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Effect of Implementing IFRS 15 on Earnings Quality in Palestinian Listed Corporations

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Effect of Implementing IFRS 15 on Earnings Quality in Palestinian Listed Corporations

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Effect of Implementing IFRS 15 on Earnings Quality in Palestinian Listed Corporations

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DEDICATION

I dedicate my dissertation to my loving family; my father who is my source of inspiration, knowledge, support and understanding and who has taught me to work hard to achieve my goals and ambitions; my mother who has believed in me and encouraged me a lot during the challenges of my education journey; my sisters who have encouraged me to pursue my dreams and who have never left my side; and my grandparents and the rest of my family for their kind follow up.

A special thank you to my supervisor for his continuous guidance and support to have my thesis perfectly done, and for his friendly supervision during the whole process.

A special feeling of gratitude and appreciation to all of you.

DECLARATION

I hereby declare that this thesis submitted to the degree of Master of Accounting and Taxation represents the result of my own research, has been written by me, except where otherwise acknowledged or referred. Moreover, I confirm that this thesis has not been previously submitted for any higher degree to any other university or institution.

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ABSTRACT

This study aims to examine the effect of adopting IFRS 15 on earnings quality for 15 Palestinian listed corporations covering the period from 2014 to 2021, as well as to investigate if the effect varies between the sectors where these companies operate in (Service, Investment and Manufacturing). However, to achieve such purposes, two main models were used to measure earnings quality; Modified Jones Model – discretionary accruals (John, 1995) and Ohlson Model – value relevance (Ohlson, 1995). This study is considered the first one to investigate the effect of the IFRS 15 adoption using analytical approach, in addition to its role in highlighting the importance of the credibility when recognizing revenues. The study panel data consist of the financial statements for 15 companies covering 8 years (2014 - 2021), therefore, the total number of observations is 120. These companies are divided into 3 service companies; 7 investment companies and 5 manufacturing companies. The financial data are split into 2 parts; Before IFRS 15 which are related to the period from 2014 - 2017, and After IFRS 15 from 2018 to 2021 as the standard was officially and mandatory implemented on 01/01/2018.

The results show that; for the main Modified Jones model, we can confirm that there is a statistically significant impact of implementing IFRS 15 on earnings quality; while not all sectors were affected by the adoption when using this model. On the other hand, for Ohlson Model, the adoption affected earnings quality in general, and it also affected the sectors, but only investment sector scored an increase in value relevance. Finally, we recommend to investigate more about how the effect of IFRS 15 varies between different sector by having large number of listed companies for each sector and in different political and financial situation; in addition to applying the same models in the Middle East to figure out the differences and how adopting Jones Model and Ohlson Model varies between different countries and economies.

Keywords: IFRS 15, Discretionary Accrual, Nondiscretionary Accruals, Jones Model, Value Relevance, Ohlson Model, Palestine, Earnings Quality

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DEFINITIONS

- Accounting Standard: A set of standards, principles, and procedures that covers and defines the aspects of recognizing, measuring, presenting and disclosing the accounting transaction in financial statements (Mishra, 2016).
- **Financial Statements:** Written records to reflect the company's financial performance and business activities. There are four main financial statements; Balance Sheet, Income Statement, Cash Flow Statement and Changes in Equity Statement. These statements are audited by several parties such as accountants, government agencies for financing, tax and investing purposes (Murphy, 2022).
- The InternationalThe IASB is a private organization that has independent expertsAccounting StandardsWho have sufficient experience and knowledge in severalBoard (IASB):accounting aspects such as setting accounting standards,
auditing and preparing financial reports. IASB members are
responsible for developing IFRS Accounting Standards and
approving the Interpretations of IFRS Accounting Standards
that are developed by the IFRS Interpretations Committee
(IFRS Foundation).

The Financial
 FASB is an independent, private- sector, not-for-profit organization, recognized by U.S. SEC, that develops financial accounting and reporting standards for public and private companies as well as for not-for-profit organizations that follow Generally Accepted Accounting Principles GAAP (FASB, n.d).
 International Financial
 Reporting Standards
 and the IFRS Foundation for the financial statements of public companies to make them more transparent, much easier to be compared around the world (IFRS Foundation, n.d.).

- IFRS 15 Revenue fromIFRS 15 is a five-step revenue recognition standard developedContracts withby FASB which aims to determine how and when to recognizeCustomers:revenues to help financial statements' users find more clear,
relevant and informative disclosures. This standard has an
impact on all businesses that create contracts with customers in
order to transfer goods or service (IFRS Foundation, 2018).
- The Big Four: Four largest international accounting firms measured by revenues), which are Deloitte, Ernst and Young (EY), PricewaterhouseCoopers (PwC), and Klynveld Peat Marwick Goerdeler (KPMG). These firms offer very selective and professional financial services aside from auditing services, such as; taxation, financial consultancy and risk advisory (Big 4 Accounting Firms, 2022).
- **Earnings Management:** A management's practice used to influence the reported earnings in financial statements. Management attempts to take advantage of such practice in an attempt to match a set target and gain benefits (Corporate Finance Institute, 2020).
- **Earnings Quality:** Indicates how reliable the earnings of a company are in order to assess the company's current and future performance. Earnings quality can be measured by value relevance, predictability, smoothness, persistence and other measurements (Taylor, 2022).
- Value Relevance: The accounting information disclosed in financial statements are value relevant when they can capture the firm value and have a relationship with the share price (Karğın, 2013) and (Barth et al., 2001).
- Modified Jones ModelA model used to measure the magnitude of discretionary(1995):accruals and is still considered as the best to estimate and
predict earnings management (Jones, 1995) and (Chen, 2010).

Ohlson Model (1995): A model used to study value relevance by assessing how accounting information are relevant for firm value as represented by the share price (Holthausen and Watts, 2001).

ABBREVIATIONS

ABBREVIATION FULL WORD

IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
FASB	Financial Accounting Standards Board
IFRS 15	International Financial Reporting Standards 15: Revenue from Contracts with Customers
IASC	International Accounting Standards Committee
IAS	International Accounting Standards
EU	European Union
ISSB	International Sustainability Standards Board
PNA	Palestinian National Authority
PEX	Palestine Exchange
WTO	World Trade Organization

TERMS OF TRANSLATION

TERM	TRANSLATION
IFRS	المعايير الدولية لإعداد التقارير المالية
IFRS 15	المعيار الدولي للتقارير المالية IFRS 15 – الإيرادات من عقود العملاء
IASB	مجلس معايير المحاسبة الدولية
FASB	مجلس معايير المحاسبة المالية
Earnings Quality	جودة الأرباح
Value Relevance	ملاءمة المعلومات المحاسبية لأغراض قياس القيمة
Earnings Management	إدارة الأرباح
Accounting standards	المعايير المحاسبية
Accrual Quality	جودة الاستحقاق
Earnings persistence	ثبات الأرباح
Earnings predictability	القدرة على تنبؤ الأرباح
Income smoothing	تجانس الدخل
Earnings Surprise indicator	مؤشر مفاجأة الأرباح

CHAPTER ONE: INTRODUCTION

1.0. Introduction

Proper revenue recognition is essential because it is directly related to the integrity of a company's financial reporting. The main purpose of revenue recognition guidelines is to standardize the revenue guidelines that companies apply. This standardization allows external parties or outsiders, such as analysts and investors, to easily compare the income statements of different companies in the same industry. Revenue is one of the most important indicators that investors use to assess a company's performance, so financial statement consistency and reliability are essential (O'Brien, 2021).

Referring to the previous paragraph, both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have realized the importance of developing one main standard to combine all previous standards that are related to revenue recognition.

Many literatures have investigated the importance of earnings quality and how the adoption of the new standard would change the way revenues are recognized and how this standard would contribute in improving earnings quality, such as; Van Wyk, and Coetsee (2020), Maqt (2019) and Khersiat (2020). The results vary but the common thing is having such standard is a must.

IFRS 15 aims to increase the transparency and completeness of financial statements that are used by the decision makers. The standard clearly identifies five key steps which can be followed by variety of industries and designed to help enterprises to determine the actual amount of revenues to be recognized (Ferreira, 2020).

This study includes five main chapters; each chapter highlights a very specific topic and objective. However, the study aims to investigate how IFRS 15 affects earnings quality of Palestinian companies. The data include 15 Palestinian listed companies operating in different sectors in the period from 2014 to 2021; where pre-IFRS 15 covers the period from 2014 to 2017; and post-IFRS 15 is the period after adopting the standard starting from 2018 to 2021. For the purposes of this study, two models were used to analyze the data and to conduct the regression analysis, which are Modified Jones Model (1995) and Ohlson Model. However, it is worth to highlight that this study is very unique and special as it is the only one in the Arab world that achieves the purpose using the analytical approach.

1.1. Purpose of the Study

This study has one main purpose and one sub purpose as following:

- The main and overall purpose of the study is to investigate the impact of implementing IFRS 15 on the earnings quality among Palestinian listed companies; this will be done by comparing earnings quality before and after applying the standard on 15 Palestinian listed Companies covering the period between 2014 – 2021 using discretionary accruals and value relevance models.
- 2. The sub purpose seeks to examine whether the effect of applying this standard affects all the sectors included in this study.

1.2. Problem Statement and Study Questions

Revenues are considered as the main success factor in any firm wherever it operates and that seeks to continue in business, compete and grow. International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have concentrated on developing the most suitable and effective standards related to measuring, recognizing, presenting, and disclosing revenues although there are differences in the boards' issued standards. They ended up issuing 2 separate standards but with mutual and same aims which are the International Financial Reporting Standards (IFRS) 15: Revenue from Contracts with Customers – issued by IASB which aims to meet business needs and to improve the quality of financial reports and the transparency of information that they contain in a globally applicable and acceptable way (Ferreira, 2020) and the special pronouncement ASC 606 – issued by FASB.

Complexity of contracts with customers are continuously increasing nowadays due to the variety of services and products and their nature that are offered. This poses a challenge for companies in terms of revenue recognition and financial disclosures; so it is essential to understand the importance of applying the standard – a five-step model-to all contracts with customers to make contracts under control.

Therefore, from this standpoint, and in order to achieve the study purposes, the impact of adopting IFRS 15 on the earnings quality of the Palestinian Listed companies will be investigated using two main models; Modified Jones Model – discretionary accruals (John, 1995) and Ohlson Model – value relevance (Ohlson, 1995) in order to answer the study's three main questions as follows:

- Is there an impact of implementing IFRS 15 on earnings quality using Modified Jones Model – discretionary accruals (John, 1995)?
- Is there an impact of implementing IFRS 15 on earnings quality using Ohlson Model – value relevance (Ohlson, 1995)?

3. Does the effect of applying IFRS 15 varies between different sectors (Investment, Manufacturing and Service)?

1.3. Importance of the Study and Justification

IFRS 15 may have a significant impact on earnings quality as the amount of revenues and contract costs and the timing of their recognition may differ significantly from the current practice, considering also, that this standard requires some additional disclosures (Mattei and Paoloni, 2018). Therefore, it is essential to examine IFRS 15 and its impact on earnings quality of Palestinian Listed companies as it will contribute to limiting the accounting problems that these companies face for the purposes of increasing and enhancing reliability in recognized revenues, which will generally affect the Palestinian economic in a positive manner.

This study contributes to the literature on earnings quality and is considered as the first one to investigate the impact of IFRS 15 on earnings quality using analytical approach particularly in Palestine, and generally in the developing countries. In addition to that, this study is very specific and concentrates on one standard which is IFRS 15, while on the other hand, the previous researches used to study IFRS in general. Moreover, this study fills the research gap on this topic, and it would be the starting point for further future studies to examine the effect and find new and unique results that could make financial users (investors, auditors and others) aware of the standard's role.

1.4. Study Hypotheses

According to the problem statement and the study questions, and as mentioned earlier in this thesis, the effect of adopting IFRS 15 on earnings quality will be examined using two models; Modified Jones Model – discretionary accruals (John, 1995) and Ohlson Model – value relevance (Ohlson, 1995). Therefore, from this point, we can come up with four main hypotheses which are:

 H_1 : There is a statistically significant impact of implementing IFRS 15 on earnings quality using Modified Jones Model – discretionary accruals (John, 1995).

 H_2 : There is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in different sectors (Investment, Manufacturing and Service) using Modified Jones Model – discretionary accruals (John, 1995).

 H_3 : There is a statistically significant impact of implementing IFRS 15 on earnings quality using Ohlson Model – value relevance (Ohlson, 1995).

 H_4 : There is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in all sectors (Investment, Manufacturing and Service) using Ohlson Model – value relevance (Ohlson, 1995).

1.5. Study Boundaries

- Timing of Study: The financial statements and disclosures for the period between (2014 – 2021).
- 2. Spatial Boundaries: Palestinian listed companies.

1.6. Study Limitations

The study faced some limitations that should be taken into consideration. First, the number of the companies (sample size) is relatively small. Second, Palestine (where the companies are operating) is considered as a special case country. Third, some financial statements for year 2021 are not audited till now, so a small percentage of accounting information were included in the data without being audited. Moreover, year 2020 is considered as extraordinary due to the effect of Covid-19 on the businesses' operations especially when they had to close because of the lockdowns decisions to prevent the spread of the epidemic.

CHAPTER TWO: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

1.0 Introduction

This chapter provides two main sections; the theoretical framework which identifies the major factors that lead to examine the adoption of IFRS 15 on the earnings quality, and the literature review which highlights and reviews some main dissertations, researches and articles related to the study problem.

2.1 Theoretical Framework

2.1.1. Overview of International Financial Reporting Standards (IFRS):

Accounting plays an essential role for businesses. It describes their financial performance by ensuring compliance and tracking income and expenditures. As well as it provides the users (managers, investors, government and others) with the needed and

appropriate information to make business decisions. In the past, the financial statements were only used to organize accounting data and not to help in making decisions related to future investments or business enhancement (Tache, 2021, p.19). Nowadays, the financial statements are based on clear accounting standards which help in making decisions; taking into consideration that the accounting standards are defined as a set of policies, procedures and practices that businesses, agencies, banks and other entities should apply when preparing their financial reports. These standards aim to ensure standardization across the market and the relevance and reliability of financial information (Mishra, 2016).

International Financial Reporting Standards (IFRS) are defined as a set of accounting standards and rules, developed and maintained by the International Accounting Standards Board (IASB) and the IFRS Foundation, for the financial statements of public companies – in both developed, emerging and developing economies – that are intended to make them transparent, consistent and easily comparable around the world (IFRS Foundation, n.d.).

The story started when IFRS was first originated in European Union with a goal of making a common accounting language. Then the International Accounting Standards Committee (IASC) was established in June 1973 by accountancy bodies "when the accounting profession recognized the diversity of accounting rules but also the globalization of trade" (Tache, 2021, p.23). IASC represented 10 countries in order to set and publish International Accounting Standards (IAS), interpretations and a conceptual framework; which were looked to by many national accounting standard-setters in order to develop national standards (*International Accounting Standards Committee (IASC)*, (2016).

In 2001, the International Accounting Standards Board (IASB) was formed to replace the IASC in order to achieve affinity between national accounting standards through the development of global accounting standards. "The IASB is an independent accounting standard-setting body, based in London. It consists of 15 members from nine countries, including the United States" (Ismail, 2017, p.17). It has continued to develop the International Financial Reporting Standards. Moreover, in 01/01/2005, the European Union (EU) applied IFRS for the consolidated accounts of the EU listed companies, bringing about the introduction of IFRS to many large entities.

Lately in 2021, the IFRS Foundation announced the formation of the new International Sustainability Standards Board (ISSB), which sets IFRS Sustainability Disclosure Standards that clarify how companies should disclose information about sustainability-related factors that may help or hinder a company in creating value (IFRS Foundation, n,d).

IFRS requires companies to create four main financial reports or statements, which are Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows. In addition to these reports, a company must give a summary of its accounting policies and rules (IFRS Foundation, n,d).

Nowadays, around 166 jurisdictions use IFRS and all public companies must disclose their financial statements based on IFRS, such as Canada, South Africa, Middle East countries and all nations in the European Union, which makes IFRS the most-used set of standards globally. The U.S. and some other countries like Chine do not use these standards as they have their own accounting and financial systems (IFRS Foundation, n,d). In addition to that, it is worth mentioning that there are convergence projects between IASB and FASB as they are working on combining various accounting and financial standards to issue a single set of international financial reporting standards (International Association of Independent Accounting firms - INNA Group, 2020).

IFRS Standards provide a high quality and internationally recognized set of accounting standards that fosters transparency, accountability and efficiency in the financial markets around the world (Palmer, 2021). Without these standards, investors would be more hesitant to believe the financial statements and any information presented to them by companies, which will affect the economy negatively.

IFRS Standards bring transparency by enhancing the international comparability and quality of financial information, "in the countries that have adopted IFRS, both companies and investors benefit from using the system, since investors are more likely to put money into a company if the company's business practices are transparent" (Ismail, 2017, p.19). This would enable investors and other users to make informed business and economic decisions. Moreover, these standards strengthen accountability as they provide information that is needed to hold management to account. Additionally, IFRS Standards contribute to economic efficiency, as through these standards, investors can identify opportunities and risks around the world, thus improving their capital allocation. In addition to that, businesses can reduce the costs of international reporting and lower capital expenditures by using a single, trusted accounting language (IFRS Foundation, n.d.).

"IFRSs are validated by an approval mechanism to ensure compliance with EU public policies" (Tache, 2021, p.23). Therefore, the IFRS Foundation regularly updates the audience regarding the latest standards and their changes. The following table shows the standards that are used until 2021.

Standard No.	The Title
IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities

 Table 2.1: The accounting standards that are used until 2021

IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 17	Insurance Contracts
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

Source: Kumar, S. (2022)

2.1.2. IFRS in Palestine:

2.1.2.1. Overview of IFRS in Palestine:

Palestinian corporations have passed through several regulations and rules to prepare financial reports until IFRS have been officially adopted for such purpose. Before 1994 – when the Palestinian National Authority (PNA) was established – all Palestinian corporations were forced to provide profit/loss statements, balance sheets and explanatory notes but adopting different acts; corporations registered and operating in the West Bank adopted and used the Jordanian Corporate Art (1964), while companies registered and operating in Gaza Strip adopted the Palestinian Corporate Act (1929) which was enacted during the British Mandate (Abu-Sharbeh, 2017). Then in 1995, PNA established the Palestinian Securities Exchange (PSE or PEX) which was incorporated as a private shareholding company with the Palestine Development and Investment Company (PADICO) as its major shareholder, but it currently operates under the supervision of the Palestinian Capital Market Authority (PEX Website). This has helped Palestine to somehow rise economically.

IFRS is considered as a common and global accounting language (Darabee, and Karapinar, 2019). Palestine is one of the countries that has made IFRS as a legal reference for Palestinian Companies in preparing and disclosing annual financial reports and statements since 2004 (Abu-Sharbeh, 2017). Then, in 2006, IFRS has gained an official approval from the Palestinian National Authority (PNA) in an attempt to fulfill the stipulation to join World Trade Organization (WTO). From 2007, PEX obligated all listed companies which are publicly registered to prepare annual financial reports and statements in compliance with IFRS (Darabee, and Karapinar, 2019).

2.1.2.2. The development of IFRS 15:

IFRS 15 directs entities to the basic principles that they must follow when reporting revenues, and to recognize revenues when promised goods or services are transferred to customers for a consideration representing what they expect to receive in exchange for those goods or services (Lam, 2017).

The standard was issued in a joint deliberation between IASB and FASB to omit any misleading or inconsistencies related to revenue recognition in literature, to establish a restricted framework when addressing revenue recognition issues, to diminish revenue recognition requirements' complexity, and to enhance comparability of revenue recognition practices across industries, entities and jurisdictions which will in turn provide financial users useful information to make decisions (*Ernst and Young Global Limited*, 2019).

IFRS 15 has replaced IAS 11 (Accounting for Construction Contracts (1979); Construction Contracts (1993)), IAS 18 (Revenue Recognition (1982); Revenue (1993)), IFRIC 13, IFRIC 15 (Customer Loyalty Programmes), IFRIC 18 (Transfers of Assets from Customers) and SIC 31 (Revenue – Barter Transactions Involving Advertising Services). The first effective date was in January 2017, but then it was postponed till January 2018. However, the journey of developing such standard started in 2001 when the IASB adopted both IAS 11 – Construction Contracts, IAS 18 – Revenue and when it issued SIC 31 Revenue—Barter Transactions Involving Advertising Services which determines the circumstances of how advertising services' revenues can be reliably measured. Then, in June 2002, a project on revenue was added to the IASB's agenda to be discussed and issued, and in December 2008, both IASB and FASB published a "Discussion Paper Preliminary Views on Revenue Recognition in Contracts with Customers" to receive any comments not after 19 of June 2010 as then on 24th of June 2010 ED/2010/6 Revenue from Contracts with Customers was published in order to discuss and develop the requirements. (IFRS Foundation) (Deloitte)

In 2011, another exposure draft (ED/2011/6 Revenue from Contracts with Customers) was published to make all things set on point before applying the standard for the first time. In 2014, IFRS 15 was issued as the standard that will provide a comprehensive framework to recognize revenues from contracts. In 2015, the boards decided to

postpones the mandatory effective date of the standard to the first of January, 2018 (IFRS Foundation).

In 2016, new clarifications related to IFRS 15 were published in an attempt from the boards to clarify how to apply principles and to provide transitional relief. Finally, on 1st January 2018 was the effective date and all companies and institutions were obligated to apply this standard.



Figure 2.1: The Development of IFRS 15

2.1.2.3. The Adoption of IFRS 15 in Palestine:

Some Palestinian companies have adopted IFRS 15 since 01/01/2018, especially those companies that were audited by one of the Big-Four. Many institutions have explained and gave some tips and guidelines for the way to apply the standard; for example, the Palestine Monetary Authority held a training course on International Financial Reporting Standards, and gave a high attention to explaining IFRS 15 (Palestine Monetary Authority, 2019). Moreover, Dandis (2018) – a senior manager of KPMG Palestine-posted a video presenting the steps of IFRS 15 and some guidelines for adopting it.

It is worth mentioning that the effect of adopting IFRS 15 varies from a company to another in the year it was first adopted 2018, but most of the companies' financial statements were significantly affected by the adoption of the standards, such as Aqariya Co., Arab Investors Co., Birzeit Pharmaceutical Company and Jerusalem Cigarettes Co.

2.1.2.4. IFRS 15 – Revenue from Contracts with Customers:

IFRS 15 provides a five-step model to be applied to all contracts with customers. However, this standard determines how and when to recognize revenues in order to provide the financial statements' users with more informative and relevant disclosures (IFRS Foundation, 2018). It should be noted that a single contract with a customer may be covered by more than one accounting standard due to the complexity of the deal and the transaction.

Moreover, IFRS 15 covers several important topics to be well studied and carefully considered when applying the standard; including contract costs, performance obligations satisfied over time, methods for measuring progress towards complete satisfaction of a performance obligation, sale with a right of return, warranties, principal versus agent considerations, customer options for additional goods or services, customers' unexercised rights, non-refundable upfront fees, licensing, repurchase arrangements, consignment arrangements, bill-and-hold arrangements, customer acceptance, disclosures of disaggregation of revenue.

IFRS 15 was issued in May 2014 and has been applied to the annual financial reports since the First of January 2018 as conjunction project between US FASB and IASB. The exigence to have the same criterion to recognize and to measure the revenues appear because, till IFRS 15, FASB and IASB had two different standards and this previous situation could compromise international comparability of financial statements (Mattei, 2018) Therefore, IFRS 15 has resulted in a revolution in accounting, especially in aspects related to revenues and contracts, as it supersedes six accounting issuances; which are; a) IAS 11: Construction Contracts; b) IAS 18: Revenues; c) IFRIC 13: Customer Loyalty Programmes; d) IFRIC 15: Agreements for the Construction of Real Estate; e) IFRIC 18: Transfers of Assets from Customers; f) SIC 31: Revenue – Barter Transactions Involving Advertising Services.

2.1.2.5. IFRS 15 Five-Step Model:

To sum up; the core principle of IFRS 15 is that revenues are recognized when the goods or services are transferred to the customer, at the transaction price by applying the fivestep model as shown below (IFRS Foundation, 2018); but it should be well noted that these steps can be divided into two groups; group one includes step 1, 2 and 5 as they are related to the recognition process; group two includes the other steps (3 and 4) as they are concerned to the measuring part (Ferreira, A., 2020). Figure (2.2) shows the five steps which are followed to recognize revenues when applying IFRS 15.



Figure 2.2: IFRS 15 five-steps model

Step 1: Identify the contract(s) with a customer:

To apply IFRS 15, an entity or firm must first identify the contract related to providing goods and services to customers. A 'contract' in this standard is defined "*as an agreement between two or more parties that creates enforceable rights and obligations and specifies that enforceability is a matter of law. Contracts can be written, oral or implied by an entity's customary business practices*" (IFRS Foundation, IFRS 15.10).

Based on the standard scope; a contract exists if; a) there is a probable collection of consideration; b) it is commercially approved and agreed; c) rights to goods or services and payment terms can be identified (IFRS 15.9). Moreover, a contract may be combined (Combine Contracts) which can be distinguished when it is negotiated as a single commercial package, depends on another contract and when goods or services are a single performance obligation (FRS 15.17).
According to (EY, 2014), once the performance begins, then a firm should account for a contract and not delaying revenue recognition until the contract is signed. Moreover, these contracts may need some arrangements; therefore, they should comply with jurisdictional law or trade regulations.

IFRS 15 differs than the previous standards, as the previous ones do not provide specific guidance for creating oral contracts. Treating oral and implied agreements as contracts is a significant change in entities' practices which will make businesses and deals run much easier and smoothly (EY, 2014).

Step 2: Identify separate performance obligations in the contract(s)

Performance obligations are defined as promises from sellers to buyers to transfer goods or services determined in the contract, including those a customer can resell or provide to its customer.

Revenues are recognized when these performance obligations are satisfied and when goods or services are transferred to the customers at the listed transaction price (IFRS 15.46). A good or service is transferred to a customer when they obtain control of that asset.

An entity (seller) must identify the goods or services promised in the contract and state the implied promises to the customers who expect the entity will transfer a good or service to them, taking into account that such implied promises don't need to be enforceable by law (IFRS 15, 22-23, 26). Previously, the use of the stage of completion method in IAS was the basis to recognize contract revenues following the income-expense matching model. But after the creation and adoption of IFRS 15, revenues are now recognized based on the transfer of control (Van Wyk and Coetsee, 2020).

A performance obligation can be satisfied and revenues can be recognized at a point in time or over time. Performance obligations are satisfied over time if, the customer simultaneously receives and consumes the benefits provided by the sellers' performance, the entity's performance creates an asset and let the customer control it, and "*if the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date*" (IFRS 15.35). On the other hand, a point in time is the default option for performance obligations to be satisfied, it becomes a matter of time to decide when or which date the customer will obtain control of the promised goods or services (IFRS 15.38).

Step 3: Determine the transaction price

The transaction price is considered as a key point for entities (resellers) to decide whether to enter in a contract or not. Transaction price is defined as "the amount of the consideration a company is entitled to receive in exchange for transferring goods or services to customers" (IFRS 15:47).

However, the transaction price impacts the accountability of the contract; the nature, amount and timing of revenue recognition, therefore it does not only impact the commercial decision. Moreover, determining the transaction price is complex taking into consideration several factors, such as; variable consideration which can arise from refunds, discounts or incentives or other similar terms, non-cash and payable to customer

considerations, and the existence of a significant financing component in the contract. (IFRS 15.48)

Step 4: Allocate the transaction price to the performance obligations in the contract

When the contract has multiple performance obligations, transaction price should be allocated to distinct performance obligations based on relative standalone selling price (IFRS 15:74). The standalone selling price is defined as the price that would be charged by the company to the customers if the good or service was traded distinctly (Ferreira, A., 2020).

It should be noted that the standalone selling price of each good or service may be directly observed when selling such good or service to customers separately. But if the standalone selling price is not directly observable; then it should be estimated considering several factors, such as customers' information, the market condition. Regarding the estimation of the price; IFRS 15 suggests various methods for such purpose; which are: adjusted market assessment approach, expected cost plus a margin approach, and residual approach (only permissible in limited circumstances) (IFRS 15:79).

Moreover, if the transaction price includes a discount, then this discount should be allocated to performance obligations. IFRS 15 expects that the discount should be proportionally allocated by default taking into consideration that some situations are excepted.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Once control is passed, then revenues are recognized; either over time or at a point in time (IFRS 15:32). IFRS 15 defined control of assets as the ability to use and obtain the benefits from the assets. These benefits include, but not limited to, using the asset to provide a service, or to settle liabilities, or to pay expenses. including the ability to prevent others from using the benefiting from the assets (IFRS 15:31-33).

However, the company (seller) recognized revenues over time if one of the three criteria is met; a) if the customer receives and consumes all of the benefits provided by the entity at the same time; b) or if the entity's performance enhances an asset that the customer controls; c) or if such performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date (IFRS 15:35).

On the other hand, if the company doesn't satisfy the performance obligation over time, then the company satisfies such obligation at a point in time; and revenues will be recognized when control of assets is passed as a specific point in time (IFRS 15:38).

2.1.2.6. Presentation in financial statements:

IFRS 15 provides more detailed presentation and disclosure requirements than previous standards (EY, 2014). There are two main types of contracts: First; conditional contracts where selling the product or service will only occur if certain conditions mentioned in the contracts are met, otherwise the contract will be terminated. Second; unconditional contracts where there are no conditions linked to selling the product or service, so when the buyer signs the contract, he/she must settle it and doesn't have the righty or ability to terminate it (Wilkinson, 2020).

Contracts with customers are presented in the balance sheet depending on the relationship between the company' performance (seller) and the customers' payment; therefore, they can be presented as;

- A contract asset, which is created as a result of conditional contracts when the company has transferred the good or the service to the customer, but the customer has not yet paid the consideration due to conditional rights and specific performance obligations that the company must satisfy before issuing the invoice to the customer. On the other hand, the company may have unconditional rights to receive the payment from the customer with no additional performance obligations; this would be considered as receivables from the customer, and they are separated from contract assets as unconditional rights are only considered as a matter of time to collect the payment. IFRS 9 should be applied when presenting contract assets (IFRS 15:107-108).
- A contract liability (unearned revenues), when the customer has paid the amount of consideration in advanced and before the company transfer the goods or services to the customer – when the customer prepays the promised consideration before the company satisfies the performance obligation (IFRS 15:106).

2.1.2.7. Disclosures:

IFRS 15 forces entities to disclose sufficient, useful, quantitate and qualitative information to help financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers and to make well-studied commercial decisions. These disclosures include, but not limited to, the significant judgments and any assets recognized from the costs to fulfil contracts with customers (IFRS 15:110).

2.1.3. Earnings Quality:

Companies' earnings quality is vital for their financial well-being, as it improves its capital market efficiency. Companies with high earnings quality are considered less risky, and consequently, their price-to-earnings multiples reflect their lower risk and for their use of conservative accounting practices (Mahadeva, 2020).

2.1.3.1. Definition of Earnings Quality:

Despite the use of the term "Earnings Quality" a lot, there is no certain definition or criteria to determine it, and there are still broad disagreements about how to define and measure it (Mahadeva, 2020) (Dichev, Graham, Harvey and Rajgopal, 2013).

Many prior studies worked hard to set a broad definition. Dechow and Dichev (2002), Dechow and Schrand (2004) and McVay (2006) defined high-quality earnings as "persistent and hence the best predictor of future long-run sustainable earnings", "are backed by past, present, or future cash flows", "smooth" and "do not have special or non-recurring items". While Jones (1995) defined high-quality earnings as the earnings which "have small changes in total accruals that are not linked to fundamentals". On the other hand, Lev (1989) suggested that earnings quality can be defined as "decisionusefulness in the context of equity valuation decisions", and Pagalung and Sudibdy (2018) had a completely different definition stating that "the earning quality is the closeness between the earnings and the cash flow".

In addition to the previous definitions; Ma and Ma, (2017) highlighted the main two types of defining earnings quality; which are:

- the degree to which earnings quantity reflects the corporations' and firms' economic situation matching between earnings and cash flow due to misstating earnings by inflating accruals discussed by Dechow and Schrand (2004); Chan et al., (2006) and Hodge (2003).
- the degree of earnings persistence and sustainability into the next financial period, because high variation of quality is a risk and uncertainty indicator (Richardson et al., 2005); (Revsine et al. 1999).

It is worth clarifying that poor and low-quality earnings indicate that inappropriate outcomes of contracts may be generated and that profitability is unhealthy; which may harm the investors and financial statements' users and force them to make wrong decisions (Ma, S., and Ma, L., 2017).

2.1.3.2. The Measures of Earnings Quality:

Deloitte (2009) confirmed that earnings quality term is difficult to define, taking into consideration that it has no specific evaluation criteria, but instead, it has multiple measurements that could be used to assess the quality of earnings. Some of the main and most common indicators that that measure earnings quality are; value relevance, accrual quality, persistence, predictability, smoothness and earning surprise indicator.

1. Value Relevance of Earnings

Definitions of Value Relevance

Value relevance has various definitions that illustrate its role in measuring earnings quality. Karğın (2013) defines value relevance as the ability of the accounting information disclosed in the financial statements to capture the firm value. However, Barth et al (2001) states that accounting information is value relevant when it is predicted to have a considerable relationship with the stock price, and based on that, Brown (2006)

could define value relevance of earnings as "the degree to which accounting earnings summarize information impounded in market prices". Therefore, it is totally agreed that a higher earnings quality means that the firm is doing well and better economically and the earnings are value relevant which financial statements users can depend on to make the right decisions Barth et al., (2001). Lmagtome (2020) supports Barth et al (2001) emphasizing that value relevance is considered as a direct indicator of the benefits of the financial information for making appropriate decisions by investors and users.

IFRS and Value Relevance Relationship

Many studies have investigated the relationship between the adoption of IFRS and value relevance. The majority of the results confirmed that adopting IFRS has enhanced the accounting information quality and has made it value relevant, moreover, IFRS are expected to any loopholes in earnings management that are still not effective and efficient, such as; (Chen, 2010), (Barth et al., 2001), (Ohlson, 1995), (Kouki, 2018), (Srivastava and Muharam, 2022) and (Yusrina, Mukhtaruddin, Fuadah, and Sulong, 2017). On the other hand, few researches find that adopting IFRS has no effect on earnings management as well as on the value relevance of accounting information (Abeifaa Der, Polak, and Masri, 2016).

Measurement of Value Relevance

Value relevance can be measured by several models, such as Stock Return (Easton and Harris, 1991) and Stock Price (Ohlson, 1999). Most studies adopted the Stock Price Model considering it most accurate and takes into consideration market conditions and fluctuations. Figure (2.3) shows how each model is defined.



Figure 2.3: Models to measure value relevance

2. Accrual Quality:

When valuing businesses, accrual earnings quality is much more important than earnings quantity. We can consider earnings high quality when they are repeatable and accurately represent the company's operations. Accrual Quality is the difference between cash from operating and recorded earnings generated by business indicates accrual quality (Richardson et al. 2001, Desai et al. 2006). Moreover, error on estimating the accrual has also been used in measuring the quality of accrual (Francis et al.2004, Jing 2007 and Johnston 2009). The large the value obtained from each method imply poor earnings quality and small value obtained from each method indicates high quality earnings (Lyimo, 2014).

3. Persistence:

Earnings persistence is defined as the continuity and durability of the current earnings (Tabatabaenasab, 2014). Earnings which are more persistent are more sustainable and are of high quality; likewise, earnings which are less persistent are more transitory and considered to be of lower quality (Penman and Zhang 2002).

4. Predictability:

Earnings predictability is an important measure as it deals with how well past earnings can explain current earnings. Hence, this measure applies a purely accounting perspective, making it an ideal complement to value relevance (Schiemann and Guentherb, 2013). Therefore, we can conclude that poor ability to predict implies poor earnings quality, while the higher ability to predict future earnings indicates high earnings quality.

5. Smoothness:

Income smoothing is the act of using accounting methods to level out fluctuations in net income from different reporting periods. The goal of income smoothing is to reduce the fluctuations in earnings from one period to another to portray a company as if it has steady earnings. It's intended to smooth out periods of high income vs. periods of low income or periods with high expenses vs. periods of low expenses (Kenton, 2021). Therefore, we can conclude that smoothened earnings imply high earnings quality that users of accounting information need, while, on the other hand, un-smoothened earnings indicate poor quality earnings.

6. Earning Surprise indicator:

Earnings Surprise is an important indicator of a firm's earnings behavior. It refers to the difference between the actual earnings of a firm (announced through the financial statements) and the expected earnings (represented by analysts'' consensus earnings forecasts) (Okoro and Ofor, 2019). Earnings surprise indicator is given by value of net operating assets at begging scaled by total sales (Barton and Simko 2002; Abdelghany, 2005). Thus, we can conclude that large ratio of earnings surprise indicates poor earnings quality while small ratio implies high earnings quality.

2.1.3.3. IFRS and Earnings Quality:

IFRS and earnings quality are related in a way or another to each other. Many prior studies confirmed that adopting IFRS has led to earnings quality, such as; Da Silva, Fraga, Noriller, and Lopes, (2019) which suggested that adopting IFRS, in general, tends to improve the accounting information and leads to high-quality earnings as IFRS improves the quantity and quality of financial disclosure, and Adibah Wan Ismail, Anuar Kamarudin, Van Zijl, and Dunstan (2013) which found that earnings reported in the post-IFRS period had lower earnings management and higher value relevant. Idrissi Rioui, Rigar and Grine (2021) concluded that implementing IFRS led to less earnings management and therefore higher earnings quality.

On the other hand, other prior researches indicate that IFRS does not affect earnings quality, as declared by (Den Besten, Georgakopoulos, Vasileiou, and Ereiotis, 2015) and (Fuad, Juliarto, and Harto, 2019).

2.1.4. Earnings Management:

Earnings management is generally defined as the planned timing of revenue, gains, expenses, and losses to smooth out fluctuations in earnings. Managers take advantage of earnings management to maximize their utility and benefits and or to enhance the corporate market value (Farichah, 2017).

Many researchers such as Healy and Wahlen (1999), Shuli, I., (2011), Scott (2009) and Dechow and Skinner (2000) have examined the definition of earnings management. Healy and Wahlen (1999) noticed that earnings management happens when managers change financial reports and statements in order to achieve misleading purposes. Shuli (2011) agreed with Healy and Wahlen (1999) stating that earnings management is a strategy that managers use to intentionally manipulate company's earnings in an attempt to achieve some targets, focusing on the point that materiality is the key factor of it. Scott (2009) combined between Opportunistic Earnings Management (the managers' opportunistic behaviors to maximize their utilities) and Efficient Earnings Management (managers protect themselves using earnings management techniques to face any unexpected events) to define earnings management. On the other hand, Dechow and Skinner (2000) stated that not all definitions can be accepted or used as they are related to the managers' intent which can't be noticed and not related to accounting figures and numbers; therefore, they agreed with how Certified Fraud Examiners (1993) defined earnings management; which is the intentional misrepresentation of financial information in financial statements through the omission or misstating of amounts or disclosures in order to deceive investors.

Earnings management is affected by the adoption of IFRS in general. Moreover, earnings management has a negative relationship with earnings quality. Barth et al (2008) stated that adopting IFRS has decreased earnings smoothing (earnings management), as IFRS impose specific guidelines and procedures to follow when recognizing accounting information in order to prevent opportunistic managerial behavior, this in turn has improved earnings quality. Chen et al. (2010) agreed with Barth et al (2008) realizing that adopting IFRS decreases earnings management via accruals or income smoothing.

2.1.5. The Effect of adopting IFRS 15 on Earnings Quality:

The adoption of IFRS 15 has caught the attention due to its paradigm shift in the processes used to measure, recognize, present, and disclose revenues; also, many researchers have focused on studying its impact on accounting information quality from several sectors.

In Arab countries; most of the studies have used the descriptive statistics (questionnaires) to examine the effect of implementing the standard (IFRS 15) on Earnings quality. Altaie (2019) seeks to answer the main question "does the adoption of IFRS 15 in the Iraqi environment enhance the quality of accounting profits?" The author distributed a questionnaire to 63 academics and professionals who teach applications of accounting standards and found that there was no significant impact in the effect of IFRS 15 on the quality of net profits as IFRS and IFRS 15 are not applied in Iraq. Other studies have focused on the effect of adopting IFRS 15 from the viewpoint of external auditors; such as Altajia and Alokdeh (2019). The study aimed to investigate the effect of the IFRS 15 on the quality of accounting information, but in terms of relevance and faithful representation. The study sample includes 100 of external auditors of the Big Four audit companies in Jordan and who filled the questionnaires. The results show that IFRS 15 does affect improving the quality of accounting information and the relevance and faithful representation of accounting information included in the reports. On the other hand, Jaara and Al-Khraisat (2018) and Gaber (2018) used case studies to investigate the effect of IFRS 15 on earnings quality but especially in telecommunications companies. Jaara and Al-Khraisat (2018) conducted a case study in Jordan Telecommunications Company (Orange) and examined the impact by re-calculating the revenue of contracts with customers retroactively, and separating the goods' revenues from services' revenues, and calculating the assets from contracts at the end of each interim period for the quarterly progress reports for all periods of study; this could conclude that there is a statistically significant effect of IFRS 15 as measured by the services' revenue, goods' revenue, and contract assets on total revenues as well as owner equity. While Gaber 2018), besides to the interviews with individuals in finance departments, took the Egyptian Telecommunications companies as a case study and recalculated revenues generated from the contracts with customers retroactively covering 3 years and also concluded IFRS 15 affects total revenues.

In European and developed countries; most researches have adopted analytical methodologies to examine how IFRS 15 affects earnings quality. To begin with,

Morawska (2021) aimed to investigate if implementing IFRS 15 in Poland has affected earnings management using discretion in revenue recognition to avoid losses and earnings decreases. The study used a sample of 80 listed entities on the (WSE) in Poland for 4 years (from 2016 to 2019) and confirmed that adopting IFRS 15 decreases the magnitude of earnings management practices aimed at avoiding losses and earnings decreases, which use discretion in accrued revenue recognition. On the other hand, Bernoully and Wondabio (2019) concluded that the implementation of IFRS 15 would affect the revenue recognition and financial reporting preparation processes as well as the internal control environment, information and technology system, key performance indicators and employee benefit calculation processes, and investor relations. The study could conclude so as it depends on a qualitative analysis in the form of literature and case study in Indonesian cellular business process. Marco, Carlo, Giorgia, Niccolò, and Marco (2018) chose Italian listed companies in two main sectors Telecommunications (due to the high degree of earnings management variation) and Utilities (due to the restricted regulations about accounting data) to examine the effect of IFRS 15 on earnings quality using Jones Model (1995) for a period of 17 years (from 2001 to 2017). The results showed that IFRS 15 did negatively affect the earnings management practices, which in turn enhanced and increased earnings quality due to the careful analysis and monitoring of revenues. On the other hand, many studies have examined if there has a major change in the value relevance of revenue recognition components since the adoption of IFRS 15, for instance Belsom and Berhe (2021) evaluated the effect of IFRS 15 on value relevance for 1830 listed firms in 10 countries in the EU and concluded that after the adoption of the standard; the relationship between accounting values and share prices is much stronger for European listed companies.

2.2 Literature Review

2.2.1. IFRS 15 in European Countries:

(Morawska, 2021) The impact of the IFRS 15 implementation on the revenue-based earnings management in Poland

This study aimed to investigate if implementing IFRS 15 in Poland has affected earnings management using discretion in revenue recognition to avoid losses and earnings decreases. The study was conducted using a sample of 80 listed entities on the Warsaw Stock Exchange (WSE) in Poland from 2016 to 2019. On the other hand, the relatively small number of investigated entities was the core limitation of this study.

However, Morawska built the study based on Caylor's (2010) model; indicating that abnormal changes in gross accounts receivable are caused by using discretion in accrued revenue to measure earnings management practice. To calculate the residuals of the model – R(GrossARit)-, four main variables were used; gross accounts receivable (the dependent variable), total assets, sales revenue and cash flow from operations (the independent variables), taking into consideration that the more negative the R (GrossARit) value is, the higher level of earnings management is.

Finally, the study concluded that when managing earnings, managers use discretion in accrued revenue recognition to avoid reporting losses, and this confirms that adopting IFRS 15 decreases the magnitude of earnings management practices aimed at avoiding losses and earnings decreases, which use discretion in accrued revenue recognition. Moreover, the statistical analysis could not clearly indicate the effect of implementing IFRS 15 on the magnitude of earnings management practices using discretion in revenue recognition. The pooled OLS regression results could not indicate if there was a relationship or link between adopting IFRS 15 adoption and the abnormal changes in short-term deferred revenue, also the regression analysis could not show whether

implementing IFRS 15 significantly affects earnings management practices using discretion in accrued revenue recognition or not.

(Belsom and Berhe, 2021) The Implementation of IFRS 15 across Europe A study on the effect of implementing IFRS 15 on value relevance in 10 European Countries

This study examined if adopting IFRS 15 would affect the value relevance of accounting information, in addition to observing the impact of the adoption on the relationship between stock prices and key accounting figures through time using linear regression model with longitudinal data.

However, the researchers targeted a sample of 1830 firms with 9150 observations listed in 10 European countries; which are Denmark, Finland, Germany, Italy, France, Norway, Spain, Poland, and Sweden, as well as a combined sample of Belgium, the Netherlands and Luxembourg (BeNeLux).

From this starting point, the study had two main hypotheses, which are; first, the relationship between book value per share and earnings per share and stock prices is much stronger for European listed companies after adopting the standard, second, the change is consistent across European countries.

The study used Ohlson's Linear Information Model (LIM) in order to evaluate company expected future residual earnings and book value of equity and to examine the effects of IFRS 15 on the relationship between stock prices and earnings per share and book value per share through time. Moreover, the study adopts the explanatory power of value relevance using R^2 which indicates how something is fitted to the collected data (goodness-of-fit). However, the first hypothesis was accepted as the results showed that the relationship between stock price and earnings per share and book value per share has improved after adopting IFRS15, while the second hypothesis was rejected as the results couldn't notice any consistent increase in value relevance in each country from the sample. (Piosik, 2021). Revenue recognition in achieving consensus on analysts' forecasts for revenue, operating income and net earnings: the role of implementing IFRS 15. Evidence from Poland.

This study examines earnings management behavior through revenue recognition in order to meet analysts' revenue, operating profit and net earnings forecasts for the fourth quarter, and assesses if IFRS 15 implementation affects incentives to meet earnings forecasts.

The study was conducted on a sample of 46 companies listed on the Warsaw Stock Exchange in Poland (WSE) for 2016-2019 and operating in four sectors (Electromechanical industry, Heavy industry and energy, Information Technology, Games and Telecommunications and Contract services) providing 184 firm-year observations.

The author followed the Stubben approach, which indicates that revenues are the sum of non-discretionary revenues (NR) and discretionary revenues (DR). Moreover, a modified Caylor's approach was followed which described abnormal revenue as a function of pre-managed income missing income forecasts.

Finally, the author could conclude that the implementation of IFRS 15 doesn't have an impact on discretionary revenue if reporting entities couldn't meet the fourth quarter revenue and net earnings consensus by a small amount. Moreover, when adopting IFRS 15, the increase in discretionary revenue will be substantially mitigated when premanaged operating income is slightly below the consensus operating income for the fourth quarter.

(Van Wyk, and Coetsee, 2020). The adequacy of IFRS 15 for revenue recognition in the construction industry.

The research problem highlights the idea that IFRS 15 supersedes International Accounting Standard 11 Construction Contracts for all financial year-ends starting from

01 January 2018 which will make the application of IFRS 15 challenging for Construction entities. However, PWC - South Africa and other researchers confirm that many aspects in the construction industry especially the construction contracts are very complex and dynamic in nature. On the other hand, KPMG believes the IAS 11 is outdated and that the standards of the IFRS 15 are too complex for construction entities to comply with.

The main objective of this study was to assess the adequacy of the guidance in IFRS 15 in dealing with the complexity of the construction industry to recognize revenue from construction contracts. The structured approach which is based on the five-stage approach of IFRS 15 was taken in the assessment. The sub-objectives focused on analyzing the old revenue recognition requirements for construction contracts under the IAS 11, analyzing the new revenue recognition requirements for construction contracts under the IFRS 15 and assessing whether the IFRS 15 requirements provide appropriate guidance for application to construction contracts. To achieve the objectives, the authors used doctrinal research – a research method focusing on the core doctrines developed in practice - to assess the revenue recognition principles contained in the IFRS 15.

Finally, the study results could show that the five-stage revenue recognition process creates an appropriate framework for the recognition of the revenue of construction contracts. Construction entities need to understand the implications of the contractual rights and obligations very well as the application of the five steps could lead to some uncertainty in practice.

(Marco et al, Carlo, Giorgia, Niccolò and Marco el al., 2019) Does the IFRS 15 impact earnings management? Initial evidence from Italian listed companies

This study mainly aimed to examine the effect of IFRS 15 on earnings management and analyze whether the application of the standard could increase the accounting information quality or not. Moreover, the authors intended to examine the effect of applying IFRS 15 in two main industries that vary in the sensitivity degree of the application of the standard with are: 1. Telecommunications industry; as it operates and gains income from different sources such as TV broadcasting. 2. Utilities industry and which was predicted that it would be less affected by the adoption that the other industry. The study took into consideration "Agency Theory" approach due to its importance in predicting how managers behave.

However, the initial sample consisted of 88 Italian listed companies from different sectors which were audited by "Big-four" for the period from 2001 to 2017. While the final sample consisted of 13 companies operating in the Telecommunication industry and 10 companies operating in the Utilities industry (with a total of 23 companies).

To achieve the study purpose, the Jones Model was adopted in order to calculate total accruals and discretionary accruals. However, the total accruals was calculated as the variation in Non-Cash Working Capital before the Income Tax Payable minus Total Depreciation and Amortization Expense. The discretionary part of accruals was used as a proxy for measuring the presence and extent of earning management practices. In this model, nine variables were used to define discretionary level of accruals: Change in cash and cash equivalents, in current asset, in current liabilities, in current portion of long-term debt, in Tax Payable, changes in Revenues between year t and year t-1, Property, Plant and Equipment for year t and Total asset for year t and Depreciation expense.

Finally, the results concluded that Telecommunication industry is more affected by earnings management behavior and the adoption of IFRS 15 than the Utilities industry. However, Jones model, which was used as the basis to calculate total accruals and discretionary accruals, does not consider the discretionary component of revenues, which are instead used as a proxy to define the economic conditions of sample companies.

(Bernoully and Wondabio, 2019) Impact of Implementation of IFRS 15 on the Financial Statements of Telecommunication Company (Case Study of PT XYZ) The study aimed to investigate and quantify the effect of adopting IFRS 15 on the processes used to measure, recognize, present, and disclose revenues in telecommunication companies. The authors focused their efforts on studying the impact of the standard on the Financial Statement of the telecommunication company PT XYZ in Indonesia as a case study, considering that this sector would be greatly affected by IFRS 15 due to the complex nature of the elements of revenue contracts entered into with its customers.

The study mainly investigated the impact of IFRS 15 on the processes related and unrelated to the revenue cycle of PT XYZ, in addition to the steps taken by the company to predict the effect of adopting such standard. However, the study depended on a qualitative analysis of primary and secondary data collected in the form of interviews and observations and literature from the case study in cellular business process in PT XYZ.

Finally, the authors concluded that the implementation of IFRS 15 in PT XYZ would affect the revenue recognition and financial reporting preparation processes as well as the internal control environment, information and technology system, key performance indicators and employee benefit calculation processes, and investor relations.

(Skog, 2018) IFRS 15: Revenue from contracts with customers

This study seeks to present a clear picture of the standard and to define the changes it brings to organizations. However, the problem could be stated as that IFRS 15 has a very critical impact on the way the organizations' reporting and accounting processes.

The author adopted the qualitative research method by conducting an interview with one of the IFRS experts Pia Mery Mery from Finland who is experienced in dealing with IFRS 15 while working with many companies in different sectors. The interview could highlight several points; the most important ones are; 1. The standard has an impact on all companies wherever it locates or it works. 2. The study compared between two main

industries, construction and retail industries; concluding that in construction industry, there are several performance obligations that must be identified and other contracts that need to be controlled within the standard; one the other hand, the retail industry has something called refund policies which must be managed based on IFRS 15. 3. Proper training for IFRS 15 is a must, therefore many training courses must be performed to cover the standard with its all details.

Finally, the author ended the study with confirming financial reporting has become more detailed and transparent as a result of the new standard. Prior to IFRS 15, the standards were more like guidelines, but IFRS 15 gives specific direction on how to handle performance obligations, revenue, and processes.

2.2.2. IFRS 15 and Arab Countries:

(Khersiat, 2020). Impact of the Application of IFRS 15 on the Profitability of Jordanian Telecom Companies (Case Study: Jordan Orange Telecom).

This study investigates the effect of the application of IFRS 15 on the profitability of telecommunications companies in Jordan (Case study: Jordan Orange). The author seeks to test the study main hypothesis which states that there is no impact of the application of IFRS 15 standard to the profitability of Jordanian telecommunications companies (Case study: Jordan Orange) using three independent variables (contract revenue, customer contract assets and customer contract liabilities) and their effect on (ROA, ROE and PM) in Orange Jordan.

To test the main hypothesis for the years from 2017 to 2019, the researcher applies 1. Pearson correlation coefficient to examine the strength of the relationship between the dependent and independent variables. 2. The multiple regression analysis to highlight the effect of this relationship and the coefficient to measure the impact of applying IFRS 15 on the profitability of Jordan Orange Company.

Finally, the results indicate that there is a relationship and impact between contract revenues (voice services revenues, data services revenues and other services revenues) and ROA and ROE. Moreover, there is no relationship or impact is found between customers' contract liabilities and ROE, ROA and PM. The study recommends Jordanian companies to commit to applying IFRS 15 as it increases their profitability and provides disclosure rules that ensure a clear presentation of financial statements.

(Maqt, 2019). Effect of the application of IFRS 15" Revenue from contracts with customers" on the quality of financial reporting.

This study aims to identify the effect of applying IFRS 15 on the quality of financial reporting, through distributing questionnaires to auditors and faculty members in the accounting departments of Iraqi universities. The study's problem particularly focused on the variety of accounting rules and standards that are related to revenue recognition, and their lack of consistency with the common framework of financial accounting, which in turn lead to decrease the quality of financial reporting in the current financial statements.

However, the study adopted the analytical descriptive approach through designing and distributing a questionnaire to the sample 423 individuals (187 practitioners of the auditing profession and 236 academics in Iraqi universities), but only 361 correct questionnaires out of 423 were analyzed using SPSS.

Finally, the researcher could conclude that: 1. There is a strong correlation between IFRS 15 and the quality of financial reporting. 2. Applying IFRS 15 does impact the quality of financial reporting. Moreover, the study come up with several recommendations, the most important one is to force the companies listed in Iraqi Stock Market to apply IFRS 15 due to its role in ensuring the transparency and the quality of financial reporting.

(Altajia and Alokdeh, 2019) The impact of the implementation of international financial reporting standards no.15 on improving the quality of accounting information

This study specified its purpose in examining the effect of adopting IFRS 15 on the accounting information quality in terms of relevance and faithful representation in Jordan from the external auditors who work at the Big Four companies' point of view. From the purpose, the study could determine one main hypothesis to be tested using Descriptive statistics, which is, there is statistically no significant impact of applying IFRS 15 on improving the quality of accounting information.

However, the study mainly used the analytical descriptive approach through designing a questionnaire and distributing it to 100 of individuals (practitioners of the auditing profession or authorized external auditors) of the Big Four audit companies in Jordan.

Finally, the study's results rejected the null hypothesis, as there is a statistically significant impact of the implementation of the IFRS 15 on improving the quality of accounting information from the perspective of external auditors at the Big Four audit companies in Jordan, as well as on improving the relevance and faithful representation of accounting information included in the reports. Moreover, the authors find that Jordanian companies face significant difficulties in implementing IFRS 15 when preparing their financial statements, and they recommend keeping investors and other decision makers informed of the results of the study to help them rationalize their investment decisions and raise their awareness about IFRS 15.

(Al-taie, 2019) The Impact of IFRS 15 on Earnings Quality in businesses such as hotels: critical evidence from the Iraqi environment

The purpose of the study is to examine the impact of adopting IFRS 15 on accounting profits quality in the Iraqi environment as it was assumed that the adoption would enhance the quality of the accounting profits. The motivation increased after being aware that the adoption eliminates any inconsistency when recognizing revenues and establishes a comprehensive framework for variety types of contracts. To achieve such

purpose, questionnaires were distributed to 63 academics and professionals who teach the applications of accounting standards.

However, to analyze the collected data from the questionnaires, the study used the descriptive statistics tools. The results showed that there was no significant relationship between adopting IFRS 15 and the accounting profits quality in the Iraqi environment due to not following the general International Accounting and Reporting standards in Iraq. On the other hand, they confirmed that adopting IFRS 15 is necessary, as any increase in the adoption will lead to an increase in the accounting profits quality. The study recommended to develop the Iraqi accounting standards and to adopt IFRS 15 - Revenue from Contracts with Customers which will improve the profits quality.

(Gaber, 2018). The impact of the application international financial reporting standard (IFRS 15) on the financial reports of Egyptian telecoms companies - Applied study.

This study seeks to investigate in the ability of applying IFRS 15 on the financial statements of the Egyptian Telecommunications companies by conducting interviews with individuals with positions within finance or other department, and by recalculating revenues generated from the contracts with customers retroactively taken from the financial statements which cover 3 years (from 2015 – 2017). The study adopts descriptive statistical approach to test the hypotheses and to identify the dependent and independent variables. The study results stated that there is a statistically significant effect at the level of significance ($\alpha \le 0.05$) when applying IFRS 15 to the total revenues of the Egyptian telecommunications companies. Finally, the study recommends the finance department to apply IFRS 15, moreover, it encourages accountants, auditors and financial analysts to deeply study the standard.

Table 2.2: A summary of literature review.

Authors / Year	Study Title	Country / Sample	Study Methodology	Main Findings
(Morawska, 2021)	The impact of the IFRS 15 implementation on the revenue-based earnings management in Poland	Poland / 80 listed entities on the Warsaw Stock Exchange (WSE) Poland from 2016 to 2019	Caylor's (2010) model	Applying IFRS 15 decreases earnings management practices aimed at avoiding losses and earnings decreases
(Belsom and Berhe, 2021)	The Implementation of IFRS 15 across Europe A study on the effect of implementing IFRS 15 on value relevance in 10 European Countries	European countries / 1830 firms with 9150 observations listed in Denmark, Finland, Germany, Italy, France, Norway, Spain, Poland, and Sweden, Belgium, the Netherlands and Luxembourg (BeNeLux).	Ohlson's Linear Information Model (LIM)	IFRS 15 has improved the relationship stock price, earnings per share and book value per share but the change couldn't be consistent across the countries.
(Piosik, 2021)	Revenue recognition in achieving consensus on analysts' forecasts for revenue, operating income and net earnings: the role of implementing IFRS 15. Evidence from Poland.	Poland / 46 companies listed on the Warsaw Stock Exchange (WSE) for 2016-2019, operating in four sectors	Stubben approach	If a small amount of discretionary revenue could not be achieved by the end of the fourth quarter, IFRS 15 would not have an impact on it. Moreover, IFRS 15 will result in an increase in discretionary revenues when pre-managed operating income for the fourth quarter is slightly below consensus.
(Van Wyk, and Coetsee, 2020)	The adequacy of IFRS 15 for revenue recognition in the construction industry.		Doctrinal Research	IFRS 15 – five-step model- is a suitable framework for the recognition of the revenue of construction contracts

(Marco, Carlo, Giorgia, Niccolò, and Marco, 2019)	Does the IFRS 15 impact earnings management? Initial evidence from Italian listed companies	Italy / 23 companies (13 companies operating in the Telecommunication industry and 10 companies operating in the Utilities industry) from 2001 - 2017	Jones Model	Adopting the standard affected the Telecommunication industry more than the Utilities industry
(Bernoully and Wondabio, 2019)	Impact of Implementation of IFRS 15 on the Financial Statements of Telecommunication Company (Case Study of PT XYZ)	Indonesia / The telecommunication company PT XYZ – case study	A qualitative analysis of primary and secondary data collected from interviews, observations and literature	Implementing IFRS 15 in PT XYZ would affect many things, mainly the revenue recognition, financial reporting preparation processes and the internal control environment
(Skog, 2018)	IFRS 15: Revenue from contracts with customers	Finland	A qualitative research method – conducting an interview with Pia Mery Mery	Financial reporting has become more detailed as IFRS 15 gives directions to recognize revenues and handle obligations.
(Khersiat, 2020)	Impact of the Application of IFRS 15 on the Profitability of Jordanian Telecom Companies (Case Study: Jordan Orange Telecom)	Jordan / The telecommunication company Jordan Orange – case study	Statistical analysis	The standard affected the relationship between contract revenues (voice services revenues, data services revenues and other services revenues) and ROA and ROE
(Maqt, 2019)	Effect of the application of IFRS 15" Revenue from contracts with customers" on the quality of financial reporting.	Iraq / 423 individuals (187 practitioners of the auditing profession and 236 academics in Iraqi universities)	Analytical descriptive approach / Questionnaires	There is a strong correlation between IFRS 15 and the quality of financial reporting
(Altajia and Alokdeh, 2019)	The impact of the implementation of international financial reporting standards no.15 on improving the	Jordan / 100 practitioners of the auditing profession or authorized external auditors of the Big Four audit companies	Analytical descriptive approach / Questionnaires	There is a statistically significant impact of implementing IFRS 15 on improving the quality of accounting

	quality of accounting information			information and the relevance and faithful representation of accounting information included in the reports.
(Al-taie, 2019)	The Impact of IFRS 15 on Earnings Quality in businesses such as hotels: critical evidence from the Iraqi environment	Iraq / 63 academics and professionals who teach the applications of accounting standards	Analytical descriptive approach / Questionnaires	No significant relationship between adopting IFRS 15 and the accounting profits quality in the Iraqi environment as the general International Accounting and Reporting standards are not followed.
(Gaber, 2018).	The impact of the application international financial reporting standard (IFRS 15) on the financial reports of Egyptian telecoms companies - Applied study.	Egypt / Egyptian Telecommunications companies from 2015 - 2017	Descriptive statistical approach	The is a statistically significant effect when applying IFRS 15 to the total revenues of the Egyptian telecommunications companies

2.2.3. What does make this study unique?

Revenues are the major interest of all financial users, whether they are managers, investors, government and others. Studying the new standard (IFRS 15) and analyzing its impact on earnings quality is very important as it reflects how to recognize revenues and how the financial statements will be presented.

However, the "Effect of Implementing IFRS 15 on Earnings Quality in Palestinian Listed Corporations" study is different and unique for several reasons which are:

- The first study to investigate the effect of IFRS 15 on earnings quality using analytical approach particularly in Palestine and generally in the Arab countries, taking into consideration that Arab studies adopt pure descriptive statistics.
- 2. It finds out how the effect of IFRS 15 varies between the different industries (Service, Investment and Manufacturing).
- 3. Palestine is considered as a special case country; therefore, the sample was very selected containing of the financial statements of 15 companies for 8 years (four years before the adoption of IFRS 15 and four years after that).
- 4. This study would be the starting point for new researches in this topic.

CHAPTER THREE: STUDY METHODOLOGY AND DESIGN

3.0 Introduction

This section includes two main headlines, first which is about discussing the sample of the study and data collection, while the second covers the models and variables used to test the hypotheses.

3.1 Data Collection and Sample Selection

This study focuses on Palestinian listed companies that have adopted IFRS 15. However, we have employed sampling techniques to choose the most appropriate sample. The original population consists of 48 companies, but only 15 companies were selected from three different sectors and based on three main criteria; first, these companies have adopted IFRS 15, second, published financial statements and data for the period 2014 - 2021, third, nonfinancial and banking firms due to their different financial accounting considerations and fundamentals. The sample includes 3 companies which operate in the Service sector, 7 companies are registered as Investment companies and 5 Manufacturing companies. Table (3.1), below, lists the 15 companies and their sector.

Table 3.1: Final Sample – Company Name and Its Sector

Company Name	Symbol	Sector
Palestine Electric Company	PEC	Service
Palestine Telecommunications Company	PALTEL	Service
Ooredoo Palestine	OOREDOO	Service
Arab Investment Company	ARAB	Investment
Palestine Development and Investment Co - PADICO HOLDING	PADICO	Investment
Arab Palestinian Investment Company	APIC	Investment
Palestine Real Estate Investment Co.	PRICO	Investment
Al-Wataniah Towers Company (Abraj)	ABRAJ	Investment
Aqariya Investment	AQARIYA	Investment
Palestine Investment and Development, Ltd.	PID	Investment
Birzeit Pharmaceutical Company	BPC	Manufacturing
Jerusalem Cigarette Co. Ltd.	JCC	Manufacturing
Jerusalem Pharmaceuticals Co. Ltd.	JPH	Manufacturing
National Aluminum and Profile Co.	NAPCO	Manufacturing
The National Carton Industry Company	NCI	Manufacturing

Figure (3.1) mirrors the portions for each sector in our sample. The highest percentage is related to the Investment companies (47%), then comes the Manufacturing companies with a percentage of (33%), and finally the Service companies represent the 20%.



Figure 3.1: The distribution of the companies to the sectors.

3.2 Sample Construction:

There are two types of data; primary and secondary data. Primary data are real-time, factual, more reliable and original data collected for the first time and not published yet by the researcher during the researching journey using several sources such as surveys, interviews, and focus groups (Streefkerk, 2022). While secondary data are past data, collected to analyze the primary data from several sources; such as websites, articles and journals, and government publications (Lowry, L., 2015).

This study uses secondary data represented in financial reports extracted from the companies' official websites and the Palestine Exchange (PEX) website. The data are divided as before-IFRS 15 (2014-2017) and after-IFRS 15 (2018-2021) as shown in the below figure (3.2).



Figure 3.2: IFRS 15 adoption and the sample.

Panel data (longitudinal data or cross-sectional time-series dataset) consist of quantities that are gathered from multiple individuals over even time intervals and arranged chronologically (Miller and Yang, 2007). Researchers collect panel data over several time periods to examine a number of phenomena regarding the same group of units or entities (Moffatt, 2019). We need to specify the identifier that distinguishes between data records, so if the data records can be uniquely identified with both time and non-time-related identifiers, then the data set is panel data, while the data set belongs to a time series if the identifier is a time data field in contrast to data sets that can be uniquely identified by a non-time identifier which are cross-sectional data (Krishnan, 2022). The main advantages of using panel data are increasing the number of observations and reducing the omitted variable bias (Wooldridge, 2006).

There are two types of balanced and unbalanced panels. A balanced panel states that all observations in the samples are the same, exactly the same as this study sample. While an unbalanced panel means that observations in one period of a random survey are not exactly the same as those in another (Miller, Yang, K.,2007). Many researchers agree that balanced panels are preferred than unbalanced because the statistical power will be greater and the test statistic will be less affected by small deviations from the assumption of equal variances (Glen, 2018).

To make it clear, our study data are panel data (a balanced panel) as they provide financial information on 15 companies (cross-sectional data) across 8 years (time series data). Therefore, the total number of observations is 120 observations (15 companies * 8 years). The data will be analyzed using SPSS Statistics software and Microsoft Excel.

3.3 Models and Variables:

In this section, we will present two main models that will highlight the relation between the adoption of IFRS 15 and earnings quality, which are Modified Jones Model – discretionary accruals (John, 1995) and Ohlson Model – value relevance (Ohlson, 1995).

3.3.1 Estimation of Discretionary Accruals – Modified Jones Model:

Discretionary accruals have been used as a measurement of the extent of earnings management using various models such as Dechow et al. (1995), Jones (1991) and Kothari et al. (2005). This study adopts Modified Jones Model (1995) to calculate the nondiscretionary accruals. The motivation for choosing this model is that it is still the best approach to detect earnings management compared to all other methods in the educational circles (Chen, 2010).

However, referring to (Almaharmeh, and Masa'deh, 2018), and with finding discretionary accruals, the nondiscretionary accruals will be calculated using Modified Jones (1995) by following three main steps:

Step One:

Equation 1

$$\frac{TA_t}{LTA_t} = a_1 \frac{1}{LTA_t} + a_2 \frac{\Delta REV_t}{LTA_t} + a_3 \frac{PPE_t}{LTA_t} + \varepsilon_t$$

Where;

- 1. TA_t : Total assets in year t.
- 2. LTA_t : Lagged total assets in year t.
- 3. ΔREV_t : The change in Sales Revenues (Revenues in year *t* Revenues in year *t*-1).
- 4. PPE_t : The level of gross property, plant and equipment in year t.
- a₁, a₂, a₃ and a₄: Alphas, coefficients or parameters that must be estimated to calculate the NDACC using the ordinary least squares (OLS)
- 6. ε_t : Residuals or Error term in year *t*, Abnormal Accruals (DACC).

Step Two:

According to the model developed by Jones (1995); the Discretionary or Abnormal Accruals ($DACC_t$) is the difference between the Total Accruals ($TACC_t$) and the Non-discretionary Accruals ($DACC_t$) as shown below:

Equation 2

$$DACC_t = \frac{TACC_t}{LTA_t} - NDACC_t$$

Where:

- DACC_t: Abnormal accruals; discretionary accruals that are measured using Jones (1995) model.
- 2. **TACC**_t: Total Accruals in year t.
- 3. LTA_t : Lagged total assets in year t.
- 4. **NDACC**_t: Total non-discretionary accruals in year t.

Step Three:

Now, we can calculate the nondiscretionary accruals for Modified Jones Model (1995) using the following equation:

Equation 3

$$NDACC_t = a_1 \frac{1}{LTA_t} + a_2 \frac{\Delta REV_t - \Delta REC_t}{LTA_t} + a_3 \frac{PPE_t}{LTA_t}$$

Where;

- 1. **NDACC**_t: Total Nondiscretionary accruals in year t
- 2. *LTA_t*: Lagged total assets in year *t*.
- 3. ΔREV_t : The change in Sales Revenues (Revenues in year *t* Revenues in year *t*-1).

- 4. ΔREC_t : The change in Account Receivable (Account Receivable in year t Account Receivable in year t-1).
- 5. PPE_t : The level of gross property, plant and equipment in year t.
- 6. a_1, a_2, a_3 and a_4 : Alphas, coefficients or parameters.

Control Variables

For such model and according to previous studies, the preferred control variables are the company size and leverage.

1. Company size (SIZE):

Many studies have observed that company size affects the earnings management. (Naz, 2011) believes that small sized companies were less involved in earning management as compare to medium and large size companies. On the other hand, other studies, such as (Rusdiyanto, 2020), have found that company size has no effect on earnings management. In this study, we expect that the company size is related in a way or another to earnings management.

Company size can be divided into three main categories; large, medium and small companies. This can be identified from the company's total assets, as it will be calculated by the natural logarithm of total assets.

$$SIZE = \ln (Total Assets)$$

2. Leverage (LEV):

In an attempt to increase shareholder value without issuing stocks, companies use leverage to finance their assets. Leverage measures the company's ability to guarantee total liabilities with total company assets, and it can be calculated by the following equation:

$$LEV = \frac{Total \ Liabilities}{Total \ Assets}$$

Many studies proved that there is a strong and positive relationship between leverage and earnings management. One of them is (Jelinek, 2007) who argued that any increase in leverage will lead to reduce earnings management, and vice versa, moreover, companies which have high leverage ratios tend to practice earnings management reports because of their fears to not fulfill the obligations and paying debts on time.

The Empirical Regression Model

Based on all previous equations and clarifications, we can end up with one suitable model to be tested in this study and to observe and examine the effect of implementing IFRS 15 on earnings quality as follows:

Equation 4

$$|DACC_t| = a_0 + a_1 IFRS \ 15 \ dummy \ (1,0) + a_2 \ SEC_t + a_3 SIZE_t + a_4 LEV_t + \varepsilon_t$$

This model includes one dependent variable, which is the absolute value of discretionary accruals $|DACC_t|$, and two main independent (dummy) variables [*IFRS* **15** *and SEC*_t]. The control variables, as mentioned before, are the company size (SIZE) and leverage (LEV). These variables are defined as following:
- |DACC_t|: The absolute value of discretionary accruals in year t; estimated by Modified Jones Model (1995), as calculated in equation 2.
- 2. *IFRS* **15**: A dummy variable that takes the value 0 for period before adoption IFRS 15 (Before-IFRS 15) and 1 for period after adoption IFRS 15 (After-IFRS 15).
- 3. SEC_t : A dummy variable that represents the sector in which the company has activities, it takes 0 if Service, 1 if Investment and 2 if Manufacturing.
- SIZE_t: Company size, which is calculated by the natural logarithm of company's total assets.
- 5. LEV_t : Financial Leverage, company's ability to guarantee total liabilities with total company assets, therefore, it is calculated by dividing total liabilities by total assets.

2.3.2. Value Relevance Measurement – Ohlson's Price Model

Several models and methods are used to measure value relevance, but the regression at the price level (the price model) is the most accurate model as it reflects the accounting information when they are evaluated, taking into consideration the market conditions and fluctuations.

According to (Devalle, 2010), value relevance indicates that the financial statement information can capture and summarize information that impacts share values and prediction, moreover, it is predicted that companies with high quality earnings exhibit higher value relevance of earnings and equity book value.

This study adopts Ohlson model due to its importance in examining the improvements on the value relevance of accounting information in the before-IFRS 15 and after-IFRS 15 periods and in investigating whether adopting IFRS 15 has enhanced value relevance among Palestinian listed companies.

The Model:

The model includes one dependent variable and two independent variables which are presented as below;

Equation 1

$$P_t = a_0 + a_1 EPS_t + a_2 BVPS_t + \varepsilon_t$$

Where:

- 1. P_t : Stock Price of the company in year t.
- 2. **EPS_t**: Earnings per share in year t.
- 3. **BVPS**_t: Book value per share in year t.
- 4. ε_t : Error term that includes the effects of any unspecified factors on the stock valuation.

In light of the fact that Palestinian listed companies have been presenting their financial statements in accordance with IFRS 15 for almost 5 years (2018 - 2022), it is necessary to evaluate whether adopting IFRS 15 has improved the value relevance of accounting information. Therefore, this study will evaluate whether overall book value is value relevant in determining stock prices and whether accounting information has improved in the after-IFRS 15 periods (2018-2021).

Many studies have examined the value relevance of financial information by using a modified price model (Ohlson, 1995), which incorporates two major indicators from financial reports; book value per share (Balance Sheet) and earnings per share (Income Statement).

For this purpose, a panel regression analysis will be conducted to determine the explanatory powers of BVPS and EPS on Stock Price for the two periods before-IFRS 15 and after-IFRS 15 using their R^2 and to compare between them. The findings will

show whether the relationship between BVPS and EPS and Stock Price is stronger in for the Palestinian listed companies after adopting IFRS 15.



Figure 3.3: Earnings Quality and IFRS 15 Main Model.

CHAPTER FOUR: DATA ANALYSIS, HYPOTHESES TESTING AND DISCUSSIONS

4.0 Introduction

This section presents the data analysis to test the four main hypotheses; two of them are related to Modified Jones Model – discretionary accruals (John, 1995) and the others are related to Ohlson Model – value relevance (Ohlson, 1995). All tests used for analysis and investigations are analyzed using SPSS Statistics software.

4.1 Data Validity

4.1.1. Tests of Normality

There are many tests used to test normality. Here, in table (4.1), two main tests are adopted; Kolmogorov-Smirnova and Shapiro-Wilk. Both tests are used in an attempt to test the null hypothesis which clearly states that the data are normally distributed; so, if P-Value is less than the level of significance 0.05 (P-Value < 0.05); then we reject the null hypothesis as the data are not normally distributed. The difference between these two tests is that the Shapiro-Wilk Test is mostly adopted and much more appropriate for small sample sizes which are less than 50 samples, but this test can also deal with larger sample sizes up to 2000. (Testing for Normality using SPSS Statistics when you have only one independent variable, n.d.).

		Kolmog	orov-Smirr	10V	Shapiro-Wilk			
IFRS	15	Statistic	df	Sig.	Statistic	df	Sig.	
Disc	PRE	.167	60	.000	.825	60	.000	
Accrual	POST	.158	60	.001	.829	60	.000	
	PRE	.092	60	.200	.954	60	.024	
Size	POST	.090	60	.200	.943	60	.008	
	PRE	.125	60	.021	.944	60	.008	
Leverage	POST	.120	60	.030	.940	60	.006	

Table 4.1: Tests of Normality

However, as shown above, the Kolmogorov-Smirnov test as well as the Shapiro-Wilk test results indicate that Disc Accrual and Leverage do not follow a normal distribution before and after the adoption of IFRS 15 as their sig. values are less than the level of significance 0.05. On the other hand, Size has different results; based on the Kolmogorov-Smirnov test, it does follow normal distribution Pre-IFRS 15 and Post-IFRS 15 as the P-value (0.200) is greater than 0.05, while as per the Shapiro-Wilk test; Size is not normally distributed Pre-IFRS 15 and Post-IFRS 15 as the P-values (0.024; 0.008) are less than 0.05 level of significance.

4.1.2. Multicollinearity

Multicollinearity is a common assumption that people test before choosing variables in a regression model. It occurs when the independent variables of the regression model are highly correlated with each other; which will in turn make the model much difficult to interpret and will raise the issue of overfitting (Wu, 2021). However, there are many tests that can performed on multicollinearity to ensure that the model is properly specified and working properly, and Variance Inflation Factor (VIF) is one of these tests.

Variance Inflation Factor (VIF) estimates the inflation of the variance of a regression coefficient due to multicollinearity in the model and it is as calculated as a part of regression analysis (Glen, 2020). In other words, VIF measures the severity of multicollinearity in regression analysis. This is a statistical concept that shows that the variance of the regression coefficients increases as a result of collinearity. It is known that the higher the VIF, the less reliable the regression results. In general, VIFs greater than 10 show high correlation and cause concern, while other researchers suggest a more conservative level of 2.5 and above. In some cases, you don't have to worry about high VIF at all (Corporate Finance Institute, 2022).

As noticed in table (4.2) below, VIF value for all independent variables (IFRS 15, Size and Leverage) is much less than the accepted value 10 with a value of 1.008, 1.224 and 1.227 respectively, which indicates that there is no multicollinearity in the independent variables.

	VIF
IFRS15	1.008
Size	1.224
Leverage	1.227

Table 4.2: VIF Analysis

Moreover, there is another classical assumption test in the regression model which is Heteroskedasticity. Well, heteroskedasticity refers to the situation where the variances of the residuals are not equal over the range of measurements; so, if it exists, then it results in an unequal scatter of the residuals which is the error term (Corporate Finance Institute, 2022b).

Heteroskedasticity can be detected by several tests such as; Bartlett Test, Breusch Pagan Test, Score Test, and F Test (Hayes, 2022). In our analysis, we will depend on creating the Heteroscedasticity Chart Scatterplot Test using SPSS. However, if a particular pattern in the SPSS scatter plot graph is noticed, then it is confirmed that there is a problem of heteroscedasticity. On the other hand, if there is no clear pattern and no propagating dots, then this indicates that there is no heteroscedasticity problem.

Based on figure (4.1), we can conclude that there is no heteroscedasticity problem as there is no clear pattern and the dots are spread as well.



Figure 4.1: Scatterplot to test Heteroskedasticity

4.2. Descriptive Statistics

The collected data were deeply analyzed for the period before (PRE) and after (POST) the adoption of IFRS 15 as summarized in table (4.3). The results indicate that the means of the Discretionary accrual (Disc Accrual), Company Size (Size) and Leverage increased after adopting IFRS 15. Disc Accrual increased from 0.0442 to 0.0697; Size increased from 17.7759 to 17.9852; while Leverage rose from 0.3206 to 0.3543. Regarding the 5% Trimmed Mean (a truncated mean), it was very close to the regular mean that was interpreted in the previous point. Before implementing IFRS 15, Disc Accruals, Size and Leverage has the trimmed mean of 0.0401; 17.7725; and 0.3133 respectively, then it became 0.624; 17.9782; and 0.3564 respectively as well.

Table 4.3: A Summary	of the	Descriptive	• Statistics	for the	collected data.
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DESCRII STATIS	DESCRIPTIVE STATISTICS		5% Mean Trimmed Median Mean		Variance	Std. Deviation	Minimum	Maximum
Disc	PRE	.0442	.0401	.0331	.002	.03981	.000	.17
Accrual	POST	.0697	.624	.0561	.004	.06198	.000	.31
	PRE 17.7		17.7725	17.7855	2.921	1.70921	14.95	20.74
Size	POST	17.9852	17.9782	18.0960	2.456	1.56730	15.39	20.59
	PRE	.3206	.3133	.2984	.049	.22248	.02	.80
Leverage	POST	.3543	.3564	.4007	.039	.19805	.01	.68

However, the median did also increase for Disc Accrual, Size and Leverage. Before implementing the standard, Disc Accrual, Size and Leverage has the median of 0.0331; 17.7855; and 0.2984 respectively; but then after IFRS 15, these medians increased to 0.0561; 18.0960; and 0.4007 respectively.

For the variance which is used to measure the variability; we can notice that the variance for Disc Accrual increased from 0.002 to 0.004 after the adoption. However, for Size, the variance decreased from 2.921to 2.456, as well as the variance of Leverage from 0.049 to 0.039.

The Std. Deviation which measures the spread of the observations; so the larger the standard deviation is, the more spread out the observations are. For Disc Accrual, Std. Deviation increased after the adoption (from 0.03981 to 0.06198), while for Size and Leverage, it decreased from 1.70921 to 1.56730 and from 0.22248 to 0.19805 respectively.

However, Disc Accrual scored the smallest value which was 0 before and after IFRS 15. Size and Leverage had different minimum values (Size: 14.95 before the standard and 15.39 after IFRS 15; and Leverage: 0.02 Pre-IFRS 15 and 0.01 Post-IFRS 15). On the other hand, the maximum values for the variables vary. Before implementing IFRS 15; Disc Accrual, Size and Leverage had the maximum values of 0.17, 20.74 and 0.80 respectively. While after the implementation; the values were 0.31, 20.59 and 0.68 respectively.

4.3. T-Tests Statistics

T-test is preformed to provide hints about the population and to compare the means of two groups. It is an inferential statistical hypothesis test, by which we may reject the null hypothesis which states that the means for the two populations are equal when the p-value is less than 0.05 level of significance (Frost, 2022).

Table 4.4: Independent Samples Test

F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
---	------	---	----	-----------------	-----------------

Disc Accrual	4.501	0.036	-2.678	118	0.008	-0.02547
Size	0.671	0.414	-0.699	118	0.486	-0.20928
Leverage	0.706	0.402	-0.878	118	0.382	-0.03376

For our data, we will observe the means of the data for the variables (Disc Accrual, Size and Leverage) before and after adopting IFRS 15 by conducting Independent Sample T Test as included in table (4.4).

For Disc Accrual, the P-Value (0.036) is less than the level of significance 0.05; therefore, we reject the null hypothesis and accept the alternative one as the two-population means are not equal. On the other hand, Size and Leverage have a P-Value of 0.414 and 0.402 respectively; which are much higher than the level of significance 0.05; so, we accept the null hypothesis and equal variances assumed.

4.4. Correlation Matrix

In this part of analysis, we will examine the correlation between the variables based on table (4.5). Statistically speaking, correlation measures the degree to which two factors or variables are related (Jain, 2022b). Both the Pearson coefficient calculation and basic linear regression help in determining how statistical variables are linearly related (Nickolas, 202). Pearson Correlation measures the strength and direction of the linear relationship between two variables. In general, the correlation coefficient has a range from -1 to +1; the coefficient greater than 0 indicates a positive relationship while a value less than 0 signifies a negative relationship; so, -1 indicates a perfect negative correlation, 0 indicates no correlation and if a variable is correlated with itself, then it has the value of 0 as well, and +1 indicates a perfect positive correlation (UCLA, 2021).

Here in our study, we are seeking to examine the correlation between the dependent variable (Disc Accrual) and the other variables as clarified in table (4.5). We can notice that there is a weak and positive correlation between Disc Accrual and each of; IFRS 15 (23.9%) and Leverage (16.1%). On the other hand, there is a weak and negative relationship between Disc Accrual and Size by -10.5%. However, it is worth mentioning to not equate positive with strong and negative with weak, as a relationship between two variables may be positive, but that doesn't mean the relationship is strong. Therefore, a weak positive correlation indicates that both variables tend to increase in response to each other, but the relationship is not very strong. While a strong negative correlation shows a strong association between two variables, but when one variable decreases, the other increases and vice versa (Cherry, 2022).

		Disc Accrual	IFRS15	Size	Leverage
	Pearson Correlation	1	.239**	-0.105	0.161
Disc Accruai	Sig. (2-tailed)		0.008	0.255	0.078
1ED C1 5	Pearson Correlation		1	0.064	0.081
11 K 515	Sig. (2-tailed)			0.486	0.382
Sizo	Pearson Correlation			1	.427**
Size	Sig. (2-tailed)				0
Lovorago	Pearson Correlation				1
Leverage	Sig. (2-tailed)				

Table 4.5: Correlations Analysis

Regarding the Significance (2-tailed) value which essentially represents the risk of presenting a correlation between the variables when none exists, so the results are subject to error (Jain, 2022b). However, as table (4.5) shows; only IFRS 15 is acceptable as its

Sig values equals 0.008 and which is less than 0.05 level of significance. The other variables – Size (0.255) and Leverage (0.078) are not acceptable as their Sig values exceed the acceptable level of significance 0.05.

However, for IFRS 15; we can see that there is a weak and positive correlation with both Size (6.4%) and Leverage (8.1%). Moreover, the Sig. values for Size (0.486) and Leverage (0.382) are greater than 0.05; therefore, they are not acceptable.

Size has completely different results. There is a strong and positive correlation with Leverage by 42.7%. It is also noticed that Leverage and Size are acceptable as their Sig values is 0 which is less than the level of significance (0.05).

4.5. Hypotheses Testing:

4.5.1. Modified Jones Model – discretionary accruals (John, 1995):

Modified Jones Model – discretionary accruals (John, 1995) is the first main model to investigate the impact of adopting IFRS 15 on earnings quality in Palestine. However, there is a need to test the first main hypothesis H_1 as clarified below:

 H_1 : There is a statistically significant impact of implementing IFRS 15 on earnings quality using Modified Jones Model – discretionary accruals (John, 1995).

The model for testing the first hypothesis is as follows:

$$|DACC_t| = a_0 + a_1 IFRS 15 dummy (1,0) + a_2 SIZE_t + a_3 LEV_t + \varepsilon_t$$

Many statistical tests were used to investigate H_1 ; starting with Descriptive Statistics and ending with the Coefficient Analysis until we can disclose that H_1 is accepted or rejected. Table (4.6) summarizes the needed tests to accept or reject H_1 , taking into consideration that the coefficient analysis is the main test to accept or reject the hypotheses.

For coefficient analysis, it clearly highlights the strength of the relationship between the variables and how much the independent variable affects the dependent variable; which will in turn help in performing the hypothesis testing (Jain, 2022a). However, table (4.6) below shows that there is a positive relationship between Leverage and Disc Accruals, so when Leverage increases by 1, then the Disc accrual increases by 0.06. On the other hand, there is a negative relationship between Size and Disc Accrual, that is, if Size increases by 1, then Disc Accrual decreases by 0.007. In addition to that, we can see that the sig values for both Leverage and Size is less than 0.05 level of significance, therefore, both of them do affect Disc Accruals, also their t-value is as well acceptable.

Moreover, it is worth mentioning that there is a positive relationship between IFRS 15 and the dependent variable Disc Accrual, therefore; the Disc Accrual increases by 0.025 when IFRS 15 is applied. In addition to that, we can notice that the Sig value for IFRS 15 (0.008) is less than 0.05 and the t-value (2.677) is acceptable as it is greater than 2, therefore; we can conclude that we reject the null hypothesis and accept H_1 which obviously states that there is a statistically significant impact of implementing IFRS 15 on earnings quality using Modified Jones Model – discretionary accruals (John, 1995).

Independent Variables		Coeffic	cients		R	egression .	ANOVA		
	B	Std.	Std. t Error t	Sig.	R	R	Adjusted R	F	Sig
	D	Error				Square	Square	•	Dig.
(Constant)	0.153	0.054	2.858	0.005	0 343	0.117	0.095	5.146	0.002
IFRS15	0.025	0.009	2.677	0.008	- 0.343				

Table 4.6: Analysis Summary for H_1

Size	-0.007	0.003	-2.288	0.024
Leverage	0.06	0.025	2.451	0.016

The model will be presented as;

$|DACC_t| = 0.153 + 0.025 \, IFRS \, 15 \, dummy \, (1,0) - 0.007 \, SIZE_t + 0.06 \, LEV_t + \varepsilon_t$

Referring to table (4.6), we can also notice that the Sig value for Size and Leverage is less than 0.05 (0.024 and 0.016 respectively). Moreover, it is shown that all t-values as well are acceptable; as Leverage has a t-value of 2.451 which is greater than 2; and Size has a t-value of -2.288 which is less than the acceptable t-value -2.

Regarding the R Square, we can explicitly notice that it shows the total variation of Disc Accrual that can be explained by the independent variables equals 11.7%, this indicates that there is a very weak relationship between Disc Accruals and the other variables (IFRS 15, Size and Leverage). It is worth taking into consideration that as per previous researches; low R Square values are not always problematic; as when R Square is low, it is perfectly predicted that P values will be low as well, which does still indicate that there is a real relationship between the significant predictors and the independent variables (Minitab Blog Editor, 2013).

ANOVA section presented in table (4.6) is to find out if the model is significant enough to determine the outcome. The p-value is 0.002 which is less than 0.05 level of significance; this confirms that the result is significant and any changes in IFRS 15, Leverage and Size will significantly affect Disc Accrual. Moreover, it is crucial to investigate the F-ratio which represents an improvement in variable prediction by fitting the model after taking into consideration the uncertainties that exist in it (Jain, 2022a). However, as F-ratio (5.146) is greater than 1; then the model is good and efficient

4.5.2. The effect of IFRS 15 on earnings quality according to sectors:

The 15 Palestinian listed corporations included in this study are divided into 3 main sectors which are; Service, Manufacturing and Investment. Some prior studies such as Marco, Carlo, Giorgia, Niccolò, and Marco (2018) which highlighted the idea that the effect of IFRS 15 on earnings quality varies depending on the sector, stating that Telecommunications (the Service sector) are much affected than other due to the high degree of earnings management variation.

However, to test the second hypothesis (H_2) which is shown below; it is essential to conduct statistical tests per sector to recognize how IFRS 15 affects earnings quality in each sector separately. Each sector will be interacted to the dummy variable IFRS 15, starting with the Service sector, then the Manufacturing and Investment sectors.

 H_2 : There is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in all sectors (Investment, Manufacturing and Service) using Modified Jones Model – discretionary accruals (John, 1995).

The regression model for testing the second hypothesis includes the independent variable Sector (SEC) and its interaction with IFRS 15 is as follows:

 $|DACC_t| = a_0 + a_1 IFRS \ 15 \ dummy \ (1,0) + a_2 \ SEC_t + a_3 SEC * IFRS \ 15_t + a_4 SIZE_t + a_5 LEV_t + \varepsilon_t$

This independent variable "SEC" presents the sector where the corporations operate in. As shown preciously in chapter 3 in table (3.1) and figure (3.1), this study includes 15 corporations which operate in three different sectors; 7 Investment corporations, 3 Service corporations and 5 Manufacturing companies. Table (4.7) highlights the major analysis conducted for this section as a whole not per sector. Before the interaction between IFRS 15 and each sector, we can notice that each sector generally has a Sig. value of zero which is less than 0.05; and their t-values exceed 2; therefore, we can say that these sectors do affect discretionary accrual. We should also state that there is a strong and positive relationship between Disc Accrual and each sector. Moreover, Size and Leverage do affect Disc Accrual as their Sig values are 0 and 0.001 respectively, in addition to the t-value of -4.437 and 3.503 respectively; but leverage does have a positive relationship with Disc Accruals, so when Leverage increases by 1, then Disc Accruals increase by 0.081, unlike Size which has a negative relationship with Disc Accruals, that is, when Size increases by 1, Disc Accruals decrease by 0.015.

Independent		Coeffic	cients		R	ANOVA			
Variables	В	Std. Error	t	Sig.	R	R Square	Adjusted R Square	F	Sig
Size	-0.015	0.003	-4.437	0.000					
Leverage	0.081	0.023	3.503	0.001					
Service	0.341	0.063	5.425	0.000	0.804	0.646	0.631	41.96	0
Investment	0.296	0.057	5.227	0.000					
Manufacturing	0.269	0.056	4.810	0.000					

Table 4.7: Analysis for Jones Model including all sectors without the interaction with IFRS 15

It is worth mentioning that the R Square for the overall model including the three sectors equals 0.646; which indicates that this regression model is effective to examine how including the three sectors together to the test would affect our results.

In addition to that, the ANOVA test -presented in table (4.7)- shows that p-value is zero which clearly indicates that the result is significant, and if the three sectors

(Manufacturing, Investment and Service), Leverage and Size change, then this change will significantly have an impact on Disc Accrual. Regarding the F-ratio, as per the table, it equals 41.955 (much greater than 1), therefore, the model is good and efficient.

Now, we should analyze each sector separately starting with the Service sector, and then come the manufacturing and investment ones.

For the Service sector, the regression model will include the interaction between the Service sector and the dummy variable IFRS 15 as below:

$$|DACC_t| = a_0 + a_1 IFRS \ 15 \ dummy \ (1,0) + a_2 \ Service_t + a_3 \ Service * IFRS \ 15 \ t + a_4 SIZE_t + a_5 LEV_t + \varepsilon_t$$

As noticed in table (4.8); the coefficient analysis was observed to emphasize whether IFRS 15 affects earning quality in the Service sector or not. We can notice that there is a positive relationship between the adoption of IFRS 15 in the Service sector (Serv*IFRS15) and the dependent variable Disc Accrual, so adopting this standard will increase the Disc Accrual by 0.019. However, the Sig value for the interaction between IFRS 15 and this sector is 0.374 which is much greater than 0.05 level of significance, also the t-value for the interaction equals 0.893 which is much less than 2; this in turn indicates that earnings management is high in the service sector and leads us to conclude that there is no impact for adopting IFRS 15 on earnings quality in the Service sector.

It is worth stating that the Service sector does affect Disc Accrual, as proved in table (4.7), but table (4.8) shows that this sector has a Sig value of 0.007 < 0.05, t-value of 2.735 > 2, and it also has a positive relationship with Disc Accrual, this may indicate that the service sector itself does affect the earnings quality. In addition to that, IFRS 15 alone has a positive relationship with Disc Accrual, also its Sig value (0.024) is less than 0.05, t-value equals 2.288 which is greater than 2; so, we can bring the attention to the

idea that that's right earnings management increased, but this increase may be resulted from other reasons or variables than IFRS 15.

Independent		Coeffi	cients		R	egression A	ANOVA		
Variables	В	Std. Error	t	Sig.	R	R Square	Adjusted R Square	F	Sig.
(Constant)	0.266	0.056	4.786	0.000		0.253	0.221	7.734	
IFRS15	0.022	0.010	2.288	0.024					0.000
Service	0.045	0.016	2.753	0.007	0 502				
Serv*IFRS15	0.019	0.022	0.893	0.374	0.303				0.000
Size	-0.014	0.003	-4.299	0.000					
Leverage	0.071	0.023	3.107	0.002					

Table 4.8: The results for analyzing the Service sector

However, for the other independent variables, Size has negative relationship with Disc Accrual in the service sector, so when size increases by 1, Disc Accruals in the Service sector decreases by 0.014, unlike Leverage which has a positive relationship with Disc Accruals. Moreover, Size and Leverage have a Sig value of 0.000 and 0.002 respectively which is less than 0.05, and their t-value is accepted. Therefore, these two variables do have a significant relationship with Disc Accruals.

As per table (4.8), briefly; R Square equals 25.3% which is considered as a sufficient percentage to state that there is a real relationship between the dependent variable Disc Accrual and the independent variables. However, for ANOVA analysis, it is shown that the p- value is zero < 0.05; so, any changes in the independent variables will affect Disc Accrual in a significant way. Also, to examine if the model in the Service sector is

efficient, the F-ratio was examined and its value is 7.734 (greater than 1) which confirms that the model is good and efficient.

The Manufacturing sector has somehow the same results. We can represent the regression model for this sector by interacting the Manufacturing sector and the dummy variable IFRS 15 as follows:

$|DACC_t| = a_0 + a_1 IFRS 15 dummy (1,0) + a_2 Manufacturing_t$ $+ a_3 Manufacturing * IFRS15_t + a_4 SIZE_t + a_5 LEV_t + \varepsilon_t$

Independent		Coeffi	cients		Re	egression	ANOVA		
Variables	В	Std. Error	t	Sig.	R	R Square	Adjusted R Square	F	Sig.
(Constant)	0.215	0.054	4.014	0.000		0.221	0.187	6.474	
IFRS15	0.029	0.011	2.653	0.009					
Manufacturing	-0.032	0.013	-2.380	0.019	0 471				0.000
Man*IFRS15	-0.01	0.019	-0.558	0.578	0.471				0.000
Size	-0.01	0.003	-3.331	0.001					
Leverage	0.072	0.023	3.076	0.003					

Table 4.9: The results for analyzing the Manufacturing sector

In regards to the coefficient analysis; the interaction between IFRS 15 and the Manufacturing sector has a negative relationship with Disc Accrual, therefore an increase in Man*IFRS15 will lead to a decrease in Disc Accruals by 1%. Moreover, this interaction scored the highest Sig value (0.578) which is much greater than the accepted level of significance 0.05; and its t-value equals -0.558 which is not accepted at all, so there is no impact for adopting IFRS 15 on earnings quality in the Manufacturing sector,

this indicates that there is earnings management increased in this sector, but IFRS 15 is not the only or main reason.

We should mention here that unlike the interaction between the sector and IFRS 15; we can notice that the Manufacturing sector and IFRS 15 have a Sig value of 0.019 and 0.009 < 0.05 and a t-values of -2.380 < -2 and 2.653 > 2; therefore, this sector affects earnings quality and earnings management is low. Moreover, the relationship is negative between Disc Accruals and Manufacturing Sector and a positive one between IFRS and Disc Accruals.

However, the Sig value for Size and Leverage is less than 0.05; and t-value for both of them is accepted as they are whether greater than 2 or less than -2. So, we can also state that there is no impact for adopting IFRS 15 on earnings quality in the Manufacturing sector. It is noticed that also in the manufacturing sector, Size has a negative relationship with the Disc Accrual, while Leverage has a positive relationship with him.

R Square is 22.1%, therefore, regardless of this value, we can say that there is a weak relationship between the dependent and the independent variables. On the other hand, and based on ANOVA; we can notice that the F-ratio is 6.474 > 1; so, the model is efficient and that the p- value is zero < 0.05 so when the independent variables change, Disc Accrual will change as well.

Last but not least; the Investment sector is interacted with IFRS 15 as shown in the below regression model:

$$|DACC_t| = a_0 + a_1 IFRS \ 15 \ dummy \ (1,0) + a_2 \ Investment_t \\ + a_3 \ Investment * IFRS \ 15_t + a_4 SIZE_t + a_5 LEV_t + \varepsilon_t$$

As shown in table 4.10, we can notice that Investment*IFRS15 has a negative relationship with Disc Accruals. Moreover, the Sig value is 0.857 > 0.05 and the t-value equals -0.181 which is not accepted, therefore; there is no impact for adopting IFRS 15 on earnings quality in the Investment sector.

Independent		Coeffi	cients		Regression Analysis			ANOVA	
Variables	В	Std. Error	t	Sig.	R	R Square	Adjusted R Square	F	Sig.
(Constant)	0.147	0.056	2.644	0.009			0.081 3	2.025	0.012
IFRS15	0.026	0.013	2.064	0.041	-	0.119			
Investment	0.006	0.013	0.440	0.661	0.045				
Inv*IFRS15	-0.003	0.019	-0.181	0.857	0.545			5.085	
Size	-0.007	0.003	-2.195	0.030					
Leverage	0.061	0.025	2.461	0.015					

Table 4.10: The results for analyzing the Investment sector

That's true that when observing table (4.10), we find that the investment sector by itself has a positive relationship with Disc Accruals, which means that Disc Accruals increases in the investment sector and earnings quality decreases. Also, the investment sector doesn't affect Disc Accruals, as its Sig value (0.661) is much higher than 0.05, and its t-value (0.440) is not accepted.

Referring to the previous table (4.10); R Square equals 11.9%; which only indicates that there is a very weak relationship between Disc Accrual and the independent variables. For ANOVA; the F-ratio is 3.085 (greater than 1); therefore; the model is good and efficient; also, the p- value is zero < 0.05 so any changes occur in the independent variables change will lead to changes in Disc Accrual as well.

Finally, from this stand of point, and after the deep individual analysis for each sector; we realize and conclude that there is no statistically significant impact of implementing IFRS 15 on earnings quality of companies in different sectors (Investment, Manufacturing and Service) using Modified Jones Model – discretionary accruals (John, 1995); therefore, we reject H_2 .

4.6. Ohlson Model – value relevance (Ohlson, 1995)

In this section, the value relevance of the overall financial information depending on the modified price model (Ohlson, 1995) will be carefully investigated. In order to determine the explanatory power of BVPS and EPS on the Share Price; many steps were followed which are; first, splitting the collected data on Excel into two periods "BEFORE and AFTER" based on when the standard was adopted, second, importing such data to SPSS, third, using the Linear Regression Test, and finally comparing R Square between the two periods.

However, we can notice that the highest mean is related to Book Value per Share "1.643532", then Share Price "1.6025" and finally Earning per Share "0.1081947" for data before adopting the standard. While after the implementation of IFRS 15; the means of the variables changed. Share price mean is 1.7507, EPS mean is 0.1393385, while BVPS mean is 1.807735 which is the highest mean. See table (4.11).

The indicator	Mean - Before IFRS 15	Mean - After IFRS 15
Share Price	1.6025	1.7507
BVPS	1.643532	1.807735
EPS	0.1081947	0.1393385

Table 4.11: The means of Share Price, BVPS and EPS before and after the adoption

4.6.1. Multicollinearity

To examine multicollinearity; we will investigate in the Variance Inflation Factor (VIF) as it measures the severity of multicollinearity in regression analysis. However, based on table (4.12), VIF value for each of EPS (2.495), BVPS (2.492) and IFRS 15 (1.008) is very small and much less than 10; therefore, we can state that there is no multicollinearity in the independent variables.

Table 4.12: Testing multicollinearity for EPS, BVP and IFRS 15 using VIF

	VIF
EPS	2.495
BVPS	2.492
IFRS15	1.008

4.6.2. Hypothesis Testing:

We will interpret the correlation and the statistical analysis for the collected data before and after implementing IFRS 15 as summarized in tables (4.13) and (4.14).

Table 4.13: Correlation analysis for the collected data before and after adopting IFRS15.

Correlation Analysis		Before	e IFRS 1	5	After IFRS 15		
		Share Price	EPS	BVPS	Share Price	EPS	BVPS
Pearson Correlation	Share Price	1	0.854	0.856	1	0.837	0.859
	EPS	0.854	1	0.768	0.837	1	0.798
	BVPS	0.856	0.768	1	0.859	0.798	1
Sig. (1-tailed)	Share Price		0	0		0	0
	EPS	0		0	0	•	0
	BVPS	0	0	•	0	0	•

Statistical 7	Fests	Before IFRS 15	After IFRS 15	
		R	.910	.895
Linear Regression Test	R Square Adjusted R Square		.827	.801
			.821	.794
	F		136.438	114.597
ANOVA	Sig.		.000	.000
	В	Constant	.157	.082
		EPS	3.252	3.543
Coefficients		BVPS	.665	.650
coefficients		Constant	0.000	.624
	Sig.	EPS	0.001	.000
		BVPS	0.000	.000

Table 4.14: The summary of Linear Regression, ANOVA, and Coefficients analysis before and after adopting IFRS 15.

4.6.2.1. Before adopting IFRS 15:

Before the adoption, and referring to table (4.13) which is related to the correlation between the dependent variable (Share Price) and the independent variables (Earnings per share and Book value per share), this indicates that there is a strong and significant correlation between Share Price and both EPS and BVPS by 85.4% and 85.6% respectively.

Moreover, table (4.14) shows that there is a strong and significant relationship between the dependent variable (Share Price) and the independent variables (Book Value per Share and Earnings per Share) as R equals 91%. While R Square equals 82.7% which means that the Share Price is affected by the change of the independent variables (BVPS and EPS) by 82.7%, and this is considered as a very significant effect. Regarding the Adjusted R Square (0.821), it indicates that the independent variables (BVPS and EPS) explain the variation of the dependent variable (Share Price) by 82.1%, and the remaining percentage (17.9%) is related to other independent variables that explain 17.9% of the variation of the dependent variable (Share Price) but are not included in this model.

However, P-value < 0.05 in the ANOVA test, this indicates that any changes in the independent variables (BVPS and EPS) will affect significantly on the dependent variable (Share Price). Also as noticed; the coefficient of Earnings per Share is much higher and is relatively large, compared to the coefficient of Book Value per Share. For the Sig. value, we can notice that both EPS and BVPS are significant as their Sig value is (0.000 < 0.05). See table (4.14)

The Multiple Regression Equation:

 $Y = 0.157 + 3.252 X_1 + 0.665 X_2 + \varepsilon_t$

 X_1 : Earnings per Share , X_2 : Book Value per Share

4.6.2.2. After adopting IFRS 15:

Based on table (4.13); there is also a strong correlation between Share Price and EPS by 83.7% and between Share Price and BVPS by 85.9% after the adoption. Moreover, the Linear Regression analysis shown in table (4.14) confirms that there is a significantly strong relationship between the Share Price and BVPS and EPS as R equals 89.5% after implementing the standard. One the other hand, R Square equals 80.1%, this shows that the Share Price is significantly affected by any changes in BVPS and EPS by 80.1%. However, the Adjusted R Square (0.794) indicates that BVPS and EPS interprets the variation of the Share Price by 79.4%, while 20.6% of the variation relates to other independent variables that are not investigated in our model.

However, based on ANOVA test as presented later in table (4.14), P-value < 0.05, so we can state that any change in BVPS and EPS significantly correlate with shifts in Share Price. We should also mention that both EPS and BVPS are significant as their Sig value is 0.000 which is less than 0.05. Moreover, EPS has higher and large coefficient of 3.543 compared to BVPS's coefficient (0.650).

The Multiple Regression Equation:

$$Y = 0.082 + 3.543 X_1 + 0.650 X_2 + \varepsilon_t$$

 X_1 : Earnings per Share , X_2 : Book Value per Share

4.6.2.3. Summary of Overall Analysis:

The adoption of IFRS 15 did affect the value relevance of share price measured by BVPS and EPS. We could notice that before and after the adoption of the standard, there is a strong correlation between Share Price and Earnings per share and Book value per share, but the difference is that after the adoption of the standard, the correlation between Share Price and EPS declined a little bit (by 1.7%). On the other hand, there was a very slight increase in the correlation between Share Price and BVPS by 0.3%.

Regarding the regression analysis, before implementing IFRS 15, the Share Price was affected by the independent variables (BVPS and EPS) more than after the implementation, but the difference is not very significant. As investigated above, R Square before adopting IFRS is 82.7%, while after the adoption; R Square decreased to 80.1%.

Therefore, according to the analysis, the value relevance has significantly declined after the adoption of IFRS 15; therefore, we can reject the null hypothesis and accept the third hypothesis H_3 as there a statistically

significant impact of implementing IFRS 15 on earnings quality using Ohlson Model – value relevance (Ohlson, 1995).

4.6.3. Value Relevance Analysis based on Sectors:

Implementing IFRS 15 has various effects on sectors. Therefore, the collected data were split into 3 main groups based on sectors (Service, Manufacturing and Investment); then the data were analyzed using the Linear Regression Test on SPSS in order to test the fourth hypothesis H_4 which states that there is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in all sectors (Investment, Manufacturing and Service) using Ohlson Model – value relevance (Ohlson, 1995).

To begin with, according to many studies conducted by the Big Four in relation to the forecast of the impact that IFRS 15 would have in different sectors, the Service industry was ranked as the most affected industry by IFRS 15, especially the telecommunications industry due to the complex nature of the elements of revenue contracts entered into with its customers (KPMG, 2016).

Sector	KPMG	EY	Deloitte	PWC
Insurance	Medium	Medium/ Low	N/A	N/A
Building and construction	Medium	Medium/ High	Medium	Medium
Retail and consumer goods	Medium	Medium	Medium	Medium
Licensors (media, life science, franchisors)	Medium/ High	N/A	Medium	Medium
Real estate	Medium	N/A	Medium	Medium
Technology	Medium	N/A	Medium/ Low	High
Telecommunication	High	High	High	High
Energy (mining, oil and gas)	Medium	Medium	Medium	Low
Transport	Medium	N/A	N/A	Low

Figure 4.2: Forecast of the impact of IFRS 15 by sectors (KPMG, 2016)

However, in this study, table (4.15) shows that there is a strong and significant relationship between the dependent variable (Share Price) and the independent variables (BVPS and EPS) before and after adopting the standard, as R equals 97.3% and 96.3% respectively, but we can notice that R decreased after the adoption by 1%. For R Square; we can see that it also decreased after adopting the standard from 94.7% to 92.8% (a decrease of 1.9%), although the decrease is insignificant; this indicates that unlike the Big Four forecasts, there is an impact of implementing IFRS 15 on earnings quality of companies in Service sector using Ohlson Model – value relevance (Ohlson, 1995) but the impact is negative and insignificant as the value relevance decreased after the adoption in this sector. This may be because of the insufficient data and the small number of Palestinian listed companies operating in this sector especially in this study (Palestine Electric Company, Palestine Telecommunications Company and Ooredoo Palestine).

Statistical Tests So	ervice S	Before IFRS 15	After IFRS 15	
	R		0.973	0.963
Linear Regression Test	R Square		0.947	0.928
	Adjusted R Squ		0.935	0.912
		F	80.487	57.980
ANOVA	Sig.		0	0.000
		Constant	0.657	0.146
	В	EPS	4.834	0.226
Casfficients		BVPS	0.359	1.112
Coefficients		Constant	0.079	0.561
	Sig.	EPS	0.066	0.870
		BVPS	0.393	0.000

Table 4.15: The statistical analysis for Service Sector and Value Relevance:

However, regarding the coefficient analysis, before implementing IFRS 15; the table shows that there is a positive relationship between Share Price and both EPS and BVPS, so whenever EPS increases, then Share price increases by 4.834, and whenever BVPS increases, Share price increases by 0.359. Moreover, these two independent variables

(EPS and BVPS) have a Sig value greater than 0.05, therefore, these variables don't have a significant relationship with Share Price before the adoption. The Multiple Regression Equation before adopting IFRS 15 in the Service sector can be presented as:

$$P_t = 0.657 + 4.834 EPS + 0.359 BVPS_t + \varepsilon_t$$

 X_1 : Earnings per Share , X_2 : Book Value per Share

For ANOVA test, the P-value is 0 before and after the adoption, and which is less than 0.05; this indicates that any changes in BVPS and EPS will affect the dependent variable (Share Price).

On the other hand, after the adoption, we can notice that there is still a positive relationship between Share Price and both EPS and BVPS. Moreover, EPS has a Sig value of 0.870 > 0.05, while BVPS has a Sig value of 0 which is less than 0.05, this indicates that only BVPS has a significant relationship with Share Price after the adoption. The Multiple Regression Equation after the adoption in the Service sector can be presented as:

$P_t = 0.146 + 0.226EPS + 1.112 BVPS + \varepsilon_t$

 X_1 : Earnings per Share , X_2 : Book Value per Share

Regarding the Manufacturing sector, we can find out that, as per table (4.16), R Square decreased by 0.8% after adopting IFRS 15 (from 86.6% to 85.8%), therefore, Value relevance decreased in this sector and we can state that there is an impact of implementing IFRS 15 on earnings quality of companies in Manufacturing sector using Ohlson Model – value relevance (Ohlson, 1995), but value relevance decreased as well.

Table 4.16: The statistical analysis for Manufacturing Sector and Value Relevance

Statistical Tests Mar	ufacturing Sector	Before IFRS 15	After IFRS 15
Linear Regression Test	R	0.931	0.927
	R Square	0.866	0.858
	Adjusted R Square	0.851	0.842

ANOVA		F	55.133	51.564
	Sig.		0.000	0.000
Coefficients		Constant	-1.29	-0.642
	В	EPS	2.591	3.209
		BVPS	1.317	0.877
	Sig.	Constant	0.003	0.142
		EPS	0.002	0.085
		BVPS	0.000	0.004

In this sector, ANOVA test also shows that the P-value is 0 < 0.05 before and after the adoption, so any changes in BVPS and EPS in the manufacturing sector will affect the Share Price.

However, based on the coefficient analysis, we can notice that there is also a positive relationship between the independent variables (EPS and BVPS) and Price share before and after the adoption. Moreover, we can notice that before IFRS 15, all these independent variables have a significant relationship with Share price as their Sig. value is less than the level of significance 0.05 (EPS: 0.002, BVPS: 0). While after IFRS 15, only BVPS has a significant relationship with Share price as its Sig value is 0.004 < 0.05.

The Multiple Regression Equation for the Manufacturing sector can be presented as: Pre-IFRS 15:

$P_t = -1.290 + 2.591 EPS + 1.317 BVPS_t + \varepsilon_t$

 X_1 : Earnings per Share , X_2 : Book Value per Share

Post-IFRS 15:

$$P_t = -0642 + 3.209 EPS + 0.877 BVPS_t + \varepsilon_t$$

 X_1 : Earnings per Share , X_2 : Book Value per Share

In regards to companies operating in the Investment sector, R Square has increased after adopting IFRS 15 from 45% to 51.2% (an increase by 6.2%) as shown in table (4.17) below, which means that Value Relevance increased in this sector and there is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in Investment sector using Ohlson Model – value relevance (Ohlson, 1995).

Statistical Tests	Investmen	Before IFRS 15	After IFRS 15	
]	R	0.671	0.716
Linear Regression Test	R Square		0.450	0.512
	Adjusted	R Square	0.406	0.473
	F		10.220	13.117
ANOVA	Sig.		0.001	0.000
	В	Constant	0.927	0.816
		EPS	3.031	4.121
Coofficients		BVPS	0.071	0.062
Coefficients	Sig.	Constant	0.000	0.002
		EPS	0.001	0.000
		BVPS	0.634	0.738

Table 4.17: The statistical analysis for Investment Sector and Value Relevance

However, ANOVA results are the same as the results in the Service and Manufacturing sector. P-value before and after the adoption is less than 0.05 level of significance; therefore, if BVPS and EPS change, then Share Price will significantly change.

Moreover, table (4.17) shows that BVPS and EPS have positive relationship with Share Price pre and post IFRS 15, so if any independent variable increases, then Share price increases. In addition to that, EPS has a Sig value which is less than 0.05 before and after the adoption, unlike BVPS which has a Sig value higher than 0.05 level of significance, so only EPS has a significant relationship with Share price.

The Multiple Regression Equation for the Investment sector is presented as follows: Pre-IFRS 15:

$$P_t = 0.927 + 3.031 EPS + 0.071 BVPS_t + \varepsilon_t$$

 X_1 : Earnings per Share , X_2 : Book Value per Share

Post-IFRS 15:

 $P_t = 0.816 + 4.121 EPS + 0.062 BVPS_t + \varepsilon_t$

 X_1 : Earnings per Share , X_2 : Book Value per Share

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This is the last section in the study. It includes the main conclusions of our study and highlights some recommendations which may be helpful for any future researches.

5.1 Conclusion

The main purpose of this thesis is to examine the effect of adopting the International Financial Reporting Standard 15 – Revenues from Contracts with Customers on earnings quality of 15 Palestinian listed corporations for the period from 2014 to 2021. To achieve this purpose; two main models were tested which are Discretionary Accruals (Modified Jones Model, 1995) and Value Relevance Measurement (Ohlson's Price Model, 1995).

After testing the first hypothesis; the results show that there is a positive relationship between the independent variables IFRS 15 and Leverage and the dependent variable discretionary accruals, while the relationship is negative between Size and discretionary accruals. Moreover, the results conclude that there is a significant effect of implementing IFRS 15 on the earnings quality of the 15 Palestinian corporations, which means IFRS 15 increased earnings quality and this in turn leads us to accept the first alternative hypothesis H_1 , this result also agrees with (Piosik, A., 2021).

On the other hand, we tested the second alternative hypothesis by testing each sector separately. The most important conclusion is that all sectors have earnings management, but this earning management varies between these sectors. First, the service sector proves that it has an effect on earnings quality by itself, but when it was interacted with the standard, the results differed and showed that earnings management is high so there is no impact for adopting IFRS 15 on earnings quality in the Service sector. Moreover, it was noticed that there is a positive relationship between all independent variables IFRS 15, Service, Service*IFRS 15 and Leverage and the dependent variable discretionary accruals, while there is a negative relationship between Size and discretionary accruals. To sum up, the effect wasn't noticed in the Service sector when using Modified Jones Model (Jones, 1995), unlike Marco, T., Carlo, R., Giorgia, M., Niccolò, P., and Marco, P., (2019) which stated that adopting IFRS 15 at least affects the telecommunication (Service) sector. Second, the Manufacturing sector has the same results; as the sector itself does affect earnings quality, but its interaction with IFRS 15 shows that earnings management is high too and therefore, there isn't any effect for implementing IFRS 15 on earnings quality in the manufacturing sector. However, the results also say that there is a positive relationship between both IFRS 15 and Leverage and the dependent variable, on the other hand, there is a negative relationship between Manufacturing sector and its interaction with IFRS 15 and Size and the dependent variable. Third, the Investment sector differs from the other sectors. The sector alone and its interaction with IFRS both don't have an impact on earnings quality. In addition to that, the results indicate that IFRS 15, Investment and Leverage have positive relationship with discretionary accruals, while the interaction with IFRS 15 and Size have negative relationship with discretionary accruals. To sum up; we reject H_2 stating that there is no statistically significant impact of implementing IFRS 15 on earnings quality of the 15 Palestinian companies in the three sectors (Investment, Manufacturing and Service) using Modified Jones Model – discretionary accruals (John, 1995).

After testing the third alternative hypothesis H_3 , we could find that before and after implementing IFRS 15, all independent variables (EPS and BVPS) have positive relationship with Share Price. Also, the regression analysis explicitly states that BVPS and EPS affected Share Price more before IFRS 15. In addition to that, the results could conclude that value relevance declined after implementing IFRS 15 and IFRS 15 doesn't improve earnings quality using Ohlson Model (Ohlson, 1995) unlike other studies which found that IFRS 15 does improve the relationship between share price and EPS and BVPS such as (O. Belsom and Y. Berhe, 2021). This leads us to reject the null hypothesis and accept the third alternative hypothesis H_3 as there a statistically significant impact of implementing IFRS 15 on earnings quality using Ohlson Model – value relevance (Ohlson, 1995).

Regarding the fourth and final alternative hypothesis H_4 , we analyzed each sector separately to investigate whether there is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in all sectors (Investment, Manufacturing and Service) using Ohlson Model - value relevance (Ohlson, 1995). For the Service sector, the results show that both EPS and BVPS have a positive relationship with Share Price before and after the implementation, also R Square had an insignificant decline after IFRS 15, so Value Relevance decreased after the adoption. These results are similar to the Manufacturing sector results; as BVPS and EPS do have positive relationship with Share Price, and R Square also decreased insignificantly after IFRS 15, therefore, Value Relevance did also decline. In regards to the Investment sector, R Square increased significantly after implementing IFRS 15 unlike the other sectors, which means that value relevance increased in the investment companies, and similarly to the previous sectors, both EPS and BVPS have a positive relationship with the Share Price (Pre and Post IFRS 15). So, we can come up with the result that when IFRS 15 was adopted; R Square decreased in both the service and manufacturing sector, which makes value relevance decrease, while R Square increased in the Investment sector, so value relevance increased.

Finally, we accept the main alternative hypothesis H_1 which states that there is a statistically significant impact of implementing IFRS 15 on earnings quality when using Ohlson Model in general, while we reject H_2 which says that there is a statistically significant impact of implementing IFRS 15 on earnings quality of companies in different sectors (Investment, Manufacturing and Service) using Modified Jones Model – discretionary accruals (John, 1995). On the other hand, we accept both hypotheses H_3 and H_4 stating that there is a statistically significant impact of implementing IFRS 15 on earnings quality of the 15 Palestinian companies in the Service and Manufacturing sectors. Moreover, it is essential to state that using the two models to achieve the study purpose and getting the same results make our study much verifiable, as the value relevance results support the Jones Model results,

5.2 **Recommendations**

This study is the first in Palestine and in the Arab world that focuses on investigating the effect of implementing IFRS 15 on earnings quality using analytical approach. The results differ from previous researches; therefore, we should pay attention to the limitations. From this point, we recommend researchers to have deeper analysis for the effect of IFRS 15 on earnings quality in general and per sector by including more listed corporations, increasing the sample size and including other sectors such as Financial and Insurance sectors. In addition to that, we recommend to apply the same methodology and use the same models in the Middle East to establish a comparison between the two study; or to apply the same methodology in other countries that have different financial and political situation. Finally, this study contributes on the enrichment of Arab literature as it brings new models to be tested rather than focusing only on descriptive analysis.
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الملخص باللغة العربية

تهدف هذه الدراسة إلى التحقق من أثر تطبيق المعيار الدولي لإعداد التقارير المالية رقم 15 على جودة ـ أرباح 15 شركة فلسطينية مدرجة للأعوام من 2014 إلى 2021، إضافة إلى معرفة إذا كان الأثر يختلف بين القطاعات التي تعمل فيها هذه الشركات (قطاع الخدمات، قطاع الاستثمار، والقطاع الصناعي). ولتحقيق هذه الغاية؛ فقد تم الاستعانة بنموذجين رئيسيين للتحليل وهما؛ أولا، نموذج جونز المعدل والخاص بالاستحقاقات التقديرية (Jones, 1995)، ونموذج Ohlson المتعلق باختبار ملاءمة القيمة (Ohlson, 1995). تعتبر هذه الدراسة الأولى من نوعها التي تبحث في أثر تطبيق هذا المعيار باستخدام المنهج التحليلي، بالإضافة إلى دورها في لفت الانتباه الى أهمية تعزيز المصداقية عند الاعتراف بالإيرادات. تتكون هذه الدراسة من بيانات مقطعية متمثلة بالقوائم المالية لخمسة عشر شركة تغطى 8 أعوام من 2014 ولغاية 2021، وبالتالي فإن إجمالي عدد الملاحظات هو 120 ملاحظة. وتنقسم هذه الشركات إلى 3 شركات خدماتية؛ و7 شركات استثمارية و5 شركات صناعية. كما ويتم تقسيم البيانات المالية إلى قسمين أساسيين، بحيث أن القسم الأول يتضمن القوائم والبيانات المالية للفترة قبل تطبيق المعيار أي من 2014 حتى 2017؛ أما القسم الثاني فيتضمن باقى البيانات المالية للفترة ما بعد تطبيق المعيار من 2018 إلى 2021 مع التأكيد على أنه قد تم تطبيق المعيار رسميًا والزاميًا في .2018/01/01

أثبتت النتائج أنه اعتمادا على نموذج جونز المعدل الرئيسي؛ فإنه يوجد أثر ذات دلالة إحصائية لتطبيق المعيار الدولي لإعداد التقارير رقم 15 على جودة الأرباح؛ إلا أنه لم تتأثر جميع القطاعات بتطبيق المعيار عند استخدام هذا النموذج. أما بالنسبة لنموذج Ohlson Model، فأفادت النتائج أنه يوجد أثر ذات دلالة إحصائية لتطبيق المعيار على جودة الأرباح بشكل عام عند قياس القوة التفسيرية بين سعر السهم وربحية والقيمة الدفترية للسهم، وإضافة لتأثيره على كافة القطاعات، لكن فقط في قطاع الاستثمار زادت ملاءمة القيمة.

أخيرًا، نوصي بدراسة كيفية اختلاف تأثير المعيار الدولي لإعداد التقارير المالية رقم 15 بين مختلف القطاعات من خلال وجود عدد كبير من الشركات المدرجة لكل قطاع وفي أوضاع سياسية ومالية مختلفة؛ إضافة إلى تطبيق نفس النموذج في الشرق الأوسط لمعرفة كيف يختلف اعتماد نموذج جونز ونموذج أولسون بين الدول والاقتصادات المختلفة.