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# DO IFRS DECREASE EARNINGS MANIPULATION IN EUROPEAN COUNTRIES?

## Abstract:

The paper investigates the effect of IFRS on earnings management. I analyze whether earnings management reduced after IFRS adoption and use one of earlier studies verified method “loss avoidance thresholds”. This paper concentrates chosen European countries representatives.
I examine sample of 771 companies (9272 firm-year observations) during the years 2000 – 2013. My results are different in selected countries. Study demonstrates that one set of accounting standards contributes to better reporting quality and reduce pervasiveness of earnings manipulation in France. But in contrast there is no difference supporting lower earnings management after than before IFRS application in Germany and the United Kingdom. Due to my findings, other political and economic factors, such a legal system or strength of capital market, play significant role in entire process to reach higher comparability and transparency cross-border companies’ financial statements. Overall, my result suggests that IFRS moderately contribute to accounting quality of reported financial statements and brings benefit for stakeholders but other economic factors are as well irreplaceable.

## Keywords:

Accounting Standards, Earnings Manipulation, International Financial Reporting Standards, Loss Avoidance, Financial Reporting Quality.

**JEL Classification:** M41