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IFRS 15 ADOPTION, CORPORATE GOVERNANCE AND EARNINGS
MANAGEMENT

By

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TECHNOLOGY, KUMASI IN PARTIAL FULFILMENT OF THE REQUIREMENT
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DECLARATION

I hereby declare that this submission is my own work towards the award of the MSC ACCOUNTING AND FINANCE and that, to the best of my knowledge, it contains no material previously by another person or any material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my wife and children for their love and unflinching support.

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ABSTRACT

International Financial Reporting Standard (IFRSs) are developed by the IASB to enhance financial reporting quality. Extent literature suggests that earnings

management is one of the key determinants of financial reporting quality. However, previous studies documented inconclusive findings about the effect of IFRS adoption on EM. Thus, this study investigates the relationship between IFRS 15 adoption, and EM of listed firms in Ghana. Moreover, the study also examines the relationship between corporate governance (CG) and EM. Panel data estimation techniques including the random effect models arrived at through the Hausman test are used to analyze 130 firm-year observations for the period 2012 to 2021. Generally, the empirical results show that IFRS 15 Adoption has a positive relationship with earnings management. Also, Board size, a proxy for corporate governance is positively associated with earnings management and statistically significant and lastly the final proxy for corporates thus board independence has an inverse relationship with earnings management. Based on this, the study recommended that firms should pay special attention to maximizing board size, enhancing return on assets, and upholding compliance with IFRS 15 criteria for accurate financial reporting.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF STUDY

The development and implementation of the new International Financial Reporting Standard (IFRS) for recognizing and measuring revenues thus IFRS 15 has a great potential of impacting the management of companies' revenue owing to the extensive five model steps prescribed by the standard. This chiefly concerns the decision of whether to recognize revenues and the timing of such recognition. This, in turn, could either enhance the dependability of presenting the pertinent economic occurrence or open doors for greater manipulation of earnings. With this context in mind, the current study aims to examine the impacts of the newly adopted standard on earnings management of Ghanaian listed firms. One of the principal goals of the institutionalization of accounting standards, which dates back as far as 1973 was to reduce the imbalance of information (Florou & Kosi, 2015; Tutino et al., 2019). while simultaneously improving the comparability and clarity of reported data (Tsunogaya, 2016). Consequently, as part of this drive to enhance global standards, the International Accounting Standards Board (IASB) initiated the requirement, effective from 2018, for the adoption of the International Financial Reporting Standard (IFRS) 15. This standard replaces a collection of disjointed revenue standards with a solitary comprehensive directive applicable to all sectors (Huefner, 2016). This standard is designed to rectify shortcomings inherent in several preceding standards by mandating more intricate information disclosure (Trabelsi, 2018).

The standard outlines a procedure for ascertaining when revenue can be recognized and how to quantify its value (Cova, 2016). At the core of revenue recognition under

this regulation lies the fundamental principle of better mirroring the exchange of goods and services at a value that accurately mirrors the company's reality(Aquino, 2019).

The advantages of embracing IFRS 15 encompass the elimination of incongruities from prior standards, a more robust framework, enhanced cross-sector comparability, reduced intricacy, decreased diversity in interpretations, and the provision of more valuable data(Oyedokun & Emmanuel, 2016). Conversely, the uniform model for recognizing and gauging revenues will necessitate heightened discernment on the part of financial statement preparers, potentially paving the way for various practices like earnings management(Johnson, 2018; Rutledge et al., 2016). Hence, the standard grants professionals the freedom to make decisions, and these judgments are closely tied to the quality of accounting information. As stated by Rutledge et al. (2016), "...the timing of revenue recognition directly impacts the predictive usefulness of revenue and earnings," which, if aligned with a transparent accounting standard, could amplify the caliber of accounting information. Conversely, it could also create more avenues for EM, thus undercutting the quality of accounting information. The consequences of the IFRS 15 adoption could have two possible directions(Morawska, 2021; Piosik, 2021; Rutledge et al., 2016). On the one hand, there can be an increase in the comparability of accounting information about revenue between companies from various sectors and countries(Walińska & Jurewicz, 2015). the appropriateness of the assessment of the company's business model(Karwowski, 2019), and the quality of the information included in the financial reports(Altaji & Alokdeh, 2019). As stated by Wójtowicz (2015), it would increase the possibilities of earnings management practices and manipulating reporting data.

In connection with the above, a research question arises whether the managers of Ghanaian listed firms preparing financial statements under IAS/IFRS wanted and used

the potential increase in the ability of the revenue-based earnings management caused by the IFRS 15 implementation. This paper aims at answering this question, but due to the multiplicity of the earnings management's instruments and goals, the research area was narrowed down to the earnings management aimed at avoiding losses and earnings decreases (Burgstahler & Dichev, 1997; Dechow & Skinner, 2000).

Therefore, this study aims at investigating whether the IFRS 15 implementation in Ghana has affected earnings management that uses discretion in revenue recognition to avoid losses and earnings decreases and subsequently examine the impact of CG on EM.

1.2 PROBLEM STATEMENT

The quality of earnings reported in financial statements is crucial in the decisionmaking process of users of accounting information. This decision usefulness of accounting information is the underlying intent of the accounting standards produced by accounting bodies such as FASB (Schipper and Vincent, 2003) and the IASB. The motivation of this study is that many authors have proven that revenue recognition is one of the most popular and relevant instruments of earnings management (Boterenbrood, 2014; Graham et al., 2005; Marquardt & Wiedman, 2004), and there is a narrow scope of empirical research on the relationship between the IFRS 15 adoption, Corporate governance and earnings management practices. To date, the empirical research on the impact of IFRS 15 implementation on earnings management has generally been conducted only by (Tutino et al., 2018) and (Piosik, 2021). The authors of the former research studied Italian listed entities and proved that the earnings management practices were more pronounced in the telecommunications sector than in the utility sector, and that is why the IFRS 15 introduction would have a higher

impact on the magnitude of earnings management in the companies from the telecommunications sector than in those from the utility sector. Piosik (2021) found that IFRS 15 implementation in Poland significantly mitigated the discretionary increase in revenue when studied companies failed to meet analysts' consensus forecasts for operating profit. However, he did not observe any effect of IFRS 15 adoption and corporate governance on mitigating the discretionary revenue increase thus through earnings management and the impact of IFRS 15 Adoption on profitability.

1.3 RESEARCH OBJECTIVES

The general objective of the study is to examine relationship between IFRS 15 adoption and Earnings Management of Ghanaian listed firms.

The specific objectives of the study are to:

1. determine the effect of IFRS 15 adoption on EM of listed firms in Ghana.
2. determine the effect of CG on EM of listed firms in Ghana.

1.4 RESEARCH QUESTIONS

1. What is effect of IFRS 15 adoption on EM of listed firms in Ghana?
2. What is the effect of CG on EM of listed firms in Ghana?

1.5 SIGNIFICANCE OF THE STUDY

This study examines the effect of IFRS 15 Adoption, CG characteristics, with focus on the board size and board independence on EM. Policymakers and regulators such as the Securities and Exchange Commission and the central banks directives for industry. The findings of this paper are also useful for companies as well as investors who take

part in decision making. Companies can then revisit their corporate structure to ensure the efficiency and effectiveness of board operations.

1.6 SCOPE AND LIMITATION OF THE STUDY

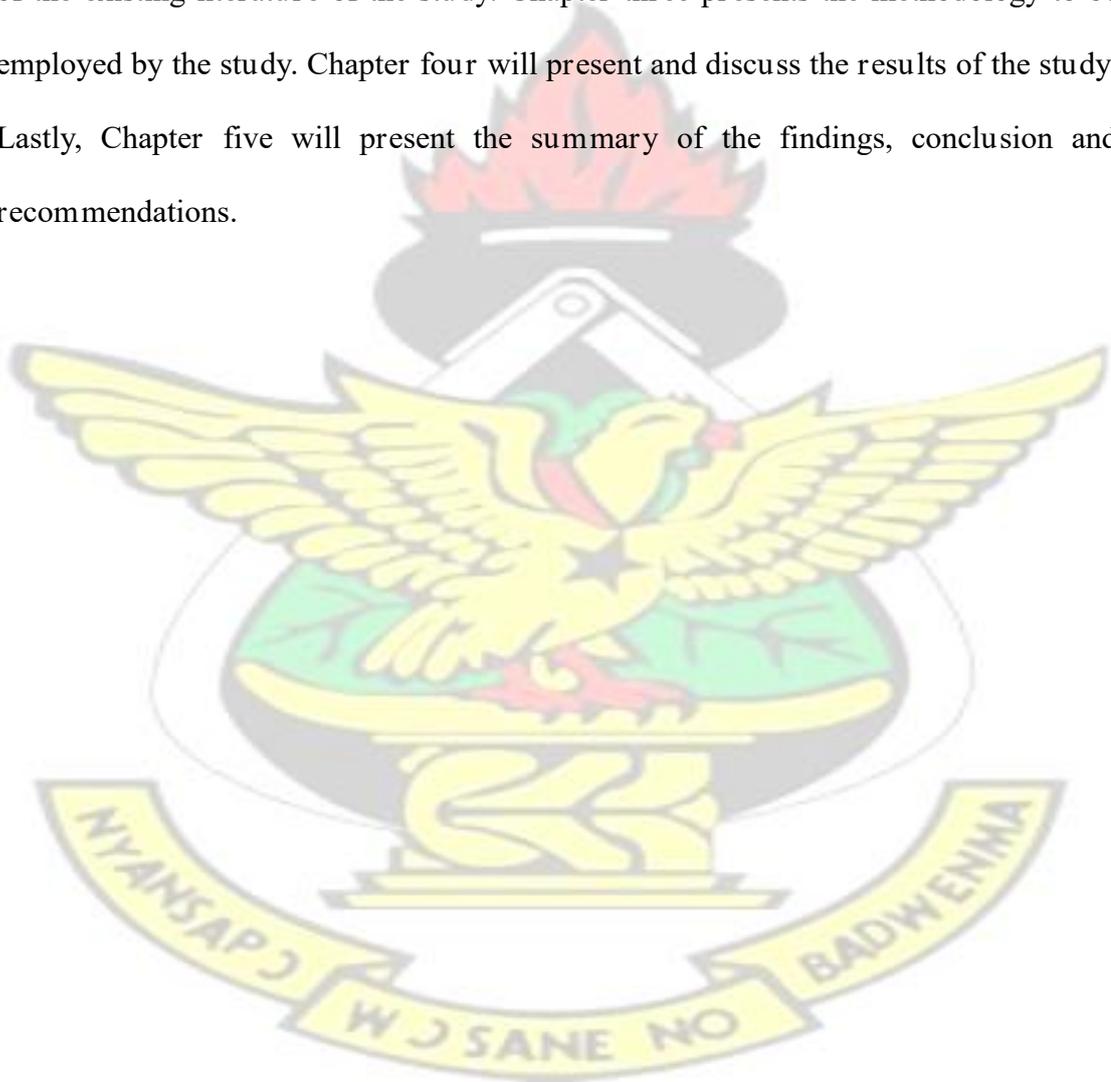
The study focuses on firms listed on the Ghana Stock Exchange (GSE). Listed firms are taken into consideration for this study. However, other firms may be excluded from the study sample for various reasons, including not falling within the year range and because of data unavailability. The study covers a 10-year period ranging from 2012-2021. All data employed here are obtained from annual reports of publicly listed companies. The study, having employed the purposive sampling technique considered 13 listed non-financial firms and therefore a limitation owing to the unavailability of the annual reports

1.7 SUMMARY OF THE METHODOLOGY

To achieve the objectives of the study, the quantitative research design will be assumed since the data for this study comprises of both time series and cross-sectional dimensions, panel data estimation techniques are employed. The dependent variable of the study, known as EM, is measured using Absolute Abnormal accruals, also referred to as discretionary accruals. This is the proxy for EM as the dependent variable. EM will be estimated using the modified Jones model. The main independent variables of the study, thus IFRS 15 will be measured using a dummy variable thus 0 for preadoption and 1 for post adoption. The control variables included in the model for this study include the firm size, leverage, cash flow, and return on assets. The variables enumerated are then computed using data obtained from the financial statements of entities.

1.8 ORGANIZATION OF THE STUDY

The study will be organized in five chapters. Chapter one sets out the introduction the study which includes background of study, statement of the problem, research objectives from which research questions were derived, the methodology to be used in the study, the significance of study, the scope of study, its limitations and the organization showing how the study will be structured. Chapter two will be a review of the existing literature of the study. Chapter three presents the methodology to be employed by the study. Chapter four will present and discuss the results of the study. Lastly, Chapter five will present the summary of the findings, conclusion and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents a review of related studies on the topic IFRS 15 and Earnings management. This chapter is organized into four (4) main sections. Section 2.1 presents a review of the conceptual literature and covers concepts including IFRS 15 adoption, and Earnings Management. Section 2.2 examines theoretical literature and touches on institutional theory and how they relate to the topic of study. Section 2.3 gives an empirical review of the existing literature on the objectives of this study and Section 2.4 presents a diagrammatical representation of the relationship between the variables of the study.

2.1 CONCEPTUAL REVIEW

2.1.1 IFRS 15

The IASB in 2002, launched a project to investigate the previous IASs revenue recognition and measurement thus IAS 11 and IAS 1 (Deloitte, 2018). They sought to enhance transparency and design a framework for the recognition of revenue that could as well take care of shortcomings (Deloitte, 2018).

The IASB states that, the general objective of IFRS 15 is to:

“To establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer”.(IASB, 2021).

The IASB published the full standard which then became effective in January 2018, repealing the the previous IAS 11 and IAs 18. IFRS 15 includes a five-step model for the recognition of revenue from contracts with customers.

Step 1: Identify the contract with a customer.

A contract between two or more parties that has enforceable rights and obligations is referred to be a contract under the standard. The agreement must have economic substance, be approved by all parties involved in the engagement, clearly specify the rights to the goods or services and the payment terms and be likely to result in payment to the supplier.

Step 2: Identify the performance obligations in the contract.

When reviewing the contract, the provider must find all unique items and services and account for them as independent performance obligations. One performance obligation may be seen to apply to a number of unique items or services that are fundamentally comparable and move from supplier to customer in the same way.

Step 3: Determine the transaction price.

The transaction price, or total payment to which the company anticipates being entitled in exchange for providing the promised goods and services to the customer, must be established by the supplier.

Step 4: Allocate the transaction price to the performance obligation.

The supplier must allot a share of the transaction price to each performance obligation after determining the overall transaction price. The amount allotted depends on the performance obligation's comparative standalone selling price.

Step 5: Recognise revenue when a firm satisfies a performance obligation.

Performance requirements may be met gradually over time or all at once. Unless one of the following four conditions is satisfied, revenue is recognized at a specific point in time: 1) The benefits of the supplier's performance are consumed and received by the customer; 2) The supplier enhances an asset under the control of the customer while the supplier performs; 3) The supplier's performance does not result in the creation of an asset with a different use from the one intended by the supplier; and 4) The supplier had an enforceable right to payment for work completed to date.

2.1.2 Earnings Management

The literature hasn't offered a unified definition of what constitutes earning management. Haley & Walen (1998) give a definition of earnings management for standard-setters as “Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers”.

Financial reporting covers earnings extensively. Many users of financial information, including various governments, use earnings as their main source of information for making choices (Hosseini et al., 2016). It goes without saying that businesses regularly scrutinize the amount of earnings disclosed in financial records.

Some academics have taken the contractual approach, while others have adopted the stock market approach, according to Kao and Chen (2004) who describe EM. In the

first scenario, EM is sought for to benefit from compensation and loan or debt covenants. The latter contends that management fudges earnings to deceive the market. According to Schipper and Vincent (2003), when profits are manipulated, resulting in lower earnings quality, it may result in the "unintended transfer of wealth," such as the overcompensation of management and benefits deriving from the artificially elevated lending credibility. The literature makes a distinction between EM that manages accruals and EM that manages real economic activities. Additionally, income smoothing, and EM are distinguished by Riahi-Belkaoui (2004), who claims that income smoothing implies a decrease in the fluctuation of earnings. Both, however, require a deliberate overstatement of earnings meant to deceive the intended audience for the financial reports. EM can be accepted or rejected. When done in compliance with GAAP and using judgment to select accounting procedures and policies, it is legal. When done outside of GAAP, it is forbidden. Nevertheless, even if an EM technique is lawful, we should still be skeptical of it because it implies falsification of the facts to satisfy a specific objective(ElMoatasem Abdelghany, 2005).

2.1.3 Corporate governance

The separation of ownership from the management of companies is central to the development of CG. CG has gone through various stages in history to its present status. The success of modern CG can be attributed to a large extent to the collapse of the Soviet Union, international commerce proliferation, and transplantation of laws, which explains the massive convergence in international CG between the period of 1995 to 2014(Samanta, 2019).

Corporate Governance generally considers the framework for the effective management of the affairs of an organization to ensure the achievement of

organizational objectives. According to Buallay (2017), it entails “a combination of policies, laws, and instructions influencing the way a firm is managed and controlled, it consists of a framework of rules to grant transparency and fairness in the relationship between the firms and its shareholders”. This framework, as noted by Buallay (2019), is made up of contracts between employees and shareholders. To escape conflicting interests, internal contracts and external contracts such as the distribution of rewards, responsibilities and conditions are entered into.

One of the foremost frameworks on CG is the OECD Principles of CG (2004). According to the OECD, CG is “a system by which business corporations are directed and controlled. The CG structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders, and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance”.

The Board

It is the responsibility of shareholders to elect board members to work in their interest (Cadbury Committee Report, 1992). Boards are a major element of the CG framework. In the words of Kao and Chen (2004), “it is the core of the CG system”. One of its major aims is to protect the interest of all other stakeholders against ‘managerial opportunism’(Orr, Emanuel and Wong, 2005), especially that of outside stakeholders. This is mainly due to the ownership separation which may bring about a conflict of interest. This problem of conflict of interest further necessitates the use of governance tools such as the board of directors to reduce agency cost and ensure

accountability(Kyereboah-Coleman & Amidu, 2008). The significance of the board cannot be overemphasized. In light of this, guidelines and recommended practices have been issued by regulatory bodies and institutions on the formation of an effective board. According to ASX recommended practices on CG, a board is effective if that board “facilitates the effective discharge of the duties imposed by law on the directors and adds value in a way that is appropriate to the particular company’s circumstances”. The recommendation makes certain proposals regarding the size, the board composition, the independence of the board chair, the formation of various committees, disclosures, and CEO duality or board chairman-CEO role separation (ASX Council, 2010).

Board structure may vary across different jurisdictions. For instance, in the French countries, there are two different categories of board structure, a single or unitary board structure, and a 2-tier board structure (Bzeouich et al., 2019). Under the single board structure, the board consists of one body that exercises both supervisory and executive roles. One person serves as board chairman and CEO.

2.2 THEORETICAL REVIEW

2.2.1 Institutional Theory

The definition of the word "institution" is the subject of various disagreements, according to Nurunnabi (2017), "Social institutions are a component of the broader idea of social structure." "The rules of the game in society" (Wells et al., 1970), "prescribed patterns of correlated behavior" (Foster, 2003)), or "more formally, are the humanly devised constraints that shape human interaction"(Wells et al., 1970). In addition, "organizations and their entrepreneurs are the players if institutions are the

game's rules. Organizations are made up of groups of people together by a shared goal to accomplish certain goals(North, 1993).

The goal of institutional theory is to explain the larger context of an organization, including its laws, symbols, and beliefs (W. R. Scott, 1987; W. R. Scott & Meyer, 1994).

The thesis is predicated on the idea that organizations must abide by institutional rules and norms in order to be legitimate (DiMaggio & Powell, 1983). DiMaggio and Powell (1983), in one of the key studies on contemporary sociological institutionalism, claim that any organization is impacted by its organizational environment. In other words, companies in similar environments need to behave similarly in terms of their structures, decisions, and designs. Furthermore, DiMaggio and Powell (1991) point out that internal structures mirror the norms and practices that society views as proper. Neo-institutional theory is the name given to the version of the institutional theory developed by DiMaggio and Powell in 1983. It focuses on "the way action is structured and order made possible by shared systems of rules that both constrain the inclination and capacity of actors to optimize as well as privilege some groups whose interests are secured by prevalent rewards and sanctions". The three mechanisms by which institutional isomorphic change occurs—coercive isomorphism, mimetic isomorphism, and normative isomorphism—are used to explain these changes in organizational practices, such as administrative procedures or accounting procedures (DiMaggio & Powell, 1983, 1991). While the three categories may overlap in some contexts, they instead result in various outcomes because of various circumstances (DiMaggio & Powell, 1991).

2.3 EMPIRICAL REVIEW

2.3.1 IFRS 15 Adoption and EM

Only 17% of the more than 50 European companies reporting under IFRS and adopting the standard as of January 1, 2018, according to Napier and Stadler's (2020) analysis, had a key audit matter (KAM) in their audit report that specifically referred to IFRS 15. Only 8% of the sampled companies had a KAM with IFRS 15 in the header. It should be noted that IFRS 15 does not apply to all revenue recognition. The norm only applies to revenue derived from contracts with consumers; independent business activities are unaffected. The new standard's direct accounting implications were minimal for the majority of the sample companies, but considerable for a handful that operated in particular industries, according to Napier and Stadler (2020). Prior to the implementation of IFRS 15, Marco et al. (2019) used the Jones model to examine the level of discretionary accruals for a sample of 88 Italian public companies from 2001 to 2007. They contrasted companies in the telecoms industry with companies in the utilities industry. They based their theory on the Big Four accounting companies' predictions of the effects of IFRS 15 on particular industries. The utility sector is expected to have a small influence, according to the aggregate projections of these organizations, whereas the telecommunications sector is expected to have a substantial impact.

The telecoms industry exhibits statistically substantial evidence that discretionary accruals have a greater average impact than the utilities sector, and Marco et al. (2019) concluded that the former is more significantly impacted by earnings-management behavior. Based on a sample of companies listed on the Indonesian Stock Exchange, Basundara and Chariri (2014) conducted an empirical study using the Beneish MScore to examine potential differences in earnings management issues before and after the adoption of IFRS. Based on the Beneish M-Score, it comes out that there was little

change in Indonesia before and after the introduction of IFRS. A similar study was carried out in Europe utilizing data from 771 companies from 2000 to 2013 to see

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whether IFRS had an impact on earnings management and whether it had a negative one (Mikov, 2015).

Based on the research done by Basundara and Chariri in 2014, the results for Germany and the UK are comparable to the results in Indonesia. However, it turned out that IFRS only slightly improved accounting and reporting standards and decreased the manipulation of earnings in France (Mikov, 2015). In a study comparable to that of Basundara and Chariri (2014) and Mikov (2015), Dahlén and Lindberg (2017) concentrated on businesses in Sweden, Denmark, and Finland that switched from GAAP to IFRS. On REM and AEM is the main emphasis there.

Contrary to Basundara and Chariri (2014) and Mikov (2015), the results indicate that REM is a factor under IFRS, specifically in the production sector, meaning that from no REM under local GAAP to manipulation of production under IFRS (Dahlén & Lindberg, 2017).

However, this link is difficult to make because REM is related to actual business decisions rather than manipulating figures using professional judgment. El Zoubi (2017) questions the advantages of using IFRS in Saudi Arabia for public enterprises. He polls 78 persons (both financial statement preparers and users) to determine their thoughts. According to the findings, Saudi Arabia's adoption of IFRS will offer numerous benefits for a variety of financial statement consumers. After the Kingdom of Saudi Arabia joined the G20 in 2009, this reality became more prominent.

2.3.2 CG and EM

2.3.2.1 Board Size and EM

Kao and Chen (2004) also posit that, under an effective CG, management earnings behaviour may be curtailed. In their study, they found a positive association between board size and EM, stating that a large board size impedes the ability of the board to perform its functions effectively. The negative relationship between board independence and EM has also been confirmed in this study. On board size, Mangala and Isha (2019) in their study to find out what role the board, the audit committee, and ownership structure of Indian firms play in constraining EM reported an inversely insignificant relationship between EM and board size. Firms with larger board sizes were noted to have significantly lower levels of discretionary accruals.

One of the prominent works in this area from a Ghanaian perspective is that of Kukah, Amidu and Abor (2016) in which they sought to find the effect CG mechanisms have on Accounting Information Quality (AIQ). Been the first of its kind in Ghana, the paper makes vital contributions by identifying operational earnings as more persistent than operational cash flows. Board independence and foreign ownership was found to have greatly affected EM behavior of managers, thereby effectively enhancing the AIQ. Kukah, Amidu and Abor (2016) focus on internal CG structures such as Board independence, the board size, audit committee independence, board diversity, and CEO duality. Board size was also found to be positively related to AIQ. The impact of CG mechanisms on earnings management was examined by Abed et al. (2011), Chekili (2012), Soliman & Ragab (2013), and others. Abed et al. (2011) found that only board size had a significant role in containing earnings management.

Soliman & Ragab (2013) found that an independent board of directors had a significant impact on earnings management. Using board characteristics, Siam et al. (2014) investigated the connection between board characteristics and earnings management. Results confirmed the importance of an efficient board, including independence, financial expertise, board size, and board meetings, in reducing earnings management. Aygun et al. (2014) investigated the effect of board size and company ownership on earnings management and discovered a negative correlation between institutional ownership and board size. The efficiency of board features in restricting profits management was examined in a 2015 study by Talbi et al. The positive effect of board size on earnings management was demonstrated by empirical evidence. Iraya et al. (2015) examined the effect of CG practices on earnings management and discovered a negative impact of board size.

2.3.2.2 BIND and EM

Alareeni (2018) finds evidence of a significant positive relationship between board independence and EM. Alareeni (2018) further states that the findings of the study are inconsistent with many previous studies in the developed world. In Malaysia, research has shown evidence board effectiveness been positively related with EM (Wan Mohammad, Wasiuzzaman and Nik Salleh, 2016) which the researcher explains in part may be due to differences in family structure and ethnic structures. Orazalin (2020) also found a weak association between board independence and EM. Among the reasons that may account for the positive relationship are the busyness of the independent board members, non-real presence of board members due to inadequate disclosure, information asymmetry between managers and directors, and conflict interest regarding independent board members (Orazalin, 2020; Alareeni, 2018).

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Mangala and Isha (2019) also reports that board independence has a negative relationship with EM.

Chekili (2012) examined the effect of CG on earnings management and proved that presence of external directors had a significant relationship with earnings management.

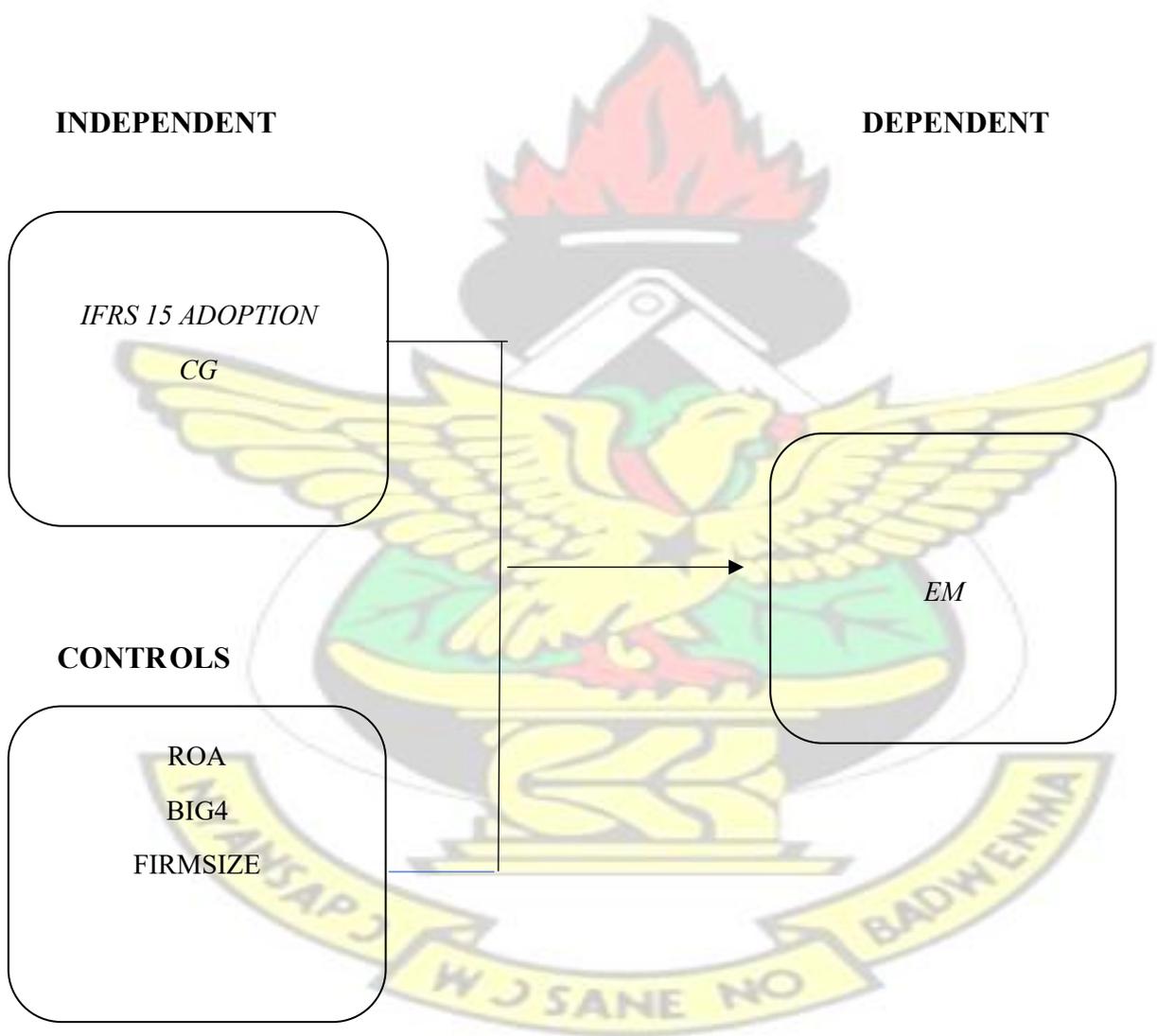
Confirmed by Siam et al. (2014) investigated the impact of Board characteristics on earning, whereby Board characteristics included board size, board independence,



board meetings, CEO duality and financial expertise of Board. Results concluded that effective board reduced earnings management i.e. board independence, size, meetings, and financial expertise played a significant role in constraining earnings management. According to Iraya et al. (2015) examined the relationship between CG mechanisms and earnings management. Results indicated the negative relationship between board size, board independence and ownership concentration with earnings management. Talbi et al. (2015) did study to investigate the efficacy of board characteristics in restraining management's earning management, whereby results showed that board independence played a significant role in controlling earnings management. According to Man & Wong (2013) while conducting the review of the literature on earnings management and CG, reported that board independence increased the control of management's earning management activities. Over again Sukeecheep et al. (2013) explored the influence of board characteristics on earnings management behaviors and reported that board independence showed a positive link with earnings management. Rajeevan and Ajward (2020), who conducted their study more recently, looked at the relationship between corporate governance characteristics and the degree of EM among Sri Lankan quoted businesses. According to the study, which used a sample of 70 listed companies from the Colombo Stock Exchange (CSE) between 2015 and 2017, businesses with a higher percentage of non-executive directors may be able to limit EM. Türegün (2018) similarly discovered a negative association between the share of independent directors and EM among firms listed in Borsa Istanbul. On the other hand, Alareeni (2018), who looked at listed companies in Bahrain, discovered that the percentage of independent directors had a favorable impact on EM. As a result, nonexecutive directors are expected to require executives to oversee the process of developing financial information.

2.4 CONCEPTUAL FRAMEWORK

The conceptual framework is a diagrammatical representation of the relationship between the variables of the study. The outcome variable of our research is *EM* using the modified Jones model of discretionary accruals. The study has two explanatory variables thus *IFRS 15 Adoption* and *CG*. The study controlled for firm profitability using *ROA*, *Firm Size* and Auditor type.



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This study is undertaken to determine the effects of IFRS 15 Adoption and CG on EM. Discussed under this chapter is the research design, Population, sample size and sampling technique, data sources and collection, data analysis, the variable definition and model specification and summary of chapter.

3.1 RESEARCH DESIGN

Research design is “a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions” (Yin, 2017). This study adopts a quantitative approach to examine the relationship between IFRS 15 adoption and earnings management. To serve this purpose, data was collected from the corporate annual report of firms listed on the Ghana Stock Exchange (GSE) from 2012 to 2021. The research type of our study is descriptive, we gathered data to answer the “what” and “how” of IFRS 15 adoption on Earnings management. To achieve the objectives of our study, we compared the annual reports of our sample companies before and after the adoption of IFRS 15 to examine its effect on earnings management.

3.2 POPULATION OF STUDY

The study considers all Ghanaian listed firms, the population size of this study constitutes thirty-eight (38) listed firms on the GSE. The study then considers all available annual reports from 2012 to 2021. Considering the number of listed

firms and the study's period, a total number of 380 (10 years *38) corporate annual reports are expected to be collected.

3.3 SAMPLE SIZE AND SAMPLING TECHNIQUE

Researchers basically aim to observe and analyze a sample out of a population (Creswell, 2013). Researchers then draw a reasonable conclusion on the entire population based on the sample. Owing to this, the sample size of the study consists of 13 companies listed on the GSE. The study employs a convenience sampling technique which resulted in the exclusion of firms that issued no annual reports between 2012 to 2021, those that got listed or delisted between the periods of interest, those that had incomplete information that were very relevant to our study and those that had unaudited annual report within the period of interest from the study's population.

Table 3.1 below gives a summary of the sampling process.

3.4 DATA SOURCES AND COLLECTION

The study used secondary data. The main source of this data was generated from the annual reports of listed firms between 2012 and 2019, obtained from the GSE database and company's websites. Our data is a panel data since it has both time-series and cross-sectional dimensions.

Table 3.1: Sample Selection Criteria

Description	Number of Firms	Observation
Total number of firms listed on the Ghana Stock Exchange	38	(38*10) 380
Exclude: Unavailable financial report	6	(6*10) 60
Firms delisted or listed between 2012 and 2019	4	(4*10) 40
Missing audit fees	4	(4*10) 40
Financial institutions	8	(8*10) 80

Incomplete information	3	(3*10) 30
TOTAL	21	(13*10) 130

3.5 DATA ANALYSIS

Using corporate annual reports during 2012–2021, IFRS 15 adoption was measured with a dummy., while earnings management was measured using the Modified Jones Model. Moreover, Control variables such as Board size, Board Independence, profitability auditor type and firm size were used in the study. IFRS 15 adoption was used as an independent variable and Earnings management as the dependent variable. Our study made use of STATA statistical software program to analyze the data. The data was first analyzed using descriptive statistics to indicate mean and SD of each variable used in this study. Correlation matrix was used to show the correlation coefficients between the variables used in this study. Finally, Linear Regression was used to determine the relationship between IFRS 15 adoption and Earnings Management.

3.6 MODEL SPECIFICATION

Allen (1997) defined model specification as the determination of which independent variables should be included in or excluded from a given regression equation. Thus, it assists in identifying which of the independent variables are of relevance and should be included in the regression model. The regression model is presented below based on the variables used for the study:

$$EM = \beta_0 + \beta_1 IFRS_{15it} + \beta_2 BIND_{it} + \beta_3 BOARDSIZE_{it} + \beta_4 ROA_{it} + \beta_5 BIG4_{it} + \beta_6 FIRMSIZE_{it} + \varepsilon_{it}$$

From the model,

EM denotes Earnings Management, proxied by discretionary accruals.

IFRS_15 represents a dummy.

ROA represents firm profitability.

BIND represents Board Independence

BOARDSIZE represents Board Size

BIG4 represents Auditor type.

FIRMSIZE represents firm size.

The coefficients $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 are elasticities of their respective variables *to denote time*.

\mathcal{E} is the error term.

3.7 VARIABLE DEFINITION AND MEASUREMENT

3.7.1 Earnings Management (EM)

EM in this study is measured using discretionary accruals. The use of accruals or discretionary accruals is widely recognized by researchers (Kao and Chen, 2004; Bradbury, Mak and Tan, 2006; Abdul Rauf et al., 2012). To do this, discretionary accruals is computed as the difference between TA and non-discretionary accruals. The modified Jones model is used to estimate discretionary accruals cross-sectional. The method used by Davidson, Goodwin-stewart and Kent (2005) and Abdul Rauf et al. (2012) is employed. This method

is also used by Bekiris and Doukakis (2011) to estimate abnormal accruals which assumes that:

$$TA_{it} = DA_{it} + NDA_{it} \dots \dots \dots 1$$

TA_{it} = Total Accruals of firm i in year t

DA_{it} = Discretionary accruals of firm i in year t

NDA_{it} = Non-Discretionary Accruals of firm i in year t

The modified Jones model is then used in estimating the coefficients for further use in the estimation of non-discretionary accruals. The model is underpinned by the assumption that changes in sales revenue and changes in accounts receivable are not affected by management discretion (Bekiris and Doukakis, 2011). Implying that any accruals resulting from such changes are related to the non-discretionary component of TA. Non-discretionary accruals are therefore a function of changes in sales revenue minus changes in receivables and the level of property plant and equipment. Therefore 3 steps are followed to estimate discretionary accruals.

STEP 1

$$TA_{it}/A_{it-1} = \alpha_i [1/A_{it-1} + \beta_1 [(\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_2 [PPE_{it}/A_{it-1} + \beta_3 \epsilon_{it} \dots \dots \dots 2$$

Where:

TA_{it} = Total Accruals of firm i in year t ;

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ΔREV_{it} = revenue of firm i in year t minus revenue for firm i in year t-1;

PPE_{it} = gross property plant and equipment of firm i in year t; A_{it-1} =

total assets of firm i in year t-1;

ϵ_{it} = error term of firm i in year t.

Two popular approaches are used in estimating TA. The cash flow approach and the balance sheet approach. Under the balance sheet approach TA is estimated as the changes in current assets (non-cash) less changes in current liabilities minus amortization and depreciation expense.

TA is also calculated using the cash flow approach which is the method adopted in this study for estimating accruals. This method has been adopted by several researchers such as Agyekum, Aboagye-Otchere and Bedi (2014) Aldamen and Duncan (2016) and Davidson, Goodwin-stewart and Kent (2005). TA for a company is estimated as the difference between earnings before extraordinary items and cash flow from operating activities (Mansor, Che-Ahmad, Ahmad-Zalki, et al., 2013).

Okougbo and Okike (2015a) measure TA as the difference between net income and net operating cash flows and considers it superior to the balance sheet approach.

Accordingly, this method has been adopted in this study for the estimation of TA.

Therefore $TA_{it} = NI_{it} - CFO_{it}$3

Where NI_{it} represents net income of firm I in year t and CFO_{it} represents Cash Flow from Operating activities of firm i in year t.

STEP 2

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The estimates of the parameters from equation 2 above are then used in the estimation of non-discretionary accruals using the following model:

$$NDA_{it} = \alpha_i [1/A_{it-1} + \beta_{1i}[(\Delta REV_{it} - \Delta REC_{it})/A_{it-1} + \beta_{2i}[PPE_{it}/A_{it-1} + \dots]] \dots \dots \dots 4$$

STEP 3

After estimating non-discretionary accruals, the amount of discretionary accruals for firm i in year t is then computed using equation 1 as follows

$$DA_{it} = TAC_{it}/A_{it-1} - NDA_{it} \dots \dots \dots 5$$

3.7.2 Board Characteristics

There are a wide range of board governance characteristics that may be used in this study, including, board size, number board meetings, size of audit committee, the independence of audit committee, CEO turnover, CEO duality among others. Those considered for the purpose of this study are described briefly as follows:

Board Size

The board size is an important CG characteristic. It is believed that the size of the board has an effect on the efficiency of the board in the performance of its functions. Large boards are usually associated with high EM (Jouber and Fakhfakh, 2012).

Board size is measured as the total number of board members.

Board Independence

The composition of the board has come under intense scrutiny, following reforms on CG principles. ASX CG principles recommend that majority of board members should

be independent directors. An independent director is defined as “a nonexecutive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment”(ASX Council, 2010). Board independence is measured as the ratio of independent directors to the total number of directors (Diri, Lambrinoudakis and Alhadab, 2020; Bradbury, Mak and Tan, 2006).

3.7.3 IFRS 15 Adoption

The primary variable of interest is IFRS 15 Adoption, a dummy variable that takes the value of 1 after the introduction of IFRS 15 and 0 before the introduction of IFRS 15 .

3.7.4 Control Variables

Firm Size

The size of the firm measures the scale of operations of the firm. This is represented by the natural logarithm of total assets. The firm size has been used by several researchers to control for the EM that may result from the size of the firm(Safari, 2017; Bradbury, Mak and Tan, 2006).

Return on Assets (ROA)

ROA is also included to strengthen the model. ROA is also introduced to control for firm performance. According to Waweru and Riro (2013), the tendency for management to engage in EM is encouraged by the fact that management remuneration

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is sometimes tied to the performance of firms. Therefore ROA is used to represent
firm performance in line with Orazalin (2020) and Okougbo and Okike (2015)

BIG4

KNUST



Auditor Type (TYPE) was also controlled for in our study because Big 4 auditors are perceived to provide quality audits as compared to non-Big 4 auditors. De Angelo (1981) suggested that large auditors (Big 4 auditors) have more reason to issue accurate reports because they have more valuable reputations, and the auditor has a greater reputation to lose if their clients misreport. Becker et al. (1998) also suggested that large audit firms are able to detect earnings management because of their advanced knowledge and act to control opportunistic earnings management. We expect that firms audited by Big 4 auditors will have higher audit quality. It was measured by a dummy variable where, 1= audit firm is a BIG 4, and 0= non-BIG 4.

Table 3.2: Variables Measurements

Variables	Notation	Measurement
Earnings Management	EM	Proxied by discretionary accruals measured by Modified Jones Model.
IFRS 15 Adoption	IFRS 15	Dummy variable thus 1 if firms apply IFRS 15 in revenue recognition and 0 if otherwise
Board Independence	BIND	Proportion of Non-executive directors on the board
Board Size	BOARDSIZE	The total number of members on the board.
Auditor type (BIG 4 and Non-BIG 4)	Big4NONBIG4	Dummy variable that equals 1 if the audit firm is a BIG4(i.e., PWC, Deloitte, KPMG and EY) and 0 otherwise, for the company i, in year t
profitability	ROA	The ratio of return on asset (ROA)

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF RESULTS

4.0 INTRODUCTION

Presented in this chapter is the analysis and interpretation of secondary data obtained for the study. To accomplish the objectives of the study, this chapter presents descriptive statistics of the sample, the analysis of the effects of IFRS 15 on the Earnings management of listed firms in Ghana. This chapter also provides a discussion of the relationship between IFRS 15 and earnings management.

4.1 DESCRIPTIVE STATISTICS

The descriptive statistics presented in table (4.1) display the summary statistics of the dependent, independent and control variables by proxying Abs_DACC for Earnings Management and a dummy for IFRS 15 Adoption for the years 2012-2021. It is evidently clear that all variables except EM thus discretionary accruals proxied for earnings management have positive mean values. EM has a mean value of .104 across all companies and ranges from a minimum value of .001 to a maximum value of .71. This indicates that there is an appreciable variation in the level of EM across firms across various years. The average profitability across all firms is 3.6% and ranges from a minimum value of -1.436 to a maximum value of .458.. On average the independence of the board (BIND) is pegged at 0.572 and a minimum and maximum vale of 0 and 1 respectively. The standard deviation of 0.259 for board independence shows that firms sampled are making more attempts at making boards independent as it is one of the least standard deviations recorded. On average most of the boards were deemed to be independent. . The average number of members on the board, Board

Size is approximately 9 and ranges from 3 members to a maximum of 15 members.

Therefore, the largest board from the sample study was made up of 15 members.

Board Size has a substantial standard deviation of 2.225.

Table 4.1.1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EM	117	.104	.121	.001	.71
BIND	130	.572	.259	0	1
Board Size	130	8.577	2.255	3	15
ROA	130	.036	.186	-1.436	.458
FirmSize	130	19.73	2.65	14.317	26.126
Big4NONBIG4	130	.7	.46	0	1

Table 4.1.2: Test PRE VS IFRS_15_Adoption

	PRE- OBS	POSTOBS	PRE- MEA N	POST- MEA N	dif	St Err	tvalue	pvalue
EM	65	52	0.098	.112	-.013	.022	-.6	.544
BIND	78	52	0.550	.604	-.053	.046	-1.15	.253
Board Size	78	52	8.821	8.212	.609	.402	1.5	.132
ROA	78	52	0.041	.028	.013	.034	.35	.709
FirmSize	78	52	19.436	20.17	-.734	.472	-1.55	.122
Big4	78	52	0.705	.693	.013	.083	.15	.877

Generally, IFRS 15 adoption is perceived to have a direct impact on earnings management. The study carried out a univariate analysis between IFRS 15 adoption and the other variables of the study thus other variables, dependent variables, and control variables. As shown in table 4.2, there is a marginal increase in earnings management in the post-adoption period thus a difference of 1.3% though insignificant at (p-value=.544).

4.2 CORRELATION

A correlation analysis is employed to determine the strength of the relationship among the study's variables. In theory, a perfect negative correlation is indicated by -1.0 while a perfect positive correlation between two variables is indicated by 1.0. After the summary statistics, a correlation analysis is employed to demonstrate the strength of the relationship between the variables considered in the study (Table 4.2).

Table 4.2: Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) EM	1.000						
(2) IFRS_15_Adoption	0.057	1.000					
(3) BIND	-0.069	0.101	1.000				
(4) Board Size	0.255	-0.133	0.045	1.000			
(5) ROA	-0.238	-0.033	0.021	0.013	1.000		
(6) FirmSize	0.125	0.136	0.025	0.590	-0.133	1.000	
(7) Big4NONBIG4	0.069	-0.014	-0.293	0.333	0.017	0.466	1.000

To analyze the nature of the association between the variables of the study and to determine if serial correlation occurs as a consequence of the correlation among variables, pairwise correlation analysis has been calculated. The correlation coefficient that is provided above in Table 4.2 gives significant ideas into the independent variables that also are substantially associated to the dependent variable. We assess the correlations against the standard of not exceeding 0.80 (Kennedy, 2008). From the table, no correlation between any two independent variables exceeds the standard, and therefore, there is no problem of multicollinearity in this study.

From table 4.2, EM is positively correlated with Board Size at $r=0.225$, indicating that as board size increases, EM tends to increase by 22.5%. Also, EM is negatively correlated with ROA at $r=-0.238$, suggesting that as ROA increases, EM tends to

decrease by 23.8%. Again, ROA has a negative correlation with FirmSize at $r=-133$, meaning that as FirmSize increases, ROA tends to decrease by 13.3%. BIND has a negative correlation with Big4NONBIG4 at $r=-293$ indicating some negative relationship between these two variables.

4.3 TEST FOR MULTICOLLINEARITY

The Variance Inflation Factor (VIF) helps to test for the level of multicollinearity in order to ensure valid inferences from the regression analysis are drawn. As proposed by Gujarati (2003), the maximum acceptable VIF value is 10.0. Multicollinearity is of no concern in this study since none of the variables have a VIF value greater than 10.0. The results indicated in Table 4.3 demonstrates that the highest VIF value among the variables (equations) is 1.289 (<10.0).

Table 4.3: Variance inflation factor

	VIF	1/VIF
Big4	1.618	.618
Firm Size	1.613	.62
Board Size	1.302	.768
BIND	1.139	.878
IFRS 15 Adoption	1.037	.964
ROA	1.022	.978
Mean VIF	1.289	.

4.4 CHOOSING BETWEEN FIXED AND RANDOM EFFECTS

The Hausman test was performed to identify which estimation method will be appropriate for testing the relationships between the study variables as discussed in chapter three. The null hypothesis assumes that the Random Effect (RE) is appropriate, While the alternative suggests for Fixed Effect (FE) is not. From table 4.4, the pvalue of .359 is greater than the significance level of 0.05. This means that the null hypothesis

is rejected and therefore the Random Effect (RE) is the appropriate estimation method that was employed.

Table 4.4: Hausman (1978) specification test

	Coef.
Chi-square test value	6.606
P-value	.359

4.5 REGRESSION ANALYSIS

Regression analysis is employed to examine the relationship between the variables in the study. The panel data regression is an approach to control dependencies of unobserved, independent variables on dependent variables. The panel data regression leads to biased estimators in traditional linear regression models. According to Pallent (2015), regression analysis is used for prediction, model specification and parameters estimation. This regression seeks to find out the effects of IFRS 15 adoption on the earnings management of firms listed on the GSE. The results

Table 4.5: Regression results

EM	Coef.	St.Err.	tvalue	pvalue	[95% Conf	Interval+	Sig
IFRS 15	.032	.022	1.43	.154	-.012	.076	
BIND	-.058	.047	-1.23	.219	-.152	.035	
Board Size	.021	.007	3.02	.003	.007	.035	***
FirmSize	-.006	.006	-0.93	.353	-.018	.006	
ROA	-.164	.058	-2.81	.005	-.278	-.05	***
Big4NONBIG4	-.008	.031	-0.24	.807	-.068	.053	
Constant	.066	.094	0.70	.487	-.119	.251	
Mean dependent var	0.104		SD dependent var	0.121			
Overall r-squared	0.150		Number of obs	117			
Chi-square	19.078		Prob > chi2	0.004			
R-squared within	0.138		R-squared between	0.290			

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 4.4 displays the results from a panel regression between IFRS 15 Adoption, Corporate Governance and Earnings Management. IFRS 15 Adoption proxied with a dummy has positive coefficient of .032 implying a positive association with EM though not statistically significant. This means that the adoption of IFRS 15 has caused EM to increase by 3.2%. Board Size, a proxy for corporate governance has a coefficient of .021 implying that larger board sizes increase EM by 2.1% and statistically significant at (p-value <0.000). However, BIND, another proxy for CG shows a negative association with EM with a coefficient of -.058 implying that firms with a independent boards lead to a fall in EM by 5.8%. ROA also has a negative coefficient of -.164 and statistically significant at (p-value <0.000). This implies that as the profitability of smaped firms decline EM increases.

4.5.1 IFRS 15 Adoption and Earnings Management

IFRS 15 Adoption proxied with a dummy has positive coefficient of .032 implying a positive association with EM though not statistically significant. This indicates that EM has increased by 3.2% as a result of the implementation of IFRS 15. The study's findings run counter to those of (Tutino et al., 2019; Napier & Stadler, 2020) who predicted that the implementation of IFRS would have a significant impact on EM. The results, however, are consistent with those of Morawska's (2021) study of Polish enterprises. Whose investigation discovered evidence that the standard permits more EM in both examined samples.

4.5.2 CG and EM

4.5.2.1 Board Size and EM

Board Size, a proxy for corporate governance has a coefficient of .021 implying that larger board sizes increase EM by 2.1% and statistically significant at (p-value <0.000).

The statistical test between the board size and the earnings management indicates is significant. This result different the previous studies by Ahmed et al. (2006) found a negative effect of board size on earnings management. Also, the study is in contrary with the findings of Iraya et al. (2015) who examined the effect of CG practices on earnings management and discovered a negative impact of board size. Also, the findings contradict the findings of Furthermore, Soliman & Ragab (2013) examined the effect of an independent board of director's members, board size and CEO duality on earnings management, whereby results proved negative relation of board size with earnings management. Due to the large board size and poor board supervision, the indicated outcome is consistent with the agency theory. It is more difficult for the board members to observe and oversee the management when there are more board members. On the other hand, the board's monitoring role is significantly influenced by the size of the board's directors. Since board size has a significant impact on how effectively boards perform their oversight obligations, this theory cannot be justified. Smaller boards are said to be easier to organize, quicker to make decisions, less prone to experience free-rider issues, and less likely to be opposed to innovation.

4.5.2.2 BIND AND EM

BIND, another proxy for CG shows a negative association with EM with a coefficient of $-.058$ implying that firms with an independent board lead to a fall in EM by 5.8%. In respect of the insignificance of the impact of board independence on EM, Orazalin (2020) explains that this may be because the role performed by outside directors is understated. The impact of CG mechanisms on earnings management was examined by Abed et al. (2011), Chekili (2012), Soliman & Ragab (2013), and others. Abed et al. (2011) found that only board size had a significant role in containing earnings

management. Soliman & Ragab (2013) found that an independent board of directors had a significant impact on earnings management.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter presents the conclusion relating to the study. This chapter is organized in four major sections. Section 5.1 summarizes the findings of the data analyzed in this study. Section 5.2 provides on a conclusion on the research work and explain if the objectives of this study has been met or otherwise. 5.3 provides policy implications of this research and give recommendations. The chapter ends with Section 5.4 which gives suggestions and for further researchers of the literature.

5.1 SUMMARY OF FINDINGS

IFRS 15 Adoption proxied with a dummy has positive coefficient of .032 implying a positive association with EM though not statistically significant. This means that the adoption of IFRS 15 has a direct but statistically insignificant relationship with earnings management. The findings show that the new revenue recognition, measurement, and disclosure accounting standard can lower the quality of accruals and raise the level of earnings management, which, generally speaking, may imply a decrease in the quality of earnings reported by companies. Although the primary goal of the IASB is to provide high-quality standards to support users' best judgments, it can be deduced from this research that standards based on ideas that provide managers more discretionary power have a detrimental effect on the caliber of accounting

information. More precisely, it appears that the IFRS 15 standard increased the amount of discretion in revenue recognition compared to earlier standards.

BIND, another proxy for CG shows a negative association with EM with a coefficient of $-.058$ implying that firms with an independent board lead to a fall in EM by 5.8%. In respect of the insignificance of the impact of board independence on EM. This may be because the role performed by outside directors is understated as they must provide an unbiased, independent assessment of the audit function, internal controls, and financial reporting procedures. Consequently, EM is constrained by a more independent board.

Board Size, a proxy for corporate governance has a coefficient of $.021$ implying that larger board sizes increase EM by 2.1% and statistically significant at (p -value < 0.000). The statistically test between the board size and the earnings management indicates is significant. The findings imply that, in comparison to smaller boards, large boards are poor at preventing earnings manipulation. The results could be explained by the fact that coordination and problem-solving become more challenging as the board size increases. Additionally, smaller boards have a higher likelihood of reducing the prospect of free riding by individual board members, which raises their accountability and monitoring role.

5.2 CONCLUSION

The study aims to examine the effects of IFRS 15 adoption and corporate governance on EM using selected firms on the GSE. This study investigated the effects of IFRS 15 adoption, Board Size, Board Independence on EM of non-financial listed firms in

Ghana. The study considered a population size of 38 listed firms. Out of the population, 13 non-listed firms were sampled using purposive sampling due to the availability of data for these sampled firms spanning the period from 2012- 2021. Based on the findings of the study, the following conclusions are made.

IFRS 15 Adoption has a positive relationship with earnings management though statistically insignificant. Also, Corporate governance mechanisms such as board size directly influence earnings management while board independence has an inverse relationship with earnings management implying that when firms constitute independent boards reduce earnings management.

5.3 RECOMMENDATIONS

The results of the study shed light on the variables that affect the dependent variable. These findings should be taken into account by firms when making strategic decisions. They should pay special attention to maximizing board size, enhancing return on assets, and upholding compliance with IFRS 15 criteria for accurate financial reporting. Investors can examine the impact of board qualities on EM with the help of the study's conclusions. Regulators ought to think about establishing acceptable standards for corporate governance. They must pay close attention to board characteristics that strengthen board oversight procedures and raise the caliber of earnings, which may have a beneficial effect on investor trust.

5.4 RECOMMENDATIONS FOR FUTURE STUDIES

The study, having employed the purposive sampling technique considered 13 listed non-financial firms and therefore recommends that future studies investigate using quite larger sample size to enhance the findings. Secondary, real earnings management

and discretionary accruals are two other methods for measuring earnings management that are presented in the literature. Therefore, a useful direction for future research would be to take into account real earnings management. Finally, future research may take into account a comprehensive range of corporate governance mechanisms including ownership structure, audit committee characteristics, and remuneration structures, all of which are likely to reduce the likelihood of earnings manipulation.



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