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International Financial Reporting Standards, Board Governance and Accounting Quality: Preliminary Ghanaian Evidence

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Abstract

IFRS adoption's effect and board governance on accounting quality from Ghanaian perspective was examined using OLS technique between a seven-year periods (2013-2019). From the study, IFRS adoption negatively impacts accounting quality in an insignificant manner. The insignificant nexus was due to lax implementation of regulations by institutions with IFRS and incentive-performance tied schemes presented to managers. Additionally, all but profitability and institutional ownership have positively significant impact on accounting quality whilst board governance negatively affect accounting quality though not statistically significant. Finally, moderating the role of board governance on IFRS - accounting quality relation, evidence established from the regression is that board governance does not moderate relationship between IFRS adoption and accounting quality using discretionary accruals. Our study captured effective corporate governance practices using composite board governance index to moderate effect of IFRS on the nexus between board governance and accounting quality serving as central motivation to contribute to literature.

Keywords:
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1. Introduction

One vital vehicle used in the course of attaining globalization of firms is the understandability and comparability of financial reporting standards presented and draws strength from the persistent growth of financial markets (Appiah, Awunyo-Vitor, Mireku, & Ahiagbah, 2016; Mnif & Znazen, 2020; Samaha & Khlif, 2016). Agyei-Mensah (2016) argued that accounting standards provide enough catalyst for the regulation and presentation of a company's information (i.e, either financial or non-financial information). To complement, Kachouri and Jarboui (2017) reported that financial information transparency forms the core pillars of quality governance systems. Consequently, countries in their numbers have expressed and are championing financial information transparency and accountability following the 2007 financial crisis as counter measures (Mbir, Agyemang, Tackie, & Abeka, 2020).

While some scholars hold the view that the relevance of financial information is felt through the reduction of asymmetric information and management's opportunistic behaviour through high quality corporate governance practices (Mnif & Znazen, 2020) *another strand of literature also suggest that financial information's usefulness is revealed based on its decision usefulness* (Krismiaji, Aryani, & Suhardjanto, 2016).

Ball, Robin, and Wu (2003) and Jeanjean and Stolowy (2008) hold the view that accounting quality is not a consequence borne out of accounting standards alone but a combination of macroeconomic, institutional factors, corporate governance and politically driven factors that serve as a major incentive for management. In the light of this prior studies such as Ahmed and Karim (2005); Samaha and Stapleton (2008) and Al-Akra, Eddie, and Ali (2010) empirically examined International Financial Reporting Standards (IFRS) adoption in isolation or with other stream of finance literature within developed markets while Liu, Yao, Hu, and Liu (2011); Gordon, Loeb, and Zhu (2012) did theirs within developing markets. It is against this scenery that this research seeks to purposively choose three streams of literature namely IFRS adoption, board governance and accounting quality by examining the consequence of IFRS adoption and board governance on accounting quality as an extension and replication of Krismiaji and Surifah (2020) and in response to the call for future research by Mbir et al. (2020).

Prior research on these three streams of literature exist dominantly within developed economies either by examining IFRS and board governance nexus (Chen & Zhang, 2014; Gavious & Lowengart, 2012) and/or IFRS and accounting quality nexus (Christensen, Lee, Walker, & Zeng, 2015; Purwanti & Utama, 2018). While literature within Sub-Sahara Africa more particular Ghana are limited and few in names either examining two streams in isolation, i.e, corporate governance against accounting quality or IFRS against accounting quality (Appiah et al., 2016). Though, the researchers acknowledge that an attempt has been made by Mbir et al. (2020) to analyze these three streams, the study was limited to using board governance parameters and failed to capture effective corporate governance practices using a composite board governance index and whether or not there is a moderating effect of IFRS on the nexus between board governance and accounting quality. This serves as the central motivation to contribute to literature and fill the gap identified by examining the effects of IFRS adoption and board governance on accounting quality.

Ghana presents a unique setting for empirical investigation due to the fact that the Report on the Observance of Standards and Codes suggest that following the adoption of IFRS the level of compliance is inadequate and calls for improvement and religiously compliance to the standard, coupled with its open and lax capital markets regulations (Appiah et al., 2016).

The research drawing strength from the uniqueness of the Ghanaian setting as well as the identified gap makes an attempt to determine the nexus between these three streams of literature (i.e, IFRS adoption, board governance and accounting quality.

For a research to be significant, it has to inform policies relevant to stakeholders such as the regulatory and supervisory institution (practitioners) and the research community. The regulatory and supervisory institution (Ghana Stock Exchange and Securities and Exchange Commission) which represent an arm of government devoted to ensuring effective corporate governance practice will find the results of this study useful as it will inform them on the level of corporate governance practices adopted by firms and implement policies based on the findings to improve upon the corporate governance practices.

On the significance to the research community, this research contributes to literature on IFRS adoption, corporate governance and accounting quality nexus. And also encourage through the provision of future research areas to prospective researchers serving as a guide to be capitalized on as evident in the recommendation for further studies areas to be exploited.

On policies, policy-makers will find the findings of this study useful as it will provide substantive answers to whether or not IFRS adoption and board governance constrain discretionary accruals of management and will propel them to insist on tighter compliance and proper governance systems.

The rest of the paper is organized as follows: section 2 reviews related literature, section 3 talks about the method, section 4 reports and discusses the empirical results while section 5 concludes.

2. Related Literature Review and Hypothesis Development

2.1. Theoretical Framework

Researchers have developed a considerable number of dominating theories used in supporting the context of IFRS, board governance and accounting quality. Among these theories are agency theory, signalling theory and the resourced based view theory. Among others, Hay and Cordery (2018) highlight the contribution of agency, management control, signalling, insurance, governance, and confirmation frameworks. They argue that agency theory developed by Ross (1973) and Mitnick (1973) is one of the most widely used theoretical frameworks and that empirical evidence and history are essentially consistent with the theory. Thus, agency theory is the theoretical framework upon which this paper is built. The theory is well-suited for public sector and has already been used in previous studies on financial reporting and related reports in the sector (Bakalikwira, Bananuka, Kaawaase Kigongo, Musimenta, & Mukyala, 2017; Oppong, Fofack, & Boakye-Yiadom, 2021).

Agency theory reduces the financial reporting system to only two participants: the managers or the reporters also known as agents and the principal shareholders also known as users of the financial information. The theory suggests that agents have selfish interests that go against the interests of users and will use all possible means to achieve those selfish goals. Thus, managers can falsify financial statements and temper with accounting records to meet their personal goals (Kaawaase & Ernest, 2016). Problems arise because it is costly for the principal users of the accounting information to monitor the behaviour of the agents. Principal users of accounting information therefore rely on opting for internationally recognized standards and boards to reduce those agency costs and realign the interests of agents with theirs through an improvement in the quality of accounting information provided by the agents and proper board governance.

2.2. IFRS Adoption and Accounting Information Quality

The concept of IFRS provides transparency and consistency of financial statements of public companies worldwide. Additionally, it provides for comparability as well as maintaining the integrity of the accounting profession. Mensah (2021) asserts that the concept has gained ground in the African continent as a result of globalization activities. Hitherto, the Ghana National Accounting Standards was the only accounting standard employed in the country. Several empirical evidences examine the influence of IFRS adoption on the quality of accounting information in Ghana. Employing earnings smoothness, accrual quality, discretional accruals and price earnings, Benjamin Yeboah and Pais (2021) examine the influence of IFRS on accounting quality of firms listed on the Ghana Stock Exchange. They report that there has been a significant impact on accounting quality following the adoption of the IFRS concept in Ghana. They further stress that the implementation of the concept permeates accounting comparability. Firmansyah and Irawan (2019) use financial statements and annual reports of Indonesian manufacturing companies to ascertain the impact of corporate governance and IFRS adoption on quality accounting information. They deduce that IFRS adoption and audit committees are not related to accounting information quality. Akolor (2019) deploy data from 19 non-financial firms listed on the Ghana Stock Exchange between 2004 and 2014 to examine the effect of IFRS adoption on earnings management. Using a Generalized Method of Moment, analysis indicates that there exists a negative relationship between IFRS adoption and earnings management. Amankwa, Mawutor, and Yiadom (2020) specifically study the influence of IFRS adoption on the quality of financial statements of some selected firms in Ghana. They use a panel regression model coupled with the extent of management practices to analyse their audited annual reports and financial statements quality respectively. Findings indicate that earnings management practices are negatively affected by the adoption of IFRS. The post-adoption period has witnessed a decrease in earnings management compared to the increasing levels of the practice during the pre-adoption period. Mbir et al. (2020) use a random effect estimation technique to investigate the relationship between IFRS compliance, corporate governance, and the quality of financial reporting. The paper suggests that mechanism such as corporate governance plays an influencing role in the relationship between IFRS compliance and financial reporting quality. Hence, the institution of sound corporate governance mechanisms will significantly influence IFRS compliance and result in a positive effect on financial reporting. Likewise, Coffie, Bedi, Amidu, and Duah (2020) study the linkage between IFRS compliance and the quality of earnings reporting of financial firms in Ghana. They conclude that the adoption of IFRS does not automatically improve financial reporting quality. Abedana, Omane-Antwi, and Oppong (2016) report on the impact of corporate financial reporting quality following the adoption of IFRS in Ghana. The paper analyses financial reports of 22 listed companies on the Ghana Stock Exchange using a disclosure index approach and Pearson's correlation. They observe a positive relationship between disclosure quality and the adoption of IFRS. Amissah (2016) employs panel regression analysis to test the impact of the adoption of IFRS on the financial reporting quality of 28 insurance companies and 23 universal banks in Ghana between 2003 and 2014. The study finds that financial reporting quality has improved as a result of the adoption and implementation of IFRS. Hence, financial institutions do not practice earnings management after the adoption of the concept of IFRS. Yeboah (2018) investigate the impact of IFRS adoption on the quality of accounting information of firms on the Ghana Stock Exchange. The study finds an improvement in earnings quality following the adoption of IFRS in Ghana. Uwuigbe, Emeni, Uwuigbe, and Ataiwrehe (2016) deploy secondary data from financial statements to study the effects of IFRS adoption on the quality of accounting information from Nigerian banks. The study concludes that the adoption of IFRS increases income smoothing and reduces earnings management. Eng, Lin, and Neiva (2019) examine the relationship between IFRS adoption and the value relevance of accounting information in Brazil. They report a positive relationship between the post-IFRS adoption period and the quality of accounting information. In contrast, Yasas and Perera (2019) use multiple regression analysis on 29 listed manufacturing companies and observe an insignificant relationship between IFRS adoption and accounting information quality. Gu (2021) conduct a study in Japan to ascertain the voluntary adoption of IFRS and its impact on accounting quality. Findings indicate that IFRS adoption decreases income smoothing and increases accounting conservatism. Sun, Sari, and Havidz (2021) employ panel data of 22 banks to examine the impact of IFRS adoption on the value relevance of accounting information in Indonesia. They establish that IFRS adoption increases the value relevance of earnings. Those arguments allow us to formulate our first hypothesis of this paper as follows:

H_1: IFRS adoption significantly affects accounting information quality of non-financial firms.

2.3. Board Governance on Quality of Accounting Information

The impact of board governance mechanisms on the quality of firms' accounting information has garnered much attention from various researchers. Almujamed and Alfraih (2020) use board size, non-executive directors' presence and duality of roles to explore the influence of board of directors' characteristics on the value of information for 178 firms in Kuwait. They find those board size and role dualities are positively related to the value relevance of earnings. With data from Econometric and annual reports from companies in Brazil, Holtz and Sarlo (2014) examine board of directors' characteristics and their impact on accounting information quality.

They find that greater board independence and split CEO structure are positively related to quality accounting information. Kukah, Amidu, and Abor (2016) study the effects of internal corporate governance mechanisms on accounting information quality of non-financial firms in Ghana listed on the stock exchange. Using data from 20 listed non-financial firms, they conclude that board independence and an ownership structure dominated by foreigners impede earnings management which results in quality accounting information. Agyekum, Aboagye–Otchere, and Bedi (2014) find that board size and board independence significantly impact earnings management in a firm. Their study assesses the relationship between corporate governance and earnings management of 14 listed Ghanaian companies using panel regression analysis. Badu and Assabil (2021) pick data from 144 listed firms in Ghana to assess the relationship between board composition and financial information relevance. The study reports that boards characterized by a higher percentage of independent directors result in lower firm value whilst there exists a positive relationship between board size and firm value. Ellili (2013) study the relationship between ownership structure, board of directors and quality accounting information in Abu Dhabi. Relying on data from 29 listed companies on the stock exchange, they reveal that CEO duality positively affects earnings management whilst an ownership structure dominated by managers and block holders leads to high quality accounting information. Adaa and Hanefah (2018) conduct a study to assess the relationship between corporate governance dynamics (board size, number of directors, board diversity and ownership structure) and the relevance of accounting information. They find a positive relationship between board size and the value relevance of accounting information. They further establish an inconsequential relationship between board diversity (female representation) and the value relevance of accounting information. Lin, Lin, and Lei (2020) based on data from the Shenzhen stock exchange find that separation between board chair and CEO positively impacts quality disclosure of accounting information. Employing data from 137 quoted companies and using ordinary least squares and Pearson's moment correlation, Obigbemi, Omolehinwa, Mukoro, Ben-Caleb, and Olusanmi (2016) investigate the linkage between board structure and earnings management in Nigeria. They reveal that board size, composition and gender are inversely related to earnings management whilst board meetings have a positive relationship with earnings management. Krismiaji. (2019) deploys data from 119 manufacturing firms in Indonesia to examine the effects of board characteristics and voluntary disclosure on the value relevance of accounting information. Focusing on board independence and board size, analysis indicates that both independence and size of the board significantly impact the value relevance of earnings. Darko, Aribi, and Uzonwanne (2015) use cross-sectional and longitudinal data from 20 listed companies in Ghana to investigate the relationship between corporate governance structures and the performances of listed companies. They conclude that independent directors and a higher female representation on the board positively impact the performances of firms. Fiador (2013) investigate the effect of internal corporate governance mechanisms on the relevance of financial information. Employing a pooled regression and Ohlson valuation model, the paper suggests that smaller board size and CEO duality favourably impacts the net assets value of a firm's share. Quality accounting information translates to good firm performances with increased profitability, efficiency and liquidity levels. Onuorah and Imene (2016) use econometric analysis to examine the impact of corporate governance on financial reporting quality in Nigeria for 10 years. Findings indicate that board experience, board structure and quality external audit positively affect financial reporting quality whilst independent directors negatively affect financial reporting quality. Out of the above premise the below is our second hypothesis formulated:

H_2: There is a significant effect of board governance on the quality of accounting information.

2.4. Moderating IFRS Adoption's Effect on Board Governance and Accounting Information Quality Nexus

El-Halaby and Al Hakim (2021) investigate the moderating role of IFRS adoption on board gender diversity and earnings quality amongst Islamic banks. Using pooled OLS regression across 21 countries, they report that the adoption of IFRS positively impacts the relationship between board gender diversity and earnings quality. In Malaysia, Jatiningrum, Fauzi, Irviani, Mujiyati, and Hasan (2018) examine the impact of IFRS adoption on the relationship between earnings management and audit committee. Using multiple regressions on 81 listed companies, they report that the adoption of IFRS leads to greater audit committee works which result in quality accounting information. Marra, Mazzola, and Prencipe (2011) study the effect of board monitoring on earnings management following the adoption of IFRS. Their analysis reveals that following the adoption of IFRS, board independence and audit committee plays a significant role in reducing earnings management. Kouaib, Jarboui, and Mouakhar (2018) use data from 302 European firms to investigate the moderating role of mandatory IFRS adoption on the linkage between CEO experience and earnings management. They report that IFRS adoption significantly impacts the CEO experience and earnings management. Bryce, Ali, and Mather (2015) examine the effectiveness of audit committees in promoting accounting quality following the adoption of IFRS in Australia. They reveal that under IFRS, audit committee effectiveness ensures quality accounting. Inspired by the above arguments, the following hypothesis is developed:

H_3: There is a moderating effect of IFRS adoption on board governance and accounting information quality nexus.

3. Method

3.1. Research Design and Data Analysis

In addressing the concerns enumerated in the study's objectives, the study adopted OLS estimation technique for the examination of IFRS adoption's impact on the nexus between board governance and accounting quality. Baltagi (1998) define a panel data as a "longitudinal or cross-sectional data in which economic entities are observed across time". The first econometric model was adapted from Modified Jones (1991) to measure earnings management since it is the most powerful earnings management proxy. The researcher modifies the econometric model of Krismiaji et al. (2016) and Mbir et al. (2020) modeled the second and third econometric model to achieve the objectives of this study:

$$AccQly_{it} = TA_{it}/A_{it-1} - [\,\beta_0\,(1/A_{it-1}) + \beta_1\left(\frac{\Delta Rv_{it} - \Delta TR_{it}}{A_{it-1}}\right) + \beta_2\left(\frac{PPE_{it}}{A_{it-1}}\right) + \beta_3 ROA_{it-1} \qquad (1)$$

$$AccQly_{i.t} = k_0 + \beta_1 BrdGI_{it} + \beta_2 IFRSInx_{it} + \beta_3 CS_{it} + \beta_4 FSz_{it} + \beta_5 InO_{it} + \beta_6 TbnQ_{it} + \beta_7 Infn_{it} + \mu_{i.t} \qquad (2)$$

$$AccQly_{i.t} = k_0 + \beta_1 BrdGI_{it} + \beta_2 IFRSInx_{it} + \beta_3 BrdGI * IFRSInx_{it} + \beta_4 CS_{it} + \beta_5 FSz_{it} + \beta_6 InO_{it} + \beta_7 TbnQ_{it} + \beta_8 Infn_{it} + \mu_{i.t} \qquad (3)$$

Where, TA_{it} denotes the total net income less cash flow from operations, A_{it-1} denotes total assets at the start, ΔRv_{it} denotes change in revenue, ΔTR_{it} represents change in receivables, PPE is gross tangible asset, ROA is net income over lagged total assets. AccQly denotes accounting quality, k is a constant term, $i.t$ is firm I and t represents time, BrdGi represents board governance index, IFRSInx denotes IFRS adoption index, FSz denotes firm size, CP denotes leverage, InO denotes institutional ownership, TbnQ denotes Tobin's Q, Infn represents inflation and μ is the error term. The descriptions of variables are in Table 1, Table 2 and Table 3.

Table 1. Variable description, abbreviation and operationalization.

Variable	Acronym	Proxy
Dependent Variable		
Accounting Quality	AccQly	Earnings management by modified Jones (1991)
Independent Variable		
Board Governance index	BrdGI	Board governance index score (Activity 1: score of 1 if it meets the scoring rule, otherwise= 0. Activity 2: divide the total governance score by the total applicable score for board governance of 34)
Moderating Variable		
IFRS adoption	IFRSInx	IFRS index score (Activity 1: score of 1 if disclosed under the notes to the financials, otherwise= 0. Activity 2: divide the total IFRS adoption score by the total applicable score for adoption)
Control Variable		
Firm Size	FS	Natural logarithm of total assets
Tobin's Q	TbnQ	Sum of total liabilities plus market value of equity divided by total assets
Leverage	CP	Proportion of total liabilities divided by total assets
Institutional Ownership	InO	Proportion of shares owned by institutional investors
Inflation	Infn	Consumer price index

Source: Krismiaji et al. (2016); Mbir et al. (2020).

Table 2. IFRS standards applicable for adoption.

Standard	Title
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 34	Interim financial reporting
IAS 27	Consolidated and separate financial statements
IFRS 8	Operating Segments
IAS 24	Related Party Disclosures
IAS 31	Interest in joint ventures
IAS 40	Investment Property
IAS 2	Inventories
IAS 28	Investments in associates and joint ventures

Standard	Title
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 16	Property, plant and equipment
IAS 17	Accounting for Leases
IAS 18	Revenue
IAS 27	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 36	Impairment of assets
IAS 23	Borrowing costs
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

Source: Krismiaji et al. (2016).

Table 3(a). IFRS standards applicable for adoption.

Code	Question
BrdGI1	"is the size of the board greater than or equal to 3?"
BrdGI2	"is the number of independent directors greater than one-third of the board?"
BrdGI3	"are there any reports disclose board of directors' performance?
BrdGI4	"is the chairman of the board independent?
BrdGI5	"is the chairman of the board concurrently serving as a board member in different companies?"
BrdGI6	"does the role and responsibilities of audit committee clearly stated?"
BrdGI7	"does the performance of the audit committee disclosed?"
BrdGI8	"does the firm have an audit committee charter?"
BrdGI9	"is the chairman of the audit committee independent?"
BrdGI10	"has the audit committee been able to review the financial statements and issued a report to the board before the statements have been approved?"
BrdGI11	"does the audit committee monitor management and staff compliance with policies, laws, regulations and guidelines?"
BrdGI12	"does the audit committee supervise the audits to ensure that internal auditors are acting independently of management?"
BrdGI13	"does the audit committee supervise audits to ensure that external auditors are acting independently of management?"
BrdGI14	"is the number of audit committee meetings greater than or equal to 4?"
BrdGI15	"is the average audit committee attendance greater than fifteen per cent of the number of audit meetings?
BrdGI16	"is there at least one accounting expert on the audit committee?
BrdGI17	"does the firm have a nominating and remuneration committee?"
BrdGI18	"are the nominating and remuneration committee members independent?"
BrdGI19	"is the role and responsibilities of the nominating and remuneration committee clearly stated?"
BrdGI20	"does the firm have a nominating and remuneration committee charter?"
BrdGI21	"Is the number of nominating and remuneration committee meetings per year greater than 1?"

Table 3(b). IFRS standards applicable for adoption.

Code	Question
BrdGI22	"is the average nominating and remuneration committee's meeting attendance greater than 1?"
BrdGI23	"is the performance of nominating and remuneration committee's disclosed?"
BrdGI24	"does the firm have a corporate governance committee?"
BrdGI25	"is the role and responsibilities of corporate governance committee clearly stated?"
BrdGI26	"does a corporate governance charter exist?
BrdGI27	"does the firm have a risk management committee?

Code	Question
BrdGI28	"is the roles and responsibilities of risk management committee clearly stated?"
BrdGI29	"is the performance of risk management committee's disclosed?
BrdGI30	"does the firm discuss the following internal control issues related to organizational and control environment in the disclosure report?"
BrdGI31	"does the firm discuss the following internal control issues related to monitoring and evaluation in the disclosure report?"
BrdGI32	"does the firm discuss the following internal control issues related to risk management in the disclosure report?"
BrdGI33	"does the firm discuss the following internal control issues related to managerial and control activities in the disclosure report?"
BrdGI34	"does the firm discuss the following internal control issues related to information and communication in the disclosure report?"

Source: Krismiaji et al. (2016).

3.2. Diagnostic Test

This research performs diagnostic test to enhance the validity and reliability of the results and as such multicollinearity, heteroscedasticity and normality test have been performed. The variance inflation factor has been performed to check the collinearity of the explanatory variables and the Breusch Pagan test performed to improve the validity of the results and make it more robust. Also, the Wooldridge test is performed to check for autocorrelation in panel data (Gujarati, 2011).

3.3. Population, Sample, Data Source &Collection Technique

As all firms listed on the Ghana Stock Exchange were considered as the population of the study, the sample size comprised of twenty non-financial firms listed on the Ghana Stock Exchange across five (5) sectors according to the Ghana Stock Exchange market report ranging from manufacturing, distribution, agricultural, mining and food and beverages over a seven-year period (2013-2019).

The selection was purposively done using criteria such as eligibility for selection; the firm must be listed on the stock exchange during the seven-year period and not delisted; must be solvent and must have readily available annual reports available at *www.annualreportsghana.com* or the respective website of the firms for the seven-year period.

4. Results

4.1. Descriptive Analysis

With reference to Table 4, the mean for accounting quality is 0.021 at a standard deviation of 4.093. Since accounting quality is measured inversely, the smaller mean indicates that Ghanaian listed non-financial firms are involved in less earnings manipulation which is synonymous to a high accounting quality. Comparatively, the average of accounting quality within Ghanaian listed non-financial firms are better than the non-financial firms in Indonesia as documented by Krismiaji et al. (2016). For the explanatory variables, board governance index presents a mean of 0.621 at a standard deviation of 0.166. By extension, this implies that corporate governance effectiveness and/or ensuring the adoption of the "Best Corporate Governance Practices" is slightly above the average for Ghanaian non-financial firms during the sampled period. Averagely, the IFRS adoption of Ghanaian listed non-financial firms is 0.954 and at a standard deviation of 0.055. This suggests that Ghanaian listed non-financial firm highly adopts the implementation of IFRS standards which conforms the studies of compliance to IFRS standards by Appiah et al. (2016).

Among the control variables, the average return on assets stood at 83 per cent which implies that Ghanaian non-financial firms are very efficient in turning entrusted resources into profits. Additionally, the average leverage stood at 24.78 at a standard deviation of 105.37 while the average institutional ownership stood at 62 per cent suggesting that Ghanaian non-financial firms are majorly owned by institutional firms. Further to this on the normality and skewness, accounting quality and IFRS adoption are normally distributed while board governance mirrors a normal distribution. Further to this, all variables are leptokurtic. That is., accounting quality, board governance, IFRS adoption and all control variables are a peaked curve with higher values above its mean (see, Table 4).

4.2. Correlation Matrix

The reliability and validity of results are smeared by issues and assumptions of regression models. One such issue is the presence of multicollinearity which exists when the correlation coefficients between explanatory variables are high such that it can lead to the presentation of spurious regression. As Kennedy (2008) made a contention that multicollinearity exist when the correlation coefficient is greater than eight (>8), Table 5 portrays that the correlation for all the variables are faraway from 0.8 hence, our conclusion that the explanatory variables do not suffer from multicollinearity problem.

Table 4. Descriptive statistics.

Statistics	AccQLy	IFRSInx	BrGI	ROA	FSz	CS	InO
Mean	0.021	0.955	0.610	0.835	5.329	24.781	0.623
SD	4.093	0.055	0.166	9.739	1.097	105.366	0.361
p25	-0.195	0.545	0.515	-0.045	4.824	0.500	0.254
p50	-0.071	0.591	0.576	0.023	5.378	0.686	0.813
p75	0.048	0.727	0.697	0.073	5.845	0.883	0.901
Pr(Skewness)	0.000	0.000	0.057	0.000	0.870	0.000	0.000
Pr(Kurtosis)	0.000	0.918	0.431	0.000	0.147	0.000	0.000
Obs	137	137	137	137	137	137	137

Note: AccQLy denotes accounting quality, IFRSInx denotes IFRS adoption, BrgI denotes board governance index, ROA is return on assets, FSz denotes firm size, CS is leverage and InO is institutional shareholding.

Also, from Table 5, the strongest level of correlation is between return on assets and accounting quality at 0.442 (see, Table 5). Again, the correlation coefficients between IFRS adoption and accounting quality as well as board governance and accounting quality are negatively correlated but insignificant with a correlation coefficient of -0.028 and -0.055 respectively. This implies that IFRS adoption and board governance entering the regression model have unpredictable effect on accounting quality. Further to this, return on assets and institutional ownership has positively significant correlation with accounting quality at the one-tail and two-tail level of significance. This suggests that these control variables entering the regression model have a significant positive impact on accounting quality.

Table 5. Correlation analysis.

Variables	AccQLy	IFRSInx	BrGI	ROA	FSz	CS	InO
AccQLy	1.000						
IFRSInx	-0.028	1.000					
BrGI	-0.055	0.628*	1.000				
ROA	0.442*	-0.036	-0.038	1.000			
FSz	0.027	0.084	0.316*	-0.144*	1.000		
CS	-0.002	-0.021	-0.090	-0.020	-0.095	1.000	
InO	0.144**	-0.465*	-0.175*	-0.031	0.305*	-0.309*	1.000

Note: AccQLy denotes accounting quality, IFRSInx denotes IFRS adoption, BrgI denotes board governance index, ROA is return on assets, FSz denotes firm size, CS is leverage and InO is institutional shareholding. * denotes a one-tail level of significance and ** denotes two-tail level of significance.

4.3. Regression Results (Ordinary Least Square Regression)

4.3.1. The Impact of IFRS Adoption on Accounting Quality of Ghanaian Listed Non-Financial Firms

One assumption of OLS estimation is that, the independent variables are exogenous, when applied leads to biased and inconsistent results (Roberts & Whited, 2013). Another assumption of the OLS estimation is the presence of variance across entities. Against this spirit, the Breusch-Pagan Lagrange multiplier test which is a test for heteroscedasticity was performed. Therefore, by refusing to accept the alternate hypothesis we can infer that, there is zero variance across entities of the study. From the regression results, the null hypothesis is accepted and as such the researcher invokes the robust command to control for the presence of heteroscedasticity.

From Table 6, the results indicate that IFRS adoption has a negative impact on accounting quality but this impact is statistically insignificant in the first model without the addition of control variables in the regression model. Additionally, IFRS adoption only explains 1 per cent of the variance in accounting quality as shown by the r-square. In model two, control variables are introduced into the model in addition to the IFRS adoption and regressed on accounting quality. As a result, the independent variable and the control variable collectively explains 23 per cent of the variance in accounting quality. Also, the relationship between IFRS adoption and accounting quality is negative but insignificant. This means that a unit change in IFRS adoption will not induce a 39 per cent reduction in accounting quality. This study is at variance with the studies of Key and Kim (2020); Hao, Sun, and Yin (2019) and confirms the study of Jeanjean and Stolowy (2008). The insignificant relation is due to the contention that IFRS adoption in isolation does not significantly improve accounting quality but rather compliance to the standards leads to increased accounting quality as established in the studies of Mbir et al. (2020). Buttressing this point Kao (2014) reiterates that management are likely to engage in earnings manipulations when faced with negative earnings while Jeanjean and Stolowy (2008) ascribe the insignificant relation to the prevailing lax implementation of regulations by institutions and managerial incentives.

On the effect of control variables on earnings management as a construct of accounting quality, the result revealed that all but return on assets and institutional ownership positively influence accounting quality significantly at 5% significance level. In other words, firm size and leverage influence accounting quality insignificantly.

Table 6. Accounting quality & IFRS adoption with pooled OLS Region.

	MODEL 1			MODEL 2		
Variables	**Coef.**	**Robust Std. Err.**	**T-statistics**	**Coef.**	**Robust Std. Err.**	**T-statistics**
IFRSInx	-2.031	1.761	-1.150	-0.390	1.588	-0.25
ROA				0.191***	0.008	23.20
FSz				0.179	0.258	0.690
CS				0.002	0.002	1.250
InO				1.849*	1.219	1.520
_cons	1.961	1.920	1.02	-1.932	3.351	-0.580
R-squared	0.014				0.2259	
F-Statistics	1.33			4705.69***		
No. of Obs.	137			137		

Note: IFRSInx denotes IFRS adoption, ROA is return on assets, FSz denotes firm size, CS is leverage and InO is institutional shareholding. * 10% level of significance, *** denotes 1% level of significance.

4.3.2. The Influence of Board Governance on Accounting Quality of Ghanaian Listed Non-Financial Firms

In model 3, the p-value (coefficients) of board governance on accounting quality is *p=0.651(-1.36)* which implies that board governance impact accounting quality negatively but this is statistically insignificant (See, Table 7*)*. After controlling for firm-specific and some corporate governance variables, the insignificant relation between board governance effectiveness and accounting quality proxy using discretionary accruals still remained insignificant. This finding is at variance with the study of Kachouri and Jarboui (2017) and Krismiaji et al. (2016) but rather supports the study of Crockett and Ali (2015). This finding suggests that a unit change in board governance effectiveness will not lead to 59 per cent decrease in earnings manipulations which will cause an increased and improved accounting quality.

Further to this, from Table 6, the results indicate that profitability proxy using return on assets positively influences accounting quality significantly at 1 per cent significance level while institutional ownership influences accounting quality significantly positive at the 10 per cent significance level. Moreover, debt ratio and firm size are insignificant in the determination of earnings management of Ghanaian non-financial firms.

Table 7. Accounting quality & board governance with pooled OLS regression.

	MODEL 3			MODEL 4		
Variables	**Coef.**	**Robust Std. Err.**	**T-statistics**	**Coef.**	**Robust Std. Err.**	**T-statistics**
BrGI	-1.358	2.995	-0.450	-0.594	3.406	-0.170
ROA				0.191***	0.008	23.320
FSz				0.218	0.387	0.560
CS				0.002	0.002	1.450
InO				1.752*	0.987	1.770
_cons	0.849	1.657	0.510	-2.086	1.880	-1.110
R-squared	0.003			0.226		
F-Statistics	0.210			5025.53***		
No. of Obs.	137			137		

Note- BrGI denotes board governance, ROA is return on assets, FSz denotes firm size, CS is leverage and InO is institutional shareholding. * denotes 10% level of significance, *** denotes 1% level of significance.

4.3.3. Moderating Role of Board Governance on IFRS Adoption and Accounting Quality Nexus

In order to achieve the third objective which seeks to find the moderating role of board governance on IFRS adoption and accounting quality nexus using Equation 3, the creation of an interaction term by multiplying the IFRS adoption with the board governance index becomes necessary. The creation of interaction term raises issues of multicollinearity and as such following the study of Chen, Zhang, Li, and Shahabi (2018) the interaction term was centred. In model 5 in Table 8, the relation between the two explanatory variables and accounting quality are sought. The result indicates that IFRS adoption using an adoption index and board governance proxy using a governance index impact accounting quality positively and negatively but not in a significant manner.

Table 8. Moderating role of board governance on IFRS adoption and accounting quality (Pooled OLS regression).

	MODEL 5			MODEL 6			MODEL 7		
Variables	**Coef.**	**Robust Std. Err.**	**T-statistics**	**Coef.**	**Robust Std. Err.**	**T-statistics**	**Coef.**	**Robust Std. Err.**	**T-statistics**
IFRSInx	0.126	3.688	0.030	-3.027	2.007	-1.510	-0.991	1.026	-0.970
BrGI	-0.608	3.790	-0.160	6.034	4.381	1.380	0.497	5.650	0.090
IFRSInx_DBrGI				-2.771	2.150	-1.290	-0.306	2.570	-0.120
ROA	0.191***	0.009	20.640				0.190***	0.009	21.840
FSz	0.220	0.434	0.510				0.221	0.391	0.570
CS	0.002*	0.001	1.650				0.002	0.002	0.950
InO	1.749*	0.966	1.810				1.500	1.287	1.170
_cons	-2.205	4.376	-0.500	-1.013	2.469	-0.410	-1.884	2.366	-0.800
R-squared	0.226			0.026			0.227		
F-Statistics	4501.27***			1.21			7650.84***		
No. of Obs.	137.000			137			137		

Note: BrGI denotes board governance index, IFRSInx denotes IFRS adoption, ROA is return on assets, FSz denotes firm size, CS is leverage and InO is institutional shareholding. * 10% level of significance, *** denotes 1% level of significance.

In this model, return on assets, debt ratio and institutional ownership impact accounting quality positively significant at the 1% and 10% level of significance. On the other hand, model 6 sought to examine the impact of the interaction term on accounting quality without the controlling of firm-specific variables and institutional ownership. The result from Table 8 suggests that the interaction term negatively influence accounting quality but this impact is not statistically significant and has an r-square of 3 per cent. In the final model 7 which is as a result of employing the third econometric model and incorporates the control variables produced similar result as evidence in model 6 (six). This supports the study of Krismiaji et al. (2016) who document a similar result. The implication of this result is that the presence of board governance does not weaken the impact of IFRS adoption on accounting quality. On the effect of control variables on accounting quality, all but profitability documents have statistically positive significant impact on accounting quality. Put differently, debt ratio, institutional ownership and firm size are insignificantly related to accounting quality.

5. Conclusion

In general, this study was to examine the individual and collective influence of IFRS adoption and board governance on accounting quality from the Ghanaian perspective. With a focus on the IFRS adoption impact on accounting quality when OLS techniques was applied, the results suggested that IFRS adoption negatively impacts accounting quality but in an insignificant manner. The insignificant nexus is as a result of lax implementation of regulations by institutions in the adoption of IFRS and incentive-performance tied schemes presented to managers. Additionally, from this model all but profitability and institutional ownership have positively significant impact on accounting quality. Again, on the board governance impacts on accounting quality, the findings from the OLS estimation revealed that board governance and accounting quality have a negative relation however this relation is not statistically significant. Finally, moderating the role of board governance on IFRS - accounting quality relation, the evidence established from the regression is that board governance does not moderate the relationship between IFRS adoption and accounting quality proxy using discretionary accruals. These findings are in line with previous studies related to the influence of IFRS adoption and board governance on accounting quality elsewhere that a unit change in IFRS adoption will not induce a per cent reduction in accounting quality but rather compliance to the standards leads to increased accounting quality as established in the studies of Mbir et al. (2020). Again, finding in Ali and Bin Nasir (2015) and Shan and Xu (2012) suggest that a unit change in board governance effectiveness will not lead to a per cent decrease in earnings manipulations which will cause an increased and improved accounting quality as Krismiaji et al. (2016) also document a similar results. The implication of this result is that the presence of board governance does not weaken the impact of IFRS adoption on accounting quality.

Based on the findings of the study, the following recommendations were made for managers: On policy implication, IFRS adoption without proper enforcement of regulations and effective institutionalization will not matter in constraining earnings manipulations by managers especially in instances whereby there are earnings losses. Therefore, regulator of stock market should ensure that firms are not merely adopting IFRS standards but are fully complying with the rules pertinent in these standards, advocating and ensuring effective institutionalization and correcting lax corporate governance practices. Also, Securities and Exchange Commission are advised to develop a charter that compels listed firms and those wished to be listed to have a substantial per cent of its shareholding in the hands of institutional investors as their presence from the study is vital in reducing earnings manipulations and ultimately improve accounting quality. Finally, Ghana Stock Exchange should insist on improvement in the level of disclosure of governance characteristics especially with reference to the characteristics of the sub-committees of non-financial firms. As the disclosure from the analysis indicates that these attributes are largely missing and that may account for the insignificant impact on accounting quality.

Moving to the limitations of this study, it can be said that one of the difficulties encountered was that the study limits the research scope to three areas namely IFRS adoption, board governance and accounting quality. On firm selection, this study restricts the scope to quoted non-financial firms using a sample period of seven years. Board governance as an explanatory variable has been proxy using a board governance index while IFRS adoption has also been proxy using an IFRS adoption index. Moreover, accounting quality is limited to the use of discretionary accruals which depicts faithfully representation. Finally, on estimation technique the ordinary least square regression has been adopted and used.

Further research can be undertaken to include other measures of accounting quality such as earnings smoothing, relevance and earnings timeliness. They can as well explore unlisted non-financial firms which are members of the Association of Ghana Industries to compliment this research and generalization could be made on all non-financial firms in Ghana. Again, future scholars can extend this study on a cross-country basis of Sub-Saharan African countries and/or a comparatively analysis with other African countries.

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