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**THE IMPACT OF INTERNATIONAL FINANCIAL REPORTING
STANDARDS (IFRS) ON BANK LOAN LOSS PROVISIONING
BEHAVIOUR AND BANK EARNINGS VOLATILITY**

A thesis presented in partial fulfilment of the requirements for

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Abstract

This thesis explores the impact of the adoption of IAS 39 under the new accounting standards, the International Financial Reporting Standards (IFRS), on bank income smoothing activities, bank pro-cyclical behaviour through loan loss provisions, and bank earnings volatility. It does this by looking at a sample of commercial banks from six countries in the Asia Pacific region over the period 1995 to 2009. By looking at the impact of IFRS (via IAS 39) on adopters and non-adopters, this thesis contributes to the literature by investigating the impact of IFRS adoption on IFRS adopting banks in this region.

The findings demonstrate that IFRS adoption leads to a reduction in income smoothing activities through loan loss provisions for IFRS adopters. With respect to the argument that IFRS adoption would cause more pro-cyclical behaviour of loan loss provisions, the findings from this thesis could not find enough evidence to support the suggestion that IAS 39 amplifies pro-cyclicality of bank loan loss provisioning among the adopters. For the suggestion that IFRS might cause more volatility of earnings for the adopters, there is evidence of more volatile earnings after IFRS adoption, but extra caution is needed in interpreting the findings as they may have been driven by the global recession in 2008. Finally, for the conjecture that IFRS adoption leads to higher earnings volatility for IFRS adopters than that of non-adopters, there is insufficient evidence to support this suggestion.

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Table of contents

Abstract.....	ii
Acknowledgements.....	iii
Table of contents.....	v
List of figures.....	viii
1 Introduction.....	1
1.1 Background.....	1
1.2 Research problem.....	5
1.3 Research objectives.....	7
1.4 Research contribution.....	8
1.5 Research outline.....	9
2 Conceptual underpinning and literature review.....	10
2.1 Bank loan loss provisioning.....	10
2.2 Accounting standards.....	16
2.3 Generally Accepted Accounting Principles (GAAP).....	17
2.4 International Financial Reporting Standards (IFRS).....	19
2.5 The distinction between loan loss accounting under Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS)	21
2.6 GAAP versus IFRS.....	27
2.7 GAAP and income smoothing activities of loan loss provisions.....	28
2.7.1 Could IFRS mitigate earnings management activities?.....	34
2.7.2 Research gap.....	36
2.8 Pro-cyclicality.....	37
2.8.1 Pro-cyclicality and capital requirements.....	38
2.8.2 Pro-cyclicality and bank loan loss provisioning.....	39
2.8.3 Does IFRS cause more pro-cyclicality of bank loan loss provisioning?.....	45
2.8.4 Research gap.....	47
2.9 Fair value accounting.....	47
2.9.1 IFRS and fair value accounting.....	49
2.9.2 IAS 39, fair value accounting, and bank performance volatility.....	51
2.9.3 Research gap.....	57
2.10 Hypotheses development.....	57
2.10.1 Income smoothing hypothesis.....	58
2.10.2 Pro-cyclicality hypothesis.....	59
2.10.3 Income volatility hypothesis.....	61
2.11 Chapter summary.....	63

3	Methodology	64
3.1	Data	64
3.2	Sample.....	67
3.3	Measuring income smoothing.....	73
3.3.1	Robustness test.....	77
3.4	Measuring pro-cyclicality	80
3.4.1	Robustness test.....	82
3.5	Measuring bank's earnings volatility.....	83
3.5.1	The impact of IFRS on adopters' earnings volatility	84
3.5.2	The comparison of earnings volatility between IFRS adopters and non-adopters	85
3.6	Econometric specification.....	89
3.6.1	Heteroscedasticity	90
3.6.2	Autocorrelation	90
3.6.3	Endogeneity	91
3.6.4	Generalised-method-of moments (GMM)	93
3.7	Chapter summary	96
4	Results and discussion	98
4.1	Income smoothing analysis.....	98
4.1.1	Income smoothing test	99
4.1.2	Robustness test.....	105
4.2	Pro-cyclicality analysis	109
4.2.1	Pro-cyclicality test.....	109
4.2.2	Robustness test.....	113
4.3	Further robustness test for income smoothing and pro-cyclical analysis.....	116
4.3.1	Inclusion of Singapore in the IFRS adopter category	116
4.3.2	Exclusion of New Zealand sample.....	116
4.4	Earnings volatility analysis	117
4.4.1	Paired-samples <i>t</i> -test and Wilcoxon signed ranks test	117
4.4.2	Independent-samples <i>t</i> -test and Independent-samples median test.....	119
4.5	Results discussion	121
4.6	Chapter summary and conclusion	125
5	Summary and conclusion	127
5.1	Thesis summary	127
5.2	Policy implications.....	130
5.3	Research limitations.....	133
5.4	Suggestions for future research.....	135
	References.....	137

List of tables

Table 1: Comparison between the IFRS, US GAAP, and local accounting standards	26
Table 2: Number of locally incorporated commercial banks	71
Table 3: Sample selection	71
Table 4: Accounting regulation	72
Table 5: Variable definitions	86
Table 6: Descriptive statistics	87
Table 7: Correlation matrix of key explanatory variables used in this thesis	88
Table 8: Test of income smoothing - Full sample	100
Table 9: Test of income smoothing - Robustness test.....	106
Table 10: Test of pro-cyclicality - Full sample.....	110
Table 11: Test of pro-cyclicality - Robustness test.....	114
Table 12: Paired-samples <i>t</i> -test and Wilcoxon signed rank test	118
Table 13: Independent-samples <i>t</i> -test and Independent-samples median test.....	119
Table 14: Summary of hypothesis and findings.....	121

List of figures

Figure 1: The illustration of loan loss provisions and loan loss allowance in the bank's financial statements.....	12
Figure 2: Example of valuation for fair value of financial assets and liabilities.....	52
Figure 3: Carrying value and fair value of financial instruments	53
Figure 4: Example of how the changes in fair value is recorded in comprehensive income statement	54