expect firm size to have a positive relationship with earnings quality due to big firms being less likely to be able to hide abnormal accruals than small firms, which tend to be neglected by financial analysts and the press. Closer scrutiny by outsiders can potentially reduce managers' opportunities to exercise their accounting discretion in big firms. In addition, the risk of debt is measured by the liability to equity ratio (LEV). According to Park, Shin (2004), firms that face financial constraints or distress have an incentive to adjust earnings upward in order to avoid a potential loss from disclosing a financial problem. This argument would predict a positive relationship between the absolute value of the index of convergence, discretionary accruals and financial leverage.

We control for a firm's growth opportunities by using the percentage change in sales (GROWTH). Firms with high growth opportunities present more important investment opportunities, which leads managers to influence, through the exercise of accounting discretion, the probability of obtaining the financing they need in the future. Furthermore, Skinner, Sloan (1999) find that the market severely penalizes growth firms for negative earnings surprises. Therefore, growth firms have relatively strong incentives to meet earnings benchmarks, perhaps to avoid increase in the cost of capital or to maintain access to capital. Hence, firms with a high percentage change in sales may have higher discretionary accruals than firms with a low percentage change in sales.

Furthermore, the value of operating cash flow scaled by lagged total assets (CFO) is included as a performance measure, since the estimated discretionary accruals are too large for firms experiencing extreme financial performance (Van Tendeloo, Vanstraelen, 2005). Dechow *et al.* (1995) report that the matching principle results in a natural smoothing property of accounting accruals which causes negative (positive) non-discretionary accruals to occur in a period with extreme positive (negative) cash flows of which a part will be incorrectly attributed to income-decreasing (income-increasing) discretionary accruals. We include the cash flow from operations to control for this potential misspecification.

Following Lang *et al.* (2006), firms may choose to cross list to raise capital, so we include control for debt issuance (DEBT_ISS) (percentage change in liabilities during the period). Further, accruals behaviour may vary based on capital intensity, which may also affect the need to raise capital, so we include an asset turnover control (ASSET_TURN) (sales for the period divided by year-end total assets). Finally, we include industry dummies (BI) to control for industry effects on comparability and earnings management. Following Petersen (2009), we use t-statistics based on standard errors clustered at the firm and the year level, which are robust both to heteroscedasticity and within-firm serial correlation[1].

3. Results

3.1 Descriptive statistics and univariate results

The descriptive statistics of the convergence index, estimated discretionary accruals and control variables are presented in *Table 2*. The average of the convergence index is negative, indicating that earnings under Mexican GAAP are higher than under US GAAP. The mean (median) of the index is approximately 1.4% (1.2%). These slight differences may seem to be irrelevant, however they are the result of the compensation of positive (maximum 137%) and negative figures (minimum 130%). This is why when evaluating the importance of these differences for investors, it is more suitable to use the absolute value of the index which shows as mean a 24% variation between Mexican and US earnings. The mean value of earnings management moves around 0.03 to -0.03. Negative discretionary accruals are larger than positive discretionary accruals.

The independent sample t-test is applied to test whether the index of convergence and discretionary accruals are influenced by the new accounting regulation introduced in Mexico (*Table 3*). A two-level categorical variable is introduced to code whether the report was from 1997 to 2004 (group 1) or from 2005 to 2008 (group 2). If the absolute value of the index is calculated, results show that on average the Mexican earnings differs from US GAAP earnings by around 29% before 2005 and it falls to 12% after 2005. There are significant

[1] The results are similar if we cluster by firm and include dummy variables for each time period.

differences in the absolute value of convergence index before and after 2005. This shows that a process of convergence has occurred after the implementation of IMCP's Convergence Project. Support for the first hypothesis is found, providing evidence of convergence in earnings under the two standards over the period.

Table 2. Descriptive statistics

Variable	Minimum	Maximum	Mean	Median	St. dev
Earnings Convergence					
US GAAP Earnings	-851541	3626836.20	326938.44	76289.6825	700619.2131
Mexican Earnings	-892084	3972286.11	340457.04	82826.1260	722110.9624
IC	-1.2991	1.3690	-0.0144	-0.0118	0.3854
Abs(IC)	0	1.3690	0.2420	0.1141	0.2997
Earnings Management					
Abs (DACC)	0.0001	0.1774	0.0275	0.0174	0.0296
DACC ≥ 0	0.0002	0.1383	0.0271	0.0194	0.0255
DACC < 0	-0.1774	-0.0000	-0.0276	-0.0151	0.0326
Control variables					
SIZE	11.7444	17.7210	14.7045	14.6078	1.3296
LEV	0.0029	0.0818	0.0471	0.0501	0.0176
GROWTH	-0.0306	0.4622	0.0255	0.0143	0.0616
CFO	-0.0447	0.0325	0.0101	0.0101	0.0102
DEBT_ISS	-0.0246	0.3982	0.0278	0.0145	0.0560
ASSET_TURN	0.0097	0.3001	0.0746	0.0617	0.0486

Notes: where Abs $(IC)_{it}$ is the absolute value of index of convergence;Abs(DACC) is the absolute value of discretionary accruals using Dechow modified model; SIZE: natural logarithm of total assets in year t; LEV: as end-of-year total liabilities divided by end-of-year total equity; GROWTH: as percentage change in sales; CFO: value of annual net cash flow from operating activities, scaled by end-of-year total assets; DEBT_ISS: as the percentage change in total liabilities during the period, ASSET_TURN: as sales divided by end-of-year total assets.

Source: own calculations.

Table 3. Univariate analysis on index of convergence and discretionary accruals

Earnings Convergence							
	Before IMCP' Convergence Project			After IMCP' Convergence Project			Difference t-statistic (two-tailed sign)
	Mean	Median	STD	Mean	Median	STD	
IC	-0.0021	0.0019	0.4378	-0.0414	-0.0120	0.2348	0.778 (0.437)
Abs(IC)	0.2941	0.1693	0.3233	0.1285	0.0478	0.2002	3.531 (0.001)***
Earnings Management							
	Before IMCP' Convergence Project			After IMCP' Convergence Project			Difference t-statistic (two-tailed sign)
	Mean	Median	Std	Mean	Median	Std	
Abs	0.0254	0.0166	0.0245	0.0315	0.0195	0.0377	-1.188 (0.237)
(DACC)	0.0270	0.0199	0.0242	0.0274	0.0194	0.0282	-0.072 (0.943)
DACC < 0	-0.0242	-0.0120	0.0249	-0.0347	-0.0192	0.0443	1.166 (0.252)
DACC ≥ 0							

Notes: *, **, *** significantly different from zero at the α = 0.10, 0.05 and 0.01 level, respectively, (two-tailed); *where* Abs (IC) is the absolute value of index of convergence; Abs (DACC) is the absolute value of discretionary accruals using Dechow modified model.

Source: own calculations.

The univariate results on (absolute) discretionary accruals suggest that there are not significant differences in the reporting levels of (absolute) discretionary accruals before and after the Convergence Project. The adaptation to Mexican GAAP to IFRS is not associated

with lower levels of (absolute) discretionary accruals. Hence, adapted IFRS are not associated with lower earnings management. Support for the second hypothesis is not found.

Table 4. Correlation matrix

	Abs (IC)	Abs (DACC)	NAR	SIZE	LEV	GROW	CFO	DEB_ ISSU	ASSET_ TURN
Abs(IC)	1.00	0.04	-0.36**	-0.00	0.24**	0.12	-0.28**	0.06	-0.21**
Abs(DACC)	0.04	1.00	0.04	-0.24**	0.05	-0.04	-0.20*	0.05	-0.10
NAR	-0.36**	0.04	1.00	0.16*	-0.19*	-0.02	-0.06	0.04	-0.05
SIZE	-0.00	-0.24**	0.16*	1.00	0.27**	0.11	0.40**	-0.05	-0.18*
LEV	0.24**	0.05	-0.19*	0.27**	1.00	-0.00	-0.04	-0.09	0.02
GROW	0.12	-0.04	-0.02	0.11	-0.00	1.00	0.16*	0.38**	-0.03
CFO	-0.28**	-0.20*	-0.06	0.40**	-0.04	0.163*	1.00	-0.02	0.12
DEB_ISSU	0.06	0.05	0.04	-0.05	-0.09	0.38**	-0.02	1.00	-0.18*
ASSET_TURN	-0.21**	-0.10	-0.05	-0.18*	0.02	-0.03	0.12	-0.18*	1.00

Notes: **, * Significantly different from zero at the 0.01 and 0.05 levels, respectively, (two-tailed)
where Abs (IC) is the absolute value of the index of convergence; Abs(DACC) is the absolute value of discretionary accruals using Dechow modified model; NAR: Dummy variable (compliance with adapted IFRS=1, else=0); SIZE: natural logarithm of total assets in year t: LEV: as end-of-year total liabilities divided by end-of-year total equity; GROWTH: as percentage change in sales; CFO: value of annual net cash flow from operating activities, scaled by end-of-year total assets; DEBT_ISS: as the percentage change in total liabilities during the period, ASSET_TURN: as sales divided by end-of-year total assets.

Source: own calculations.

Table 4 provides a correlation matrix for the variables, with Spearman correlations in the upper quadrant and Pearson correlations in the lower quadrant. Correlations between the variables are generally modest, suggesting that multicollinearity is not a substantive issue.

3.2 Multivariate Analysis

Table 5 reports the results of the regression of absolute index of convergence on new accounting regulation and control variables (Model 3). We use *t*-statistics based on standard errors clustered at the firm and the year level (Petersen, 2009), which are robust both to heteroscedasticity and within-firm serial correlation. The results show a consistently significant negative relationship between the accounting standard dummy (NAR) and the absolute value of convergence index. The absolute value of the index is substantially lower for the post-adaptation period than for the pre-adaptation period, and this difference is statistically significant at the 0.05 level. The results suggest that after the Convergence Project, Mexican firms do experience an increase in the convergence of earnings. Accounting earnings of Mexican standards adapted to IFRS exhibit higher comparability with US GAAP than accounting earnings of Mexican standards before the adaptation. These results provide strong evidence for the effect of IFRS adaptation in increasing the comparability of accounting earnings, which support Hypothesis 1. These results are consistent with the findings of Street, Shaughnessy (1998), Street, Gray (1999), Street *et al.* (2000) and Gray *et al.* (2009).

The regression results further demonstrate that the convergence of earnings is increasing in profitability and asset turnover, but decreasing in leverage. The coefficient of the control variable leverage is significantly positive. This suggests that firms with high levels of debt have low convergence of earnings. Agency and political costs explain why profitability is significantly associated with the index of convergence. The coefficient of the control variable CFO is significantly negative. This suggests that firms with high levels of profitability have high convergence of earnings. The more profitability firms offer, the more accurate the earnings because the index declines to zero as the cash flow increases. This demonstrates the opportunistic accounting election, since these firms may use accounting policies that increase their Mexican earnings. However, this effect disappears when restated to the US earnings. The coefficient size is negative but not significant. This can be explained by the argument that cross-listed firms are more globalize and, hence, introduce accounting policies that are more in accordance with American practices. The coefficient asset turnover is significant and negative.

Table 5. Regressions of absolute index of convergence on independent variables and control variables

$Abs\ (IC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ SIZE_{it} + \beta_3\ LEV_{it} + \beta_4\ GROWTH_{it} + \beta_5\ CFO_{it} + \beta_6 DEBT\_ISS_{it} + \beta_7\ ASSET\_TURN_{it} + \beta_8\ BI_{it} + \varepsilon_{it}$		
Model 1		
Variables	**Estimated Coefficient**	**t-statistic**
Intercept	0.6026	3.10***
NAR	-0.1298	-1.86**
SIZE	-0.0162	-1.04
LEV	4.1569	3.57***
GROWTH	0.3078	0.73
CFO	-12.1680	-4.25***
DEBT_ISS	-0.5131	-1.50
ASSET_TURN	-1.7600	-4.39***
Industry Dummies	Yes	
N	151	
R^2 (adjusted)	0.3424	
F	6.32***	

*Notes: *, **, **** Significantly different from zero at the 0.10, 0.05 and 0.01 levels, respectively, (two-tailed)

where Abs (IC) is the absolute value of the index of convergence, NAR = Dummy variable (compliance with adapted IFRS=1, else=0), SIZE = natural logarithm of total assets in year t, LEV= as end-of-year total liabilities divided by end-of-year total equity; GROWTH= as percentage change in sales, CFO: value of annual net cash flow from operating activities, scaled by end-of-year total assets, DEBT_ISS= as the percentage change in total liabilities during the period, ASSET_TURN= as sales divided by end-of-year total assets. Models include industry dummies. Regressions are run using two-way cluster standard errors (Petersen, 2009) at the time and firm level which are robust to both heteroscedasticity and within-firm serial correlation.

Source: own calculations.

Table 6 reports the results of the regression of absolute value of discretionary accruals on new accounting regulation and control variables (Model 2). The results do not show a significant relationship between the accounting standard dummy (NAR) and absolute discretionary accruals. These results do not provide evidence for the effect of IFRS adaptation in reducing earnings management by Mexican cross-listed firms. Our findings do not provide support for Hypothesis 2. One possible explanation for this finding could be that firms planning to cross-list in the United States may gradually change their accounting reporting behavior before cross-listing on a well-developed capital market that is demanding in terms of

information quality and transparency. In particular, even if the firm has relatively transparent reporting before cross-listing, the added regulatory requirements and litigation exposure associated with cross-listing may cause firms to change local reporting (Lang *et al.*, 2003). In particular, cross-listing firms face increased enforcement by the SEC, a more demanding litigation environment, and enhanced disclosure and reconciliations to US GAAP, all of which may affect the kinds of firms attracted to US cross-listing and the characteristics of their accounting data (Lang *et al.*, 2003). In terms of the control variables, we find that absolute discretionary accruals are decreasing in size. Agency and political costs explain why firm size is significantly associated with earnings management. The coefficient size is significant and negative. Firm size is clearly a business characteristic that exhibits differences in the degree of earnings management, showing that high size firms have less discretionary accruals. This is often used as a proxy for political sensitivity. Large firms with large profits may try to manage earnings downwards (Zimmerman, 1983; Liberty, Zimmerman, 1986). The larger the firm, the more likely managers are to choose income-decreasing accruals.

Table 6. Regressions of absolute discretionary accruals on independent variables and control variables

$Abs\ (DACC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ SIZE_{it} + \beta_3\ LEV_{it} + \beta_4\ GROWTH_{it} + \beta_5\ CFO_{it} + \beta_6\ DEBT\_ISS_{it} + \beta_7\ ASSET\_TURN_{it} + \beta_8\ BI_{it} + \varepsilon$		
Model 2		
Variables	**Estimated Coefficient**	**t-statistic**
Intercept	0.1021	7.95***
NAR	0.0057	1.05
SIZE	-0.0053	-3.11***
LEV	0.1590	0.81
GROWTH	0.0045	0.17
CFO	0.0470	0.19
DEBT_ISS	-0.0004	-0.03
ASSET_TURN	-0.0155	-0.20
Industry Dummies	Yes	
N	151	
R^2 (adjusted)	0.2087	
F	2.53***	

Notes: *, **, *** Significantly different from zero at the 0.10, 0.05 and 0.01 levels, respectively, (two-tailed)
where Abs (DACC) is the absolute value of discretionary accruals using Dechow modified model, NAR = Dummy variable (compliance with adapted IFRS=1, else=0), SIZE = natural logarithm of total assets in year t, LEV= as end-of-year total liabilities divided by end-of-year total equity; GROWTH= as percentage change in sales, CFO: value of annual net cash flow from operating activities, scaled by end-of-year total assets, DEBT_ISS= as the percentage change in total liabilities during the period, ASSET_TURN= as sales divided by end-of-year total assets. Models include industry dummies. Regressions are run using two-way cluster standard errors (Petersen, 2009) at the time and firm level which are robust to both heteroscedasticity and within-firm serial correlation.

Source: own calculations.

Finally, to test hypothesis 3, the interaction variable of interest NAR*Abs (DACC) is included in Model 1. We regress the absolute value of index of convergence on new accounting regulation, absolute value of discretionary accruals, the interaction of these variables and control variables (Model 3).

Table 7. Regressions of absolute index of convergence on independent variables and control variables

$Abs\ (IC)_{it} = \beta_0 + \beta_1\ NAR_{it} + \beta_2\ Abs\ (DACC)_{it} + \beta_3\ NAR * Abs\ (DACC)_{it} + \beta_4\ SIZE_{it} + \beta_5\ LEV_{it} + \beta_6\ GROWTH_{it} + \beta_7\ CFO_{it} + \beta_8\ DEBT\_ISS_{it} + \beta_9\ ASSET\_TURN_{it} + \beta_{10}\ BI_{it} + \varepsilon_{it}$..... (3)		
Model 3		
Variables	**Estimated Coefficient**	**t-statistic**
Intercept	0.6147	1.88**
NAR	-0.1679	-2.19**
Abs (DACC)	-0.3538	-0.77
NAR * Abs (DACC)	2.2053	3.23***
SIZE	-0.0173	-0.63
LEV	4.3983	2.31*
GROWTH	0.3529	0.88
CFO	-11.9926	-3.28***
DEBT_ISS	-0.4933	-1.43
ASSET_TURN	-1.7526	-4.14***
Industry Dummies	Yes	
N	151	
R^2 (adjusted)	0.3571	
F	5.45***	

Notes: *, **, *** Significantly different from zero at the 0.10, 0.05 and 0.01 levels, respectively, (two-tailed)
where Abs (IC) is the absolute value of the index of convergence, NAR = Dummy variable (compliance with adapted IFRS=1, else=0), Abs (DACC) is the absolute value of discretionary accruals using Dechow modified model, SIZE = natural logarithm of total assets in year t, LEV= as end-of-year total liabilities divided by end-of-year total equity; GROWTH= as percentage change in sales, CFO: value of annual net cash flow from operating activities, scaled by end-of-year total assets, DEBT_ISS= as the percentage change in total liabilities during the period, ASSET_TURN= as sales divided by end-of-year total assets. Models include industry dummies. Regressions are run using two-way cluster standard errors (Petersen, 2009) at the time and firm level which are robust to both heteroscedasticity and within-firm serial correlation.

Source: own calculations.

The results, presented *in Table 7* indicate that during the post adaptation period, earnings management has a significant impact on the magnitude of the convergence index. During the period 2005-2008, when Mexican GAAPs are adapted to IFRS, there is a significant relationship between earnings management and earnings convergence. The results of our research evidence that the choice of accounting method could be driven by opportunistic behaviour of managers. In this sense, the accounting choice literature, which arose from a literature on efficient contracting as a means of dealing with the conflicts of interest among agents, has nearly abandoned the view that accounting choice is based on efficiency considerations in favour of hypotheses based on opportunistic behaviour (Holthausen, 1990). Although not all accounting choices involve earnings management, and the term earnings management extends beyond accounting choice, the implications of accounting choice to achieve a goal are consistent with the idea of earnings management (Fields *et al.,* 2001).

Conclusions

The purpose of this study is to investigate empirically whether the adaptation of standards to IFRS has converted Mexican GAAP into high quality standards by increasing comparability with US GAAP and reducing earnings management. Since the adaptation of Mexican GAAP to IFRS was initiated in 2005, using the Form 20-F of Mexican companies listed on NYSE during the period 1997-2008, we investigate whether accounting earnings of

firms in the post-adaptation period exhibit more convergence and less management than accounting earnings of firms in the pre-adaptation period. We find that firms applying standards adapted to IFRS show more earnings convergence than firms applying domestic standards. However, the results do not provide evidence for the effect of IFRS adaptation in reducing earnings management.

Convergence between Mexican-based earnings and US GAAP-based earnings is measured using a new approach that takes into account the main limitations of previous research using the comparability index. We use a new index called "Index of Convergence". Two aspects are considered in this index. The sign of the index points to conclusions about the degree of earnings conservatism of Mexican versus US accounting standards, and the amount of accounting restatement to metric convergence between standards. The results of our study suggest that efforts to converge accounting standards have increased comparability of accounting earnings. The index of convergence is substantially lower for the post-adaptation period than for pre-adaptation period, and this difference is statistically significant. However, it appears that the adaptation of Mexican GAAP to IFRS has not lead to a decrease in earnings management. The adaptation to Mexican GAAP to IFRS is not associated with lower levels of absolute discretionary accruals. There are not significantly differences in reporting levels of discretionary accruals in pre- and post-adaptation period.

We also examine whether the differences between earnings reported by Mexican GAAP and US GAAP may be due to the opportunistic interpretation of Mexican standards by managers, rather than to differences between the accounting standards of both countries. The results of our research evidence that the choice of accounting method could be driven by opportunistic behaviour of managers. The results evidence managerial opportunism in their choice of accounting procedures. Based on our findings, we could conclude that managerial opportunism is a determinant of accounting choice decisions in Mexican firms.

These findings contribute to the current debate on whether high quality standards are sufficient and effective in countries with weak investor protection. The enforcement role of legal systems is especially important when considering the accounting quality following the adoption of IFRS. In general, the adaptation to IFRS evidences an improvement in accounting quality with regards to convergence in pre- and post-adaptation period. However, the transition to IFRS has not resulted to a decline of earnings management. Our study reinforces the findings in other studies that earnings are of relatively higher quality in countries with stronger legal systems and investor protection environment. Even in an environment like the US, differences in underlying institutional environments can significantly affect reported earnings.

The implication of these results is that the work carried out by the CINIF has been effective due to an increase in earnings convergence and is reflected in the higher accounting quality after the adaptation of Mexican accounting standards to IFRS. Analysis of the determinants of accounting quality has important policy implications. Recently, the comparability strategy has been changed because CNBV has approved IFRS as directly mandatory for listed companies as of 2012. Our results indicate that accounting quality has improved after the Convergence Project. Future research needs to establish whether the change in strategy responds or not to the success achieved by the CINIF in order to increase the quality of financial reporting.

The results of this study are subject to the following limitations. First, we only consider two aspects of earnings quality: earnings convergence and earnings management. Further research could benefit from examining the relationship between IFRS adaptation and

other aspects of earning quality, such as timeliness, earnings conservatism and value relevance.

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TARPTAUTINIŲ FINANSINĖS ATSKAITOMYBĖS STANDARTŲ TAIKYMO VERTINIMAS PELNO VALDYMUI: AUGANČIOS RINKOS POŽIŪRIS

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SANTRAUKA

Šiame straipsnyje nagrinėjama, ar tarptautinių finansinės atskaitomybės standartų pritaikymas pakeitė Meksikos visuotinai priimtus apskaitos principus (VPAP) į aukštos kokybės standartus, leidžiant vis daugiau lyginti juos su JAV visuotinai priimtais apskaitos principais ir mažinant pelno valdymą. Taip pat remiantis agentine teorija nagrinėjama ar pelno skirtumai tarp Meksikos VPAP ir JAV VPAP gali atsirasti labiau dėl vadovų oportunizmu pagrįstos Meksikos standartų interpretacijos negu šių vietų šalių apskaitos standartų skirtumų. Kadangi Meksikos VPAP buvo pradėti taikyti prie tarptautinių finansinės atskaitomybės standartų 2005 metais, naudojant F-20 Meksikos įmonių, 1997-2008 metais įtrauktų į Niujorko vertybinių popierių biržą, formą, mes nagrinėjame, ar įmonių pajamų apskaita po adaptaciniu laikotarpiu yra glaudžiau susijusi ir mažiau valdoma negu prieš adaptaciniu laikotarpiu.

Gauti tyrimo rezultatai rodo, kad pastangos sujungti apskaitos standartus leido dažniau palyginti apskaitos įplaukas. Nepaisant to, tarptautinių finansinės atskaitomybės standartų pritaikymas nėra siejamas su prieaugiais kylant pajamoms. Taip pat prieinama prie išvados, kad apskaitos modelio pasirinkimui įtakos turi oportunistinis vadovų elgesys. Remiantis mūsų rezultatais, galima daryti išvadą, kad vadovų oportunizmas lemia apskaitos pasirinkimo sprendimus tarpvalstybinėse Meksikos firmose.

REIKŠMINIAI ŽODŽIAI: tarptautinių finansinės atskaitomybės standartų pritaikymas, nauja JAV VPAP formuluotė, pajamų konvergencija, pajamų valdymas.