

IFRS adoption and the value relevance of accounting information: A panel data analysis of Egypt's emerging capital market

Gihan M. Ali^{a,b,*}, Mohamed S. El-deeb^c and Mohammad Zaid Alaskar^d

^aDepartment of Accounting, College of Business Administration in Hawtat Bani Tamim, Prince Sattam bin Abdulaziz University, Saudi Arabia

^bDepartment of Accounting, Faculty of Commerce, Damanhour University, Damanhour 22514, Egypt

^cDepartment of Accounting, October University for Modern Sciences and Arts (MSA), 6 of October, Egypt

^dDepartment of Accounting, College of Business Administration in Hawtat Bani Tamim, Prince Sattam bin Abdulaziz University, Saudi Arabia

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ABSTRACT

This study examines the impact of mandatory International Financial Reporting Standards (IFRS) adoption on the value relevance of accounting information in Egypt's emerging capital market. Using a panel dataset of 631 firm-year observations from non-financial companies listed on the Egyptian Stock Exchange during 2012–2024, the study investigates the association between stock prices and two key accounting measures, earnings per share (EPS) and book value per share (BVS), before and after the mandatory adoption of IFRS in 2016. The empirical analysis employs price-level valuation models, firm fixed-effects panel regressions with interaction terms, and robustness tests incorporating macroeconomic controls and year fixed effects. The findings reveal a significant structural change in the relationship between accounting information and market values following IFRS adoption. Specifically, the interaction between book value and IFRS adoption is positive and highly significant, indicating that IFRS implementation enhances the value relevance of balance-sheet information. In contrast, the interaction between earnings and IFRS adoption is statistically insignificant, suggesting limited improvement in the contemporaneous informativeness of earnings. Additional analyses show that value relevance varies across firm characteristics, with stronger effects observed among profit-making firms, Big4-audited firms, and larger companies. Overall, the results suggest that IFRS adoption improves the usefulness of financial reporting for equity valuation primarily through enhanced balance-sheet information. The study contributes new evidence from an emerging capital market and offers insights for investors, regulators, auditors, and policymakers seeking to improve financial reporting quality and market transparency.

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1. Introduction

The adoption of International Financial Reporting Standards (IFRS) represents a global trend driven by the demand for improved efficiency, comparability, and transparency in cross-border financial reporting. A key aspect of this goal is the value relevance of accounting data, the ability to explain and predict stock prices and returns (Ohlson, 1995). According to Barth et al. (2008), value-relevant accounting data helps investors better understand a company's financial health and prospects, which supports well-informed investment decisions and fosters effective capital markets. However, the relationship between IFRS adoption and value relevance is complex, influenced by factors such as industry practices, enforcement mechanisms, and regional economic conditions, and is not always straightforward (Alsarayreh et al., 2022; Clarkson et al., 2011; De George et al., 2016). While IFRS is expected to enhance value relevance through improved transparency and comparability, empirical evidence indicates that its impact depends on factors such as firm-specific characteristics, institutional environments, and the overall quality of financial reporting (Imhanzenobe, 2022; Outa et al., 2017). Consequently, understanding how IFRS adoption interacts with firm characteristics and institutional conditions remains an important research question. The emerging market of Egypt offers a particularly relevant setting in which to examine these issues. Although Egypt initially adopted an IAS-based accounting framework in 1997, the country implemented mandatory IFRS-aligned standards in 2016 (Ebaid, 2022). This transition occurred during a period characterized

* Corresponding author

E-mail address g.ali@psau.edu.sa (G. M. Ali)

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by considerable macroeconomic and political volatility, including currency devaluation, high inflation, and structural economic reforms. Such conditions may influence both the reliability of financial statements and investors' reliance on accounting information when forming valuations. Despite this distinctive institutional context, empirical evidence on the consequences of IFRS adoption in Egypt remains relatively limited (Elbolok et al., 2022). The current research examines whether IFRS adoption altered the value relevance of accounting information for non-financial companies listed on the Egyptian Stock Exchange over the period 2012–2024. Specifically, the study examines the association between stock prices and two key accounting measures, earnings per share (EPS) and book value of equity per share (BVS), before and after IFRS adoption. Accordingly, the study asks whether mandatory IFRS adoption strengthened the association between accounting numbers and market values in the Egyptian capital market. To capture potential structural changes in valuation relationships, the analysis combines traditional price-level regressions with firm fixed-effects panel models incorporating IFRS interaction terms. This approach allows the study to identify whether IFRS adoption strengthened the association between market prices and specific accounting measures while controlling for unobserved firm-level heterogeneity. The study also performs several robustness tests designed to address methodological concerns frequently raised in the value-relevance literature. These include models incorporating macroeconomic controls and year effects, as well as a returns-based specification to mitigate potential scale effects associated with price-level regressions. By evaluating the stability of the results across alternative specifications, the analysis provides a more comprehensive assessment of how IFRS adoption affects the informativeness of accounting numbers.

This study contributes to the literature in several ways. First, it provides new empirical evidence on the consequences of mandatory IFRS adoption in Egypt, an emerging capital market characterized by macroeconomic volatility and evolving institutional structures. By examining how IFRS adoption influences the value relevance of accounting information in this setting, the study extends the evidence on financial reporting quality beyond the developed markets that dominate prior research. Second, the study advances understanding of the mechanisms through which IFRS adoption affects value relevance. The findings show that improvements are concentrated primarily in book value relevance, while the incremental informativeness of earnings remains limited. This distinction contributes to the ongoing debate regarding whether IFRS enhances the usefulness of accounting information uniformly across different financial statement components.

Third, the study offers a methodological contribution by combining price-level valuation models, firm fixed-effects panel regressions, interaction effects, and multiple robustness tests incorporating macroeconomic controls and year fixed effects. This approach helps address concerns related to scale effects, macroeconomic shocks, and unobserved firm heterogeneity that have frequently challenged value-relevance research. Fourth, the study documents significant heterogeneity in the effects of IFRS adoption across firm characteristics. The results indicate that profitability, auditor quality, and firm size moderate the association between accounting information and market values. These findings provide insights into the firm-level conditions under which improvements in financial reporting quality are more likely to be reflected in capital market outcomes. Overall, the study contributes to the literature on IFRS adoption, financial reporting quality, and capital market valuation by demonstrating how international accounting standards interact with institutional conditions and firm characteristics in an emerging market. The findings provide implications for investors, regulators, auditors, and policymakers seeking to enhance financial reporting transparency and market efficiency in developing economies.

2. Literature review and hypotheses development

2.1. Theoretical Underpinnings

Theoretically, the examination IFRS adoption's value relevance is rooted in two complementary theories: Information Economics Theory and Institutional Theory. Information economics theory, developed by Akerlof (1970) and Spence (1973), postulates that accounting standards help reduce information asymmetry between companies and investors. This perspective predicts that high-quality standards like IFRS lower information acquisition costs, thereby enhancing the precision of public available information (Lambert et al., 2007). Supporting this notion, Holthausen and Watts (2001) argue that value relevance research provides direct evidence of accounting information's role in reducing information asymmetry, as such studies assess the statistical relationship between accounting figures and equity market values.

Another complementary theoretical lens for examining IFRS adoption and its outcomes is Institutional Theory. As articulated by DiMaggio and Powell (2000), institutional isomorphism suggests that organizations adopt similar practices not only for efficiency related reasons but also due to coercive, mimetic, and normative pressures. This framework provides valuable insights into how the relative benefits of IFRS adoption may vary across different institutional contexts. Supporting this view, Daske et al. (2008) demonstrate that firms' reporting incentives and the institutional framework of countries significantly influence the economic consequences of IFRS implementation. The above theoretical perspective becomes particularly important in developing markets such as Egypt, where the institutional pressures for IFRS adoption interact with local institutional characteristics to yield a different effect on the value relevance of accounting information. Recent empirical evidence by Christensen et al. (2013) and Brüggenmann et al. (2013) supports this theoretical prediction, as enforcement mechanisms and institutional complementarities significantly influence the outcomes of IFRS adoption.

Recent studies offer valuable insights into the impact of IFRS adoption on transparency and comparability. For instance, Penela et al. (2022) analyzed factors influencing a favorable business climate, focusing on ease of doing business (EDB) and getting credit (GC) indicators. Using fuzzy-set qualitative comparative analysis, they found that adopting IFRS enhances financial statement comparability, lowering investor costs and attracting foreign investment. Moreover, Alsarayreh et al. (2022) examined the effects of financial instruments reported under IFRS on value relevance, focusing on 35 European companies listed on the London Stock Exchange from 2007 to 2019. Emphasizing the adoption of IFRS 7 and IAS 32 disclosure standards, findings revealed that financial knowledge about financial instruments (FIs) is generally valuable. Additionally, earnings and book value of common equity positively impact value relevance over the study period. Ma et al. (2022) find that accounting quality and IFRS adoption significantly enhance banking efficiency in Pakistan. Kateb (2024) investigated the impact of IFRS adoption on financial reporting quality in Saudi Arabia. Analyzing data from 92 firms from 2012 to 2020, the findings revealed that IFRS adoption significantly reduces earnings management practices, enhancing financial reporting transparency. Furthermore, Závodný & Procházka (2023) demonstrated that the effects of IFRS adoption on financial reporting quality vary across countries, with stronger gains observed in countries with better investor protection and more developed capital markets. Analyzing Taiwan non-financial firms from 2015–2022, Hsu & Liu (2024) show a decline in crash risk post-IFRS 16 adoption, particularly for firms with less sophisticated investors and weaker corporate governance. The results highlight the role of IFRS 16 in mitigating crash risk through improved information transparency and financial statement comparability.

These studies support our approach, emphasizing the need to examine IFRS adoption through a context-specific lens. Our research, focusing on Egypt's unique institutional landscape, contributes to understanding how international accounting standards interact with local market conditions to influence financial reporting quality, transparency and comparability.

2.2. *Contingent factors influencing the empirical results*

The value relevance of accounting information, its ability to explain and predict stock prices and returns, has been a central focus in the literature on IFRS adoption (Imhanzenobe, 2022; Outa et al., 2017). Proponents assert that IFRS enhances value relevance by improving transparency and quality; however, empirical evidence reveals a more nuanced reality, emphasizing the contingent nature of these effects (De George et al., 2016; Imhanzenobe, 2022). This review explores the empirical findings on the relationship between IFRS adoption and value relevance, with a particular focus on the factors that shape these outcomes. Several potential explanations exist for the inconsistencies in the empirical findings, including differences in institutional environment, firm-specific characteristics, and methodologies utilized in prior studies. Firstly, the strength of legal and regulatory enforcement plays a crucial role in determining the effectiveness of IFRS adoption. Studies suggest that the benefits of IFRS are more pronounced in countries with robust enforcement mechanisms and strong investor protection (Daske et al., 2008; Garanina & Kormiltseva, 2013; Li, 2010). Additionally, differences in political systems across countries can influence the impact of IFRS adoption on value relevance. For example, countries with low levels of corruption may experience greater benefits from IFRS adoption (El-Diftar & Elkalla, 2019). Consequently, this impact might be more prominent in developed economies with stronger institutional settings compared to developing economies (Outa et al., 2017). Moreover, firm-specific variables such as size, profitability, auditor type, and industry affiliation may moderate the effect of IFRS adoption on the value relevance of accounting information. According to Alomair et al. (2022), the effect of adopting IFRS is likely to be more significant for profitable firms, firms audited by major auditing firms, and larger firms, given their greater exposure to international markets and the availability of resources. Furthermore, the impact of IFRS adoption may vary across industries due to their unique operational characteristics and accounting methods. Barth et al. (2014) suggest that the effect of fair value accounting is more pronounced in financial institutions compared to non-financial institutions under IFRS. Eventually, different studies employ various methodologies, including price-based and return-based regressions, and incorporate different control variables, leading to diverse results overall.

2.3. *The impact of IFRS Adoption in emerging markets and MENA region*

The literature on the value relevance of accounting information in emerging markets, particularly following the adoption of IFRS, reveals both positive and nuanced outcomes across various regions. Several studies converge on the conclusion that IFRS adoption generally enhances the value relevance of accounting information, though the extent and nature of these effects vary depending on the region, the accounting variables under focus, and firm-specific characteristics. Chebaane and Othman (2014) investigated developing economies and found that mandatory IFRS adoption positively influenced the value relevance of earnings and book value in African and Asian emerging markets. Igosewe (2022), in turn, conducted a comparative study between two countries, Nigeria and South Africa, focusing on publicly listed companies during the pre- and post-adoption of IFRS. The accounting proxies considered in this study were book value per share (BVS), EPS, and Firm Size. The findings revealed that accounting information was more value relevant in both countries during the post-IFRS period, with Nigerian firms exhibiting higher value relevance compared to the South African firms. The study observed that BVS, EPS, firm size, and several financial indicators became more relevant in predicting the share prices after the adoption of IFRS, while the impact of other variables, such as the current ratio, remained insignificant. Similarly, Odoemelam et al. (2019) examined the impact of IFRS adoption on the relevance value of earnings in Nigeria. Using a cross-product term of EPS and IFRS, they demonstrated that post-IFRS earnings exhibit increased value relevance. Their findings, however, vary from Igosewe's as

the latter found that the book value of equity failed to demonstrate significant relevance. This suggests that, although IFRS adoption increased the value relevance of earnings, its effect on other accounting variables was less consistent.

In the context of East Africa, Outa et al. (2017) provided empirical evidence that IFRS adoption increased the value relevance of accounting information, particularly in post-convergence periods. Their findings echo those from Ighosewe (2022) and Odoemelam et al. (2019), supporting the argument that IFRS adoption enhances financial transparency in emerging markets, albeit at a relatively lower level than in developed economies. Furthermore, Imhanzenobe (2024) extended this discussion by focusing on South Africa and Sub-Saharan Africa, respectively. In South Africa, IFRS adoption increased the value relevance of cash flows, which are viewed as less prone to manipulation compared to earnings, especially under IFRS regimes. Imhanzenobe (2024) adopted a broader perspective, linking IFRS adoption to stock market performance in Sub-Saharan Africa, and demonstrating a positive impact on market efficiency and liquidity, particularly in countries like Kenya.

In the broader MENA region, El-Diftar & Elkalla (2019) found that IFRS adoption had mixed effects. While accounting information such as BVPS and EPS remained value-relevant, IFRS adoption negatively impacted value relevance in this region. Institutional factors and enforcement challenges within the MENA region were cited as key reasons for this outcome. This contrasts with the findings of Ighosewe (2022) and Odoemelam et al. (2019), where IFRS adoption generally enhanced value relevance. Notably, in non-GCC countries within the MENA region, operating cash flows were a significant determinant of share price relevance, whereas in GCC countries, cash flows played a less significant role. These regional differences underscore that the impact of IFRS adoption is context-dependent and varies across accounting measures.

Focusing specifically on Saudi Arabia, Alomair et al. (2022) and Chehade & Procházka (2024) examined the period before and after IFRS adoption. Both studies confirmed the value relevance of accounting figures such as earnings and equity. Alomair et al. (2022) found that, the joint value relevance of accounting information (R^2) remained stable across Saudi GAAP and IFRS periods, but BVS became more relevance due to fair value measurement under IFRS. Similarly, Chehade & Procházka (2024) observed that, while earnings and cash flows were value-relevant in both pre- and post-IFRS periods, equity gained more significance after IFRS adoption. This suggests that IFRS adoption particularly improved the clarity of equity figures in financial reporting. Regarding listed firms at Abu Dhabi Stock Exchange, Khanagha (2011) showed that the value relevance of book value and earnings decreased after IFRS adoption, whereas cash flow figures increased in relevance. Across these studies, several themes have emerged. IFRS adoption; generally enhances the value relevance of key accounting variables such as BVS and EPS, particularly in emerging markets like Nigeria, South Africa, and parts of the MENA region. However, the magnitude and nature of these effects are influenced by regional market structures, firm-specific characteristics, and the particular accounting measures being examined. In some regions, such as Saudi Arabia and the MENA region, the introduction of IFRS has had mixed or even negative impacts on certain financial metrics, reflecting the complexity of implementing global standards in diverse economic and regulatory environments.

2.4. The impact of IFRS Adoption in Egypt

Very few studies have assessed the consequences of IFRS adoption in Egypt, with most focusing on its impact on earnings quality, measured by earnings management, and presenting mixed results. Elbannan (2011) investigated a sample of Egyptian listed firms that adopted IAS-based standards in 1997 and found no empirical evidence of a reduction in earnings management post-adoption. Ebaid (2022) compared the earnings quality of Egyptian listed companies before and after the adoption of new IAS-based standards and concluded that accounting quality in Egypt, as measured by earnings management, did not improve but instead deteriorated after adoption. Elbolok et al. (2022) analyzed data from 46 non-financial Egyptian listed firms from 2013 to 2018 and found no significant impact of IFRS adoption on earnings quality, as proxied by accrual quality.

The results of these studies can be attributed to several factors. First, weak enforcement mechanisms, combined with a lack of incentives and full compliance by firms, pose significant challenges to realizing the full potential of IFRS in improving accounting quality in Egypt (Ebaid, 2022; Elbannan, 2011; Elbolok et al., 2022). Second, deficiencies in the accounting infrastructure, such as inadequate training for accountants and auditors, limited availability of implementation guidelines, and the need for a learning curve for practitioners, further hinder effective IFRS adoption (Ebaid, 2022; Elbannan, 2011). Edeigba et al. (2020) also emphasize that successful IFRS adoption requires accountants to develop technical expertise through practical training in IFRS requirements, valuation, and disclosure practices.

Overall, the findings of this review suggest that while IFRS enhances financial transparency and comparability across borders, its effect on value relevance is not consistent across all markets, accounting variables, and firm characteristics. Policymakers, investors, and financial analysts should consider regional contexts, specific accounting measures, and firm characteristics when assessing the effectiveness of IFRS adoption in improving financial reporting quality and supporting investment decision-making.

2.5. Hypotheses development

Prior studies suggest that the value relevance of accounting information in developing countries is comparable to what has been reported in developed markets (Alali & Foote, 2012; Alomair et al., 2022). In fact, one might expect emerging markets to exhibit relatively high value relevance, as investors in these markets heavily rely on financial information provided in the

financial reports due to the lack of alternative information sources (Liu & Liu, 2007). Chebaane and Othman (2014) demonstrated a significant relevance of income and the equity book value in the emergent markets of Africa and Asia. Similarly, El-Diftar and Elkalla (2019) found that accounting information measures are significantly positively related to market value per share for firms in the MENA region, including Egypt, supporting the relevance of accounting information in this area. Utilizing a sample of Egyptian firms from 1998 to 2002, Ragab and Omran (2006) provided evidence supporting the value relevance of accounting information. They also noted that other sources of information, such as financial analysts' forecasts, earnings forecasts, and management conference calls, are not widely available in Egypt. Consequently, there is a demand for further sources of information beyond annual reports. More recently, Diab et al. (2023) assessed the value relevance of accounting information for companies listed on the Egyptian Stock Exchange for the period 2014-2017 and reported that current accounting information continues to hold value relevance. Based on the above discussion, the subsequent hypotheses are tested:

H₁: *Accounting information of non-financial companies listed on the Egyptian stock exchange is value relevant.*

H_{1a}: *Earnings of non-financial companies listed on the Egyptian stock exchange are value relevant.*

H_{1b}: *Book value of equity of non-financial companies listed on the Egyptian stock exchange is value relevant.*

Adoption of IFRS variably affects the value relevance of accounting information in developed and developing countries, due to differences in institutional settings, enforcement mechanisms, and firm-specific factors. Generally, the application of IFRS has led to improved financial reporting quality and increased value relevance in industrialized countries with strong enforcement mechanisms and well-developed institutional frameworks (Daske et al., 2008; Li, 2010). EU research shows that IFRS adoption enhances comparability and transparency; this would raise investors' confidence in the market and increase efficiency (Závodný & Procházka, 2023). On the other hand, the adoption of IFRS in developing countries reveals mixed results depending on the existing local institutional factors. However, the associated benefits of adopting IFRS may be small or erratically distributed among companies in countries characterized by weak enforcement institutions and underdeveloped accounting infrastructure, such as Egypt. Our results indicate that profitable companies derive high value relevance from the adoption of IFRS, while loss-making companies gain little benefit. This is in line with more recent works focused on determining accounting standard outcomes by business performance, such as the study by Alomair et al. (2022). In this respect, IFRS adoption and measurements related to fair value become very topical. Fair value accounting is said to provide information that is more timely and relevant, particularly under unstable economic conditions when the historical cost accounting fails to depict economic reality (Barth et al., 2023). What determines the effectiveness of the fair value measurement is the availability of reliable market data, and secondly, the enforcement mechanism, which is often quite weak in developing countries like Egypt. This may explain why the benefits related to IFRS adoption are more pronounced in industrialized countries with strong institutional infrastructures.

Forecasting how IFRS adoption will affect value relevance in Egypt is challenging, as limited research within the existing literature has examined the impact of IFRS on value relevance in MENA region. In fact, there are contradictory findings regarding how implementing IFRS affects the value relevance of accounting information in both developed and developing countries. Although, the impact of IFRS adoption on the value relevance of accounting information has actually been the subject of numerous studies across various countries and regions, only a few have exclusively focused on Egypt. To the best of our knowledge, the study by Elbolok et al. (2022) is the sole research addressing IFRS convergence in 2016 in Egypt, specifically by examining its effect on earnings quality rather than the relevance of accounting information. The gap in prior literature regarding the implications of IFRS adoption on the value relevance of accounting information in Egypt after 2016 provides an opportunity to explore the unique dynamics and challenges associated with implementing IFRS in this emerging market, given its distinct institutional and economic features.

A limited number of studies have examined the effect of IFRS adoption on the earnings quality of Egyptian companies, focusing on earnings management, and these studies have yielded mixed results. For instance, Elbannan (2011) found no empirical evidence that earnings management declined following the adoption of IAS-based standards by a sample of Egyptian listed firms in 1997. Ebaid (2022), on the other hand, examined matched Egyptian listed firms pre- and post-adoption of updated IAS-based standards (2000-2006 vs. 2007-2009) and found that accounting quality in Egypt, proxied by earnings management, declined after the adoption of these updated standards. Similarly, Elbolok et al. (2022) analyzed data from 46 non-financial Egyptian listed firms between 2013 and 2018 and found that the adoption of IFRS did not significantly influence earnings quality, as measured by accrual quality. Therefore, the information asymmetry theory serves as the foundation for our second hypothesis. Akerlof (1970) research on the "lemon market" established the information asymmetry theory, which holds that one party to a transaction has more knowledge than the other. The systemic issues raised from information imbalances may ultimately hinder the optimal allocation and utilization of resources (Piuaru et al., 2024). The theory suggests that financial markets are flawed because parties often lack sufficient information to confidently complete transactions (Bergh et al., 2019). Financial reports serve as a bridge between a company's internal and external stakeholders. However, if certain information is withheld, this imbalance can persist. To mitigate this, accounting standards mandate minimum acceptable disclosures, reducing information asymmetry by assuring the availability of relevant information for

decision-making. The harmonization of accounting standards further contributes to reducing information asymmetry by establishing uniform minimum disclosure requirements for all stakeholders (Yu, 2010). This, in turn, enhances the value relevance of accounting information for all decision-makers in the capital market. This, however, becomes much more pronounced in the Egyptian market due to certain factors such as underdeveloped accounting infrastructure and uneven levels of enforcement of accounting standards. This is evident through research showing that in emerging markets, such as Egypt, even the leading international accounting standards, like IFRS, are poorly implemented due to weak regulatory structures and poor market data availability (Hassan & Marra, 2020). This worsens the problems brought about by information asymmetry, as the stakeholders in these organizations may not get access to relevant and timely financial information necessary for making informed decisions. Moreover, this might also bring about a cultural and institutional mistrust of financial reporting in Egypt, which would further deepen information asymmetry (Elbanna & Hussainey, 2021).

It is expected that while IFRS aims at increasing transparency and comparability, the actual effect in reducing information asymmetry will be limited because of the prevailing institutional weaknesses. This is in line with recent studies that also report mixed results of IFRS adoption in emerging markets, where the expected benefits are most often not realized because of contextual factors (Alam et al., 2021; Zaman et al., 2022). Therefore, we hypothesize that the unique institutional and economic characteristics of Egypt will affect the extent to which the adoption of IFRS would succeed in reducing information asymmetry and increasing the value relevance of accounting information. Hence, we theorize that certain institutional and economic features of Egypt will influence the extent to which the adoption of IFRS successfully reduces information asymmetry and enhances the value relevance of accounting information. Information asymmetry is relatively pronounced in the Egyptian market due to factors such as an underdeveloped accounting infrastructure and uneven enforcement of accounting standards. Previous literature has demonstrated that in emerging markets, including Egypt, the effectiveness of accounting standards, such as IFRS, is often undermined by weak regulatory environments and limited access to reliable market data (Ebaid, 2022; Elbolok et al., 2022).

This situation exacerbates issues related to asymmetric information, as stakeholders lack access to accurate and timely financial information necessary for decision-making. Furthermore, Egypt's cultural and institutional environment may contribute to unreliable financial reporting, potentially further increasing information asymmetry (El-Deeb, 2019; El-Helaly et al., 2020). Given these idiosyncratic challenges, we hypothesize that the adoption of IFRS in Egypt will not reduce information asymmetry to the same extent as in more developed markets. Considering these unique challenges, we hypothesize that the adoption of IFRS in Egypt may not fully mitigate information asymmetry as it does in more developed markets. Although IFRS aims to enhance transparency and comparability, the actual reduction in information asymmetry is likely to be limited due to prevailing institutional weaknesses. This aligns with findings from recent studies documenting mixed outcomes of IFRS adoption in emerging markets, where expected benefits are often unrealized due to contextual factors (Al-Htaybat, 2018).

Based on the above discussion, the subsequent hypothesis is tested:

H₂: *Accounting information prepared after IFRS adoption has a higher value relevance than accounting information prepared prior to IFRS adoption.*

3. Research Methodology

3.1. Sample selection

Prior to IFRS adoption, Egypt's financial reporting landscape was characterized by local Egyptian Accounting Standards (EAS), profoundly affected by tax regulations and government control (Ebaid, 2022). The Egyptian Accounting Standards (EAS) were introduced in 1997, with modifications in 2002 and 2006 to align with IAS/IFRS, aiming to enhance transparency and comparability (Elbannan, 2011). A recent update in 2015 further strengthened the convergence with IFRS, resulting in 39 standards and a conceptual framework based on IFRS principles (Ebaid, 2016). The implementation of those standards began on January 1, 2016 and applies to companies whose financial year starts on or after this date, as mandated by the Minister of Investment Decision No. 110 of 2015.

This research focuses on those non-financial companies listed on the Egyptian Stock Exchange during the period 2012–2024, including the mandatory IFRS adoption year in 2016. Specifically, it examines the four years preceding the adoption (2012–2015) and the nine years following it (2016–2024). Companies included in the analysis should have data for this period and be classified as non-financial since financial companies are governed by different accounting practices and rules (Wang & Welker 2011; Kouki, 2018). This results in a final sample of 50 companies, yielding 631 firm-year observations, comprising 200 observations prior to IFRS adoption and 431 observations post-adoption after removing observations with missing values. Data is obtained from the Thomson Reuters Database, Mubasher website, and Metastock, including variables such as the BVS, EPS, and stock price (SP) at the date of the audit report. The data is winsorized at the 5% level to reduce the impact of extreme values. Further analysis will require additional data, such as the book value of total assets, audit firm size, and whether the dataset includes loss-making firms.

3.2. Research design

This paper applies the Price Regression Model (PRM), which expresses firm value as a function of BVE and earnings. To ensure consistency with prior empirical studies such as Hung & Subramanyam (2007), Barth et al. (2008), Krishnan & Zhang (2019), and Alomair et al. (2022), the variables are deflated by the number of outstanding shares. Aledo Martínez et al. (2020) argue that using a per-share specification significantly reduces the scale problem. Therefore, the following traditional price model will be estimated:

$$SP_{it} = a_0 + b_1 BVS_{it} + b_2 EPS_{it} + e_{it} \quad (1)$$

Let SP_{it} represent the stock price of company i three months after the end of the fiscal year t , BVS_{it} represent the reported book value per share of company i at the end of fiscal year t , EPS_{it} represent the reported earnings per share of company i for year t , and e_{it} represent the error term. Following common practice in empirical studies on value relevance, such as Brimble & Hodgson (2007), Liao et al. (2021), Barth et al. (2008), and He et al. (2020), we test H_1 by examining the annual and pooled adjusted R-squared values and the regression coefficients of Model 1. The adjusted R-squared is used as a proxy of the overall value relevance of BVS and EPS, reflecting the extent to which variations in the explanatory factors count for changes in the dependent variable. While the regression coefficients capture the individual value relevance of BVS and EPS, these establish the degree of correlation between each piece of accounting information and market value SP_{it} . This is accomplished by quantifying how the dependent variable or SP_{it} changes in response to a single change in the independent variable. Thus, the H_2 test regarding the impact of IFRS on joint value relevance is examined by applying model (1) to both pre- and post-IFRS accounting information separately. Specifically, the model is applied to the accounting data for both the pre-IFRS (2012–2015) and the post-IFRS (2016–2018) adoption periods. This approach has been used in several empirical research studies on IFRS adoptions worldwide, including those of Kouki (2018) and Alomair et al. (2022), by contrasting data before and after IFRS adoption. A Chow test is conducted to assess whether a structural break exists between the pre- and post-IFRS adoption periods (Binkley & Young, 2023). This test evaluates whether the regression coefficients differ significantly across the two periods, thereby indicating a change in the relationship between accounting variables and firm value. Analyses are performed separately for both pre- and post-IFRS methodologies, with each period treated as an independent sample. To test IFRS impact on the relative value relevance, as captured with the regression coefficient, we estimate the following panel regression model with entity fixed effects:

$$SP_{it} = b_0 + b_1 IFRS + b_2 EPS_{it}^{pre\&postIFRS} + b_3 BVS_{it}^{pre\&postIFRS} + b_4 EPS_{it}^{pre\&postIFRS} * IFRS + b_5 BVS_{it}^{pre\&postIFRS} * IFRS + e_{it} \quad (2)$$

where $EPS_{it}^{pre\&postIFRS}$ and $BVS_{it}^{pre\&postIFRS}$ are the year-end earnings and BVS for the study period (2012–2024). $IFRS$ is an indicator variable that implies whether accounting information was prepared prior to IFRS adoption (value 0) or after IFRS adoption (value 1). The coefficients of primary interest in this analysis are b_4 and b_5 , since they show if the regression coefficients between the two accounting standards, as calculated by Model (1), differ significantly. According to earlier research, company size is one of the key elements influencing the relationship between accounting information and market value (Brimble & Hodgson, 2007; Alomair et al. 2022; Lam et al. 2013). To present the pre- and post-IFRS regression results for each group independently, we divided our sample into large and small companies. The logarithm of total assets is used as a proxy for company size. For clarity, medium-sized companies are excluded, and only the most extreme values are considered. This results in a total of 255 firm-year observations in each size category, comprising 80 and 175 firm-year observations in the pre-IFRS and post-IFRS periods, respectively.

The above-described methodologies apply equally to tests that separate profitable companies and loss-incurring companies, as well as those audited by Big4 auditing firms versus those audited by non-Big4 auditing firms. Previous studies that differentiate between profitable and loss-incurring companies suggest that the profits of profitable companies are expected to persist, whereas the losses of loss-incurring companies are perceived as transitory (Alomair et al., 2022; Hayn, 1995; He et al., 2020). Many studies also use the size of an audit firm as a proxy for accounting quality (e.g., Alali & Foote, 2012; Lee and Park, 2013; Alomair et al., 2022).

4. Results and discussion

4.1. Descriptive statistics and correlation matrix

Descriptive statistics for each of the study's winsorized variables are shown in Table 1. Panel A presents variables employed in the pre- and post-adoption analysis, while panels B, C, and D compare company performance, audit quality, and company size, respectively. Analysis of the descriptive data highlights significant patterns in the Egyptian market following IFRS adoption. As shown in Panel A of Table 1, mean SP and EPS values increase after IFRS adoption, whereas the medians of SP, EPS, and BVS decline, indicating that the higher averages are driven by extreme values rather than typical firm valuations.

The correlation coefficients between all weighted variables in the study are presented in Table 2, with Panel A reporting correlations for the pre-and post-IFRS periods, while Panels B, C, and D reflect correlations for company profitability, audit quality, and company size categorizations, respectively. The analysis highlights the significant value relevance of accounting information under various circumstances. Importantly, the coefficients were generally higher in the post-IFRS period, except for small companies. Panel A, which covers the full sample, shows that both EPS and BVS maintained significant positive correlations with stock prices across both periods. These findings align with Kothari and Zimmerman's (1995) theoretical model, which suggests that book values and earnings are complementary value drivers. Moreover, the strong association of 0.8 between EPS and BVS supports the "clean surplus" relationship proposed by Feltham and Ohlson (1995), underscoring that these measures capture related but distinct aspects of firm value. However, multicollinearity among the independent variables was thoroughly assessed using the Variance Inflation Factor (VIF). The results of this diagnostic test indicate that all VIF values are **considerably** below the commonly accepted threshold of 10 (Mousa et al., 2022). This finding confirms the absence of significant multicollinearity within the model, demonstrating that the independent variables are statistically independent. As a result, the stability of the parameter estimates is ensured.

Panel A: Complete sample displayed according to standard type and approach.

Panel B: Profitable versus Loss-making companies.Panel C: Big vs. Non-Big Audit companies.

Big Audit companies (N = 181) NonBig Audit companies (N = 450)

Standards	Variable	N	Mean	Std. deviation	Minimum	Median	Maximum	N	Mean	Std. deviation	Minimum	Median	Maximum
Pre-IFRS	SP	62	13.49	12.24	0.68	9.64	45.97	138	15.2	15.77	0.68	9.21	77.00
	EPS		2.33	3.99	-0.51	0.6	16.70		2.79	4.65	-0.51	0.78	23.11
	BVS		14.9	14.18	0.45	10.74	57.69		17.03	16.61	0.56	13.39	75.49
Post-IFRS	SP	119	20.57	28.76	0.68	8.14	93.49	312	19.75	25.42	0.68	8.97	93.49
	EPS		3.56	7.10	-0.51	0.44	23.11		3.47	6.48	-0.51	0.57	23.11
	BVS		15.82	22.48	0.21	4.51	75.49		15.12	20.39	0.21	6.45	75.49

Panel D: Large vs. small companies

Large companies (N = 255) Small companies (N = 255)													
Standards	Variable	N	Mean	Std. deviation	Minimum	Median	Maximum	N	Mean	Std. deviation	Minimum	Median	Maximum
Pre-IFRS	SP	80	12.61	13.19	0.68	8.35	69	80	13.56	12.72	0.68	10.48	55.94
	EPS		3.12	5.40	-0.51	1.08	23.11		2.03	3.67	-0.51	0.39	16.7
	BVS		18.38	17.97	0.45	11.86	75.49		15.2	15.28	1.04	10.46	61.75
Post-IFRS	SP	175	19.72	25.65	0.68	10.07	93.49	175	17.96	22.84	0.68	8.65	93.49
	EPS		3.06	6.01	-0.51	0.85	23.11		3.38	6.49	-0.51	0.49	23.11
	BVS		16.06	20.97	0.21	7.74	75.49		13.03	18.12	0.21	4.25	75.49

Financial data in Egyptian pound. Variables are winsorised at 5 percent. Variable definitions: SP stands for stock price as of three months after ending of the financial year under review (t); EPS stands for earnings per share at the end of fiscal year t; and BVS stands for BVE per share at the end of fiscal year t.

Table 2

Pearson Correlation Matrix

Panel A: Full sample presented by type of standards and approach

PRE- AND POST-IFRS APPROACH (N = 631)					
ACCOUNTING STANDARDS	N	Variable	SP	EPS	BVS
PRE-IFRS	200	SP	1		
		EPS	0.46**	1	
		BVS	0.48**	0.82**	1
POST-IFRS	431	SP	1		
		EPS	0.81**	1	
		BVS	0.87**	0.8**	1

Panel B: Profitable vs. loss-making companies

PROFIT-MAKING COMPANIES (N = 516)						LOSS-MAKING COMPANIES (N= 115)			
ACCOUNTING STANDARDS	N	Variable	SP	EPS	BVS	N	SP	EPS	BVS
PRE-IFRS	171	SP	1			29	1		
		EPS	0.44**	1			-0.2	1	
		BVS	0.46**	0.82**	1		0.5**	-0.43*	1
POST-IFRS	345	SP	1			86	1		
		EPS	0.82**	1			0.03	1	
		BVS	0.87**	0.81**	1		0.7**	-0.2	1

Panel C: Big vs. Non-Big audit companies

BIG AUDIT COMPANIES (N = 181)						NONBIG AUDIT COMPANIES (N = 450)			
ACCOUNTING STANDARDS	N	Variable	SP	EPS	BVS	N	SP	EPS	BVS
PRE-IFRS	62	SP	1			138	1		
		EPS	0.72**	1			0.38**	1	
		BVS	0.73**	0.82**	1		0.4**	0.82**	1
POST-IFRS	119	SP	1			312	1		
		EPS	0.7**	1			0.86**	1	
		BVS	0.94**	0.62**	1		0.84**	0.88**	1

Panel D: Large vs small companies

LARGE COMPANIES (N = 255)						SMALL COMPANIES (N = 255)			
ACCOUNTING STANDARDS	N	Variable	SP	EPS	BVS	N	SP	EPS	BVS
PRE-IFRS	80	SP	1			80	1		
		EPS	0.16	1			0.8***	1	
		BVS	0.15	0.8**	1		0.87***	0.89***	1
POST-IFRS	175	SP	1			175	1		
		EPS	0.76**	1			0.74**	1	
		BVS	0.82**	0.81**	1		0.85**	0.68**	1

***, ** and * denote a significant correlation coefficient at the two-tailed thresholds of 0.001, 0.01, and 0.05, respectively.

The most striking finding emerges from Panel D's analysis by company size, where correlations between accounting measures and stock prices are stronger for small companies than for large ones, except for EPS in the post-IFRS period, with ranges of 0.74–0.87 and 0.15–0.82, respectively. According to Lang and Lundholm's (2000) information environment hypothesis, this pattern is most pronounced in the pre-IFRS period. They argue that for small companies, which are more likely to lack adequate alternative information sources, accounting information plays a more significant role in firm valuation. Kim and

Zhang (2016), who show that the value relevance of accounting information varies systematically with company size and information environment features in emerging markets, have also validated this notion. Collectively, except for large companies in the pre-IFRS period and the EPS of loss-making companies, the correlations between BVS and EPS with SP are significantly positive at the 0.01 level or better.

4.2. Multivariate results

Models (1) and (2) findings for the prior and following IFRS approaches are presented separately in Table 3, Panel A and B. The differences in regression coefficients, indicating the effect of IFRS on these coefficients, are shown in Panel B. Panel A presents results concerning the testing of H1; it provides the annual regression estimates for the study period spanning 2012 to 2024. The adjusted R^2 values for the prior to the IFRS were recorded at 22.1%, 26.9%, 23.3%, and 18.5% from 2012 to 2015, and were significant at the 0.01 level or better. During the pre-IFRS period, there was a substantial correlation between market price and accounting information at the 0.01 level. The yearly R^2 Values for the post-IFRS period (2016–2024) were 16.2%, 71.9%, 86.4%, 90%, 90.1%, 95.3%, 86.9%, 84%, and 84.7%, respectively, indicating that accounting variables explain a portion of stock price variation during the sample period, at the 0.01 level or better¹. The supporting evidence shows that overall accounting information is significantly accountable for the fluctuation in the stock prices of the Egyptian sample companies. Therefore, H1 is accepted. However, considering the regression coefficient results is essential when evaluating the partial hypotheses of H1. Panel A demonstrates that, for the years 2017–2024, the regression coefficients on EPS are larger than those for BVS and are positive and significant at the 0.01 level or better. In 2013, EPS were significant at the 0.05 level, but insignificant in the remaining years. This supports recent findings by Tahat et al. (2022) who note that earnings are more valuable in equity-oriented markets than in credit-oriented markets. Such orientation aligns with findings in the Egyptian market, where the economy relies on external investors as a major source of equity. Given that both pre-IFRS and current standards are based on the Anglo-Saxon accounting model, the greater relevance of EPS compared to BVS is expected (Burlacu et al., 2024; Diab et al., 2023; El-Diftar & Elkalla, 2019). Investors in financially sound companies depend more on EPS than BVS because EPS reflects the exploitation of a company's assets and is perceived as a leading indicator of future performance. This conclusion is reinforced by Sloan & Wang (2023). Consequently, H1a is significant only for the years 2013 and 2017–2024.

In contrast to the period after IFRS adoption, regression coefficients of BVS for post-IFRS periods are significant at the 0.05 level or better. This is arguably due to the introduction of fair value measurement following IFRS adoption. This finding aligns with the results presented by Liang and Riedl (2014), who argue that fair value-measured balance sheet items capture more pertinent private information than those recorded at historical cost. Liao et al. (2021) present evidence that, in 25 European countries, the fair values of balance sheet items are far more effective communicators of value-relevant information than historical cost, particularly during financial crises. Therefore, acceptance of H1b is confined to post-IFRS period only starting 2017. Consistent with the prediction of H2, the Chow test indicates a statistically significant structural change in the regression parameters between the pre-IFRS and post-IFRS periods ($F = 41.306$, $p < 0.001$). This result suggests that the relationship between accounting information and stock prices differs significantly following IFRS adoption. The adjusted R^2 of the model increases from 23.6% in the pre-IFRS period to 79.1% in the post-IFRS period. While this increase suggests that accounting variables explain a larger proportion of price variation after IFRS adoption, adjusted R^2 is interpreted as a descriptive indicator rather than a direct measure of accounting quality. Table 3, Panel A displays the test result: the 55.5% rise is statistically significant, with a chow test statistic of 41.3 that is significant at 0.001 level. Since this supports H2, H2 is accepted.

As adjusted R^2 rises from 23.6% in the pre-IFRS period to 79.1% in the post-IFRS period, these descriptive patterns suggest a stronger association between accounting information and stock prices in the post-IFRS period. This dramatic improvement aligns with the theoretical framework on information usefulness by De George et al. (2016), who argue that the adoption of IFRS enhances the decision-usefulness of financial statements by reducing information asymmetry and improving comparability. Adjusted R^2 values vary across the post-IFRS years, ranging from 16.2% to 95.3%. This variation may reflect changes in market conditions, firm performance, or investor learning following IFRS adoption. However, these fluctuations are interpreted cautiously, as changes in explanatory power can arise from several factors beyond accounting standards alone. Consequently, the study does not rely solely on changes in adjusted R^2 to assess value relevance but also examines coefficient stability and alternative model specifications in subsequent analyses. The descriptive increase in adjusted R^2 between the pre- and post-IFRS periods suggests that accounting variables explain a larger share of stock price variation in the latter period. However, because adjusted R^2 can be influenced by many factors unrelated to accounting standards, the primary evidence of structural change is provided by the significant Chow test statistic and the regression coefficient patterns.

The observed changes in coefficient patterns following IFRS adoption are broadly consistent with prior research suggesting that improvements in financial reporting quality may occur gradually as firms and investors adapt to new reporting standards. For example, Daske and Gebhardt (2006) document that reporting quality tends to improve over

¹ The results for the transition year (2016) may reflect confounding effects of both local GAAP and IFRS, rather than the consistent IFRS application observed in subsequent years.

time following IFRS implementation as market participants gain experience with the new framework. The stronger post-adoption relevance of book value is also consistent with measurement-based explanations of value relevance that emphasize the informational role of balance-sheet items in equity valuation (Holthausen & Watts, 2001). More broadly, prior studies suggest that the informational benefits of IFRS adoption may be particularly pronounced in emerging markets with relatively weaker pre-existing accounting standards (Houque et al., 2016). These findings are also consistent with evidence that the economic effects of IFRS adoption may develop progressively as preparers and users become more familiar with the standards (Hassan et al., 2014).

Table 3**Results of regression.**

PANEL A: ACCOUNTING INFORMATION'S PRE- AND POST-IFRS VALUE RELEVANCE: H1 AND H2

$$SP_{it} = a_0 + b_1 BVS_{it} + b_2 EPS_{it} + e_{it}$$

ACCOUNTING STANDARDS	Year	N	EPS	BVS	Adj. R ²	Combined Adj. R ²	Chow F-stat
PRE-IFRS	2012	50	0.3684 (0.450)	0.3465 (1.727)	22.1% {7.947}***	23.6% {31.78}***	41.306***
	2013	50	2.1689 (2.639)*	0.0114 (0.061)	26.9% {10.02}***		
	2014	50	0.2301 (0.317)	0.4246 (2.007)	23.3% {8.430}***		
	2015	50	0.6793 (1.015)	0.2566 (1.108)	18.5% {6.553}**		
	2016	50	0.5008 (0.626)	0.3151 (1.338)	16.2% {5.745}**		
POST-IFRS	2017	50	2.1957 (4.766)***	0.5847 (4.169)***	71.9% {63.75}***	79.1% {814.7}***	
	2018	50	1.7027 (5.238)***	0.7765 (7.365)***	86.4% {156.8}***		
	2019	47	1.1480 (4.478)***	1.0411 (13.104)***	90% {208.5}***		
	2020	47	1.0029 (3.101)**	0.8925 (8.436)***	90.1% {211.3}***		
	2021	47	1.0413 (4.888)***	0.8970 (12.896)***	95.3% {464.7}***		
	2022	47	0.8775 (2.744)**	0.8458 (7.664)***	86.9% {153.6}***		
	2023	47	2.2805 (3.481)**	0.45 (2.235)*	84.0% {121.6}***		
	2024	46	1.0053 (2.336)*	0.9028 (7.297)***	84.7% {126}***		

Panel B): PANEL REGRESSION WITH ENTITY FIXED EFFECTS ESTIMATING THE LIKELIHOOD OF CHANGE IN EPS AND BVS REGRESSION COEFFICIENTS AS A RESULT OF THE ADOPTION OF IFRS

Accounting standards	N	IFRS	EPS	BVS	EPS*IFRS	BVS*IFRS	R ²	F-test (Poolability)
Pre-IFRS and Post-IFRS (2012-2024)	631	-2.475* (0.0872)	0.306(0.543)	0.066 (0.70)	0.502(0.378)	0.453*** (0.0008)	59.01% {165.57}***	10.785***

The p-values and F-test are in (.) and { }, respectively. A significance at the 0.05, 0.01, and 0.001 levels is denoted by *, **, and *** respectively. SP_t stands for stock price as of three months after ending of the financial year under review (t); BVS_t stands for BVE per share at the end of fiscal year t; and EPS_t stands for earnings per share at the end of fiscal year t. IFRS is an indicator variable with 0 denoting the pre-IFRS period and 1 denoting the post-IFRS time; $BVS_{it}^{pre\&postIFRS}$ stands for BVE per share panel data values; $BVS_{it}^{pre\&postIFRS} * IFRS$ stands for BVE per share panel data values multiplied by the indicator variable; $EPS_{it}^{pre\&postIFRS}$ stands for panel data earnings per share and $EPS_{it}^{pre\&postIFRS} * IFRS$ stands for panel data earnings per share multiplied by the indicator variable. Five percent winsorization is applied to the variables. Variables are deflated by the amount of outstanding stocks.

Panel B reports the results of the firm fixed-effects regression examining the value relevance of accounting information before and after IFRS adoption. The coefficient on earnings per share (EPS) is positive but statistically insignificant, indicating that earnings are not statistically significant in the firm fixed-effects specification. Similarly, the coefficient on book value per share (BVS) is positive but insignificant. However, the interaction between book value and IFRS adoption ($BVS \times IFRS$) is positive and highly significant (0.453, $p < 0.001$), suggesting that IFRS implementation increases the value relevance of balance-sheet information for investors. In contrast, the interaction between earnings and IFRS adoption ($EPS \times IFRS$) is statistically insignificant, indicating that IFRS adoption does not materially strengthen the association between earnings and stock prices. The within R^2 of 0.590 indicates that the model explains approximately 59% of the within-firm variation in stock prices. These results suggest that the informational benefits of IFRS adoption in Egypt are concentrated primarily in balance-sheet measures rather than earnings. This finding is broadly consistent with prior IFRS research suggesting that enhanced disclosure requirements and the greater use of fair value measurements under IFRS can improve the value relevance of balance-sheet information (Barth et al., 2008; Christensen et al., 2013). It is also in line with evidence from emerging markets showing that investors in market-

oriented economies tend to benefit from improved financial reporting transparency following IFRS adoption (Elshandidy, 2014).

4.3. Additional analysis

Existing research suggests that certain corporate attributes may influence the usefulness and value relevance of accounting information. Table 4 displays the results of categorization on the basis of particular company characteristics, dividing the sample according to company profitability in Panel A, audit quality in Panel B, and company size in Panel C, as follows:

Company profitability: The sample is divided into firms generating profits and those incurring losses.

Audit quality: Sample companies are separated by whether they are audited by Big4 audit firms or non-Big4 audit firms.

Company Size: The median of the logarithm of total assets is used to classify the sample companies as either large or small. To sharpen the contrasts, we eliminate the middle 20 percent of observations in each period. Hence, each firm size group has 255 observations: 80 from the period before IFRS implementation and 175 from the period after IFRS implementation.

4.3.1. Positive versus negative earnings

The analysis includes 516 profit-making observations: 171 before and 345 after IFRS adoption, which form the majority of the sample. Adjusted R^2 values are 21% pre-adoption and 79% post-adoption, both statistically significant. The explanatory power for profitable firms thus increased substantially by 58% post-adoption, consistent with the findings of Elbakry et al. (2017) and Alomair et al. (2022). Before IFRS adoption, only the BVS regression coefficient is significant at the 0.05 level, but post-adoption, both EPS and BVS coefficients reach significance at the 0.001 level, indicating increased value relevance of EPS and BVS under IFRS. This further supports our findings from the overall sample, suggesting that IFRS has increased the value relevance of accounting information. For loss-incurring companies, the dataset comprises 115 observations, with 29 pre-adoption and 86 post-adoption. Value relevance is observed in pre- and post-IFRS, with adjusted R^2 significant at the 0.05 level. The Chow test values of 0.341 and 1.333 are insignificant, indicating that the value relevance of accounting information does not differ significantly between profitable and loss-making companies.

Table 4

Additional Analysis.

PANEL A: PROFITABLE VS. LOSS-MAKING COMPANIES

$$SP_{it} = a_0 + b_1 BVS_{it} + b_2 EPS_{it} + e_{it}$$

Profitable companies (N =516)						Loss-making companies (N =115)					
ACCOUNTING STANDARDS (PERIOD)	N	Intercept	EPS	BVS	Adj. R^2	N	Intercept	EPS	BVS	Adj. R^2	Chow F-stat
PRE-IFRS	171	8.7607 [5.511]***	0.69782 [1.770]	0.2689 [2.442]*	21% {24.1}***	29	4.6067 [2.779]*	0.4952 [0.102]	0.4868 [2.716]*	19% {4.39}*	0.341
POST-IFRS	345	3.6128 [4.187]***	1.3331 [8.224]***	0.752 [14.525]***	79% {681.}***	86	4.8151 [3.652]***	10.6075 [2.362]*	0.9349 [9.586]***	51% {46}***	1.333

PANEL B: BIG VS. NON-BIG AUDITED COMPANIES

$$SP_{it} = a_0 + b_1 BVS_{it} + b_2 EPS_{it} + e_{it}$$

BIG audited companies (N =181)						Non-BIG audited companies (N =450)					
ACCOUNTING STANDARDS (PERIOD)	N	Intercept	EPS	BVS	Adj. R^2	N	Intercept	EPS	BVS	Adj. R^2	Chow F-stat
PRE-IFRS	62	5.2591 [3.352]**	1.101 [2.457]*	0.3799 [3.011]**	56% {40.9}***	138	9.3487 [5.084]***	0.5793 [1.259]	0.2486 [1.930]	15% {13.8}***	1.363
POST-IFRS	119	1.1761 [1.179]	0.8114 [5.557]***	1.0433 [22.627]***	90% {563.2}***	312	5.6401 [6.363]***	2.158 [9.52]***	0.4387 [6.091]***	76% {506.4}***	15.214***

PANEL C: LARGE VS. SMALL COMPANIES

$$SP_{it} = a_0 + b_1 BVS_{it} + b_2 EPS_{it} + e_{it}$$

Large companies (N =255)						Small companies (N =255)					
ACCOUNTING STANDARDS (PERIOD)	N	Intercept	EPS	BVS	Adj. R^2	N	Intercept	EPS	BVS	Adj. R^2	Chow F-stat
PRE-IFRS	80	10.8747 [4.948]***	0.2548 [0.556]	0.0511 [0.370]	2.7% {1.08}	80	2.9944 [2.713]**	0.4096 [0.99]	0.6406 [6.451]***	76% [126.7]***	13.562***
POST-IFRS	175	4.3088 [3.166]**	1.1282 [3.726]***	0.7442 [8.581]***	69% {200.7}***	175	3.8283 [3.716]***	1.1199 [6.376]***	0.7938 [12.622]***	76.6% [286.1]***	0.161

The values for t-test and F-test are in [.] and { }, respectively. A significance at the 0.05, 0.01, and 0.001 levels is denoted by *, **, and *** respectively. SP_t stands for stock price as of three months after ending of the financial year under review (t); BVS_t stands for BVE per share at the end of fiscal year t; and EPS_t stands for earnings per share at the end of fiscal year t. Five percent winsorization is applied to the variables. Variables are deflated by the amount of outstanding stocks.

4.3.2. Big4 versus non-Big4 auditing firms

The results reveal that companies audited by Big4 firms have higher value relevance than those audited by non-Big4 firms, as shown in Table 2, panel B. Adjusted R^2 values indicate accounting information is useful to investors across all groups. For Big4-audited companies ($N=181$; 62 pre-adoption, 119 post-adoption), the adjusted R^2 values are 56% pre-adoption and 90% post-adoption, compared to 15% and 76% for non-Big 4 companies. The corresponding Chow test values are 1.363 and 15.214, with the latter statistically significant at the 0.001 level in the post-adoption period. Regression coefficients on BVS and EPS for Big4 audited companies are significant at the 0.05 level or better during both periods. These results are consistent with Alomair et al. (2022) evidence, as firms audited by Big 4 auditors exhibit higher value relevance than those audited by non-Big 4 auditors.

Non-Big4 audited companies ($N=450$; 138 pre-adoption, 312 post-adoption) have regression coefficients significant at the 0.001 level only for post-adoption period. Despite producing less relevant accounting information, the non-Big4 group benefits largely from IFRS adoption, with an adjusted R^2 increase of 51%, compared to 34% for the Big4 group.

4.3.3. Large versus small companies

With the exception of large companies in the pre-adoption period, the adjusted R^2 F-statistic is significant at the 0.001 level for all groups. In the post-adoption period, both large and small companies demonstrate value relevance, with no significant difference in their relevance to equity investors. Adjusted R^2 values of 2.7% for large companies and 76% for small companies only in the pre-IFRS period differ significantly at the 0.001 level, supported by a chow test of 13.56. Small companies consistently show high value relevance, with adjusted R^2 of 76% in the pre-IFRS period and 76.6% post-IFRS. This pattern is consistent with prior research suggesting that investors may rely more heavily on financial statements for smaller firms when alternative information sources are limited (Lam et al., 2013). For large companies, EPS and BVS are not significantly different from zero pre-adoption but become significant post-adoption, indicating that IFRS has enhanced financial reporting in Egypt. This improvement makes the income statement and balance sheet more relevant to investors in large corporations. In contrast, BVS consistently shows statistical significance for small companies across both periods.

Our findings reveal that the effects of IFRS adoption are not consistent across firm sizes, as evidenced by the initially low value relevance for large firms in the pre-IFRS period, compared with the higher baseline value relevance for small firms. These differences appear to be driven mainly by the substantial increase in the association between accounting measures and stock prices for large firms after IFRS adoption, while small firms exhibit relatively stable value relevance across both periods. This pattern suggests that improvements in the association between accounting numbers and market values following IFRS adoption are more pronounced for large firms in this sample.

In conclusion, value relevance in Egyptian companies reflects exciting patterns across firm characteristics following the adoption of IFRS. Profit-making companies saw adjusted R^2 rise from 21% to 79%, confirming findings by Alomair et al. (2022) and Elbakry et al. (2017) that IFRS adoption significantly benefits profitable companies in emerging markets. This aligns with Hayn's (1995); and Závodný and Procházka (2023) argument that investors view accounting information from profitable firms as reflecting going concern value, while for loss-incurring firms, it is seen through the lens of abandonment options, a distinction particularly relevant in Egypt's volatile economic and regulatory environment. Companies audited by Big4 auditing firms exhibit higher value relevance than those audited by non-Big4 firms. The gain in value relevance for both Big4 and non-Big4 audited companies after IFRS adoption, 34 and 61%, respectively, indicates that the implementation of standards has improved audit quality at different levels.

These results regarding company size represent an interesting contrast to some of the prior literature. Smaller firms in Egypt exhibit relatively high value relevance in both periods. One possible explanation, consistent with prior literature, is that investors rely more heavily on financial statements when fewer alternative information sources are available for smaller firms (Lam et al., 2013). This interpretation may also be consistent with the presence of information asymmetry in emerging markets such as Egypt. The substantial improvement in value relevance for large firms post-IFRS-from 2.7% to 69% adjusted R^2 -suggests that the adoption significantly enhanced the quality and usefulness of financial reporting for these entities. This improvement may reflect the increased disclosure requirements and expanded use of fair value measurements under IFRS, which are considered to be significantly influential among larger, more complex organizations in emerging economies like Egypt. While these interpretations provide possible explanations for the observed differences, the subsample analysis is descriptive in nature and therefore the results should be interpreted as indicative associations rather than causal relationships.

5. Robustness Analyses

To address concerns regarding macroeconomic confounding, scale effects, and potential overreliance on price-level regressions, we estimate expanded fixed-effects models that incorporate macroeconomic control variables and year fixed effects.

Table 5 reports results from alternative panel specifications. In the baseline firm fixed-effects model, the interaction between book value and IFRS adoption ($BVS \times IFRS$) is positive and highly significant at 0.453 ($p = 0.0008$), while the earnings interaction ($EPS \times IFRS$) remains statistically insignificant at 0.502 ($p = 0.378$). The within R^2 of this model equals 0.590.

After incorporating macroeconomic controls, the exchange rate enters positively and significantly at 0.512 ($p = 0.001$), confirming the relevance of valuation effects during the sample period. Importantly, the $BVS \times IFRS$ coefficient remains stable at 0.458 ($p = 0.001$), whereas the earnings interaction remains insignificant at 0.453 ($p = 0.455$). When year fixed effects are added to absorb common time-specific shocks, the book value interaction increases slightly to 0.481 ($p = 0.001$), while $EPS \times IFRS$ remains insignificant at 0.393 ($p = 0.528$). Across specifications, the $BVS \times IFRS$ coefficient ranges narrowly between 0.453 and 0.481, demonstrating strong stability despite the inclusion of macro controls and time effects. Accordingly, variations in R^2 are not interpreted as evidence of improved accounting quality. Instead, inference is based on the persistence and stability of interaction coefficients across increasingly restrictive specifications. These results indicate that the strengthened association between book value and market price following IFRS adoption is not subsumed by observable macroeconomic shocks or time effects.

Table 5
Macroeconomic and Fixed Effects Robustness

Variables	(1) Baseline FE	(2) + Macro Controls	(3) Firm & Year FE
EPS	0.306 (0.543)	0.317 (0.558)	0.376 (0.487)
BVS	0.066 (0.70)	0.027 (0.876)	0.004 (0.982)
$EPS \times IFRS$	0.502 (0.378)	0.453 (0.455)	0.393 (0.528)
$BVS \times IFRS$	0.453*** (0.0008)	0.458*** (0.001)	0.481*** (0.001)
IFRS	-2.475* (0.0872)	-9.837 (1.842)	-1.500 (0.345)
Inflation	,	0.053 (0.544)	,
Exchange Rate	,	0.512*** (0.001)	,
Firm Fixed Effects	Yes	Yes	Yes
Year Fixed Effects	No	No	Yes
Observations	631	631	631
R^2	0.590 (Within)	0.887	0.888

5. Conclusion

This study examines whether mandatory IFRS adoption altered the value relevance of accounting information for firms listed on the Egyptian Stock Exchange. Using a sample of 631 firm-year observations over the period 2012–2024, the analysis combines price-level regressions, firm fixed-effects interaction models, and robustness tests to evaluate how IFRS adoption affected the relationship between accounting information and market prices. The empirical findings indicate that the relationship between accounting information and stock prices changed significantly following IFRS adoption. In particular, the interaction analysis shows that the association between book value of equity and stock prices becomes significantly stronger after IFRS adoption, while the interaction between earnings and IFRS adoption remains statistically insignificant. These results suggest that the informational benefits of IFRS adoption in Egypt are concentrated primarily in balance-sheet measures rather than earnings. Robustness tests incorporating macroeconomic controls, year fixed effects confirm the stability of this pattern. Additional analyses reveal that the magnitude of value relevance varies across firm characteristics. Profit-making firms and companies audited by Big4 auditors display stronger associations between accounting information and market prices than loss-making firms and those audited by non-Big4 auditors. Differences are also observed across firm size groups, with smaller firms exhibiting relatively high baseline value relevance while larger firms experience more pronounced improvements following IFRS adoption. The study contributes to the literature in several ways. First, it provides new evidence from Egypt, an emerging market characterized by substantial macroeconomic volatility and evolving institutional conditions. By examining the consequences of IFRS adoption in such an environment, the study offers insights relevant to project financial decision-making, particularly in contexts where investment planning and project financing are influenced by information uncertainty and changing economic conditions. Second, the analysis highlights the balance-sheet channel through which IFRS adoption affects value relevance, showing that improvements are concentrated in book value rather than earnings. This finding suggests that IFRS-enhanced balance-sheet information may support more informed project evaluation, financing, and strategic resource allocation decisions. Third, by combining interaction-based panel models with multiple robustness tests, the study addresses methodological concerns frequently raised in value-relevance research, including scale effects, macroeconomic confounding, and unobserved firm heterogeneity. In doing so, the study provides a more reliable framework for understanding how financial reporting quality may influence investment assessment and project-related financial planning in emerging markets. Despite these contributions, the study has several limitations. The analysis focuses on non-financial firms listed on the Egyptian Stock Exchange and relies on publicly available financial statement data. Future research could extend the analysis to other sectors or emerging markets to further assess the generalizability of

the findings. These findings have implications for policymakers and regulators in emerging markets. While IFRS adoption may improve the usefulness of financial reporting, the benefits appear to depend on both firm characteristics and institutional conditions. Future research could further explore how enforcement mechanisms, corporate governance, and investor protection influence the economic consequences of IFRS adoption across different emerging economies.

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Conflict of Interest

We have no known conflict of interest to disclose.

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