IFRS and the Value Relevance of Earnings and Book Value: Evidence from the Emerging Market of Morocco.

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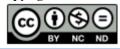
Abstract:

This study examines the impact of International Financial Reporting Standards (IFRS) adoption on the value relevance of accounting information in an emerging market context. Based on a quantitative approach using panel data analysis, the study relies on the Ohlson (1995) price model and panel regressions to test the explanatory power of earnings per share (EPS) and book value of equity (BVPS) for stock prices. The empirical analysis draws on a sample of 76 non-financial firms listed on the Casablanca Stock Exchange over the 2009–2019 period. The findings reveal that the book value of equity is significantly more value relevant for IFRS-adopting firms, while the relevance of EPS varies depending on firm-specific factors and sectoral characteristics. These results highlight the partial benefits of IFRS in improving transparency and comparability but also point to the persistent influence of institutional environments. By focusing on a pre-pandemic period, the study ensures a stable economic setting and minimizes COVID-related distortions. This research contributes to the scarce literature on IFRS implementation in North Africa and provides insights for regulators, investors, and policymakers seeking to improve financial reporting quality in emerging economies.

Keywords: IFRS adoption, value relevance, Ohlson model, EPS, book value, Morocco, emerging markets, Casablanca Stock Exchange

Introduction

The adoption of International Financial Reporting Standards (IFRS) has become a global phenomenon, with more than 166 jurisdictions worldwide permitting or requiring IFRS for at least one category of publicly accountable entities (IFRS Foundation, 2018). The primary objective behind this widespread harmonization is to enhance the transparency, comparability, and decision usefulness of financial information across countries. Among the various proxies for assessing accounting quality, value relevance defined as the extent to which financial statement information explains market values has been widely used in empirical accounting research (Barth et al., 2001; Ohlson, 1995).

While extensive research has examined IFRS adoption in developed markets, empirical evidence from emerging economies remains comparatively limited. This gap is particularly pronounced in Africa, where 45 out of 54 countries officially adopt IFRS wholly or partially (Efobi, 2016), yet academic contributions are scarce. According to a bibliometric analysis by the IFRS Foundation (2019), the African continent ranks second globally in terms of IFRS adoption but lags significantly in scholarly output. For in-stance, Ezenwoke and Tion (2021) reported that only nine African countries had contributed at least one IFRS-related publication between 2005 and 2018. This imbalance high-lights the urgent need for context-specific investigations that go beyond formal convergence and evaluate the actual economic effects of IFRS implementation.

Morocco presents a particularly compelling setting for such research. As a North African emerging economy with an active capital market, Morocco has taken gradual steps toward IFRS convergence particularly for consolidated financial statements and listed companies. However, the local regulatory environment still allows for the coexistence of firms applying Moroccan Generally Accepted Accounting Principles (NCM) and others adopting IFRS, creating a unique opportunity for comparative analysis. Despite this institutional heterogeneity, Morocco's academic contribution to IFRS-related research re-mains limited, with only one indexed study identified in recent bibliometric surveys (Ezenwoke & Tion, 2021).

This study aims to fill this gap by empirically examining the effect of IFRS adoption on the value relevance of financial performance indicators specifically earnings per share (EPS) and book value per share (BVPS) among Moroccan listed firms. We employ the Ohlson (1995) price model and construct interaction terms (EPS × IFRS and BVPS × IFRS) to capture the differential explanatory power of accounting figures under IFRS versus NCM. A range of econometric tests, including Breusch–Pagan, Hausman, and Wooldridge, are used to determine

the appropriate panel specification, and robust standard errors clustered at the firm level are employed.

Furthermore, we compare adjusted R-squared values between IFRS and non-IFRS firms to assess whether IFRS adoption enhances the value relevance of financial information. The study covers the 2009–2019 period, a decade marked by regulatory stability and pre-COVID-19 economic conditions, allowing for undistorted evaluation of IFRS effects. Our research contributes to the growing literature on IFRS effectiveness in emerging markets by providing empirical evidence from North Africa region often overlooked in international accounting research. The findings offer practical implications for regulators, investors, and policymakers regarding the actual benefits and limitations of IFRS adoption.

The remainder of this paper is organized as follows. Section 2 reviews the relevant literature and formulates the research hypotheses. Section 3 presents the research design, including data and empirical strategy. Section 4 reports the regression results, while Section 5 discusses the findings in light of prior literature. Section 6 concludes with policy implications and suggestions for future research.

1. Literature Review and hypotheses development

Numerous studies have examined the relationship between accounting information and stock prices through the value relevance framework, which assesses how well financial statements reflect firms' market valuations. This body of research can be broadly di-vided into two streams. The first encompasses international comparative studies that explore whether differences in legal, regulatory, or economic contexts influence the informativeness of financial reporting. Seminal contributions by Alford et al. (1993), Ali and Hwang (2000), and Ball et al. (2000) illustrate how institutional settings shape the use-fulness of earnings and book value information across countries.

The second stream investigates differences between accounting standards within the same institutional environment. By comparing local GAAP and IFRS within a single country, these studies isolate the effect of accounting regimes on value relevance. This approach often relies on dual-reporting firms or transitions to IFRS. Examples include Booth et al. (1997), Martikainen et al. (1997), and Kinnunen et al. (2000). The present study aligns with this second stream by focusing on Moroccan listed firms, which either adopt IFRS or continue applying the Moroccan GAAP (NCM), within the same market and legal environment.

To support this literature review, Table 1 provides a consolidated overview of key empirical studies examining the impact of IFRS adoption on the value relevance of financial information, particularly in emerging and international contexts. It outlines the diversity of countries, time periods, and empirical findings, as well as the use of the Ohlson (1995) valuation model across studies. This synthesis highlights the heterogeneity of IFRS outcomes across different institutional environments and justifies the need for further investigation in underrepresented markets like Morocco.

While early evidence from developed countries is mixed, results in emerging markets are particularly heterogeneous. For instance, Barth et al. (2012) found that IFRS adoption improved comparability across European countries but did not consistently enhance value relevance. Callao et al. (2010) even reported a decline in value relevance post-IFRS in Spain and the UK. Aharony et al. (2010) warned that inconsistencies in IFRS enforcement may hinder transparency benefits.

Emerging market studies provide additional nuance. Alali and Foote (2012) documented improved value relevance in the UAE after IFRS adoption. Okafor et al. (2016), studying Canada, noted significant improvements only for large firms, highlighting the importance of firm-level characteristics. Chebaane and Othman (2014), focusing on MENA countries, emphasized the limitations of IFRS in contexts with weak enforcement and investor protection. Despite the widespread adoption of IFRS in Africa 45 out of 54 countries according to the IFRS Foundation (2019) the region remains under-researched. Bibliometric re-views by Ezenwoke and Tion (2021), Effah (2024), and Ozili (2021) show that most aca-demic studies concentrate on South Africa and Nigeria. Morocco is critically underrepresented. A recent review by Rioui et al. (2024) highlights this research void, stressing that although IFRS is increasingly used for consolidated reporting, few studies have assessed its market impact. Among the few exceptions, Ibrahimi and El Baghdadi (2021) found that book value became more value relevant under IFRS, while earnings showed weaker results.

This imbalance underscores the need for country-specific investigations to evaluate whether IFRS fulfills its promises in diverse institutional environments. Accordingly, this study examines whether IFRS-adopting firms listed on the Casablanca Stock Ex-change produce more value-relevant financial information measured by earnings per share (EPS) and book value per share (BVPS) than firms using Moroccan GAAP.

These hypotheses aim to go beyond the binary assessment of IFRS versus local standards by focusing on the differential explanatory power of specific financial variables. Unlike many prior studies that consider only aggregate value relevance effects, we explicitly test whether EPS and BVPS are individually influenced by the accounting regime. This approach provides a more granular understanding of financial reporting under IFRS in a Moroccan context.

Moreover, this question is particularly relevant in emerging markets, where institutional, legal, and governance systems often clash with the assumptions of international standard-setters. While IFRS promotes comparability and transparency, its effective implementation is often constrained by informal practices, limited enforcement, or weak investor protection (Chebaane & Othman, 2014; Okafor et al., 2016). This creates tensions between global harmonization and local accounting realities, especially in dual-reporting systems such as Morocco.

To operationalize this investigation, we rely on the Ohlson (1995) valuation model, which is widely used in value relevance research. It provides a theoretical structure linking firm value to fundamental accounting figures earnings and book value. Despite its popularity, the model's application in emerging markets should be approached cautiously. Weak market efficiency, illiquid stock exchanges, and lower investor sophistication may distort the expected association between accounting numbers and market prices. To adapt to these conditions, we include interaction terms (e.g., EPS × IFRS), sectoral dummies, and apply robust standard errors clustered at the firm level.

Based on this framework, the following hypotheses are proposed:

H1: IFRS adoption enhances the value relevance of financial reporting for Moroccan listed firms.

H1a: The value relevance of earnings per share (EPS) is significantly higher for IFRS-adopting firms compared to those applying Moroccan GAAP.

H1b: The value relevance of book value per share (BVPS) is significantly higher for IFRS-adopting firms compared to those applying Moroccan GAAP.

This structured approach allows us to fill a key gap in the literature by evaluating how IFRS affects the usefulness of individual accounting metrics, contributing both to theory and policy debates on global standardization**.**

Table 1: Litterature on adoption of IFRS in the Emerging Market

Authors	Period	Country	Topic	IFRS Effect	Model
Agostino et al.	2011	European Banks	Value relevance & transparency	+	Ohlson (1995)
Aharony et al.	2010	EU	IFRS and goodwill, R&D, revaluation	+	Ohlson (1995)
Alali and Foote	2012	UAE	Book value & earnings relevance	+	Ohlson (1995)
Barth et al.	2012	International	Comparison of IFRS and US GAAP firms	+/-	Ohlson (1995)
Callao and Jarne	2010	UK, Spain	Negative impact of IFRS in Spain/UK	-	Ohlson (1995)
Chalmers et al.	2011	Australia	Book value vs. earnings relevance	+/-	Ohlson (1995)
Chua et al.	2012	Australia	Relevance for non-financial firms	No/+	Ohlson (1995)
Clacher et al.	2013	Australia	Cash flows post IFRS	No/+	Ohlson (1995)
Clarkson et al.	2011	EU, Australia	Accounting value relevance	+	Ohlson (1995)
Cormier et al.	2009	France	Mandatory adjustments relevance	+	Ohlson (1995)
Devalle et al.	2010	EU	Post-IFRS profit/book value relevance	+/-	Ohlson (1995)
Dimitropoulos et al.	2013	Greece	IFRS implementation impact	+	Ohlson (1995)
Doukakis et al.	2012	N/A	Tax info under IFRS	+	Ohlson (1995)

Filip	2010	Romania	IFRS and earnings relevance	+	Ohlson (1995)
Miralles and Veira	2011	Spain	IFRS adjustment relevance	No/+	Ohlson (1995)
Gjerde et al.	2008	Norway	Balance sheet & income relevance	+	Ohlson (1995)
Karampinis and Hevas	2011	Greece	Earnings value relevance	+	Ohlson (1995)
Morais and Curto	2009	EU	Value relevance post IAS/IFRS	+	Ohlson (1995)
Oliveira et al.	2010	Portugal	Intangibles & goodwill relevance	+/-	Ohlson (1995)
Paananen and Lin	2009	Germany	Decline in value relevance post IFRS	-	Ohlson (1995)
Tsalavoutas et al.	2012	Greece	Net income ↓ but equity ↑	+/-	Ohlson (1995)
Jermakowicz et al.	2007	Germany	IFRS adoption & earnings relevance	+	Ohlson (1995)
Rodríguez-G. et al.	2017	Latin America	Regulatory harmonization impact	+	Ohlson (1995)
Kang	2013	EU	IFRS and earnings relevance	+	Ohlson (1995)
Okafor et al.	2016	Canada	IFRS vs GAAP Canada	+	Ohlson (1995)
Lenormand and Touchais	2009	France	IFRS and value relevance	+	Ohlson (1995)

Source : Author

2. A Brief Context of Financial Reporting in Morocco: From Local GAAP to IFRS in Morocco

A substantial body of research has examined the value relevance of financial reporting under various accounting regimes. Hope (2003) argues that the quality of financial reporting depends not only on the quality of accounting standards themselves but also on the effectiveness of their

enforcement, as even high-quality standards can fail in the absence of strong regulatory oversight. In the case of Morocco, the country has undergone a gradual but notable evolution in its accounting framework, marked by a progressive integration of International Financial Reporting Standards (IFRS) into its regulatory environment. This transformation aligns with global trends in financial reporting modernization, particularly following the adoption of the EU's Regulation EC No. 1606/2002 mandating IFRS for listed companies as of 2005.

Morocco's alignment with international standards began in the mid-1980s with the implementation of the first national accounting plan in 1986 and the creation of the National Accounting Council (Conseil National de la Comptabilité, CNC) in 1989. This trajectory toward convergence continued with the enactment of the General Code of Ac-counting Standards (Code Général de Normalisation Comptable) in 1993. Since then, Morocco has progressively integrated elements of the IFRS framework, particularly for listed companies required to prepare consolidated financial statements. These developments have helped improve Morocco's position in the global financial architecture and strengthened investor confidence.

Historically influenced by the French accounting model, Morocco's system has gradually opened to international practices in response to the demands of a globalized economy. Regulatory institutions such as the CNC have played a crucial role in adapting and supervising the implementation of accounting standards suited to Morocco's legal and economic environment. One of the key drivers of this transition has been the country's ambition to enhance financial transparency and comparability to attract foreign investment and support cross-border financial transactions.

Traditionally, Moroccan accounting was closely aligned with tax reporting, emphasiz-ing compliance with fiscal regulations. However, the introduction of IFRS principles has encouraged a clearer separation between financial and tax accounting. This distinction has contributed to the improvement of financial reporting quality by emphasizing fair value measurement and a more faithful representation of firms' financial positions. As a result, reforms such as revisions to the Commercial Code and the establishment of a financial market regulatory authority have contributed to enhanced corporate governance and audit quality, further reinforcing investor trust.

The harmonization of Moroccan accounting standards with IFRS has also had a positive impact on the domestic capital market. It has improved the transparency, comparability, and credibility of financial statements, thereby facilitating access to international financing and enhancing

investor confidence. This transformation has made Moroccan listed companies more attractive to foreign investors and has strengthened the overall in-vestment climate. In sum, Morocco's move toward IFRS adoption marks a significant step in its integration into the global financial system and reflects a strong institutional commitment to enhancing the quality, comparability, and decision-usefulness of financial reporting.

3. **Research Methodology**

3.1. Sample and Data

This study examines whether the adoption of International Financial Reporting Standards (IFRS) enhances the value relevance of financial reporting, compared to firms that apply Moroccan Generally Accepted Accounting Principles (NCM). The analysis re-lies on secondary data collected from non-financial companies listed on the Casablanca Stock Exchange over the period 2009–2019. This period was chosen to ensure a stable pre-COVID-19 economic environment and avoid potential distortions caused by the pan-demic.

The initial sample includes all companies listed on the exchange. We exclude firms in the financial sector due to their distinct regulatory frameworks and financial structures. Firms with incomplete annual reports or missing market data (e.g., stock price, EPS, or book value) were also excluded. The final sample consists of 28 companies, of which 14 apply IFRS for consolidated reporting and 14 follow Moroccan GAAP.

Table2 presents the complete sample construction process and the sectoral composition of the firms retained for analysis. This diversity allows us to control for industry-specific effects in the regression analysis.

Tableau N°2: Sample Construction and Sectoral Distribution of Listed Firms Included in the Analysis

Panel A. Sample Selection criteria	Number of firms	Firm-Year Observations
Total number of Moroccan listed firms (2009–2021)	74	962
Less financial services firms (insurance, credit, banks)	-19	-247
Minus: Firms with less than 10 years of data (non-balanced panel)	- 18	- 202

	Sector Code	Sample size	Percentage
Minus: Firms with negative book value (BVPS < 0)	- 8	- 104	
Final sample (used in regression analysis)	**29**	**409**	
Panel B. Sectoral Distribution of Firms			
Pétrole et Gaz	1	2	4.65%
Agroalimentaire	2	5	11.63%
Télécommunications	3	1	2.33%
Distributeurs	4	3	6.98%
Bâtiment & Matériaux	5	4	9.30%
Loisirs & Hôtels	6	1	2.33%
Mines	7	3	6.98%
Chimie	8	2	4.65%
Immobilier	9	2	4.65%
Holdings	10	3	6.98%
Transport	12	1	2.33%
Industrie électrique	13	1	2.33%
Boissons	14	1	2.33%
Total	**14**	**29**	**100%**

Source : Author

3.2.   Variable Measurement and Model Specification:

This study follows a price-based valuation framework rooted in Ohlson's (1995) model to assess the value relevance of financial information under different accounting regimes. The dependent variable in all models is the stock price (Pit), measured at the fiscal year-end or three months after year-end, consistent with prior research. The key explanatory variables include book value per share (BVPS) and earnings per share (EPS), which proxy for the firm's equity base and profitability, respectively. We estimate four models that progressively introduce additional variables to assess the differential impact of IFRS adoption, temporal changes, and sectoral heterogeneity. The variables used in each model are justified below, along with the theoretical foundations and prior studies they build upon.

3.2.1. Measuring price value relevance

Model 1: Baseline Model (Ohlson, 1995): The first model adopts the baseline structure proposed by Ohlson (1995), capturing the direct association between accounting fundamentals and stock price. The model is specified as follows:

$$P_{it} = \alpha_0 + \alpha_1 EPS_{it} + \alpha_2 BVPS_{it} + \epsilon_{it} \dots\dots\dots\dots\dots.. (Model\ 1)$$

With i=1,2,...,N and t=1,2,....,T.

Where:

Pit   : Represents the stock price of firm i at the end of year t;

EPSit   : Represents the earnings per share of firm i during period ti;

BVPSit : Represents the book value per share of firm i during period t;

ϵ_it   : Represents other information about firm i during period t.

This model serves as the baseline for assessing value relevance without accounting regime interactions. It tests the fundamental relationship between financial information and firm valuation.

3.2.2. IFRS Interaction Model

The second model introduces a dummy variable IFRS, coded 1 if the firm reports under IFRS and 0 otherwise. It also includes interaction terms to examine whether the explanatory power of EPS and BVPS changes under IFRS. The model is as follows:

$$P_{it} = \beta_0 + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \beta_3 IFRS_{it} + \beta_4 (BVPS \times IFRS)_{it} + \beta_5 (EPS \times IFRS)_{it}$$
$$+ \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots c \dots\dots\dots\dots\dots\dots\dots (Model\ 2)$$

- *$IFRS_{it}$* : Dummy variable (=1 if firm applies IFRS, 0 otherwise).
- *BVPS × IFRS and EPS x IFRS*: Interaction terms testing whether the explanatory power of BVPS and EPS differs across accounting regimes.

This model allows for a differential valuation effect conditional on IFRS adoption, extending the approach used by Barth et al. (2008) and Karampinis and Hevas (2009).

3.2.3. Trends in price value relevance

Building on findings from Barth et al. (2001) and Collins et al. (1997), we introduce a linear time trend to explore whether the value relevance of financial information evolves over time. Some studies suggest that value relevance may decline in the absence of major reforms, while others highlight potential improvements linked to structural changes or regulatory enhancements such as IFRS adoption.

$$P_{it} = \beta_0 + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \beta_3 IFRS_{it} + \beta_4 (BVPS \times IFRS)_{it} + \beta_5 (EPS \times IFRS)_{it}$$
$$+ \beta_6 Trend_t + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (Model\ 3)$$

- $Trend_t$ Continuous variable from 1 to 11, capturing the time trend from 2009 to 2019.

This model accounts for macroeconomic evolution, structural market shifts, or IFRS-induced changes in reporting quality.

3.2.4. Full Specification with Sector Controls

Finally, we extend the previous model by including sectoral dummies to control for industry-specific fixed effects. This accounts for heterogeneity in firm valuation driven by sector-specific risks, regulatory structures, and information environments-especially relevant in emerging markets.

$$P_{it} = \beta_0 + \beta_1 BVPS_{it} + \beta_2 EPS_{it} + \beta_3 IFRS_{it} + \beta_4 (BVPS \times IFRS)_{it} + \beta_5 (EPS \times IFRS)_{it}$$
$$+ \beta_6 Trend_t + \sum_{j=1}^{J} \delta_j Sector_j + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (Model\ 4)$$

- $Sector_j$: Dummy variables representing the 13 sector classifications in the sample (e.g., Petrochemical, Transport, Telecom, etc.).

We estimate four progressively enriched models. Each model builds upon the previous to test whether IFRS adoption enhances the value relevance of accounting information. All models are estimated using random-effects GLS regression with robust standard errors clustered at the firm level. The Hausman test is used to confirm the appropriateness of the random-effects specification.

4. Empirical results

4.1. Descriptive statistical analysis

The first examination of data provides insights into the distribution and relationships of the main variables used in the analysis. Table 1 reports the descriptive statistics for the full sample of 324 firm-year observations covering 29 non-financial companies listed on the Casablanca Stock Exchange from 2009 to 2019. The average stock price (PI) is 696.18 MAD, with a substantial standard deviation (SD = 776.88), indicating considerable variability in market valuation. The mean earnings per share (EPS) is 37.28 MAD, and the average book value per share (BVPS) is 290.99 MAD, both showing wide dispersion across firms (SD = 57.68 and 332.09, respectively). The IFRS dummy variable has a mean of 0.448, indicating that 44.8% of firm-year observations pertain to IFRS-adopting companies, while the rest follow Moroccan GAAP (NCM). The interaction terms-EPS×IFRS and BVPS × IFRS-capture the joint influence

of IFRS adoption on financial indicators, and both exhibit high variability (SD = 38.79 and 194.40, respectively), reflecting the heterogeneous financial structure of firms under different accounting regimes. The trend variable ranges from 1 to 11, with a mean of 6.00, confirming a balanced distribution over the study period. The correlation matrix confirms theoretical expectations from the value relevance literature. Stock price is significantly and positively correlated with both EPS ($r = 0.7175$, $p < 0.01$) and BVPS ($r = 0.5360$, $p < 0.01$), indicating that accounting figures play a meaningful role in market valuation. EPS and BVPS are also strongly correlated with each other ($r = 0.6543$, $p < 0.01$), suggesting complementary effects. The IFRS variable is negatively and significantly correlated with both EPS ($r = -0.1421$, $p < 0.05$) and BVPS ($r = -0.1717$, $p < 0.05$), implying structural differences in financial reporting between IFRS and NCM firms. As expected, the interaction terms are positively correlated with their respective base variables and the IFRS dummy. Table 3 reports the results of independent-sample t-tests comparing the means between IFRS and NCM-reporting firms. NCM firms exhibit significantly higher EPS (44.66 vs. 28.20; $p = 0.011$) and BVPS (342.30 vs. 227.85; $p = 0.0021$). However, the difference in average stock price is not statistically significant (709.49 vs. 679.80; $p = 0.7349$). The trend variable shows no variation between the two groups (mean = 6.00), confirming the temporal balance of the data.

Tableau N°3: Descriptive statistics (full sample)

Variables	*Obs*	*Mean*	*Std. Dev.*	*Min*	*Max*
Stock Price (PI)	319	696.18	776.8835	11.3	3801
EPS	319	37.284 63	57.67616	-238.9744	392.7
BVPS	319	290.99 38	332.0913	1.698514	3357.7
IFRS (dummy)	319	0.4482 759	0.4980987	0	1
EPS × IFRS	319	12.643 57	38.78655	-238.9744	203.4036
BVPS × IFRS	319	102.14 02	194.4016	0	901.0137
Trend	319	6.0	3.167246	1	11

Notes: PI = Stock price; EPS = Earnings per share; BVPS = Book value per share;

IFRS = Dummy variable equal to 1 if the firm applies IFRS and 0 otherwise (i.e.,NCM);

EPS × IFRS and BVPS × IFRS = Interaction terms between accounting regime and financial metrics;

Trend = Numerical variable capturing time progression from 1 (2009) to 11 (2019).

*** p < 0.01, ** p < 0.05, * p < 0.10.

Source: Author calculations using Stata 15.0.

Tableau N°4: Comparison of means between IFRS and NCM firms (t-tests)

Variables	*Mean (NCM)*	*Mean (IFRS)*	*Difference*	*t-stat*	*p-value*	*Signif.*
EPS	44.66	28.2	16.46	2.56	0.011	**
BVPS	342.3	227.85	114.45	3.1	0.0021	***
Stock Price (PI)	709.49	679.8	29.68	0.34	0.7349	n.s.
Trend	6	6	0	0	1	n.s.

Notes: NCM = Moroccan GAAP;

PI = Stock price; EPS = Earnings per share; BVPS = Book value per share;

n.s. = Not significant.

Significance levels: *** p < 0.01, ** p < 0.05, * p < 0.10.

Source: Author calculations using Stata 15.0.

These findings highlight the need to control for accounting regime in subsequent regression analyses, particularly given the significant disparities in earnings and book values between IFRS and NCM firms.

4.2. Pearson Correlation and Multicollinearity analysis

Before proceeding to regression estimations, a preliminary examination of the relationships between variables is conducted using the Pearson correlation matrix and the Variance Inflation Factor (VIF) test. These analyses help identify potential multicollinearity issues that could bias coefficient estimates or inflate standard errors. Table 5 displays the Pearson correlation coefficients among the key variables. As expected, stock price (PI) is positively and significantly correlated with both earnings per share (EPS) (r = 0.7175, p < 0.01) and book value per share (BVPS) (r = 0.5360, p < 0.01), in line with the theoretical foundations of the value relevance framework. EPS and BVPS are themselves positively correlated (r = 0.6543, p < 0.01), reflecting their complementary role in firm valuation.

The IFRS dummy is negatively correlated with both EPS (r = -0.1421, p < 0.10) and BVPS (r = -0.1717, p < 0.10), suggesting that firms applying IFRS may differ structurally from those following Moroccan GAAP (NCM). As anticipated, the interaction terms (EPS × IFRS and BVPS× IFRS) show strong positive correlations with their respective base variables and with the IFRS indicator.

Tableau N°5: Pearson correlation matrix

	PI	EPS	BVPS	IFRS	EPS × IFRS	BVPS × IFRS	Trend
PI	1						
EPS	0.7175***	1					
BVPS	0.5360***	0.6543***	1				
IFRS	-0.019	-0.1421*	-0.1717*	1			
EPS × IFRS	0.4716***	0.5328***	0.2305**	0.3622**	1		
BVPS × IFRS	0.4360***	0.2533***	0.2857**	0.5838**	0.7115**	1	
Trend	0.0378	-0.0456	-0.0533	0	-0.0627	-0.0145	1

Notes: PI = Stock price; EPS = Earnings per share; BVPS = Book value per share;

IFRS = Dummy variable equal to 1 if the firm applies IFRS and 0 otherwise (i.e.,NCM);

EPS × IFRS and BVPS × IFRS = Interaction terms between accounting regime and financial metrics;

Trend = Numerical variable capturing time progression from 1 (2009) to 11 (2019).

*** p < 0.01, ** p < 0.05, * p < 0.10.

Source: Author calculations using Stata 15.0.

Although some correlations are moderately high (notably between EPS and EPS × IFRS), none exceed the conventional threshold of concern (i.e., r > 0.80), indicating no immediate signs of problematic collinearity. This is further confirmed by the VIF test. Table 6 reports the VIF

values for the explanatory variables included in the full regression model. All VIF scores fall well below the commonly accepted threshold of 10, and even the more conservative benchmark of 5. The highest VIF is 3.51 for BVPS × IFRS, followed by 3.42 for EPS ×IFRS. The average VIF is 2.53, indicating that multicollinearity is not a concern in the estimated models.

Table 6: Variance inflation factor (VIF)

Variables	*Vif*
BVPS × IFRS	3.51
EPS × IFRS	3.42
EPS	2.99
BVPS	2.36
IFRS (dummy)	1.91
Trend	1.01
Mean VIF	2.53

Source: Author calculations using Stata 15.0.

Together, the correlation and VIF diagnostics provide assurance that the regression models are not compromised by multicollinearity, and support the robustness of the forthcoming econometric analysis.

4.3. Diagnostic Tests for Model Specification and Heteroskedasticity

Before estimating the panel regression models, a series of diagnostic tests were performed to validate the appropriate specification and ensure the robustness of statistical inference.

4.3.1. Panel Data Structure Test

Before estimating the regression models, we conduct the Breusch-Pagan Lagrange Multiplier (LM) test to determine whether a panel data structure provides a better fit than a pooled ordinary least squares (OLS) model. The null hypothesis (H_0) assumes that the variance across entities is zero, meaning that pooled OLS is sufficient. Rejection of (H_0) suggests that unobserved heterogeneity exists across firms, thus justifying the use of a panel data model. As shown in Table 7, the LM test yields a chi-bar-squared statistic of 513.05 with a p-value < 0.0001, leading to a clear rejection of the null hypothesis. This result confirms the presence of significant unobserved firm-level effects and supports the use of a panel regression model-specifically a random-effects specification-over a pooled OLS approach.

Table 7: Breusch and Pagan LM Test for Random Effects

Component	Variance	Standard Deviation ($\sqrt{Var}$)
PI (stock price)	603,548.00	776.88
e	85,381.45	292.20
u	157,803.90	397.25
Test	Var(u)= 0	
chibar²(01)	513.05	
Prob > chibar²	0.0000	

Notes: The test assumes that the variance across entities is zero. The significant result supports the use of random effects. *pi* = dependent variable; *u* = firm-specific effect; *e* = idiosyncratic error.

Source: Author calculations using Stata 15.0.

4.3.2. Autocorrelation Test

To assess the presence of serial correlation in the panel data, we employed the Wooldridge test for first-order autocorrelation. This diagnostic is particularly suited for panel datasets with multiple time periods and unbalanced structures. The null hypothesis of the test assumes no autocorrelation in the idiosyncratic errors.

As shown in Table 8, the test yields an F-statistic of 10.948 with a corresponding p-value of 0.0026. This result leads to the rejection of the null hypothesis at the 1% significance level, indicating the presence of first-order autocorrelation in the residuals. Given this outcome, all regression models are estimated with robust standard errors clustered at the firm level to correct for serial correlation and heteroskedasticity, thereby enhancing the reliability of the inference.

Table 8: Wooldridge Test for Autocorrelation in Panel Data

Test	Value
H₀: No first-order autocorrelation	
F-statistic	10.948
p-value	0.0026

Note: The test is based on the null hypothesis of no serial correlation in the idiosyncratic errors. A significant result indicates the presence of autocorrelation.

Source: Author calculations using Stata 15.0

4.3.3. Heteroskedasticity Test

In panel data regressions, verifying the presence of heteroskedasticity is crucial to ensure the reliability of standard errors and statistical inference. Heteroskedasticity occurs when the variance of the error term differs across observations, violating a key assumption of the classical linear regression model. While it does not bias the estimated coefficients, it can distort standard errors and lead to misleading significance tests.To assess the presence of heteroskedasticity in our panel dataset, we conducted the Modified Wald test for groupwise heteroskedasticity, which is appropriate for fixed-effects models. The null hypothesis assumes homoskedasticity-that is, equal error variances across all firms. The results of the test, reported in Table 9, indicate a rejection of the null hypothesis ($\chi^2(29) = 199062.10$, $p < 0.0000$), thereby confirming the presence of heteroskedasticity in the residuals. Consequently, all regression models are estimated using **robust standard errors clustered** at the firm level, to correct for both heteroskedasticity and potential serial correlation.

Table 9: Modified Wald Test for Groupwise Heteroskedasticity

Test	*Chi² (df)*	*p-value*	*Conclusion*
Modified Wald test for heteroskedasticity	$\chi^2(29) = 199062.10$	0.0000	Reject H₀ — heteroskedasticity present

Notes: H₀: $\sigma_i^2 = \sigma^2$ (homoscedasticity across firms).

Test performed after fixed-effects regression.

Source: Author calculations using Stata 15.0.

4.4. Hausman test results for the models

To determine the appropriate specification for the panel regression analysis-fixed effects (FE) or random effects (RE)-we conducted the Hausman test. This test evaluates whether the unique errors (unobserved heterogeneity across firms) are correlated with the regressors. The null hypothesis assumes no correlation, thereby favoring the RE model. As shown in Table 10, the Hausman test yields a chi-squared statistic of 10.55 with a p-value of 0.0321, indicating significance at the 5% level. Therefore, we reject the null hypothesis and conclude that the fixed effects model is more appropriate for this specification. Despite the efficiency advantages of the RE model, the results suggest that its estimates would be inconsistent due to correlation between the firm-specific effects and the explanatory variables. This decision ensures the robustness of the model and the reliability of the coefficient interpretations in the regression analysis presented in the next section. Selecting the fixed effects model enhances the reliability

of coefficient estimates by controlling for unobserved heterogeneity, thereby strengthening the robustness of the regression results discussed in the next section.

Table 10: Hausman Test for Model Specification (FE vs. RE)

Variables	(b) Fixed	(B) Random	(b-B) Difference	√(diag(V_b–V_B))
EPS	5.8058	6.1996	-0.3938	0.1683
BVPS	-0.1653	-0.1547	-0.0107	0.0216
EPS × IFRS	-3.1243	-3.2161	0.0918	0.2975
BVPS × IFRS	2.1713	2.1593	0.012	0.1046
Trend	12.7131	13.0185	-0.3055	0.176

Notes: b = Coefficients from fixed effects (consistent under H_0 and H_1)

B = Coefficients from random effects (efficient under H_0, inconsistent under H_1)

Source: Authors' calculations using Stata 15.0

Test of H_0: Difference in coefficients not systematic

$Chi^2(4) = 10.55$; $Prob > Chi^2 = 0.0321$

Source: Author calculations using Stata 15.0

4.5. Regression results for the models

This section presents the results of four sequential fixed-effects models assessing the value relevance of accounting information in Moroccan listed firms. Each model builds progressively by adding variables to capture interaction effects, temporal dynamics, and sectoral influences. All regressions employ robust standard errors clustered at the firm level to correct for heteroscedasticity and within-entity autocorrelation.

Model 1, based on the original Ohlson (1995) specification, includes only earnings per share (EPS) and book value per share (BVPS). The results show that EPS is positively and significantly associated with stock prices ($\beta = 5.62$, $p < 0.01$), highlighting its strong value relevance in the Moroccan context. In contrast, BVPS is not statistically significant ($\beta = 0.05$, $p = 0.869$), indicating that its stand-alone contribution to firm valuation may be limited under Moroccan GAAP.

Model 2 introduces interaction terms with IFRS to assess how the relevance of financial variables shifts under international reporting standards. EPS × IFRS is negative and significant ($\beta = -3.45$, $p < 0.01$), suggesting that the value relevance of earnings may decline slightly for IFRS-reporting firms. BVPS × IFRS, however, is positive and highly significant ($\beta = 2.22$, $p < 0.01$), indicating that book value becomes more informative under IFRS, likely due to enhanced recognition and measurement requirements.

Model 3 adds a time trend to control for temporal variation. While the coefficient on the trend variable is positive, it is not statistically significant ($\beta = 12.71$, $p = 0.265$), suggesting limited year-over-year change in price levels once other accounting factors are considered. The coefficients on EPS and BVPS × IFRS remain robust and significant.

Model 4 incorporates sectoral effects through a sector code variable. However, this variable was omitted due to collinearity, indicating that the firm fixed effects already absorb much of the sector-specific variance. The model's coefficients remain consistent with those of Model 3, reinforcing the stability of the results.

Table 11: Summary of Fixed-Effects Regression Results (Clustered Standard Errors)

Variables	Model 1	Model 2	Model 3	Model 4
EPS	5.619*** (1.586)	5.886*** (1.829)	5.806*** (1.644)	5.806***(1.644)
BVPS	0.052 (0.315)	-0.188 (0.133)	-0.165 (0.125)	-0.165 (0.125)
IFRS		omitted	omitted	omitted
EPS × IFRS		-3.454* (2.344)	-3.124 (2.359)	-3.124 (2.359)
BVPS × IFRS		2.222*** (0.576)	2.171*** (0.593)	2.171*** (0.593)
Trend			12.713 (11.185)	12.713 (11.185)
Sector				omitted
Intercept	471.394*** (91.189)	348.308*** (65.057)	269.273** (99.293)	269.273** (99.293)
R² (Within)	0.313	0.430	0.441	0.441
R² (Between)	0.6453	0.5155	0.5212	0.5212
R² (Overall)	0.5189	0.4933	0.5002	0.5002
F-statistic	7.29	10.51	12.50	12.50
Obs. / Groups	319 / 29	319 / 29	319 / 29	319 / 29

Notes: Standard errors are robust and clustered at the firm level. All regressions are estimated using fixed effects (within estimator). IFRS is a dummy variable equal to 1 for firms applying IFRS and 0 otherwise. EPS = Earnings per Share; BVPS = Book Value per Share. EPS × IFRS and BVPS × IFRS are interaction terms capturing the conditional effect of IFRS adoption on the value relevance of earnings and book value, respectively.

Trend = Linear time variable (2009 = 1, ..., 2019 = 11). Sector dummies are included in Model 4 but not reported. Significance levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$.

Source: Author estimations using Stata 15.0.

Overall, the results confirm that EPS consistently serves as a robust predictor of firm value across all model specifications, reinforcing its central role in equity valuation. While book value per share (BVPS) alone is not statistically significant under local GAAP, its interaction with IFRS is both positive and significant, suggesting that the adoption of IFRS enhances the relevance of balance sheet information-particularly equity book values. This pattern supports the view that IFRS contributes to improved recognition and measurement practices, thereby increasing the informativeness of accounting data in emerging market contexts like Morocco.

4.5.1. Additional Robustness: R-squared Comparison between IFRS and NCM Firms

Beyond the interpretation of coefficients, a comparison of adjusted R^2 values offers additional insight into the explanatory power of the models under different accounting standards. The results indicate that models estimated for firms applying IFRS consistently exhibit higher adjusted R^2 values than those for firms reporting under Moroccan GAAP (NCM), regardless of model complexity.

Table 10 below summarizes the adjusted R^2 for each of the four estimated models (from the baseline specification to the extended model with interactions, sector fixed effects, and time trend). As the models become more comprehensive, the adjusted R^2 increases overall-but remains systematically higher for IFRS-reporting firms. For instance, in Model 4-which includes interaction terms, sector dummies, and the trend variable-the adjusted R^2 reaches 0.81 for IFRS adopters compared to 0.56 for NCM firms.

This marked difference confirms the greater value relevance of financial information prepared under IFRS in explaining stock prices. These findings are consistent with prior international evidence (e.g., Barth et al., 2008; Landsman et al., 2012), which suggests that IFRS adoption enhances transparency, comparability, and the predictive quality of accounting information, even in emerging market contexts.

Table 10: Adjusted R² Comparison Between IFRS and NCM Firms Across Model Specifications

Spécification	Adj. R² (IFRS)	Adj. R² (NCM)	Différence
Base model (EPS+BVPS)	0.72	0.48	0.24
+ Interactions	0.81	0.52	0.29
+ Trend & Sector	0.84	0.56	0.28

Source: Author

5. Discussion of the regression results

To provide an interpretation of the relationship between accounting information and stock prices, the findings are discussed in light of the study's hypotheses and prior literature on value relevance in emerging markets. This section adopts a structured approach by discussing each hypothesis separately, reflecting the explanatory contribution of each accounting variable under different model specifications. Table 9 presents the regression results for the four estimated models, while Table 10 summarizes the adjusted R² values by accounting regime. These tables serve as empirical anchors to interpret whether the adoption of IFRS enhances the informativeness of earnings and book value in Morocco.

5.1. IFRS and the Overall Value Relevance of Financial Reporting (H1)

Hypothesis H1 posited that the adoption of IFRS enhances the overall value relevance of financial statements for Moroccan listed firms. As shown in Table 9, across all model specifications-from the base model (EPS and BVPS) to the full model with interaction terms, time trend, and sector dummies-IFRS-reporting firms consistently exhibit higher adjusted R² values than those reporting under Moroccan GAAP (NCM). In Model 4, the adjusted R² reaches 0.84 for IFRS firms compared to only 0.56 for NCM firms, yielding a difference of 0.28.

This consistent improvement suggests that IFRS-based financial reports are more informative in explaining variations in stock prices. The result supports the findings of Alali and Foote (2012) and Okafor et al. (2016), who report enhanced value relevance in emerging economies following IFRS adoption. The Moroccan case, although institutionally distinct, aligns with this trend-providing empirical support for the claim that IFRS improves transparency, comparability, and the predictive utility of accounting information.

5.2. The Value Relevance of Earnings Per Share (H1a)

Hypothesis H1a focused on earnings per share (EPS) and its explanatory power under IFRS compared to NCM. As presented in Table 4, EPS is positively and significantly associated with

stock prices across all models. In Model 1 (base model), the EPS coefficient is 5.62 (p < 0.01), and it remains consistently significant and stable in Models 2 to 4, even after adding interaction terms, time trend, and sector dummies. Specifically, in Model 4, EPS retains a strong coefficient (β = 5.81, p < 0.01), indicating that earnings retain their valuation role even after controlling for firm-specific and sectoral effects.

However, the interaction term EPS × IFRS is negative and statistically non-significant (β = -3.12, p = 0.196), suggesting that the value relevance of earnings may be lower for IFRS-adopting firms, though this effect is not statistically conclusive. These results echo the mixed findings in prior literature: while some studies such as Barth et al. (2008) report enhanced earnings informativeness post-IFRS, others like Ibrahimi and El Baghdadi (2021) and Aharony et al. (2010) observe no improvement or even deterioration in earnings value relevance.

Hence, while EPS remains value-relevant in the Moroccan market overall, there is limited evidence to suggest that IFRS strengthens this relationship. The hypothesis H1a is only partially supported.

5.3.   The Value Relevance of Book Value Per Share (H1b)

Hypothesis H1b tested whether IFRS enhances the value relevance of book value per share (BVPS). The findings are more robust in this case. As shown in Table 4, BVPS alone is not statistically significant in any specification (e.g., Model 1: β = 0.05, p = 0.869; Model 4: β = -0.16, p = 0.197). However, the interaction term BVPS × IFRS is consistently positive and highly significant (Model 4: β = 2.17, p < 0.01), indicating that BVPS becomes significantly more informative when IFRS is applied.

This result is particularly important for emerging markets like Morocco, where the balance sheet often plays a central role in investor decision-making due to less developed information environments. These findings corroborate those of Chebaane and Othman (2014) and Ibrahimi and El Baghdadi (2021), who also report enhanced book value relevance under IFRS in the MENA region.Accordingly, H1b is strongly supported by the data: IFRS improves the valuation usefulness of book value, suggesting that the adoption of international standards enhances recognition and measurement practices for equity items in Morocco.

Conclusion and Recommendations

This paper examined whether the adoption of International Financial Reporting Standards (IFRS) enhances the value relevance of accounting information in the Moroccan capital market. Drawing on a panel dataset of 29 non-financial firms listed on the Casablanca Stock Exchange from 2009 to 2023, the study analyzed whether earnings per share (EPS) and book value per share (BVPS) better explain stock prices under IFRS than under Moroccan GAAP (NCM).

The analysis was based on the Ohlson (1995) valuation model, progressively enriched with interaction terms (e.g., EPS × IFRS), sectoral and temporal controls. A battery of diagnostic tests-including the Breusch-Pagan LM test, the Modified Wald test for heteroskedasticity, the Wooldridge test for autocorrelation, and the Hausman test-validated the use of fixed-effects panel regression models with robust standard errors clustered at the firm level. The regression results confirm the strong and consistent value relevance of earnings per share across all model specifications. EPS remains positively and significantly associated with stock prices in Morocco, regardless of the reporting regime. However, the standalone explanatory power of BVPS appears weaker and statistically insignificant under NCM.

Notably, the interaction term BVPS × IFRS is positive and statistically significant in every extended model, suggesting that the book value becomes more informative for firms adopting IFRS. This result highlights that IFRS adoption strengthens the relevance of balance sheet information, possibly through better recognition and measurement practices. On the contrary, the EPS × IFRS interaction term is not significant, indicating that earnings do not gain additional explanatory power under IFRS.

Additional robustness tests, such as adjusted R² comparisons, further reinforce these findings. As summarized in Table 5, IFRS-reporting firms consistently exhibit higher adjusted R² values across all models. In the most complete specification (Model 4), the adjusted R² is 0.84 for IFRS adopters, compared to 0.56 for NCM firms-underscoring the enhanced predictive quality of IFRS-based accounting information.

These findings support the idea that IFRS adoption improves the overall informativeness and decision-usefulness of financial statements in emerging markets. They also echo international evidence (Barth et al., 2008; Landsman et al., 2012) while contributing new empirical insights from North Africa, where academic work remains limited.

Theoretical Contributions

This study contributes to the value relevance literature by offering firm-level evidence from an under-researched emerging market. The significant BVPS × IFRS interaction supports the

hypothesis (H1b) that IFRS improves the relevance of balance sheet information. Meanwhile, the stability of EPS across regimes partially supports hypothesis H1a. More broadly, these results confirm H1: IFRS adoption increases the value relevance of accounting information. They align with findings from Alali and Foote (2012) in the UAE and Ibrahimi & El Baghdadi (2021) in Morocco, while providing more granular evidence through interaction terms. This reinforces the importance of accounting standard quality in shaping market perceptions of firm value.

Practical Implications

For policymakers, the results provide empirical support for IFRS convergence policies. Regulators in Morocco and other MENA countries can draw on this evidence to justify reforms toward full IFRS adoption in statutory and individual reporting. For investors, the increased explanatory power of IFRS-based reports offers more reliable tools for valuation, particularly through the balance sheet. Analysts may also consider revising valuation models to reflect the greater importance of BVPS under IFRS. For corporate managers, these findings highlight the reputational and informational benefits of IFRS adoption, especially in capital-intensive sectors where book value plays a key valuation role. A careful application of IFRS can enhance transparency, improve comparability, and attract more informed investors.

Limitations and Avenues for Future Research

This study has several limitations. The analysis is restricted to non-financial firms due to reporting differences, which limits generalizability. The sectoral variable is limited to a single fixed effect, and firm-level governance variables were not included. Moreover, the relatively small sample size of the Moroccan market may limit statistical power, especially for sub-group analysis.

Future research could extend this work by:

- Applying difference-in-differences or matching estimators to better isolate the impact of IFRS adoption.
- Exploring how audit quality, enforcement strength, and corporate governance moderate the relationship between IFRS and value relevance.
- Expanding the scope to a multi-country MENA sample for regional comparisons.
- Investigating the incremental relevance of other accounting metrics (e.g., cash flows, OCI, ROA) under IFRS.

As international harmonization continues, understanding how IFRS affects investor behavior, firm valuation, and information asymmetry in emerging markets remains a vital area for academic inquiry and policy development.

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