The Effect of Adopting International Financial Reporting Standards (IFRS) on Stock Price Crash Risk "An Empirical Study on Egyptian Listed Companies"

Research extracted from PHD thesis titled:

The Effect of Adopting International Financial Reporting Standards (IFRS) on the Relationship between Audit Quality and Stock Price Crash Risk "An Empirical Study on Egyptian Listed Companies"

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Abstract

The main objective of this research was to investigate the relationship between stock price crash risk and International Financial Reporting Standards (IFRS) adoption. The sample of the study included 125 nonfinancial listed companies on the Egyptian Stock Exchange during the period from 2016 to 2019. The total number of observations was 490 observation after excluding 10 observations due to incomplete data. The research results concluded a positive insignificant relationship between International Financial Reporting Standards (IFRS) adoption and stock price crash risk. The researcher recommends management of firms listed on the Egyptian Stock Exchange to increase accounting information disclosure level in the financial reports with high transparency, and increasing voluntary disclosure level in order to reduce the problem of information asymmetry, which contributes to reduce stock price crash risk. In addition, researchers to be aware of the importance of conducting further accounting studies and research on determining the determinants and effects of stock price crash risk in the Egyptian business environment.

Key words: IFRS adoption - Stock price crash risk – Egyptian listed firms

Introduction

Movements on the company's stock prices in capital markets are a result of many factors (Lim et al, 2016), including those related to the efficiency of the market itself and its ability to represent all information available in it, some that are relate to the company's performance and some of which are related to investors, their beliefs and reactions to different events. Finally, some of which are related to financial analysts who provide opinions on share prices and their expectations of future stock prices.

Financial information users depend on the information communicated to them via the firm's annual report in order to take economic decisions, As a result, the report should be credible, reliable, acceptable and relevant to facilitate stakeholders making rational decisions, Thus, it is important the financial report should provide financial information that is transparent, timely, reliable and complete, and that such information is not prepared with the intent of misleading users (Boshnak, 2021)

For accounting information to achieve this purpose, it must be derived from financial reports that are prepared with high quality standards, Where accounting standards and principles are the regulatory framework for disclosing about the outputs of the financial accounting information system represented in the financial statements and reports, and therefore the quality of financial reports depends on the quality and strength of the accounting standards that regulate the preparation of these financial reports (Houqe et al, 2016).

1/1 Research problem

The phenomenon of stock price crash has become an increasingly important issue among researchers in the recent years due to occurrence of certain events. Stock price crash risk is one of the important factors for investment decisions and risk management. The recent global financial crisis motivated the interest of regulators, practitioners and researchers in Accounting and Auditing field to analyze stock price crash risk and many literature examined the determinants affecting stock crash risks (Jeon, 2019).

The main purpose of the accounting system is to provide reliable and relevant data for decision making (Farida et al, 2021). As the majority of studies regarding stock price crash stated that, accounting was always a tool in the hands of management. This caused accounting professional associations and literature review seek to find solutions for management manipulation to mitigate or reduce stock price crash risk.

International Financial Reporting Standards (IFRS) is one of the variables that literature review used to test its effect on stock price crash risk. The research problem can be concluded in the following question:

Does International Financial Reporting Standards (IFRS) adoption affects stock price crash risk?

1/2 Research objective

The main objective of the research is to investigate the relationship between International Financial Reporting Standards (IFRS) and stock price crash risk for a sample of nonfinancial listed firms on the Egyptian stock exchange.

1/3 Research hypotheses

In the light of the research problem and to achieve its objective, the researcher developed the following hypothesis:

H1: there is a negative significant relationship between International Financial Reporting Standards (IFRS) and stock price crash risk.

1/4 The nature of International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are standards issued by the International Accounting Standards Board (IASB) to be used as a guide for companies to prepare financial statements and reports that provide financial and non-financial information for investors and other stakeholders to make economic decisions, IFRS adoption becomes very important internationally due to the increase in international trade size (Ofoegbu and Odoemelam, 2018).

The study of (Houqe et al, 2016) stated that the International Accounting Standards Board (IASB) aims to develop IFRS to provide a single set of high quality, understandable, enforceable, and globally accepted financial reporting standards, based on clearly articulated principles for the preparation of firm's financial statements that provide information about the financial position, financial performance and cash flows that are useful to many users in making economic decisions.

Also, the study of (فوزي، 2015) defined IFRS as the rules and principles that must be followed when preparing financial reports, they are internationally accepted due to the quality of accounting information such as understandability, relevance of decisions, fair representation of financial transactions and considering economic events according to their essence not their legal form.

In addition, the study of (Singh, 2020) defined IFRS as "International Financial Reporting Standards (IFRS) are set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements".

From the previous definitions, the researcher can conclude the following:

- International Financial Reporting Standards (IFRS) are an extension to the international standards that are issued by the International Accounting Standards Board (IASB).
- IFRS aims to create compatibility of accounting standards between different countries to facilitate financial statement comparability of companies at the international level. This means that the company's performance can be compared with the performance of similar companies.
- IFRS aims to standardize accounting practices and treatments, as well as standardizing the requirements of recognition, measurement, presentation, and disclosure related to economic events.

1/5 Objectives of the International Financial Reporting Standards

The main objective behind the development of IFRS is to harmonize reporting practices of published financial statements to have one set of global accounting standards (Odia and Ogiedu, 2013). International Financial Reporting Standards (IFRS) have been legally adopted since 2005 in more than 130 countries, in order to facilitate the harmonization and development of financial markets (Bertrand et al, 2021). The common objective of adopting countries to IFRS is to reduce information asymmetries between issuers and funds providers, through both improving reporting quality and enhancing comparability for cross-country operations (Bertrand et al, 2021).

The goal of introducing of IFRS was to facilitate the production of high quality, value relevant financial statements. As a result, The International Accounting Standard Board (IASB), the body that issues the IFRS, embedded several quality features in the standards' conceptual framework (Ddamulira, 2017).

The study of (Ddamulira, 2017; Ombati, 2017) also indicated that the primary objective of establishing IFRS was to create a global set of accounting standards at the highest quality, therefore, the International Accounting Standard Board (IASB) developed and approved IFRS and has stated that IFRS are formulated primarily to address the information requirements of investors and other participants in global capital markets.

The conceptual framework underlying the developed IFRS emphasizes the production of standards that incorporate relevance and faithful representation as the two primary quality characteristics of financial statements prepared using IFRS which enhances the decision usefulness of financial information prepared under IFRS (Yurisandi and Puspitasari, 2015).

1/6 Benefits of the International Financial Reporting Standards

The adoption of IFRS by firms all over the world has an effect on improving the explanatory power of accounting numbers, improving comparability and transparency of financial information, which leads to a higher quality of accounting information after adopting IFRS and lower the cost of preparing financial statements by firms globally (Kimeli, 2017; Key and Kim, 2020; Kim and Koga, 2020; Dang et al., 2020).

Also, the study of (Parvathy P, 2017) confirmed that economies across the globe have benefited by adopting IFRS for financial reporting purposes. The study mentioned some of those benefits as follows:

- Better access to global capital markets.
- Better cross border listing.
- Elimination of multiple reporting in large business entities and their subsidiaries by following a single set of International Financial Reporting Standards.
- Better quality of financial reporting because IFRS are high quality, understandable, enforceable and globally acceptable accounting standards.
- Easier global comparability because Investors, bankers, lenders and other stakeholders also find it easier to compare the financial statements following the same reporting procedures that IFRS provides.
- Improved cross border investments by enhancing the comparability of financial statements prepared globally.

1/7 Challenges facing International Financial Reporting Standards (IFRS) adoption

Standardization of accounting standards is an important step towards understanding financial statements globally. However, standardization is not a sufficient solution to achieve international comparability of financial reports without thinking about how to apply standards, as there are many environmental factors, language, local cultural dimensions, legal systems and the economic conditions of the country that affect the way the standards are applied (Jang et al, 2016).

While, the study of (Nobes and Perramon, 2013) confirmed that convergence with international financial reporting standards is affected by several determinants that may represent difficulties or challenges, including the variance of economic systems, the legal and tax system of the state, the nature and structure of ownership, and the presence of a specialized professional accounting body.

1/8 Adopting International Financial Reporting Standards in the Egyptian environment

Egypt has adopted the International Accounting Standards (IAS) in accordance with the minister of economy decision No. 503 for the year 1997, a decision that obligated all corporations listed on the Egyptian Stock Exchange to apply those standards that have been translated and amended to be compatible with the Egyptian business environment (محمد، 2017). After the issuance of the decision No. 503 for the year 1997, the application of international accounting standards in Egypt became a legal procedure for companies to disclose their financial statements.

In 2002, the IASB began issuing IFRS. To cope this stage in the Egyptian environment, the minister of investment issued the decision No. 243 for the year 2006 to activate the International Financial Reporting Standards (IFRS) when it stipulated the issuance of 35 new Egyptian standards, including what was issued in the International Financial Reporting Standards (محمد، 2017).

In 2015, the minister of investment issued decision No. 110 to include 39 accounting standards among them 11 standards to cope with IFRS in the Egyptian environment, this group should replace the previous Egyptian accounting standards, as this decision requires companies listed on the Egyptian Stock Exchange to adopt IFRS compulsorily as of January 2016 (موسي، 2019). In 2019 the minister of investment issued the decision No 69 for the year 2019 that make some amendments to the decision No. 110 for the year 2015.

The most important amendments are the introduction of 3 accounting standards as follows (وزارة الاستثمار والتعاون الدولي، 2019):

- The Egyptian Accounting Standard No. (47) related to financial instruments to cope with the International Reporting Standard No. IFRS9.
- The Egyptian Accounting Standard No. (48) related to revenue from contracts with customers to cope with International Reporting Standard No. IFRS 15 to replace Egyptian Accounting Standard No. (11) which is related to revenue.
- Finally, Egyptian Accounting Standard No. 49 on leasing contracts, in implementation of the Financial Leasing and Factoring Law No. 176 of 2018, to cope with International Reporting Standard No. IFRS 16 to replace Egyptian Accounting Standard No. 20 Financial Leasing.

1/9 Stock price crash risk

Conceptually, crash risk is based on the argument that managers have a tendency to withhold bad news for a long period, allowing bad news to stores (Habib et al, 2018). If managers successfully prevent the flow of negative information into the stock market, the distribution of stock returns should be asymmetric (Hutton et al, 2009). When the accumulation of bad news passes a specific limit, it is revealed to the market at once, leading to a large negative drop in the firm's stock price (Habib et al, 2018).

Literature review provided many definitions for stock price crash risk. The study of (Habib and Hasan, 2017) defined stock price crash risk as a sharp deterioration and sudden drop in the firm's real value, it's most important characteristic is the failure of its management system to perform its main tasks, which negatively affects the share price and creates adverse effects on the firm's market value. While, the study of (Zhu, 2016) defined stock price crash risk as the possibility of a large, sudden and non-recurring decrease in the share price of a specific company. Also, the study of (Dang et al., 2018) defined stock price crash risk as a severe crash in the market value of shares, which leads to a sharp decline in shareholders' wealth.

In addition, the study of (حسين، 2020) defined stock price crash risk as the phenomenon in which a negative return skewness of the company's share occurs repeatedly during a short period of time, which increases the possibility of a sharp decline in the company's share price in the financial markets in the future. Moreover, the study of (عبدالمجيد، 2019) defined stock price crash risk as the possibility of a large decrease in the company's share price, which can be noticed through the negative deviation or skewness in the distribution of stock return during the period of trading it.

1/10 Reasons and interpretations of stock price crash risk phenomenon

Many accounting literature that discussed the phenomenon of stock price crash risk provided many reasons that represent interpretations for the occurrence of this phenomenon, the most important of these reasons and interpretations are as follows:

1/10/1 Withholding or concealing bad news

Theoretically, firm's stock price crash is based on the argument that managers have a tendency to withhold bad news or unfavorable information from investors for long periods for their own motives such as professional motives and motives for obtaining compensation, also their desire to achieve specific personal advantages and build their personal reputation (Habib et al, 2018; Dang et al, 2018).

1/10/2 The differences of opinion theory

The differences of opinion theory is based on the idea that trading by investors with different points of view can reveal the signals of others, which leads to moving stock prices even in the absence of basic information, therefore, this theory is also called the theory of heterogeneity or inconsistency in investors beliefs (Habib et al, 2018).

1/10/3 Information blockage model

The study of (Cao et al, 2002) suggested information blockage model as a theoretical framework to explain the reasons of stock price crash risk. Information blockage model measures the effect of the asymmetric release of information in the financial market on the occurrence of firm's stock price crash risk, information asymmetry is inferred through historical stock prices (Zhu, 2016).

1/10/4 Agency theory

In an asymmetric information environment, firm's management is likely to act opportunistically to achieve its own interests (Santoso et al, 2022). The lack of transparency in financial reports increases in parallel with the amount of withheld negative information. However, the ability of managers to hide bad news is limited. When withheld bad news reaches the tipping point, all negative information is suddenly disclosed, which leads to stock price crash risk.

1/10/5 Default risks

Default risk refers to the possibility that the company will not be able to meet its financial obligations. Stock price crash risk may arise as a result of firm's failure to meet its financial obligations (عبدالمجيد، 2019). The study of (Zhu, 2016; Habib et al., 2018) confirmed that the explanation based on idea that the default risks is one of the reasons of stock price crash risk depends on the idea that the company in which default risks are high is more likely to publish exaggerated news suddenly, in this case the company either discloses very bad news, which will result in firm's stock price crash risk, or the company discloses very good news, which will result in a significant increase in the company's stock price.

1/10/6 The nature of firm's activity

Among the other interpretations and reasons of firm's stock price crash risk is the nature of the firm's operations, where stock price crash risk may occur due to the basic nature of its operations. For example, petroleum companies face the possibility of a drop or crash in global oil prices, insurance companies face the possibility of paying high compensation to an extent that cannot be met as a result of natural disasters like earthquakes and volcanoes, and changes in the legal environment and government procedures as an economic events may cause stock price crash risk (Habib et al, 21018).

1/11 The determinants of stock price crash risk

There are many determinants that can limit stock price crash risk. Literature review (e.g. Habib et al, 21018; حسين، 2020; محمد، 2021) divided those determinants into different categories namely, capital market related determinants, company related determinants, management related determinants, and other external environmental (e.g. political, economic, cultural, social and religious) related determinants. The researcher will discuss each category as follows:

1/11/1 Capital market related determinants

Some researchers have tried to investigate the factors that increase stock price crash risk by linking them to the capital market characteristics including stock characteristics (e.g. liquidity and trading volume), equity market competition and short interest.

1/11/2 Company related determinants

Stock price crash risk is affected by many determinants that are related to the company including short term debt, social responsibility, financial reporting opacity, audit quality, international financial reporting standards adoption, accounting conservatism, financial analysts' forecasts ,financial reporting quality, tax avoidance, financial statement comparability ….ect (Habib et al, 2018).

1/11/3 Management related determinants

Stock price crash risk is affected by many determinants that are related to the management including corporate governance with its internal and external mechanisms, managerial ability, managerial overconfidence, powerful chief executive officers, board directors' foreign experience, and political connections.

1/11/4 Other external environmental related determinants

Stock price crash risk might be affected by other external environmental determinants including political, economic, social and religious. Concerning political determinants, the study of (Piotroski et al, 2015) confirmed that Political events may create incentives for companies to withhold bad news, because politically connected managers may incur costs and penalties when disclosing any bad news about those events.

1/12 Analyzing the relationship between IFRS adoption and stock price crash risk and developing the research hypothesis

There are many objectives behind the development of IFRS. First, to harmonize reporting practices of published financial statements to have one set of global accounting standards (Odia and Ogiedu, 2013). Second, to reduce information asymmetries between issuers and funds providers, through both improving reporting quality and enhancing comparability for cross-country operations (Bertrand et al, 2021). Third, to create a global set of accounting standards at the highest quality, therefore, the International Accounting Standard Board (IASB) developed and approved IFRS and has stated that IFRS are formulated primarily to address the information requirements of investors and other participants in global capital markets (Ddamulira, 2017; Ombati, 2017).

In this context , the study of (DeFond et al, 2015) examined whether mandatory IFRS adoption affects firm' stock price crash risk for a sample of financial and non-financial firms. Their results concluded that IFRS adoption decreases crash risk among non-financial firms, especially among firms in poor information environments and in countries where IFRS adoption results in larger and more credible changes to local standards. In contrast, IFRS adoption has no effect on stock price crash risk for financial firms, but increases crash risk among banks in countries with weak banking regulations. The results are consistent with the increased transparency from IFRS adoption which broadly reduces stock crash risk among non-financial firms.

Also, the study of (Lim et al, 2016) investigated the relationship between auditor quality, IFRS adoption and stock price crash risk. The study results revealed that crash risk decreases after IFRS adoption. Also, When Big 4 auditor variable is included; the study found that crash risk decreases for IFRS adopting firms with Big 4 auditors. However, there is no statistically significant change in crash risk for IFRS adopting firms which are excluded from Big 4 auditors.

In addition, the study of (عبدالمجيد، 2019) tested the effect of mandatory IFRS adoption and stock price crash risk in Saudi Arabia taking into consideration the impact of audit quality, accruals and short-term debt on this relationship. The study results concluded that mandatory IFRS adoption significantly reduces stock price crash risk. Additionally, mandatory IFRS adoption, both audit quality and accruals significantly reduce crash risk, while short-term debt insignificantly increases that risk.

The researcher concludes from the above discussion that literature review agreed that IFRS adoption affects stock price crash risk either directly or in directly through other variables like financial reporting quality, corporate governance, audit quality and financial reporting opacity.

Therefore the research hypothesis can be developed as follows:

H1: there is a negative significant relationship between International Financial Reporting Standards (IFRS) and stock price crash risk.

1/13 The empirical study

The empirical study aims to test the research hypotheses, by measuring the effect of adopting International Financial Reporting Standards (IFRS) on stock price crash risk for a sample of non-financial listed company on the Egyptian Stock Exchange, according to previous studies in different accounting environments (e.g. DeFond et al, 2015; Lim et al, 2016; Waqas, 2022; مسعود، 2022; عبدالمجيد، 2019; يونس، 2022).

The study sample included 125 non-financial listed company on the Egyptian Stock Exchange during the period from 2016 to 2019. The total number of observations was 490 observation after excluding 10 observations due to incomplete data.

1/13/1 Research variables measurement

- Dependent variable: stock price crash risk (NCSKEW): measured by the Negative Conditional Skewness of Returns.
- Independent variable: IFRS adoption (IFRS): measured by dummy variable 0 if the firm did not adopt IFRS and 1 if the firm adopt IFRS.
- Control variables: Firm size (Size) measured by the natural log of total assets. Leverage (LEV) measured by the ratio of total debt to total assets. Return of assets (ROA) measured by the ratio of the net income to total assets. kurtosis of weekly returns (KURT) measured by the Kurtosis of weekly returns during the year. The standard deviation of the weekly returns (SIGMA)measured by the standard deviation of firm-specific weekly return during the year.

1/13/2 Descriptive Statistics

Table (1) Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NCSKEW	490	-6.854	3.257	-1.117	1.379
IFRS	490	0	1	.56	.497
Size	490	10.390	18.458	13.597	1.801
LEV	490	.0046	2.268	.488	.310
ROA	490	-.384	.512	.067	.113
SIGMA	490	.017	.225	.065	.033
KURT	490	-.158	37.556	7.916	6.349
Valid N (list wise)	490				

It is clear from analyzing the results of the previous table that, the arithmetic mean of stock price crash risk (measured by NCSKEW) is (-1.117) and ranges between (-6.85: 3.25) with a standard deviation of (1.379). The arithmetic mean of IFRS (measured by dummy variable one and zero) was (.56) and ranges between (0:1) with a standard deviation of (.497).

Concerning the control variables, the mean of weekly kurtosis of returns is (7.916), the arithmetic mean for the standard deviation of the weekly returns is (0.065), and the arithmetic mean of company size, financial leverage, and return on assets are (13.597, 0.488, 0.067), respectively.

1/13/3 Correlation Matrix

Table (2) Correlations

		NCSKEW	IFRS	Size	LEV	ROA	SIGMA	KURT
NCSKEW	Pearson Correlation	1	-.031	-.066	.046	-.232**	.261**	.262**
	Sig. (2-tailed)		.496	.146	.310	.000	.000	.000
	N	490	490	490	490	490	490	490
IFRS	Pearson Correlation	-.031	1	.155**	.078	.096*	.068	-.111*
	Sig. (2-tailed)	.496		.001	.084	.034	.135	.014
	N	490	490	490	490	490	490	490
Size	Pearson Correlation	-.066	.155**	1	.404**	.152**	-.139**	.061
	Sig. (2-tailed)	.146	.001		.000	.001	.002	.175
	N	490	490	490	490	490	490	490
LEV	Pearson Correlation	.046	.078	.404**	1	-.355**	.029	.046
	Sig. (2-tailed)	.310	.084	.000		.000	.527	.311
	N	490	490	490	490	490	490	490
ROA	Pearson Correlation	-.232**	.096*	.152**	-.355**	1	-.235**	-.099*
	Sig. (2-tailed)	.000	.034	.001	.000		.000	.028
	N	490	490	490	490	490	490	490
SIGMA	Pearson Correlation	.261**	.068	-.139**	.029	-.235**	1	.619**
	Sig. (2-tailed)	.000	.135	.002	.527	.000		.000
	N	490	490	490	490	490	490	490
KURT	Pearson Correlation	.262**	-.111*	.061	.046	-.099*	.619**	1
	Sig. (2-tailed)	.000	.014	.175	.311	.028	.000	
	N	490	490	490	490	490	490	490

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

It is clear from the analysis of the results of the previous table, that there is a positive insignificant relationship between stock price crash risk and International Financial Reporting Standards (IFRS) adoption at a significant level 1%. Also, there is a negative significant relationship between stock price crash risk and return on assets at a significant level 1%. In addition, there is a positive significant relationship between stock price crash risk and the kurtosis of weekly returns, the standard deviation of the weekly returns, and leverage at a significant level 1%.

1/13/4 Testing the moral quality of the study model

To test the moral quality of the model as a whole, F-test used to know whether the multiple regression model used in the study was accepted to interpret the relationship between dependent and independent variables or not.

Table (3) ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	111.513	6	18.586	10.951	.000[b]
Residual	819.730	483	1.697		
Total	931.243	489			

a. Dependent Variable: NCSKEW

b. Predictors: (Constant), KURT, LEV, IFRS, ROA, Size, SIGMA

From the above table, the value of calculated F was 10.951at a significant level 0.000 less than the approved level of significant 0.05 which indicated that the model was suitable and valid for interpreting the relationship between dependent variable (stock price crash risk) and independent variable (IFRS adoption).

1/13/5 Testing the explanatory power of the study model

Before interpreting the results of the regression model, the researcher determined the ability of independent variables to interpret the dependent variable . The value of (Adjusted R Square) in the next table was used to measure the strength of the relationship between dependent and independent variables, the percentage of coefficient of determination (R square) was used to measure percentage of change in the dependent variable due to the change in independent variables.

Table (4) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.346[a]	.120	.109	1.302	1.936

a. Predictors: (Constant), KURT, LEV, IFRS, ROA, Size, SIGMA

b. Dependent Variable: NCSKEW

It is clear from the above table that, the independent variables (IFRS adoption) explained 10.9% of the total change in the dependent variable (stock price crash risk). The rest of the 89.1% due to random error in the equation, or perhaps the lack of inclusion of other independent variables that should be included in the model.

1/13/6 Testing the relationship between stock price crash risk and International Financial Reporting Standards (IFRS) adoption

After testing the moral quality of the model, testing the explanatory power of model and making sure that the study model was free from multi-collinearity and autocorrelation problems, the researcher analyzed the results of the study model to determine the effect of independent variable on the dependent variable.

After the results of descriptive analysis have proved that there was a difference in stock price crash risk between the study sample, the main question of the research problem arises: Does IFRS adoption affect stock price crash risk for the sample? To answer this question, the researcher depended on multiple regression model to test the relationship between independent and dependent variables which results were as follows:

Table (5) Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.238	.509		-2.434	.015		
IFRS	.023	.125	.008	.182	.856	.901	1.109
Size	-.019	.039	-.024	-.476	.634	.692	1.444
LEV	-.117	.234	-.026	-.499	.618	.657	1.522
ROA	-2.410	.610	-.198	-3.952	.000	.728	1.373
SIGMA	3.973	2.436	.095	1.631	.104	.532	1.880
KURT	.041	.012	.187	3.269	.001	.560	1.787

The previous table indicates regression analysis results of the relationship between stock price crash risk and IFRS adoption for the sample. The data in the table represents the Regression Coefficient **(β)**, Standard Error **(SE)**, calculated t-Statistics **(t)** and Significance level **(Sig)**.

To test the research hypothesis, the study aimed to determine whether IFRS adoption affect stock price crash risk of the sample? through the following hypothesis:

H1: there is a negative significant relationship between International Financial Reporting Standards (IFRS) and stock price crash risk.

The results in table (5) indicate a positive insignificant relationship between International Financial Reporting Standards (IFRS) and stock price crash risk where **(β)** value of IFRS adoption is positive and equals to .023, the value of **(t)** = .182 at a significance level **(Sig) =** .856 more than the approved level of significance 5%. This result means that IFRS adoption is positive and insignificant in interpreting the difference in stock price crash risk of the study sample. Therefore, the research hypothesis was rejected.

1/14 Research results

At the end of the research, the researcher concluded the following results:

- International Financial Reporting Standards (IFRS) are an extension to the international standards that are issued by the International Accounting Standards Board (IASB).
- IFRS aims to create compatibility of accounting standards between different countries to facilitate financial statement comparability of companies at the international level. This means that the company's performance can be compared with the performance of similar companies.
- IFRS aims to standardize accounting practices and treatments, as well as standardizing the requirements of recognition, measurement, presentation, and disclosure related to economic events.
- Stock price crash risk is an infectious phenomenon that increases the possibility of a sharp decline in the prices of all shares in the capital markets.

- There is a positive insignificant relationship between International Financial Reporting Standards (IFRS) and stock price crash risk.

1/15 Recommendations:

Relying on study findings, and in light of research objectives, the researcher recommends the following:

- Management of firms listed on the Egyptian Stock Exchange to increase the disclosure level of accounting information in the financial reports with high transparency, and increasing voluntary disclosure level in order to reduce the problem of information asymmetry, which contributes to reduce stock price crash risk.
- Egyptian Financial Supervisory Authority incorporated with other professional bodies should Provide the necessary mechanisms to improve the infrastructure of the Egyptian accounting practice environment and accounting structures, providing strong legal enforcement mechanisms and effective control structures necessary to apply and implement the requirements of international financial reporting standards, in order to ensure their positive impact on the usefulness of accounting information.
- Researchers to be aware of the importance of conducting further accounting studies and research on determining the determinants and effects of stock price crash risk in the Egyptian business environment.

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الملخص

يتمثل الهدف الرئيسي من هذا البحث في دراسة العلاقة بين خطر انهيار أسعار الأسهم وتبني معايير التقرير المالي الدولية. وقد اشتملت عينة الدراسة على 125 شركة غير مالية مدرجة بالبورصة المصرية خلال الفترة من 2016 إلى 2019. وقد بلغ العدد الإجمالي للمشاهدات 490 مشاهدة بعد استبعاد 10 مشاهدات لعدم اكتمال البيانات. وقد خلصت نتائج البحث إلى وجود علاقة إيجابية غير معنوية بين تبني المعايير الدولية لإعداد التقارير المالية (IFRS) وخطر انهيار أسعار الأسهم. ويوصي الباحث إدارة الشركات المدرجة في البورصة المصرية بضرورة زيادة مستوى الإفصاح عن المعلومات المحاسبية في التقارير المالية بمستوي عالي من الشفافية ، وزيادة مستوى الإفصاح الاختياري من أجل تقليل مشكلة عدم تماثل المعلومات، مما يساهم في تقليل خطر انهيار أسعار الأسهم. بالإضافة إلى ذلك، يجب على الباحثين أن يكونوا على دراية بأهمية إجراء المزيد من الدراسات والبحوث المحاسبية حول تحديد محددات وتأثير خطر انهيار أسعار الأسهم في بيئة الأعمال المصرية.

الكلمات المفتاحية: تبني معايير التقرير المالي الدولية – خطر انهيار اسعار الاسهم – الشركات المصرية المدرجة