Mandatory IFRS Convergence and Analysts Following

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This study contributes to extant literature in answering what kind of firm is benefited most under International Financial Reporting Standards (IFRS) convergence strategy. We investigate specifically on how the change in level of information transparency through IFRS convergence influences analysts’ forecast behavior. Specifically, as the information agency, analysts play a vital role in communicating information between investors and capital market and will help with the information environment of firms affected by IFRS convergence. We assessed the disclosure level for all listed and OTC companies in Taiwan from 2005 to 2012. Our empirical results show that firms with poor information transparency tend to have more analysts following. Further analysis provides evidence that small size, closely held, and lower visible firms win more analysts’ forecasts. However, taking IFRS convergence effects into accounts, firms with lower transparency still have no positive impact on the accuracy of analyst forecasts and financial analysts insignificantly tend to issue optimistic forecasts in order to acquire private information from the management. Given the debate about whether mandatory IFRS adoption is beneficial to all, our results give something renewed.

Keywords: Convergence; International Financial Reporting Standards; Analyst Following;

Data Availability: Data are publicly available.

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