

## Impact of 2008 Financial Crisis on Earnings Quality: IFRS and US GAAP Differential Case of France and United States

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### Abstract

The purpose of this paper is to evaluate the impact of 2008 financial crisis in two countries adopting two different accounting and financial systems: France (IFRS) and United States (US GAAP). From two French and American samples of 4030 firm-year observations, we found significant discrepancies between the two countries and within the same country. For French companies, only the persistence was degraded during 2008 and this deterioration mitigated after the year of the crisis. However, the effect of the crisis on the earnings quality of US companies was paradoxical: negative effect on predictability, value relevance and timeliness and positive effect on conservatism and without effects on earnings management.

**Keywords:** Earnings quality; Proxies; Financial crisis; Accounting proxies; Predictability; Persistence; Smoothness; Accruals; Value relevance; Timeliness; TLR; TPR; Conservatism; IFRS; US GAAP

### Introduction

The 2008 financial crisis, although still unfolding, offers a unique opportunity to study its likely effects on the financial reporting quality of firms in the affected countries. For one reason, this is the largest crisis to happen since 1929 in Europe and America, not to mention its magnitude and duration.

The empirical research on the impact of 2008 financial crises on affected countries focuses on the crises' likely effects on the performance of international and domestic financial institutions [1]. However, recent evidence by Kutan et al. [2] shows that financial crises bear strong effects not only on the financial sector but also on the real economy sector of the affected countries. In particular, real economy firms face two sorts of problems due to the crisis. First, the poor macroeconomic conditions have deteriorated their operating activities, due to the large reductions in their sales. Second, the near collapse of the banking sectors and the capital markets of these countries have led to shortage in liquidity. These two problems interact. Firms with sustainable real operations have higher likelihood of obtaining financing from either the banks or the market. Moreover, firms with big needs in external financing have a higher disclosure level [3]. Therefore, firms that rely on external financing and struggle with liquidity problems have very strong incentives for increasing their financial reporting quality in order to attract prospective investors. The main contribution of this paper is to compare earnings quality in two different accounting, financial and social environments during the crisis of 2008 while using several proxies (7 proxies) of the earnings quality. These proxies are classified according to three perspectives: accounting perspective, market and accruals. Previous research is mixed. Kousenidis et al. [4] analyzed the management of results in five European countries applying IFRS during the period 2005-2012. They concluded that the management of results declined during the period of the crisis. The same results were found in New Zealand by Habib et al. [5]. Similarly for the smoothing of the results, Filip and Raffournier [6] showed that the smoothing of accounting information in general and profits in particular decreases during the crisis period for French companies and Spanish companies, however, studied the effect of the 2008 financial crisis in eighteen industrialized countries. They classified these countries into three groups according to the level of investor

protection. The first group includes the United States and the second group includes a set of countries applying IFRS. They concluded that overall earnings quality deteriorated during the crisis. However, the deterioration is more intense in the countries with low protection of investors and the proxies did not follow the same direction of variation.

### Literature Review

#### Earnings quality under us GAAP and IFRS

The accounting standard-setters (FASB/IASB) conceptual framework identifies relevance and representational faithfulness as the fundamental qualitative characteristics that determine the quality of accounting information for making economic decisions. Accounting earnings information is relevant if it is capable of making a difference in users' decision making; that is, if it has predictive or confirmatory value, or both. This information can be a perfectly faithful representation if it is complete, neutral, and free from error (FASB/IASB, 2010: Chapter 3). Some previous research suggests that the IFRS adoption and strong legal enforcement are fundamental determinants of high-quality financial statement information [7-10]. A further and likely important determinant of the quality of accounting information is the adoption of International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). More than 134 countries currently permit or require IFRS, including the EU countries, Australia, New Zealand, and many developing countries. Since the announcement of IFRS adoption, national accounting differences have decreased and the present international accounting setting provides an opportunity to examine why there are differences in earning quality. The United States (US) is one of those nations that have started the process towards replacing their domestic reporting standards, in this case US Generally Accepted Accounting Principles (US GAAP), for IFRS. Since the US Securities and Exchange Commission (SEC)

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released a roadmap for IFRS adoption in the US in 2008, an intensive debate amongst advocates and opponents of IFRS followed [11]. Although the US SEC had planned to make the final decision on IFRS adoption in 2011 accordingly to their roadmap for all publicly listed companies, they failed to do so. Therefore, the debate about a possible mandatory IFRS adoption is now still going on in the US. As more and more countries in the world have started to adopt IFRS as their main financial reporting language, the debate amongst advocates and opponents has consequently become more intense. Prior research has found evidence that the US has already been affected by the worldwide IFRS adoption in such a way that US firms have become less attractive to foreign investors since IFRS became a more dominant uniform reporting language than US GAAP [12]. Thus, the attractiveness of a country by international investors is positively related to the use of IFRS as dominant reporting language. According to the SEC foreign issuers possess the largest amounts of US treasurers in the world. Therefore, foreign issuers have a strong presence in the US economy. In addition, there are many companies that are rivalries of the US in terms of size, growth and technology. In order to make their decision upon whether to choose to reconcile under either IFRS or US GAAP, i.e., voluntary IFRS adoption, it is essential for foreign issuers to outweigh the pros and cons of both standards. Much of the prior research that has been written on the effects of IFRS and US GAAP, find mixed results regarding the effects. Next, the reasons for foreign issuers in the US to choose to voluntarily adopt IFRS based on evidence of positive consequences of IFRS are outlined. Then, the contradicting evidence on IFRS adoption for foreign issuers will be discussed. On the one hand advocates of IFRS adoption argue that IFRS leads to improving reporting quality and has positive economic consequences. These form some of the major reasons in favor of IFRS adoption [8]. For instance, IFRS is associated to an increasing market value, market liquidity as well as lower cost of capital when the companies are operating in common law countries with strong legal systems [9]. Furthermore, advocates state that there is a high need for transparency and comparability in terms of financial statement reporting that can be obtained through IFRS. Prior research that focused specifically on foreign issuers that use IFRS have found that the reporting standards indeed increases comparability of the companies' financial reporting information, as it will also be less costly to compare companies information across different companies' financial statements [13]. Moreover, Sun et al. [14] find that the use of IFRS by foreign issuers in the US is positively associated to high earnings quality, i.e., increases earnings persistence and small positive earnings. Lin et al. [15] state that IFRS adoption by foreign issuers in the US has a positive effect on voluntary disclosures in their financial reporting. Also, for foreign issuers that use IFRS transparency and efficiency increases according to Iatridis and Rouvolis. IFRS improves value relevance of information. Relevant for foreign issuers in order to be able to outweigh whether or not to adopt IFRS, evidence is found that the reporting quality increases for foreign issuers that voluntarily implement IFRS [16]. Contradicting to research on the positive effects of IFRS on earnings quality, Gorden et al. [17] find evidence that the earnings attributes, which are used in order to measure earnings quality, are fairly comparable under IFRS and US GAAP in case of listed foreign issuers in the US. Although, a small difference is observed that US GAAP does lead to incremental as well as relative value relevance, while IFRS only leads to incremental value relevance. Consistent with Ali and Hwang, Durand and Tarca they also state that the effect of reporting standards differs amongst foreign issuers that are from different home countries depends on country specific factors, such as the countries' legal system, investors' protection and the quality of auditing. This study is intended to reexamine the conclusions

reached by the earlier study discussed below. The stated objective of the referenced study is to provide support to Skinner who took issue with a newspaper (National Post) allegation that principles-based accounting standards give accountants undue leeway, resulting in misleading financial reporting. The study employs "Accrual Quality" as proxy for "Earnings Quality" and utilizes the empirical measurement model of "Accrual Quality" as proposed by Dechow and Dichev [18].

### **Earnings quality and accounting proxies under 2008 financial crisis**

According to Kormedi and Lipe [16], the basic components of earnings persistence are accruals and cash flow from operations. Many papers analyzed them for the purpose of predicting future earnings and the results of Sloan [19] indicated that earnings performance attributable to the accrual component of earnings exhibits lower persistence than earnings performance attributable to the cash flow component of earnings. So, the lower persistence of accruals compared to cash flows have consequences for the persistence of current earnings [19].

### **Earnings quality and accruals proxies under 2008 financial crisis**

Evidences in previous research on earnings management suggested that it is used either on the good economic condition or in bad economic condition. The choice of manipulating the earnings management is based on investors' perspectives. According to Iatridis, there are a number of situations in which earnings management is used: (a) transferring earnings from "good" years to "bad" years, (b) postponing income recognition to reduce the tax burden, (c) the eagerness of companies to reveal positive results correlated with the trend of postponing negative results and (d) options of managers entitled to stock options or bonus schemes to use discretionary accounting policies in order to increase their current or future compensation. Investigating the earnings manipulation by the financially distressed firms in New Zealand from 2008 to 2011, Habib et al. [5] found that financially distressed firms engage income-decreasing earnings management during the crisis. Moreover, Filip and Raffournier [6] suggested an improvement of accruals quality during the 2008–2009 financial crisis. They argued that (a) managers have less incentive to manipulate earnings in crisis periods due to a higher market tolerance for poor performance, (b) litigation risk increases during crisis, which should dissuade insiders to engage in earnings management, and (c) the change in the behavior of companies may also respond to higher demand for more timely earnings in troubled periods. Lu found that a firm with lower earnings quality (higher accruals quality) has higher degree of risk-taking which is more significant after the 2008 financial crisis. Using a sample in Malaysia during 1997 Asian financial crisis, Ahmed et al. [20] found that firms with potential debt renegotiations apply income decreasing management and the investors' tolerance to poor financial performance is higher in the bad economic environment, so that firms book more accruals to depress earnings so as to improve performance after depression. Chia et al. [21] analyzed the way the information value of reported revenues changed during the Asian financial crisis of 1997–1998. By using the modified Jones' model by Dechow et al. [22], they found a significant decline in the information value of discretionary earnings component during crisis, and no effect on the nondiscretionary components of earnings.

### **Earnings quality and market proxies under 2008 financial crisis**

Value relevance under Global Financial Crisis of 2008 Evidence

by Graham et al. [23], Davis Friday et al. [24] and Davis-Friday and Gordon indicated that the value relevance of earnings and book value was affected during the crisis. The relevance of book value increased, as it is a proxy of the firm's settlement value and the relevance of earnings became less relevant, as instability could affect their use to project future results. Kousenidis et al. [4] found that earnings management, measured by value relevance, decreases during the financial crisis. Iatridis and Dimitras [25] reported that there is controversial impact of economic crisis on earnings manipulation and the value relevance of reported financial numbers for firms that are audited by a big 4 auditor. They found that Irish, Italian and Spanish firms report more value relevant financial numbers during the crisis while the findings for Portuguese and Greek firms are to some extent conflicting. Hence, based on previous literature, this study hypothesizes that the value relevance of earnings is decreased in 2008 financial crisis period: H2. The degree of value relevance in years of 2008 financial crisis is significantly lower. For stock market returns, there is evidence that common stock returns are predictable and that they vary over the business cycle. Specifically, according to Bikker and Haaf [26] and Albertazzi and Gambacorta [27] claimed that business cycles have significant impact on bank earnings. In recession period, profitability decreases and during booms it increases. Similarly, during financial crises profitability reduces and firms face higher earnings volatility. Hence, because of the existence of negative relationship between earnings volatility and earnings predictability [28], it is expected a reduction of earnings predictability during 2008 financial crisis. From what preceded, we propose the following hypothesis:

**Hypothesis 1: The 2008 financial crisis did not influence the different proxies of the Earnings Quality in the same way**

H1.a: The financial crisis of 2008 did not influence in the same way the different proxies of the earnings quality of the French companies.

H1.b: The financial crisis of 2008 did not influence in the same way the different proxies of the earnings quality of the American companies.

**Hypothesis 2: The effect of the crisis (positive or negative) persisted during the post-crisis period**

H2.a: For French companies, the effect of the 2008 financial crisis persisted during the post-2008 period.

H2.b: For US companies, the effect of the 2008 financial crisis persisted in the post-2008 period.

**Research Design**

**Model specification**

Prior studies have examined earnings quality using either a single

attribute of earnings or a subset of earnings attributes. In a recent survey on earnings quality, Dechow, et al. [29] argue that there is no superior measure of earnings quality and that alternative measures cannot be treated as substitutes. Moreover, because of the difficulty in measuring earnings quality and to minimize the potential effects of omitted variables, in the present research, we use several measures. This paper employs seven regression models to estimate earnings quality for French and American companies after more than ten years of regulatory reform and IFRS adoption. The seven earnings attributes (proxies) are persistence, predictability, accruals quality, conservatism, value relevance, timeliness (TPR & TLR) as in Francis, LaFond [30]. These seven proxies are classified into three groups: accounting proxies (persistence and predictability), accruals proxies (accruals quality and conservatism) and market proxies (value relevance and timeliness) (Table 1).

**Data**

The present study uses a sample of French and American companies collected from EBSCO data base and we supplement missing data from many web sites (Boursarama; NYSE, etc.). After elimination of financial companies and firm which do not have the necessary information during the study period, the final sample was limited to 142 listed companies issued from France and 261 listed companies issued from USA. The number of usable observations used in the present study is 4030 firm-years for the period 2004-2013. The sample is divided into four sectors (Energy, Technology, Services, and Factory) (Table 2-5).

**Results and Discussion**

**Test of hypothesis 1**

Table 5 shows that 2008 financial crisis had a positive effect on the LRT and conservatism, negative on the other proxies and without effect on the R<sup>2</sup> of the different proxies. Independently of the nationality of the company, we note that the financial crisis had negative effects on predictability, persistence, quality of accruals and information content. However, this crisis has improved relative conservatism (TLR higher than TPR). The correlation coefficient (R<sup>2</sup>) did not change compared to the correlation coefficients without "Y08" (all correlation coefficients (R<sup>2</sup>) remained in the range [18.3%-40.3%]). The non-change of R<sup>2</sup> indicates the stability of the relevance of the model during the year 2008. However, literature show that the measurement of earnings quality is contingent and depends on the accounting and financial characteristics of each country. Given this result, we question whether the financial crisis of 2008 influenced in the same way the different proxies of the earnings quality in France and in the United States. To answer this question, we perform the same previous statistical tests while distinguishing the French companies from the American

Accounting proxies	
Proxy de Prédicibilité	$NI_{t1} = \alpha_i + \beta_1 NI_{t0} + \beta_2 Y08 + v_{i,t1}$
Proxy de Persistance	$NI_{t1} = \alpha_i + \beta_1 NI_{t0} + \beta_2 Y08 + \beta_3 Y08 * NI_{t0} + v_{i,t1}$
Accruals proxies	
Qualité des Accruals	$ACT_j, t1/TA_j, t0 = \alpha_j + \beta_1 [\Delta VAC_j, t1/TA_j, t0] + \beta_2 [IMMO_j, t1/TA_j, t0] + \beta_3 Y08 + \epsilon_j, t1$
Conservatism	$R^2$ from: $NI_{t1} = \alpha_0 + \alpha_1 D_{it} + \beta_1 Ret_{it} + \beta_2 D_{it} Ret_{it} + \alpha_2 Y08 + \alpha_3 D_{it} Y08 + \beta_3 Y08 Ret_{it} + \beta_4 Y08 D_{it} Ret_{it} + \epsilon_{it}$
Market proxies	
Value Relevance R <sup>2</sup> from	$Ret_{i,t1} = \alpha_0 + \alpha_1 NI_{t1} + y08 + \epsilon_{i,t1}$
Timeliness: Time prof it Recognition; (TPR): $\beta_1$ from Conservatism model Time Loss Recognition; (TLR): $\beta_2$ from Conservatism model	
NI_t0: Net Income before extraordinary elements during t0; NI_t1: Net Income before extraordinary elements during t1; Ret: Return = (Share Price on t1 – Share Price on t0+ Dividend)/Share Price on t0; V_Rev_V_AR: Variation of Revenue and Account Receivable; IMMO: Fixed Assets; Accruals: NI – Cash Flow; D: Dummy variable =1 if Ret<0 and 0 if Ret>0; Y08: Dummy variable=1 if Year=2008, 0 for others years	

**Table 1:** Proxies of earnings quality.

Variables	Firm years observation	Mean	Std Dev.	Min	Max
NI_t0	4030	0.03907	0.18938	-1.9857	2.33182
NI_t1	4030	0.0512	0.3535	-1.9443	2.89498
Ret	4030	0.10914	0.59247	-1.7324	4.81844
V_Rev_V_AR	4030	0.03067	0.41932	2.32023	3.70983
IMMO	4030	0.19788	0.33397	0.0002	6.48921
Accruals	4030	0.01059	0.16159	-1.6325	1.90335

Table 2: Descriptive statistics.

Sector	France		USA		Total	
Energy	6	4,20%	56	21,45%	62	15,36%
Technology	49	34,50%	46	17,63%	95	23,56%
Services	43	30,30%	110	42,15%	153	38,00%
Factory	44	31,00%	49	18,77%	93	23,08%
Total	142	1	261	1	403	1

Table 3: Sample per sector and country.

	NI_t0	NI_t1	Ret	Var_Rev_AR	IMMO	Accruas
NI_t0	1					
NI_t1	0.2134 (0.0000)***	1				
Ret	-0.036 (0.0218)**	0.5759 (0.0000)***	1			
Var_Rev_AR	-0.0836 (0.0000)***	0.0161 -0.3104	0.0132 -0.4077	1		
IMMO	0.1122 (0.0000)***	0.0928 (0.0000)***	0.0365 (0.0268)**	-0.0153 -0.3373	1	
Accruals	-0.0571 (0.0002)***	-0.019 (0.0067)***	0.0223 -0.163	0.3001 (0.0000)***	0.3147 (0.0000)***	1

\*\*\*, \*\* and \* denote statistical significance at 1%, 5% and 10% levels, respectively

Table 4: Correlation matrix.

Proxy	Specification	Test of proxy relevance	R <sup>2</sup>	Coef. of independent variables
Accounting Proxies				
Predictability	Fixed effect	Wald chi2(1)=169.35 Prob>chi2=0.0000	18,29%	NI_t0=0,392 Y08=(-0,068)
Persistence	Random effect	Wald chi2(1)=169.35 Prob>chi2=0.0000	18,29%	NI_t0=0,392 Y08=(-0,066) Y08* NI_t0=(-0,059)
Accruals Proxies				
Accruals	Fixed effect	chi2(2)=10.29 Prob>chi2=0.0058	22,27 %	V_Rev: 0,109 IMMO: 0,191 Y08=(-0,011)
Conservatism	Fixed effect	F(3,3615)=56.54 Prob>F=0.0000	40%	D: -0,185 Ret: 0,312 D_Ret: -0,240
Market Proxies				
Value Relevance	Fixed effect	F(1,3626)=21.273 Prob>F=0.0000	37%	NI_t1: 0,899 Y08=(-0,141)
Timeliness	Fixed effect	F(3,3615)=56.54 Prob>F=0.0000	40%	D: -0,185 Ret: 0,312 D_Ret: -0,240 Y08*Ret (TPR)=(1,69)

Table 5: Test of proxy relevance.

companies. The results of the econometric tests are summarized in the following (Table 6). The impact of the 2008 financial crisis on Earnings Quality varies from one country to another. The effect of the crisis did not affect the two countries in the same way. Indeed, at a time when French companies did not suffer a significant degradation of their earnings quality (except for persistence), US companies were negatively affected as much at the level of accounting proxies as stock exchanges. However, the level of conservatism of American companies

is slightly improved (LRT higher than the TPR). We explain this result by the fact that the financial crisis has pushed American companies to find internal mechanisms to guard against the adverse effects of the crisis. Gaio generalizes this result and considers that this reaction is expected to face any threat or risk from the business environment (economic recession, insufficient investor protection, insufficient resources from the financial market, new adverse regulations, etc.) The effect of the 2008 financial crisis on earnings quality is mixed.

Independent of the country, the impact of the financial crisis of 2008 on the different proxies of the earnings quality is mixed in the sense that the crisis has cumulated three very different and even contradictory results: deterioration, improvement and stagnation. The influence was negative and very significant on the accounting time proxies and the information content (significant at the 1% threshold). This result is expected as profits have fallen during the crisis, affecting their persistence and predictability. Also, the association between yield and book profits has deteriorated. However, there has been a slight improvement in conservatism, particularly for US companies (TLR is significant at 1% and above TPR). Finally, the quality of accruals remained stable for both countries. Thus, American and French companies did not resort to accounting manipulations or smoothing operations (proxies of accruals) during the year of the crisis. This result can be explained by the role of the SOX laws for the United States and the LSF law in France. These two laws focus on several common points aimed at strengthening internal control, professional, civil and criminal accountability of managers. These provisions are such as to delimit the fields of intervention of the managers to manipulate the results and consequently improve the Earnings Quality. However, it is appropriate to consider whether the effect of the 2008 financial crisis was limited to 2008 or persisted in later years. To do so, we adopt a second approach called discriminant regression based on the study by Anthony Persakis [31].

### Test of hypothesis 2

The result of the test of hypothesis 2 allows us to judge whether the effect of the crisis would have persisted in the years after 2008. We break down the period of analysis into two sub periods (the first is 4 years while the second is 6 years):

- First period: from 2004 to 2007.
- Second period: from 2008 to 2013.

Two dummies variables are introduced in the different proxies of the earnings quality in order to capture the extent of the possible effect of the 2008 crisis. These variables are:

- “Before08”: takes the value 1 for the years 2004, 2005, 2006,

2007 and 0 for the other years.

- “After08”: takes the value 1 for the years 2008, 2009, 2010, 2011, 2012, 2013 and 0 for the other years.

We try to test the significance of the differences between the two variables “Before08” and “After08”. A significant difference indicates an effect of the crisis on the earnings quality during all the years that succeeded 2008. Table 7 summarizes the change in the different proxies of the earnings quality before and after the 2008 crisis for France. This table shows that the correlation coefficients ( $R^2$ ) did not vary significantly. Similarly, (Table 7) which summarizes the results of the Chow test, shows that these differences are not significant at the 1% threshold. These results confirm those of the test of hypothesis 1. We therefore conclude that the 2008 crisis did not significantly influence the earnings quality of French companies during and after 2008. Table 8 summarizes the variation of the different proxies of earnings quality before and after the 2008 crisis for the United States. We notice a difference in two proxies: the Informational content and the LRT. However the below table which summarizes Chow’s test results, shows that these differences are not significant at the 1% threshold except for the “informational content” proxy where the change was significant at 1% level. Overall, we conclude that the 2008 financial crisis negatively influenced the earnings quality market performance of US companies (the correlation coefficient increased from 38% to 34.4%) (Table 9). Our results show that the crisis has influenced the earnings quality of American companies in comparison with that of the French companies. In number, only one proxy (persistence) was negatively affected by the crisis for French companies. However, the effect of the crisis on the earnings quality of US companies was paradoxical: negative effect on predictability, value relevance and timeliness and positive effect on conservatism and without effects on earnings management.

### Conclusion

The magnitude of the effect of the crisis is relatively small for both American companies and French companies. Indeed, for French companies, and for the six proxies of the Earnings Quality, the effect was limited to a single proxy (persistence) during the year of the crisis (2008). And even this effect did not persist for long and disappeared

Accounting proxies				Accruals proxies				Market Proxies					
Pred.		Persist.		Smooth		Accruals quality		Value relevance		Timeliness			
F	US	F	US	F	US	F	US	F	US	F		US	
-0,008	<b>(-0,120)***</b>	<b>(-0,584)***</b>	0,106	1.592	1.269	0,0122	-0,0185	-0,005	<b>(-0,190)***</b>	TPR=(-0,008)	TLR=(-0,008)	<b>TPR=(0, 162)***</b>	<b>TLR=(0, 213)***</b>

F: France, US: United States \*\*\*: significant at 1% level

Table 6: Summary of the effect of 2008 financial crisis.

Proxy	Test of Chow	Interpretation
Accounting Proxies		
Predictability	Chi2=3,13 Prob>Chi2=0,07	The difference between the two periods is not significant at 5% level.
Persistence	Chi2=0,30 Pro>Chi2=0,591	The difference between the two periods is not significant at 5% level.
Accruals Proxies		
Accruals	Chi2=0,24 Prob>Chi2=0,6275	The difference between the two periods is not significant at 5% level.
Conservatism	No Change	Pas de Changement
Market Proxies		
Value Relevance	Chi2=1,68 Prob>Chi2=0,1955	The difference between the two periods is not significant at 5% level.
Timeliness	No difference	No Difference

Table 7: Test of significance of the effect of the crisis – France.

Proxy	Test of Chow	Interpretation
Accounting Proxies		
Predictability	Chi2=0,17 Prob>chi2=0,6770	The difference between the two periods is not significant at 5% level.
Persistence	Chi2=0,20 Prob>Chi2=0,6528	The difference between the two periods is not significant at 5% level.
Accruals Proxies		
Accruals	Chi2=0,24 Prob>Chi2=0,6275	The difference between the two periods is not significant at 5% level.
Conservatism	Chi2=1,68 Prob>Chi2=0,1955	The difference between the two periods is significant at 1% level.
Market Proxies		
Value Relevance	Chi2=1,68 Prob>Chi2=0,1955	The difference between the two periods is significant at 1% level.
Timeliness	-	-

Table 8: Test of significance of the effect of the crisis – US.

Proxies	France		US	
	During 2008	After 2008	During 2008	After 2008
Predictability	Negative effect	No effect	Negative effect	No effect
Persistence	No effect	No effect	Negative effect	No effect
Accruals	No effect	No effect	Negative effect	No effect
Conservatism	No effect	No effect	Negative effect	No effect
Value Relevance	No effect	No effect	Negative effect	No effect
Timeliness	No effect	No effect	Negative effect	No effect

Table 9: Summary of the effects of 2008 financial crisis.

after 2008. As for US companies, among six proxies the crisis has negatively affected predictability, LRT and information content. The effect of the crisis on the first two proxies was limited to the year of the crisis and only the effect on information content perpetuated after 2008. However, improved conservatism. In all, the crisis has mainly and permanently influenced only one proxy among six. This is explained by the fact that the crisis mainly affected the banking and real estate sectors (two sectors excluded from our two samples). Another remarkable and surprising result relates to the reduction of the management of results during and after the financial crisis. Indeed, although the crisis negatively affected the amount of profits (lower persistence and predictability respectively for French and American companies), the managers did not manage the results and remained conservative during and after crisis. We explain this result by the fear of the executives to undergo heavy punishments under the SOX laws in the United States and the LSF law in France (the penalty may go to imprisonment for 20 years). In addition, these two laws have strengthened internal control mechanisms, which constitute a barrier to the management of results and contribute to producing quality information. Similarly, Gaio adds that if the business environment is not stable, managers seek to strengthen internal governance mechanisms in order to protect themselves against external risks. As a result, the crisis can be perceived by managers as an external threat that must be managed by setting up a system of protection against accounting manipulation or any other abusive behaviour that affects the quality of the information disclosed. Finally, our results show that the crisis has influenced the earnings quality of American companies in comparison with that of the French companies. In number, only one proxy (persistence) was negatively affected by the crisis for French companies. However, the effect of the crisis on the earnings quality of US companies was paradoxical: negative effect on predictability, information content and LRT and positive effect on conservatism and no impact on the management of results.

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