Adopting IFRS: Evidence from Bangladeshi Real Estate Sector

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ABSTRACT

The study examines the benefits of adopting IFRS on real estate sector by analyzing some factors that would include Method of asset valuation, Comparability, Earnings, Book value, adopting IFRS, financial performance, communication tool & convergence of accounting standard. Therefore, the purpose of this study is to investigate these factors & empirically proved the necessity to develop IFRS for real estate sector. A closed-minded questionnaire had ready for face to face interview to collect data from Employee & Employer of Real Estate Company. To analyze data, the study has used correlation matrix, KMO and Bartlett's Test, Total Variance Explained, Component Matrix, Rotated Component Matrix to measure the suitability of the variables, cross tabulation to measure the association between variables, Pearson's correlation & Fisher's exact test to tests research hypothesis. Findings reveal that depending on accounting standard used costing real estate accounting elements will vary. Adopting internationally accepted accounting standard, for example, IFRS increase comparability & financial performance. The study has found the necessity to harmonize national accounting standard & international accounting standards. It is also found that adopting IFRS increase value relevance of earnings & book value.

Keywords: Accounting, Bangladesh, IFRS, Real Estate

1. INTRODUCTION

Accounting standards regulators in Bangladesh adopted IFRSs through three phases, and since the full implementation has not completed yet so far, the adoption is in the stage of allowing certain types of companies to follow IFRSs. In August 1999, the International Accounting Standards (IASs) adoption process was initiated following a US$200,000 World Bank grant to the Bangladeshi Government (Mir & Rahaman 2005). By the end of 1999 the Institute of Chartered Accountants of Bangladesh (ICAB) has adopted 21 IASs, and 16 were "under consideration for adopting the IASs" (Mir & Rahaman 2005). Starting from 2005, all local listed companies in Bangladesh were required to use IFRSs (UNCTAD 2006).

Besides, IFRS 3 and 5 were adopted as Bangladesh financial Reporting standard (BFRS) in December 2005, and IFRS 1, 4, 7 and 8 were followed as BFRS in 2008 (ICAB 2007). In 2009, Bangladesh has accompanied 8 IFRSs and 26 IASs (Shil, Das & Pramanik 2009). The adoption and implementation of IFRSs is an ongoing application until 2009, and ICAB plans to maintain this continuing way till June 2010 (ICAB 2009).

Table 1: Summary of adoption of IASs in Bangladesh

Sl. No.	Subject	IASs in Number	IASs Number
1	Existing number of IASs developed by IASC, IASB	34	
2	Withdrawn by IASB	01	IAS-15
3	IASs not applicable to Bangladesh Context	01	IAS-29
4	Total effective IAS	32	
5	IASs adopted in Bangladesh as BAS	31	1,2,7,8,10,11,12,14,16,17,18,19,20,21,23,24,26,27,28,30,31,32,33,34,35,36,37,38,39,40 & 41.

Sources: The Institute of Chartered Accountants of Bangladesh (ICAB).

Table 1.2: Adoption status of IFRSs

IFRS No.	BFRS No.	Effective Date
IFRS 1	BFRS-1: First-Time Adoption of Bangladesh Financial Reporting Standards	An entity shall apply this BFRS if its first BFRS financial statements are for a period beginning on or after 1 January 2009.
IFRS 2	BFRS-2: Share-based Payment	For annual periods beginning on or after 1 January 2007. The effective date of 2008 amendments (paragraph 21A and 28A) will be 1 January 2010.
IFRS 3 (supersedes IAS 22)	BFRS-3: Business Combination	On or after the beginning of the first annual reporting period beginning on or after 1 January 2010. If an entity applies this BFRS before 1 January 2010, it shall disclose that fact and apply BAS 27 (as amended in 2008) at the same time.
IFRS 4	BFRS-4: Insurance Contracts	For annual periods beginning on or after 1 January 2010.
IFRS 5	BFRS-5: Non-current Assets Held for Sale and Discontinued Operations	For annual periods beginning on or after 1 January 2007.
IFRS 6	BFRS-6: Exploration for and Evaluation of Mineral Resources	For annual periods beginning on or after 1 January 2007.
IFRS 7	BFRS-7: Financial Instrument: Disclosures (This BFRS supersedes BAS 30 Disclosures in the Financial Statements of Bank and Similar Financial Institutions)	On or after the beginning of the first annual reporting the period beginning on or after 1 January 2010.
IFRS 8	BFRS-8: Operating Segments. (This BFRS supersedes BAS 14 Segment Reporting)	On or after the beginning of the first annual reporting period beginning on or after 1 January 2010.

Source: The Institute of Chartered Accountants of Bangladesh (ICAB).

The rest of the paper is organized as follows: Section two Overview real estate sector in Bangladesh & Section three is devoted to overview the relevant literature of the selected factors. Then, Section four is the methodology adopted & section five outlines the relevant factor analysis of the study. Next, the result and discussion are documented in Section six and the overall conclusions regarding these results are presented in Section seven.

1. OVERVIEW REAL ESTATE SECTOR IN BANGLADESH

Real estate business took off in Bangladesh in 1970 with 5 registered firms. From the early 1980s, the commercial enterprise started out to flourish and confirmed sturdy boom. With the aid of 1988, there have been 42 developers in the business. At present, more than 1500 companies are active inside the actual property region with 1081 of them registered with REHAB (Seraj, 2012). Within the last four decades, non-public builders have provided more than 100000 units of residences to the nation and will be providing 25000 extra units within the subsequent three years.

From 1994-95, during the last 10 years, Bangladesh real estate sector grew at an average of 3.64% achieving the highest at 3.83% in 1999-00. Although it had a fall in 2000-01, there has been a recovery in 2001-02. For the remaining five years this sector grew impressively and showed a smooth rising trend. The comparative situation of GDP indicates a steady 6% increase for Bangladesh. Consistent with the real estate professionals, as GDP of Bangladesh remains below that of other neighboring nations, Bangladesh has extra to develop which can be fostered with the aid of the non-stop increase in the share and increase of real estate sector within the country. This contribution of real estate and production in GDP of Bangladesh became 16.20% in 1994-95, which became at 16.69% in 2000-01 and attained 17.22% in 2004-05. This proportion slowed down to around 8% in FY 2008 that is due to the excessive price barrier for the larger portion of the population to buy real estate apartments, and also the almost saturation of the already existing excessive quit population marketplace. The housing real property business's untapped ability is pretty evident from the real property rental penetration in neighboring countries in comparison to Bangladesh. Islam M. S. and Hossain A. (2008) depicted the value addition of the overall housing sector including the real estate's falls in different other regions which are quite simply. A number of the 21 subsectors under the housing industry steel (29%), workforce labor (20%) and Cement (11%) are the highest contributing subsectors (Islam M. S. and Hossain A, 2008). As a result, the real estate is the most important housing facilitating non-public channel has extremely vital and large backward supply chain.

2.   PRIOR LITERATURE WORK

Below provide prior literature work of the relevant studies:

"Interviews with large institutional investors... reveal the following areas where international disclosure practices are considered most wanting: ...method of asset valuation..." According to Frederic Choi,-Professor of Accounting and Business. "...Widely accepted norms have not been developed for asset valuation despite its importance for financial stability" (G10 Working Party Report on Financial Stability in Emerging Market Economies, 1997). IFRS could facilitate cross-border comparability and increase reporting transparency, enabling stakeholders to understand the financial results of firms in the whole world (Ball,

2006). IAS/IFRS information has affected the perception of firm's business performance, and firms have been enabled to produce IAS/IFRS financial statements that allow them to adopt a global financial reporting language as well as to be evaluated in a global marketplace (PricewaterhouseCoopers, 2004).As a consequence, depending on the accounting standards used, and their interpretation, costing real estate may differ according to asset classification (Eccles and Holt, 2000, 2001 and Holt and Eccles, 2003).

Muller et al. (2002) examine the valuation method for investment property applied by the European real estate sector after IFRS adoption.They find that most companies in their sample use fair value accounting and argue that measurement at fair value is associated with reduced information asymmetry. Cairns et al. (2011) study valuation method used by 228 companies in the UK and Australia after IFRS adoption. They find that IFRS adoption increased comparability among companies. Several researchers (Goodrich, 1982; Nobes, 1992) have found several reasons that caused international differences in financial reporting systems by various jurisdictions. As noted by Lazar et al. (2006), a common set of reporting standards will allow more transparency, understandability, competitiveness and comparability of financial statements presented by various jurisdictions. A study by Barth, Landsman, and Lang (2005) in the USA found out that IFRS adoption increases firms' financial reporting quality.

Jermakowicz, Kinsey and Wulf (2007) investigated whether adoption of IFRS brought challenges and benefits on the value relevance of earnings and book values of DAX-30 companies listed at NYSE. The analysis of their study based on the annual data which covered a period between 1995 and 2004 and found out that value relevance of earnings and book value significantly increased. Empirical work of Filip and Raffournier (2010) in Romania and Hellström (2006) in Czech reported an increased on earnings after IFRS regime. However, other empirical studies of Bartov et al. (2005), Karampinis and Hevas (2011) report a decreased on the value relevance of both book value of equity and earnings in the period of implementing IFRS, consistent with the study of Ahmed and Goodwin (2006).Another study in Turkey by Bilgic and Ibis (2013) analyses whether adoption of IFRS increased value relevance or not and reported accounting information to be more relevant during the period covered for the study and after the introduction new financial accounting reporting standards.

Meeks and Swann (2009) revealed that firms adopting IFRS exhibited higher accounting quality in the post-adoption period than in the pre-adoption period. In a study of financial data of firms covering 21 countries, Barth (2008), confirmed that firms applying IAS/IFRS experienced an improvement in accounting quality between the pre-adoption and post-adoption periods. Latridis (2010), concluded on the basis of data collected from firms listed on the London Stock Exchange that IFRS implementation has favorably affected the financial performance (measured by profitability and growth potentials).IFRS compliant financial statements have the tendency to make comparability and company performance assessment across nations easier and result of such assessment more acceptable by stakeholders and highly reliable.

Accounting is considered the contemporary language of business, as it is the communication tool between financial statement preparers and users of all categories, which requires that financial statements be clear, understandable, complete, and presented in a way

that helps users understand and benefit from them. The objectives of the IASB include developing global accounting standards that require transparent and comparable information and financial statements around the world (Cairns, 2002) and across companies in the same industry. IFRS have been developed intentionally as a global language for accounting across international boundaries, a significant achievement in a process that began in the 1960s, saw the formation of the International Accounting Standards Committee (IASC) in 1973 to address concerns about the lack of comparability of financial reports between countries (Alfred son et al, 2005, p. 7), and still continues as the reconstituted IASC, now the International Accounting Standard Board (IASB) seeks to make partnerships with national accounting standard-setters and encourage the adoption of IFRS.

The implementation of the IFRS affects the business operations where the business organizations have to migrate from their existing accounting practices to a new set of standards (Cope and Clark, 2003). The convergence of accounting practices requires effective implementation and enforcement of accounting standards (2006; Ball et al. 2003; Burgstahler et al. 2006; Daske et al. 2007a, 2007b).

3. RESEARCH METHODOLOGY
3.1. Data collection

The study has adopted Bangladeshi real estate company with full-time employees exceeding 260 & annual sales turnover of exceeding $45 million which extend into 4 divisional cities namely Dhaka, Chittagong, Rajshahi & Sylhet. The research population consists of two categories responder such as (a) employer & (b) employee of the real estate company which numerically 439.

3.2. Data analysis

A different statistical model such as correlation matrix, KMO and Bartlett's Test, Total Variance Explained, Component Matrix, Rotated Component Matrix used to analyze data. For hypothesis testing, this study has used Pearson Chi-Square & Fisher's Exact Test to develop null hypothesis & alternative hypothesis.

3.3. Questionnaire design

The questionnaire composed of two parts; demographic profile & factors that show benefits to adopt IFRS. Demographic profile used to obtain information about respondent's background, gender, age, race, educational level and occupation. A set of a closed-minded questionnaire developed on the basis of IFRS to focus real estate company of Bangladesh. The questionnaire used 3 point rating scale that used1 yes, 0 no & 9 don't know point scale according to responder feedback.

4. DATA ANALYSIS

Table 1.3: Correlation Matrix[a]

		method of asset valuation	comparability	Earnings	Book values	adopting IFRS	financial performance	communication tool	convergence of accounting practices
Correlation	method of asset valuation	1.000	-.004	.059	.059	.047	.066	.063	.430
	comparability	-.004	1.000	.298	.295	.237	.331	.314	.612
	Earnings	.059	.298	1.000	.988	.760	.881	.947	.221
	Book values	.059	.295	.988	1.000	.772	.871	.937	.219
	adopting IFRS	.047	.237	.760	.772	1.000	.708	.760	.176
	financial performance	.066	.331	.881	.871	.708	1.000	.937	.249
	communication tool	.063	.314	.947	.937	.760	.937	1.000	.233
	convergence of accounting practices	.430	.612	.221	.219	.176	.249	.233	1.000

a. Determinant = 4.616E-005

The above top half of correlation matrix table includes the Pearson correlation coefficient between all pairs of variables. The correlation coefficient of a variable and itself is constantly 1; right here the fundamental diagonal of the correlation matrix contains 1s. The correlation matrix may be used to test the pattern of relationships. For this, the study has to consider the significance values and search for any variable for which the majority of values are greater than 0.05. The determinant value (lies at the bottom) for the correlation matrix is 4.616E-005 (0.00004616) that's greater than the essential value of 0.00001 (beneath the table value). The correlation matrix table additionally gives correlation coefficients and p-values for each pair of variables covered within the analysis. Close inspections of these correlations can frequently insights into the variable shape. Above correlation matrix is the correlation matrix for the variables included. Therefore, multicollinearity isn't always a problem for these variables & above correlation matrix provide dependable variables analysis.

Table 1.4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-Square	4337.793
	df	28
	Sig.	.000

Above KMO and Bartlett's Test table provide some reliable output for Kaiser-Meyer-Olkin to measure sampling adequacy & Bartlett's test of sphericity to test the adequacy of the correlation matrix. For the KMO statistic, Kaiser (1974) recommends below .50 unacceptable, .50 miserable, .60 mediocre, .70 middling, .80 meritorious, & .90 marvelous.

Here the KMO value is 0.793, which is close to meritorious that is variable analysis is appropriate for the study.

Another hand, Bartlett's test of Sphericity measures the null hypothesis that the original correlation matrix is an identification matrix. For this, the study has to ascertain some relationships among variables and if the R-matrix had been an identity matrix then all correlation coefficients could be zero. Here, Bartlett's test of Sphericity is significant since significance value < 0.05. A significant test indicates that the R-matrix isn't an identification matrix; therefore, there are some effective relationships among the variables. For these data, Bartlett's test is exceptionally widespread ($p < 0.001$) that is variable analysis is appropriate. Consequently, Bartlett's test of sphericity is significant & yielded a value of 4337.793 & an association level of significance smaller than 0.01, hence the hypothesis that the intercorrelation matrix regarding those variables is an identity matrix is rejected that is the correlation matrix has significant correlations among at least some of the variables.

Table 1.5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.669	58.362	58.362	4.669	58.362	58.362	4.451	55.632	55.632
2	1.546	19.319	77.682	1.546	19.319	77.682	1.764	22.049	77.682
3	.977	12.213	89.894						
4	.347	4.336	94.231						
5	.248	3.101	97.332						
6	.161	2.009	99.341						
7	.041	.516	99.857						
8	.011	.143	100.000						

Extraction Method: Principal Component Analysis.

The total variance explained table presents the number of common variables extracted, the eigenvalues associated with these variables, the percentage of total variance accounted for by each variable, & the cumulative percentage of total variance accounted for by the variables. On the basis of Varimax Rotation with Kaiser Normalization, 2 factors have extracted in the initial solution. Each factor constituted of all those variables that have factor loading greater than 1. Only two factors in the initial solution have eigenvalues greater than 1. The 1st factor has an eigenvalue = 4.669. Since this is greater than 1.0, it explains more variance than a single variable, in fact, 4.669 times as much. The 2nd factor has an eigenvalue = 1.546. It is also

greater than 1.0 and therefore explains more variance than a single variable. Another side, rest of the factors have eigenvalues less that1, and therefore explain less variance that a single variable. The sum of the eigenvalues associated with each factor (component) sums (4.669+ 1.546+ .977+ .347+ … + .011) = 8. The cumulative % of variance explained by the first two factors is 77.682%. In other words, 77.682% of the common variance shared by the 8 variables accounted for by the 2 factors. The second section of this table shows the variance explained by the extracted factors before rotation. Cumulative variability explained by these two factors in the extracted solution is about 77.682%. & there is no difference from the initial solution. The rightmost section of this table shows the variance explained by the extracted factors after rotation. Notices that initial solution, unrotated and rotated factor have same cumulative value.

Table 1.6: Component Matrix[a]

	Component	
	1	2
method of asset valuation	.184	.939
comparability	.805	.411
Earnings	.936	-.185
Book values	.937	-.183
adopting IFRS	.891	-.072
financial performance	.955	-.145
communication tool	.964	-.145
convergence of accounting practices	.954	.192

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

Table 1.7: Rotated Component Matrix[a]

	Component	
	1	2
method of asset valuation	-.029	.956
comparability	.694	.579
Earnings	.954	.028
Book values	.954	.029
adopting IFRS	.885	.128
financial performance	.963	.071
communication tool	.972	.072
convergence of accounting practices	.888	.400

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

The rotated component matrix presents two variables after rotation. To identify what these variables represent, it would be necessary to consider what items loaded on each of the two variables. Eight items loaded on variable 1. Inspection of these items clearly shows that majority of these items reflect a Comparative motive. Variable 1 dictates that every item (loaded items on variable 1) significantly influence real estate accounting elements to be

comparable. From the table, we can see that variable communication tool correlates 0.972 with factor 1 & correlate 0.072 with factor 2. Variable accounting quality correlates 0.963 with factor 1 & correlate 0.071 with factor 2. Note that, variable method of asset valuation (v1) highly loadings in component 2 (loadings value=.956) & change its value in component 1(loadings value=-.029). So, we can conclude that costing real estate accounting elements will vary if there is no proper asset valuation method. Then, earnings, book values equally explained 94.5% in component 1 & sequentially contribute convergence of accounting practices (v8=.888), adopting IFRS (v5=.885) & comparability (v2=.694) to influence comparable real estate accounting elements. Therefore, it can refer that all the variables strongly associated with comparable motives where v1 works as a dependent variable. On the basis of loadings value, we can classify above variables into three categories,

 a. Highly associated variables
 b. Moderately associated variables
 c. Negatively associated variables

Highly associated variables

Rotated component matrix $=$
$$\frac{(\text{communication tool }+\text{financial performance }+\text{Earnings}+\text{Book values })}{4} = \frac{(.972+.963+.954+.954)}{4} =$$
$\frac{3.821}{4} = .95525$ (Mean value)

  Above Mean value (.95525) indicate that rotated components' matrix has above 95% high degree positive relation between dependent variables & independent variables (Highly associated variables) or we can say that 95.5525% relation of dependent variables described by Perfectly explained variables & rest of 4.475% relationship assumed on the basis of probable relation.

  So, it can be referred that most of the Bangladeshi Real Estate company do not measure earnings& book values under IFRS & ignore to implement IFRS where accounting quality create a conflict between users.

  Moderately associated variables

  Rotated component matrix $=$
$$\frac{(\text{convergence of accounting standard }+\text{adopting IFRS }+\text{comparability})}{3} = \frac{(.888+.885+.694)}{3} =$$
$\frac{2.467}{3} = .8223$ (Mean value)

  From the above-rotated component matrix analysis, it is found out that all the moderate associated variables have high degree positive relation among v8, v5& v2 (all variable positively relate as a complement). Moderately associated variables explained 82.23% under rotated component matrix that is dependent variables explained by independent variables 82.23% under rotated component matrix.

  Therefore, high positive variables significantly influence comparability by adopting IFRS to convergence real estate accounting elements.

Negatively associated variables

 From rotated component matrix, we can see that variable method of asset valuation negatively associated (loadings value=-.029) with other variables which change its value in component 2(loadings value=.956). That is 95.6% relation explained by method of asset

valuation & rest of the 4.4% relation assumed on the basis of probable relation. Therefore, it can conclude that depending on asset valuation, costing real estate accounting elements will vary.

5. RESULT & DISCUSSION

Table 1.8: Method of asset valuation * Comparability Cross tabulation

			Comparability			Total
			No	Yes	Don't know	
Method of asset valuation	No	Count	14	0	85	99
		Expected Count	24.8	52.3	21.9	99.0
		% within Method of asset valuation	14.1%	0.0%	85.9%	100.0%
		% within comparability	12.7%	0.0%	87.6%	22.6%
		% of Total	3.2%	0.0%	19.4%	22.6%
	Yes	Count	95	224	0	319
		Expected Count	79.9	168.6	70.5	319.0
		% within Method of asset valuation	29.8%	70.2%	0.0%	100.0%
		% within comparability	86.4%	96.6%	0.0%	72.7%
		% of Total	21.6%	51.0%	0.0%	72.7%
	Don't know	Count	1	8	12	21
		Expected Count	5.3	11.1	4.6	21.0
		% within Method of asset valuation	4.8%	38.1%	57.1%	100.0%
		% within comparability	0.9%	3.4%	12.4%	4.8%
		% of Total	0.2%	1.8%	2.7%	4.8%
Total		Count	110	232	97	439
		Expected Count	110.0	232.0	97.0	439.0
		% within Method of asset valuation	25.1%	52.8%	22.1%	100.0%
		% within comparability	100.0%	100.0%	100.0%	100.0%
		% of Total	25.1%	52.8%	22.1%	100.0%

This empirical study found most responders feedback are consistent with the findings of prior research work (Eccles and Holt, 2000, 2001 and Holt and Eccles, 2003) which indicate that depending on the asset valuation methods costing real estate accounting elements will differ. They refer that a common set of accounting standards used can increase reporting transparency and business performance.

However, the study found most of the responder (table-1.6) emphasize on a common set of accounting standards by suggesting that internationally accepted standard such as IFRS adoptions increased comparability of real estate accounting elements (Goodrich, 1982; Nobes, 1992; Barth, Landsman and Lang, 2005). Real estate company must be adopted internationally accepted accounting standard (IFRS)

to allow more transparency, understandability, competitiveness and comparability (Lazar et al. 2006). Therefore, based on these research findings; we can develop the following hypothesis:

H_0 -: There is no association between method of asset valuation & comparability to faithfully present real estate accounting elements.

H_1 -: There is an association between method of asset valuation & comparability to faithfully present real estate accounting elements.

Table 1.9: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	346.724[a]	4	.000	.000		
Likelihood Ratio	389.116	4	.000	.000		
Fisher's Exact Test	377.632			.000		
Linear-by-Linear Association	.007[b]	1	.935	.938	.486	.003
N of Valid Cases	439					

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.64.

b. The standardized statistic is -.081.

According to Yates, Moore & McCabe, (1999, p. 734), each observation is independent of all the others (one observation per subject) & no more than 20% of the expected counts are less than 5 and all individual expected counts are 1 or greater. If both conditions are met then chi-square test (p-value) will be reliable for cross tabulation. If this is not meet, then Fisher's exact test (when the cell count is less than 5) will be used for reliable p-value. From the bottom of Table 1.9, we can see that 11.1% (1) cells have expected count less than 5 & the minimum expected count is 4.64. This is satisfy both conditions (expected cells count =11.1% & minimum expected count=4.64), therefore; Pearson's chi-square test (p-value) will be reliable. The table 1.9indicate that Pearson Chi-Square =346.724 & p<0.05 under 2 tailed significance test imply a very small probability of the observed data under the null hypothesis of no relationship. The null hypothesis is rejected, since p < 0.05.We can reject null hypothesis by accepting alternative hypothesis that there is an association between method of asset valuation & comparability to faithfully presents real estate accounting elements.

This empirical study found most of the responder's feedbacks are consistent with the findings of earlier research work (Jermakowicz, Kinsey and Wulf,2007) which imply that earnings and book value positively associated with IFRS. They agree that effective implementation of IFRS significantly increased value-relevance of earnings and book value (Filip and Raffournier,2010, Hellström,2006 Bilgic and Ibis, 2013). However, the findings of the study are not confirmed with the findings of some studies (Bartov et al. 2005, Karampinis and Hevas,2011; Ahmed and Goodwin,2006) which shows that adopting IFRS decrease earnings & book value. Therefore, based on these research findings; we can develop the following hypothesis:

Table 2: Earnings * Book values Cross tabulation

			Book values			Total
			No	Yes	Don't know	
Earnings	No	Count	55	0	2	57
		Expected Count	7.7	10.3	39.1	57.0
		% within Earnings	96.5%	0.0%	3.5%	100.0%
		% within Book values	93.2%	0.0%	0.7%	13.0%
		% of Total	12.5%	0.0%	0.5%	13.0%
	Yes	Count	4	79	0	83
		Expected Count	11.2	14.9	56.9	83.0
		% within Earnings	4.8%	95.2%	0.0%	100.0%
		% within Book values	6.8%	100.0%	0.0%	18.9%
		% of Total	0.9%	18.0%	0.0%	18.9%
	Don't Know	Count	0	0	299	299
		Expected Count	40.2	53.8	205.0	299.0
		% within Earnings	0.0%	0.0%	100.0%	100.0%
		% within Book values	0.0%	0.0%	99.3%	68.1%
		% of Total	0.0%	0.0%	68.1%	68.1%
Total		Count	59	79	301	439
		Expected Count	59.0	79.0	301.0	439.0
		% within Earnings	13.4%	18.0%	68.6%	100.0%
		% within Book values	100.0%	100.0%	100.0%	100.0%
		% of Total	13.4%	18.0%	68.6%	100.0%

H_0: Earnings & book value negatively associated with IFRS.
H_1: Earnings & book value positively associated with IFRS.

Table 2.1: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	811.341[a]	4	.000	.000		
Likelihood Ratio	685.595	4	.000	.000		
Fisher's Exact Test	664.331			.000		
Linear-by-Linear Association	427.346[b]	1	.000	.000	.000	.000
N of Valid Cases	439					

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.66.
c. The standardized statistic is 20.672.

From the top row of the table2.1, Pearson Chi-Square statistic, c2= 811.341, and p < 0.05(2 tailed significance test); that is a very small probability of the observed data under the null hypothesis of no relationship. The null hypothesis is rejected, since p < 0.05. Therefore, we can reject null hypothesis by accepting alternative hypothesis that earnings & book value positively associated with IFRS.

Table 2.2: Adopting IFRS * Financial performance Cross tabulation

			Financial performance			Total
			No	Yes	Don't Know	
Adopting IFRS	No	Count	21	0	0	21
		Expected Count	3.3	4.4	13.3	21.0
		% within adopting IFRS	100.0%	0.0%	0.0%	100.0%
		% within financial performance	30.0%	0.0%	0.0%	4.8%
		% of Total	4.8%	0.0%	0.0%	4.8%
	Yes	Count	19	60	0	79
		Expected Count	12.6	16.4	50.0	79.0
		% within adopting IFRS	24.1%	75.9%	0.0%	100.0%
		% within financial performance	27.1%	65.9%	0.0%	18.0%
		% of Total	4.3%	13.7%	0.0%	18.0%
	Don't know	Count	30	31	278	339
		Expected Count	54.1	70.3	214.7	339.0
		% within adopting IFRS	8.8%	9.1%	82.0%	100.0%
		% within financial performance	42.9%	34.1%	100.0%	77.2%
		% of Total	6.8%	7.1%	63.3%	77.2%
Total		Count	70	91	278	439
		Expected Count	70.0	91.0	278.0	439.0
		% within adopting IFRS	15.9%	20.7%	63.3%	100.0%
		% within financial performance	100.0%	100.0%	100.0%	100.0%
		% of Total	15.9%	20.7%	63.3%	100.0%

The study has found relevant feedback with the findings of earlier research work (Meeks and Swann, 2009& Barth, 2008) which suggest that adopting IFRS exhibited higher accounting quality. Real estate Company that adopts IFRS enjoys better accounting quality than those who do not adopt IFRS.

Regarding financial performance, the findings of the study are consistent with the findings of Latridis (2010) which imply that IFRS implementation enhances financial performance of real estate accounting elements. They measured financial performance on the basis of profitability and growth potentials. Therefore, based on these research findings; we can develop the following hypothesis:

H_0 -: There is no association between adopting IFRS & financial performance to faithfully present real estate accounting elements.

H_1 -: There is an association between adopting IFRS & financial performance to faithfully present real estate accounting elements.

Table 2.3:Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	331.525[a]	4	.000	.000		
Likelihood Ratio	306.213	4	.000	.000		
Fisher's Exact Test	295.141			.000		
Linear-by-Linear Association	219.575[b]	1	.000	.000	.000	.000
N of Valid Cases	439					

a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 3.35.
b. The standardized statistic is 14.818.

The footnote for this table 2.3 pertains to the expected cell count assumption (expected cell counts are all greater than 1); 22.2% cells had an expected count less than 5(more than 20%), which is against Yates, Moore & McCabe (1999, p. 734) assumption. Therefore, Fisher's Exact Test will be used for reliable p-value. The table 2.3indicate that Fisher's Exact Test =295.141& $p<0.05$ under 2 tailed significance test imply a very small probability of the observed data under the null hypothesis of no relationship. The null hypothesis is rejected, since $p < 0.05$.We can reject null hypothesis by accepting alternative hypothesis that there is an association between adopting IFRS & financial performance to faithfully present real estate accounting elements.

The findings of this empirical study are consistent with the findings of earlier research works (Roberts et al., 2002) which suggest that IFRS works as communication tools between financial statement preparers and users of all categories. Most of the responder agrees that globally accepted accounting standard such as IFRS comparably present real estate accounting elements & increase comparability across the same industry (Cairns, 2002; IASCF, 2004).

Findings of convergence of accounting standard are relevant to earlier studies (Cope and Clark, 2003; Alfredson et al, 2005, p. 7) which imply that harmonization between national accounting standard & IFRS develops comparability of real estate accounting elements. They emphasize on effective implementation and enforcement of accounting standards to harmonize accounting practices (Ball 1995, 2006; Ball et al. 2003; Burgstahler et al. 2006; Daske et al. 2007a, 2007b). Therefore, based on these research findings; we can develop the following hypothesis:

H_0: There is no association between communication tool & convergence of accounting standard to enhance comparability.

H_1: There is an association between communication tool & convergence of accounting standard to enhance comparability.

Table 2.4: Communication tool * Convergence of accounting standard Cross tabulation

			Convergence of accounting standard			Total
			No	Yes	Don't know	
Communication tool	No	Count	0	19	0	19
		Expected Count	3.3	13.1	2.6	19.0
		% within communication tool	0.0%	100.0%	0.0%	100.0%
		% within convergence of accounting standard	0.0%	6.3%	0.0%	4.3%
		% of Total	0.0%	4.3%	0.0%	4.3%
	Yes	Count	0	131	0	131
		Expected Count	22.7	90.4	17.9	131.0
		% within communication tool	0.0%	100.0%	0.0%	100.0%
		% within convergence of accounting standard	0.0%	43.2%	0.0%	29.8%
		% of Total	0.0%	29.8%	0.0%	29.8%
	Don't Know	Count	76	153	60	289
		Expected Count	50.0	199.5	39.5	289.0
		% within communication tool	26.3%	52.9%	20.8%	100.0%
		% within convergence of accounting standard	100.0%	50.5%	100.0%	65.8%
		% of Total	17.3%	34.9%	13.7%	65.8%
Total		Count	76	303	60	439
		Expected Count	76.0	303.0	60.0	439.0
		% within communication tool	17.3%	69.0%	13.7%	100.0%
		% within convergence of accounting standard	100.0%	100.0%	100.0%	100.0%
		% of Total	17.3%	69.0%	13.7%	100.0%

Table 2.5: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	102.271[a]	4	.000	.000		
Likelihood Ratio	143.788	4	.000	.000		
Fisher's Exact Test	129.598			.000		
Linear-by-Linear Association	23.787[b]	1	.000	.000	.000	.000
N of Valid Cases	439					

a. 2 cells (22.2%) have expected count less than 5. The minimum expected count is 2.60.
b. The standardized statistic is 4.877.

The footnote for this table 2.5 pertains to the expected cell count assumption (expected cell counts are all greater than 1); 22.2% cells had an expected count less than 5(more than 20%), so this assumption was not met Yates, Moore & McCabe, (1999, p. 734). Therefore, Fisher's Exact Test will be used for reliable p-value. The table 2.5indicate that Fisher's Exact Test =29.598 & p<0.05 under 2 tailed significance test imply a very small probability of the observed data under the null hypothesis of no relationship. Since the p-value is smaller than the significance level ($\alpha = 0.05$), we do not accept the null hypothesis. Rather, we conclude that there is enough evidence to suggest an association between communication tool & convergence of accounting standard.

Based on the results, we can state the following:
- A positive association was found between communication tool & convergence of accounting standard (Fisher's Exact Test = 129.598, p = 0.000).

So, there is association between communication tool & convergence of accounting standard to enhance comparability

6. CONCLUSION

The study shows that adopting IFRS not only increase financial performance but also enhance comparability of real estate accounting elements. It is also shown that depending on the asset valuation methods costing real estate accounting elements will differ. The findings of the study indicate that a common set of accounting standards used can increase reporting transparency and business performance. Here, one wonders what the outcome may be if real estate company does not adopt IFRS.

Concerning earnings and book value, the study shows that adopting IFRS positively increase value-relevance of earnings and book value. Adopting IFRS exhibited higher accounting quality. Real estate Company that adopts IFRS enjoys better accounting quality than those who do not adopt IFRS.

IFRS implementation enhances financial performance of real estate accounting elements. Therefore, IFRS works as communication tools between financial statement preparers and users of all categories. Convergence of accounting standard &

harmonization between national accounting standard & IFRS develops comparability of real estate accounting elements.

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