

# **Value Relevance of Accounting Information and Financial Statement Effect upon IFRS Adoption: Evidence from Listed Manufacturing Companies in Sri Lanka**

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## **Abstract**

Accounting Information would be beneficial only if it is relevant to the decision being made. According to International Accounting Standard Board, the usefulness of accounting information depends on the fundamental qualitative characteristics of Relevance and Faithful Representation. As a result of harmonization and standardization, International Financial Reporting Standards (IFRS) were adopted in Sri Lanka from 1st January 2012 as a developing country. Given the differences exists between develop and developing countries in the contest of accounting profession and other contextual differences, the impact of IFRS adoption in developing countries is still remaining as an empirical gap in the accounting literature. Therefore the main purpose of current study is to examining the impact of International Financial Reporting Standard on the accounting information quality, in terms of value relevance and the effect on key financial measures of financial statement in Sri Lanka.

Data for the current study is collected from audited annual financial statements and Colombo Stock Exchange reports for all the listed manufacturing companies in Sri Lanka, for the period of 9 years from 2008/2009 to 2016/2017 financial year. Based on the regression estimate obtained the study concludes that there is an incremental effect on the value relevance of earnings for share, book values of equity, and cash flow from operations. Further findings reveal that there is favorable impact financial statement measures upon IFRS adoption of listed manufacturing sector in Sri Lanka.

**Key Words:** IFRS Adoption, Relevance of Accounting Information, Financial Statement Effect, Listed Manufacturing Companies, Sri Lanka