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Are IFRS-based and US GAAP-based accounting amounts comparable? $\hat{\alpha}^{\dagger}$

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Abstract

This study examines whether application of IFRS by non-US firms results in accounting amounts comparable to those resulting from application of US GAAP by US firms. IFRS firms have greater accounting system and value relevance comparability with US firms when IFRS firms apply IFRS than when they applied domestic standards. Comparability is greater for firms that adopt IFRS mandatorily, firms in common law and high enforcement countries, and in more recent years. Earnings smoothing, accrual quality, and timeliness are potential sources of the greater comparability. Although application of IFRS has enhanced financial reporting comparability with US firms, significant differences remain.

Highlights

$\hat{\alpha}^{\circ}$ Accounting system and value relevance comparability with US firms is greater when IFRS is applied mandatorily, in common law countries, and in high enforcement countries.

IFRS firms apply IFRS. ^{â} Comparability is greater for mandatory adopters, for firms in common law and high enforcement countries, and recent years. ^{â} Earnings smoothing, accrual quality, and timeliness are potential sources of the greater comparability. ^{â} Widespread application of IFRS has enhanced financial reporting comparability, but differences remain.



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Comparability; IFRS; International accounting

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