“The effect of adopting IFRS on the relevance of information: The case of Moroccan companies listed on the Casablanca Stock Exchange”

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THE EFFECT OF ADOPTING IFRS ON THE RELEVANCE OF INFORMATION: THE CASE OF MOROCCAN COMPANIES LISTED ON THE CASABLANCA STOCK EXCHANGE

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Abstract

Since the introduction of IFRS in the European context and various countries worldwide, several studies have examined the impact of this new approach to asset and liability valuation on financial ratios and company values. The present study attempts to determine whether accounting figures prepared in accordance with this new international accounting regime better reflect the market value of companies listed on the Moroccan market compared to those prepared under Moroccan accounting standards. Empirically, the study is based on association studies using the returns model and covers a sample of 27 companies listed on the Casablanca Stock Exchange for the period 2015–2020, i.e., 162 observations. The regression results show that accounting figures prepared according to IFRS standards better reflect stock market profitability than those prepared according to local standards, with the explanatory power increasing from 16.76% to 23.64% for the pre-IFRS period compared to the post-IFRS period. This means that by adopting IFRS standards, accounting values tend to be closer to stock market values, thus confirming the hypothesis that IFRS standards deliver a better information content of accounting figures.

Keywords international standards, Moroccan standards, informational relevance, stock market return, African market, firm value

JEL Classification G14, M40, M41

INTRODUCTION

The financial scandals of the early 2000s in Europe and the USA, notably Enron and WorldCom, followed by the crisis of 2008, focused public attention on the qualitative and quantitative dimensions of financial reporting. In 2005, Regulation (EC) No. 1606/2002, known as the "IAS Regulation," adopted on July 19, 2002, mandated the adoption of IFRS in Europe, with a view to achieving a triple objective: The first is transparency by making financial information more comparable and of better quality internationally, thus allowing investors and other financial players to make informed economic decisions. Second, to reinforce accountability by reducing the information gap between investors and those who receive their funds. These standards provide the information needed to hold management accountable. As a source of globally comparable information, IFRS are also essential for regulators worldwide. Third, they contribute to economic efficiency by enabling investors to recognize opportunities and risks globally, thus ensuring better capital allocation. A consistent and reliable accounting language helps reduce international capital and information costs for companies.

Conflict of interest statement:
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In addition, the transition to IFRS has triggered a worldwide research revolution, measured by the intensity of studies analyzing the impact of these standards on the quality of accounting figures, targeting mainly European financial markets since countries belonging to the European Union were the first to adopt them, followed by several neighboring countries, most of which are characterized by emerging financial markets. Studies are diverse, and each has its own approach to demonstrating the impact of adopting these standards on the quality of financial reporting. Some researchers focus on their effect on earnings quality, others on financial performance, still others on the degree of linkage between accounting and market indicators, and so on.

This study follows in the footsteps of others who have examined the impact of IFRS adoption on the information content of accounting figures, with particular reference to the Moroccan context. Several reasons justify this choice: Firstly, this country is a representative of the developing world. Indeed, the results obtained will contribute to the debate on the impact of IFRS on emerging markets. Secondly, there is a lack of studies on the relationship between accounting indicators and stock market returns in the IFRS era. Finally, the existence of significant divergences between local Moroccan standards and IFRS suggests an improvement in the quality of information during the transition period compared to the pre-IFRS period. With this in mind, the research question this article seeks to answer can be formulated as follows: To what extent is the transition to IFRS by companies listed on the Moroccan market contributing to improving the information content of accounting figures?

1. LITERATURE REVIEW AND HYPOTHESIS

The study of the relevance of information contained in accounting figures has been the subject of much research. Studies by Modigliani and Miller (1966), Ball and Brown (1968), and Beaver (1968) were the first to demonstrate the relationship between accounting figures and company value. However, since the introduction of IFRS, most authors have focused on this subject to highlight the effect of these standards on the quality of accounting in general and on the informational relevance of accounting figures in particular. In this context, Chehade and Procházka (2023) examined whether adopting IFRS by companies in Saudi Arabia improves the information content of accounting figures. Despite mixed results for some accounting variables, the tests show that IFRS adoption generally provides information relevant to the Saudi capital market. In the same context, Alomair and Sadiko (2022) obtain opposite results and present evidence that the differences found in the pre- and post-IFRS adoption periods are not material.

In the context of Argentina, Roca (2021) studied the effect of mandatory IFRS adoption by 40 companies listed on the Buenos Aires Stock Exchange (BCBA) on the information content of accounting figures over a 23-year period. The results show that the accounting variables used (net income and shareholders' equity) and share price show a relatively weak association after the transition to IFRS. In contrast, Alsarayreh et al. (2022) examined the impact of financial instruments reported under IFRS on the value relevance of 35 European companies listed on the London Stock Exchange between 2007 and 2019. The results show that earnings and book value of equity have a positive impact on value relevance. These results are consistent with the findings of Ibrahimi and El Baghdadi (2023) that equity and net income are positively and significantly correlated with market value and that operating results have higher information content than net income.

Studying the impact of IFRS adoption on the informational relevance of companies' accounting figures in 14 European countries, Barth et al. (2014) show that adjustments to reconcile earnings and equity values are relevant to investors in the sense that these reconciliations are linked to share prices. In addition, Sefsaf (2012) shows that IFRS adoption improves the informational relevance of accounting indicators, firstly in countries where investor protection is low compared with those where it is high, secondly in countries where incentives for financial disclosure are high compared to those where they are low, and thirdly in countries where local standards differ significantly from IFRS compared to those where there is no significant difference.

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In India, Bedia and Shrivastava (2020) investigated whether the voluntary publication of financial statements under IFRS affects the comparability and relevance of financial information and whether the value of financial information prepared under IFRS and intended primarily for investors is superior to that of financial information prepared under Indian GAAP. The results highlighted a significant quantitative impact of IFRS on certain accounting figures and ratios and showed that these standards have a positive effect on the information content of accounting figures. In the same context, Gomes and Costa (2022) studied the differences in informational relevance before and after the mandatory introduction of IFRS by Indian listed companies, using Ohlson's (1995) price model on a sample of 910 listed companies for the period 2013–2014 and 2018–2019. After transitioning to IFRS, the results show a strong association between accounting ratios and stock price. In addition, Laouane and Torra (2021) seek to estimate the impact of IFRS adoption on the informational relevance of financial performance indicators. The results show that the transition to IFRS has slightly improved the informational relevance of the accounting figures of listed Moroccan companies.

In the French context, Boukari and Richard (2007) found that the transition to IFRS had a relatively moderate impact on shareholders' equity and net debt, with no significant change in net income. In the same research context, Saadi (2010) confirmed that IFRS improved the information content of earnings and shareholders' equity of French companies listed on the Paris Stock Exchange for the period 2003–2007. In contrast, Hung and Subramanyam (2007) confirmed that the information relevance of accounting data prepared under German national GAAP is superior to that obtained by adopting international IAS/IFRS.

Focusing on the Canadian market, Mnif and Znazen (2023) examined the extent to which IFRS 7 affects the value relevance of accounting information for financial institutions listed on the Toronto Stock Exchange (TSX) from 2016 to 2019. The results show that compliance with IFRS 7 is positively associated with market value. However, classifying companies according to their level of compliance (strong or weak) shows that the relevance of net income and the level of compliance are positively correlated. In contrast, the authors found that the adoption of IFRS 9 has a negative impact on the relevance of the book value of equity and on net income. Chalmers et al. (2011) show that the convergence to IFRS of companies listed on the Australian Securities Exchange between 1990 and 2008 improved the information content of earnings and even made them more persistent, while the book value of equity remained unchanged.

Alali and Foote (2012) examined the value relevance of International Financial Reporting Standards (IFRS) accounting information on the Abu Dhabi Stock Exchange between 2000 and 2006. The results show that earnings are positively and significantly correlated with cumulative returns and that earnings per share and book value per share are positively and significantly correlated with the stock price. Examining the effect of IFRS on the Indonesian market, Suwardi (2020) reports a decline in the value of accounting information following the transition to IFRS, and their adoption provides no recent solid evidence of their accounting relevance in emerging countries.

The literature shows that the effect of adopting IFRS on the relevance of information remains uncertain, suggesting that their effect on the quality of accounting figures is contextual and depends on a number of factors, including the degree of investor protection, the degree of incentive for financial disclosure, the difference between IFRS and local standards, the type of voluntary or mandatory adoption, etc. The aim of this study is to remove the ambiguity surrounding the effect of IFRS on the information content of accounting figures in emerging markets, including Morocco. Furthermore, the reference to the IASB's conceptual framework indicates that the ultimate objective of the development of this international accounting framework is to produce better quality information than that produced by local standards, which leads us to develop the main hypothesis (*H1*) of this study as follows:

H1: *The transition to IFRS by Moroccan companies listed on the Casablanca Stock Exchange improves the information content of accounting figures compared to those drawn up under Moroccan standards.*

2. METHODS

2.1. Sample selection and study period

The study was based on an initial sample of 76 companies listed on the Casablanca Stock Exchange, whose data can be consulted on the official website of the Casablanca Stock Exchange, on the official website of the Moroccan Capital Market Authority, or the official websites of the companies in the sample. However, to ensure the reliability of the results and the homogeneity of the sample, a number of selection criteria were applied. Thus, the following companies were excluded from the population:

- Finance and insurance companies: These are not included for comparability reasons;
- Companies publishing their accounts solely under local Moroccan GAAP: not included due to the nature of the study; this requires the adoption of IFRS;
- Companies that adopted IFRS after 2014: not included for data collection reasons;
- Finally, only companies that have published their financial statements under Moroccan standards and IFRS since 2014 were considered, i.e., 27 groups (162 observations).

This study covers a six-year period (2015–2020). 2015 was chosen as the starting date to have a significant number of observations, i.e. at that date, companies applying IFRS numbered 27 groups, in line with the sample selection rule. Furthermore, given that the consolidated financial statements of Moroccan companies are prepared under both IFRS and national standards, it made sense to use the same sample and divide it according to the two modalities:

- IFRS sample: prepares annual financial data under IFRS;
- MAS sample: prepares financial statements according to Moroccan standards.

2.2. Modeling

Ohlson (1991), Easton and Harris (1991), and Kotharis (1992) have shown that a stock's profitability can be expressed in terms of net income normalized by the share price at the start of the period or in terms of changes in net income normalized by the share price at the start of the period. Easton and Harris (1991) have also shown that stock market profitability can be expressed in terms of net income and changes in net income.

In this model, stock market profitability is used as the variable to be explained, and net earnings per share and variation in net earnings per share as explanatory variables. In addition, the explanatory content of the regression of trading profitability (TSR) on earnings per share (EPS) and change in earnings per share (ΔEPS) interprets the information relevance of these accounting figures based on the accounting standards used.

In summary, in addition to the price-based model, the second variant of Ohlson's (1995) model is based on stock market returns, expressing a company's stock market profitability as a function of net income and the annual variation in net income. The empirical form of this model can be written as follows:

$$R_{it} = \alpha_0 + \alpha_1 \frac{EPS_{it}}{P_{it-1}} + \alpha_2 \frac{\Delta EPS_{it}}{P_{it-1}}, \qquad (1)$$

where R_{it} – stock market performance, EPS – earnings per share for company *i*, ΔEPS – the difference between company *i*'s earnings per share between two points in time, R_{it} – the stock market return on a company's shares, calculated as follows:

$$R_{it} = \frac{P_{it} + DIV_{it} - P_{it-1}}{P_{it}}, \qquad (2)$$

where P_{it} – share price *i* at the end of year *t*, P_{it} – dividends distributed by company *i* in period *t*, and P_{it-1} – share price *i* at the end of year *t*–1.

3. RESULTS

3.1. Empirical model evaluation

Before proceeding with hypothesis testing, ensuring the quality of the model used is imperative. In other words, to arrive at valid results and test the

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Table 1. Viability tests for the estimated model (IFRS sample)

Tests	Overall significance	Autocorrelation	Heteroskedasticity
Fisher statistics	25.9289	0.2674	0.4641
Probability	0.0000	0.8986	0.4967

Table 2. Viability tests for the estimated model (MAS sample)

Tests	Overall significance	Autocorrelation	Heteroskedasticity
Fisher statistics	17.2116	0.5762	0.1473
Probability	0.0000	0.6803	0.7016

research hypotheses based on the regression results, these must pass a series of tests, including, as in the case of this study, the overall significance test, the error autocorrelation test, and the heteroscedasticity test.

Tables 1 and 2 show the viability tests of the model selected for the IFRS and MAS samples, respectively.

Analysis of the model fit tests for both samples yielded the following results:

Overall significance test: The probability level for the Fisher statistic is well below 5% for both sets of indicators.

Error autocorrelation test: The results confirm acceptance of the null hypothesis and rejection of the alternative hypothesis for both the IFRS and MAS samples, given that the significance level of the Breusch-Pagan-Godfrey test applied is above the set threshold.

Heteroscedasticity test: The results show the same conclusion as for the error autocorrelation test and confirm that there is no error heteroscedasticity, given the significance of Fisher's test.

Given these indicators, one can confirm the quality and robustness of the model used.

3.2. Regression results

3.2.1. Descriptive statistics

Tables 3 and 4, respectively, present descriptive statistics for stock market return (RET), earnings per share (EPS) and annual change in earnings per share (ΔEPS) for the periods before and after IFRS adoption, for the companies in the sample.

Table 3. Descriptive statistics (IFRS pre-adoption period)

Parameters	RET	EPS	ΔEPS
Mean	0.102919	0.031269	0.004616
Median	0.072417	0.043963	0.000548
Maximum	1.294082	0.266805	1.110965
Minimum	–0.852465	–0.931139	–0.812231
Std. Dev.	0.358352	0.120365	0.128048
Skewness	0.701898	–5.374377	3.276909
Kurtosis	4.609016	39.35564	49.93513
Jarque-Bera	30.77714	9701.561	15159.55
Probability	0.00000	0.00000	0.00000
Observations	162	162	162

Note: RET is the return on a share, EPS represents earnings per share, Δ EPS represents an annual variation in earnings per share.

Table 3 shows that stock market returns for the sample as a whole recorded an average value of 0.1029. Net earnings per share and the change in net earnings per share had average values of 0.0312 and 0.0046, respectively, during the pre-IFRS period.

On the other hand, regarding the medians, it was found that before the companies in the sample introduced IFRS, the medians showed values of 0.0724, 0.0439, and 0.0005 for stock market returns, net earnings per share, and change in net earnings per share, respectively.

On the other hand, the variables accept maximum and (minimum) values of 1.294 and (–0.8524) for stock market returns, 0.2668 and (–0.9311) for net earnings per share, and finally, 1.110965 and (–0.8122) for the annual variation in net earnings.

Table 4. Descriptive statistics (IFRS post-adoption period)

Parameters	RET	EPS	ΔEPS
Mean	0.102919	0.037732	0.008108
Median	0.072417	0.050025	0.001381
Maximum	1.294082	0.523791	2.855923
Minimum	–0.852465	–1.021985	–0.905502
Std. Dev.	0.358352	0.139935	0.255729
Skewness	0.701898	-4.289202	8.440782
Kurtosis	4.609016	32.25933	98.07049
Jarque-Bera	30.77714	6275.459	62932.85
Probability	0.00000	0.00000	0.00000
Observations	162	162	162

Note: RET is the return on a share, EPS represents earnings per share, Δ EPS represents an annual variation in earnings per share.

Table 4 shows that stock market performance over the IFRS adoption period has a positive average value of 0.1029. In this context, earnings per share and the annual change in net income have positive mean values of 0.0377 and 0.0081, respectively. Furthermore, the medians of the variables are 0.0724 for stock market performance, 0.05 for net income per share, and 0.0013 for annualized change in net income per share. The maximum and minimum values are the same as before adopting IFRS for stock market performance. Conversely, minimum values are negative for all variables, while maximum values are positive overall.

Comparing the statistics in Tables 3 and 4, one can see that average returns are the same before and after IFRS adoption. On the other hand, earnings per share are higher on average after the transition to IFRS than under local standards. As regards the change in annualized earnings per share, the average is higher in the period following the transition to IFRS than in the period prior to the transition to IFRS.

3.2.2. Regression results

To assess the relevance of IFRS accounting figures, the results of comparative tests are presented in the following paragraphs.

Table 5. Correlation between share price and risk factors (IFRS pre-adoption period)

	RET	EPS	ΔEPS
RET	1	0.31430732	0.29323233
EPS	0.31430732	1	0.03834403
ΔEPS	0.29323233	0.03834403	1

Table 5 shows that the correlation coefficients between the dependent variable and the independent variables are positive, i.e., 0.3143 for earnings per share and 0.2932 for the annual change in net income. These results indicate that there is an average positive relationship between stock market returns and the various explanatory variables. In other words, the higher the net income and the annual variation in net income, the higher the stock return.

Table 6. Correlation between share price and risk factors (post-IFRS period)

	RET	EPS	ΔEPS
RET	1	0.47520112	0.33744546
EPS	0.47520112	1	0.44240599
ΔEPS	0.33744546	0.44240599	1

Reading Table 6 leads us to conclusions similar to those reached in the pre-IFRS period. A positive average relationship was found between performance and its explanatory variables, with a value of 0.4752 for earnings per share and 0.3374 for the annual change in earnings per share. These results indicate that an increase in the explanatory variables of the chosen model leads to an increase in share performance.

Table 7 shows globally significant relationships between the second model's dependent and independent variables based on stock market performance. In this case, the variables "earnings per share" and "annual variation in earnings per share" are individually significant, explaining the dependent variable at 0.0083 and 0.0000, respectively. On the other hand, the significance level is below the 5% threshold for the Fisher statistics (F = 17.21). This means that the exogenous variables jointly explain the endogenous variables.

As for the coefficient of determination R^2, which indicates the percentage of the return that can be

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Table 7. Fixed-effects model (IFRS pre-adoption period)

Dependent Variable: Return
Method: Least Squares
Included observations: 162

Variable	Coefficient	Std. Error	t-statistic	Probability
C	0.071026	0.026553	2.674856	0.0083
EPS	0.903616	0.214228	4.218009	0.0000
ΔEPS	0.788064	0.201374	3.913442	0.0001
Fixed cross-section (dummy variables)				
R-squared	0.177968	Mean dependent variable		0.102919
Adjusted R-squared	0.167628	S.D. dependent variable		0.358352
S.E. of regression	0.326941	Akaike info criterion		0.620268
Sum squared resid	16.99554	Schwarz criterion		0.677446
Log-likelihood	–47.24175	Hannan-Quinn criterion		0.643484
F-statistics	17.21156	Durbin-Watson statistics		1.951231
Prob (F-statistics)	0.000000			

explained by earnings and their variation, it was found that the explanatory variables explain the stock market return at a level of 16.76%.

Based on Table 8, the same observations are noted as in the previous IFRS period. Indeed, significant relationships are observed between the performance variable and its explanatory variables. It is noted that the p-value of the earnings per share variable is below the significance level, so one can say that this variable is individually significant in explaining the dependent variable. On the other hand, it is observed that the p-value of the variable annual variation in net earnings per share is greater than 5%. This means that this variable is not individually significant in explaining the performance variable.

Analyzing in terms of Fisher statistics, it is found that the level of significance is below the required threshold, meaning that the independent variables are jointly significant in explaining the dependent variable. However, only 23.64% of stock market returns can be explained by the independent variables, so the model is adequate for the observed data but not very robust.

Table 9. Summary of regression results

Variables	Pre-adoption	Post-adoption
EPS	0.903616	1.037718
ΔEPS	0.788064	0.221645
N	162	162
R^2	0.167628	0.236453

The regression results presented in Table 9 for the sample show that the explanatory power, measured by the coefficient of determination R^2, increased from 16.76% for the pre-IFRS period to 23.64% for the post-IFRS period. On the other hand, the regression coefficient of the variables EPS and Δ EPS

Table 8. Fixed-effects model (post-IFRS period)

Dependent Variable: Return
Method: Least Squares
Included observations: 162

Variable	Coefficient	Std. Error	t-statistic	Probability
C	0.061966	0.025600	2.420581	0.0166
EPS	1.037718	0.196646	5.277085	0.0000
ΔEPS	0.221645	0.107605	2.059804	0.0410
Fixed cross-section (dummy variables)				
R-squared	0.245938	Mean dependent variable		0.102919
Adjusted R-squared	0.236453	S.D. dependent variable		0.358352
S.E. of regression	0.313132	Akaike info criterion		0.533964
Sum squared resid	15.59026	Schwarz criterion		0.591142
Log-likelihood	–40.25110	Hannan-Quinn criterion		0.557179
F-statistics	25.92895	Durbin-Watson statistics		1.984058
Prob (F-statistics)	0.000000			

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went from 0.788 and 0.9036, respectively, for the pre-IFRS period to 0.2216 for the EPS variation and 1.0377 for EPS for the post-IFRS period. In addition, the correlation coefficient shows an increase to 0.4752 for EPS and 0.3374 for EPS variation, compared to 0.3143 and 0.2932, respectively, for EPS and EPS variation in the post-IFRS period compared with the pre-IFRS period.

4. DISCUSSION

A comparison of the differences in the results obtained between the pre-IFRS and post-IFRS periods shows that the introduction of IFRS has a positive influence on the explanatory content of the accounting figures and ratios retained compared to those drawn up under Moroccan standards, which is in line with the findings of Ibrahimi and El Baghdadi (2023), Teyeb (2010), Salmeh (2013), Sibel Karğın (2013), Barth et al. (2014), Liu and Sun (2015), Bhatia and Mulenga (2019), Robu et al. (2017), Sharma et al. (2012), and Vardia et al. (2016) confirming the active role of IFRS in improving the quality of accounting figures. These results are theoretically expected, given that the IASB's ultimate objective behind the development of IFRS is to correct the shortcomings of local accounting systems and boost investor confidence in financial markets by providing them with useful information for decision-making (Oubahou & El Ouafa (2022). Furthermore, these results call into question the findings of Outa et al. (2017) that the application of IFRS would be less effective in developing economies than in developed economies, and this study shows that their positive effect does not systematically depend on the nature of the financial market (developed or emerging), but that other factors may come into play, including the rigor with which these standards are applied (total or partial adoption), the degree of divergence between IFRS and local standards, the degree of legal protection for investors, political stability, etc.

CONCLUSION

The aim of this study is to assess the impact of IFRS adoption on the relevance of the information provided by Moroccan groups listed on the Moroccan financial market. To this end, the work is structured around three main stages, the first of which corresponds to a review of the literature on the effect of IFRS adoption on the information content of accounting figures, and the development of the main research hypothesis. The second part clarified the research methodology, focusing on the characteristics of the sample, the study period, and the definition of the empirical model. The last part was reserved for analysis and discussion of the various results obtained. Based on a sample of 27 Moroccan companies listed on the Casablanca Stock Exchange for the period 2015–2020 and using a returns-based model, the results show a positively superior relationship between stock market returns and accounting figures during the post-IFRS period compared to the pre-IFRS period, confirming the idea that the relevance of accounting figures improved after the switch to IFRS.

The study was carried out by making choices based on recognized methodological criteria. However, there are some notable limitations, some of which call for further research. Firstly, the informational relevance of IFRS accounting figures was measured over a period of only six years (2015–2020); it would be interesting to extend the study over a longer period. Secondly, the empirical analysis was limited to linear models. However, other non-linear models could formalize better relationships between stock market profitability and accounting indicators. Finally, as the small number of companies in the sample is justified by the fact that the adoption of IFRS by Moroccan companies is gradual, this study could be extended in future years by comparing the informational relevance of several emerging financial markets.

In addition, the study contributes to the understanding of international accounting standards. It highlights their role in the functioning of emerging financial markets such as the Moroccan market covered by this study. The results obtained may be of interest to various stakeholders and organizations. For investors, this study contributes to a better understanding of the role of financial information in the Moroccan market, which may be useful to investors in guiding their decisions to buy and sell securi-

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ties with greater confidence. For management, the financial information produced under IFRS is the fruit of their efforts, which can exert a certain influence during its preparation. The conclusions drawn may help them to understand the impact of IFRS adoption on the quality of comparable figures. For standard-setters, the study will help them assess the impact of the standards they produce on financial markets. The results may also be taken into account when developing future standards.

AUTHOR CONTRIBUTIONS

Conceptualization: Yassine Oubahou.
Data curation: Yassine Oubahou.
Formal analysis: Yassine Oubahou.
Funding acquisition: Yassine Oubahou.
Investigation: Yassine Oubahou.
Methodology: Yassine Oubahou.
Project administration: Yassine Oubahou.
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Validation: Khalid El Ouafa.
Visualization: Khalid El Ouafa.
Writing – original draft: Yassine Oubahou.
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