Abstract

Tarek M Abbas Elkala

The Value Relevance of Accounting Information in the MENA Region: A Comparison of GCC and Non-GCC Country Firms

Purpose – The purpose of this paper is to examine the value relevance of accounting information in the Middle East and North Africa region (MENA) region with an emphasis on the potential impact of IFRS adoption. This paper aims to not only examine the value relevance of accounting information in the MENA region but also draw comparisons between Gulf countries (GCC) and non-GCC country firms to determine whether there are distinct differences across the two regions. Design/methodology/approach – To investigate the value relevance of accounting information in the MENA region, two pooled regression models are used based on the Ohlson (1995) model. The first regression model is conducted for the GCC and non-GCC regions separately. A second regression model is conducted using a pooled sample of the MENA region collectively with dummy and interaction variables to further explore the potential differences between the two regions in terms of the value relevance of accounting information. Findings – The empirical results show that the measures of accounting information have a highly significant positive relationship with the market value per share for firms in the MENA region, thereby indicating that accounting information in the MENA region is value relevant. Although book value per share and earnings per share are significant determinants of value relevance in both GCC and non-GCC country firms, operating cash flows per share is only a significant determinant of value relevance in non-GCC country firms. The research findings of the study also show a significant negative impact of IFRS adoption on the value relevance of accounting information in the MENA region. Practical implications – This research paper provides important insights for investors and regulators by providing evidence that accounting information is value relevant in the MENA region, and that IFRS adoption does not necessarily lead to a greater degree of value relevance. In fact, investors and regulators should be aware that the adoption of IFRS in MENA country firms results in diminished value relevance of accounting information. This finding is of particular significance to policymakers attempting to improve accounting disclosure. Originality/value – The paper expands the value relevance of accounting information literature in the context of developing economies, in general, and the MENA region, in particular. There is a paucity of research into the value relevance of accounting information for MENA country firms, particularly in the case of the impact of IFRS adoption. Thus, this paper provides an important contribution in terms of expanding the value relevance literature in relation to IFRS adoption in the MENA region.