

THE IMPACT OF IFRS ADOPTION ON FINANCIAL REPORTING QUALITY: WITH SPECIAL REFERENCE TO THE SELECTED LISTED COMPANIES IN SRI LANKA.

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Abstract

Due to the need for standardization, consistency, trustworthiness, and comparability of organizational financial statements, the implementation of International Financial Reporting Standards (IFRS) has risen rapidly among developed and developing nations and there is a lacuna of research in the South Asian Region. Hence, the primary objective of this study is to investigate the impact of IFRS adoption on financial reporting quality (FRQ) of the listed companies in Sri Lanka. Using earnings management, this research used modified Jones' discretionary accruals model as a proxy for financial reporting quality. Data will be collected from annual reports for the period from 2009 to 2011 for the pre-adoption era from 2012 to 2014 for the post adoption era from 50 listed companies. Hypothesized relationships will be tested using correlation analysis, and regression analysis. Further findings of this study will be useful for regulatory bodies to understand the existing level of IFRS adoption in Sri Lankan listed companies on the Colombo Stock Exchange, and it will be helpful for a better financial reporting framework. IFRS adoption enhances the quality of firms' financial reports within the Sri Lankan capital market, which is investigated to boost confidence and attract more capital. In addition to that, the different other stakeholders, such as present and potential investors, also can use these findings to get an understanding of the impact of IFRS adoption on financial reporting quality.

Keywords: *IFRS adoption, financial reporting quality, earnings management, pre IFRS, post IFRS, listed companies*