LUNDS UNIVERSITET
Ekonomihögskolan

Department of Economics

BUSN79

Degree project in Accounting and Finance

Spring 2023

IFRS Impact on Swedish Companies

A study about the effect IFRS implementation has had on the accounting quality of Swedish Companies.

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Executive summary

Title: IFRS Impact on Swedish Companies
Final seminar: June 2, 2023
Course: BUSN79 Project in Accounting and Finance
Authors: Alexander Gunnervall & Jiahe Cheng
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Keywords: Value Relevance, Linear Regression Analysis, IFRS Implementation, Ohlson Model, Market Value of Equity, Book value of equity, Earnings

Purpose: This thesis aims to investigate whether the implementation of IFRS has affected the accounting quality in Swedish companies.

Theoretical framework: The results of this study is analyzed through the theory of information asymmetry and previous empirical studies.

Method: The study employs a quantitative method using linear regression analysis on market value of equity, book value of equity and earnings pre- and post-IFRS to investigate what effect, if any, IFRS implementation has had on the value relevance of accounting information in Swedish companies. The study also utilizes the Fisher Z-test to compare the correlation between the variables before and after IFRS implementation. The Ohlson model is used to measure the value relevance of accounting data.

Results: The study's findings demonstrate that IFRS implementation has not had a significant effect on the value relevance of book value of equity but it has significantly increased the value relevance of earnings in Swedish companies.

Conclusion: The study contributes to highlighting how IFRS implementation has impacted the value relevance of the accounting information book value of equity and earnings. It also provides insights into potential explanations for the observed differences in impact.

1. Introduction

The introduction section begins by providing a background on IFRS and its role in promoting transparency in financial reporting. It highlights the significance of value relevance and the challenges posed by diverse accounting standards. The problematization section explores the practical and theoretical relevance of studying the impact of IFRS implementation on accounting quality in Swedish companies. It outlines the study's purpose of assessing changes in accounting information's quality, reliability, and relevance for investors. Overall, the introduction sets the foundation for the study's focus on IFRS and accounting quality in Sweden.

1.1 Background

International Financial Reporting Standards (IFRS), developed within the framework of the International Accounting Standards Committee (IASC) in the 1970s, aimed to establish a standardized framework for business transactions and financial reporting on a global scale. The European Union, in its efforts to harmonize accounting practices and foster an internal market, subsequently introduced legislation mandating the adoption of IFRS by EU listed companies starting from January 1, 2005 (Regulation (EC) 1606/2002). The European Parliament passed and enacted the Act on September 11, 2002, as Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002. This Act, commonly referred to as the IAS Regulation, pertains to the Application of International Accounting Standards (IAS). This move was later followed by numerous other countries, resulting in the current implementation of IFRS in 168 jurisdictions worldwide (IFRS 2018).

The importance of IFRS lies in enhancing transparency and fostering trust in the global financial markets and the companies that are listed on these markets (Regulation (EC) 1606/2002). Before the mandatory adoption of IFRS on January 1, 2005, accounting practices in Europe were diverse, with various frameworks, policies, and standards. This lack of uniformity in financial reporting was compounded by the pressure from multinational companies and the push for financial globalization, aiming to integrate capital markets and achieve a single global market. The lack of uniformity has also made it challenging for investors and other stakeholders to accurately compare the financial performance and position of companies operating in different

jurisdictions (Yip & Young 2012). With the adoption of IFRS, companies across various countries now follow standardized accounting standards, leading to improved comparability and consistency in financial reporting, fostering transparency and enabling investors to make more informed investment decisions based on reliable and comparable financial information (Yip & Young 2012).

The concept of value relevance, which refers to the extent to which accounting information is reflected in the market value of a company, has been a topic of significant interest and research in the field of accounting and finance (Barth, Beaver & Landsman 2001). The value relevance of accounting information is crucial for decision-making as it influences investors in their assessments of a company, as well as for regulators and standard-setters when evaluating the effectiveness of financial reporting (Barth, Beaver & Landsman 2001).

Numerous factors can impact the value relevance of accounting information, including changes in accounting standards, regulations, and practices, as well as economic, institutional, and cultural factors (Barth, Beaver & Landsman 2001). The area of interest in this study is the impact of a change in accounting standards, or more specifically the impact of Sweden's implementation of IFRS. The adoption of IFRS has resulted in significant changes in accounting practices and financial reporting requirements, and its impact on the value relevance of accounting information has been a subject of debate and empirical investigation around the world (Barth, Beaver & Landsman 2001).

1.2 Problematization

While the implementation of IFRS has been a major change in the accounting practices of Swedish companies. The impact of IFRS on the value relevance of Swedish companies' accounting information is still an open question.

Value relevance refers to the ability of accounting information to capture and reflect the underlying economic value of a company (Karğın 2013). It is an important aspect of financial reporting, as it allows investors to make informed decisions about the value of a company and its

future prospects (Karğın 2013). The value relevance of accounting information can be influenced by various factors, including the quality and reliability of the information, the relevance of the information to investors, and the level of comparability between companies (Barth, Beaver & Landsman 2001).

Some scholars argue that the increased transparency and comparability brought about by IFRS implementation would lead to higher value relevance of accounting information for investors (Iatridis 2010; Srivastava, Muharam 2021; Iatridis and Rouvolis 2010). They argue that IFRS requires companies to disclose more information about their financial performance and that this information is more comparable across different companies and countries. This increased transparency and comparability would lead to a better understanding of a company's financial position, which would ultimately lead to a higher value relevance of its accounting information.

However, others argue that the complexity of IFRS and the need for subjective judgments may decrease the relevance of accounting information for investors (Papatodos & Bellas, 2011; Dobija & Klimczak, 2010; Khanagha, 2011). They argue that IFRS may lead to an overreliance on subjective judgments and estimates, which could introduce a greater degree of uncertainty and reduce the reliability of financial information. Additionally, the increased disclosure requirements may lead to information overload, which could make it more difficult for investors to identify the most relevant information.

Therefore, the problematization of this thesis is to investigate the impact of IFRS implementation on the value relevance of Swedish companies' accounting information and to determine what effect it has had on the usefulness of financial information for investors. This will involve examining the quality and reliability of accounting information before and after IFRS, more specifically analyzing the value relevance of book value of equity and earnings.

By addressing this problematization, this thesis aims to contribute to the ongoing discourse on the impact of IFRS on financial reporting and provide insights into the usefulness of accounting information for investors within the Swedish context.

1.3 Research purpose & Research question

1.3.1 Research purpose

This research aims to investigate the impact of the implementation of IFRS on accounting quality in Swedish companies. The specific focus will be on the value relevance aspect, examining how the accounting quality of these companies has changed before and after the implementation of IFRS.

The purpose of this study is to investigate the effects of the adoption and implementation of IFRS on accounting quality in Swedish companies. As the globalization of IFRS gains momentum, Sweden, like many other countries, has embraced these standards to improve financial reporting transparency and comparability (Regulation (EC) 1606/2002). Therefore, it is essential to critically assess whether the implementation of IFRS has achieved its intended objectives, particularly in terms of enhancing the quality and value relevance of Swedish companies accounting information.

This research seeks to contribute to the existing body of knowledge by providing insights into the impact of IFRS on the quality of financial reporting in Sweden. The comparison of financial reporting practices before and after the implementation of IFRS in 2005 will further enhance our understanding of the extent to which IFRS has improved accounting quality in Swedish companies.

1.3.2 Research question

Has the implementation of IFRS impacted accounting quality in Swedish companies?

1.4 Motivation & Relevance

1.4.1 Motivation

The implementation of IFRS has had a significant impact on accounting standards worldwide, including Sweden. Accounting quality, which ensures transparency and reliability in financial reporting, is crucial for effective decision-making (Tasios and Bekiaris 2012). While previous studies have examined the value relevance of IFRS in the European Union, there remains a gap in comprehensive research specifically addressing the value relevance of IFRS in Sweden. This research finds motivation in the aspiration to bridge this very gap.

Sweden is a particularly interesting country to analyze through the lens of IFRS value relevance, given its nuanced business and accounting culture. The clash of principles-based IFRS with Sweden's more rule-based financial reporting framework surfaced challenges in aligning local regulations with international standards (Hartmann 2020).

Furthermore, Sweden's strong reliance on shared norms and trust in business complicates aligning with IFRS's approach (Hartmann 2020). Sweden's inclination towards minimalistic regulation and emphasis on comparability also contradicted the expansive regulatory ethos of IFRS (Hartmann 2020).

Compared to other countries that have implemented IFRS, Sweden has a softer and more lenient view towards regulation and enforcement, which also makes it more difficult to smoothly implement and enforce a regulation standard (Frejinger & Johansson, 2009). Notably, Sweden's conservative and creditor-oriented accounting tradition added another layer of intricacy in reconciling with the investor-centric IFRS (Hartmann 2020).

Our examination of the Swedish context adds a valuable perspective to the existing body of knowledge on IFRS adoption within specific national settings. Sweden presents an intriguing case for IFRS implementation analysis due to factors such as weak enforcement and a business culture rooted in trust, which may pose challenges in aligning with the requirements of IFRS (Frejinger & Johansson, 2009). By understanding the unique challenges, benefits, and outcomes

of IFRS implementation in Sweden, we enhance our understanding of the broader global implications of these standards, providing insights that can inform policy decisions and practices in similar contexts.

1.4.2 Relevance

The investigation of IFRS implementation remains highly relevant in 2023 for several reasons.

Firstly, extensive research has been conducted on IFRS implementation since its adoption in various countries, encompassing empirical studies, case analyses, surveys, and comparative evaluations. This research, conducted by academia, professional organizations, regulatory bodies, and industry practitioners, provides valuable insights into the implications of IFRS adoption. For instance, studies examining the effects of IFRS adoption in specific countries, like Spain, have contributed to our understanding of IFRS implications (Abad et al., 2017). By leveraging this substantial body of research on IFRS post implementation, we can enhance the relevance and robustness of our findings, adding context and valuable analysis to the findings and therefore making a valuable contribution to the existing body of knowledge.

Secondly, our research addresses the ongoing and evolving nature of IFRS adoption. While our data collection is limited to the period up until 2007, it is important to acknowledge that IFRS has been underway for many years, and its full impact and implications continue to unfold (Procházka & Pelák, 2015). Although we will not be testing data beyond 2007, our research contributes to the understanding of the evolving effects of IFRS adoption on accounting quality by analyzing our findings through studies conducted after 2007. This approach allows us to bridge the gap between our limited data timeframe and the continuous developments in IFRS implementation, ensuring the relevance and applicability of our findings to the current landscape.

By leveraging extensive research, considering the ongoing nature of IFRS adoption, and examining the Swedish context, our research contributes to addressing the gaps in the current knowledge on IFRS implementation. Through these combined approaches, we provide valuable

insights into the implications of IFRS adoption, both in Sweden and globally, ensuring the relevancy and significance of our study.

1.5 Delimitation

The study is limited in terms of time and geography, focusing on Swedish companies listed on OMX Stockholm during the period of 2002-2007. The decision to exclude the years after 2007 is based on the global financial crisis that occurred between 2007-2010. To ensure the integrity of the results, we aim to avoid any potential skewing caused by the crisis. According to Riksbanken (2022) the financial crisis did not spread to have a big effect on Sweden until September of 2008 when the investment bank Lehman Brothers went bankrupt. Therefore, to maintain the focus on the pre-crisis period, the study does not cover the years following 2007. Additionally, previous research indicates that book value of equity and earnings are correlated with market value of equity, thus prompting the thesis to focus specifically on these variables for a more targeted analysis (Ahmed, Neel & Wang 2013; Ayzer & Cemal 2013; Barth, Landsman & Lang 2008; Ben Naceur & Nachi 2006).

1.6 Thesis Outline

1. Introduction

The introduction section initiates with an overview of IFRS and its role in enhancing financial reporting transparency, emphasizing the importance of value relevance and the hurdles associated with diverse accounting standards. The problematization section then delves into the practical and theoretical significance of investigating the effects of IFRS implementation on accounting quality in Swedish companies. This section also clearly defines the study's objective: to evaluate shifts in the quality, reliability, and significance of accounting information for investors. In essence, the introduction lays the groundwork for our exploration of IFRS and its impact on accounting quality in the Swedish context.

2. Literature Review & Hypothesis Development

The theory section commences by introducing the concepts of value relevance and the transition from Swedish GAAP to IFRS within the framework of Swedish accounting practices. Following this, it introduces information asymmetry theory, shedding light on the unequal distribution of information among market participants, with potential implications for stock market efficiency. Shifting to the empirical section, it initiates by scrutinizing the IFRS implementation and proceeds to present findings from prior studies on value relevance. Ultimately, this section wraps up by outlining the study's hypotheses, providing a clear roadmap for the research ahead.

3. Method

The method section initiates with an empirical approach, detailing the data collection process and evidence gathering techniques employed. Subsequently, it offers a comprehensive overview of the research method, including the overall strategy and study design. Further elaboration within the next section provides insight into the specific procedures and techniques utilized in the study's methodology. Finally, the section concludes by presenting the statistical analysis methods, offering a detailed account of the statistical tools and procedures applied for analyzing the collected data.

4. Results

Within this section, we unveil the outcomes of our analysis. We begin by presenting descriptive statistics for the pre-IFRS period and examining the correlations between dependent and independent variables. Following this, we delve into the descriptive statistics for the post-IFRS period and explore the correlations therein. Subsequently, we proceed to compare the findings from the pre-IFRS and post-IFRS periods. Finally, we address the hypotheses posited for this study. In essence, this section offers a comprehensive examination of the data, encompassing descriptive statistics, correlations, a comparison between pre-IFRS and post-IFRS periods, and an evaluation of hypotheses.

5. Analysis

This section commences by offering potential explanations for the lack of increased value relevance in the book value of equity, particularly in connection with factors such as information asymmetry and the level of enforcement and trust placed in IFRS. It subsequently delves into the reasons behind the heightened value relevance of earnings, with a primary focus on regulatory shifts from Swedish GAAP to IFRS and their implications for information asymmetry.

6. Conclusion and Discussion

This final chapter brings our thesis to a close by providing its conclusions. Subsequently, the discussion section encompasses the study's contributions, limitations, and recommendations for pursuing further intriguing research endeavors.

2. Literature review & Hypothesis development

The theory section starts with introducing the value relevance and the transition from Swedish GAAP to IFRS in the context of Swedish accounting practices. This is followed by introducing information asymmetry theory which highlights the imbalance of information between market participants, and can affect stock market efficiency. The empirical section starts with examining the implementation of IFRS and moves on to present results from previous value relevance studies. Finally, the section concludes by presenting the hypotheses for the study.

2.1 Theoretical literature

2.1.1 Definition of value relevance

The study adopts value relevance as a fundamental indicator of accounting quality. Value relevance assesses the relevance of information disclosed in financial statements to capture and summarize a firm's value (Karğın 2013). It is determined by the statistical correlation between stock market values and values in the financial statements, indicating that if a company's stock market valuation aligns with its accounting information valuation, the accounting information is considered value relevant (Suadiye 2012).

The concept of value relevance has a rich historical background, originating from Amir, Harris, and Venuti in 1993, and the influential research by Ball and Brown in 1968. Ohlson's model in 1995 further advanced value relevance research, providing researchers with a powerful tool to measure the effects of accounting data changes on market value. Due to its widespread applicability and significance, value relevance is extensively used in studies seeking to assess accounting quality, attracting the attention of standard setters such as the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (Barth, Beaver & Landsman 2001). Value relevance research also plays a crucial role in addressing important questions related to financial statement disclosures' usefulness and the reliability of fair value estimates, often influencing standard setters' perspectives on the relevance and reliability of various accounting measures (Barth, Beaver & Landsman 2001).

2.1.2 Changes from Swedish GAAP to IFRS

Changes	Swedish GAAP	IFRS
Format	SGAAP's balance sheet format must be followed. One of two income statement formats must be followed	IFRS specify minimum disclosures but do not require a specific format
Goodwill	Goodwill is amortized to profit or loss	Goodwill is not amortized
Fair value	Fair value is allowed but not required	Fair value is required
Foreign exchange	Have to report in the functional currency	Allowed to report in a currency other than the functional currency
Errors	Corrections of errors are adjusted in profit or loss for the current year	Corrections of errors are made by adjusting retained earnings
Property, plant, and equipment	No requirement to review useful life, residual value, and method of depreciation every year	Useful life, residual value, and method of depreciation must be reviewed each financial year end
Intangible assets	Revaluation of intangible assets is never permitted	Intangible assets can be revalued if there is an active market
Consolidation	Minority interests are based on the carrying amount reported by the subsidiary.	Minority interests are based on the carrying amounts of consolidation.

	Minority interests are classified outside of equity.	Minority interests are classified within equity but separate from parent shareholders' equity.

(KPMG 2005)

The table above provides a concise overview of the key differences between Swedish GAAP and IFRS. As this study focuses on investigating the impact of IFRS adoption on accounting quality in Swedish companies, it is crucial to establish a clear understanding of the changes introduced by IFRS in various accounting areas. Furthermore, this table allows readers to comprehend the magnitude of the transition and the significance of comparing pre- and post-IFRS periods in this study. It also allows readers to better understand the main findings and highlights of this new accounting standard and its implications for the Swedish business environment. By presenting these key differences, a solid foundation is established for the subsequent discussion on the impact of IFRS adoption on accounting quality in Swedish companies.

One significant difference between Swedish GAAP and IFRS is the greater focus on fair value valuation under IFRS (Klasson, 2012). IFRS requires companies to value a larger number of items at fair value, necessitating a different type of knowledge beyond the traditional accounting expertise typically found within companies (Klasson 2012). This emphasis on fair value measurement, focusing on market-based measurements, may have contributed to the observed increase in the value relevance of book value of equity and earnings in Swedish companies (presented in Section 4). By recognizing the relevance of fair value measurement in our analysis, we gain valuable insights into how this specific aspect of IFRS adoption has influenced the value relevance of accounting information in Swedish companies.

Furthermore, it is important to note that IFRS Standards place a greater emphasis on the balance sheet compared to Swedish GAAP (KPMG 2005). By considering this aspect, we acknowledge the broader impact of IFRS adoption on financial reporting practices, particularly in the valuation and recognition of assets and liabilities. This understanding allows us to explore how the changes

introduced by IFRS in these specific areas may have influenced the value relevance of accounting information in our study, providing valuable insights into the effects of IFRS adoption on accounting quality within the Swedish context.

2.1.3 Information asymmetry theory

Asymmetric information theory, established during the 1970s and 1980s, explains market inefficiencies arising from imbalanced information between buyers and sellers (Auronen 2003). This imbalance can result in distorted distribution of goods and services, with one party holding superior knowledge and exploiting the other's lack of information (Auronen 2003).

Pioneering economists George Akerlof, Michael Spence, and Joseph Stiglitz significantly contributed to the development of this theory, earning them the shared Nobel Prize in economics in 2001.

Akerlof's groundbreaking work in 1970, titled "The Market for 'Lemons'," illustrated the phenomenon using the example of car sellers possessing more information than buyers, incentivizing sellers to sell subpar goods at regular prices. This dynamic can lead to the undervaluation of high-quality products and consequent market inefficiencies.

Expanding on this concept in 1973, Spence's paper "Job Market Signaling" applied information asymmetry to the job market. He proposed that job seekers may signal their abilities to employers through education, countering the incomplete information employers have about their potential employees.

Joseph Stiglitz's extensive research, particularly in his 1975 paper "The Theory of 'Screening,' Education, and the Distribution of Income," covers various aspects of information asymmetry. Stiglitz introduced the concept of "screening," emphasizing that imbalanced information can lead to market inefficiencies and misallocation of resources. He suggested that individuals and firms could use "screening" mechanisms to amass and disclose information, minimizing information asymmetry and enhancing market outcomes.

2.1.4 Information asymmetry in the stock market

The impact of information asymmetry on the stock market is substantial (Kennedy, Sivakumar & Vetzal 2006). When certain participants possess exclusive information, it creates an uneven playing field, enabling some investors to make more informed investment choices than others. This unevenness opens doors to insider trading, wherein individuals with non-public information gain an unjust market advantage (Kennedy, Sivakumar & Vetzal 2006).

In response, regulatory bodies have instituted measures to alleviate information asymmetry, fostering market comparability, transparency, and accounting quality, exemplified by IFRS (IFRS 2018). Companies are mandated to timely and accurately disclose significant information to the public, while insider trading is prohibited.

Both analytical and empirical studies have shown that information asymmetry plays a crucial role in the capital market (Komalasari & Nasih 2020). Information asymmetry not only impacts a company's market performance but also influences market stability. Market collapse can occur due to high information asymmetry for many reasons.

Market collapse, according to Bhattacharya and Spiegel (1991), can stem from information asymmetry, as outsiders are hesitant to trade with insiders. Fernando, Herring, and Subrahmanyam (2008) point to substantial information asymmetry regarding market fundamentals as a potential cause. Allen, Morris, and Postlewaite (1993) argue that bubbles in financial markets form when traders possess private information. Bubbles that eventually burst because of information asymmetry can lead to market collapse.

2.1.5 Information asymmetry in IFRS implementation

The implementation of IFRS aimed to enhance accounting quality, comparability, and transparency (Regulation (EC) 1606/2002), thereby potentially reducing information asymmetry in the stock market. Several studies have explored the relationship between IFRS adoption and information asymmetry, providing insights into the impact of this accounting standard on the availability and quality of financial information.

Abad, Cutillas-Gomariz, Sanchez-Ballesta, and Yagüe (2017) conducted a study on Spanish companies and found that IFRS adoption led to a reduction in information asymmetry. This finding is particularly relevant to our thesis, as Spain, like Sweden, also has a weak level of enforcement for accounting regulations.

Similarly, Turki, Wali, and Boujelbene (2017) examined the European Union context and concluded that IFRS adoption contributed to a decrease in information asymmetry, though with a time lag.

Contrasting findings were reported by Ertugrul and Demir (2021), who investigated companies listed on stock exchanges in Australia, France, and the United Kingdom. Their research did not establish a clear positive or negative impact of IFRS adoption on information asymmetry.

Kao and Wei (2014) studied the effects of IFRS adoption on information asymmetry and found no overall reduction. In fact, they observed instances where information asymmetry increased.

Barth, Landsman, and Lang (2008) conducted a comprehensive analysis of IFRS adoption in 25 countries and generally observed a decrease in information asymmetry. However, they noted exceptions in countries with weak legal institutions or inadequate enforcement mechanisms, where the reduction in information asymmetry was less pronounced or even reversed.

Drawing from these studies, it can be theorized that the adoption of IFRS has the potential to reduce information asymmetry by enhancing the quality, transparency, and comparability of accounting information, consequently improving value relevance. However, it is important to acknowledge the presence of contradictory findings, indicating that the relationship between IFRS adoption and information asymmetry may be influenced by various factors such as enforcement mechanisms and legal institutions.

2.2 Empirical literature

2.2.1 IFRS Implementation in Sweden

IFRS was implemented in Sweden in 2005, following the European Union's requirement for all member states to adopt IFRS for the consolidated financial statements of listed companies (Regulation (EC) 1606/2002). This adoption process unfolded progressively, initially encompassing larger listed corporations and later extending to smaller listed companies and non-listed firms (IFRS 2016). The primary goal of this adoption in Sweden was to improve the quality of financial reporting, enhance the comparability of financial statements, and advance transparency in financial practices, in alignment with international standards (Regulation (EC) 1606/2002).

Frejinger and Johansson (2009) suggest a notable shift in trust levels towards financial statements post IFRS implementation, this mainly arises from concerns about the enforcement body FI (Finansinspektionen). There is a general perception among stakeholders that FI do not possess the expertise or technical knowledge to handle the enforcement of IFRS. Trust in financial statements is intrinsically linked to the credibility of the reviewing organizations.

Beyond issues of enforcement, a sense of mistrust has emerged between companies and auditors. Before IFRS, companies and auditors had a stronger level of trust between them because the Swedish GAAP regulations aligned better with the values of Swedish culture. The perception now is that IFRS has introduced excessive rules and regulations (Frejinger & Johansson, 2009).

Furthermore, studies specifically examining the effect of IFRS on the value relevance of accounting information in Sweden are scarce. Among these, a study by Hellman (2011) involving a sample of the 132 largest Swedish companies demonstrated an increase in accounting quality through enhanced value relevance of earnings. Conversely, Halonen, Pavlovia, and Pearson (2013) reported differing results. Their research found that the value relevance of book value of equity increased while the value relevance of earnings decreased after the introduction of IFRS.

While prior studies have explored the impact of IFRS on accounting quality in Sweden, only a handful have delved into the realm of value relevance. For example, an investigation into the adoption of IFRS for SMEs-based standard (K3) in Swedish private firms revealed positive effects on accounting quality, mainly by enhancing financial reporting quality through heightened standardization and comparability of financial statements (Vedran 2011).

2.2.2 IFRS Implementation in other countries

The impact of IFRS implementation on the value relevance of accounting information has been explored in various countries beyond Sweden. Iatridis (2010) studied the UK's transition from UK GAAP to IFRS during 2004 and 2005, highlighting enhanced value relevance and improved accounting quality due to IFRS adoption. In India and Indonesia, Srivastava & Muharam (2021) observed increased value relevance of both book values and earnings during the IFRS implementation period.

Conversely, Greek research by Papatodos & Bellas (2011) found there was not a clear positive correlation between IFRS adoption and value relevance, influenced by factors like firm size and fixed assets. Dobija & Klimczak (2010) examined Polish companies from 1994 to 2007, reporting limited enhancement in value relevance after IFRS adoption. In the United Arab Emirates, Khanagha (2011) discovered that while accounting information was initially value-relevant, it decreased post-IFRS implementation.

Simultaneous mandatory IFRS adoption in the EU has provided an exceptional opportunity for numerous cross-country studies. Aubert and Grudnitski (2010) analyzed the impact of IFRS on accounting information's value-relevance across 13 EU countries and 20 industries, revealing mixed results in value relevance post-IFRS.

Horton and Serafeim (2010) noted fewer forecast errors in the UK after IFRS implementation. Iatridis and Rouvolis (2010) highlighted higher value-relevance in Greece under IFRS-based financial statements. Callao, Jarne, and Lainez (2007) focused on Spain, reporting that the value-relevance of financial reporting did not improve, and comparability worsened for firms

that adopted IFRS. This contradicts the stated goal of IFRS implementation, to improve quality, transparency, and comparability (Regulation (EC) 1606/2002).

Daske, Hail, Leuz, and Verdi (2008) conducted a global examination of IFRS adoption and found statistically significant, but modest capital market benefits, and only in countries with strong legal enforcement and where firms have incentives for transparency. For Swedish companies, these findings are significant since, as highlighted earlier, the leniency and lack of expertise in Swedish enforcement bodies may pose challenges for effective IFRS implementation.

2.2.2.1 Book value of equity and earnings

In their 2006 study, Naceur and Nachi explored the impact of accounting reforms on the value relevance of financial information in the Tunisian Stock Exchange, covering 46 companies. They analyzed the market's evaluation of earnings and book values, and investigated whether this information improved investors' decision-making before and after accounting reforms. The researchers found that earnings and book value of equity were significantly and positively related to market value of equity, especially for earnings.

In a separate study conducted by Pourheidari, Aflatooni, and Nikbakat in 2008, the researchers compared the value relevance of dividends with the value relevance of earnings and book value of equity. They also analyzed their relationship with the market value of equity in the Tehran Stock Exchange from 1996 to 2004. The results revealed a positive relationship between book value of equity and earnings with market value of equity.

Glezakos, Mylonakis, and Kafuoros (2012) found that the explanatory power of earnings and book values in share prices has increased over time. When looking at 38 companies listed on the Athens Stock Exchange from 1996 to 2008. However, they also found evidence that earnings have played a decreasing role in determining share prices relative to book values.

Lastly, Ayzer and Cemal (2013) examined the value relevance of financial statement information in Turkish Stock Markets during the period of 1997-2011 and found that combined book value of

equity and earnings are significantly value relevant in explaining stock prices, with book value of equity having higher explanatory power than earnings when examined individually.

2.2.3 Enforcement of IFRS

Byard, Li, and Yu (2011), Horton, Serafeim, and Serafeim (2013), Barth, Landsman, Lang, and Williams (2012) and Cualain and Tawiah (2022) have all documented the crucial role of enforcement bodies and regimes and firm-level reporting incentives in determining the impact of IFRS adoption.

Byard, Li, and Yu (2011) and Horton, Serafeim, and Serafiem (2013) argue that the effectiveness of IFRS adoption depends on the strength and quality of the enforcement bodies that oversee financial reporting. They suggest that countries with stronger enforcement bodies may experience greater benefits from IFRS adoption, as these bodies are better equipped to ensure that firms comply with the new reporting requirements.

Barth, Landsman, Lang, and Williams (2012) instead focus on the role of firm-level incentives in determining the impact of IFRS adoption. They argue that firms that have greater incentives to produce high-quality financial statements are more likely to benefit from IFRS adoption than those that do not. For example, firms that rely more heavily on external financing have stronger incentives to produce financial statements of higher quality and, therefore, benefit more from IFRS implementation.

According to Cualain and Tawiah (2022) the impact of adopting IFRS varies depending on the strength of a country's enforcement policies. In countries with strong enforcement, the positive and negative consequences of IFRS adoption are more noticeable, as seen in the UK and Germany. Conversely, in countries with weak enforcement, such as Spain and Italy, the consequences are less pronounced. These consequences encompass heightened comparability, audit fees, liquidity, earnings management, and investment. To fully reap the benefits of IFRS adoption, a country must not only adopt the standards but also establish a strong enforcement framework.

2.2.4 Impact of IFRS implementation

Many years have passed since the EU mandated companies listed on European stock exchanges to implement IFRS in 2005. The benefits and costs of its adoption were unclear at the time but now with the hindsight of nearly 20 years we can get a clearer picture of what good and what bad an international reporting standard has given us.

When implemented, the mission of IFRS was to bring "transparency, accountability and efficiency to financial markets around the world", which in turn would foster trust, growth and long-term financial stability throughout the global economy (Regulation (EC) 1606/2002). And they have in large part succeeded in doing what they set out to achieve. IFRS adoption has improved the association between accounting numbers and stock prices (De George, Li & Shivakumar 2016). IFRS has improved comparability of financial reports between countries by harmonizing accounting standards and has improved investment efficiency by increasing the cross-border flow of capital.

However, IFRS adoption has also popularized more extensive use of income smoothing, aggressive earnings reporting and delayed recognition of losses (De George, Li & Shivakumar 2016). The harmonization of accounting standards across countries have improved comparability between countries but at the cost of worsening comparability within countries, since smaller non-listed firms do not have to adopt IFRS and still use Swedish GAAP (Amis & Rospars 2005).

2.2.5 Studies on value relevance

Barth, Beaver & Landsman (2001) did a study on the relevance of value relevance research for financial accounting standard setting. They came to the conclusion that value relevance literature provides useful insights for standard setting. Value relevance research addresses questions of interest to accounting standard setters, questions about the usefulness of financial statement disclosures, the relevance and reliability of fair value estimates, and the effects of accounting standards on financial statement users.

Choi and Levich (1991) argue that not all differences in accounting treatments between firms hold the same weight to investors. If an accounting difference is transparent and easily understood by investors, it is more likely to influence their market decisions, and in turn increase its value relevance. Conversely, if the accounting difference is difficult to discern or interpret, it is less likely to affect investors' estimates of firm value, and decrease value relevance.

Choi and Levich's (1991) research suggests that while many investors consider accounting differences to be an important factor in their investment decisions, they also possess the ability to adjust their perception of firm value to account for differences in accounting treatments, but only if the differences are transparent and understandable.

2.2.6 Critique of value relevance studies

A number of scholars have suggested that the mixed results observed in studies investigating the impact of IFRS adoption on financial reporting quality could be attributed to differences in legal enforcement and firm incentives for adopting IFRS (Atanassova, 2008; Barth et al. 2012; Byard, Li & Yu 2011; Daske et al. 2008; Horton, Serafeim & Serafeim 2013; Kvaal & Nobes 2010; Verriest, Gaeremynck, and Thornton 2010). However, other scholars have argued that methodological issues, such as the misspecification of regression models, may also contribute to the mixed findings (Soderstrom & Sun 2007).

Holthausen and Watts (2001) provide several critiques of studies that focus on the value-relevance of financial reporting. Firstly, they argue that measures of value-relevance are inherently backward-looking, and therefore may not be very useful for financial reporting for decision-making purposes, since it is inherently forward-looking. Additionally, they suggest that the measures used in value-relevance studies may not capture the full extent of the information content of financial reporting, particularly as such studies often focus solely on either earnings or book value of equity.

Another critique Holthausen and Watts (2001) offer is that value-relevance studies may overlook the fact that managers have incentives to manipulate financial statements to influence market perceptions of firm value. Therefore, the relationship between financial reporting and firm value may not necessarily be linear or consistent over time. Finally, they argue that the value-relevance of financial reporting may vary across firms.

2.3 Hypothesis

Based on the comprehensive review of the literature and empirical evidence related to the impact of IFRS adoption on accounting quality and value relevance, two hypotheses are formulated:

H^1 = IFRS implementation significantly increases the value relevance of book value of equity in Swedish companies.

H^2 = IFRS implementation significantly increases the value relevance of earnings in Swedish companies.

Hypothesis 1 is derived from multiple sources of empirical research that indicate a positive relationship between IFRS adoption and the value relevance of book value of equity. For example, a study conducted by Elbakry, Nwachukwu, Abdou & Elshandidy (2017) demonstrates that the implementation of IFRS enhances the value relevance of accounting information. Specifically, they found that the value relevance of book value of equity increased significantly after IFRS adoption, while the value relevance of earnings did not change significantly.

Hypothesis 2 is also supported by empirical studies that have explored the effects of IFRS adoption on the value relevance of earnings. Research conducted by Daske and Gebhardt (2006) in Germany, found a significant improvement in the value relevance of earnings after the adoption of IFRS. These findings suggest that the implementation of IFRS is likely to lead to an increased value relevance of earnings.

Furthermore, before the adoption of IFRS, there were more flexible ways to value assets and liabilities (KPMG 2005). In contrast, IFRS mandates the use of fair value, which reflects the current market values of items instead of historical costs (Ramanna 2013). This change enhances the accuracy of asset and liability valuation. As a result, the book value of equity (assets - liabilities) becomes more closely linked to the market value of equity, which increases its value relevance.

This emphasis on fair value accounting extends beyond valuations of assets and liabilities; it can also impact the income statement. When gains or losses from fair value adjustments are recognized in earnings, it leads to a more immediate and accurate reflection of the company's financial performance (Markou & Tsitsoni 2013). Consequently, IFRS's focus on fair value accounting can also make earnings more value relevant.

3. Method

The method section starts with an empirical method that outlines the approach employed to collect data and gather empirical evidence. Following this, a comprehensive account of the research method is provided, elucidating the overall strategy and design implemented in the study. Expanding further, the next section delves into a more elaborate explanation of the method, shedding light on the specific procedures and techniques utilized. Finally, the last section encapsulates the statistical analysis methods employed, offering a detailed description of the statistical tools and procedures used to analyze the gathered data.

3.1 Empirical Method

3.1.1 Choice of model

The value relevance of accounting can be measured from two perspectives: measurement and signaling (Hellström 2006). The measurement perspective compares the market value with accounting information, it is measuring the effect of changes in accounting information on market value. Whereas the signaling perspective deals with market value changes following the announcement of new accounting information, it measures the signaling effect of new announcements on market value. Most value relevance studies use the measurement perspective since the signaling perspective only focuses on the current year and not a more general view of market value changes (Hellström 2006). We therefore also use the measurement perspective in this study.

Within the measurement perspective we use the Ohlson model. Ohlson (1995) created a model used for detecting the value relevance of accounting data. This model has been widely adopted in academic research and in practice since and has been proven in numerous studies to be useful when measuring value relevance (Vázquez, Valdés & Herrera 2007). Ohlson (1995) suggested using book value of equity and earnings as the two fundamental accounting variables for explaining stock price. Collins, Maydew and Weiss (1997) later proved in their study that the explanatory power of these variables have not decreased in the last 40 years in the US stock market. Their explanatory power has on the other hand increased slightly during that time.

The Ohlson model (1995) gained popularity in market-based accounting research by highlighting the significance of financial information as a value component. The model is based on the notion that a company's value is composed of two key components: the net value of its investments (book value of equity) and the present value of its period benefits (earnings) (Vázquez, Valdés & Herrera 2007).

3.1.2 Application of the Ohlson model

The Ohlson model is as follows (1995):

$$MVE_{it-3,t+3} = \alpha + \beta_1 BVE_{it} + \beta_2 E + \varepsilon$$

Where:

- $MVE_{it-3,t+3}$ = the market value of equity of firm i over a 3 year period before IFRS and 3 year period after
- BVE_{it} = the book value of equity of firm i at year t
- E_{it} = earnings of firm i at year t
- α = The part of the MVE that cannot be explained by the BVE or E
- β_1 & β_2 = Coefficients that represent the contribution of each variable to the MVE
- ε = error term

The model is estimated using linear regression analysis, where the market value of equity is the dependent variable and book value of equity and accounting earnings are the independent variables.

The Ohlson model is used to examine the association between the market value of equity with two of the main financial reporting variables, the equity book value (represents the balance sheet) and earnings (represents the income statement) (Ohlson 1995). By comparing the

correlation between accounting data and market value of equity before and after the implementation of IFRS, we can assess whether or not the implementation of IFRS has improved accounting quality and value relevance. This method allows us to quantify any changes in value relevance of accounting data resulting from the implementation of IFRS (Ohlson 1995).

Value relevance is determined by comparing the market value of a firm's equity to its accounting values. Accounting data is considered to have high value relevance if it is strongly correlated with the market value of equity (Bartov, Goldberg & Kim, 2005). In other words, changes in accounting data should be closely associated with changes in the market value of equity. We will therefore measure how much of the market value of a firm's equity can be explained by the book value of the firm's equity and the accounting earnings (Kwong 2010).

It is essential to examine a period of time before and after IFRS implementation instead of just the year before and after. This ensures that any observed changes in financial statements are attributable to IFRS implementation and not just normal business fluctuations.

3.1.3 Critique of the Ohlson model

The Ohlson Model is a widely used valuation model that estimates the value of a firm based on its accounting information. However, there are several critiques and limitations of the model, as discussed by Kin Lo and Thomas Lys in their paper (2000).

The model relies on the assumptions of perfect markets and rational investors, which may not be realistic in practice. In reality, investors may not have access to all the relevant information, and markets may not always be efficient (Lo & Lys 2000). The model also makes the assumption that the relationship between accounting variables and stock prices is linear, which may not always be the case. In some cases, the relationship may be non-linear or even ambiguous (Lo & Lys 2000).

The Ohlson model has to make the assumption that accounting information is the only relevant factor in determining stock prices. Ignoring other factors such as macroeconomic conditions,

industry trends, and company-specific events that may have had an effect on the stock price that is not attributed to the accounting information (Lo & Lys 2000). One way of minimizing this drawback is to exclude information in connection to the 2008 financial crisis in our analysis.

Lastly, the model relies on accounting data that may be subject to measurement error, manipulation, or misreporting, which can affect the accuracy of the model's estimates. Furthermore, the model is also then based on the assumption that the accounting information used in the model is free from any bias or distortion, which may not always be the case (Lo & Lys 2000).

3.2 Research method

3.2.1 Research strategy

Bryman and Bell (2017) define deduction as the process by which a study analyzes and discusses the collected empirical data within the context of a theoretical framework, with the goal of either accepting or rejecting a hypothesis. As a result, the present study adopts a quantitative methodology and a deductive approach, whereby the hypothesis is formulated based on the theoretical and empirical literature that serves as the foundation of the investigation. Furthermore, the data collection relies on OMX Stockholm listed companies and the company's own annual reports.

3.2.2 Research design

The study's research design provides the structure of the investigation and guides the application of a specific research method and how collected data should be analyzed (Bryman & Bell, 2017). This study is a comparative analysis which is a statistical technique that can be used to analyze and interpret data between two time periods (Bryman & Bell 2017).

Furthermore, the research design includes a linear regression analysis and a correlation matrix with the aim of identifying correlations between the dependent variable, market value of equity, and the independent variables, book value of equity and earnings.

3.2.3 Data collection

For our analysis, financial data was gathered from firms listed on OMX Stockholm that adopted IFRS in 2005. The initial step involved obtaining a list of these companies from Nasdaq's website. To facilitate a before-and-after comparison, covering the periods 2002-2004 and 2005-2007, data from six annual reports per company was collected. This effort accumulated a total of 420 annual reports and 1260 data points, encompassing essential accounting information like market value of equity, earnings, and book value of equity. Worth noting is our reliance on data sourced exclusively from company annual reports. This approach should eliminate any risk of possible inaccuracies, since it has been reviewed and audited.

3.2.4 Sample

The selection of companies in our study comprises a total of 70 firms, representing the largest companies listed on OMX Stockholm. However, it is important to note that a considerable number of companies had to be excluded from our sample due to the unavailability of annual reports from the desired time period.

3.2.5 Variables

To investigate the impact of IFRS implementation on the value relevance of accounting information, several key variables are considered.

According to Ohlson (1995), the market value of equity is used as the dependent variable in his model because it reflects the expectations and beliefs of market participants regarding the future

performance and prospects of a firm. The market value of equity represents the market's assessment of the company's ability to generate future cash flows and its overall economic value.

The book value of equity and earnings are two commonly used financial statement items in value relevance studies because they are readily available and provide information about a company's financial performance and position (Kwong 2010). The book value of equity represents the accounting value of a company's assets minus its liabilities, which can be seen as a measure of the company's net worth (Clarkson, Hanna, Richardson & Thompson 2011). Earnings, on the other hand, are the profits generated by a company over a given period of time, which can be seen as a measure of the company's ability to generate profits. Book value of equity and earnings are accounting information that investors find fundamental for financial statement analysis, which makes them relevant to compare with market value of equity in value relevance studies (Kwong 2010). Since market value of equity is a measure of how much the company is worth now and will be in the future, these two variables are very relevant (Ohlson 1995).

Furthermore, several previous studies have examined the value relevance of book value of equity and earnings with market value of equity. These studies have found that the independent variables are positively correlated with market value of equity and that the correlation has significantly increased after the implementation of IFRS (Suadiye 2012; Barth, Beaver & Landsman 2001; Elshandidy 2014; Naceur & Nachi 2006; Pourheidari, Aflatooni, and Nikbakat).

3.3 Method Discussion

3.3.1 Reliability

According to Bryman and Bell (2017), reliability refers to the consistency, stability, and dependability of the measurements or data collected in a study. It assesses the extent to which the results obtained from a measurement procedure or instrument are consistent and reproducible. Because all the data is collected from the company’s own annual reports the numbers are very reliable and dependable. Mismanagement of data collection can introduce the potential for

measurement errors when inaccurate figures are put into the statistical software SPSS. This, in turn, can have a negative impact on the integrity of the statistical data analysis.

Given that this comparative study only focuses on the time periods of 2002-2004 and 2005-2007, there is a possibility that the selection of time period may be affected by financial decisions that occurred within that limited timeframe. Consequently, this could potentially distort the representation of the companies' financial standing and lead to misleading conclusions. Hence, this could have implications for the study's outcomes and the measurement of value relevance, potentially exerting a negative influence on the reliability and validity of the study. With this being said the limit has to be drawn somewhere and was drawn here mainly because of limitations in time and to limit the effect of the global financial crisis in 2008.

It is also important to note that not all Swedish firms were required to adopt IFRS in 2005 (Regulation (EC) 1606/2002); the mandate primarily applied to larger listed firms. Therefore, all the samples were carefully controlled to include only those companies that implemented IFRS in 2005, ensuring consistency in the analysis. This approach ensures the relevance and validity of our analysis in examining the effects of IFRS adoption on the value relevance of accounting information in the context of Swedish companies.

3.3.2 Replication

The term "replication" implies that a study is deemed replicable when its research design is crafted in a manner that clearly illuminates how previous researchers conducted their investigation, thereby strengthening the study's reliability (Bryman and Bell 2017). Replicating a study may involve comparing the findings with prior research, which aligns with the approach employed in this study since it draws on previous studies as its empirical basis. Therefore, it is plausible that interested parties may replicate this study to test its outcomes in a new thesis that may be conducted in the future.

3.3.3 Generalizability

In quantitative studies, there is often a desire to generalize the findings of a study to broader contexts beyond the specific research setting (Bryman and Bell 2017). To achieve generalizability, it is essential to have a representative sample that is selected through probability sampling methods (Bryman and Bell 2017). While the primary aim of this study isn't to derive universally applicable outcomes due to the non-probability sampling method used for the sample selection, it focuses on investigating IFRS implementation within Sweden. Yet, given the similarities and consistency of results from similar studies in other contexts, there may be a cautious basis for suggesting that the findings of this study could have some broader applicability.

3.3.4 Limitations of the Data Collection

The size and composition of the sample used in this study might introduce certain biases due to the availability of data and financial statements. Samples for quantitative research that are too small can limit and compromise the conclusions drawn from our study, preventing the findings from being extrapolated and used for further research (Faber & Fonseca 2014).

This limitation comes from the challenge of identifying companies with financial reports spanning the 2002-2007 timeframe. Some companies in the OMX Stockholm list were established after the time period of our research study. This made them not able to be included in the sample. In fact, 290 companies listed on OMX Stockholm had to be excluded due to this very reason. For the companies that did exist during the specified time period, we faced another challenge. Over time, some of these companies had removed their financial data from the early 2000s, as it was no longer deemed necessary to retain information from that distant period. During our research we found that many organizations typically retain financial data for a certain number of years, usually around 10 years or less, which excluded the data we were looking for.

We reached out to these companies via email, explaining the purpose of our research and requesting access to their historical financial reports. Despite encountering a low response rate, our persistence in seeking additional data aimed to mitigate the potential bias introduced by a

small sample size. It's noteworthy that the reliance on data that were most readily accessible aligns with the concept of a convenience sample, as discussed by Bryman and Bell (2017).

Another critical limitation relates to the manual nature of our data collection process, which, subject to human limitations, may have resulted in a few miscalculations during the process. Consequently, these limitations may impact the relevance and generalizability of the study's findings. To mitigate these limitations, we used a cross-validation process to minimize inaccuracies. This involved cross-referencing collected data points. Any discrepancies or inconsistencies were addressed through verification with primary sources.

Conducting a quantitative analysis, specifically utilizing linear regression analysis, was essential to fulfill the study's purpose of examining the impact of IFRS implementation on the value relevance of accounting information in Swedish companies, as it allows for statistical analysis. However, conducting a quantitative analysis on a smaller number of observations inherently limits the study's generalizability and statistical power. With a larger sample size, the study would have been able to provide more robust and comprehensive results, offering a broader understanding of the impact of IFRS implementation on the value relevance of accounting information in Swedish companies.

3.4 Test of Data

3.4.1 Regression Analysis

The relationship between market value of equity, book value of equity and earnings has been tested through a linear regression analysis. The regression analysis was conducted in SPSS and is performed with market value of equity as the dependent variable and book value of equity and earnings as the independent variable. Using a linear regression analysis we can see the correlation between the three variables and can determine whether there is a significant relationship between market value of equity, book value of equity and earnings.

Regression analysis is a statistical technique used to model and analyze the relationship between a dependent variable and one or more independent variables (Wahlgren 2012). It aims to understand how changes in the independent variables are associated with changes in the dependent variable. The most common form of regression analysis is linear regression, where the relationship between the variables is assumed to be linear.

3.4.2 Fisher Z-test

The Fisher's z-test is a statistical test used to compare the significance of differences between correlation coefficients (Rosenthal, Rubin & Meng 1992). The primary use of the Fisher's z-test is to determine whether two correlation coefficients derived from different samples are significantly different from each other. This test is particularly useful when comparing the strength and significance of relationships between different time periods. The Fisher's z-test involves transforming the correlation coefficients into normally distributed variables using Fisher's transformation.

The steps involved in conducting the Fisher's z-test are as follows:

1. Apply Fisher's Z transformation for the two time periods: $z_x = 0.5 * \ln((1 + r) / (1 - r))$ where r is the correlation coefficient.
2. Calculate the standard error: $SE_x = 1 / \sqrt{(N - 3)}$
3. Compute the Z-statistic: Z-statistic = $(z_1 - z_2) / \sqrt{(SE_1^2 + SE_2^2)}$
4. Compare the Z-statistic with the critical significance value (Rosenthal, Rubin & Meng 1992).

3.4.3 Assumptions of regression analysis

Below, the assumptions that need to be met for the regression analysis to be reliable and valid will be presented.

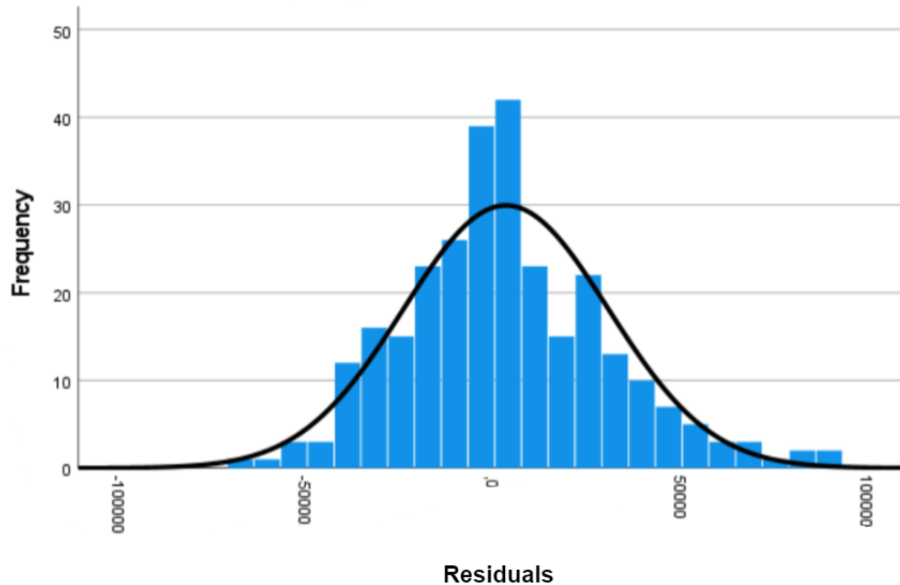
3.4.3.1 Multicollinearity

We will examine the relationship between the variables using a correlation matrix. This is necessary because if any of the variables exhibit multicollinearity, they need to be excluded from the analysis (Lind, Marchal, & Wathen 2011). When one or more independent variables have multicollinearity, it becomes challenging to determine which one has influenced the dependent variable (Lind, Marchal, & Wathen 2011). To assess the presence of multicollinearity, we will use a pairwise correlation matrix.

Multicollinearity refers to a strong correlation between two or more variables (Gujarati, Porter & Gunasekar 2012). The correlation coefficient ranges from -1 to 1, with 1 being a perfect positive relationship and -1 indicates a perfect negative relationship. A value of 0 indicates no relationship at all between the variables (Gujarati, Porter & Gunasekar 2012). According to Brooks (2008), to avoid multicollinearity, the pairwise correlations should be below 0.8 or above -0.8. In table 2 we can see that the correlation between the two independent variables pre-IFRS is 0,417 and post-IFRS 0,553, therefore there is no multicollinearity and no variables need to be excluded.

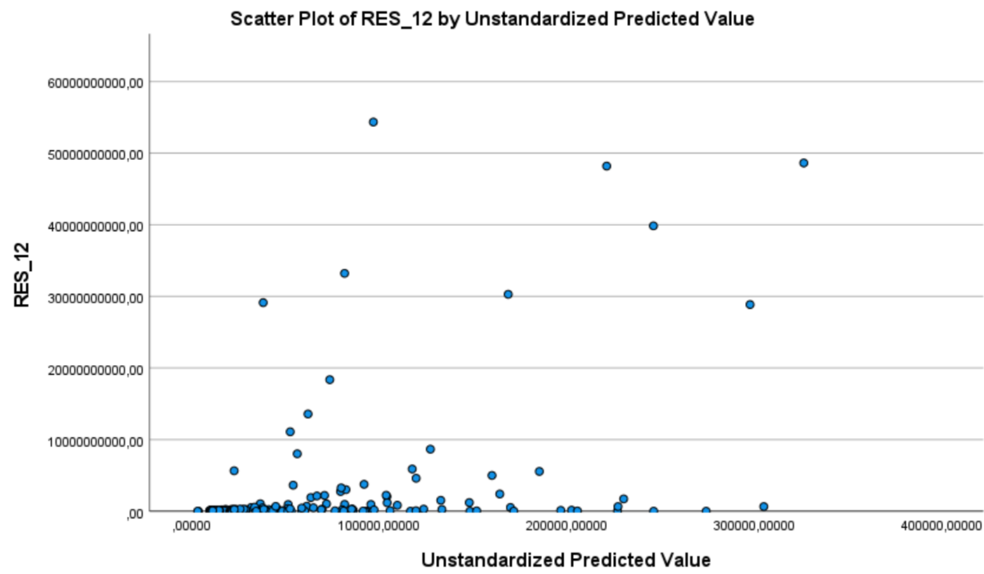
3.4.3.2 Normally distributed residuals

For a regression analysis to be considered valid when the study's population is limited, it is necessary for the residuals to be normally distributed (Gujarati, Porter & Gunasekar 2012). The residual refers to the difference between the observed values of the dependent variable and the predicted values obtained from a regression model. It represents the unexplained variation in the dependent variable that is not accounted for by the independent variables in the model. The residual is calculated as the actual value minus the predicted value (Gujarati, Porter & Gunasekar 2012). Datasets residuals are considered normally distributed if the skewness and kurtosis are less than twice their standard errors. Since the skewness is 0,386 with a standard error of 0,238 and the kurtosis is 0,489 with a standard error of 0,287 the residuals are considered normally distributed. This can be further illustrated in the following histogram:



3.4.3.3 Heteroscedasticity

Heteroskedasticity means that the variance of the residuals in a regression analysis is not constant (Gujarati, Porter & Gunasekar 2012). This means that when the independent variables increase, the residuals both increase and decrease. If they instead increase or decrease consistently, it is called homoscedasticity. If there are signs of heteroscedasticity, adjustments need to be made in the regression analysis. We conducted White's test to test for heteroscedasticity. Through a regression analysis, with the squared "unstandardized residual" as the dependent variable and the "unstandardized predicted value" and squared "unstandardized predicted value" as independent variables, we found that the significance level was 0,090, higher than the 95% certainty significance level of 0,050. This means that we did not find any signs of heteroskedasticity and do not need to correct for this. This can also be illustrated by the following scatter plot. In a dataset with homoscedastic residuals, the plot should show a random scatter of points around the horizontal line with no discernible pattern or cone-shaped widening. If a pattern or funnel shape is observed, it suggests heteroscedasticity (Gujarati, Porter & Gunasekar 2012).


Scatter Plot of RES_12 by Unstandardized Predicted Value
RES_12
60000000000,00
50000000000,00
40000000000,00
30000000000,00
20000000000,00
10000000000,00
,00
,00000
100000,00000
200000,00000
300000,00000
400000,00000
Unstandardized Predicted Value

4. Results

In this section, we present the results of the analysis. First descriptive statistics on the pre-IFRS period and the correlations between the dependent and independent variables are presented. After, the post-IFRS period's descriptive statistics and the correlations are presented. This is followed by comparison of the results obtained from the pre-IFRS and post-IFRS periods. Lastly, a section which answers the hypotheses proposed for this study. In summary, this section presents a comprehensive analysis of the data, including descriptive statistics, correlations, comparison between pre-IFRS and post-IFRS periods, and the evaluation of hypotheses.

4.1 Pre-IFRS (2002-2004)

4.1.1 Descriptive Statistics

Table 1: Descriptive statistics of the dependent and independent variables Pre-IFRS

Descriptive statistics	N	Mean	Standard Deviation
Market value of equity (Mkr)	210	40 821	56 849
Book value of equity (Mkr)	210	21 895	28 746
Earnings (Mkr)	210	1 829	4 377

The mean is a measure of central tendency that represents the average value of a set of numbers and the standard deviation is a measure of dispersion or variability in a dataset. It quantifies how much the individual values deviate from the mean (Wahlgren 2012).

From table 1 we can see that the market value of equity is in general almost double the book value of equity and much higher than earnings. This is expected since the market value of equity incorporates both the book value of equity, future earnings, and many other factors as well.

4.1.2 Correlations

Table 2: Correlation matrix between the dependent and independent variables Pre-IFRS

Pearson correlation	Market value of equity (Mkr)	Book value of equity (Mkr)	Earnings (Mkr)
Market value of equity (Mkr)	1		
Book value of equity (Mkr)	0,799**	1	
Earnings (Mkr)	0,513**	0,417**	1

** denote significance at the 0.010 (99%) significance level

The Pearson correlation measures the strength and direction of the linear relationship between two variables (Wahlgren 2012). It ranges from -1 to +1. A value of +1 indicates a perfect positive linear relationship, -1 indicates a perfect negative linear relationship, and 0 indicates no linear relationship.

In table 2 we see that there is a positive correlation between book value of equity and market value of equity. This means that when book value of equity increases the market value of equity increases too. A Pearson correlation of 0,799 indicates a strong linear association between the variables.

We can also see that there is a positive correlation between earnings and market value of equity. This means that when earnings increase the market value of equity increases too. A Pearson correlation of 0,513 indicates a relatively strong linear association between the variables. Both results are significant at a level of 99% certainty.

Table 3: Correlation variables between the dependent and independent variables Pre-IFRS

R	0,823
R Square	0,678

R measures the overall strength and direction of the linear relationship between a dependent variable and a set of independent variables in a regression model. It ranges from -1 to +1, where 1 indicates a perfect positive relationship, -1 indicates a perfect negative relationship, and 0 indicates no linear relationship (Wahlgren 2012).

R square represents the proportion of the variance in the dependent variable that is explained by the independent variables in a regression model. R-squared ranges from 0 to 1, with 0 indicating that none of the variability is explained and 1 indicating that all of the variability is explained (Wahlgren 2012).

In table 3 we see that there is a strong and positive linear relationship between the dependent variable (market value of equity) and the independent variables (book value of equity and earnings). This means that when book value of equity and earnings increases the market value of equity increases too.

We can also see that the independent variables (book value of equity and earnings) explain a large proportion of the variance in the dependent variable (market value of equity). This means that a big part of the deviation from the average market value of equity can be explained by book value of equity and earnings.

4.2 Post-IFRS (2005-2007)

4.2.1 Descriptive statistics

Table 4: Descriptive statistics of the dependent and independent variables Post-IFRS

Descriptive statistics	N	Mean	Standard Deviation
Market value of equity (Mkr)	210	70 506	91 233
Book value of equity (Mkr)	210	33 056	41 602
Earnings (Mkr)	210	5 980	8 164

By examining table 4, it becomes apparent that the market value of equity typically exceeds twice the book value of equity and significantly surpasses earnings. This outcome aligns with expectations since the market value of equity incorporates not only the book value of equity but also factors like future earnings and various other elements.

4.2.2 Correlations

Table 5: Correlation matrix between the dependent and independent variables Post-IFRS

Pearson correlation	Market value of equity (Mkr)	Book value of equity (Mkr)	Earnings (Mkr)
Market value of equity (Mkr)	1		
Book value of equity (Mkr)	0,754**	1	
Earnings (Mkr)	0,771**	0,553**	1

** denote significance at the 0.010 (99%) significance level

Table 5 reveals a positive correlation between the book value of equity and the market value of equity. This implies that an increase in the book value of equity is accompanied by a corresponding increase in the market value of equity. The Pearson correlation coefficient of 0.754 suggests a robust linear relationship between these variables.

Additionally, an examination of the data reveals a positive correlation between earnings and the market value of equity. This indicates that as earnings increase, the market value of equity also tends to increase. The Pearson correlation coefficient of 0.771 suggests a strong linear association between these variables. Importantly, both findings are statistically significant at a 99% confidence level, providing a high level of certainty.

Table 6: Correlation variables between the dependent and independent variables Post-IFRS

R	0,796
R Square	0,633

Table 6 provides evidence of a robust and positive linear association between the dependent variable (market value of equity) and the independent variables (book value of equity and earnings). It suggests that as the book value of equity and earnings increase, the market value of equity also tends to increase.

Furthermore, the independent variables (book value of equity and earnings) account for a substantial portion of the variability observed in the dependent variable (market value of equity). This indicates that a significant proportion of the deviation from the average market value of equity can be explained by the book value of equity and earnings.

4.3 Compare Pre-IFRS and Post-IFRS

Table 7: Comparison of the correlation Pre- and Post-IFRS

Fisher Z-test	N	Z-statistic	Confidence interval (95%)
Book value of equity	210	1,25	± 1,96
Earnings	210	-3,95	± 1,96

The Fisher's Z statistic is a mathematical transformation applied to correlation coefficients to enable statistical analyses and comparisons (Rosenthal, Rubin & Meng 1992). We can through the Fisher Z-test compare the correlation between the independent variables (book value of equity and earnings) and the dependent variable (market value of equity) and see if they have significantly changed between two time periods. It has significantly changed if the absolute value of the Z statistic lies outside of the confidence interval.

In table 7 we can see that the correlation between book value of equity and market value of equity has not significantly changed since its absolute value (1,25) is lower than the confidence interval (1,96). The correlation between earnings and market value of equity has on the other hand significantly changed between the two time periods since its absolute value (-3,96) is lower than the confidence interval (-1,96).

4.4 Answering the hypothesis

Hypothesis 1 = IFRS implementation significantly increases the value relevance of book value of equity in Swedish companies.

Hypothesis 1 is rejected. The results have shown that the value relevance of book value of equity in Swedish companies have not significantly increased. Not only that but the value relevance has decreased slightly from a correlation of 0,799 before the implementation of IFRS to a correlation of 0,754 after IFRS implementation. This decrease has not been significant enough however to say that the value relevance of book value of equity has decreased with any certainty, as we can see from the Fisher Z-test.

Hypothesis 2 = IFRS implementation significantly increases the value relevance of earnings in Swedish companies.

Hypothesis 2 is accepted. The results show that the value relevance of earnings have increased in Swedish companies. Furthermore, the correlation increase from 0,513 before the implementation of IFRS to 0,771 after IFRS implementation was deemed significant enough for us to be able to say this with certainty. We can see this from the results of the Fisher Z-test.

5. Analysis

This section begins with giving possible explanations for why book value of equity's value relevance has not increased, specifically relating to information asymmetry and the enforcement and trust towards IFRS. Then follow up with why the value relevance of earnings has increased, focusing on the regulation changes from Swedish GAAP to IFRS and information asymmetry.

5.1 Book value of equity's unchanging value relevance

5.1.1 Information asymmetry

There are many possible explanations for book value of equity's unchanging value relevance after the implementation of IFRS. The complexities involved in transitioning from Swedish GAAP to IFRS and the effect it has on information asymmetry being one. The transition involved significant changes in accounting policies and practices (KPMG 2005). As a result, there may be a knowledge gap between investors and companies in understanding and interpreting the new IFRS-based book value of equity (Ball 2006). This knowledge gap can contribute to information asymmetry and limit the value relevance of book value of equity.

Because of IFRS being a new regulation in 2005, investors and financial statement users may have a limited understanding of the specific IFRS standards and their implications (Ball 2006). The lack of familiarity with IFRS can create challenges in comprehending the changes in accounting policies and the impact on book value of equity. This knowledge gap can lead to information asymmetry and reduce the value relevance of book value of equity.

While IFRS aims to enhance transparency in financial reporting (Regulation (EC) 1606/2002), there are still limitations in the extent of regulation of information provided in the financial statements. The flexibility and discretion allowed within IFRS can lead to variations in reporting practices across companies and countries, potentially hindering transparency (Ewert & Wagenhofer 2005). While IFRS adoption can improve some aspects of transparency, the addition of new complexities and challenges created more uncertainty and subjectivity that compromised transparency (Alexander & Britton 2004). Because of these reasons companies may not disclose

detailed information or provide sufficient explanations regarding the components of book value of equity that is of interest to investors under IFRS. This lack of transparency and inadequate disclosure can create information asymmetry, making it difficult for investors to fully assess the value of book value of equity and lead to its value relevance not increasing.

It takes time for market participants to fully understand and adjust to changes in accounting standards (Kvaal & Nobes 2012). The implementation of IFRS has required investors, analysts, and other financial statement users to adapt their analytical frameworks and valuation models to incorporate the revised book value of equity calculations (Kvaal & Nobes 2012). The time lag in understanding and adjusting to the changes can lead to information asymmetry and delay the recognition of the value relevance of book value of equity under IFRS.

5.1.2 Enforcement of IFRS

Sweden implemented IFRS in what is called a phased implementation approach, which means that it was a gradual adoption of IFRS standards over time (IFRS 2016). This approach can create a transitional period during which companies can choose to apply IFRS or Swedish GAAP. The coexistence of different accounting frameworks can result in inconsistency and lack of comparability in financial reporting (Amis & Rospars 2005). Consequently, investors may face challenges in evaluating and comparing the book value of equity across companies, limiting its value relevance.

The transition from rule-based Swedish GAAP to principle-based IFRS represents a fundamental shift in the regulatory framework (Hartmann 2020). Principle-based standards provide companies with more discretion in accounting choices and allow for greater judgment in financial reporting (Silva Guerreiro, Rodrigues & Craig 2014). This flexibility can introduce subjectivity and variability in the calculation and presentation of book value of equity. The increased discretion and subjectivity can lead to inconsistencies and reduced comparability, affecting the value relevance of book value of equity.

Weak enforcement refers to a lenient approach in enforcing accounting regulations (Hartmann 2020). If there is a perception that IFRS regulations are not strictly enforced in Sweden, companies may feel less compelled to fully comply with the standards. This lenient enforcement can result in variations in the application and interpretation of IFRS, leading to inconsistencies and reduced comparability of book value of equity (Barth, Landsman and Lang 2008). These inconsistencies can hinder the value relevance of book value of equity for investors.

Cualain and Tawiah (2022) also states that the impact of IFRS on financial statements is dependent on the strength of a country's enforcement. In countries where enforcement is strong, the effects of adopting IFRS are more pronounced, both in terms of positive and negative outcomes. On the other hand, in countries with weaker enforcement mechanisms, the consequences resulting from IFRS adoption are comparatively less noticeable. Since Sweden has weaker regulation enforcement, this can contribute to the result that the value relevance of book value of equity has been unchanged after IFRS implementation (Hartmann 2020).

5.1.3 Trust towards IFRS

Sweden has a business culture that places a strong emphasis on trust, transparency, and long-term relationships (Hartmann 2020). Trust in financial statements has deteriorated following the implementation of IFRS, largely due to a lack of confidence in the regulatory body FI (Finansinspektionen) (Frejinger & Johansson 2009). The adoption of IFRS has led to the proliferation of practices such as income smoothing, aggressive earnings reporting, and delayed recognition of losses (De George, Li & Shivakumar, 2016). While the harmonization of accounting standards has improved comparability across countries, it has come at the expense of reduced comparability within countries. This is because smaller non-listed firms are not required to adopt IFRS and continue to follow Swedish GAAP (IFRS 2016). Consequently, all of these reasons may undermine trust in the regulatory framework, ultimately impeding the potential increase in value relevance of book value of equity.

Both a lack of trust in regulatory enforcement and a sense of distrust between companies and auditors have emerged after the implementation of IFRS (Frejinger & Johansson 2009). Prior to

the adoption of IFRS, the relationship between companies and auditors was characterized by a higher level of trust, primarily because Swedish GAAP regulations were better aligned with Swedish cultural norms and practices (Frejinger & Johansson 2009). This distrust between companies and auditors can also be an explanation for why value relevance has not improved after implementation of IFRS.

5.2 Earnings increase in value relevance

5.2.1 Changes from Swedish GAAP to IFRS

IFRS places greater emphasis on fair value measurements compared to Swedish GAAP (Klasson 2012). The increased use of fair value accounting can provide more relevant and current information about a company's financial performance (Ramanna 2013). This shift to fair value measurement under IFRS may enhance the value relevance of earnings, reflecting market conditions more accurately (Šodan 2015). Since IFRS has an increased focus on fair value measurements this could have contributed to the increase in value relevance for earnings after IFRS implementation.

IFRS introduces enhanced disclosure requirements, providing investors with more detailed information about a company's financial performance (KPMG 2005). These additional disclosures can help investors better understand the underlying factors and make better, more informed decisions about a company's earnings, which can lead to increased value relevance.

Similarly, IFRS provides detailed guidance on the recognition, measurement, and presentation of various elements in financial statements (KPMG 2005). This guidance can also enhance the consistency and reliability of earnings reporting. The increased clarity and standardization in accounting treatment under IFRS may improve the value relevance of earnings by reducing ambiguity and improving the comparability of earnings figures across companies and periods (Wüstemann & Wüstemann 2010).

IFRS is widely accepted and adopted globally, reflecting international market practices and expectations (IFRS 2018). The alignment of Swedish companies' financial reporting with global standards can enhance the international relevance of their earnings (Bogstrand & Larsson 2012). Investors, including international stakeholders, then have a better understanding of IFRS-based earnings and be more inclined to rely on them in their decision-making processes, increasing their value relevance. This improved comparability also enables investors to benchmark a company's financial performance against its peers, leading to increased value relevance of earnings since it becomes easier to use for performance evaluation (Bogstrand & Larsson 2012).

IFRS emphasizes the economic substance of transactions rather than their legal form (Regulation (EC) 1606/2002). This approach aims to provide a more accurate representation of a company's financial performance and position. By focusing on the underlying economic reality, IFRS-based earnings may better capture a company's intrinsic profitability, making them more relevant for investors seeking to assess a company's financial performance accurately and improve its value relevance.

5.2.2 Information asymmetry

IFRS adoption promotes increased transparency and disclosure in financial reporting (Regulation (EC) 1606/2002). The improved presentation of financial statements, expanded disclosure requirements, and standardized reporting under IFRS can reduce information asymmetry between companies and investors (Abad, Cutillas-Gomariz, Sanchez-Ballesta, and Yagüe 2017). The availability of more comprehensive and transparent information about earnings can reduce the information disadvantage of investors and contribute to the increased value relevance of earnings.

IFRS also aims to enhance comparability of financial statements across companies and countries (Regulation (EC) 1606/2002). The use of a common accounting framework facilitates easier comparison of earnings figures. By reducing the variation in accounting practices and enhancing the consistency of earnings reporting, IFRS adoption can reduce information asymmetry and

increase the value relevance of earnings as a reliable metric for investors (Turki, Wali, and Boujelbene 2017).

The reduction of information asymmetry resulting from IFRS adoption can contribute to increased market efficiency (IFRS 2018). Asymmetric information can lead to mispricing and inefficiencies in the market (Goel, Tripathi & Agarwal 2020). By providing more relevant and reliable information about earnings, IFRS can help investors make more informed investment decisions, leading to a more efficient allocation of capital. Therefore, improved market efficiency can further enhance the value relevance of earnings.

Information asymmetry creates uncertainty and increases risk perception among investors (Komalasari & Nasih 2020). IFRS adoption, with its focus on transparency and comparability, can reduce the perceived risk associated with information asymmetry (IFRS 2018). As investors gain more confidence in the quality and reliability of earnings information, they may place greater importance on earnings as a key driver of investment decisions, leading to increased value relevance for the accounting metric.

Furthermore, IFRS implementation may improve investors' access to financial information, since the standardization and transparency introduced by IFRS makes it easier for investors to obtain and interpret earnings information (IFRS 2018). Enhanced access to timely and reliable earnings data reduces information asymmetry, enabling investors to make more informed decisions based on earnings, making them more value relevant.

Lastly, time specific changes in market dynamics, investor expectations, or market volatility have an impact on value relevance and information asymmetry and could also contribute to the difference in value relevance between book value of equity and earnings (Song 2015). Factors such as market conditions, industry trends, or investor sentiment may place greater importance on earnings as a metric for evaluating companies, especially so since the analysis is done on a limited timeframe. These dynamics can influence the value relevance of earnings while having a relatively lesser impact on the value relevance of book value of equity.

5.3 Different impact on book value of equity and earnings

Our study investigates how book value of equity and earnings responded differently to the implementation of IFRS.

Earnings management is a method of using different accounting techniques to improve the appearance of the company's financial position. Baig and Khan (2016) conducted a comprehensive study on the effects of the introduction of IFRS, revealing a notable decline in earnings management practices. Their findings highlight that the adoption of IFRS contributes significantly to reduced earnings management activities (Baig & Khan, 2016).

This phenomenon can be attributed, in part, to the substantial improvements in disclosure practices and heightened financial reporting transparency ushered in by IFRS (Regulation (EC) 1606/2002). These regulatory changes compel companies to provide more detailed and accurate information about their financial positions, fostering an environment of greater accountability and reduced information asymmetry. Such transparency, as underscored by the European Commission's Regulation (EC) 1606/2002, instills greater investor confidence in the reported earnings figures.

Investors, being able to rely more confidently on the integrity of earnings disclosures, increasingly view earnings as a trustworthy indicator of a company's financial health and operating performance. This newfound reliability positions earnings as a more relevant and valuable metric for gauging a company's worth in the market. Consequently, the increased investor trust in earnings may have contributed to their heightened value relevance in the valuation process.

It's important to note that the same enhancements in disclosure and transparency may not necessarily exert an equivalent influence on the value relevance of book value of equity. Unlike earnings, which convey a company's ongoing operational performance and potential for future growth, book value of equity primarily reflects the net worth of the company at a specific point in time (Penman 1998). The dynamics at play in enhancing the reliability of earnings figures might not exert a parallel impact on the value relevance of book value of equity.

6. Conclusion and Discussion

This section will begin by presenting its conclusions. Following that, the discussion section will encompass the study's contributions, limitations, and suggestions for conducting further interesting studies.

6.1 Conclusion

The purpose of this study was to investigate whether the implementation of IFRS has affected the accounting quality in Swedish companies. Specifically, the study aims to explore how the accounting quality of these companies has changed before and after the implementation of IFRS. While previous studies have examined the impact of IFRS on accounting quality in Sweden, there remains a significant gap in understanding the value relevance of financial reporting under IFRS in Swedish companies. Therefore, conducting a value relevance study specifically focused on IFRS adoption in Swedish companies would be a valuable contribution to the existing literature.

In order to be able to answer the purpose of this study, a quantitative approach was employed, utilizing linear regression analysis to examine the impact of IFRS implementation on the value relevance of accounting information in Swedish companies. The study was performed by comparing financial data from 70 OMX Stockholm listed firms that implemented IFRS in 2005, for the years: 2002-2004 (Pre-IFRS) and 2005-2007 (Post-IFRS).

The study's findings suggest that the value relevance of book value of equity in Swedish companies did not significantly increase. However, there was a notable increase in the value relevance of earnings, which was deemed significant according to the Fisher Z-test results. These results emphasize the varying impact of IFRS implementation on different financial indicators in Swedish companies.

This leads to the conclusion that the implementation of IFRS in Swedish companies had varying effects on the value relevance of accounting information. The study found that the value relevance of book value of equity did not show a significant increase after the adoption of IFRS,

and there was a slight decrease in correlation. However, it is important to note that this decrease was not substantial enough to definitively conclude a decline in the value relevance of book value of equity has occurred.

On the other hand, the value relevance of earnings demonstrated a significant increase after the implementation of IFRS, indicating that IFRS positively influenced the usefulness of earnings information for investors and other stakeholders in making informed financial decisions. The findings indicate that IFRS adoption in Swedish companies enhanced the value relevance of earnings data, highlighting its significance as a financial indicator.

These results underscore the importance of considering the specific effects of IFRS implementation on different financial indicators when evaluating the value relevance of accounting information. The study suggests that while the value relevance of book value of equity did not exhibit a significant improvement, the value relevance of earnings was positively impacted by IFRS adoption. This implies that IFRS has the potential to enhance the usefulness of financial reporting in terms of earnings information, benefiting stakeholders in their decision-making processes.

6.2 Discussion

6.2.1 Contribution

This study seeks to contribute to the understanding of the effect of IFRS adoption on the value relevance of accounting information in the Swedish context. A notable contribution of this study lies in its unique theoretical framework. While there have been examinations of value relevance post IFRS implementation and explorations into the effects of IFRS on information asymmetry (Hellman 2011; Halonen, Pavlovia, and Pearson 2013), rarely have these two aspects been combined to analyze the results of a value relevance study from the viewpoint of information asymmetry, particularly within Sweden.

This approach is intriguing as it allows us to unravel the connection between accounting standards, financial information quality, and information asymmetry. This perspective can offer invaluable insights into how effectively IFRS contributes to market efficiency and mitigates information asymmetry in financial markets(Elbakry, Nwachukwu, Abdou & Elshandidy 2017), aligning with the initial goal of implementing IFRS as outlined in Regulation (EC) 1606/2002. This comprehensive standpoint enriches the research landscape, adding depth to the understanding of the implications of IFRS adoption, and broadening the scope of both Swedish research and global value relevance studies.

6.2.2 Limitations

One notable limitation of this research is that it does not delve into the potential influence of industry-specific factors on the quality of accounting information. Different industries may have unique characteristics that could affect the relevance and applicability of accounting measures. Variations in business models, risk profiles, and market dynamics might lead to diverse patterns of accounting information quality response to IFRS adoption.

6.2.3 Suggestions for further studies

One possible direction is to examine the value relevance of book value of equity and earnings within specific industries or sectors, both prior to and post IFRS implementation. This exploration could therefore investigate whether the impact of IFRS on financial reporting quality and value relevance varies across different sectors. Expanding the time horizon of the study could provide valuable insights into any long-term patterns or changes in the value relevance of these accounting measures under IFRS.

Moreover, further research could explore specific IFRS regulations in greater detail to examine their individual impacts on the value relevance of accounting information. This approach would provide a more comprehensive understanding of how each regulation contributes to financial reporting. Combining quantitative analysis with qualitative research methods would be valuable in gaining deeper insights into the factors that influence the value relevance of book value of

equity and earnings under IFRS. Conducting interviews or surveys with financial statement users, analysts, or auditors would allow for an exploration of their perceptions and perspectives regarding these accounting measures, further enriching the understanding of their value relevance.

Furthermore, exploring the value relevance of other accounting metrics like cash flows or comprehensive income, both before and after IFRS adoption, would offer a more comprehensive understanding of IFRS's overall influence on financial reporting quality. Additionally, using alternative models to the Ohlson model, such as the residual income model, could offer different perspectives and insights into the value relevance of accounting information under IFRS. This would contribute to a more robust and diversified analysis of the effects of IFRS adoption on accounting quality.

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8. Appendix

Appendix A: List of Companies Selected

No.	Företagsnamn	No.	Företagsnamn	No.	Företagsnamn
1	Swedbank AB	26	Nolato Aktiebolag	51	Sdiptech AB (publ)
2	Skandinaviska Enskilda Banken AB	27	SkiStar Aktiebolag	52	OX2 AB (publ)
3	Nordea Bank AB	28	Telia Company AB	53	Wonderful Times Group AB
4	Sandvik Aktiebolag	29	Bilia AB	54	Gullberg & Jansson AB (publ)
5	Skanska AB	30	Elekta AB (publ)	55	EQL Pharma AB
6	Electrolux Professional AB (publ)	31	OEM International Aktiebolag	56	Immunovia AB (publ)
7	Aktiebolaget SKF	32	Hexagon Aktiebolag	57	Everysport Group AB (publ)
8	Investor Aktiebolag	33	Fast Partner AB	58	Green Landscaping Group AB (publ)
9	Atlas Copco Aktiebolag	34	Securitas AB	59	Plejd AB
10	Telefonaktiebolaget LM Ericsson	35	Modern Times Group MTG AB	60	Spotlight Group AB
11	SSAB AB	36	Mycronic AB (publ)	61	Volvo Car AB
12	Indutrade Aktiebolag	37	MEKO AB	62	Thinc Collective AB (publ)
13	Svenska Cellulosa AB	38	Sustainion Group AB	63	CGit Holding AB (publ)
14	Christian Berner Tech Trade AB	39	Tele2 AB	64	Veteranpoolen AB
15	Pandox Aktiebolag	40	Bure Equity AB	65	Acrinova AB (publ)
16	NCC Aktiebolag	41	Castellum Aktiebolag	66	Nordnet AB (publ)
17	Swedish Orphan Biovitrum AB (publ)	42	Bahnhof AB (publ)	67	Infracom Group AB (publ)
18	H & M Hennes & Mauritz AB	43	Axfood AB	68	ES Energy Save Holding AB (publ)
19	Aktiebolaget Industrivärden	44	HomeMaid AB (publ)	69	Logistri Fastighets AB (publ)
20	Kinnevik AB	45	Volati AB	70	Momentum Group AB
21	Boliden AB	46	MindArk PE Aktiebolag (publ)		
22	L E Lundbergföretagen Aktiebolag (publ)	47	EasyFill AB (publ)		
23	ASSA ABLOY AB	48	Syncro Group AB (publ)		
24	Peab AB	49	Camurus AB		
25	Wallenstam AB	50	AAK AB (publ)		

Appendix B: List of Companies Excluded

No.	Företagsnamn	No.	Företagsnamn	No.	Företagsnamn	No.	Företagsnamn
1	Netel Holding AB (publ)	41	IRLAB Therapeutics AB	81	NP3 Fastigheter AB	121	engcon AB
2	VEF AB (publ)	42	Bonava AB (publ)	82	HANZA AB	122	Inwido AB (publ)
3	Truecaller AB	43	Scandi Standard AB (publ)	83	Ferronordic AB	123	Mendus AB (publ)
4	BYGGFAKTA GROUP Nordic HoldCo AB	44	Troax Group AB (publ)	84	Platzer Fastigheter Holding AB (publ)	124	Mangold AB
5	Norva24 Group AB (publ)	45	Tobii Dynavox AB	85	Coor Service Management Holding AB	125	Logistea AB
6	Alleima AB	46	Nordic Paper Holding AB	86	Nivika Fastigheter AB (publ)	126	Loomis AB
7	Storskogen Group AB (publ)	47	Readly International AB (publ)	87	Hansa Biopharma AB	127	MedCap AB (publ)
8	Annehem Fastigheter AB (publ)	48	Resurs Holding AB (publ)	88	NCAB Group AB (publ)	128	Tethys Oil AB
9	CTEK AB (publ)	49	Actic Group AB	89	Railcare Group AB	129	Sleep Cycle AB (publ)
10	Swedish Logistic Property AB	50	MilDef Group AB	90	Q-linea AB	130	Tobii AB
11	Fastighetsbolaget Emilshus AB	51	Bravida Holding AB	91	Eltel AB	131	Orrön Energy AB
12	Fasadgruppen Group AB (publ)	52	Sinch AB (publ)	92	Stillfront Group AB (publ)	132	Mips AB
13	Cibus Nordic Real Estate AB (publ)	53	Wästbygg Gruppen AB (publ)	93	Alimak Group AB (publ)	133	Intrum AB
14	Nyfosa AB	54	Infant Bacterial Therapeutics AB	94	NAXS AB (publ)	134	SAS AB
15	RVRC Holding AB	55	IRRAS AB	95	Karolinska Development AB	135	Lindab International AB
16	Viaplay Group AB (publ)	56	Oscar Properties Holding AB	96	Egetis Therapeutics AB (publ)	136	B3 Consulting Group AB (publ)
17	Arjo AB (publ)	57	Creades AB (publ)	97	Dustin Group AB	137	BioArctic AB
18	Hemnet Group AB (publ)	58	Genova Property Group AB	98	Scandic Hotels Group AB	138	Alligator Bioscience AB
19	Ovzon AB (publ)	59	Com Hem Holding AB	99	Moberg Pharma AB (publ)	139	Collector Bank AB
20	BHG Group AB	60	EQT AB	100	Endomines AB (publ)	140	Oncopeptides AB
21	Medicover AB	61	AcadeMedia AB	101	Besqab AB (publ)	141	Abliva AB
22	Alligo AB	62	Brinova Fastigheter AB (publ)	102	Eastnine AB (publ)	142	Eniro Group AB
23	Nordisk Bergteknik AB (publ)	63	Nordic Waterproofing Holding AB	103	Wise Group AB	143	Ework Group AB
24	SynAct Pharma AB	64	Dometic Group AB (publ)	104	Bufab AB (publ)	144	Alfa Laval AB
25	BICO Group AB	65	Concentric AB	105	G5 Entertainment AB (publ)	145	Embracer Group AB
26	Cint Group AB (publ)	66	K-Fast Holding AB	106	Vicore Pharma Holding AB	146	BE Group AB (publ)
27	Attendo AB (publ)	67	Stendörren Fastigheter AB	107	Aktiebolaget Fastator (publ)	147	Vestum AB (publ)
28	Maha Energy AB	68	Bactiguard Holding AB	108	VNV Global AB (publ)	148	Nederman Holding Aktiebolag
29	Karnov Group AB (publ)	69	Balco Group AB	109	Sedana Medical AB (publ)	149	TradeDoubler Aktiebolag
30	Instalco AB	70	Munters Group AB	110	SERNEKE Group AB (publ)	150	Ascelia Pharma AB
31	AddLife AB	71	Profoto Holding AB (publ)	111	FormPipe Software AB	151	BTS Group AB
32	Evolution AB (publ)	72	John Mattson Fastighetsföretagen AB (publ)	112	Bulten AB	152	Senzime AB (publ.)
33	Transtema Group AB	73	BONESUPPORT HOLDING AB	113	Nanologica AB (publ)	153	Xvivo Perfusion Aktiebolag
34	Samhällsbyggnadsbolaget i Norden AB	74	Boozt AB	114	C-Rad AB	154	Collector AB
35	Pierce Group AB (publ)	75	CANTARGIA AB	115	HMS Networks AB	155	Infrea AB
36	Saniona AB	76	Thule Group AB	116	Calliditas Therapeutics AB	156	Malmbergs Elektriska Aktiebolag (publ)
37	Qliro AB	77	Episurf Medical AB	117	Björn Borg AB	157	Starbreeze AB
38	Lime Technologies AB (publ)	78	Humana AB	118	Byggmax Group AB	158	Precise Biometrics AB
39	Synsam AB (publ)	79	Isofol Medical AB (publ)	119	INVISIO AB	159	SWECO AB (publ)
40	K2A Knaust & Andersson Fastigheter AB (publ)	80	Xbrane Biopharma AB	120	Xspray Pharma AB (publ)	160	Lammhults Design Group AB

No.	Företagsnamn	No.	Företagsnamn	No.	Företagsnamn	No.	Företagsnamn
161	Rizzo Group AB	201	New Wave Group AB	241	DORO AB	281	Aktiebolaget Volvo
162	Strax AB	202	Rejlers AB (publ)	242	Systemair Aktiebolag	282	Aktiebolaget Electrolux
163	Biotage AB	203	Vivesto AB	243	TF Bank AB	283	Ratos AB
164	BioInvent International Aktiebolag	204	Projektengagemang Sweden AB	244	Fingerprint Cards AB	284	Elanders AB
165	Duni AB	205	Essity Aktiebolag (publ)	245	Arla Plast AB	285	Trelleborg Aktiebolag
166	NGS Group Aktiebolag	206	Midway Holding Aktiebolag	246	AFRY AB	286	Gränges AB
167	Boule Diagnostics AB	207	RaySearch Laboratories AB (publ)	247	Fagerhult Group AB	287	Husqvarna AB
168	Net Insight AB	208	Nilörngruppen Aktiebolag	248	HEXPOL AB	288	SOLID FÖRSÄKRINGSAB
169	Anoto Group AB	209	Image Systems AB	249	KABE Group AB	289	Svenska Handelsbanken AB
170	Nobia AB	210	Empir Group AB	250	Betsson AB	290	Sydsvenska Hem AB (publ)
171	Fastighets AB Balder	211	Havsfrun Investment AB	251	Catella AB		
172	AB Sagax	212	Cloetta AB	252	XANO Industri AB		
173	Dedicare AB (publ)	213	Addtech AB	253	VBG GROUP AB (publ)		
174	Diös Fastigheter AB	214	MOMENT GROUP AB	254	Concordia Maritime Aktiebolag		
175	Studsvik AB	215	Stockwik Förvaltning AB	255	Elon AB (publ)		
176	CellaVision AB	216	Catena AB	256	SECTRA Aktiebolag		
177	Orexo AB	217	ITAB Shop Concept AB	257	Investment AB Öresund		
178	Proact IT Group AB	218	Addnode Group Aktiebolag (publ)	258	NOVOTEK Aktiebolag		
179	Concejo AB (publ)	219	Lagercrantz Group Aktiebolag	259	Heba Fastighets Aktiebolag		
180	Fortnox Aktiebolag	220	AQ Group AB	260	Svedbergs Group AB		
181	Svolder Aktiebolag	221	ProfilGruppen AB	261	Bergs Timber AB (publ)		
182	Ambea AB (publ)	222	Avanza Bank Holding AB	262	GARO Aktiebolag		
183	Lifco AB (publ)	223	Arise AB	263	FM Mattsson AB (publ)		
184	Corem Property Group AB	224	Ortivus Aktiebolag	264	Fabege AB		
185	Uniflex AB	225	Vitec Software Group AB (publ)	265	JM AB		
186	PION Group AB	226	Prevas Aktiebolag	266	Epiroc Aktiebolag		
187	Duroc Aktiebolag	227	Softronic Aktiebolag	267	Beijer Ref AB (publ)		
188	CTT Systems AB	228	Micro Systemation AB (publ)	268	SAAB Aktiebolag		
189	Pricer Aktiebolag	229	Midsona AB	269	Clas Ohlson Aktiebolag		
190	PROBI Aktiebolag	230	Medivir Aktiebolag	270	Nelly Group AB (publ)		
191	NOTE AB (publ)	231	SinterCast Aktiebolag	271	Bergman & Beving Aktiebolag		
192	Getinge AB	232	Linc AB	272	Bong AB		
193	I.A.R. Systems Group AB	233	Beijer Alma AB	273	AB Traction		
194	Knowit Aktiebolag (publ)	234	Active Biotech AB (publ)	274	Investmentaktiebolaget Latour		
195	Eolus Vind Aktiebolag (publ).	235	Sensys Gatso Group AB	275	Billerud Aktiebolag (publ)		
196	Sivers Semiconductors AB	236	Tieto Sweden Professional Services Aktiebolag	276	Elos Medtech AB		
197	BioGaia AB	237	Enea Aktiebolag	277	Rottneros AB		
198	NIBE Industrier AB	238	Fastighets Aktiebolaget Trianon	278	Hoist Finance AB		
199	Wihlborgs Fastigheter AB	239	Atrium Ljungberg AB	279	Hufvudstaden AB		
200	Vitrolife AB	240	Hexatronic Group AB	280	Svenska Cellulosa Aktiebolaget SCA		