

Paper-SH- 008: Effect of Ifrs Adoption on Earnings Response Coefficient

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ABSTRACT

International Financial Reporting Standards (IFRS) is a lively debated issue in many countries. Different responses appear to respond to this issue, both supporting and opposing reaction IFRS adoption. Research on the impact of IFRS adoption is more focused on changes in the earnings component information for the assessment of the introduction of IFRS, but does not explain how the market reacts to earnings information. This study aims to determine whether IFRS adoption will have a positive effect on earnings response coefficients of firms in Australia and the European Union (EU) and whether the information is supported by higher profit investors after the IFRS adoption. Using a multiple regression analysis, this study shows that through IFRS adoption, the quality of accounting information responded positively by investors. Furthermore, the results of this study also shows that higher respond for profit information after adoption than before IFRS adoption. These results are shown in both for EU countries and Australia data and also EU countries, but not for Australia.

Keywords: earnings, earnings response coefficients, ERC, IFRS adoption, the European Union, Australia