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Value Relevance of Financial Reporting: In Pre IFRS, Post IFRS and Transition Regime

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ABSTRACT

The objectiveof this study is to test the influence of value relevance of accounting information (EPS, BV, CF, ROE) on the market share value of non-financial sector of Pakistan Stock Exchange (PSX) listed firms in the Pre & Post IFRS implementation period and transition regime. The study analyses the effectiveness of the quality measures of accounting information for the future prediction of market stock price and for investors to make better decisions for future investment. The targeted population of this study is the non-financial sector of PSX. The targeted sample is based on 41 non-financial public listed companies of PSX. The sample is based on those reported companies whose data is consecutively available for 18 years from 2001 to 2018. This study period has been chosen because this period covers the Pre and Post IFRS application period of Pakistan's firms. The panel data and Ohlson (1995) price model are applied in the study. The findings conclude that the R-Square value of GLS analysis for post-IFRS and Transition period is higher than pre-IFRS. It indicates that the Post IFRS application and transition regime periods indicate the quality measure of value relevant accounting information than the Pre IFRS application period. These both Post IFRS application period and transition regime show more valuable accounting measures for listed non-financial firms of PSX. This study concluded that the concurrent period of IFRS standards for non-financial listed firms impacts the value relevant accounting information to describe market share value.

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INTRODUCTION

The Value Relevance is a name of an attribute that expresses the quality measure of Financial Statements. This attribute, namely value relevance, measures the statistical connotation of the Firm's financial reporting and market returns. The value relevance of financial accounting data is explained to those accounting valuable numbers, which are leading indicators for the share prices (Liu & Liu, 2007). The company's accounting statistics are considered value relevant when these measures data reflect its market share or return value (Soewarno & Utami, 2010). This information will be helpful for investors in valuing the Firm and will be reliably mirrored in its Share prices (Ebaid El-Sayed, 2011).

The primary aim of accounting financial reporting is to provide accurate and adequate information to users for decision-making in particular establishments; for that purpose, the quality of financial reporting plays a globally significant role and remains under discussion. Investors use this information when evaluating the equity shares of an entity. A firm's accounting information that follows book-keeping standards, namely as International financial reporting standards (IFRS), better enlighten the progress of firm value. Companies that follow accounting standards IFRS rise its quality actions of transparency and comparability level of its financial reporting. The rise in the transparency level becomes the cause of reduction in the information asymmetry among managers, owners, majority and minority investors. By using firm accounting information of financial statements, investors calculate the firm's expected future risk and plan to reduce its cost of capital. While on the other side, the improvement of comparability becomes useful for stakeholders to relate the company's performance worldwide. This expected future estimation becomes the cause of enhancing stakeholders' confidence by using this valuable accounting information in their investment's decisions, specifically in the stocks market.

The financial accounting information is considered valuable when it touches on the investor response (Lee, 2020). The IFRS adoption delivers competent financial reporting and improves its value relevance (Mironiuc et al., 2015). Recent research on global economic crime highlighted that 18% of corruption is related to financial accounting reporting deceptions (Pwc, 2016). Developed countries famous scandals are Enron, Tyco, Tesco, Toshiba, etc. are also caused by inadequate financial reporting practices (Pfanner & Fujikawa, 2015). Asian countries are also subject to enormous financial accounting reporting deceptions. For example, Group Lease Public Ltd, 2GO Group Incorporated, Trust Bank and Southern Bank are also related to mishandling of the financial accounting reporting (Paz & Tomacruz, 2017).

Pakistan had a history of financial accounting reporting deceptions in the south Asian region. Axact and Bank of Credit and Commerce International (BCCI) are well-known fraudulent cases. World Bank unearths massive financial fraud in Pakistan; according to the 23 companies found corrupted and fraudulent (Khamainy et al., 2021).These firms provide misleading financial reports, and investors face enormous losses because of unfitted decision-making related to accounting data. These financial reporting frauds and misleading accounting information wore the investors' assurance and highlighted the fear of low-quality financial accounting reporting in Pakistan. The use of accounting value measures is crucial in making investment decisions, and it lessens the informational irregularity problem in the relation of the company's managers and the stakeholders (Amahalu et al., 2017). Thus, the quality measure value relevance deals with the effectiveness of accounting information from a stockholder's perception and provides contact to the worth of financial accounting values by inspecting the qualitative features of financial statements that are relevant and reliable (Barth et al., 2001).

This research paper points out that accrual earnings are the critical financial accounting information to estimate the company's future cash flows for helping investors make investment decisions. At the same time, many types of research show that the relevance of earning value decreased because many stockholders do not reflect it appropriate and dependable, unlike most of the empirical literature, as well as Pakistan (bin Khidmat et al., 2018; Fatima et al., 2018). Although extensive research was conducted on the quality measure value relevance of financial accounting values in established countries, there is insufficient research about quality measure of accounting information (value relevance) research in the emerging economies (Dorantes Dosamantes, 2013). Research on quality measures of accounting information in Pakistan is also questionable and unsatisfactory.

This study highlights the relation of quality measures of financial accounting information and market share prices under IFRS concerning the non-financial sector of the Pakistan Stock market. The Study purpose is to inspect the effectiveness of value relevant accounting measures such as earning per share, book value per share, cash flow, return on equity on the share price of non-financial listed firms in the Pre IFRS application, Post IFRS application adoption and transition regime. The study analyses the effectiveness of financial accounting quality measure values (value relevant) for the future prediction of market stock price and to design investment policies for investors to make better decisions for future investment. This study also adds up in literature by examining the value relevance of Cash flow and ROE and earnings and Book value in the emerging country Pakistan where Cash flow and ROE have not been

empirically tested before.

The studies on the value relevance as a quality measure of accounting information show the gap from the empirical literature of Pakistan (Azeem & Kouser, 2011; Shehzad & Ismail, 2014). Only limited research has been conducted on the value relevant as a quality measure of accounting Information and IFRS in Pakistan. To my knowledge, there is no study has been conducted yet for testing the value relevance of accounting information with the proxy of cash flow ratio and return on equity ratio through control variables size and leverage in the era of Pre-IFRS & Post-IFRS adoption and convergence period (Post IFRS Implementation period) in Pakistan. This study contributes to the empirical literature from Pakistan's perspective. This study also adds up in literature by examining the value relevance of Cash flow and ROE and earnings and Book value in the emerging country Pakistan where Cash flow and ROE have not been empirically tested before. The research findings reveal that the after-acceptance period of IFRS standards improves the accounting information quality measure value relevance. This result outcome also builds the strong confidence level of the standard-setter to mandate IFRS standards for all companies. It rises to accounting information quality measure value relevance and confidence of standards setter (Juniarti et al., 2018).

LITERATURE REVIEW

Pakistan Accounting Financial Reporting Setting

Regulatory bodies and authorities in Pakistan implemented a sound financial reporting environment for the development of the Pakistan economy gradually for the period. The implementation of IFRS started in January 2005, and the complete application of international financial reporting standards was completed in January 2014. The Companies Act of 2017 (formerly Companies Ordinance of 1984) implemented a financial accounting reporting application for all businesses in Pakistan. In Pakistan, all domestic and international listed companies follow the IFRS standards in their financial reporting. The regulatory bodies Security Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP) and ICAP (Institute of Chartered Accountants of Pakistan), regulate the IFRS standards in Pakistan. The public listed and trading companies follow IFRS standards in their financial reporting. The ICAP is a professional and regulatory body formally notified for adopting the IFRS. The SBP body gets involved in monetary policy and financial market activities . Financial reporting followed by the IFRS standards better express the company's value and raise the transparency and equivalence level. It also helps lead the investors toward future investment plans with a comparability of market performance

worldwide. This comparability enhances the investors' confidence with the help of accounting information analysis. This accounting information analysis and share price fluctuations affect investors' investment decisions. When these changes influence investors' decision power and responses, his accounting measure values are reflected as a quality measure value relevance (Juniarti et al., 2018). The application of IFRS standards has enhanced the value relevance of predictable accounting values and led a path for investors for their future investment plans (Alali & Foote, 2012; Nijam & Jahfer, 2018).

The Efficient Market Hypothesis Theory (EMH)

The Efficient Market Hypothesis Theory (EMH) is being used for the Capital market studies, which explains that the market would be considered efficient if the available firm accounting information is reflected on the current market share prices. Rendering to the Efficient Market Hypothesis (EMH) assumption, the rational investors decide on their future investments using fundamental and other company financial information, which the company declares in the form of financial reports to hedge their future risk in the capital market. After analysing all the required information, they decided whether they would buy or sell their stocks in the future. They move to retain their share if they have already bought them and at the same time realise that the required information about company stock is positive for company progress and benefit. Otherwise, if they get the negative signal for a stock future return, they shift to the selling decision of the stock (Singh, 2018).

The Market Value Relevance Theory

The theory of market value relevance is about the perception that accounting information summarises accounting numbers and measures that reflect market returns. Therefore, the financial statements represent the value relevant accounting measures and their association between the Firm's financial reporting and share price or return value (Liu & Liu, 2007). The theory of market value relevance supports this research. It explains that these financial statements information will be evaluated by the investors only when that information will be helpful for their future investment's decision. This theory also provides them with directions regarding their future returns/profits in the Stock Exchange Market. According to this theory, the accounting measures should be relevant, reliable and useful for investors.

The Signal Theory

The third underpinned theory of this study is Signal theory. The theory express motivation for external parties such as creditors and stakeholders through the company's financial information. A Company is well aware of its financial position, future prediction, and condition compared to its external parties. So, the company financial reports are being used by the external parties to know about the company's financial position. If the company provides insufficient financial reporting information to its stakeholders, stakeholders feel less secure regarding their future investments. It becomes the cause of the lower share value of the company. However, the information asymmetry could be decreased by delivering indicators to stakeholders or other external parties through reliable financial information regarding their future investments. And it could make the reason to lessen the uncertainty of the company's future projections (Sadalia et al., 2017).

Empirical Literature Review and Hypotheses Development

The current study deals with quality measure of accountiong information as value relevant. Kwon (2018) used survey panel data for large, medium and small (LMS) companies to observe the quality measures of accounting values of businesses listed on the Korean stock exchange. Results of the study found that the implication of book value, operating income, operation cash flow, earnings and cash flows changed significantly earlier and afterwards the application of IFRS.

In a study, the effectiveness of quality measures of accounting values of two countries, Germany and the United Kingdom, in earlier and afterwards IFRS application period. The researchers used both Ohlson and the modified model. According to the Ohlson model, there is a decline in the book value of shares in the quality measure. On the other side, in the modified model, the incremental values as earning and book values are higher and more effective for extended periods for UK firms than German firms. Although, the study found a higher profit margin for both countries after adopting, implementing, and applying IFRS. On the ground of the third model, the researcher additionally exposed a substantial rise in the relative predictive power of the book value of equities in the UK compared to the apparent effect of economic indicators on the value of profits in Germany (Elbakry et al., 2017). Alnodel (2018) moderately agree with Barth et al. (2001) and Kwon (2018) and is indifferent to a former study by Elbakry et al. (2017). He observed the importance of the valuable accounting measure values in businesses that have both Pre IFRS application and Post IFRS application period. The research was conducted in a trio of

European states. The study had implemented both multivariate and panel regression methodology. The study concluded that the voluntary application of IFRS standards did not expand the value measures of accounting information but showed a more association among accounting measures, stock prices and stock returns in earlier and afterwards IFRS application periods. However, the research described no substantial changes between Pre IFRS- and Post- IFRS application periods.

The literature shows that the value relevancy of financial statement measures is improved and reduced over time. The result of some studies showed that Post- IFRS adoption and IFRS transition period provides more value relevant and predictable financial statement measure values (Beisland & Knivsflå, 2015; Elshandidy, 2014; Outa et al., 2017). On the contrary, the contradicting evidence also found in other research that there existed no perfection in value relevant financial statement measures after the adoption of IFRS standards (Gordon et al., 2008; Paulo et al., 2013). Several studies have shown that value relevancy of an accounting measure and the equity book value had improved in the post-IFRS adoption and implementation period (Kargin, 2013; Nijam & Jahfer, 2018). Another study showed that the equity book value did not improve. Value relevancy of cash flow measure had improved after implementation of IFRS standard. Prihatni et al. (2016) argued that cash flow had been considered a more value relevant financial measure in the pre- IFRS adoption period. However, these results demonstrate that other value relevance accounting information proxies affect the share price. Earlier research conducted in Pakistan did not combine firms detailed aspects as control variables, although these factors have a significant impact on value relevance (Asif et al., 2016; Rashid et al., 2012; Shahzad et al., 2013). Also, these studies incorporated a nominal sample size; hence, their results might not be comprehensive. So above research gap needs additional study to evaluate the perception of stockholders in Pakistan. The Cash flow and ROE, in addition, to control variables such as Size and Leverage which were not being investigated by any prior researcher for Pre & Post IFRS application and Transition regime period in Pakistan (Dang et al., 2017; Shamki & Rahman, 2013).

Based on the prior empirical literature on the value relevance of earnings, Book value, cash flows and ROE, the following hypotheses are developed:

H1: *The value relevance of earning, the book value of equity, cash flow per share, and ROE significantly affect market share price in the pre- IFRS application period.*

H2: *The value relevance of earning, book value of equity, cash flow per share, and ROE has a significant effect on the market share price in the post- IFRS application period.*

H3: *The value relevance of earning, book value of equity, cash flow per share, and ROE has a significant effect on the market share price in the transition regime of IFRS.*

METHODOLOGY

Valuation model

For this study, the generalized Ohlson (1995) valuation model is being applied to access the nexus between valuable accounting values and share price measures. Ohlson's price model outlines the firm value as a function of the book value of equity and earnings. This research has also combined the Cash flow per share and ROE as another valuable accounting measure and earnings and book value of equity. Most of the empirical literature has examined the valuable measures of Earnings, Book value per share and Cash flow per share by using Ohlson (1995) price model (Gan et al., 2016; Mirza et al., 2020; Nejad et al., 2017). Earnings (EPS) are designed as ratios that express the company's profit by deducting the preference dividend. The book value per share (BVPS) has measured total equity divided by the total no. of outstanding shares (Beisland & Knivsflå, 2015). The cash flow per share (CVPS) is designed by net cash flow value divided by the total number of outstanding shares (Prihatni et al., 2016) Return on equity (ROE) ratio is intended by net profit divided by shareholder's equity and multiplying by 100 (Amahalu et al., 2017). The dependent variable is designed as the market value of the share price. Its share price takes its closing stock price (Menaje, 2012). The market share price is considered the year ended value of the Firm. According to the earlier research, this paper also regulates firm-specific variables, i.e. firm size and leverage (Bepari et al., 2013; Mirza et al., 2020). To test the nexus among EPS, BVPS, CVPS, ROE and market share price (MP) through hypotheses HI, H2, H3. An econometric model is given below:

$$\boldsymbol{MPit} = \beta 0 + \beta 1\boldsymbol{EPS\ it} + \beta 2\boldsymbol{BVPS\ it} + \beta 3\boldsymbol{CVPS\ it} + \beta 4\boldsymbol{ROE\ it} + \beta 5\boldsymbol{DER\ it} + \beta 6\boldsymbol{FS\ it} + \boldsymbol{Dummy\ Years\ it} + \boldsymbol{\varepsilon\ it}$$

MPit = Market share price of non-financial company i for period t-the year ended share value.

EPSit = Earnings per share of non-financial company i for period t.

BVPSit = Book value of equity of non-financial company i for period t.

ROE it = Return on equity of non-financial company i for period t.

CVPSit = Cash flow per share of non-financial company i for period t.

DERit = Debt ratio of non-financial company i for period t.

FSit = Firm Size of non-financial company i for period t.

Dummy Yearsit = Years of non-financial company i for period t.

ε**it** = Other factors which influence on value relevant financial statements information.

Sample Selection

For estimation, secondary data has been taken from the audited published annual reports of non-financial firms of Pakistan. The other secondary sources are used for data collection, such as business recorder, state bank of Pakistan (SBP) and Pakistan stock exchange (PSX). The Pakistan Stock Exchange non-financial companies' data have been taken for the analyses by excluding those companies whose data is not available for 2001 to 2018. The purpose of chosen non-financial companies is to compute ratios (equity book value, earnings per share, cash flow per share, return on equity, leverage) of the non-financial sector. 2001 to 2018 has been collected, interpreted, and analysed. The research period from 2001 to 2004 represents to Pre IFRS era, and since 2005 to 2008 represents the Post-IFRS era and then ten years' data from 2009 to 2018 represents the transition period of IFRS in findings. This period of the study is chosen based on those companies. Those data is entirely available during this period of study. In PSX, there are 34 Sectors in which different companies exist. But this study includes only those non-financial companies whose data are available for eighteen years of this period. So, those companies are excluded from the data analysis with values missing for any study variable for eighteen years to get an appropriate result finding. The targeted sample is about 41 non-financial companies of the Pakistan Stock Exchange (PSX). This paper used the GLS-regression, correlation, Fixed or random-effect analysis method.

DATA ANALYSIS

In Table 1, the statistical test of descriptive analysis measure the study's reliability and validity and remove those doubts that make the model unfit for analysis. The descriptive statistics present to study's dependent variable as market share price and explanatory variables such as BV, EPS, CF, ROE with the accumulation of control variables, namely size and debt ratio in Table 2. The total figure of each variable observation is 722. The mean represents the average number of the data. The price's mean value is higher while the debt ratio is lower, respectively 186.7 and1.51. The median represents the data's midpoint value, and it is apart from the observations into two lower and higher values portions. The price shows the higher median value while CF shows the lower value, 62.0 and 0.42. The maximum value of the data set indicates the higher value number. The higher value in the analysis is 4310 value of price.

Table 1.
Descriptive Analysis for PSX Non-Financial Firms 2001-2018

	Price	EPS	BV	CF-Ratio	ROE	Size	Debt-Ratio
Mean	186.7089	15.79506	91.08849	6.920441	10.92482	9.621848	1.15119
Median	62.09000	7.285183	51.65037	0.423694	13.91319	9.623210	0.54535
Maximum	4310.000	425.4886	869.2122	632.7333	886.6241	11.08596	76.44332
Minimum	1.850000	-118.217	0.504861	-391.566	-1096.675	7.886976	-0.381508
Std.Dev	415.1174	37.67102	121.9683	72.56978	68.48975	0.718529	5.79535
Sum	134803.9	11404.03	65765.89	4996.558	7887.718	6946.974	831.1595
Observations	722	722	722	722	722	722	722

Table 2.
Pairwise Correlation

	Price	EPS	BV	CF-Ratio	ROE	Size	Debt-Ratio
EPS	0.55596	1	0.654725	0.563039	0.207905	0.223557	-0.040642
BV	0.652228	0.654725	1	0.3314	0.043778	0.337262	-0.043559
CF-Ratio	0.328253	0.563039	0.3314	1	0.074887	0.14939	-0.023619
ROE	0.028665	0.207905	0.043778	0.074887	1	0.096345	-0.01092
Size	0.223371	0.223557	0.337262	0.14939	0.096345	1	-0.091991
Debt Ratio	-0.03985	-0.040642	-0.043559	-0.023619	-0.01092	-0.091991	1

In contrast, the minimum value indicates the smallest value of the data set, and the lower value in the descriptive analysis is -1096 ROE. The Standard deviation indicates a measure of dispersion, which shows how much data is spread from the mean. Table 1 findings show that the SD value of price and BV is higher than other variables, respectively 415 and 121. It means that price is more volatile than BV and other variables.

Correlation Analysis

In the study analysis, Pearson's correlation coefficient test is being applied to satisfy the regression assumption. By just having a look at the findings of Table 2, The debt ratio has insignificant negative relation with Price, EPS, BV, CF, ROE and Size. In contrast, ROE has an insignificant positive relation with Price, BV, CF and Size. The Pairwise correlation overall shows significant relationships among variables. Multicollinearity is not considered a severe problem in OLS regression

if the value is smaller than 0.8 (Hair, 2009).

The reason for conducting this research study is to define the market-share price fluctuations and trends. After applying the suitable data transformation, the GLS regression analysis, fixed-effect model, random effect-model and Hausman-specification test have been run. In Tables A. 1, A. 4 and A. 7 (see Annexure 1), the GLS regression analysis result findings conclude that the Pre IFRS, Post IFRS and transition period have regression values of 80%,82%, and 87%, respectively. Both Post IFRS and transition periods have higher R-square values, showing that these periods have more relevant financial measures than pre- IFRS. After the GLS Regression, the Hausman test is applied to regulate the fitted panel data model for all periods (Pre IFRS, Post IFRS, transition period). The Hausman is applied for deciding whether a fixed or random effect model is appropriate. According to Tables A. 3, A. 6 and A. 9 (see Annexure 1), the findings reject the Hausman test null-hypothesis and accept its alternative hypothesis as the Probability value (P-value) of chi-sq. Statistics is lower than "P<0.05", which represents that the fixed-effect model is more appropriate than random- effect model for all research periods (Pre IFRS, Post IFRS and transition period). The research findings support the Post IFRS application and transition regime period as these periods show more value relevant financial reporting measures as useful for investors.

Table 3.
Fixed Effect Model-PRE IFRS

Variables	Coefficient	Standard Error	T-Statistics	Probability
C	82.241	135.61	0.61	0.545
EPS	-2.582	0.731	-3.532	0.0006
BV	0.751	0.21	3.57	0.0005
CF-Ratio	2.521	0.61	4.134	0.0001
ROE	2.324	0.81	2.872	0.0049
Debt	42.935	40.322	1.065	0.2892
Size	-14.236	14.1	-1.011	0.3141
R- Square 0.82585				
Adjusted R- Square 0.81506				
F-Statistics 0.0000				
Durbin-watson Stats 2.691321				

So, the research test analysis findings conclude that the research study null-hypothesis H1and H2 will be rejected. While H3 null hypothesis will be accepted as the value relevance of financial reporting measures information has a more significant influence on the market share price in the transition period. The past literature supports the research conclusions that the quality measures

of accounting values as value relevance are more appropriate and useful for investors in the Post-application period of International Financial Reporting Standards (IFRS) (Alali & Foote, 2012; Juniarti et al., 2018; Kargin, 2013; Outa et al., 2017).

In Table 3, the Fixed effect model findings show that with the 1-rupee increase on average in BV, CF, ROE and debt ratio, the share price increases to about 0.75, 2.52 and 2.32values. While on the other side, with the 1-rupee increase on average in EPS and size, the share price decreases to about respectively with 2.58 and14.23 values. The significant variables are considered to have a P-value less than 0.05. In this research analysis, the 5% significance is being used. According to the 5% significance level, the research findings show a significant effect of EPS, BV, CF, and ROE on the share price in pre- IFRS. While the other variables, Debt ratio and size, have an insignificant influence on Share price with P-value more significant than "P>0.05". The EPS has a significant negative influence, while the size variable has an insignificant negative impact on the share price. The previous research findings support these findings (Glezakos et al., 2012; Sharif et al., 2015). The Factor of Coefficient of Determination value of R-squared explains how much variation in the dependent variable has been clarified by the result values of the explanatory variables. It is explained by the EPS, BV, CF, ROE, Debt ratio and size of listed Non-Financial Firms of PSX. The Factor of Coefficient of Determination value of R-squared explains the variation of 82% in the dependent variable for Pre- IFRS period. The analysis test measure of Adjusted R-Squared is a measure of the proportion of variation, which explains those independent variables that support to explain the dependent variable. Here in this research study, the value of Adjusted R-Square is about 81% less than R-Squared. The F-statistic measure of goodness of the model is lower than 0.05. It means that the model is a perfect fit. The Durbin-Watson statistics value is 2.6, indicating that data is almost free of autocorrelation. Standard-Error of the Estimates measures the observed average distance that drops from the regression line. The lower value is well fitted for the model. This value also estimates the average units of the response variable to know how wrong the regression model is. The Standard-Error of the Regression average distance of the figures points on the fitted line is about 19.48% body fat which is accepted. The Schwarz Criteria is about a measure of model selection in analysis. The lowest value of Schwarz Criteria is considered suitable for the best model. This criterion expresses the closest points of the model and the parameters used in the model. The Schwarz Criteria, which measure model selection in analysis, is 12.17 in Table 3. It is considered to be suitable for the model.

In Table 4, the Fixed effect model findings show that with the 1-rupee increase on average in BV, CF and ROE, the share price increases to about 0.206, 4.03

Table 4.
Fixed Effect Model of Pre- IFRS Period-2005 to 2008

Variables	Coefficient	Standard Error	T-Statistics	Probability
C	193.84	393.3914	0.492734	0.6237
EPS	-1.1963	0.949133	-1.260375	0.2115
BV	0.2061	0.28495	0.723392	0.4718
CF-Ratio	4.03775	1.246034	3.24048	0.0018
ROE	1.8965	0.9475	2.00164	0.049
Debt	-49.47205	68.63686	-0.72078	0.4733
Size	-8.23833	41.44576	-0.198774	0.843
R- Square 0.937852				
Adjusted R- Square 0.89783				
F-Statistics 0.0000				
Durbin-Watson Stats 2.30213				

and 1.89 values. While on the other side, with the 1-rupee increase on average in EPS, Debt ratio and size, the share price decreases to about respectively with 1.19, 49.47 and 8.23 values. According to a 5% significance level, the research findings show a significant positive effect of CF and ROE on the share price in Post IFRS. While the other variables, BV, EPS, Debt ratio and size, have an insignificant negative influence on Share price with a P-value more significant than "P>0.05". The previous research findings support these findings (Beisland & Knivsflå, 2015; Chalmers et al., 2011; Khanagha, 2011). The Factor of Coefficient of Determination value of R-squared explains variation above 90% (R>90%) in the dependent variable for Post IFRS. In contrast, the value of Adjusted R-Square is about 89% less than R-Squared.

Table 5.
Fixed Effect Model of IFRS Transition Period -2009 to 2018

Variables	Coefficient	Standard Error	T-Statistics	Probability
C	-55.08475	40.12289	-1.3729	0.172
EPS	0.123253	0.298945	0.412294	0.6807
BV	0.657877	0.179092	3.673394	0.0003
CF-Ratio	0.598758	0.18562	3.225721	0.0016
ROE	0.641113	0.290508	2.206867	0.0289
Debt	1.210917	2.826031	0.428487	0.669
Size	17.31214	12.9348	1.338416	0.1829

In Table 5, the Fixed effect model findings show that with the 1-rupee increase on average in EPS, BV, CF, ROE, Debt Ratio and Size, the share price increases to

about 0.12 0.65, 0.59, 0.64,1.21 and 17.3 values. According to the 5% significance level, the research findings show a significant positive effect of BV, CF and ROE on the share price in the transition period. While the other variables, EPS, Debt ratio and size, have an insignificant positive influence on Share price with a P-value more significant than "P>0.05". The previous research findings support these findings (Khanagha, 2011; Prihatni et al., 2016; Sharif et al., 2015). The Factor of Coefficient of Determination value of R-squared explains 93% variation in the dependent variable in the IFRS transition period. The test measure of Adjusted R-Square, which measures the proportion of variation, is about 91% less than R-Squared.

DISCUSSION AND CONCLUSION

The research is conducted to test the quality measure of "value relevance" of financial statements measures of PSX non-financial firms for before and latter adoption period of IFRS standards from 2001 to 2018. Its purpose is to deliver empirical evidence about the influence of "value relevant" financial reporting measures on market share price from 2001 to 2018. The literature shows contradictory results about "value relevant" financial statements with time. Some of the study's findings reveal that the "value relevance" of financial statement accounting measure values has improved and provided a better quality of Firm's financial reporting numeric latter adopted a period of IFRS standards (Beisland & Knivsflå, 2015; Kargin, 2013; Outa et al., 2017). Whereas, some studies show contradictive results that it don't improve to the value relevance (Gordon et al., 2008; Paulo et al., 2013; Umoren et al., 2018). The R-Square value of the Pre, Post, and transition period of IFRS is 80%, 82%, and 87% in Tables A. 1 and A. 4 and Table A. 7. The study findings reveal that the R-Square value of GLS analysis for Post IFRS and the transition period is more significant than Pre IFRS. It indicates that the Post IFRS application periods have more relevant measures information than the Pre IFRS period. It improves the value relevance of financial statements accounting measures of PSX listed Non-financial firms in Post IFRS and transition period. The result findings reject null hypotheses H1 and H2. At the same time, accept to H3 that the value relevance of financial statements accounting measures has a significant impact on the market share price in the transition Period of IFRS. The past literature supports the research findings that the value relevance of financial statements measures information improves after the implementation of "International Financial Reporting Standards (IFRS)" (Alali & Foote, 2012; Outa et al., 2017; Prihatni et al., 2016). The IFRS standard implementation is intended to raise the transparency and comparability level of the Firm's accounting information. The valuable Firm's accounting information under IFRS increases

the investors' confidence regarding financial reporting as it provides information about the firm value to the investors. According to the notification of SECP, the listed firms of Pakistan started to make their financial reporting under IFRS standards since the fiscal year ended on December 31, 2005 (Rehman et al., 2014).

The findings reveal that the accounting information quality measure value relevance improves in the after-acceptance period of IFRS standards. This result outcome also builds the strong confidence level of the standard-setter to mandate IFRS standards for all companies. It rises to accounting information quality measure value relevance and the confidence of standards setter. The research findings offer a chance to relate the explanatory power of Pre IFRS, Post IFRS application and transition regime period. The findings reveal that the quality measure "value relevance" of annual report accounting information has improved in "IFRS" standards implementation and convergence period. The IFRS transition period has higher quality measure "value relevance" of the market price for PSX publicly share-traded firms. The significance of the post period of IFRS adoption has captured the relation of Market share price, EPS, BV, CF, and ROE. The adoption of different IFRS standards built strong relation of market share price with the quality measure "value relevant" financial reporting.

Like other empirical research studies, this study also has some limitations. The study analysis to the value relevance of selected "non-financial firms" listed in PSX from 2001 to 2018 excluded those companies whose eighteen years' data were not available. So, based on data availability, four years each have been taken for previous and later adopted periods of IFRS standards, which are considered early to judge the effect of such "IFRS standards" on the Firm's financial statements measures. However, the Pre and Post IFRS period data should be more than four years better to judge IFRS influence on the Firm's financial reporting. Due to the limited period, only the Ohlson model is applied in the study analysis.

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ANNEXURE 1

Table A. 1.

GLS Regression Analysis of Pre IFRS adoption-2001 to 2004

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	2.936244	0.776441	3.781671	0.0002
EPS	0.117218	0.039432	2.972629	0.0036
BV	0.176654	0.055639	3.174992	0.0019
CF Ratio	0.017006	0.018570	0.915775	0.3617
Debt Ratio	0.026842	0.296524	0.090521	0.9280
ROE	0.183775	0.028555	6.435828	0.0000
Size	-0.415679	0.350265	-1.186754	0.2378
R-squared	0.809142	Mean dependent var		3.743383
Adjusted R-squared	0.797422	S.D. dependent var		1.112068
S.E. of regression	0.500527	Akaike info criterion		1.517013
Sum squared resid	28.56007	Schwarz criterion		1.700883
Log likelihood	-84.53781	Hannan-Quinn criter		1.591696
F-statistic	69.04310	Durbin-Watson stat		1.509692

Table A. 2.

Random Effect Model of Pre IFRS adoption — 2001-2004

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	2.809562	0.811171	3.463588	0.0008
EPS	0.109630	0.037142	2.951682	0.0038
BV	0.195698	0.059613	3.282807	0.0014
CF Ratio	0.024714	0.019802	1.248062	0.2146
Debt Ratio	-0.018026	0.318438	-0.056609	0.9550
ROE	0.173345	0.028813	6.016209	0.0000
Size	-0.347731	0.363966	-0.955395	0.3414
		Effects Specifications		
			S.D	**Rho**
Cross-section random			0.221219	0.2040
Idiosyncratic random			0.436917	0.7960
		Weighted Statistics		
R-squared	0.757653	Mean dependent var		2.818511

Continued on next page

Table A. 2 continued

Adjusted R-squared	0.742772	S.D. dependent var	0.891176
S.E. of regression	0.451186	Sum squared resid	23.20681
F-statistic	50.91426	Durbin-Watson stat	1.778763
		Unweighted Statistics	
R-squared	0.807529	Mean dependent var	3.743383
Sum squared resid	28.80135	Durbin-Watson stat	1.433246

Table A. 3.
Hausman Test of Pre IFRS adoption-2001 to 2004

Test Summary		**Chi-Sq. Statistic**	**Chi-Sq. df.**	**Prob**
Cross-section random		14.681992	7	0.0403
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var (Diff)	Prob
EPS	0.090551	0.109630	0.000478	0.3828
BV	0.216455	0.195698	0.009066	0.8274
CF Ratio	0.076362	0.024714	0.001168	0.1308
Debt Ratio	-0.351013	-0.018026	0.257762	0.5119
ROE	0.096954	0.173345	0.000953	0.0134
Size	0.267003	-0.347731	0.218471	0.1884

Table A. 4.
GLS Regression Analysis of Post IFRS Period-2005-to 2008

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob**
C	82.24066	135.6080	0.606459	0.5454
EPS	-2.581923	0.731009	-3.531999	0.0006
BV	0.750609	0.210098	3.572666	0.0005
CF Ratio	2.521547	0.609901	4.134357	0.0001
Debt Ratio	2.323931	0.809237	2.871757	0.0049
ROE	42.93521	40.32219	1.064804	0.2892
Size	-14.23642	14.07872	-1.011201	0.3141

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Table A. 4 continued

R-squared	0.825850	Mean dependent var	136.0307
Adjusted R-squared	0.815062	S.D. dependent var	219.2547
S.E. of regression	94.28922	Akaike info criterion	11.99444
Sum squared resid	1004622.	Schwarz criterion	12.17929
Log likelihood	-717.6636	Hannan-Quinn criter.	12.06951
F-statistic	76.55224	Durbin-Watson stat	2.691321

Table A. 5.

Random Effect Model of Post IFRS period – 2004-2008

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	82.24066	100.7898	0.815962	0.4162
EPS	-2.581923	0.543317	-4.752144	0.0000
BV	0.750609	0.156154	4.806860	0.0000
CF Ratio	2.521547	0.453304	5.562589	0.0000
Debt Ratio	2.323931	0.601460	3.863818	0.0002
ROE	42.93521	29.96920	1.432645	0.1547
Size	-14.23642	10.46391	-1.360525	0.1764
Effects Specifications				
			S.D	**Rho**
Cross-section random			0.000000	0.0000
Idiosyncratic random			70.07982	1.0000
Weighted Statistics				
R-squared	0.825850	Mean dependent var		136.0307
Adjusted R-squared	0.815062	S.D. dependent var		219.2547
S.E. of regression	94.28922	Sum squared resid		1004622.
F-statistic	76.55224	Durbin-Watson stat		2.691321
Unweighted Statistics				
R-squared	0.825850	Mean dependent var		136.0307
Sum squared resid	1004622	Durbin-Watson stat		2.691321

Table A. 6.
Hausman Test of Post IFRS Period -2004 to 2008

Test Summary		Chi-Sq. Statistic	Chi-Sq. df.	Prob
Cross-section random		115.665333	7	0.0000
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var (Diff)	Prob
EPS	-1.196263	-2.581923	0.605659	0.0750
BV	0.206131	0.750609	0.056813	0.0224
CF Ratio	4.037749	2.521547	0.347116	0.1914
ROE	1.896468	2.323931	0.535921	0.5593
Debt Ratio	-49.472051	42.935214	0.866102	0.1345
Size	-8.238332	-14.236416	0.257386	0.8811

Table A. 7.
GLS Regression Analysis of IFRS Transition Period -2009 to 2018

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-12.12115	9.826810	-1.233478	0.2191
Price	0.013281	0.000623	21.32467	0.0000
EPS	0.074779	0.252914	0.295671	0.7678
BV	0.620902	0.123473	5.028629	0.0000
CF Ratio	0.132096	0.124170	1.063825	0.2889
ROE	0.993313	0.273221	3.635566	0.0004
Debt Ratio	-0.797635	1.179413	-0.676298	0.4998
Size	3.634266	3.151607	1.153147	0.2505
R-Square	0.872687	Mean dependent var		14.23764
Adjusted R-square	0.867475	S.D. dependent var		11.94194
S.E. of regression	4.347345	Akaike info criterion		5.820671
Sum squared resid	3231.798	Schwarz criterion		5.963124
Log likelihood	-512.9500	Hannan-Quinn criter		5.878434
F-statistic	167.4488	Durbin-Watson stat		1.435857

Table A. 8.
Random Effect Model of IFRS Transition Period -2009-2018

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	-12.54510	9.670598	-1.297241	0.1963
EPS	0.083494	0.220925	0.377930	0.7060
BV	0.672331	0.108743	6.182752	0.0000
CF Ratio	0.160219	0.118011	1.357657	0.1764
ROE	0.818484	0.234679	3.487670	0.0006
Debt Ratio	-0.735026	1.087355	-0.675976	0.5000
Size	3.870927	3.102835	1.247545	0.2139
		Effects Specifications		
			S.D	**Rho**
Cross-section random			1.082096	0.0889
Idiosyncratic random			3.464586	0.9111
		Weighted Statistics		
R-squared	0.834509	Mean dependent var		10.92531
Adjusted R-squared	0.827734	S.D. dependent var		9.901863
S.E. of regression	4.111957	Sum squared resid		2891.300
F-statistic	123.1840	Durbin-Watson stat		1.489803
		Unweighted Statistics		
R-squared	0.870401	Mean dependent var		14.23764
Sum squared resid	3289.819	Durbin-Watson stat		1.309333

Table A. 9.
Hausman Test of IFRS Transition Period – 2009-2018

Test Summary		Chi-Sq. Statistic	Chi-Sq. df.	
Cross-section random		75.988615	7	0.0000
Cross-section random effects test compar-isons:				
Variable	Fixed	Random	Var (Diff)	Prob

Continued on next page

Table A. 9 continued

EPS	0.123253	0.083494	0.040560	0.8435
BV	0.657877	0.672331	0.020249	0.9191
CF Ratio	0.598758	0.160219	0.020528	0.0022
ROE	0.641113	0.818484	0.029321	0.3003
Debt Ratio	1.210917	-0.735026	6.804112	0.4557
Size	17.312138	3.870927	157.681426	0.2844