

## **The Impact of Internal Corporate Governance on Convergence of IFRS: Evidence from Sri Lanka**

**Harshana R.D.U.<sup>1</sup> and Perera H.A.P.L.<sup>2</sup>**

*<sup>1</sup>ushanharshana1@gmail.com; <sup>2</sup>prabathperera@kln.ac.lk*

### **Abstract**

The convergence of International Accounting Standards (IAS) with International Financial Reporting Standards (IFRS) is an important debate among standards setters, policy makers, regulators, professional bodies and companies worldwide. The objective of this research is to examine the impact of internal corporate governance on convergence of International Financial Reporting Standards (IFRS) and to measure the impact of individual corporate governance factors to the convergence of IFRS.

Changes of equity during the year were used as the dependent variable of the model and no of financial and non-financial variables were used as independent variables. Financial and non-financial data were collected from annual reports published by the listed manufacturing companies in Colombo Stock Exchange (CSE) during the period of 2009 to 2015. This six (6) year period was divided into two categories as before and after convergence of IFRS. All the manufacturing sector companies were selected as the sample of the research. Due to the unavailability of data, there were 29 companies used for the final analysis. Panel data regression was used to analyze data using E-views software.

The results of the study revealed that, effective internal corporate governance mechanism helps companies more aligned with convergence of local accounting standards to IFRS and thereby provide high quality financial information to users of the information.

**Keywords:** Convergence of IFRS, Corporate Governance, Manufacturing, Sri Lanka