

Changes in the value relevance of accounting information upon IFRS adoption: Evidence from South Africa

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Abstract

South Africa adopted the International Financial Reporting Standards (IFRS) as domestic accounting standards effective for reporting periods beginning on or after 1 January 2005. This study uses the price model and a sample of firms listed on the Johannesburg Stock Exchange to compare the value relevance of accounting information during the pre-IFRS adoption period (2002-2004) and the post-IFRS adoption period (2006-2012). The pooled regression results show evidence of value relevance in the pre-IFRS period (2002-2004) but unexpectedly no significant result in the post-IFRS period (2006-2012). The post-IFRS period was further analyzed in pooled regressions covering the periods during the global financial crisis (2006-2008) and the period after the global financial crisis (2009-2012). The study finds no significance in value relevance during the crisis period (2006-2008) but significant increase in the value relevance of book values and earnings in the period after global financial crisis (2009-2012). Overall, the evidence (especially the yearly regression results) shows that accounting information was more value relevant during the post-IFRS period, especially the post global financial crisis period.

Keywords: International Financial Reporting Standards, IFRS adoption, value relevance, price model, equity book value, earnings per share