

ABSTRACT

A financial statement reflects a company's management performance. However, accounting information stated in the financial statement can be biased and irrelevant for the sake of decision making if the company's management performs earnings management actions. In addition, the variety of accounting standards used in various countries also contribute to reducing the relevance of accounting information for decision making due to lack of comparability aspects in related financial statements. Currently, many countries have started convergence of their accounting standards with the IFRS. This convergence is carried to increase the comparability and relevance of financial statements. This research attempts to investigate whether the IFRS convergence occurring in Indonesia, Malaysia, and Thailand, is able to improve the quality of accounting information in these countries and to investigate whether the country business environment strengthens the relationship between the IFRS convergence and the quality of accounting information.

This research implemented a robust regression method, with the quality of accounting information as the dependent variable, the IFRS convergence as the independent variable, while company performance (ROA), leverage, the percentage change in ordinary shares outstanding that occurs in the current period (EISSUE), increase in liability (DISSUE), and profitability in the previous period (LAGLOSS) as the control variables. This research also made use of the country business environment (CBE) as a moderating variable. The samples involved in this research were manufacturing companies listed on the Indonesia Stock Exchange (BEI) in the 2009-2015 period with a total of 86 companies, the Thailand Stock Exchange (SET) in the 2007-2013 period with a total of 146 companies, and the Malaysia Stock Exchange (MYX) in the 2009- 2015 with a total of 150 companies. In this research, the quality of accounting information was proxied by accrual earnings management, while the country business environment was proxied by the index of economic freedom.

The research results showed that the IFRS convergence in Indonesia, Malaysia and Thailand was able to reduce earnings management practices. This had an impact on improving the quality of accounting information stated in financial statements. Also, the results revealed that the country business environment strengthened the relationship between the IFRS convergence and the quality of accounting information. In this case, the country business environment strengthened the continuity of the IFRS convergence to improve the quality of accounting information, especially in Indonesia, Malaysia and Thailand.

Keywords: the IFRS convergence, accrual earnings management, economic freedom index, manufacturing companies, country business environment.