

# IFRS adoption and accounting conservatism in Latin America

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## Abstract

**Purpose** The purpose of this paper is to analyze the impact of IFRS mandatory adoption on accounting conservatism and to shed light on the drivers of such impact. **Design/methodology/approach** Using a sample of listed firms for five Latin American countries, the authors analyze the relation between mandatory adoption of International Financial Reporting Standards and the conditional accounting conservatism of earnings. **Findings** The authors find evidence that IFRS adoption boosts earnings conservatism. This result is robust and heterogeneous. The results also show that the effect of IFRS differs across firms and countries. Specifically, the impact of IFRS adoption is higher for low-earnings-quality firms and for firms with high levels of investment opportunities. **Practical implications** The results suggest that IFRS adoption in Latin America has enhanced comparability of financial information both across and within countries. **Originality/value** This paper contributes to the literature by providing new evidence on the drivers of the impacts of IFRS adoption in emerging markets.

## Keywords

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