

Does IFRS Adoption Reduce Unconditional Accounting Conservatism? Empirical Evidence from the SBF 250

Imen JAMMOUSSI ^{1*}

¹ Doctor in Accounting at the University of Sfax, Tunisia. Town/City: sfax Country: Tunisia. Email: imen.jammoussi2022@outlook.com

*Corresponding Author: imen.jammoussi2022@outlook.com

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ABSTRACT

The economic and financial transformations observed over the past two decades have profoundly changed the business environment and reinforced the importance of understanding the effects of international accounting standards on reporting practices. In this context, this study examines the impact of adopting IFRS standards on the level of unconditional conservatism among French companies. The analysis is based on an independent market measure, founded on accruals and commonly used to assess unconditional conservatism. The study covers a sample of 80 non-financial companies listed on the SBF 250 index, observed over a ten-year period. Estimates are made using a random effects GLS model, supplemented by a dynamic estimator to limit the risks of potential endogeneity. This approach makes it possible to isolate the specific effect of adopting IFRS on unconditional conservatism. The results show that after adopting IFRS, the level of unconditional conservatism decreases significantly. This finding highlights the effects of fair value on accounting conservatism and raises important implications for investors, regulators, standard setters, and corporate governance.

Keywords: Unconditional conservatism, Accruals-based analysis, Adoption of IFRS, French companies, Financial reporting.

INTRODUCTION

Accounting conservatism is defined as "a cautious response to uncertainty aimed at ensuring that the uncertainties and risks inherent in business situations are properly taken into account" Kale and Villupuram, (2024). For Ball et al. (2013) and Honarbakhsh, (2022), it is a matter of materiality that implies caution in the recognition and measurement of a company's results and net assets. However, it should be noted, as Basu (2005) points out, that there is no single definition of conservatism, since we can identify at least two types of accounting conservatism: that related to the income statement and that related to the company's balance sheet.

The first, or unconditional conservatism; Beaver and Ryan, (2005) and Givoly et al., (2007), consider that it tends to underestimate the net assets of the company through conservative policies and methods. It has a negative influence on the quality of accounting information.

Whereas the second, or conditional conservatism, refers, according to Khalilov and Osma, (2020), to "the high degree of caution required to recognize good news (gains) compared to bad news (losses)." Dechow et al. (2010) add: "This conservatism reduces managers' discretion in manipulating results."

Given that accounting regulations influence conservatism, we will attempt to analyze the effect of adopting International Financial Reporting Standards (IFRS) on unconditional conservatism. It should be noted that, since the end of December 2004, publicly traded companies operating in France have been required to comply with

IFRS when preparing their financial statements (Key and Kim, 2020). This reform is not isolated. It follows a widespread trend and is being pursued by many countries. In all cases, it aims to ensure transparency by harmonizing companies' accounting practices. Thus, we have moved from GAAP standards to IFRS standards, which is likely to have a significant impact on conservatism, especially since this transition allows for a more accurate representation of companies' real situations and reduces overly conservative practices. According to Vanel (2008) the accounting conservatism that prevailed in Europe, whereby only unrealized losses are recognized in financial statements, has been ostensibly downgraded.

Magnan (2009) adds that the application of fair value allows for the revaluation of assets that have been impaired, since both unrealized losses and gains are recognized. Nevertheless, researchers such as Chiapello (2005), who opposed fair value, argued that accounting conservatism prevents the distribution of fictitious dividends, given its predominant role in the net assets of the company.

There are several reasons for focusing on unconditional conservatism. Tax regulations in Europe exhibit a high level of this conservatism. Although conditional conservatism is generally preferred in financial reporting, unconditional conservatism is often still recommended. Laouane and Torra, (2023) point out that there is a compromise between these two approaches, but in European accounting systems, unconditional conservatism remains predominant, with conditional conservatism playing a secondary role. The literature presents divergent results, even when using different methodologies and samples. Unconditional conservatism is generally measured using market-based proxies. Ortega, (2017) show that the bias observed in the book value/market value ratio, as well as in related ratios, results both from accounting practices that incorporate conservatism and other mechanisms, such as historical cost, while also being conditioned by the microeconomic and macroeconomic environment.

It should be noted that only unconditional conservatism can explain the biases in the BTM ratio. Therefore, we must conclude that the results of analyses based on market measures of conditional conservatism are often biased and may distort the conclusions. Therefore, in this article, we only use measures based on unconditional conservatism accounting, such as that proposed by Givoly and Hayn (2000), which is based on accruals, which, by using non-market-based information, can capture the effect of conservative practices on the income statement. Thus, based on accruals, this analysis supports the idea that conservatism is essentially a matter of timing and sequencing of revenues and expenses relative to cash flows (Ahmed and al., 2023)

In our analysis, we use a sample of 80 non-financial companies, observed over a ten-year period centered around the year 2005. Nobes (1998) points out that, prior to the adoption of IFRS, levels of accounting prudence varied considerably from one country to another, due to cultural (Cieslewicz, 2014), legal, financial system configuration, and different incentives to which companies were subject. It is therefore plausible that the impact of the transition to IFRS varies across jurisdictions. Recent research also shows that these effects depend not only on the national accounting standards previously in force (Laouane and Torra, 2023; Filip and Raffournier 2013 ; Haller and Wehrfritz, 2013; Key and Kim, 2020; Caskey and Laux, 2017; Kale and Villupuram, 2024), but also on the institutional quality specific to each country, as confirmed by Houqe and Monem (2016) and Guermazi (2023).

This research paper is divided into five sections. In the first section, we review the literature on the effect of accounting standards on balance sheet conservatism. The second section develops the hypotheses selected. In this regard, we introduce the accrual-based measure proposed by Givoly and Hayn (2000) for unconditional conservatism. We adopt the methodology developed by Ahmed and Duellman (2007) to analyze the effect of changes in accounting regulations on balance sheet conservatism. The third section describes the data used, while the fourth section is devoted to presenting the results obtained. The robustness analysis is considered in Section five, followed by the conclusion.

THEORETICAL FRAMEWORK

Agency theory

Agency theory is one of the major conceptual foundations for analyzing the role of IFRS adoption in conservative accounting practices. According to Jensen and Meckling (1976), the relationship between shareholders (principals) and managers (agents) is marked by conflicts of interest and information asymmetry, with managers controlling access to accounting information. In this context, accounting standards are a contractual mechanism for reducing agency costs by improving the transparency of financial statements (Watts & Zimmerman, 1986).

In continental systems such as France, the institutional and legal environment has historically favored a more conservative approach to accounting, as this protects creditors and reduces the risks of wealth transfer associated with the overvaluation of assets and results (Ball et al., 2000). Unconditional conservatism through the systematic

undervaluation of assets is therefore interpreted as a disciplinary mechanism that limits managerial discretion and reduces the risk of earnings manipulation (LaFond & Watts, 2008).

However, the adoption of IFRS in 2005 introduced a new contractual framework favoring fair value and faster recognition of gains and losses. Several authors, including Ahmed & Duellman (2007) and Hung & Subramanyam (2007), have shown that the transition to IFRS tends to reduce the level of conservatism, as it changes managers' incentives and increases the importance of information relevance at the expense of the traditional principle of prudence (Cerqueira and Pereira, 2020).

Thus, from the perspective of agency theory:

- Before IFRS, conservatism strengthened creditor protection, reduced agency costs, and provided a framework for managerial discretion.
 - After IFRS, the increased requirement for transparency and economic value introduces other disciplinary mechanisms, but reduces the role of accounting conservatism as a contractual tool (Ball & Shivakumar, 2005).
- In this context, your research specifically tests the hypothesis that the new international regulatory framework changes the contractual function of unconditional conservatism within French-listed companies.

Signaling theory

Signaling theory (Spence, 1978) also provides a relevant interpretation of the effects of IFRS adoption on accounting practices. In a context where financial markets suffer from information asymmetries, companies have incentives to use accounting information to send signals aimed at reducing investor uncertainty (Morris, 1987).

Accounting policy thus becomes a communication mechanism: the quality, readability, and accuracy of published data play a central role in the valuation of the company.

In this context, a decline in unconditional conservatism after IFRS adoption can be interpreted as:

- a positive signal, indicating that financial statements now more accurately reflect economic reality thanks to fair value (Penman & Zhang, 2002),
- a strategy of informational competitiveness to attract investors and analysts by improving international comparability (Chen et al., 2010).

However, some authors, such as Chiapello (2005), point out that conservatism—by avoiding excessive or premature distributions—is also a sign of prudence and capital protection. As a result, its decline can be perceived:

- Either as a sign of modernization,
- Or as a weakening of a historical protection mechanism for non-shareholder stakeholders.

Signaling theory therefore explains that companies adjust their level of conservatism to issue information with market value that is consistent with their objectives in terms of reputation, access to financing, and stock market attractiveness.

Link between agency theory and signaling theory

The two theories converge to explain that:

- Before IFRS, unconditional conservatism played a contractual role (agency theory) and served as a signal of caution for financiers (signaling theory).
- After IFRS, the regulatory environment changed the incentives:
 - Reduced usefulness of conservatism as a protective tool,
 - Increased importance of transparency, fair value, and comparability,
 - Need to send investors signals that are compatible with global standards.

The work of Kateb (2024), Ahmed & Duellman (2007), and Ball & Shivakumar (2005) empirically confirms that the adoption of IFRS leads to a decrease in unconditional conservatism in countries with a tradition of prudential accounting, such as France.

LITERATURE REVIEW

According to Watts (2003), the literature revealed the existence of unconditional conservatism. It discussed the factors that motivate it and its impact on the relationships between different users of accounting information. However, as of January 2005, the European Union decided to make the adoption of International Financial Reporting Standards mandatory for the consolidated accounts of listed companies in order to meet the needs of international investors. According to Cerqueira and Pereira (2020), this is a shift "from creditor accounting to shareholder accounting" which aims to satisfy the profit expectations of stock market investors who require

relevant information to calculate stock prices. With this new standard, fair value has become an established valuation principle.

Several studies have confirmed that the level of accounting conservatism has decreased following the adoption of these standards. However, what has been the impact of accounting standards on balance sheet conservatism?

- In this approach, we first considered cross-sectional analyses, targeting different countries with different regulations, based on the literature. Based on the hypothesis that accounting standards determine the degree of conservatism, our results revealed different degrees of unconditional conservatism. We then conducted time series analyses. This involved studying this phenomenon in the same country during periods when the applicable accounting standards were different, due to changes in rules or legislation over time, leading to the conclusion that there are different degrees of conservatism in both the Anglo-Saxon and continental accounting systems. In this regard, De George and Shivakumar (2016) examined the effects of different accounting measurement practices on financial statements in France and Germany (continental systems) and in the United Kingdom (Anglo-Saxon system). They measured balance sheet conservatism in these countries during the period 1982–1990 using the BTM ratio. They concluded that there is unconditional conservatism, with a more pronounced effect, in countries with a continental accounting system. This corroborates the conclusions of Bassidi, (2017), who only examined the relevance of value, extending the sample to 1993.

Furthermore, Ball et al. (2000) argued that there are significant differences in conservatism between common law countries (Australia, Canada, the United States, and the United Kingdom) and civil law countries (France, Germany, and Japan), given the different time frames for incorporating relevant information in terms of value. For their part, Key and Kim, (2020), expanding research on the international analysis of accounting conservatism, examined the level of accounting conservatism in eight European countries. They used the country-specific market-to-book (MTB) ratio proposed by Cerqueira and Pereira (2020) for these eight countries and concluded that balance sheet conservatism practices existed in all the countries analyzed for the period 1987–2000. However, the incidence is higher in countries with a continental accounting system (Ahmed and al., 2023).

Research on accounting conservatism in the United States has focused on measuring the degree of conservatism over various periods, while accounting for modifications in the Anglo-American accounting framework. In this context, Fullana and al., (2019) and Dayanandan and al., (2016) adopt the market-to-book (MtB) and adjusted market-to-book (MtBa) ratios as measures of unconditional conservatism. Their findings indicate that these ratios have remained consistently high across three decades, providing evidence of persistent accounting conservatism among publicly listed U.S. companies, and further reveal a gradual upward trend in conservatism over time.

Hu and Jiang, (2019) analyzed changes in unconditional conservatism in the Spanish market during the period 1986–1995, examining the Spanish accounting reforms of 1989. They found a modest improvement in the relevance of accounting information, concluding that there was no significant change in balance sheet conservatism. (Guermaz, 2023)

The fact remains that the adoption of international accounting standards is taking place in an accounting environment that is heavily influenced by current events. Furthermore, our research focuses on the effect of adopting IFRS on the unconditional conservatism of companies listed on a European stock market. Although numerous studies have examined the influence of international standards on the quality of financial information, no consensus has yet been reached on this issue. Indeed, some authors, such as Elbakry et al. (2017), Dayanandan et al. (2016), and Laouane and Torra (2023), consider international standards to be benchmarks of quality, while others, notably Hessayri & Saihi (2015), Hung & Subramanyam (2007) and Halabi et al. (2019), believe that these standards do not contribute to improving the quality of financial information. In any case, the work of Fullana et al. (2019) provides a detailed summary of previous research in this field. They use a methodology based on the market model developed by Ahmed and Duellman (2007), taking into account both the value of growth options embedded in the market value of companies (Roychowdhury and Watts, 2007) and the explanatory factors of unconditional conservatism independent of accounting principles (Ball et al., 2003; Ding et al., 2007).

Furthermore, to avoid any problems, the authors used dynamic panel data including instrumental variables to estimate the model, in accordance with the recommendations of Larcker and Rusticus (2010), since the methodology of Ahmed and Duellman (2007) uses autocorrelated financial and accounting variables, which may include a dependency between the regressors and the model residuals; and therefore, endogeneity problems. Thus, we can deduce, according to the authors, that the adoption of IFRS reduces the unconditional conservatism of Spanish listed companies. We can therefore deduce that in countries with continental accounting systems, IFRS standards represent a significant change from GAAP, which corresponds to previous accounting practices, since GAAP is very conservative in these countries. It should also be noted that the transition from GAAP to IFRS reduces these conservative practices and decreases the bias of undervaluing net assets by providing a representation of the company's economic conditions that is very close to reality. (Khalilov and Osma, 2020; Ortega, 2017)

It is clear, however, that in France there is a marked difference between IFRS and French GAAP. The effect of the transition from GAAP to IFRS on unconditional conservatism is negative in cases where IFRS reduces unconditional conservatism. It is positive in cases where it increases it. It is neutral when the adoption of IFRS does not affect unconditional conservatism. (Krishnan and Zhang, 2019) Table 2 shows that, while in ten cases there is a reduction in unconditional conservatism.

Measurement of unconditional conservatism based on accruals

The effects of unconditional conservatism on medium- and long-term financial results are examined by Givoly and Hayn (2000), who argue that differences between a company's accounting results and cash flows should correct themselves in the long term. The authors conclude that conservative practices necessarily lead to negative differences in accruals, suggesting that over a given period, the average difference indicates the level of conservatism of the company.

Givoly and Hayn (2000) and Ahmed et al. (2002) define this measure of conservatism as: "earnings before extraordinary items minus operating cash flow plus depreciation, divided by the average assets of the previous three years." Thus, high and positive values of this measure indicate a higher degree of unconditional conservatism. This measure includes current assets and liabilities, deferred taxes, gains or losses on the sale of assets, provisions for doubtful accounts, and deferred income and expenses. It allows managers to exercise conservatism in a discreet manner, both in terms of amounts and for each accounting event. (Laouane and Torra, 2023)

Ahmed and Duellman model (2007)

We now need to control for variations in unconditional conservatism due to idiosyncratic factors unrelated to accounting standards in order to isolate the real effect of IFRS implementation on the average unconditional conservatism of the companies in the sample. To do this, we follow the methodology of Ahmed and Duellman (2007), who used an accounting proxy for unconditional conservatism, avoiding incorporating the value of growth options linked to the company's market returns, while adding idiosyncratic control variables, which are:

- Size: this variable has an indeterminate effect, even though large companies often face higher political costs and therefore tend to be more conservative, as pointed out by La Fond and Watts (2008). They could, however, reduce their conservatism as their stakeholders demand more information.

- Sales growth: according to Ahmed et al. (2002), there are two reasons why sales growth can affect the measurement of unconditional conservatism. First, because it affects revenues and expenses through inventories and accounts receivable, and second, because in companies where sales are declining, the measurement of accruals is a poor measure of accounting conservatism. We can therefore expect sales growth to have a negative effect on unconditional conservatism.

- Research and development costs: operating opportunities, as proposed by Ahmed (1994), argues that these costs can generate revenue and several other opportunities.

Level of indebtedness: According to Ball et al. (2008), unconditional conservatism is ineffective in debt processes, which have a negative effect on accounting conservatism. According to the author, companies that take on debt attempt to reduce this conservatism, which supports the idea that debt markets do not require balance sheet conservatism. (Ortega, 2017)

- Litigation risk: Generally, litigation affects companies that overestimate their capital and profits. Accounting conservatism may reduce a company's ability to counter litigation.

In any case, we will provide the econometric model to be estimated below:

$$CON_ACC_{it} = \alpha + \beta_0 IFRS_{it} + \beta_1 Size_{it} + \beta_2 SGR_{it} + \beta_3 RD_{it} + \beta_4 Debt_{it} + \beta_5 Litigation_{it} + \varepsilon_{it} \quad (1)$$

Where *i* represents the company and *t* represents the year.

CON-ACC is the result before extraordinary items, minus operating cash flow, plus depreciation deflated by the average assets of the previous three years;

IFRS is a dichotomous variable. It is equal to 1 if the explained variable belongs to the IFRS period (2005–2009) and zero if it belongs to the GAAP period (2000–2004);

Size is the natural logarithm of the average total assets.

SGR is the percentage growth in sales per year;

RD represents research and development expenditure divided by revenue;

Debt is total debt divided by the market value of equity; and

Litigation is a dichotomous variable equal to zero if the company belongs to the technology sector and one otherwise.

This model reveals that the coefficient associated with the dichotomous variable IFRS increases the effect of the adoption of the new regulations on the unconditional conservatism of companies from January 2005 onwards. In fact, in France, according to Chiapello (2005), until December 31, 2004, accounting standards favored accounting conservatism and creditor protection. As of that date, it adopted IFRS. In our research, we will attempt to determine whether the transition to International Financial Reporting Standards has led to a decrease or increase in the level of accounting conservatism in this country and whether this applies to all companies regardless of their size and level of indebtedness. (Oreshkova, 2017)

In any case, the value of this parameter must be negative and significant, showing that after the adoption of IFRS, there is a reduction in the unconditional conservatism of companies as measured by the CON-ACC variable.

Sample

We targeted 80 non-financial companies listed on the French SBF 250 market to form our sample. We worked on a period from 2000 to the end of 2009.

The variables we use are taken from DataStream. These are total assets, sales growth rate, R&D expenditure, operating cash flow, total debt, inventories, accounts receivable, other current assets, accounts payable, other current liabilities, and sectors.

The number of observations per variable is 800: 325 belong to the GAAP period and 475 to the IFRS period.

The table below shows the companies targeted, classified by industry sector. We calculated the unconditional conservatism measure using variables from DataStream. The figures may vary depending on the actual availability of reports for each company.

Table 1. Companies by sector

Industry:					
Energy and resources					30
Healthcare and pharmaceuticals:					7
Consumer goods and distribution:					11
Services and consulting:			12		15
Construction and real estate			5		

Panel A of the table below presents descriptive statistics for the unconditional conservatism measure (CON-ACC) for the entire sampling period. The GAAP and IFRS periods are presented in panels B and C. To measure unconditional conservatism and control variables, we used the number of observations, the mean, the standard deviation, and the minimum values. CON-ACC has a mean of 0.0343 for the period 2000-2009. Our statistics highlighted the different orders of magnitude of the control variables and the measurement of conservatism.

Comparing the data from Panel B and Panel C, the initial hypothesis of the effect of IFRS implementation on unconditional conservatism is confirmed, since the mean changes from 0.038 during the GAAP period to 0.0283 during the IFRS period. However, a superficial analysis of the standard deviations reveals that these averages are statistically different.

Table 2. Descriptive statistics

Variables	obs.	Mean	std. Dev.	Min	Max
Panel A. Total sample (2000-2009)					
CON-ACC	800	0.034	0.005	-0.076	0.127
Size	800	2.91	0.463	1.18	5.847
SGR	800	0.109	0.394	-0.607	2.98
RD	800	0.005	0.025	0.0001	0.413
Debt	800	1.346	3.299	0.023	32.23
Litigation	800	0.502	0.500	0	1.000
Panel B. GAAP period (2000-2004)					
Variables	obs.	Mean	std. Dev.	Min	Max
CON-ACC	325	0.038	0.0213	-0.061	0.132

Size	325	2.71	0.493	1.183	4.899
SGR	325	0.083	0.589	-0.529	2.980
Rd	325	0.002	0.005	0.0001	0.049
Debt	325	1.424	3.902	0.025	25.89
Litigation	325	0.050	0.217	0	1.000
Panel C. period (2005-2009)					
Variables	obs.	Mean	std. Dev.	Min	Max
CON-ACC	475	0.028	0.037	-0.071	0.1321
Size	475	2.891	0.618	1.311	5.0361
SGR	475	0.097	0.412	-0.671	1.730
RD	475	0.007	0.046	0.0001	0.418
Debt	475	1.731	4.485	0.037	32.23
Litigation	475	0.061	0.239	0	1.000

The standard deviation (SD), minimum value, and maximum value are indicated for each variable.

CON-ACC is the measure of accounting conservatism based on accrual accounting and inflation; Size represents the natural logarithm of the 3-year average of total assets; SGR is the adjusted annual sales growth rate; RD is R&D expenditure divided by sales; Debt represents total short- and long-term debt divided by the book value of equity; and Litigation is a dichotomous variable. It is equal to zero when the company belongs to the technology sector and 1 if not.

Remember that the total number of observations per variable is 800: 325 observations for the GAAP period and 475 for the IFRS period.

For panel A, we presented the correlation coefficients between the measure and the various control variables for the total sample. We used Pearson's correlation coefficient between the variables, which we indicated when its significance reached a level of 5%. Our results show that the measure of unconditional conservatism is negatively and significantly related to SGR and positively and significantly related to size. However, it should be noted that RD, Debt, and Litigation are not significantly correlated with our variable of interest at the 5% level.

Analysis of the correlations between variables during the GAAP and IFRS periods (panels B and C) reveals an increase in the intensity of the relationships between the Size and Debt variables. Thus, large companies with high debt ratios are more conservative during the IFRS period. We also note a reduction in the effect of R&D expenditure and litigation on unconditional conservatism during the IFRS period, and stability between the sales growth rate and unconditional conservatism.

Table 3. Correlation matrix

Variables	1	2	3	4	5	6
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Panel A. Total sample:800 observations (2000-2009)

CON-ACC (1)	1.000					
Size (2)	0.183	1.000				
SGR (3)	-0.227	-0.205	1.000			
RD (4)	0.034	0.007	-0.013	1.000		
Debt (5)	-0.045	-0.142	0.051	-0.007	1.000	
Litigation (6)	-0.045	0.065	0.023	-0.0215	0.036	1.000

Panel B. GAAP period (2000-2004)

Variables	1	2	3	4	5	6
CON-ACC (1)	1.000					
Size (2)	0.445	1.000				
SGR (3)	-0.622	-0.264	1.000			
RD (4)	0.008	-0.024	-0.04	1.000		
Debt (5)	0.026	0.07	-0.032	0.007	1.000	
Litigation (6)	-0.041	0.078	-0.004	-0.025	0.060	1.000

Panel C. IFRS period (2005-2009)

Variables	1	2	3	4	5	6
CON-ACC (1)	1.000					
Size (2)	0.140	1.000				

SGR (3)	-0.247	0.033	1.000			
RD (4)	-0.043	-0.037	-0.04	1.000		
Debt (5)	0.051	-0.017	-0.01	-0.015	1.000	
Litigation (6)	-0.079	0.073	0.024	-0.030	-0.034	1.000

Estimation Results

The table below presents the results of the econometric model estimates. We will present the results of the estimates, first with variables not adjusted for inflation (column 1) and then with variables adjusted for inflation (column 2). We use Pearson's coefficient to calculate the correlation at a 5% significance level. CON-ACC is the measure of accounting conservatism based on inflation and adjusted for accruals; Size is the natural logarithm of the three-year average of total assets; SGR is the annual sales growth rate adjusted for inflation; RD is R&D expenditure adjusted for inflation; Debt is total debt divided by the book value of equity capital; and Litigation is a dichotomous variable equal to zero if the company belongs to the technology sector and 1 if not. The total number of observations is 800; 325 for the GAAP period and 475 for the IFRS period.

Table 4. Results for model estimations

	(1) CON-ACC GLS-Random	(2) CON-ACC GLS-Random	(3) CON-ACC GMM-SYS	(4) CON-BTM GMM-SYS
IFRS	-0.001(0.159)	-0.003***(0.001)	-0.005***(0.005)	-0.364***(0.000)
Size	0.010***(0.000)	0.009***(0.000)	0.009*(0.022)	0.342***(0.002)
SGR	-0.023***(0.000)	-0.022***(0.000)	-0.026***(0.000)	1.122***(0.004)
RD	-0.0006 (0.962)	-0.002(0.929)	-0.003(0.167)	37.167(0.301)
Debt	-0.0001(0.129)	0.0001 (0.246)	0.00005(0.877)	5.415**(0.014)
Litigious	0.0004(0.579)	0.0006(0.496)		
CFO				-0.213***(0.001)
Constant	0.008***(0.003)	0.010***(0.005)	0.01(0.398)	-1.855***(0.000)
N	800	800	800	800
Wald test	159.35(6) (0.000)	57.37(6) (0.000)	68.80(5) (0.000)	48.98(6) (0.000)
Sargan test			69.46(0.864)	36.54(0.000)
AR (2)			1.08(0.278)	0.9852(0.342)

***denotes $p < 1\%$, **denotes $p < 5\%$, and *denotes $p < 10\%$.

Note that the estimated coefficient and p-value are shown in parentheses. CON-ACC is the measure of accounting conservatism; IFRS is a dummy variable equal to 1 for the IFRS period and zero for the GAAP period; Size is the natural logarithm of total assets, averaged over a three-year period; SGR is the annual sales growth rate; RD is R&D expenditure divided by sales; Debt is total debt divided by the book value of equity; Litigious is a dichotomous variable equal to zero if the company belongs to the technology sector and 1 otherwise. We used the Windmeijer (2005) model in GMM-SYS. to calculate p-values using robust matrices consistent with heteroscedasticity and autocorrelation covariance.

In this research, it seems clear that the generalized least squares (GLS) method with random effects is the appropriate estimation procedure. To better compare the results and to be able to take into account the likely endogeneity of the variables in the equation, we followed the approach of Fullana et al. (2019), using inflation-adjusted variables. This allowed us to estimate the model with a dynamic estimator adapted to panels with a small number of periods and a large number of individuals, and where the independent variable is not exogenous. Column 3 shows the results of the GMM-SYS estimation. In addition, for comparative purposes, we have reproduced in column 4 the results of Fullana et al. (2019), who used the adjusted book-to-market ratio (MTB) as a measure of unconditional conservatism and the GMM-SYS.

Our results in columns 2 and 3 show that the variable measuring the difference between periods of unconditional conservatism (IFRS) is negative and significant at the 1% level. This indicates a significant reduction in unconditional conservatism measured by CON-ACC during the transition from the GAAP period to the IFRS period, this result is robust for both estimation methods, even when using inflation-adjusted data.

Furthermore, correlation analysis revealed that the effect of the sales growth rate (SGR) is also significant at the 1% level, as is the effect of size, albeit at a lower level. RD, debt, and litigation are variables from the model that have no significant effect.

A comparison of columns 1 and 2 reveals the impact of adjusting the main data series to correct for inflation. Using unadjusted data, the IFRS variable is no longer significant. This leads us to conclude that the effect of inflation may mask the real impact of IFRS adoption on unconditional conservatism and thus lead to erroneous conclusions, as in all studies that use time series.

Nevertheless, our results are consistent with the conclusions of Fullana et al. (2019), who used a similar methodology, measuring unconditional conservatism with BTM, to conclude that the adoption of IFRS leads to a significant reduction in the accounting conservatism of French listed companies. However, it should be noted that the Size and Debt variables in the results of Fullana et al. (2019) are very significant and closely linked to share prices.

It should be remembered that the purpose of accounting is to provide information on a company's financial position, based on laws and regulations that set objectives, principles, and technical rules. In France, the General Accounting Plan (PCG) and the International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB) and approved by European regulations are the main normative sources used to prepare financial statements and inform stakeholders about the economic and financial "reality" of a company. It should also be noted that the aim of requiring publicly traded companies to adopt IFRS is to harmonize accounting practices not only in Europe but also globally. This has had a positive effect on reducing unconditional conservatism. In this sense, according to Khalilov and García-Osma (2020): "*there is a positive relationship between unconditional conservatism and higher pjeanprofitability of insider transactions from sales*"; for Vander-Bauwhede (2007), the cost of debt for companies with higher unconditional conservatism is greater. They assert that there is a negative relationship between unconditional conservatism and contract efficiency. This is in line with the conclusions of Ball and Shivakumar (2005); Ruch and Taylor (2015), meanwhile, note that unconditional conservatism facilitates earnings management, which corroborates the studies by Penman and Zhang (2002) and Jackson and Liu (2010). It is therefore fair to say that unconditional conservatism leads to a decrease in transaction profitability, a reduction in corporate debt costs, a decrease in "real" earnings management (Xu et al., 2007), and an improvement in the quality of financial information (Dayanandan et al., 2016). According to Houqe (2018), "by reducing information asymmetry, improving the quality of information for users, enhancing transparency and comparability, and positively influencing financial markets."

In addition, the adoption of IFRS improves the accuracy of financial analysts' forecasts. In this sense, Penman and Zhang (2002) and Mensah et al. (2004), Kim et al. (2019) have argued that analysts fail to correctly adjust their earnings forecasts to account for the effect of unconditional conservatism. As a result, the adoption of IFRS helps to reduce the bias in financial analysts' forecasts.

Robustness Analyses

The table below shows the results of estimating equation (1) by changing the periods that define the GAAP period and the IFRS period in this subsample. We reduced the length of the sample by omitting the first and last years of our sample and reducing the GAAP period and the IFRS period to four years. We present these results using 639 observations in column (2). Comparing these results with those in column (1), which reproduce column (3) of the previous table, reveals that they remain quantitatively and qualitatively unchanged: the slope coefficient of our variable of interest (IFRS) is negative and significant at 1%.

We then removed the year 2005 from the sample to minimize normative and managerial transition effects. The IFRS period begins in 2006. The results of the point estimate are presented in column (3) of the table. They are very close to those corresponding to the complete sample presented in column (1). Indeed, the slope coefficient of the IFRS dummy variable remains negative and significant at the 1% level.

Table 5. Robustness check results

	(1) 2000-2009	(2) 2001-2008	(3) Excluding 2005	(4) Crisis control
IFRS	-0.005***(0.005)	-0.006***(0.004)	-0.003***(0.008)	-0.005***(0.009)
Size	0.009**(0.022)	0.012**(0.036)	0.0063**(0.041)	0.009**(0.021)
SGR	-0.026***(0.000)	-0.031***(0.000)	-0.028***(0.001)	-0.026***(0.000)
RD	-0.003(0.167)	-0.003(0.132)	-0.001(0.387)	-0.003(0.185)
Debt	0.00005(0.877)	0.00005(0.882)	-0.0002(0.376)	-0.00004(0.899)

Crisis				0.001(0.274)
Constant	-1.855***(0.000)	0.004(0.797)	0.02(0.028)	0.01(0.413)
N	800	639	720	800
Wald test	68.80(5) (0.000)	71.45(5) (0.000)	73.36(5) (0.000)	68.80(5) (0.000)
Sargan test	69.46(0.864)	64.91(0.843)	64.5 (0.825)	68.51(0.982)
AR (2)	1.08(0.278)	-0.47(0.635)	1.47(0.140)	0.860(0.390)

***denotes $p < 1\%$, **denotes $p < 5\%$, and *denotes $p < 10\%$.

Note that the dependent variable CON-ACC represents the inflation-adjusted measure of accounting conservatism; IFRS is a dummy variable equal to 1 for the IFRS period (2005–2009) and equal to 0 for the GAAP period (2000–2004); Size is the natural logarithm of total assets, averaged over a three-year period; SGR is the annual inflation-adjusted sales growth rate; RD is R&D expenditure divided by inflation-adjusted sales; Debt is total debt divided by the inflation-adjusted book value of equity; Litigious is a dichotomous variable equal to zero if the company belongs to the technology sector and 1 otherwise. Crisis is a dummy variable equal to 1 if the year is 2008 or 2009 and 0 otherwise. The p-values are calculated using robust matrices, compatible with heteroscedasticity and autocorrelation covariance. For this, we used the Arellano-Bond test for second-order autocorrelation.

The coefficients do not show statistically significant autocorrelation of order 1 or 2 in the residuals of your model. We can therefore conclude that the AR (2) test is useful for diagnosing and correcting autocorrelation problems in the residuals of an econometric model. It provides more reliable and valid results.

Finally, to control for the possible effect of the financial crisis on the results, we included in the model a crisis dummy variable that takes a value of one in the crisis years included in the sampling period, 2008 and 2009, and zero in the other years. We then observed that the crisis is not significant and that the value of our variable of interest and its significance remain unchanged, confirming the strong robustness of our results.

CONCLUSIONS

It should be noted that few articles dealing with the impact of the adoption of International Financial Reporting Standards on accounting conservatism are cited in the literature (Sanjaya, 2023). Indeed, the literature on the effect of the mandatory adoption of IFRS on accounting conservatism in French listed companies reveals that only market-based proxies were used to measure unconditional conservatism in the companies in the sample. In this approach, we avoided the difficulties of controlling for all factors other than conservatism to provide new evidence using an accounting measure of unconditional conservatism. The measure of unconditional conservatism based on provisions proposed by Givoly and Hayn (2000) was chosen.

We studied a sample of non-financial companies listed on a French stock market over a 10-year period between 2000 and 2009. We sought to highlight the differences between local GAAP and IFRS, drawing on the literature and country-specific studies. To do this, we used a panel data methodology to control for all the explanatory factors identified in the literature. We concluded that the mandatory adoption of IFRS by listed companies necessarily leads to a significant reduction in unconditional conservatism.

Our results are consistent with those of Fullana et al. (2019), who argued for a decrease in unconditional conservatism after the adoption of IFRS by listed companies.

We hope that corporate governance and debt market advocates, as well as financial market players and policymakers, will make good use of these results.

On an academic level, our results highlight the importance of using accounting measures to analyze accounting practices, even if this only concerns listed companies.

Let us also note the harmonizing effect of the adoption of IFRS by French listed companies. Indeed, the reduction in unconditional conservatism leads first to a decrease in the higher profitability of insider transactions from sales, due to its relationship with improved contract efficiency. which is negatively linked to unconditional conservatism, then to a decrease in earnings management, facilitated by unconditional conservatism, and finally to a reduction in bias in financial analysts' forecasts, since unconditional conservatism makes it difficult to adjust earnings forecasts. Ultimately, our results point to a positive effect of the transition to IFRS on the level of accounting conservatism among French companies. However, it should be noted that this effect stems from a study specific to a particular system, country, sample, and event. Research on alternative contexts may help to understand the temporal evolution and cross-sectional differences in unconditional conservatism among companies.

Also, as Ruch and Taylor (2015) argue, further research on unconditional conservatism is needed, as it can provide a real insight into the effects of accounting conservatism, particularly in countries with a codified accounting system where unconditional conservatism is imposed.

Our future research will deepen the analysis of unconditional accounting conservatism and highlight its causes, costs, and benefits, as well as its relationship with conditional conservatism.

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