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IMPACT OF IFRS ADOPTION ON FINANCIAL STATEMENTS VALUE RELEVANCE. A STUDY OF EASTERN VS. WESTERN EUROPEAN COUNTRIES

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Abstract. The implementation of IFRS has been a significant milestone in the accounting field, sparking debates among advocates and critics regarding whether the initial objectives were actually achieved in practice. This paper aims to investigate whether the adoption of IFRS has led to an increase in the value relevance of financial statements in both Eastern and Western European countries. The study takes an empirical approach, analyzing companies before and after the adoption of IFRS, and introduces contemporary concepts that can contribute to future research. Policymakers rely on evidence-based policies and often seek impartial and reliable evidence from academic researchers. Given the extensive body of research conducted thus far, this paper seeks to further emphasize the positive impact of IFRS implementation.

JEL Classification: G14, G15

Keywords: IFRS, value relevance, financial reporting

1. Introduction

In the early 2000s, Europe's accounting and financial standards were characterized by a lack of standardization and harmonization, with various policies and accounting methods in place. This situation was exacerbated by high-profile scandals such as the Metallgesellschaft scandal in Germany in 1993, where a major industrial firm reported significant losses in energy futures and swaps. The Enron scandal in 2000 further highlighted the need for transparency and security in financial reporting, leading to the passing of financial security laws in France and Belgium.

Despite these domestic efforts, traditional measures to reform accounting systems were insufficient to meet the demands of financial globalization. As a result, all publicly traded companies in the European Union were required to align their financial reports with the International Financial Reporting Standards (IFRS).

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Since then, numerous studies have been conducted to assess whether the initial objectives of IFRS implementation were achieved. The findings of these studies are not always consistent, as will be discussed in the following section. However, it is clear that the adoption of IFRS has brought about positive changes in the accounting world, with lasting impacts on companies in countries that prioritize reliable investor protection.

The main focus of this paper is to examine whether the implementation of IFRS has increased the value relevance of financial statements. The study compares the financial statements of companies in Eastern and Western European countries before and after the adoption of IFRS.

2. Literature review

To ensure successful capital budgeting, both companies and investors need efficient and practical tools that provide relevant financial documentation and information. These tools allow them to accurately assess multinational financial situations. In June 2003, a set of reporting standards was issued to meet the growing need for companies to compare financial data of global business organizations. This set of standards has been adopted by 167 international jurisdictions and is considered a reliable tool for establishing guidelines for transparent financial statements. (Hwang et al. 2018). However, the ongoing impact of the International Financial Reporting Standards (IFRS) depends on the legal system and relevant institutions of each country.

The adoption of the IFRS resulted in changes in accounting choices and policies, which differed from the previously used domestic standards. The International Accounting Standards Board (IASB) aims to establish a universally accepted accounting language. This significant shift in accounting methodologies aligns with the theory of environmental determinism, as proposed by scholars like Gernon and Wallace (1995) and Rodrigues and Craig (2007).

The concept of isomorphism is used to explain the mechanism behind the mandatory adoption of IFRS in European countries. According to DiMaggio and Powell (1983), there are three forms of isomorphism: coercive, mimetic, and normative. Coercive isomorphism refers to the political pressure for publicly listed firms to prepare their financial statements according to international and IASB standards. Mimetic isomorphism involves companies adopting behaviors from successful organizations. Normative isomorphism revolves around professionalism and funding, with the Big Four accounting firms (Deloitte, EY, KPMG, and PwC) playing a significant role in shaping international standards.

The concept of value relevance, which relates to the ability of accounting information to reflect a firm's market value, is rarely discussed. Only accounting information that accurately represents the financial status of a firm is considered value relevant.

When discussing value relevance literature, it is important to note that the mandatory implementation of IFRS in Europe has shifted the focus from analyzing and comparing the legal origins or accounting systems of different countries to examining the value relevance of accounting information before and after IFRS adoption. This includes comparing the results between countries that voluntarily adopted

IFRS and those where IFRS implementation was imposed, as well as analyzing the differences between countries that based their accounting statements on IFRS and those that relied on domestic standards.

According to a study by Kouki Ahmed and Mundy Julia (2018), the voluntary adoption of IFRS did not improve the value relevance of equity book value and earnings. This was observed in countries like Germany and Greece, where companies listed on the stock exchange experienced a decrease in relevance after mandatory IFRS adoption. Similarly, in countries like Spain and Norway, the mandatory implementation of IFRS had no impact on the value relevance of financial statements. Therefore, it can be concluded that voluntary IFRS adoption did not improve the value relevance of equity book value and earnings.

On the other hand, Barth et al. (2008) found that companies following IFRS standards had more value-relevant financial statements compared to those following domestic standards. This was also observed in Turkey, as reported by Suadiye (2012). Additionally, Iatridis and Rouvolis (2010) found that the transition to IFRS led to an increase in the value relevance of earnings for companies listed on the Athens Stock Exchange.

In their study, Kouki Ahmed and Mundy Julia (2018) conducted a comparative analysis across pre- and post-IFRS adoption timeframes in Germany, France, and Belgium. They concluded that while the value relevance of equity book value and earnings increased after the transition to IFRS, the relevance of earnings and changes in earnings did not show significant improvement prior to adoption. This study adds to the existing body of knowledge on the impact of IFRS adoption.

The 2007-2008 financial crisis signaled the crucial role played by transparency in financial markets, and that the lack of it can compromise the confidence of investors and lead to severe shortages of liquidity and marker crashes. Moreover, as individuals utilizing mutual funds or pensions venture into global stock markets or domestic stock markets investments, transparency becomes even more critical. It has become clear that, given the financial environment, the importance of comparable, transparent reporting is not just an element of financial utopia, but a sheer necessity that has urged for universally accepted reporting standards (Devalle, Onali, and Magarini, 2010).

Scholars Alain Devalle, Enrico Onali, and Ricardo Magarini, in their paper published in 2010, titled “Assessing the Value Relevance of Accounting Data After the Introduction of IFRS in Europe”, analyzed the correlation (also known as value relevance) between accounting metrics and market information post IFRS adoption, with the focus on companies listed on five relevant European stock exchanges - Frankfurt, Madrid, Paris, Milan, and London. The objective was to determine whether the global harmonization drive really presented benefits and enhancements is cross-border comparability of financial data, and to foresee the implications and consequences of mandatory IFRS implementation in the US in 2014, as hinted by the Securities and Exchange Commission in 2008. The methodology chosen by the scholars employed panel-data models and the Chow test, in order to assess value relevance.

The switch to IFRS consisted in a major change in several European accounting paradigms, in terms of value relevance. The concept of value relevance stands for the ability of financial statements to encapsulate information that affects and influences share values (Hellström, 2006), and the assessment of this concept in the context of accounting measures continues to be a crucial research topic in discerning the efficacy of accounting standards on a global level.

In 2001, Gornik-Tomaszewski and Jermakowicz, pointed out in their study "Accounting-Based Valuation of Polish Listed Companies" that emerging economies such as Poland, display value relevance comparable to developed nations. Lin and Chen (2005), in "Value Relevance of International Accounting Standards Harmonization: Evidence from A- and B-Share Markets in China" found that, in China, the Chinese GAAP exhibits stronger value relevance compared to IFRS. In countries like France, Germany, and the United Kingdom, Joos and Lang (1994), recognized that EU's implementation of the fourth and seventh directive strengthened the value relevance. Furthermore, nations like the Czech Republic, Tunisia, Poland, and Norway have benefited from bolstered value relevance as a result of modifications in their national accounting regulations, as pointed out by Hellström (2006); Naceur and Nachi (2007); Dobija & Klimczak (2007); and Gjerde, Knivsfla, and Sættem (2008).

In assessing the effects IFRS has on value relevance, in countries like the United Kingdom, Germany, or Spain, results have been mixed. The prevailing expectation is that IFRS adoption should amplify value relevance, given its capacity to boost cross-border financial statements comparability, and in due course, refine and enhance the allocative efficiency of stock markets.

When analyzing value relevance, many researchers employ the "measurement perspective," that explores the relationship between accounting and market data. Their studies draw form Ohlson's (1995) "Earnings, Book Values and Dividends in Equity Valuation" linear information model (LIM) which claims that a company's worth is based on its book value of equity and anticipated future abnormal earnings.

By analyzing 3,721 companies spanning five relevant European stock markets, between 2002 and 2007, it was concluded that, although IFRS increased the value relevance of earnings on a general scale, the value relevance of book value equity detected a decline. The effects of the shift were considerably inconsistent across nations. Following the adoption of IFRS, Germany, Spain, and Italy displayed a decline in the explanatory power, translating in a decrease of value relevance as well, whereas, for the United Kingdom and France, registered growth in explanatory power, pointing at enhanced value relevance. Based on Devalle, Onali, and Magarini's findings in the paper titled "Assessing the Value Relevance of Accounting Data After the Introduction of IFRS in Europe", for France, the United Kingdom, and Germany, coefficient estimates indicate a surge in the value relevance on earnings, and, for all mentioned countries except for the United Kingdom, a decline of the value relevance of book value equity. Embracing fair value accounting of the nations aligned with the Continental model might be root cause of the diminished coefficient on book value.

3. Predictions

Accurate and reliable financial information plays a crucial role in aiding stakeholders in their decision-making processes. It allows them to assess the future net cash inflow of a company and evaluate the management's ability to effectively manage the company's financial resources. Any changes in economic assets and liabilities resulting from the entity's financial activities and other events should be accurately reflected in the financial statements.

Based on the prior research discussed earlier, I predict that the value relevance of financial statements for companies in both Eastern and Western European countries has increased following the adoption of IFRS in Eastern European countries. However,

it is important to note that while prior research provides evidence related to this prediction, it does not directly test it, nor can the result of such a test be inferred by combining previous findings.

4. Research design

Value relevance is defined by IASB Conceptual Framework (2018) as "capable of making a difference in decisions made by users. […] Financial information is capable of making a difference in decisions if it has a predictive value, confirmatory value, or both."

Starting from this definition, the research is adapted from Barth *et al*., (2006) model, designed to test the value relevance of the financial statements. The tests used are applied twice – before IFRS adoption and after IFRS adoption, in order to be able to state whether value relevance of financial statements from Western European countries and those from Eastern European countries have increased after IFRS adoption.

In order to eliminate differences other than the financial standards used for the reporting, a matched sample design is used. The same procedure showed reliable results in Gus de Franco *et al*., (2011). This means that for each Western European company, I choose an Eastern European company from the same industry and with the most similar size in terms of the equity market value. In this way industry specifics and size differences are not permitted to influence the cost of capital.

Each Eastern European company is required to have data in the year it adopts IFRS and at least one year before, in order to be able to establish properly the adoption year. For each identified pair of companies only the years in which both have data are used. Also, the pairs for which the size difference exceeds 60% in absolute value are eliminated.

The economic outcomes used are cash flow, stock price and stock return, while the accounting amounts selected are based on combinations of net income and equity book value. Stock price and stock return were selected as they are reflecting the equity value and the change in equity based on the investors' expectations of corporate earnings or profits. Moreover, cash flow plays an important role in the economic models of equity value, forecasting future cash flow being an extremely important aspect for capital allocation decisions. On the other hand, the accounting amounts used were chosen based on prior research, as they are the two primary measures used from the financial statements.

I construct the metrics based on the explanatory power of regressions of stock price, stock return, and cash flow. Each metric is constructed from the difference between the explanatory power of the full model, that includes the fixed effect in addition to the accounting amounts and the nested model, which includes only the fixed effects. In this way the differences in mean stock prices, stock returns, and future cash flows across countries and industries are not affecting the value relevance metrics. Each metric reflects only the explanatory power for the accounting amounts of the dependent variable.

The explanatory power of stock price is computed based on the difference between the adjusted R^2 from the equation of the full model and the adjusted R^2 from the nested version of it.

The full model of equation 1 is the following:

$$P^{WE}{}_{it} = \beta_0{}^{WE} + \beta_1{}^{WE}BVE^{WE}{}_{it} + \beta_2{}^{WE}NI^{WE}{}_{it} + \varepsilon_{it}{}^{WE} \quad \text{(Equation 1a)}$$
$$P^{EE}{}_{it} = \beta_0{}^{EE} + \beta_1{}^{EE}BVE^{EE}{}_{it} + \beta_2{}^{EE}NI^{EE}{}_{it} + \varepsilon_{it}{}^{EE} \quad \text{(Equation 1b)}$$

The nested version of equation 1 includes only the C_j and I_k, where C_j is country j and I_k is industry k. Both indicators C_j and I_k are designed to equal one for firms domiciled in country j, industry k and zero otherwise. The equation is the following:

$$P^{WE}{}_{it} = \beta_0{}^{WE} + \beta_1{}^{WE}BVE^{WE}{}_{it} + \beta_2{}^{WE}NI^{WE}{}_{it} + \sum_j \beta_{3j} C_J{}^{WE} + \sum_k \beta_{4k} I_k{}^{WE} + \varepsilon_{it}{}^{WE}$$
(Equation 1an)
$$P^{EE}{}_{it} = \beta_0{}^{EE} + \beta_1{}^{EE}BVE^{EE}{}_{it} + \beta_2{}^{EE}NI^{EE}{}_{it} + \sum_j \beta_{3j} C_J{}^{EE} + \sum_k \beta_{4k} I_k{}^{EE} + \varepsilon_{it}{}^{EE}$$
(Equation 1bn)

The second value relevance metrics, return is computed based on the difference between the adjusted R^2 from the equation of the full model and the adjusted R^2 from the nested version of it.

The full model of equation 2 is the following:

$$RETURN^{WE}{}_{it} = \beta_0{}^{WE} + \beta_1{}^{WE}(NI_{it}/P_{it-1})^{WE} + \beta_2{}^{WE}(\Delta NI_{it}/P_{it-1})^{WE} + \beta_3{}^{WE}LOSS_{it}{}^{WE} + \beta_4{}^{WE}LOSS_{it}{}^{WE} x (NI_{it}/P_{it-1})^{WE} + \beta_5{}^{WE}LOSS_{it}{}^{WE} x (\Delta NI_{it}/P_{it-1})^{WE} + \varepsilon_{it}{}^{WE}$$
(Equation 2a)
$$RETURN^{EE}{}_{it} = \beta_0{}^{EE} + \beta_1{}^{EE}(NI_{it}/P_{it-1})^{EE} + \beta_2{}^{EE}(\Delta NI_{it}/P_{it-1})^{EE} + \beta_3{}^{EE}LOSS_{it}{}^{EE} + \beta_4{}^{EE}LOSS_{it}{}^{EE} x (NI_{it}/P_{it-1})^{EE} + \beta_5{}^{EE}LOSS_{it}{}^{EE} x (\Delta NI_{it}/P_{it-1})^{EE} + \varepsilon_{it}{}^{EE}$$ (Equation 2b)

The nested version of equation 2 includes only the C_j and I_k, where C_j is country j and I_k is industry k. Both indicators C_j and I_k are designed to equal one for firms domiciled in country j, industry k and zero otherwise. The equation is the following:

$$RETURN^{WE}{}_{it} = \beta_0{}^{WE} + \beta_1{}^{WE}(NI_{it}/P_{it-1})^{WE} + \beta_2{}^{WE}(\Delta NI_{it}/P_{it-1})^{WE} + \beta_3{}^{WE}LOSS_{it}{}^{WE} + \beta_4{}^{WE}LOSS_{it}{}^{WE} x (NI_{it}/P_{it-1})^{WE} + \beta_5{}^{WE}LOSS_{it}{}^{WE} x (\Delta NI_{it}/P_{it-1})^{WE} + \sum_j \beta_{6j} C_J{}^{WE} + \sum_k \beta_{7k} I_k{}^{WE} + \varepsilon_{it}{}^{WE}$$ (Equation 2an)
$$RETURN^{EE}{}_{it} = \beta_0{}^{EE} + \beta_1{}^{EE}(NI_{it}/P_{it-1})^{EE} + \beta_2{}^{EE}(\Delta NI_{it}/P_{it-1})^{EE} + \beta_3{}^{EE}LOSS_{it}{}^{EE} + \beta_4{}^{EE}LOSS_{it}{}^{EE} x (NI_{it}/P_{it-1})^{EE} + \beta_5{}^{EE}LOSS_{it}{}^{EE} x (\Delta NI_{it}/P_{it-1})^{EE} + \sum_j \beta_{6j} C_J{}^{EE} + \sum_k \beta_{7k} I_k{}^{EE} + \varepsilon_{it}{}^{EE}$$
(Equation 2bn)

The last value relevance metrics, cash flow is computed based on computed based on the difference between the adjusted R^2 from the equation of the full model and the adjusted R^2 from the nested version of it.

The full model of equation 3 is the following:

$$CF^{WE}{}_{it+1} = \beta_0{}^{WE} + \beta_1{}^{WE}(NI_{it}/TA_{it-1})^{WE} + \sum_j \beta_{3j} C_J{}^{WE} + \sum_k \beta_{4k} I_k{}^{WE} + \varepsilon_{it}{}^{WE}$$
(Equation 3an)
$$CF^{EE}{}_{it+1} = \beta_0{}^{EE} + \beta_1{}^{EE}(NI_{it}/TA_{it-1})^{EE} + \sum_j \beta_{3j} C_J{}^{EE} + \sum_k \beta_{4k} I_k{}^{EE} + \varepsilon_{it}{}^{EE}$$
(Equation 3bn)

The nested version of equation 3 includes only the C_j and I_k, where C_j is country j and I_k is industry k. Both indicators C_j and I_k are designed to equal one for firms domiciled in country j, industry k and zero otherwise. The equation is the following:

$$CF^{WE}_{it+1} = \beta_0^{WE} + \beta_1^{WE}(NI_{it} / TA_{it-1})^{WE} + \sum_j \beta_{3j} C_J^{WE} + \sum_k \beta_{4k} I_k^{WE} + \varepsilon_{it}^{WE} \quad \text{(Equation 3an)}$$

$$CF^{EE}_{it+1} = \beta_0^{EE} + \beta_1^{EE}(NI_{it} / TA_{it-1})^{EE} + \sum_j \beta_{3j} C_J^{EE} + \sum_k \beta_{4k} I_k^{EE} + \varepsilon_{it}^{EE} \quad \text{(Equation 3bn)}$$

The differences obtained for R^2 should be lower between Western European companies and Eastern European companies after IFRS implementation in order to conclude that the value relevance has increased.

5. Sample and data

The sample is obtained from Eikon and contains companies from Eastern and Western European countries in the timeframe 1998-2022. For the majority of the companies the year of IFRS adoption is 2004. The sample consists of companies from 24 countries. Ten industries are taken into account for the sample, majority of companies belonging to industrials, financials, consumer cyclicals and basic materials.

As mentioned in the research design, all the tests are based on a matched sample, which consists of 141 pairs of companies (Eastern European company matched with a Western European company). I base my matching procedure on three main steps. Step one: for each company from the Eastern European countries, I select several companies from Western European countries from the same industry. Step two: From the Western European companies selected I eliminate all those which have a difference of Equity Market Value higher than 60%. Step three: From the remaining companies I choose the one that has the smallest difference in terms of Equity Market Value and the biggest number of years with data available.

The detailed structure of the sample is presented below:

Table 1: Sample composition by country

Country of Headquarters	Number of companies
Austria	4
Belgium	2
Bosnia and Herzegovina	1
Bulgaria	1
Croatia	4
Czech Republic	4
Estonia	5
France	27
Germany	15

Country of Headquarters	Number of companies
Greece	1
Hungary	8
Ireland Republic of	3
Italy	5
Lithuania	3
Netherlands	11
Poland	73
Portugal	4
Romania	10
Russia	13
Slovenia	6
Spain	1
Switzerland	11
Ukraine	6
United Kingdom	56

Table 2: Sample composition by industry

Economic Sector Name	Number of companies	
	Eastern European companies	Western European companies
Basic Materials	18	18
Consumer Cyclicals	23	23
Consumer Non-Cyclicals	4	4
Energy	12	13
Financials	23	25
Healthcare	3	3
Industrials	26	26
Real Estate	6	6
Technology	12	15
Utilities	7	7

Table 3: Sample composition by year of adoption

Year of IFRS adoption	No. of Eastern European companies	No. of Western European companies
2002-2003	19	7
2004	58	56
2005	5	16
2006	5	13

6. Results

The following tables present value relevance comparability metrics for Eastern European companies and Western European companies based on Equations (1)–(3) when companies applied domestic standards and when they applied IFRS.

Table 4: R^2 for the equations based on regions and standards

R^2	NON-IFRS					
	EASTERN EUROPEAN COMPANIES			WESTERN EUROPEAN COMPANIES		
	Price	Return	CashFlow	Price	Return	CashFlow
a - Full version of the equation	0,724	0,025	0,011	0,909	0,011	- 0,006
b - Nested version of the equation	0,810	0,074	0,118	0,887	0,002	- 0,001
Difference a-b	-0,086	- 0,049	-0,107	0,022	0,009	- 0,005
R^2	IFRS					
	EASTERN EUROPEAN COMPANIES			WESTERN EUROPEAN COMPANIES		
	Price	Return	CashFlow	Price	Return	CashFlow
a - Full version of the equation	0,802	0,051	0,173	0,407	0,135	-
b - Nested version of the equation	0,838	0,049	0,174	0,466	0,156	0,066
Difference a-b	-0,036	0,002	- 0,001	-0,059	-0,021	-0,066

Table 5: Difference in R^2 Eastern vs. Western European companies

	NON-IFRS			IFRS		
Difference a-b	Price	Return	CashFlow	Price	Return	CashFlow
Eastern - Western values	-0,108	-0,058	-0,102	0,023	0,023	0,065

Table 6: Difference in R^2 IFRS vs. NON-IFRS

	Price	Return	CashFlow
IFRS - NON-IFRS	0,131	0,081	0,167

The table 6 findings support the prediction that value relevance comparability increased after companies adopt IFRS as comparability increased significantly based on all three metrics.

In particular, results from table 5, indicate that the difference in value relevance decreased significantly from when Eastern European companies applied domestic standards to when they applied IFRS. For Price, Return, and Cash Flow, the difference in value relevance decreased by 0.131, 0.081, and 0.167.

The findings in table 4 are showing that value relevance is higher for Western European Companies than for Eastern European ones before they adopt IFRS in that each of the three value relevance metrics is significantly higher for Western European Companies (0.022 vs. -0.086 for Price, 0.009 vs. -0.049 for Return, and -0.005 vs. -0.107 for Cash Flow). However, the findings also indicate that after IFRS adoption, value relevance is higher for Eastern European companies, significantly so for Return (0.002 vs.-0.021), Cash Flow (-0.001 vs. -0.066) and for Price (-0.036 vs. -0.059).

7. Discussion

The results of this study are confirming the proposed hypothesis which states that the implementation of IFRS standards has improved the vale relevance of financial statements. Moreover, it shows that it had a greater effect on the Eastern European companies, managing to reduce the discrepancy between the Eastern and Western European Countries in terms of the confidence of investors in the financial statements data quality.

Given the structure of the sample several topics are worth considering such as:

Some might argue that as the sample is mainly composed of companies from Poland and United Kingdom the conclusions are hard to extrapolate for all Eastern and Western European Countries. However, Poland is a representative country from the political regulations point of view for the Eastern Europe, facing similar conditions with the rest of the countries over time. On the other hand, UK was always recognized as a particular environment, so further analysis might be needed to isolate other political effects that might interfere with the results, such as pre-Brexit period and all the regulations that changed during the transition period.

Another consideration worth mentioning is that the sample used contains also the Economic Crisis period from 2008. Being a nonspecific period, with lots of measures taken in order to reduce the effects of the crisis and to secure as much as possible the economy of the countries, it might lead to results that cannot be attributed directly to the IFRS implementation, or in a worse case influencing them in a negative direction.

Moreover, the European Union expansion after 2005 and all the regulations that were changed in the countries as a pre-condition of accession, might also have an impact on the financial statements of the companies, which is almost impossible to separate.

However, disregarding the limitations of the current research, it is worth mentioning that it still has some further theoretical and practical implications. From a theoretical perspective, it shows that the initial objectives of IFRS implementation are achieved in practice and are bringing economic benefits on long term. The results obtained on the current sample are demonstrating a value relevance increase for the

Eastern European companies higher than the one for the Western European companies, meaning that the reporting of accounting figures that have a prediction with respect to the equity market values has a better quality after IFRS implementation. The impact of the results could be extended to stating that after implementation the difference between Eastern and Western European countries from an economical perspective have decreased.

A practical implication that is important to be considered is the reaction of the investors to a higher value relevance of the financial statements. Knowing that investors are keen to make informed decisions, a potential result of this paper, that can be further analyzed, is how the changes in the accounting figures explain the changes in stock prices. Going further, a higher increase of value relevance for the Eastern European companies is translated into more confidence of investors placing their resources into these companies.

8. Concluding remarks

Previous research on the benefits of mandatory IFRS adoption has yielded inconclusive results, although some improvements have been observed. It is also evident from the research that these benefits were not evenly distributed among firms and countries.

This study aligns with previous research by demonstrating that the value relevance of financial reporting for Eastern and Western European companies increased after the implementation of IFRS. The statistical results obtained from the study suggest that the database used is relevant for investigating the research question, in relation to cash flows, prices and returns. However, it is important to note that there are factors influencing these economic outcomes that are not covered by the accounting standard. Therefore, further analysis may be necessary to fully determine the relevance of the database in these areas.

It is worth acknowledging that isolating the effects of IFRS implementation from other events during a specific time period, such as different government regulations or financial/health crises, is extremely challenging. Therefore, additional research may be required to draw a definitive conclusion.

A possible extension of the current research is testing also some relevant sub-samples such as:

• To test whether the comparability has increased more in some industries than in others after IFRS adoption, the same procedure for each industry sector can be applied.

• To test whether the value relevance has increased after 10 years of mandatory IFRS adoption, the observations can be grouped as before 2015 and after 2015, and apply the same tests. The Economic Crisis years should be taken out for this analysis, so that its effects are isolated.

• To test whether the comparability has increased more for mandatory IFRS adoption than for voluntary adoption, the observations can be grouped into earlier adopters and 2005 adopters.

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