IFRS Application and Its Impact on the Accounting Information Quality: Palestine as a Case Study

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Abstract: - The primary goal of conducting this paper is to investigate the consequences IFRS mandatory adoption has concerning the accounting information quality for Palestinian listed firms. Discretionary accruals and accruals quality measures are utilized to operationalize the quality of accounting information. The sample in the study contains an examination of 378 firm-year observations covering years from 2003 to 2016. The overall result shows mixed evidence suggesting that the IFRS mandatory adoption declines the extent of discretionary accruals, which means a decline in earnings management and manipulation activities. Furthermore, the results of the study show a lower accruals quality in IFRS mandatory adoption time. This paper builds on the current debate about the ramifications relating to the mandatory adoption of IFRS in emerging countries and displays that adopting IFRS affects accounting information quality. However, the effect differs from one accounting quality measure to another.

Key-Words: - IFRS, Mandatory Adoption, Discretionary Accrual, Accrual Quality, Palestine.

1 Introduction

The primary goal of financial reporting is to offer information concerning "reporting entity's financial position, result of operations, and cash flows to assist several users including existing and potential equity investors, lenders, and other creditors to make informed decisions concerning the issue of providing resources to the entity"[1]. Therefore, financial reporting must be in compliance with widely accepted and high quality standards of accounting. Furthermore, the effects of globalization, the rapid expansion in multinational organizations, and the improvements in technology woke up to the need to make decisions in a global context. Therefore, the need of internationally accepted accounting standards become inevitable[2].

IFRS, which is an abbreviation for "International Financial Reporting Standards", are accounting principles that are extensively recognized and used all over the world [3]. "International Accounting Standard Board (IASB)" is the institution that responsible for declaring publically the IFRS and other related standards. This board has a primary mission, which is to work on establishing a universal and particular collection of high quality accounting standards[4]. Based on the latest update regarding the adoption of IFRS by jurisdictions, IASB has completed profiles for 166 countries

around the world that adopted the IFRS (IFRS Foundation, 2019). Despite of the huge cultural, economic and institutional differences between those countries, the adoptability of IFRS has increased year over year [5].

However, the milestone in development and expansion of IFRS is the issuance of regulation, which in turn mandates the IFRS approved adoption in European Union (EU) countries on 2005 [3]. Since that time, several studies document the consequences and ramifications associated with IFRS mandatory adoption. For instance, Daske et al. [6] study is undertaken on a perception that market liquidity increases throughout adopting IFRS and the cost of debt and equity capital could be declined; Horton et al. [7] reveal that the forecasting accuracy has improved due to the adoption of IFRS; Turki et al. [8] and Da Silva and Nardi [9] conclude a reduction in cost of capital and information asymmetry after adopting IFRS. The preceding studies demonstrate the benefits of IFRS adoption by pointing to the positive IFRS impact in improving the accounting information quality. The IFRS can give more worth to the financial reporting quality by reducing the permissible alternatives of accounting and limiting the opportunistic discretions of management in determining and disclosing the financial information[10]. Previous studies [4], [3], [11], [9], [12], and [13] indicate that IFRS are

important in improving the quality of accounting information, thus dependence concerning the information content of the financial reporting in decision making process is increased by different types of users.

Despite IFRS adoption in the most of emerging and developing countries, limited re-searches were performed to investigate their role on the accounting information quality in those countries[14], [15],[16], and [17]. A specific attention is set on the developed countries specifically the EU countries.

The overall purpose behind guiding this paper is exploring IFRS mandatory adoption impact has on the accounting information quality in Palestine, which is considered a special and different case due to its complicated political and economic position. The study examines the accounting information quality throughout the use of data from 27 publicly listed firms past and post IFRS mandatory adoption. However, the measurement of accounting information quality concept is difficult because this term has many dimensions and still vague [3]. Therefore, in this paper, the measurement of accounting information quality is going to be conducted throughout using two commonly used proxies, namely, discretionary accruals measure that is based on "the Modified Jones (1991) model", and the measure of accruals quality that is introduced by "Dechow and Divhev [18]". These measures have been similarly used in prior studies, which are: [19], [3], [20], and[13]. Using these two measures, the results show mixed evidence concerning the IFRS mandatory adoption period. Results demonstrate that the earnings quality which are measured using discretionary accruals, are increased. While the earnings quality which are measured by accrual quality, are decreased.

This paper adds to a realization of related literature on the topic of the impact of IFRS mandatory adoption on the accounting information quality within different ways. First, this study is considered the first one that investigates IFRS adoption impact on the accounting information quality in limited and less developed country like Palestine. Second, this study builds on the ongoing debates reported in literature by measuring accounting information quality using accruals quality and discretionary accruals, which were extensively applied in many studies. Finally, results can be used to assess IFRS adoption effectiveness, and to what extent those standards can add value to the accounting information quality. Such data might assist accounting standards sponsors and regulators in Palestine in order to take IFRS related decisions for future improvement in those standards.

As for the remaining chapters in the study, they are organized as the following: Section 2 introduces related literature as well as the hypothesis of the paper. Section 3 displays the se-lection of the sample, measurement of variables, and the construction of study's model. As for the Section 4, it discusses the empirical results in this paper, while Section 5 offers the conclusions and implications that come up after conducting the study.

2 Review of the Related Literature and Development of Hypothesis

2.1 Adoption of IFRS in Palestine
Palestine as economically and politically restricted country needs IFRS to integrate with global economy. The transition to IFRS in Palestine means finding common and global language with other countries. Since 2004, the IFRS have been considered a legitimate recommendation designed for financial reporting preparation among Palestinian firms. In 2006, due to the fulfillment of joining the World Trade Organization (WTO), IFRS have gained official approval by the Palestinian Authority [21]. At the level of listed firms in Palestine Exchange (PEX), during 2007, the PEX issued a disclosure requirement in Article no. 3 under item (d) that requires the firms that are publicly registered to formulate the annual reports in compliance with the IFRS [22]. From 2007, IFRS have become mandatory requirement for the entire listed firms in PEX.

Besides, the institutional environment in Palestine plays an important role in supporting the adoption of IFRS. At accounting and auditing profession level, Palestine Board of Professional Auditing (BOPA) and Palestinian Association of Certified Public Accountant (PACPA), which is an associate of the International Federation of Accountants (IFAC) since 2013, have been established for organizing accounting and auditing profession [23]. At the level of the financial market, Palestine Capital Market Authority (PCMA) was established as a monitor and supervisor of the whole processes concerning the securities issues [24]. At the level of banking and financial institutions, Palestine Monetary Authority (PMA) is concerned about the preparation and application of the financial policies in Palestine[25]. All of these organizations are the primary supporters of IFRS in Palestine.

2.2 IFRS and the Accounting Information Quality

There are many extant growing bodies of studies that provide evidences concerning the role of IFRS adoption and its impact on the quality and usefulness of accounting information in many contexts. Such studies apply various measures to operationalize accounting information quality concept. A comprehensive framework, which introduces several measures of accounting information quality, is formed in Francis et al. [19]. They are classified into two categories, which are: "Accounting based earnings attributes measured by accounting information, including accrual quality, persistence, predictability, and smoothness; and market based earnings attributes, which are based on the relationship between earnings and market prices, including value relevance, timeliness, and conservatism" [19].

The first stream of research provides an assertion that the IFRS adoption enhances the accounting information quality using different measures. Confirming this assertion, that the IFRS enhances accounting information quality by declining smoothing of earnings and management of earnings toward target, as well as increasing loss recognition on time, the study of Barth et al. [10] have examined the International Accounting Standards (IAS) impact on earning quality across 21 different countries, and results show that the accounting quality measures have enhanced post the IAS implementation. Chen et al. [3] follow Barth et al. [10] throughout conducting a sample that covered 15 countries in the continent of Europe. Their results indicate that most measures of accounting quality are improved after adopting IFRS. Iatridis [4] provides evidence that the accounting information quality, which is reported under the IFRS, is greater than that is reported under the UK GAAP. Additionally, Sun et al. [11] examines the quality of accounting information among foreign corporations that are registered in both the US market and in their local securities market, which have implemented IFRS in the compulsory base. The results reveal; an important fact in which managing earnings toward target has declined during IFRS mandatory adoption.

As for accounting information quality measurement using the association amongst the reported earnings and share prices, which in turn is also called the value relevance, Barth et al. [10] find the value relevance of accounting information has enlarged post IFRS adoption. In a parallel method, an evaluation is conducted for the value relevance of accounting information post the IFRS implementation by Devalle et al. [26] who conduct the empirical examination throughout using data from the largest five securities markets of Europe, which are: (Frankfurt, Madrid, Paris, London, and Milan). They find that accounting information in the time of IFRS adoption has a greater extent of value relevance in comparison to the period before adoption. Kim and Shi [27] also find that the information of financial reporting, which are issued under IFRS, has a superior value relevance comparing to non-IFRS based financial information. Müller [28] also uses a model of value relevance for the reason of exploring the accounting information quality under IFRS. The findings show, that the IFRS-based reported information more value relevant in comparison to non-IFRS-based information. Furthermore, Cutillas-Gomariz, et al. [29] and Kouki [12] have also examined the value relevance of IFRS-based accounting information among European countries and discover that the accounting information has greater value relevance under IFRS.

Discretionary accrual as a measure of earnings management, estimated throughout using Jones Model (1990); as well as the Accrual Quality estimated from Dechow and Dichev [18] model are the most commonly used measures of accounting information quality in many earlier studies. Chen et al. [3] use both of these measures and show a decline in the earning management and manipulation due to implementation of IFRS among European countries. They also discover that the accruals quality has increased post the IFRS adoption. Iatridis [4] uses discretionary accruals to provide evidence that the earnings management activities, which are stated under the IFRS, are lower than that is stated in the UK GAAP. Kabir and Laswad [30] examine the accrual quality model using data from three different European countries and indicate that an enhancement is observed in the accruals quality during the period of IFRS adoption. Consistent with the former assertions, Houqe et al. [5] gathered information from 16 European countries and realize the result in which compulsory IFRS adoption enriches the quality of earnings. Perafán Peña and Franco [31] use discretionary accruals on samples from the UK and France and the results show positive effects of the IFRS adoption on the quality of accounting information in the UK, whereas in France, adoption of IFRS has no effect on the quality of accounting information. Hwang et al. [32] examine IFRS adoption's effect among various developed countries depending on discretionary accruals measure. The results reflect that progress of accounting information quality is

due to a decline in discretionary accruals posts the IFRS adoption in Europe. Consistent with other aforementioned studies, Oz and Yelkenci [33] and Almaharmeh and Masa'deh [13] use a discretionary accruals to measure accounting information quality and provide evidence that earnings management activities have decreased, and the quality of accounting information have increased post the inception of IFRS.

Studies in developing and emerging countries to some extent are less than that in developed countries. Using sample from Malaysia, Ismail et al. [34] apply discretionary accruals as well as value relevance so as to figure out the quality of accounting information. Results suggest that the process of adopting IFRS is connected to accounting information quality. Similarly, Chebaane and Othman [35] use a large sample from different emerging Asian and African countries to inspect the value relevance of earnings and book value per share between 1998 and 2012. The results show that earnings and book value per share have greater value relevance post the inception of IFRS. Baig and Khan [14] measure the adoption of IFRS and its impact on the management of earnings in Pakistan and come up with a result that a decline is noticed in the activities of earnings management once IFRS is adopted. In Turkey, Temiz and Güleç [17] examine the influence of adopting IFRS concerning the value relevance related to the accounting information. They conclude that the accounting information have a higher value relevance when IFRS is adopted. In Latin America, [36], [37], and [9] dispute IFRS benefit and its role in enhancing accounting information quality. Consistent with preceding studies, IFRS adoption declines discretionary accruals and enhances the quality of earnings.

However, the next research stream, which includes opponents of IFRS adoption, argues that the IFRS lead to a decline in accounting information quality. They conclude that capability of financial reporting information to fairly present the overall financial and economic position is reduced due to IFRS implementation [6], [38], [39], [40], [41]. Daske et al. [6] afford an in which adopting IFRS affect accounting information quality negatively. Furthermore, they dispute the fact that nature of principles-based standards provides opportunity for managers to manage earnings and other accounting numbers. In a similar move, Lin et al. [38] summarize that there is more income smoothing, decline in timely loss recognition, besides to a lower value relevance in IFRS-based accounting information. Ahmed et al. [39] support the previous

results by reporting several negative effects of the IFRS adoption, which are: a growth in earnings management, aggressive earnings reporting, and a decline in attitude toward reporting large amount of loss and small positive earnings. Consistent with Ahmed et al. [39], Li and Yang [40] examines a discretionary accruals quality once IFRS are adopted in 30 different jurisdictions. They arrive at a noteworthy point in which earnings management have increased post the IFRS adoption. Similarly, Jin [41] also indicate a lesser earnings persistence during the period when IFRS is adopted in Canada. At the level of developing and emerging countries, the value relevance of earnings is explored by Makhsun et al. [42] in Indonesia where the value relevance of earnings has reduced once IFRS are adopted.

According to the third stream of the related literature, it provides evidence that no differences are observed in accounting information quality previous to adopting IFRS and after it ([11], [2], [43], [44],[45]) These studies find no clear relationship between IFRS adoption and accounting information quality.

To summarize, the most of related literatures deal with the idea of IFRS adoption impact on the accounting information quality inside Europe and other developed countries. Therefore, number of studies, which empirically examine this relationship in emerging countries, is limited and no study deals with this issue in Palestine. Those studies document mixed evidences and results as regards to IFRS adoption impact on accounting information quality. Moreover, those studies applied various measures for accounting quality and provide different effects on accounting information quality. Furthermore, in the same study, adoption of IFRS is positively related to one measure of accounting information quality; and negatively related to other measure. As a result, the impact of adoption of IFRS on the quality of accounting information is still ambiguous, and need further investigation by formulating the following hypothesis:

H1: The mandatory adoption of IFRS has significant effect on the quality of accounting information in the Palestinian listed firms.

3 Data Collection and Methodology of the Study

3.1 Data Collection and Sample of the Study

The study data depends on the published annual financial statements of the listed firms in PEX.

These data are necessary to compute the measures of the quality of accounting information and related control variables. The paper's sample includes active Palestinian listed firms in PEX, by the end of 2018, PEX contains 48 listed firms. This structure of data combines both dimensions (times-series and cross-sectional) at the same time. In order to combine these two types of data, panel data is used to have same cross-sectional units of study are surveyed over time [46]. The period of sampling covers years that start from the year of 2003 to the year of 2016 so as to cover periods earlier and subsequent to the IFRS mandatory adoption. IFRS mandatory adoption among Palestinian listed firms has started since 2007. Thus, the period before IFRS mandatory adoption is defined as 2003-2007; while the period after the mandatory adoption is defined as 2008-2016. The sample selection process depends on listed firms existed past and post the time of mandatory adoption of IFRS. After applying this condition, the final sample of the study consists of 378 firm-year observations and gathered from 27 firms.

3.2 Measurement of Accounting Information Quality

Throughout the following paper, the measurement of accounting information quality related to two earning quality proxies: First, earnings quality operationalized by discretionary accruals, which is frequently used in several literatures [3], [4], [11], [2], and [13]. Discretionary accruals measure refers to abnormal distortion and manipulation in earnings by management using accounting rules and discretions [2]. It represents intentional estimation error results from management motivation to manage earnings[47]. This measure is used to evaluate the extent of earnings management and manipulation, which is considered as a tool of change in sales and fixed assets based on Jones (1991) model. This model is also modified by adding return on assets variable to the regression model by Kothari et al. (2005) [3]. According to the preceding model, discretionary accruals are equal to the overall accruals minus the estimated non-discretionary (normal) accruals. In modified Jones Model, the estimated discretionary (abnormal) accrual (DAC) is the absolute value of the residual (error term) in the following regression equation:

$$\frac{TAC_{it}}{TA_{t-1}} = \alpha_0 \left(\frac{1}{TA_{t-1}}\right) + \alpha_1 \frac{\Delta R_{it}}{TA_{t-1}} \qquad (1)$$
$$+ \alpha_2 \frac{PPE_{it}}{TA_{t-1}} + \alpha_3 ROA_{it}$$
$$+ \varepsilon_{it}$$

For firm i and year t, TAC_{it} is for total accruals, that equals the difference between net income and operating cash flow. TA_{t-1} is the lagged total assets. ΔR is the change in revenue. PPE_{it} is the total fixed assets. ROA_{it} is for the return on total assets.

Greater level of discretionary accruals relates to a greater level of management of earnings and a lesser quality of accounting information, and vice versa.

Second, the quality of earnings can be operationalized using "Dechow and Dichev [18] Accrual Quality Model". This measure takes in consideration both unintentional and intentional estimation error [18]. This approach doesn't distinguish between the accrual quality components that reflect economic consequences (innate factors) and accrual quality component that reflect managerial choices (discretionary factors) [47]. The main idea behind the measure of accrual quality is: accrual base shift and adjust the operating cash flows timing [18]. Therefore, the measure of accrual quality represents the degree in which working capital accruals match with existing, prior, as well as the next operating cash flows realization [47]. The accrual quality is determined throughout: regressing working capital accruals on prior, current, besides to the forthcoming operating cash flows. The standard deviation for the unexplained portion (residuals) from the regression equation is an indicator for accrual quality [18]. Following [19], [20], as well as [48], the standard deviation for the unexplained portion from the following regression model can be a measure of accrual quality:

$$TCA_{it} = \alpha_0 + \alpha_1 CFO_{it-1} + \alpha_2 CFO_{it} \qquad (2)$$
$$+ \alpha_3 CFO_{it+1} + \varepsilon_{it}$$

where, for firm i and year t, TCA_{it} refers to the sum of current accruals divided by lagged total assets, TCA_{it} can be find throughout the following formula:

$$TCA_{it} = (\Delta CA_{it} - \Delta CL_{it} - \Delta Cash_{it} \qquad (3)$$
$$+ \Delta STD_{it}) \div A_{t-1}$$

where (ΔCA_{it} shows changing in current assets; ΔCL_{it} indicates changing in current liabilities; $\Delta Cash$ is for changing in cash; ΔSTD is the change in short term debts in the current liabilities. A_{t-1} is for the lagged total assets. $CFO_{t,t-1,t+1}$ is for operating

cash flow divided by lagged total assets for firm i in years t, t-1, and t+1. For each firm-year, Equation 2 is estimated throughout the use of rolling five-year windows (the calculation covers years t-4 through t). Accruals quality is determined by finding the standard deviation of the residual values from estimating that equation as a follows: AccQual $=\sigma(\varepsilon_{it})$.

Greater standard deviation of residuals signifies lesser accrual quality, due to the reduced capability of operating cash flows realization to clarify the difference in current earnings.

3.3 The Study Model

According to the above definition of the quality of accounting information, and for the reason of testing the developed hypothesis, the following multiple regression model is constructed:

$$
\begin{aligned}
AQ_{it} = \beta_0 &+ \beta_1 POST_{it} + \beta_2 SIZE_{it} \quad\quad (4)\\
&+ \beta_3 GROWTH_{it} \\
&+ \beta_4 TURN_{it} + \beta_5 LEV_{it} \\
&+ \beta_6 BIG4_{it} + \varepsilon_{it}
\end{aligned}
$$

For firm i and year t, AQ_{it} represent proxies of accounting information quality (discretionary accruals and accrual quality) that have developed in Equations 1 and 2 respectively; $POST_{it}$ is a dummy variable which equals 1 for observations in the post-mandatory adoption period of the IFRS (2008-2016), and 0 is for observations in the IFRS pre-mandatory adoption period; $SIZE_{it}$: is the natural logarithm of sales; GROWTH indicates the annual percentage change of sales; $TURN_{it}$ is total assets turnover ratio that equals net sales divided by lagged total assets; LEV_{it} demonstrates a leverage ratio that equals total liabilities to total assets; $BIG4_{it}$ is dummy variable that equals 1 if firm is audited by big 4 auditor and 0 otherwise.

The primary interest in the above model is $POST_{it}$, a significant negative ($\beta1$) shows that the firms have lower proxies of earnings quality in the mandatory adoption period of IFRS, which indicate

that there is a greater quality of accounting information.

4 Empirical Results
4.1 The Descriptive Statistics

The descriptive statistics for test and control variables are represented in Table 1. This table exhibits a comparison of these variables between pre- and post- mandatory adoption of IFRS. According to the test variables, Discretionary Accruals (DAC) is significantly low in the period of mandatory adoption of IFRS when compared to the period before IFRS mandatory adoption. This result indicates a fact that the management of earnings is less engaged in the period of IFRS mandatory adoption. Accrual Quality (AccQual) shows a significant increase in the standard deviation of residuals, it is higher in the IFRS mandatory adoption time than that before the period of IFRS mandatory adoption. Suggesting, firms have lower accrual quality in the period of IFRS mandatory adoption.

As for control variables in the time of IFRS mandatory adoption, results show that firms become larger (SIZE); with significant decline in sales (GROWTH); and an increase in firms' attitude toward employing big four auditors. However, there is no significant difference in the other control variables.

4.2 The Correlation Coefficients

Pearson correlation matrix between IFRS adoption variable (POST), Discretionary Accrual (DAC), Accrual Quality (AccQual) and other related control variables are shown in Table 2. A significant as well as negative correlation is appeared between (DAC) and (POST), which in turn proves the result of the less engagement in earning management in the period of IFRS mandatory adoption. Regarding (AccQual), a significant and positive connection is shown with (POST). This proposes that earnings quality of firms is lower in the period of IFRS mandatory adoption.

Table 1 - Descriptive statistics

Study Variables	Pre-mandatory adoption period			Post- mandatory adoption period			t-value
	Mean	Median	St. Dev.	Mean	Median	St. Dev.	
DAC	0.086	0.045	0.058	0.064	0.040	0.057	3.126***
AccQual	0.058	0.076	0.092	0.104	0.076	0.099	-3.230***
SIZE	7.559	7.492	0.741	7.732	7.659	0.819	-2.575**
GROWTH	1.562	0.119	9.593	0.238	0.082	1.304	-2.141*
LEV	0.392	0.299	0.268	0.423	0.348	0.271	-0.057
TURN	0.339	0.221	0.419	0.361	0.221	0.403	-0.572
BIG 4	0.5302	1.000	0.502	0.777	1.000	0.417	-5.121***

***, **, and * represent significant levels at 1%, 5% and 10% respectively. DAC: Discretionary Accrual, AccQual: Accrual Quality, LEV: Leverage Ratio, St. Dev.: Standard Deviation

Table 2 - Correlation coefficients

	POST	DAC	AccQual	SIZE	GROWTH	LEV	TURN	BIG4
POST	1							
DAC	-0.126***	1						
	0.022							
AccQual	0.323***	-0.130**	1					
	0.000	0.016						
SIZE	0.141***	0.121**	0.074	1				
	0.008	0.026	0159					
GROWTH	-0.175***	0.112**	-0.127**	0.125**	1			
	0.001	0.045	0.019	0.021				
LEV	0.094*	0.130**	0.244***	0.573***	0.083	1		
	0.078	0.015	0.000	0.000	0.124			
TURN	0.023	0.115**	-0.139**	-0.391***	0.050	-0.353***	1	
	0.668	0.040	0.010	0.000	0.360	0.000		
BIG4	0.266***	-0.045	-0.000	0.232***	-0.024	-0.135***	-0.106*	1
	0.000	0.405	0.993	0.000	0 .655	0.009	0.051	

***, **, and * represent significant levels at 1%,5% and 10% respectively. DAC: Discretionary Accrual, AccQual: Accrual Quality, LEV: Leverage Ratio.

Concerning the control variables, (DAC) has a positive and significant correlation with firm size (SIZE), sales growth (GROWTH), leverage (LEV), and total assets turnover (TURN), whereas it is not significantly correlated with other control variables. While, (AccQual) has a negative as well as significant relation with sales growth (GROWTH) besides total assets turnover (TURN), indicating that lower accrual quality for firms with lesser growth and assets turnover. Instead, (AccQual) has a significant and positive relation to the financial leverage (LEV). Suggesting; that the highly levered firms have a larger level of standard deviation of residual (i.e. lower earnings quality).

Table 3- Regression results of IFRS adoption on discretionary accruals

	Coef.	t-stat.	Sig.
POST	-0.158***	-2.812	0.005
SIZE	0.131*	1.841	0.067
GROWTH	0.212***	3.918	0.000
TURN	0.162***	2.808	0.005
LEV	-0.021	-0.304	0.761
BIG4	-0.067	-1.078	0.282

***, **, and * represent significant levels at 1%,5% and 10% respectively. DAC: Discretionary Accrual, AccQual: Accrual Quality, LEV: Leverage Ratio, St. Coef: Coefficient, Sig: Significant level.

4.3 Multiple Regression Analysis

Table 3 presents multivariate regression of IFRS mandatory adoption on discretionary accrual (DAC). The primary interest in this analysis is POST coefficient. Results demonstrate a significant and negative relationship (at 1% significant level) between IFRS mandatory adoption (POST) and discretionary accruals (DAC), which implies that the extent of management of earnings in the time of IFRS mandatory adoption is less comparing to the extent of management of earnings in the period before the IFRS mandatory adoption. Regarding control variables, both sales growth (GROWTH) and assets turnover (TURN) have a positive relation with (DAC). This indicates the fact that firms with greater growth in sales and total assets turnover would have greater discretionary accruals and more extent of earnings management.

Table 4 presents multivariate regression of IFRS mandatory adoption and accrual quality. Results show a positive and significant sign for IFRS adoption variable (POST), which imply positive relationships between the standard deviation of residuals (AccQual) and IFRS mandatory adoption (POST) (with t value 3.71, at significant level below 1%). The prior result implies a fact in which firms have lower accrual quality in the period of IFRS mandatory adoption. Regarding control variables, AccQual is significantly and negatively related to assets turnover (TURN) and Big4 variables at 1% significant level. However, AccQual has positive and significant relations with leverage (LEV) at 1% significant level. These results suggest firms with high total assets turnover and hiring big four audit firms have a lower standard deviation of residual,

hence greater accrual quality, while highly levered

firms have lower accrual quality.

Table 4 - Regression results of IFRS adoption on accruals quality

	Coef.	t-stat.	Sig.
POST	0.212[***]	3.71	0.000
SIZE	0.009	0.150	0.881
GROWTH	-0.024	-0.39	0.690
TURN	-0.127[*]	-1.90	0.058
LEV	0.129	4.478	0.000
BIG4	-0.199[***]	-3.47	0.001

[***], [**], and [*] represent significant levels at 1%,5% and 10% respectively. DAC: Discretionary Accrual, AccQual: Accrual Quality, LEV: Leverage Ratio, Coef: Coefficient, Sig: Significant level.

To sum up, results in this paper provide mixed evidence concerning IFRS mandatory adoption and its effect concerning the accounting information quality, which is operationalized using two measures discretionary accruals and accruals quality. IFRS mandatory adoption significantly affects the two measures of accounting information quality, which is in compliance with the study's hypothesis. However, the direction of the relationship differs from one measure to the other. In case the results are viewed from discretionary accruals (Modified Jones Model), which takes into consideration only the intended estimation error that arises from management incentive to manipulate earnings, the IFRS mandatory adoption enhances earning quality by limiting the extent of management of earnings.

The previous results that introduced by [3], [4], [7], [5], [9], and [13] support this result. The previous researchers find a result in which IFRS adoption leads to a less extent of management of earnings and high accounting information quality. In contrast, [39], [40], and [16] have contradictions with the study's results; they build on the conclusion that the discretionary accruals are increased in the adoption time of IFRS, which indicates a lower accounting information quality. However, several papers reveal no significant change in discretionary accruals measure during the two testing periods[11], [2], [43], [49], and [44].

In case the results are viewed in the model of accrual quality introduced by Dechow and Dichev[18], which takes into consideration both the intended and unintended estimation of errors, IFRS mandatory adoption increases the standard deviation of residual, implying that there is a lower accrual quality post the mandatory adoption of IFRS. The previous result is approved in the study of [50] who suggest that principal-based accounting standards provide lower accrual quality when compared to rules-based accounting standards. Furthermore, Bryce et al. [43] demonstrate a stability of accrual

quality before IFRS adoption and after it. Trimble[44] doesn't find clear relation between IFRS adoption and accrual quality measure. On the other hand, Chen et al. [3] reach to a result in which adoption of IFRS improves accrual quality across different European countries. Similarly, Kabir and Laswad [30] suggest improvement of accrual quality after IFRS is adopted.

5 Conclusion

The paper gives the interested parties evidence concerning IFRS mandatory adoption and its influence on quality of accounting information in the Palestinian listed firms as a case about emerging country. Quality of accounting information has been measured using Discretionary Accrual defined as Modified Jones Model and Accrual Quality, defined as the model of Dechow and Dichev [18] Model. Sample of the study consists of 378 firm year observations. Using multiple regression analysis, these two measures are compared to past and post IFRS mandatory adoption. Empirical results suggest this fact, in which accounting information quality that is measured by discretionary accruals, has improved in IFRS mandatory adoption period; while, the quality of accounting information measured using accruals quality is declined. This implies the declining degree of intentional earnings management and manipulation in the IFRS mandatory adoption period, which in turn represents an important sign for high quality of accounting information. However, the accrual quality proxy increases in IFRS mandatory adoption period as an indicator of decline in accruals quality. These results provide mixed but novel evidence relating to the extent of mandatory adoption of IFRS effect on accounting information quality. It indicates IFRS adoption affects accounting information quality at different levels and directions.

This study has several limitations. First, the used tests are based on only 27 listed firms because data for these firms are available in the two periods of

IFRS mandatory adoption. Therefore, the sample size is small and may affect the generalizability of the study's findings. Second, study's results are concluded according to only two measures for accounting information quality. Thus, the researchers recommend conducting future papers that enhance analysis by using other different measures. Furthermore, once connections among adopting IFRS and accounting information quality are investigated, it is necessary to take into consideration not only the accounting based earnings attributes, but also market based earnings attributes. Finally, other factors besides adopting IFRS may affect the quality of accounting information such as, information asymmetry, agency problem, corporate governance quality, and cost of capital are still important topics that must be addressed in future researches.

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