Value relevance of earnings and book values during IFRS convergence period in India

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Abstract

Purpose – The authors aim to examine the association between earnings and book values with stock prices in India during the IFRS convergence period because, in India, the literature is yet to investigate more about IFRS convergence and its impact on the financial reporting environment. Hence, the purpose of this study is to assess the influence of IFRS conversion on the value relevance of accounting information throughout the IFRS conversion period.

Design/methodology/approach – The current paper endeavors to investigate the earnings and book values affiliation with stock prices in India during the IFRS convergence period by employing a price valuation model (Ohlson's Model). The study assembled a total of 3,440 firm-year observations from the National Stock Exchange in India over five years, which signifies the IFRS conversion period (2015–2019).

Findings – The research findings displayed that accounting information such as earnings, book value has value relevance throughout the IFRS enforcement period; however, the value relevance has been increasing for earnings and showing a descending association for book value. The significant explanatory power of earnings reveals that market participants give more weightage to earnings than book values. Overall, the findings of the study will facilitate improved decision making for both, capital market participants and regulators, by highlighting the key areas for improvement in the Indian capital market.

Research limitations/implications – This study also extends a discussion on the subject in those economies where regulations are weak and the market is imperfect with asymmetrical information.

Practical implications – The research outcome provides for empirical shreds of evidence regarding the value relevance of accounting information during IFRS enforcement in India, where IFRS is a recent emergence.

Social implications – This paper examines the value relevance of accounting information during IFRS convergence period in India which will felicitate improved decision making for both, market regulators and investors.

Originality/value – This research is the first factual documentation regarding value relevance of earnings and book value during the IFRS enforcement process in India with the most recent data and contributes to the limited study conducted in developing nations like India.

Keywords India, Earnings, Value relevance, Book value, IFRS enforcement, Price model

Paper type Research paper

1. Introduction

Although there is substantial prior literature on the influence of International Financial Reporting Standards (IFRS) on income statement and balance sheet (Lueg *et al.*, 2014; Marzuki and Wahab, 2016; Tsalavoutas and Evans, 2010), the literature is yet to investigate more about IFRS convergence and its impact on financial reporting environment in India. It is perceived that IFRS enforcement will strengthen the Indian capital market and an efficient market will facilitate both enhanced global and local funds flow which has been a matter of concern (Beaver, 1968) and (Ball and Brown, 1968).

The past literature defines value relevance as the explanatory power of accounting information to narrate the stock prices or stock return or both (Collins *et al.*, 1997) and this is measured through a statistical linkage between accounting information and stock prices (Francis and Schipper, 1999). According to (Ohlson, 1995), the capitalization of an organization is revealed as a direct function of book values, earnings and other relevant control variables. Previous investigations on the subject reported conflicting findings and augmented that accounting information under IAS/IFRS is more value relevant (Paglietti, 2009; Barth *et al.*, 2008; Alali and Foote, 2012; Liu *et al.*, 2011; Widodo Lo, 2012; and Wan Ismail *et al.*, 2013), while other extracted no improvement in value relevance after IFRS adoption (Dobija and Klimczak, 2010; Aubert and Grudnitski, 2011 and Tsalavoutas *et al.*, 2011). (Suwardi, 2020) implied in their finding in Indonesia that IFRS does not produce any substantial evidence associated with accounting relevance in emerging market countries, hence the significance of IFRS enforcement should be reconsidered. The study by Gabriel Kyeremeh et al. (2020), in Ghana revealed that IFRS enforcement sustainably influences the accounting quality and research outcome suggested that the investors exhibit more confidence and faith with enhanced quality of accounting information in financial reporting post-IFRS enforcement. Similarly, (Mirza at all, 2019), suggested an increasing significance of operating cash flow in the Malaysian Capital Market. However, their findings displayed a contrary association between earnings and financial reporting due to the biased perception in the reported earnings and book value of equity in the Malaysian Capital Market. The available scholarly work, precisely confined to developed economies, furnished substantial evidence that accounting communication is reflected in stock markets diversely across countries due to different institutional context and environmental characteristics; however, the same has been largely overlooked in developing and emerging economies. Moreover in India, the IFRS enforcement is yet recent development and its impact on accounting variables and capital market is yet to be explored which encouraged the authors for investigating India. Few researchers examined the value relevance of accounting information in Indian context as testified through examination of past literature, but no one used and explored:

- Price model (Ohlson Model) in association with IFRS enforcement period.
- Decomposed total explanatory power into components during IFRS convergence period.

The authors, felt intrigued to permeate the research disparity, and investigated the value relevance of accounting information in India by employing Ohlson's price model. The study seeks to address the above mentioned vacuum by examining the ability of earnings and book values to influence script prices of NSE-listed firms during IFRS enforcement period. The statistical association between stock prices and earning and book values were examined by employing Ohlson's model (1995) for the superiority of this model which focuses on estimating the relevance of accounting information in the determination of market value (Courteau, 2008). In addition, the study also compared the explanatory power of both earning, book values, and explanatory power common to both earnings and book values influencing the stock prices during IFRS conversion period by employing a similar technique (Theil, 1971). The research findings of the paper reported that in pooled, cross-sectional, and yearly regressions, the earnings and book values per share were individually and jointly significant for expounding the stock prices of Indian Stock Market in 2015–2019; this denotes that Indian market participants reckon heavily on market information in making decisions precisely on earnings which explained a significant value relevance during IFRS compliance period but for BVPS, the affinity noticed a decline. Thus, we infer, from the findings that changes in value relevance favors earnings which has increased. This

paper is structured in following manner. Section 2 gives brief of accounting system and IFRS convergence in India. Section 3 discloses the subject associated with literature and hypothesis framing. Section 4 delineates research methods. The research outcomes are reflected in Section 5 and Section 6 provides the conclusion with implications of the study.

2- Accounting systems and IFRS convergences in India

In India, according to the book "Arthashastra" written by Vishnugupta Chanakya Kautilya, the aim of accounting is to interpret and predict economic activities (Kautilya, 2020, fourth century). He developed bookkeeping rules, format and procedure for preparing the income statement and budgets by employing arithmetic procedures including permutations and combination (Sihag, 2004). Companies Act 1956 was later was introduced to prescribe the format and disclosure requirement in the preparation of reports. In 1977, as per the ICAI mandate, ICAI formulated the Accounting Standard Board (ASB) which was held responsible for developing accounting standards. The prescribed standards and accounting principles in India are known as IGAAP (AS). In the year 2007, finally, India expressed its ambition for IFRS adoption through a concept paper which is globally recognized as high-quality standards responsible for setting the norms for preparation of financial reports (Deloitte, 2009).

The Ministry of Corporate Affairs (MCA) in India originally announced for IFRS enforcement in the year starting on or after April 1, 2011, but the compliance process was postponed because of certain roadblocks like lack of infrastructure, high enforcement cost, untrained human resources, overriding of existing law, and unsettled legal and taxation issues etc. The Ministry of Corporate Affairs vide its notification G.S.R 111(E) dated 16 February 2015 announced again a fresh roadmap for IFRS enforcements, with voluntary adoption in the fiscal year 2015–2016 and mandatory enforcement by fiscal year 2018–2019. The mandatory enforcement of IFRS converged accounting standards was initiated from Fiscal Year 2016–2017 in a phased manner subject to listing status and net worth of the companies.

3. Related literature and research hypothesis

The first investigation which became more prominent and applied the term "value relevance" to explain this association is indicated in the study conducted by (Amir et al., 1993). The research in realms of value relevance triggered obtaining popularity in 1960 (Beaver, 1968, Ball and brown, 1968) and after that the price valuation model became popular in the market-based investigations and have been effectively examined in various studies (Bhatia, 2018; Bilgic and Ibis, 2013; Dahmash and Qabajeh, 2012; Francis and Schipper, 1999; Khanna, 2014; Mishary and Alanezi, 2011). An accounting information is perceived to be value relevant if it signals a significant forecasted affinity with the script prices (Amir et al., 1993) and this association between stock prices and the financial reports has been examined by several researchers (Lim and Park, 2011). In Asia, particularly in India, (Khanna, 2014) investigated the value relevance of accounting information by employing Ohlson (1995) price model and the findings suggested that earnings and book values significantly persuade the stock prices in Indian capital market. Majority of researchers examined the impact of IFRS enforcement on value relevance of accounting information all over the world (Clarkson et al., 2011; Ahmed and Goodwin, 2006; Goodwin et al., 2008) and concluded that implementing IFRS is expected to bring revolutionary modification in the accounting system and capital market. Various studies from European countries (Jermakowicz et al., 2007) and (Hung and Subramanyam, 2007) found that after enforcing new accounting standards (IFRS), value relevance of earnings and book value per share increased. These outcomes are similar with the results of (Suadiye, 2012; Pascan, 2014; Agostino et al., 2011; Jermakowicz, 2004) but different from the outcomes of (Hung and

Subramanyam, 2007). (Inder and Myung-Sun, 2003) in his investigation concluded that the accounting information is value relevant if it facilitates the decision-making process by capital providers and it should produce a valid perspective of the financial statements. In addition, previous investigations (Daske *et al.*, 2008; Burgstahler *et al.*, 2006; Bushman and Piotroski, 2006; Ball *et al.*, 2000, 2003; Leuz *et al.*, 2003) have provided evidence that uniform financial reporting practice applying a prescribed set of standards demonstrate sensitiveness for managers responsible for financial statements preparation. (Barth *et al.*, 2008) in his investigation derived the conclusion that firms that are applying IAS exhibited more value relevance of accounting information than those sample firms applying non-US domestic standards but there has been an inconsistency in research outcome in country-specific studies. (Paglietti, 2009) conducted comparative research on the value relevance in Italy pre and post-IFRS mandatory enforcement and indicated that value relevance increases after IFRS mandatory enforcements (Vijitha and Nimalathasan, 2014) suggested in their finding that accounting information substantially affects the script prices of manufacturing sector. Similar research conducted by (Kwon, 2018) to assess the value relevance regarding IFRS mandatory enforcement in Korea and witnessed a substantial change in the earnings and book value's relevance. Similarly, many other researchers in China reported a significant increase in value relevance during post-IFRS enforcement (Sami and Zhou, 2004; Bingbin *et al.*, 2015) and consistent findings were suggested by (Azeem and Kouser, 2011) in Pakistan and (Kristanto, 2015) in Indonesia. However, on the contrary, few researchers suggested in their finding that IFRS enforcement has not impacted the value relevance of accounting information. (Vishnani and Shah, 2008) augmented in their findings that financial statements have negligible value relevance especially regarding cash flows reporting. Similarly, in an investigation conducted in South Africa where (Negash (2008) mentioned that value relevance of accounting information is irrelevant and did not reflect any significant affiliation post-liberalization in South Africa. (Maigoshi *et al.*, 2017) derived the value relevance of book value per shares to be significantly reduced for Malaysian indexed firms coupled with related party transactions after IFRS adoption. However, the value relevance of earnings witnessed an increase after the IFRS enforcement for listed Malaysian firms. According to (Karampinis and Hevas, 2009; Kousenidis et al., 2010) value relevance of earning and book values declined during post-IFRS enforcement in Greece which is similar to the research outcome of (Bilgic and Ibis, 2013; Karin, 2013) in Greece. (Khanagha et al., 2011) explored the impact of IFRS implementation on the value relevance of accounting information in the United Arab Emirates (UAE) and Iran, respectively and their findings reported that IFRS enforcement in UAE and Iran decreased the quality of accounting information. Surprisingly, there has been limited research conducted in Africa as compared to Europe, USA and other developed economy even though many countries adopted IFRS since 2005 (Adebimpe and Ekwere, 2015; Ogbenga, 2016; Yusuf and Nor, 2015). In conclusion, there has been ongoing deliberations on the subject of value relevance in accounting literature and the influence of IFRS adoption (Holthausen and Watts, 2001; Tsalavoutas *et al.*, 2012; Lang *et al.*, 2003; Francis *et al.*, 2004; Basu, 1997 Graham *et al.*, 2003; 2012; Kim and Yoon, 2012; Suadiye, 2012; Khurana and Kim, 2003).

Investigation on value relevance post-IFRS enforcement has attracted many researchers in China (Bingbin *et al.*, 2015; Haw *et al.*, 1999; Lin and Chen, 2005; Liu et al., 2011; Sami and Zhou, 2004) and in India (Srinivasan and Narasimhan, 2010; Vishnani and Shah, 2008; Varun, 2012, 2014; Sharma, 2014; Khanna, 2014; Mulenga and Bhatia, 2018) who assessed the informational relevance of accounting information.

(Varun, 2012) concluded in their research that abnormal earning and book values are significant for influencing market price of share while earnings are less relevant by

conducting research on Indian firms over period of 2006–2011. (Vishnani and Shah, 2008) revealed in their research that there is a substantial association between financial ratios and capital market consistent with (Sharma *et al.*, 2012). According to (Himanshu *et al.*, 2020) value relevance plays an important role regarding fair value accounting under IFRS

The overall empirical study documented in the current paper reports mixed findings and explains that accounting information are value relevant precisely in term of earning and book values, which are the dominating variables in the existing literature. This intrigued the authors toward these two variables (EPS and BVPS) as they represent a proxy for financial information (Oyerinde, 2009; Alfaraih and Alanezi, 2011). The previous literature testified an increasing trend in examining such alterations in developed economies, marginal regard has been granted to emerging nations where the IFRS enforcement is yet a questionable issue, India is one of them. The paper focuses to fill the vacuum by investigating two questions closely 1) Do earnings and book values influence the stock prices of NSE-listed firms throughout IFRS enforcement period? 2) Do the incremental explanatory power of earnings and book values and explanatory power common to both earnings and book values influence the stock prices throughout IFRS enforcement period and the following has been hypothesized based on the past literature:

H1. The value relevance of EPS of NSE-Indexed firms enhanced throughout IFRS enforcement period.

H2. The value relevance of BVPS of NSE-Indexed firms enhanced throughout IFRS enforcement period.

4. Research methods (data and model)

4.1 Data

The sample collected, for this purpose comprised numerous Indian firms indexed on National Stock Exchange, India (NSE) over the period 2015–2019 representing IFRS enforcement period (non-compliance to full compliance) and the accounting variables, script prices were gathered from the annual reports and NSE India website. NES, India is the largest exchange in India with market capitalization more than US$2.27tn. The sample incorporated the population of listed firm on NSE India by excluding all the firm with inactive trading record, incomplete financial reports, negative script prices, book values and earnings coupled with others where financial statements are not closed on stipulated dates. In addition, Banks, NBFCs, insurance firms and other financial institutions were eliminated since they will comply with IFRS after the fiscal year 2019. Market price, earnings and book value were employed to minimize the disturbance and scaling effect as suggested by (Barth *et al.*, 1992) along with that all other outliers were also removed and logarithmic transformation was applied to remove the influence of heterosidasticity and obtain a best-fitting model by reaching the normality of data for each variable (Glezakos *et al.*, 2012; Kimouche and Rouabhi, 2016). The final data set, hence, comprised of 688 firms with 3440 firm-year observations which can be summarized in Table 1.

4.2 Model

The Ohlson model (1995) has been the most widely model in market-based accounting research and was preferred by various researchers (Dechow et al., 1999; Frankel and Lee 1998; Penman and Sougiannis 1998) and employed by many for market-based research (Varun, 2014; Khanna, 2014; Collins *et al.*, 1997; El Shamy and Kayed, 2005). Earnings and book values are considered as proxies because they are assumed to be significant signals of two critical aspects of financial statements; balance sheet and income statements. Earnings reflect future efficiency while book value exhibits past efficiencies and capital inputs. The

authors employed this model to examine the same association between accounting variable and stock prices regarding IFRS enforcement. Following is the model expression:

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + e_{it} \tag{1}$$

Further, to examine the explanatory power of both earnings and book values individually, (Collines, 1991), following two more equations are used:

$$P_{it} = x_{00it} + x_{01} EPS_{it} + e_{it}, \tag{2}$$

$$P_{it} = \delta_{00it} + \delta_{01} BVPS_{it} + e_{it} \tag{3}$$

Here, P_{it} reflects the price of the stock per share for firm i at time t, fiscal year end at time t (31st March for India); EPS_{it} reflects earnings per share of firm i at time t; $BVPS_{it}$ indicates book value per share of firm i at time t; t = 2015,..., 2019 for India (IFRS conversion period); e_{it} the error term. The Adj R^2 from the model 1–3 is employed as primary metrics to investigate the value relevance and defined as Adj R^2_{Joint}, Adj R^2_{EPS}, and Adj R^2_{BVPS}. The earnings and the coefficients of book values will be considered significant if the given variables are value relevant for capital market participants.

5. Results and discussion

5.1 Descriptive statistics

The descriptive statistics for pooled firm year observations are presented in the Table 2, which also exhibits the Pearson bivariate correlation coefficients under panel

Year	No. of firms	Cumulative (%)
2015	688	20.0
2016	688	40.0
2017	688	60.0
2018	688	80.0
2019	688	100.0
Total	3440	100.0

Table 1. Number of companies selected from the NSE during 2015–2019

Variables	n	Mean	SD	Min	Max
Panel A: Descriptive Statistics					
Share Price (Pit)	3440	5.50	1.30	0	10
Earnings (EPSIt)	3440	2.49	1.42	-5	7
Book Value (BVPSit)	3440	4.49	1.25	0.0	7

Panel B: Correlations among variables			
Variables	Share Price	Earnings	Book value
Share Price (Pit)	1	0.789***	0.490***
Earnings (EPSIt)	0.789***	1	0.528***
Book Value (BVPSit)	0.490***	0.528***	1

Table 2. Descriptive statistics and correlation for firm- year observation (2015–2019)

Note: ***Correlation is significant at the < 0.01 level (2-tailed)

B. The table reflects that the mean stock prices per share for 2015–2019 are Indian
Rupees (INR) 5.50 ranging from INR 0 to INR 10. The table reflects the mean earnings
per share and mean book value per share as well which were INR 2.49(earnings); 4.49
(book values per share) ranging from -5 and 7 and 0.0 to 7 for earnings and book values
per share respectively. The table also demonstrates the standard deviation values after
natural log transformations which are below 3 and provide for the nonappearance of
the outliers (Pallant, 2007). Panel B of Table 2 exhibits the Pearson bivariate correlation
coefficients produces substantial evidence that stock price (P_{it}) is significantly
($p < 0.01$) and positively affiliated to earnings (EPS_{it}) and the book value per share
($BVPS_{it}$). Variance inflation factors was employed to examine presence of independent
variables' multi-collinearity and the results of VIF derived indicated the nonappearance
of multi-collinearity in the model since the VIF values were <5 as recommended by
(Hair et al., 2011).

5.2 Regression results for the total sample
Table 3 represents the slope co-efficient of pooled and yearly cross sectional regression
using the data set for 2015–2019 (IFRS enforcement period) under model 1–3. The first
model reflects the adjusted R^2 jointly for earnings and book values with the beta co-efficient
of the price regressions on earnings and book value which reveals that this model was
statistically significant (F test = 285.28, $p < 0.01$) and exhibited an ascending trend during
IFRS enforcement period (noncompliance to complete enforcement). The pooled R^2 0.624 for
model 1 indicates that EPS and BVPS jointly explain about 62.4% of the variation in stock
prices.

The adjusted R^2 of the yearly cross sectional regressions of stock price on EPS and BVPS
ranged between 57.7% in 2015 to 67.3% in 2019. The yearly OLS regression argues that
Model 1 executes correctly across five years by displaying the positive and highly
significant coefficient estimates for earnings but not for book values per share during IFRS
conversion period. The F statistics were strongly significant for Model 1. The beta co-efficient for earnings and book values for pooled data under Model 1 is 0.700 and 0.048
signifies that a unit increase in earning (BVPS) will entail 70% (4.8%) increase in market
script prices. The research findings are consistent with most of prior literature on the same
subject in developed and emerging economies (Alfraih, 2016; Devalle et al., 2010; King and
Langli, 1998; Givoly et al., 2013).

The second and third columns given in Table 3 is consistent with the outcome derived
under Model 1 which demonstrates that the pooled and yearly cross sectional regressions for

Column		1				2		3	
Model		$P = \beta + \beta_1 EPS + \beta_2 BVPS + e$				$P = x_0 + x_1 EPS + e$		$P = \delta_0 + \delta_1 BVPS + e$	
Year	n	$\beta_1 EPS$	$\beta_2 BVPS$	Adj.R^2	F-stat	$x_1 EPS$	Adj.R^2_{EPS}	$\delta_1 BVPS$	Adj.R^2_{BVPS}
2015	688	0.602***	0.177	0.577	46.86***	0.694***	0.562	0.005***	0.308
2016	688	0.641***	0.083	0.588	49.14***	0.683***	0.585	0.532***	0.255
2017	688	0.686***	0.036	0.640	61.07***	0.703***	0.639	0.413***	0.182
2018	688	0.702***	0.007	0.647	62.95***	0.709***	0.642	0.352***	0.133
2019	688	0.791***	-0.001	0.673	70.86***	0.791***	0.670	0.396***	0.140
Pooled	3440	0.700***	0.048*	0.624	285.28***	0.723	0.622	0.467***	0.202

Note: *, **, and ***Significant at 0.10, 0.05, 0.01 levels, (2- tailed)

Table 3.
Pooled data and
yearly cross sectional
correlational
regression of price on
earnings and book
value (2015–2019)

second and third Models also individually provide for positive and strong significant coefficient projections for earnings and book value per share. In column two and three, the Adj. R^2 for earnings and book value are positive and significant ($p < 0.01$), however Adj. R^2 for book value is displaying a decreasing trend when compared to earnings during IFRS enforcement period. Further, the explanatory power under model 2 with earnings as explanatory variable is higher (62.2%) that for model 3 where book value is an independent variable (adj.$R^2 = 20.2\%$)which argues that the accounting information shown in the income statement through earning is more significant and relevant than the information revealed statement of financial position through book values. Hence, the overall research outcome explains an improvement in accounting information from non-compliance to full compliance except for book value per share.

Table 4 disseminate information regarding alterations in the value relevance of earning per share and book value per share during IFRS conversion period and administers essence of the adjusted R^2 of the yearly cross sectional regressions of models 1–3. The total explanatory power is decomposed into three parts: the incremental explanatory power of earnings, book value and the explanatory power common to both earnings and book values per share, Consistent with Collins *et al.* (1997). The research outcome of the decomposition of adj. R^2 in Table 4 explains that earning add 42% which is higher as compared to 0.2% added by book value per share. The common explanatory power of earnings and book value per share is 20%. Figure 1

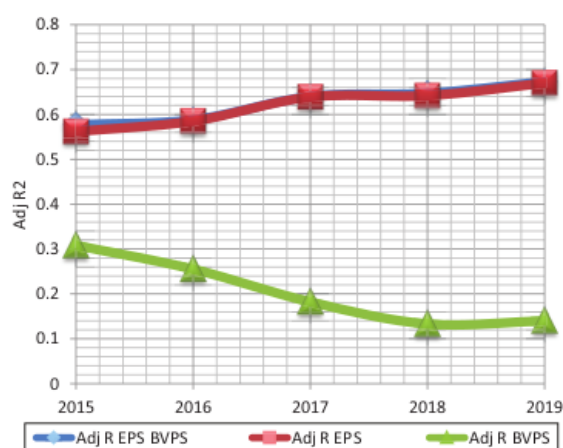|	Year	n	A: Adj R^2 EPS and BVPS (Jointly)	B: Adj R^2 EPS (Individually)	C Adj R^2 BVPS (Individually)	A- C, Incremental Earning	A-B, Incremental Book value	A-B-C Incremental Common
Table 4.	2015	688	0.577	0.562	0.308	0.269	0.015	0.293
Change in yearly	2016	688	0.588	0.585	0.255	0.333	0.003	0.252
adjusted R^2 and the	2017	688	0.640	0.639	0.182	0.458	0.001	0.181
incremental	2018	688	0.647	0.642	0.133	0.514	0.005	0.128
explanatory power of	2019	688	0.673	0.670	0.140	0.533	0.003	0.137
earnings and book value	Pooled	3440	0.624	0.622	0.202	0.422	0.002	0.200

Figure 1.
Trends of value relevance for earnings and book values

reflects the changes in the yearly Adj. R^2 of earnings and book value through a line plot, jointly and individually during the period of IFRS compliance. The graph, overall, demonstrates an obvious slump over the IFRS conversion period for book value per share (Individual). Upon taking closure look, the figures describes that the Adjusted R^2 jointly and individually for earing are following the same path and showing an increasing trend opposite to adjusted R^2 for book value (individual).

The study intended to inspect the variation in value relevance during IFRS convergence period in more detail (Francis and Schipper, 1999 and Collins *et al.* 1997) by obtaining the adjusted R^2 from yearly cross sectional price regressions on earnings and book value per share jointly and individually from Models 1 to 3 which were regressed on a TIME (time-trend factor), as displayed below:

$$R^2_{\text{Joint}} = \phi_0 + \phi_1 \text{TIME} + \varepsilon \tag{4}$$

$$R^2_{\text{EPS}} = \psi_0 + \psi_1 \text{TIME} + \varepsilon \tag{5}$$

$$R^2_{\text{BVPS}} = y_0 + y_1 \text{TIME} + \varepsilon \tag{6}$$

In the above equation R^2_{Joint}, R^2_{EPS} and R^2_{BVPS} reflect the adjusted R^2 derived from Models 1 to 3, and TIME = 1..., 5, reflects years 2015–2019. According to (Francis and Schipper, 1999) the value relevance of earnings and book value is anticipated to have enhanced values/(reduced values)over time if the forecasted time coefficient ($_{a1}$TIME$_t$) is significantly positive (negative) at given levels of significance through- out IFRS convergence period. The Column 1 given in Table 5 indicates that post regression, the joint EPS and BVPS of the TIME coefficient (ϕ1) were positive and statistically significant ($p < 0.05$). This result signifies enhancement in value relevance of earnings and book values jointly.

The Column 2 given in Table 5, shows a similar significant ($p < 0.05$) enhancement in the value relevance of EPS with share price separately - Model 2 was exhibited by the earnings TIME coefficient (ψ_1). Column 3 given in Table 5 provides for the TIME coefficient (y_1) for BVPS - Model 3 was negative and statistically significant ($p < 0.05$). This outcome produces an enhancement in the value relevance of earnings in script prices and decrease in book values during IFRS conversion process as supported by (Alfraih, 2016), who argued a decrease in the book values per share relevance during the sample period. The current outcome supports the results reflected in Table 4 and Figure 1 that earnings values separately increased against the book values during IFRS adoption and implementation phase.

Column 1	2	3	
$R^2_{\text{Joint}} = \phi_0 + \phi_1 \text{TIME} + \varepsilon$	$R^2_{\text{EPS}} = \psi_0 + \psi_1 \text{TIME} + \varepsilon$	$R^2_{\text{BVPS}} = y_0 + y_1 \text{TIME} + \varepsilon$	**Table 5.**
ϕ_0 ϕ_1 TIME R^2	ψ_0 ψ_1 TIME R^2	$y_0 y_1$ TIME R^2	Regression of R^2_{Joint} R^2_{EPS} and R^2_{BVPS} on a time-trend variable
0.550** 0.025** 0.823	0.532** 0.027** 0.808	0.341** −0.046** 0.781	during IFRS convergence period (2015–2019)
Note: **Significant at 0.05			

6. Conclusion

The current investigation inspects the value relevance of the financial records of NSE indexed firms during IFRS convergence period in India, and the results argued that refinement by the informational and governing environment of the Indian stock market enhanced the accuracy of timely financial information. A hypothesis was constructed that the value relevance of earnings per share (*H1*) and book value per share (*H2*) improved throughout the IFRS conversion period; 2015–2019 and the research findings suggested a noticeable increase in earnings but a decline in book value per share. Surprisingly, the existing literature on capital markets across the world exhibits that market participants in emerging economies seems inclined more on earnings information than book value (Hand, 1990) and the same has been the finding of the current research. In addition, the observed fluctuations in the level of earnings and book value per share provided by the selected data set is similar to the outcome of (Barth *et al.*, 1998) who claimed that earnings and book values have diverse roles and notified that investors emphasize upon book values or earnings based on the company's specific performance. Value relevance of accounting information is scaling up during IFRS conversion period for both Adj. R^2 jointly and individually for earning but is showing a decline for book values. This result is advocated by (Nijam and Jahfer 2018; Maigoshi, et al, 2017) that book values show relatively lesser association with MVPS than earnings. The study results are consistent with research findings of (Beuselinck *et al.*, 2009; Ashbaugh and Pincus, 2001).

This research has both practical and theoretical implications. As a practical implication, the research finding can be utilized by regulators of financial markets for examining the effectiveness of financial reporting curriculum. The findings emphasize the requirement for informational improvement in Indian capital market precisely for book value per share and the influence of IFRS enforcement on the informational environment of the market by reflecting a substantial improvement in earnings per share.

The findings also provide for theoretical implications for the market regulators by enlightening them about the association between earnings and book values with price throughout the whole IFRS convergence period. The findings can be employed while investigating the valuation of financial instruments and will affect the attitude of standard setters, policymakers, chartered accountants and valuers, etc.

The findings also reflect that the slump in the value relevance of book values is affiliated with a decline in the fund provider's faith and other bodies in the reliability of financial statements. The finding encourages the regulators and enforcement bodies to focus their intentions on the exactitude of financial reports.

Similar to other investigations in the past, this research, too, suffers from few limitations and advocates areas for future work. The authors only employed Ohlson's valuation model as a framework for assessment. Future researchers may explore the changes by employing other alternative valuation models, i.e. the returns model by (Easton and Harris (1991). Second, the current paper only examined two accounting variables; future work may add more variables while focusing on alterations in other weights of value relevance, like cash flow, growth, size, leverage, etc. Finally, although this study supplies information about the significance of value relevance of financial statements during IFRS period, the practitioners may use the same model for before and after IFRS implementation to assess the powerful impact of IFRS enforcement on value relevance. Another limitation of this paper is ignoring the economic benefit of IFRS convergence to India. Future researchers/practitioners may consider this issue by examining the international capital inflow and other economic indicators and can expand the research horizon by including more emerging nations with similar characteristics in their study.

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