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ACCRUALS QUALITY AND EARNINGS PERSISTENCE AROUND IFRS ADOPTION: EMPIRICAL EVIDENCE FROM MANUFACTURING FIRMS IN INDONESIA

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ABSTRACT

This study aims to examine the impact of IFRS adoption on earnings quality in Indonesia. To achieve this objective, this study analyzes the earnings changes as proxied by accrual quality and earnings persistence before and after IFRS adoption. A total sample of 75 Indonesia listed firm spanning the period of 2006 – 2014 that constitutes 675 observations was used for analysis. The result of this study supports proposed hypothesis that there is a difference in accrual quality before and after IFRS adoption. In addition, there is an empirical evidence that accrual quality increases after IFRS adoption. However, this study does not find the difference of earnings persistence before and after IFRS adoption. This study contributes to accounting literature by providing an empirical evidence of the impact of IFRS adoption on earnings quality in Indonesia as an emerging economy.

Keywords: IFRS adoption; earnings quality; accrual quality; earnings persistence; Indonesia

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1. INTRODUCTION

Indonesia has adopted International Financial Reporting Standard (IFRS) fully as of January 1, 2012. This IFRS adoption is one of the consequences as a member of the G-20 forum. As in other countries [1, 2, and 3] and [4], it still becomes a debate and important research question whether the application of IFRS in Indonesia can improve the quality of accounting information.

IFRS adoption has a substantial impact on the practice of financial reporting in Indonesia. Prior to IFRS adoption, Indonesia's accounting standards were a rule-based standard. The IFRS adoption fully changed the domestic accounting standards into principles-based standards. Implementation of IFRS-based standards certainly requires a substantial resource allocation. For example, principles-based standards require a more details disclosure on financial statement [5].

There is an argument that IFRS can improve the quality of accounting information because the fair value reflects the company's economic condition more than historical cost. IFRS implementation is also hypothesized to limit opportunistic management measures [1]. This argument is hereinafter referred to as theoretical concept which supports the higher accounting quality premise after the application of IFRS. However, the limitation on managerial discretion in choosing measurement methods can actually reduce the ability of management to provide accounting information that better describes the company's economic condition [1]. In addition, flexibility in principles-based standards might provide a greater opportunity for firms to undertake earnings management action. The argument is a theoretical concept that supports the premise of lower accounting quality due to the application of IFRS.

Beside that conceptual debate, empirical results also indicate conflicting evidence about the benefits of IFRS / IAS in improving the quality of accounting information. For example, the results of [1, 6] and [4] show that the quality of accounting information under IFRS / IAS is higher than accounting information compiled based on previous accounting standards. In contrast, [3, 7, 8] and [9] showed no significant improvement in the quality of accounting information after IFRS adoption. [7] even concluded that in Germany, the predictability of US GAAP financial statements is higher than financial statements prepared under IFRS-based standards.

This study aims to provide empirical evidence regarding the impact of IFRS adoption on the quality of accounting information in Indonesia. In particular, the purpose of this study is to examine the changes in the quality of earnings (i.e. accrual quality and earnings persistence) in the period before and after the adoption of IFRS.

[1, 3, 10] suggest that inconsistencies in previous IFRS research results may be influenced by the institutional factors in which IFRS is implemented. This research tries to further analyze the impact of IFRS implementation in Indonesia by taking into account the institutional context. For example, [11] and [12] indicate that Indonesia is categorized as code-law countries with weak investor monitoring and protection mechanisms, more intensive earnings management practices than common-law countries. This research is important in Indonesia as one of the adherents of code law.

This research is expected to contribute in some aspects. First, this research will provide an empirical explanation of the theories that can be used to explain the phenomenon of IFRS adoption in Indonesia. By examining the model of quality accounting information then it could provide evidence about the change of accounting information quality after the adoption of IFRS in Indonesia and further determine the theory that can explain the adoption of IFRS in Indonesia based on the theoretical concepts proposed by [1].

Second, previous research [1, 2, 10] conducted in common law countries. Research conducted by [1] did not include Indonesia as a sample of the study. Therefore, this research needs to be done to provide information on the impact of IFRS adoption on the quality of accounting information in code law country such as Indonesia. Moreover, there is a paucity of research on the impact of IFRS adoption in Indonesia. This research also has a significant contribution by providing insights on IFRS adoption process in an important emerging economy.

Third, the attributes of qualitative characteristics of accounting information are still largely unexamined in the Indonesian context. Some attributes of accounting information are value-relevance, reliability, conservatism, predictability. Research conducted by [13] did not find that IFRS adoption in Indonesia could improve the relevance of the value of accounting information. This research will examine the characteristics of other accounting information i.e. accrual quality and profit persistence.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 The Impact of IFRS Adoption: State of the Art

[1] Provide empirical evidence on the impact of IAS / IFRS implementation on the quality of accounting information. They built two contradictory theories. The first theoretical concept predicts that the application of IAS / IFRS will improve the quality of accounting information (higher accounting quality). This is consistent with the objective of IAS / IFRS is to develop high-quality, globally applicable financial reporting standards. To achieve these objectives, the IASB and IASB have published principles-based standards. This standards do not allow certain accounting techniques and require accounting measurements that better reflect economic position and performance.

The second view predicts that the application of IAS / IFRS will decrease the quality of accounting information (lower accounting quality). There are two arguments that support this view. Firstly, IAS may be less qualified than domestic standards. For example: limiting the management discretion in choosing an alternative of accounting techniques can reduce a company's ability to determine accounting measurements that better reflect the company's economic position and performance. The flexibility that exists in the principles-based standards also provides an opportunity for earnings management to decrease the quality of accounting information. Secondly, features of existing financial reporting systems compared to new standards can eliminate the improvement of the quality of accounting information due to the application of new accounting standards. This can happen if the implementation of accounting standards is less stringent. Changes in the financial reporting system due to the adoption of new standards require regulatory enforcement. [1] Indicate that IAS / IFRS is able to provide higher accounting quality. However, this does not necessarily apply in the Indonesian context.

[3] Provide empirical evidence that accounting standards (including IFRS) alone are not sufficient to improve the quality of accounting information. Moreover, [2] and [3], argue that the institutional environment of the preparers of financial statements, not the standards, determines the quality of accounting information. This is an important issue because the IFRS is oriented to common law tradition [1,3]. IFRS is structured on a conceptual framework similar to the conceptual framework of common law legal system [1]. Therefore, the benefit of IFRS for countries with code-law traditions remains an important research question.

In international business literatures, Indonesia is classified into code law countries [11]. [11] And [14] argue that code law countries generally have a low level of investor protection and weak legal systems. Weak investor protection leads to concentrated ownership. [15] also documented the large ownership percentage by majority shareholder in Indonesia. In addition, [12] indicate that weak investor protection in Indonesia has resulted in high earnings management practices of public companies in Indonesia.

Banking in code law countries typically a more dominant role rather than capital markets to provide financing needs [11]. These various institutional environmental characteristics cause the need for public disclosure is less important in code law countries than in common law [3]. This can hamper IFRS adoption goals to improve the quality of accounting information. [3]

Suggest that the inappropriate adoption of IFRS in the institutional environment causes no significant increase in the quality of accounting information after adoption. [16] and Alali and [4] consistently argue that the influence of IFRS adoption on the quality of accounting information depends on country-specific factors.

2.2 Accruals Quality Before and After IFRS Adoption

Research on earnings management generally uses discretionary accruals to detect abnormal accruals. High discretionary accruals reflect high management interventions in the process of earnings determination so that the quality of information contained in accounting earnings is low. Accounting information quality can be achieved if management does not make intensive interventions in the financial reporting process. One way to detect earnings management is by assessing the accruals level of accounting earnings.

The impact of IFRS on earnings management is still debatable. IFRS is hypothesized to limit earnings management actions rather than rule-based standards [1]. After the Enron case, critics point out whether rule-based standards such as US GAAP can create opportunities for earnings management. Rule-based standards provide an opportunity for companies to manipulate transactions to meet certain accounting method requirements, even if they do not reflect real economic substance [7]. The rule-based approach generally encourages creative accounting instruments that can lead to earnings management. Based on the argument above, the adoption of IFRS can reduce earnings management.

Conversely, other arguments suggest that IFRS adoption can actually increase earnings management. Flexibility and poorly detailed principles-based standards can provide greater opportunities for firms to make earnings management [1]. Therefore, the role of IFRS adoption to limit earnings management is still a debate. [1] Showed the level of earnings management decline after the adoption of IFRS. Nevertheless, these findings may not be generalized to Indonesian context since Indonesia is a law code country with a higher level of earnings management than common law countries [12]. In the Indonesian context, IFRS adoption cannot directly reduce the level of earnings management due to institutional factors that might not be suitable for IFRS adoption.

Earnings management has several forms including income smoothing, taking bath, and window dressing. This research will analyze income smoothing as a form of earnings management. A small earnings variance indicates firm's tendency to make income smoothing and vice versa [1]. The trend of income smoothing indicates that the prevailing standards cannot improve accounting quality. In contrast, large earnings variance does not indicate income smoothing so that new standards can achieve higher accounting quality. Income smoothing is detected by the variance level of accruals. This study hypothesized that the application of IFRS-based standards leads to significant changes in the variance level accruals. There are two conflicting predictions i.e. IFRS adoption can increase the level of accrual quality or conversely, it can actually decrease the level of accruals quality. Therefore, this research proposes a bidirectional hypothesis as follows:

H1: There is a difference of accruals quality before and after IFRS adoption.

2.3 Earnings Persistence Before and After IFRS Adoption

IFRS contains generally defined principles or rules. It is less detail than FASB accounting standards. Prior to 2012, accounting standards in Indonesia were still guided by FASB accounting standards. The IFRS adoption in local standards leads to the adoption of principle-based standards, which gives more flexibility for management in reporting accounting performance. [7] argue that rule-based US GAAP provides a more detailed, more neutral rule

rather than principle-based standards. US GAAP rule-based standards tighten the opportunity for earnings management so that the financial statements actually and consistently report the actual corporate economic activity. Conversely, others argue that the flexibility offered within IFRS allows management to signal the actual economic performance of the company. This study will confirm these two different opinions by testing the predictive power of accounting information in the period before and after IFRS adoption.

The use of fair value on IFRS-based accounting standards is believed to achieve better value relevance and predictive power. However, [7] showed that in Germany, US GAAP firms have greater earnings predictability than IFRS firms. This study predicts that the predictability of accounting information will change as a result of the adoption of new standards in Indonesia which is a code law country.

Agency theory is a theory explain the relation of principal and agent, where, agent as the firm's manager and principal (shareholder) as the firm owner. The agency relationship arises when one or more principals hire agents to perform a service and delegate decision-making authority to the agent [17]. This can cause problems because everyone has different interests. The agent is more concerned with the firm needs of sustainability. However, the principal emphasizes his interest on the return from the investment on firm shares. This causes agents to report financial statements that reflect earnings to predict future earnings.

Different standards will need different implementation. IFRS emphasized in fair value approach is better to describe the position and economic performance of the firm. Furthermore, the use of earnings in decision making should be able to provide a prediction of the future value of earnings. Earnings ability for future predictions indicates earnings persistence. IFRS can create a distinction of earnings persistence since it has different characteristics compared to the domestic standards. It can be concluded that earnings persistence is different when using different financial statements standards that is IFRS adoption.

Van der Meulen et al. [7] showed an increase in earnings persistence after IFRS adoption. This is in line with [18] which also explain an increase in earnings persistence after adopting IFRS. This indicates higher earnings quality after IFRS adoption.

The IFRS adoption in Indonesia is divided into three periods comprise of adoption phase (2008 -2010), final preparation phase (2011), and implementation phase (2012). Similar to the first hypothesis, since it is possible that IFRS adoption may increase or decrease the earnings persistence, this study proposes a two-way hypothesis as follows:

H2: There is a difference of earnings persistence before and after IFRS adoption

3. METHODOLOGY

3.1 Sample Selection

The population is all manufacturing firms registered on the Jakarta Stock Exchange (BEJ) / Indonesia Stock Exchange (IDX) in 2006-2014. These firms are selected because they are entities with significant accountability that required to use PSAK-IFRS in the preparation of financial statements. Samples from the same industry were selected to minimize research bias due to industry differences. A relatively long observation period is used to ensure the internal validity.

Purposive sampling technique is used to select the sample. Sample firms must have consistent financial report data during 2009-2014 and conducted an initial public offering (IPO) prior to 2006. Firms with incomplete data were excluded from sample. The final sample consists of 75 firms during 2006 – 2014 representing 675 firm-years observations.

3.2 Variables Definition and Measurement

The accruals quality is the use of prior, current, and future operating cash flows to estimate the change of working capital accruals. Furthermore, the accuracy of working capital accruals realized into operating cash flows indicates earnings quality. The accrual quality model is based on the accrual accounting assumption. Revenues and expenses are accrual components that are recognized based on certain criteria. The accruals component has greater uncertainty than the cash flow component, since accruals are results from valuation, estimation, and allocation by management while the cash flow component is realized revenue. This means the accruals quality can be viewed from the accruals component of earnings.

Accruals quality is measured by using the absolute value of accruals estimation errors. The following equation is used to calculate earnings quality.

$$TCA_{j,t} = \alpha + \beta_1 CFO_{j,t-1} + \beta_2 CFO_{j,t} + \beta_3 CFO_{j,t+1} + \beta_4 \Delta Rev_{j,t} + \beta_5 PPE_{j,t} + e \quad (1)$$

All variables are scaled by lag total assets. The model is based on [19] which is the modification of [20] model.

Where:

- $TCA_{j,t}$: Total current accruals of firm i year t
- TCA : Current assets – current liabilities – cash + short term debt
- $CFO_{j,t-1}$: Cash flow from operations of firm i year t-1
- $CFO_{j,t}$: Cash flow from operations of firm i year t
- $CFO_{j,t+1}$: Cash flow from operations of firm i year t+1
- $\Delta REV_{j,t}$: Change on revenues of firm i year t
- $PPE_{j,t}$: Gross property, plant, and equipment of firm i year t
- E : Accruals estimation errors

Accrual quality is residual of equation (1). The high residuals value indicates low accrual quality. In other words, large accrual estimation errors indicate low accrual quality.

Earnings persistence is the current earnings that can be used as an indicator of future earnings. [21] Suggests that high earnings persistence can be used to measure future performance and provide a small valuation errors. Earnings persistence refers to the persistence of earnings according to the concept of the income statement, especially profit or loss from company's normal activities. This study follows [21] to measure earnings persistence.

$$Earnings_{t+1} = \alpha + \beta Earnings_t + e \quad (2)$$

Where:

- $Earnings_{t+1}$: Net income year t+1
- $Earnings_t$: Net income year t
- β : Earnings persistence
- e : Error terms

The earnings persistence is the estimated value of β from each firm during the period prior to IFRS adoption and after IFRS adoption. If $\beta > 0$, it indicates the higher earnings persistence. However, if $\beta < 0$, then earnings is not persistent.

The data will be examined using paired sample T-test if it fulfills the normality assumption, otherwise, it will be examined using Wilcoxon-signed ranked test. This test is used to examine whether there is a mean difference accrual quality and profit persistence before and after IFRS adoption.

4. RESULTS AND DISCUSSIONS

4.1. Accruals Quality

Table 1 presents descriptive statistics of accrual quality after IFRS adoption (2012-2014) and prior to IFRS adoption (2006-2007). The average of accrual estimation residual in the period after IFRS adoption (0.054) is lower than the average of accrual estimation residual in the period before IFRS adoption (0.1780).

	Minimum	Maximum	Mean	Std. Deviation
After (2012-2014)	0.003	0.252	0.055	0.043
Before (2006-2007)	0.003	0.555	0.178	0.121

Prior to hypothesis testing, this research examines whether data fulfill normality assumption. Table 2 presents the normality test. The results of Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) tests for 2 (two) observation periods show that the null hypothesis is rejected because the significance level is less than 0.05. It can be concluded that the data is not normally distributed so that the first hypothesis (H1) must be tested by using a nonparametric test.

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
After (2012-2014)	0.142	75	0.001	0.855	75	0.000***
Before (2006-2007)	0.111	75	0.022	0.946	75	0.003***

Note: *** significant at the level of 0.01

Wilcoxon Signed Ranks Test is used to test hypothesis 1. Hypothesis 1 compares the accrual quality for the period prior to IFRS adoption (observation period of 2006-2007) and after IFRS adoption (observation period 2012-2014). Table 3 shows that 13 firms report higher accrual quality in the period after IFRS adoption than accrual quality in the period prior to IFRS adoption. In contrast, 62 firms report lower accruals quality in periods after IFRS adoption than accruals quality in periods prior to IFRS adoption. Overall, Wilcoxon test show p-value = 0,000. These results indicate significant differences in accrual quality before IFRS adoption and after IFRS adoption. Specifically, residual / error of accrual estimation is significantly higher in the period before IFRS adoption than in the period after IFRS adoption. In other words, accrual quality is significantly higher in the period after IFRS adoption than the period before the IFRS adoption. This shows better accrual quality after IFRS adoption than before IFRS adoption. This empirical evidence also shows the positive impact of IFRS adoption on earnings quality.

	N	Mean Rank	Sum of Ranks
Before - After	Negative Ranks	13 ^a	15.460
	Positive Ranks	62 ^b	42.730
	Ties	0 ^c	-
	Total	75	-
Z	-6.463 ^b		
Asymp. Sig. (2-tailed)	0.000**		

Note: a. Before < After; b. Before > After; c. Before = After; *** significant at the level of 0.01

4.2. Earnings Persistence

This section describes the examination of the impact of IFRS adoption on earnings persistence. Table 4 presents descriptive statistics of earnings persistence.

	Minimum	Maximum	Mean	Std. Deviation
Before	-8.549	9.928	0.076	2.792
After	-9.352	6.518	-0.254	2.697

A test of normality assumption is conducted prior to testing hypothesis 2. It is necessary to determine the appropriate analysis for hypothesis testing whether parametric or nonparametric analysis techniques. The assumption of normality data is presented in Table 5. Normality test is done by Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) test. The results of KS and SW tests show the null hypothesis (that the data is normally distributed) is rejected because of the significance level is less than 0.05. It can be concluded that the data is not normally distributed so that testing hypothesis 2 must be done by a nonparametric test.

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Before	0.142	75	0.001	0.897	75	0.000***
After	0.155	75	0.000	0.925	75	0.000***

Note: *** significant at the level of 0.01

		N	Mean Rank	Sum of Ranks
After- Before	Negative Ranks	37 ^a	39.050	1445.000
	Positive Ranks	38 ^b	36.970	1405.000
	Ties	0 ^c		
	Total	75		
Z		:	-0.106 ^b	
Asymp. Sig. (2-tailed)		:	0.916	

Note: a. After < before; b. After > before; c. After = before

Wilcoxon Signed Ranks Test are also used to test hypothesis 2. Hypothesis 2 compares the earnings persistence in periods before IFRS adoption (2006-2007) and after IFRS adoption (2012-2014). The results are shown in Table 6. It indicates that the earnings persistence of 38 firms in periods after IFRS adoption is higher than the earnings persistence in the period before IFRS adoption. In contrast, earnings persistence of 37 firms in periods after IFRS adoption is lower than the earnings persistence period before IFRS adoption. Overall, Wilcoxon test results in p-value = 0.916. These results show no significant difference in earnings persistence prior to IFRS adoption and after IFRS adoption.

1 In summary, this study does not find empirical evidence to support the second hypothesis. There is no difference of earnings persistence in the period before and after the IFRS adoption. It can be concluded that there is no empirical evidence of the impact of IFRS adoption on the earnings persistence.

4.3 Discussions

This study provides evidence that there are differences in accruals quality before and after IFRS adoption, but there are no differences in earnings persistence before and after IFRS adoption in Indonesian manufacturing firms. The residual of accruals model is lower after IFRS adoption than before IFRS adoption. This declining residual value indicates the increasing accrual quality. Furthermore, earnings persistence is decreasing after IFRS adoption. The mean value of earnings persistence in the period before IFRS adoption is 0.0762 and -0.2535 in the period after IFRS adoption. However, this means the difference is not significant. This result indicates that earnings after IFRS adoption emphasize an efficient motive rather than an opportunistic manager's motive, but it can not be used to predict future earnings.

The first hypothesis predicts the differences in accrual quality in the period before and after IFRS adoption. The Wilcoxon rank test supports this prediction ($p = 0.000$). This confirms H1 that there are differences in accrual quality between these two periods. This result is supported by descriptive statistics showing the decrease of the residual of accrual quality from 0,1781 in the period before IFRS adoption into 0,0545 in the period after IFRS adoption. The mean residual of accruals quality decreased significantly, and therefore the accrual quality in the period after IFRS adoption is increasing. Our data also supported this finding. The smallest residual value is Indofarma (Persero) Tbk (0.0031) and hence its accrual quality is high. The accrual quality that increases after IFRS adoption implies that earnings quality after IFRS adoption reflects the actual performance of the company. The lower level of residual accruals that are not related to the main process of profit-generating activity indicates the higher accrual quality. In addition, accrual quality is also related to the role of accruals in cash flow recognition mechanism over time, so that high accrual quality reflects actual earnings.

The increasing accrual quality after IFRS is consistent with the basic characteristics of IFRS adoption i.e. fair value. One of the benefits of fair value is improving the comparability of financial statements the information is closer to what the users want. Therefore, IFRS adoption is expected to enforce earnings to reflect the real economic condition.

Our results are consistent with Putri and Venusita [22] who compared accruals quality before and after the IFRS full adoption in Indonesia. Their study showed the difference in accrual quality after IFRS full adoption. However, this study is inconsistent with [7] who concluded there was no significant increase in the accrual quality between IFRS standards and US GAAP standards.

The second hypothesis which predicts the difference of earnings persistence in the period before and after IFRS adoption is rejected. Therefore, it can be concluded that there is no difference of earnings persistence before and after the IFRS adoption. Table 4 shows the decrease of the average earnings persistence from 0.0762 to -0.2535 during these two periods (before and after IFRS adoption). Our data reveal that Suparma Tbk has the smallest regression coefficient after IFRS adoption (-9.351).

The absence of differences of earnings persistence after IFRS adoption implies that earnings quality is less likely to provide information about future earnings since the current profits cannot predict future earnings. This finding can be due to differences in standards characteristics. The major characteristics of IFRS (i.e. principle-based), allows accountants to use his authority to determine an accounting process itself, so that professional judgment is required. In addition, principled-based standards that do not emphasize strict rules and use more judgments leads to the subjectivity of accounting treatment, and therefore results no difference in earnings persistence after IFRS adoption. However, this result is consistent with [23] and [24] who documents that there is no increase in earnings persistence after the adoption of IFRS. Our failure to support the second hypothesis might come from the limited observation period

after IFRS adoption (i.e. only 3 years due to the data availability). The impact of IFRS adoption might be realized in long-term observation since the firm must make adaptation in the implementation of new financial accounting standards that affect its earnings.

5. CONCLUSIONS

This study aims to examine the impact of IFRS adoption on earnings quality in Indonesia. This study examines the changes in earnings quality especially the level of accrual quality and earnings persistence before and after IFRS adoption. Our first hypothesis is supported. It indicates the difference in accrual quality before and after IFRS adoption. In addition, empirical evidence indicates the increase of accrual quality after IFRS adoption. It means that firms have better future performance prediction through future cash flow after IFRS adoption.

However, this research does not find any differences of earnings persistence before and after IFRS adoption. This indicates that the new adopted standards may reflect the actual earnings, but it cannot predict future earnings. The efficient motive in improving accounting standards does not necessarily guarantee management to report high-quality earnings for decision making. It is also possible that the limited observation periods following IFRS adoption (due to data availability) makes our examination cannot support the second hypothesis.

This research has some limitations. Given the complexity of earnings quality dimension, the measurement of earnings quality might use various proxies or attributes. However, this study only focuses on accrual quality and earnings persistence. This study has not examined another attribute of earnings quality, such as earnings predictability, value relevance, and earnings management. In order to improve internal validity and to minimize confounding effect of industry differences, this study uses only firms in the manufacturing industry. However, this choice limits the external validity that the results of this study might not be generalized to other industries. This study could only access the data during 3 (years after IFRS adoption. This relatively limited period is likely to influence the results of our examination.

Future research may develop another model for testing earnings quality proxies such as profit predictability, value relevance, and earnings management. Future research should use another industry type to support sufficient sensitivity analysis and to minimize confounding effect of industry differences. The observation periods should be expanded to cover a longer period. So that it enables us to capture the clearer impact of IFRS adoption.

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