

The Impact of International Financial Reporting Standards (IFRS) Adoption on Accounting Quality: A Meta-Analysis

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Abstract

This meta-analysis examines the impact of International Financial Reporting Standards (IFRS) adoption on accounting quality across various jurisdictions. Drawing upon a comprehensive review of existing literature and empirical studies, we synthesize findings to assess the overall effect of IFRS adoption on accounting quality metrics such as earnings management, financial statement comparability, and transparency. Our analysis incorporates data from multiple countries and industries to provide a holistic view of the relationship between IFRS adoption and accounting quality. The results indicate a mixed but generally positive impact of IFRS adoption on accounting quality, with evidence suggesting improvements in certain aspects such as earnings transparency and comparability, while also highlighting challenges such as increased complexity and subjectivity in financial reporting. Furthermore, our meta-analysis explores potential moderators and mediating factors that influence the relationship between IFRS adoption and accounting quality, including institutional differences, regulatory enforcement, and firm-specific characteristics. Overall, this meta-analysis contributes to our understanding of the consequences of IFRS adoption for accounting quality and provides insights for policymakers, standard setters, and practitioners in evaluating the effectiveness of international accounting standards in promoting high-quality financial reporting.

Keywords: Adoption, Accounting quality, Meta-analysis, Earnings management

Introduction

The adoption of IFRS has been a subject of extensive research in the accounting literature, with scholars investigating its impact on various aspects of financial reporting and capital markets. One of the key areas of interest is the effect of IFRS adoption on accounting quality. Accounting quality, broadly defined, refers to the reliability, relevance, comparability, and transparency of financial information disclosed by firms. While individual studies have examined the impact of IFRS adoption on accounting quality, the findings have been mixed, with some studies reporting positive effects, others finding no significant impact, and still others suggesting negative consequences. These disparate findings may stem from variations in research methodologies, sample characteristics, and contextual factors across different studies. Given the divergent findings in the literature, there is a need for a comprehensive synthesis of existing research to provide a clearer understanding of the overall impact of IFRS adoption on accounting quality. Meta-analysis offers a rigorous methodological approach to integrate and

synthesize findings from multiple studies, allowing for a more robust assessment of the cumulative evidence. Therefore, the primary objective of this meta-analysis is to systematically review and synthesize empirical evidence on the impact of IFRS adoption on accounting quality. By aggregating findings from a diverse set of studies, this meta-analysis aims to provide insights into the overall effect of IFRS adoption on accounting quality and to identify potential moderators that may explain variations in findings across studies. the theoretical rationale behind the expected impact of IFRS adoption on accounting quality. We then discuss the empirical literature on this topic, highlighting key findings and areas of contention. Subsequently, we outline the research methodology employed in this meta-analysis, including criteria for study selection, data extraction, and statistical analysis. Finally, we conclude with a discussion of the implications of our findings for standard setters, regulators, practitioners, and researchers in the field of accounting and finance.

The globalization of capital markets has intensified the demand for high-quality, transparent, and comparable financial reporting. In response to this need, the **International Financial Reporting Standards (IFRS)** were developed by the International Accounting Standards Board (IASB) to create a unified global accounting framework. Over the past two decades, more than 140 jurisdictions have either adopted or converged with IFRS, marking one of the most significant transformations in the history of financial reporting.

The primary objective of IFRS adoption is to enhance accounting quality by improving transparency, comparability, and reliability of financial statements across countries. Proponents argue that IFRS reduces information asymmetry, limits earnings management, enhances disclosure practices, and facilitates cross-border investment. By promoting consistent reporting standards, IFRS is expected to strengthen investor confidence and improve the efficiency of global capital markets.

However, the empirical evidence on the impact of IFRS adoption on accounting quality remains mixed. While several studies report improvements in earnings quality, value relevance, and disclosure transparency following adoption, others suggest that the benefits are contingent upon factors such as enforcement strength, institutional quality, legal systems, corporate governance structures, and economic development levels. Differences between mandatory and voluntary adoption contexts further complicate the assessment of IFRS outcomes.

Given the diversity of findings across jurisdictions and methodologies, a comprehensive synthesis of existing research is essential. A meta-analysis provides a systematic and quantitative approach to integrating prior empirical results, identifying patterns, and resolving inconsistencies in the literature. By aggregating evidence across studies, this research aims to evaluate whether IFRS adoption significantly enhances accounting quality and to determine the moderating factors that influence this relationship.

This study contributes to the ongoing debate by offering a consolidated empirical perspective on IFRS adoption and accounting quality. The findings are expected to inform policymakers, regulators, investors, and academics regarding the effectiveness of global accounting harmonization efforts and the conditions under which IFRS adoption yields meaningful improvements in financial reporting quality.

Importance of Accounting Quality

Accounting quality plays a fundamental role in financial markets, as it directly influences investment decisions, capital allocation, and the overall functioning of the economy. High-quality accounting information enhances the transparency and reliability of financial statements, enabling investors, creditors, regulators, and other stakeholders to make informed decisions.

- **Investment Decision Making:** Investors rely on financial statements to assess the financial health and performance of companies. High-quality accounting information facilitates accurate analysis and evaluation of firms' profitability, solvency, and growth prospects, thus aiding investors in making sound investment decisions.
- **Capital Allocation:** Efficient capital allocation is essential for economic growth and development. Quality financial reporting enables capital providers to allocate resources to their most productive uses, thereby fostering innovation, productivity, and competitiveness in the marketplace.
- **Risk Management:** Effective risk management requires timely and reliable information about the financial position and performance of organizations. Quality accounting information helps stakeholders identify and assess risks, enabling them to implement appropriate risk mitigation strategies and safeguard against financial uncertainties.
- **Regulatory Compliance:** Regulatory authorities rely on financial reporting standards to ensure transparency, integrity, and accountability in financial markets. High-quality accounting information enhances regulatory oversight and enforcement, thereby promoting market integrity and investor protection.
- **Stakeholder Confidence:** Trust and confidence are essential for the functioning of financial markets. Quality financial reporting enhances stakeholder confidence by providing assurance about the accuracy, completeness, and reliability of financial information disclosed by companies.

accounting quality is crucial for maintaining the efficiency, stability, and integrity of financial markets. As such, understanding the factors that influence accounting quality, including the impact of IFRS adoption, is of paramount importance for policymakers, standard setters, regulators, investors, and other stakeholders in the global economy.

Need for Comprehensive Analysis

The adoption of International Financial Reporting Standards (IFRS) represents a significant shift in financial reporting practices, with implications for accounting quality and financial decision-making. However, existing research on the impact of IFRS adoption on accounting quality has yielded mixed findings, reflecting variations in methodologies, sample characteristics, and contextual factors across different studies. As such, there is a pressing need for a comprehensive analysis that synthesizes and integrates findings from multiple studies to provide a clearer understanding of the overall effect of IFRS adoption on accounting quality.

- **Addressing Divergent Findings:** Individual studies examining the impact of IFRS adoption on accounting quality have reported disparate findings, ranging from positive

effects to no significant impact or even negative consequences. A comprehensive analysis can help reconcile these divergent findings by identifying common patterns, trends, and sources of variation across studies.

- **Enhancing Robustness:** Meta-analysis offers a rigorous methodological approach to integrate and synthesize evidence from multiple studies, thereby enhancing the robustness and reliability of research findings. By aggregating data across a broad range of studies, meta-analysis can provide more precise estimates of the overall effect size and identify potential moderators that may explain variations in findings across studies.
- **Informing Policy and Practice:** A comprehensive analysis of the impact of IFRS adoption on accounting quality can yield valuable insights for policymakers, standard setters, regulators, and practitioners in the field of accounting and finance. By elucidating the effects of IFRS adoption on key dimensions of accounting quality, such as transparency, comparability, and reliability, meta-analysis can inform the development of effective regulatory policies, accounting standards, and financial reporting practices.
- **Advancing Knowledge:** Meta-analysis contributes to the advancement of knowledge by synthesizing existing research findings, identifying gaps in the literature, and generating new hypotheses for further investigation. By synthesizing findings from a diverse set of studies, meta-analysis can provide a more comprehensive understanding of the complex relationship between IFRS adoption and accounting quality.

In light of these considerations, conducting a comprehensive meta-analysis is essential for advancing our understanding of the impact of IFRS adoption on accounting quality and informing policy, practice, and future research in the field of accounting and finance.

Conclusion

This meta-analysis provides valuable insights into the impact of International Financial Reporting Standards (IFRS) adoption on accounting quality. Our analysis of a diverse range of studies suggests that, on average, the adoption of IFRS is associated with improvements in accounting quality. These improvements are evident in enhanced transparency, comparability, and reliability of financial information reported by adopting firms. Moreover, our findings highlight the importance of considering contextual factors that moderate the relationship between IFRS adoption and accounting quality. Factors such as the level of legal enforcement, institutional quality, firm size, industry characteristics, and the timing of adoption play significant roles in shaping the impact of IFRS adoption on accounting quality. Policymakers, regulators, and practitioners should take these moderating factors into account when assessing the potential benefits and challenges of adopting IFRS. The positive association between IFRS adoption and accounting quality has important implications for global standard setters, policymakers, and regulators. Efforts to promote the adoption and implementation of high-quality accounting standards, such as IFRS, should be encouraged to enhance financial reporting transparency and comparability across borders. Furthermore, continued monitoring and evaluation of the effects of IFRS adoption are essential to ensure ongoing improvements in accounting quality and financial reporting practices. While this meta-analysis contributes to

our understanding of the impact of IFRS adoption on accounting quality, there are several avenues for future research. Future studies could delve deeper into the mechanisms through which IFRS adoption influences accounting quality, explore the long-term effects of IFRS adoption, and investigate the implications of specific IFRS standards on different dimensions of accounting quality.

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