INTERNATIONAL FINANCIAL REPORTING STANDARDS AND FIRM'S VALUE RELEVANCE IN TEXTILE SECTOR OF PAKISTAN

Farah Naz Kanwal Humayun, Tooba Lutfullah, and Anam Tariq

Department of Accounting and Finance, Kinnaird College for Women, Lahore, Pakistan
farah.naz@kinnaird.edu.pk

ABSTRACT

Value relevance is the capacity of information revealed by financial statements to capture and review firm value. Moreover, International Financial Reporting Standards (IFRS) ensures better, precise, timely and appropriate financial statement data, comparative to the home standards applied for exposed financial reporting in many countries applying them, including Pakistan. This study is based on the IFRS impact on value relevance of the textile sector of Pakistan where 30 listed companies of Pakistan on Karachi stock exchange for the period of 2015-2021 have been taken. Panel regression technique is used to analyze the impact of IFRS on value relevance. IFRS is used as an independent dummy variable and other independent variable includes Profitability, Size and Growth. The results indicates that the independent variables of size, profitability, growth have the significant relation with value relevance however the IFRS impact is insignificant to the value relevance that is measured by earning per share. This research will help the company's management to understand the value relevance concept and its impact on the company. This research would help in exploring the influence of IFRS on financial reporting quality since earnings quality is an important quality of the firms value.

Keywords:IFRS, value relevance, textile sector, Karachi Stock Exchange (KSE), Earnings per share (EPS

INTRODUCTION

The global promotion of International Financial Reporting Standards (IFRS) gave an indication of a modern period in financial reporting (Kurauone et al., 2021). Awareness of the projected help resulting to IFRS in position of enhanced value of financial reporting is the main aim of the supporters of IFRS implementation. Promoters of adoption of IFRS argue that advantages would progress to developed financial statement acknowledgements, refined analysis of the firms (Mengesha, 2016). The approval is also found on the theory of convergence of accounting standards to reduce range of changes in reporting formats over global boundaries. Previous analysis draws that firms involved for foreign assets incline to expand their financial and accounting news. This expanded news is supposed to decrease asset providers' queries about affairs with the firm and, in order allow the firm to acquire assets at reduced cost (Martínez-Ferrero et al., 2015).

Investors develop investment choices constructed on globally arising opportunities. Incorporation of capital markets worldwide complete the need for even accounting crucial, which is a tough and costly job for a stockholder to make up-to-date investment choices on basis of diverse reporting frame (Lopatta et al., 2020). As a consequence of globalized financial markets the necessity of universal comparable accounting and reporting standards is generated. Moreover, it is also tough and costly for firms to produce funds from expanded areas by displaying the financial data in numerous reporting setups because of greater transaction cost. The fast progress of the financial markets has a great deal to the victory of international businesses (Tien & Ngoc, 2019). Fluctuating behavior of the investor, beside with the other reasons, contributed in the internationalization of economic actions.

Value relevance is the ability of figures revealed by financial statements to precise firm market value (Roychowdhury et al., 2019). Value relevance is imposed by the statistical associations among evidence offered by financial statements and stock market values or earnings (Abdullah & Tursoy, 2021). In a large-scale examination of the regulators of capital market and rating bureau, almost one-half of the respondents declared that their capital market settlements were afflicted by accounting range (Rissman & Kearney, 2019). In the non-presence of simple accounting rules and disclosure process, evaluating distant financial statements is tough for investors. International Financial Reporting Standards, create a familiar terminology for defining, describing and disclosure of financial statements in the worldwide (Palepu et al., 2020).

Developing economies adopted IFRS uncompromisingly for the reason that at one place, IFRS is supposed as advance standards that involve a great level of economic growth so they could be applied effectively (Chapple, 2018). Emerging countries are categorized by minor human development indices, the occurrence of the public sector and a comparatively small accounting profession. The foremost school of thought considers the value of IFRS adoption by emerging countries (Phan et al., 2018). By comparing, the former school of thought review that IFRS are not appropriate to emerging counties since these standards are very difficult, extremely established standards and inclined by the Anglo-American culture (Borker, 2013; Gierusz et al., 2014).

IFRS are additionally considered to entail disclosure of data beforehand, which could be relied upon to diminish data asymmetry amongst insiders and outsiders (Bassemir, 2018). Financial reports prepared under IFRS deliver better quality information to depositors than most nearby reporting systems (Choi et al., 2010). Their statement is built on IFRS need more vital disclosure and making greater information content than national accounting standards in view of its measurement rules. Further significant features of the value relevance, such as the execution tools, also effect the estimated quality of financial reporting under IFRS (Garanina & Kormiltseva, 2014). The accounting practices approved by companies also rely on other features of the country, such as protection to the investor), and some factors of companies, such for example leverage, size or growth.

To declare that financial reports under IFRS convey greater data quality to outside investors when contrasted with nearby reporting regimes outside the 'Anglo-Saxon' sphere is mainly built on the better amount of required disclosures they need to disclose. Many investigators initiate that IFRS effects the financial status of many companies, reports made under IFRS arrange for correct value relevance (Garanina & Kormiltseva, 2014; Kasztelnik, 2015; Verriest et al., 2013). IFRS involves complete finding of the entire accounting records which would support in creating correct and just value of the companies and it lessens the threat of lesser earnings to a great level. The investors are more safe with their diversified investment because of the greater consistency of financial statements prepared under IFRS. These standards not just decrease the risk however the cost of information (Shakespeare, 2020).

Apparently, Pakistan has just shifted from following an accounting reporting system acknowledged as the Generally Accepted Accounting Principles (GAAP) to IFRS. In Pakistan IFRS decision developed compulsory in June 2005 (Singh & Newberry, 2008). The possible outcome of this adoption could upsurge the determination power of the earnings and other proportions of financial statements. These strategies are proposed to progress the general accounting quality of Pakistani firms, to produce comparable and transparent financial statements and decrease information asymmetry (Baig & Khan, 2016).

The current research is different from previous studies in focus matter in the way that they only concentrated at earnings and its mechanisms but this article contributes towards literature with determination of other accounting information also. Other studies until now have been directed in advanced countries and the effects could not be generalized on emerging economies because of the market wide and economical differences. This study also provides important concerns of accounting ratio's determination to investor and board of companies of Pakistan in perspective of valuation estimates. Global claim of IFRS not just regulate the bookkeeping administrations but also cooperative in creating factual and just financial statements. The entire regions consuming IFRS (International Financial Reporting Standard) could create judgements certainly of their financial statements over the productions and countries. Since its unbiased effects they are really consistent standards for the supply of assets and for recording the accounting histories.

LITERATURE REVIEW

Financial reports prepared under IFRS deliver better quality information to depositors than most nearby reporting systems (Chapple, 2018). Their statement is built on IFRS need more vital disclosure and making greater information content than national accounting standards in view of its measurement rules. Further significant features of the value relevance, such as the execution tools, also effect the estimated quality of financial reporting under IFRS. The accounting practices approved by companies also rely on other features of the country, such as protection to the investor), and some factors of companies, such for example leverage, size or growth (Baig & Khan, 2016).

Liu and Sun (2015) examine whether the required implementation of IFRS influence the worth of earnings of the public companies in Canada. A comparison of before IFRS against the after IFRS earnings value, as restrained by flexible accruals, performance-matched optional accruals, slight progressive earnings, profit determination, and the income reaction coefficient. The results suggest that there may be no significant variety for profit personal satisfaction utilized within Canada organizations following of the usage about IFRS. IFRS implementation is related with major advantages and claim that the influence is causal, a result that is alike numerous available researches on the implementation of IFRS (Isidro et al., 2020). However voluntary IFRS adopters create only a minor ratio of the international population of companies, which suggests that either experts perform irrationally or the advantages are inaccurately projected by researchers. In this debate (Christensen, 2012) say that the fault is on the part of researchers, not practitioners, and that it is mostly because of the absence of exogenous alteration in accounting standards. This is deduced on basis of the contradictions among the expected benefits and expenses of IFRS adoption, also on the accounting principles selections of supposed balanced managers.

Salah (2020) aims to identify the result of implementing IFRS on the clarity of the market and also on the decrease in information asymmetry. The study examines the association among the increase and the standard of data delivered to the money markets, those which were studied by dual information expose indices, and the relationship among the growth and IFRS adoption, further via a collection of control variables. This study underwrites the collected works as a result of evaluating the spectacle in a market categorized by a great absorption of possession in a state whose legislature safeguards smaller investor rights and by means of same-day data to catch spread performance.

The efficiency of struggles by the International Accounting Standards Board for recovering IFRS by spending binary keys that reflect the modification procedure of the standards, and their required submission was measured (Bischof & Daske, 2016). Firms slowly undertake the value of the different standards from the minute they could be freely functional (Ma et al., 2022). Research on the market response in Spain of the required acceptance of International Financial Coverage Standards by observing the value relevancy on the material enclosed in the IFRS settlement regularization was inter-group communication to the indigenous generally accepted account principles (Ball et al., 2015).

Weygandt et al. (2018) aim to determine the quantitative effect of International Financial Reporting Standards on the financial recording of European states and assessed if this influence is related to the customized accounting arrangement in which every country is categorized, as the Anglo-Saxon or the continental-European accounting system. The influence of mandatory IFRS use for some European countries and displays a virtual analysis, assembling the countries on the center of its impact. Prior works mostly collects study linked to particular countries, separately considered, or to diverse IFRS influence that do not reveal quantitative influences (Puffer et al., 2016).

Jeanjean and Stolowy (2008) observe the determination of incomes and earnings workings next to the IFRS adoption. This study is intended to learn evaluate two years pre and two years post to adopting IFRS so as to observe if the IFRS adoption substantially disturbs the persistence, and also the explanatory power of income and its components. The results recommend that IFRS estimation and reporting weight methodologies don’t show up to increase the determination of income and incomes mechanisms. Moreover, González et al. (2014) target to study the influence of IFRS required execution taking place on the financial statements of Spanish registered firms. The outcome consists of substantial changes on these dealings, but with diverse symbols and units of intensity liable on the balance sheet element considered. The information choice presents a magnitude bias that could be taken into justification in the simplification of the consequences to other listed firms.

Ismail et al. (2013) explore the companies of Malaysia for alterations in earnings quality subsequent to the implementation of IFRS-based bookkeeping principles. Precisely, it might have been analysed if those measure of overseeing income is significantly lesser. The point when those usage of IFRS, Also educated incomes are further worth appropriate through those IFRS period. Two comprehensively used models, the price-earnings model and the return-earnings model, to those review of the worth significance of incomes through the two periods. The effects presented that IFRS implementation is linked with greater quality of stated incomes. It is initiated that incomes informed through the period post to the implementation of IFRS is linked with lesser managing of earnings and greater value relevant.

Chalmers et al. (2012) investigate if the IFRS adoption in 2005 by Australian corporations was related by a loss of theoretically suitable data about intangible assets. It is found that the adverse link among the accurateness and dispersion of analysts' earnings predictions and combined testified intangibles. The result is mostly attributable to stated goodwill, moderately than further intangible assets, demonstrating that the diminishing method to goodwill assessment needed by IFRS takes more valuable data than does the previous straight-line payback approach. A sub-sample of companies that account inferior intangibles under IFRS than under the previous Australian GAAP, some indication stable with a loss of valuable material linked to intangibles was found.

Amidu and Issahaku (2019) analyze the effects of leading a two-stage exploration in the influence and significance of required international accounting reporting standards adoption on European Union companies. In the primary phase they result the effect of fixed IFRS adoption through 13 nations and twenty businesses, which was achieved by classifying important changes in return on assets for companies working below IFRS and native, generally accepted accounting principles. Important optimistic changes were identified for companies in France, Italy, Belgium, Finland, the Netherlands, Switzerland, the United Kingdom and Sweden: only German and Norwegian companies showed an adverse average substantial change between ROA considered via IFRS.

Restating the examination of changes in ROA on a company-by-company base produced further Spanish and Portuguese companies for the next phase of the examination at which the effect of compulsory IFRS implementation was measured (Appelqvist Östman & Sharp, 2022). Describing influence by means of marketplace and financial reporting quality, it was initiated that a statistically important association among bookkeeping material and marketplace revenues for companies in the entire countries collective model of 3,530 interpretations, also in the countries of Italy, Sweden, Norway, France, Finland, Greece, the Netherlands, Belgium and the United Kingdom. Precisely, there was no numerical provision for any of the models that accounting data formed below IFRS was any further value related than the accounting data resulting using Local GAAP. When the inspection transferred to the appropriateness of incomes, a progressive distinctive influence concerning incomes raised on the center of IFRS and local accounting standards was noticed only for the entire countries collective sample. Lastly, the value of discretionary accruals was revealed to remain considerably greater below IFRS than Local GAAP for companies in Sweden, Greece and Finland.

Hillier et al. (2016) study the value relevance of accounting through a numeral African counties from 2002-2009, through which twenty African countries accepted IFRS examined if IFRS developed the cost relationship of incomes and equity book values. A durable evaluation association among bookkeeping and stock values in African countries categorized as taking a silence belief was accounted. This raised in the post IFRS period and more so for earnings. Alternatively, IFRS persuaded a solid growth in the book value measurement in the fewer guarded and more established South African market. It is deducted that the more theoretical emphasis of IFRS brought a bigger plea for increased-quality secretarial experts that ensured a filtering-down influence of refining value data flow and breaking down the silent beliefs. The study spots the various influences of IFRS and the part of values, asset markets and accounting competence, in light of the consequence of accounting elements through Africa (Botzem et al., 2017).

In 2005, the starter of IFRS made a chief exit from Germany's outdated financial accounting performance (Robinson, 2020). Financial accounting undertakes an improved importance inside companies, and whether this might cause desertion of a traditional managing accounting performances and the implementation of diverse methods in inside reporting suitable with the different IFRS command for outside reporting (Houcine et al., 2021). This stimulates attention if such fluctuations will cause financial accounting control of management accounting in Germany equivalent to that claimed by Johnson and Kaplan in 1987 in their 'Relevance Lost' theory. They determine that, at this stage in the growth of their evidence systems, German managers face a main choice among integrating outside and inside reporting in means that influence basically alteration recognized Monitoring practices, or of ongoing to function twofold accounting systems in much the alike way as in the ancient so that IFRS adoption is limited to outside reporting (Schmid & Chauhan, 2020).

METHODOLOGY

In this research, 30 listed companies of textile sector of Pakistan on Karachi stock exchange have been taken for the period of 2015-2021 in order to analyze the impact of IFRS on the value relevance. The quantitative data is gathered from the annual reports of the selected corporations from their website portals. The data from their financial reports is gathered and checked if they are making their statements in compliance to IFRS. Panel regression technique is applied with dependent variable of EPS. Following is the regression model:

$$EPS_{i,t} = \beta_o + \beta_1 IFRS_{i,t} + \beta_2 Size_{i,t} + \beta_3 Profitability_{i,t} + \beta_4 Growth_{i,t} + \varepsilon_{i,t}$$

Where EPS is the earnings per share, IFRS is a dummy variable given a value of 1 if the financial statement is prepared under IFRS, 0 otherwise. Size is the natural logarithm of total assets, Profitability is the return on assets (ROA), and Growth is the share price divided by book value per share. However, $\beta_o - \beta_4$ are the respective coefficients of the variables and $\varepsilon_{i,t}$ is the error term. Moreover, 'i' represents the number of companies and 't' represents the number of periods for panel analysis.

Definition of variables

To study the relationship between IFRS and firm's value relevance of the textile companies in Pakistan EPS is reflected to be the dependent variable and its relationship with business' profitability is evaluated using four independent variables i.e. IFRS, Size, Growth and Profitability. For the determination of value relevance of selected firms, Earnings per share is used.

Earnings per share

EPS is the part of a firm's earnings, net of taxes and preferred stock dividends, which is allocated to each share of common stock. According to Hameedi et al., (2021), it can be considered by dividing net income received in an agreed reporting period (usually quarterly or annually) by the total number of shares outstanding throughout the same term. Since the number of shares outstanding can vary, a weighted average is usually used.

International Financial Reporting Standards

IFRS existed in demand of having a similar accounting language, so that trade and financial records can be understood from firm to firm and country to country. These were allotted by the IASB, and they state accurately how accountants should state and preserve their financial statement. IFRS is a dummy variable in this research. The implementation of a collective body of international standards is probable to have the ensuing advantages: 1) lesser the rate of financial information treating and inspecting to capital market contributors as consumers, 2) understanding with one mutual set of IAS as a substitute of various limited accounting standards by Accountants and Auditors of financial reports, 3) comparability and consistency of financial statements between companies and countries constructing the work of investment analyst's easy, 4) attraction of foreign investors in addition to overall capital market liberalization (Ismail et al., 2013). Ma et al. (2022) specified that numerous emerging countries where the superiority of local governance organizations is low, the choice to adopt IFRS will be useful.

Growth

Growth is calculated by share price divided by book value per share. Share price is used in calculating the firm's growth. Abdullah and Tursoy (2021) led a cross sectional analysis and found that firm growth determined by the share price is found significant in determining the earnings per share.

Size

The size can be determined from the logarithm of natural assets to quantify the firm's size. Several measures such as the firm's assets and sales are announced to quantify the firms' size. According to Chalmers et al. (2012) the firm size tells the measure of internal control system. Large companies have active internal control system and team of capable and skilled auditors then the companies that are small in size. It leads to the consistency of its financial statements to public.

Profitability

In this study, profitability is measured by the ROA of the firm where it can be calculated as the Net Profit after taxes divided by Total assets. According to Petersen and Schoeman (2008), the value of Return on Assets delivers the evidence concerning the performance of a firm by showing an average value of profits that are produced by each unit of assets of the entity. According to Aliabadi et al. (2013), ROA is measured as the ability of a firm to create profit by the effective use of all existing assets by the organization. It is used for observing firms' performance and profitability.

Results and Discussion

Table 1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Standard Deviation
EPS	150	-1.42	5.64	1.95	1.69
Size	150	2.47	2.87	2.69	0.07
Profitability	150	-1.89	3.28	1.70	0.94
Growth	150	2.61	16.65	11.21	4.18
IFRS	150	0	0.69	0.39	0.34

The descriptive statistics in Table 1 evaluates all 150 observations of each variable. The table demonstrates that the average of dependent variable i.e. EPS is 1.95 while the mean values of Size, Profitability, Growth and IFRS are 2.69, 1.705, 11.213 and .392 respectively. On the other side, standard deviation of the variables shows the average number of deviated values. The values for standard deviation of EPS, Size, Profitability, Growth and IFRS are 1.69, .079, .940, 4.18 and .344 respectively.

Correlation Matrix

Table 2: Correlation Matrix

	EPS	IFRS	Growth	Profitability	Size
EPS	1				
IFRS	0.2912	1			
Growth	0.1660	0.0850	1		
Profitability	0.6355	0.1760	0.2615	1	
Size	0.2272	0.0927	0.3806	.2201	1

The value of correlation in table 2 between IFRS and EPS is 0.2912 which shows a positive or significant affiliation between both variables. Therefore, it is inferred that there exists a significant positive association between EPS and IFRS. The value of correlation among Growth and EPS is 0.166 which shows weak relationship between both variables. Therefore, it is interpreted that there exists a significant positive relationship between EPS and Growth. The value of correlation among Profitability and EPS is 0.6355 which shows strong relationship between both variables. Therefore, it is interpreted that there exists a significant positive association between Profitability and EPS. The value of correlation among Size and EPS is 0.2272 which show shows moderate relationship between both variables. Therefore, it is inferred that there exists a significant positive connection between Size and EPS.

Regression Analysis

Before proceeding further with the regression analysis, the regression assumptions have been achieved of normality, multicollinearity, heteroscedasticity, autocorrelation in order to have the proper and effective results. In order to check which model is suitable for the research, the results of hausman test indicates that the random effect model is more suitable for this research.

Table 3: Regression Results

EPS	Coefficient	Std. Err.	Z	P>|z|	[95% Conf.	Interval]
Size	9.097	2.016213	4.51	0.000*	5.15	13.01
Profitability	1.157306	.0624842	18.52	0.000*	1.04	1.27
Growth	-.1114008	.0437434	-2.55	0.011*	-.19	-.02
IFRS	.2736625	.5788549	0.47	0.636	-.86	1.40
Cons	-23.52558	5.265702	-4.47	0.000	-33.86	13.20

*Values significant at 1%,

These values in table 3 are used to analyze the econometric model of this research which indicates the unit of variation caused in dependent variable due to independent variables. Earnings per share are used to represent the dependent variable i.e. firm’s value relevance. By putting the values of the coefficients of the independent variables our regression equation is as follows:

$$EPS_{i,t} = -23.52558 + (0.27366)IFRS_{i,t} + (0.097)Size_{i,t} + (1.1573)Profitability_{i,t} + (-0.11140)Growth_{i,t} + \varepsilon_{i,t}$$

By putting all the values in the formula, it can be inferred that: One unit increase in firm’s value relevance, calculated through earnings per share, is caused due to 0.2736625 unit increase in IFRS. One unit increase in firm’s value is caused due to .909 unit increase in size. One unit increase in value relevance of firm is caused due to 1.157306 unit increase in profitability. One unit increase in firm's value is caused due to -0.1114008 unit decrease in its growth.

The p-value for size is less than 1% showing significant relationship among firm's value relevance and its size. The p-value for profitability is less than 1% illustrates there is significant affiliation between return on total assets and firm's value relevance. The p-value for growth is less than 1% which shows there is significant association between growth and firm's value. The p-value for IFRS is greater than the 10%. Hence, there is no association among IFRS and firm's value relevance. The significant relationship of the variables have been tested against 1%, 5% and 10% level of significance. Some of the results of previous studies in certain countries found no improvement on firm's value relevance after adopting IFRS which is very much comparable with the outcomes of this research (Garanina & Kormiltseva, 2014). The previous researches that have been prepared on the same topic develop the results of least association between IFRS and firms' value relevance (González et al., 2014; Kasztelnik, 2015). The results found in this research also derives that relation between the rests of the variables is moderate. The variables set to find companies' value relevance are IFRS, Size, Growth and Profitability, where EPS is used to denote the value relevance according to (Hillier et al., 2016). It is revised from literature that effects of this result show compliance with the results of previous studies (Chapple, 2018; Mengesha, 2016).

The research reveals that IFRS do not possess significant relationship with the firm's value relevance. From results of prior studies, it is also found that no relationship exists between IFRS and value relevance of firms. Though, in some circumstances an opposite relation is also seen dependent on different countries the nature of business and sector in which the study has been directed. According to Chalmers et al. (2012) it is found that IFRS has no relationship with greater earnings quality. The consequences proposed that IFRS measurement and reporting strategies don't seem to increase the determination of income and incomes mechanisms. Similarly, Liu and Sun (2015) studied whether the required implementation of IFRS influence the quality of earnings of the public companies in Canada. A comparison of before IFRS against the after IFRS earnings value, as restrained by flexible accruals, performance-matched discretionary accruals, slight progressive earnings, earnings determination, and the earnings response coefficient. As per results of the analysis, it is found that no association is found between the firm's value relevance and IFRS which means IFRS has no impact on value relevance.

Results of this study show that a significant affiliation exists among size and earnings per share which are same as the results of previous studies. Gastón et al. (2010) explored that there occurs a significant association among size and value relevance. Their study emphases on the consequence of IFRS on income management. In regard to Profitability, a significant relationship is found in this research. Profitability is frequently used as control variable showing the performance of businesses. It is seen in previous studies too, Profitability is related significantly with the firm's value. From the research of (Ma et al., 2022) a direct relationship is found between Profitability and firm's value.

The results of our research show that Growth is also significantly interrelated to the firm's value relevance. Study of (Hillier et al., 2016) involved the value relevance of accounting through a number of African counties from 2002-2009. Variables included EPS, changes in EPS, year-end net book value of equity per share, closing price per share, size, leverage and growth and revealed a significant relationship. Also the study of Ismail et al. (2013) showed a significant relationship of Growth with value relevance.

Conclusion

The comprehensive investigation indicates that value relevance of Pakistani firms is not significantly related to the adoption of IFRS. This means that companies value relevance remains quiet unchanged even after IFRS adoption by firms in Pakistan. The variables used for measuring value relevance are Size, Growth, Profitability and IFRS. Based on the results of research, it is concluded that even after IFRS adoption firms tend to manage their value relevance in similar way. However, high Profitability indicates company's stability as it is also an indicator of value relevance. High Growth and Size produces a positive change in the value relevance for instance a significant relationship is seen between both these variables and EPS. Though, the results disclose that IFRS has no significant influence on the firm's value relevance.

Several studies on changes in value relevance and the adoption of IFRS, which has been promoted based on some financial reporting and comparability benefits, were reviewed. The majority of the studies examined that the adoption of IFRS resulted in an increase in value relevance in the respective markets. Several studies have also found a lack of improvement in value relevance following IFRS adoption. However, the authors attributed these findings that independent variables: Profitability, Size and Growth indicate higher efficiency which have significant effect on value relevance. The connection found among independent and dependent variables is direct in case of Size, Growth and Profitability which means increase in performance of the firm's results in higher value relevance, but not in case of IFRS. The results of this study clearly specify that adoption of IFRS in textile firms is insignificantly related to firm's value relevance.

This study is important in order to discover the positive and negative influence that IFRS has on companies' productivity, so the companies of Pakistan could prosper and flourish in the long run. Reviewing the accounting standards that improve firm value will benefit both the depositors and the firms and ultimately the economy will rise. This study opens new doors for advance research. Furthermore this investigation would be useful for the Government of Pakistan in decreasing the variable costs and preserving stability and transparency among Investors. This research would highlight the earnings management problem after exploring influence of IFRS on financial reporting quality since earnings quality is an important quality of the firms value. It will offer a unique chance for the companies to re-engineer the way it appears at itself through its internal management. Adopting IFRS will also have an effect on many other parts of the companies.

The results of this research indicate that there exists an insignificant relationship between value relevance of firms and IFRS. It is suggested to the companies to increase their profitability to attain high earnings per share. To increase EPS of the companies in order to maintain the profitability by wisely utilizing its resources and by investing its assets so that high returns can be achieved. So, it is suggested to firms to consume their funds in a dynamic manner and get more returns on assets rather than not utilizing them. As firm size indicates the stability of firms, therefore companies are recommended to maintain its firm size. It is also recommended to companies to increase their growth compatible to the market value of shares to get high Market Value. Even though this research offers accurate results derived from actual data from firms' financial reports, yet there are few limitations. This study is restricted to a single sector only. Karachi Stock Exchange comprises of 156 companies in the textile sector out of which only 30 companies are studied for convenience. Other non-financial sectors including pharmaceutical, automobile industry can also be studied in future research. In addition, relationship between IRFS and Firm's value can also be examined in Asian countries.

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