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hen reading about other countries' experiences adopting International Financial Accounting Standards (IFRS), a problem of generalizability arises.

Are the observations made about transition to IFRS in one context relevant to others?

More to the point: are observations made in another country relevant to us in Colombia as we face transition? One must question what general value specific accounting studies have for us. No recent article makes this truth as clear as "*Changes in value relevance of accounting information upon IFRS adoption: evidence from Australia*." (Chalmers, Keryn; Clinch, Greg; Godfrey, Jayne M) published August 2011 in the Australian Journal of Management (p. 151-173).

Chalmers et al. investigated value relevance—i.e. the relationship of accounting information to market value—by measuring the Book Value of Equity (BVE) and earnings of Australian listed companies from 1990 to 2008 (Australia transitioned to IFRS from Australian GAAP in 2005). They discovered that following IFRS adoption, "...*earnings become more value relevant whereas the book value of equity does not...earnings also become more persistent around IFRS adoption*." (151)

The connection between earnings and accounting information strengthened and persisted after IFRS adoption while the connection to BVE did not.

"*Our results indicate...the book value of earnings gains value relevance when firms transition to IFRS and retains the higher value relevance into the IFRS period*.” (153) Furthermore, “*Both small and large firms demonstrate increased relevance for earnings.*” (165)

Chalmers et al. reasonably suggest, “*While the generalizability of our results to other countries will vary...for countries with strong investor protection and high-quality financial reporting and enforcement, IFRS adoption affects the value relevance of accounting information according to the impact of IFRS adoption on earnings, especially earnings persistence.*" (153)

While it may be tempting to think that this will happen in Colombia, to do so would be premature. Colombia is transitioning to the same IFRS, but from Colombian GAAP, not Australian GAAP. Chalmers et al. conclude that their results apply “*For a country with a balance sheet-oriented conceptual framework, a common law legal system, a high level of shareholder protection, low conformity between taxation reporting and financial accounting, and principle-based accounting standards*" (169).

We must ask ourselves honestly, when reading this conclusion and before drawing any of our own: how many of these conditions describe Colombia?

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