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Does Applying IFRS 15 Affect the Quality of Earnings of Cambodian-Listed Companies?

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ABSTRACT

In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) issued a joint standard, which is international financial reporting standard no.15 (IFRS 15), entitled "Revenue from contracts with customers." This research aims to identify the new standard, illustrate the new recognition model, and determine the impact of measuring revenues following IFRS 15 on the quality of earnings. A quantitative research approach is used, and the absolute value of discretionary accruals and earnings aggressiveness are utilized as proxies for the quality of earnings. The research sample includes three Cambodian-listed companies with 24 firm-year observations over eight years from 2014 to 2021. The study reveals a statistically significant negative effect of the application of IFRS 15 on the quality of earnings of Cambodian-listed companies. The research represents an extension of the previous studies concerned with studying and analyzing the impact of IFRS 15 on the quality of financial statements. It also adds to these studies as there is a lack of quantitative evidence of this new standard's economic effects after its application date. This study aids professional bodies in determining the impact of adopting international accounting standards on the quality of financial reports of companies in such emerging economies as Cambodia.

Keywords: IFRS 15; Quality of earnings; Absolute value of discretionary accruals; Earnings aggressiveness; Cambodia

INTRODUCTION

Income statement information, especially the one related to the revenue component, is one of the most critical information used in evaluating the performance of units, where revenues are referred to as representing a measure of performance and the main entry through which many indicators can be accessed (Elzahar et al., 2015).

To characterize, measure, and disclose revenue, the International Accounting Standards Committee (IASC) has issued a set of relevant accounting standards to regulate the terms and principles of recognition, measurement, presentation, and accounting disclosure of revenue, starting with International Accounting Standard No. 11 (IAS 11). "Construction Contracts" issued in December 1993, and International Accounting Standard No. 18 (IAS 18) "Revenue" issued in December 1993.

The revenue recognition requirements in IAS 11 and IAS 18 include limited guidance on revenue, which prompts some entities to complete the limited guidance in the international standard through the voluntary application of US Generally Accepted Accounting Principles (US GAAP). Meanwhile, accounting for revenue under US GAAP was increasingly complex since it relies on more than 200 accounting literature publications, most closely related to the business model. Besides, the disclosure requirements under IAS and US GAAP needed to be revised, as they often resulted in insufficient information for users to understand the revenues of enterprises and the judgments and estimates they make when recognizing revenue.

In 2001, IASC was dissolved, and the International Accounting Standards Board (IASB) was formed to issue International Financial Reporting Standards (IFRS). Since then, the issuance of international accounting standards under the name (IAS) has been discontinued, and IFRS has taken effect and been issued. On May 2014, the IASB and Financial Accounting Standards Board (FASB) issued the new joint standard (IFRS 15) entitled "Revenue from Contracts with Customers" after a long period of discussions. The standard replaced all general and special guidelines for revenue recognition in American

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standards and all standards and interpretations related to revenue recognition in international standards.

This new standard is considered the most significant event for American and international standards, as it helps to eliminate differences in the current revenue recognition guidelines, unify American and international standards in this regard, and provide a robust framework for solving revenue problems by simplifying the preparation of financial statements and by reducing the number of requirements that the entity must follow.

The standard provides a comprehensive contract-based revenue recognition model that is applied to all transactions and different industries to cover a wide range of commercial transactions to improve the comparability of revenue. The standard also seeks to be less complex and more flexible than the previously issued standards by not containing notable exceptions, as well as eliminating the different approaches to revenue recognition depending on unit's business model or industry-specific guidelines to reduce diversity in revenue recognition practices.

Applying this new standard is argued to influence the quality of earnings, but there are two different viewpoints regarding this effect. On the one hand, it is contended that the application of the new standard provides more appropriate and valuable information compared to the previous international standards, which helps to reduce the phenomenon of information asymmetry between the company and stakeholders, and thus positively impacts on the efficiency of financial markets (Knorovà, 2016). In this context, a group of accounting studies has provided empirical evidence that confirms the potential impact of the application of IFRS 15 on the quality of financial statements, the quality of accounting earnings, and the improvement of the informative content of the financial statements (Trabelsi, 2018; Tysiac, 2017).

On the other hand, it is claimed that applying IFRS 15 requires reliance on personal interpretations and estimates by the senior management of companies, which may lead to wrong accounting treatments (Haggenműller, 2019). Some studies support this notion (for example, Fangshu, 2015; Khamis, 2016).

It is worth noting that most of the previous studies relied on specific analytical methods and questionnaire surveys as research tools to analyze the potential economic effects of applying IFRS 15 before its effective date on the quality of the financial statements (Kulikova et al., 2014). There need to be more accounting studies that rely on a quantitative approach to study the impact of applying the standard on the quality of companies' financial statements. This led to a controversy among researchers and professionals about the potential economic effects of applying IFRS 15 on the quality of companies' financial statements.

In light of this controversy and the scarcity of quantitative evidence in the accounting literature regarding the economic effects of applying IFRS 15, and as an extension of this trend of studies, this research deals with the analysis of the revenue recognition framework in IFRS 15 to analyze the economic effects associated with the application of the standard, which is essentially the quality of accounting earnings. Besides, there needs to be more studies that examine this issue in emerging countries, such as Cambodia. Then the research problem can be crystallized in the study and analysis of the impact of adopting IFRS 15 on the quality of accounting earnings of Cambodian-listed companies.

Therefore, this study aims to determine the new requirements of accounting, presenting and disclosure of revenue included in IFRS 15; analyze the impact of applying IFRS 15 on the quality of earnings as a measure of the quality of financial reports; and conduct an empirical study through statistical analysis to measure the effect of applying IFRS 15 on the quality of the earnings of a sample of Cambodian listed companies by comparing the quality of earnings of sample companies during the period before and after the application of this new standard.

Based upon the absolute value of discretionary accruals and earnings aggressiveness (EA) as measures of the quality of earnings, accounting data are collected from the financial statements of a sample of Cambodian-listed companies from 2014 to 2021. Since this new standard was begun to be applied in 2018, the years from 2014 to 2017 represent the period before the application of this new standard, while the remaining four years signify the period after the application of the standard.

The level of accrual-based-earnings management (AEM) and EA engagement increased among sample companies after applying this new standard, indicating the negative effect of adopting IFRS 15 on the quality of financial reporting of the Cambodian companies.

This research has both literal and practical contributions. The study derives its importance from revenue recognition in accounting thought as one of the essential elements in financial reports. Thus, the theoretical importance of the study is evident in being an addition to accounting thought and its literature by providing an appropriate analysis of revenue recognition issues in light of current practice. There is also a need for more studies on this subject from the point of view of researchers due to the novelty of IFRS 15 and since its application is mandatory as of January 1, 2018, even if it is permitted for establishments to apply it before that voluntarily. This standard is the focus of the attention of many users of financial statements, as it is considered the most significant event for American and international standards, as it helps to eliminate differences in the current revenue recognition guidelines and unify American and international standards in this regard.

Practically, this research contributes to determining the requirements of IFRS 15 for accounting for revenue and providing empirical evidence of the impact of applying IFRS 15 on the quality of earnings through a statistical analysis of the data of a sample of Cambodian-listed companies. The research shows for professional bodies the impact of developing international accounting standards on the quality of financial statements.

LITERATURE REVIEW

The term “convergence” has recently become the most prominent and used in accounting thought, while “harmonization” was the dominant accounting thought after World War II and until the new millennium. The main difference between the two terms is that “convergence” aims to create one common set of standards applicable to all countries. At the same time, “harmonization” seeks to reduce the differences between domestic and international accounting standards (Howard, 2009). In 2001, the International Accounting Standards Board (IASB) was given a mandate by the major bodies of the global capital markets to develop a single set of high-quality accounting standards through a joint venture of convergence with the Financial Accounting Standards Board (FASB), to eliminate the main difference between American accounting standards and international financial reporting standards. The real work between the two boards began in 2002 through the issuance of a (memorandum of understanding) that followed the conclusion of the Norwalk Agreement to define the meaning of convergence and methods for achieving that convergence to define the goal of convergence for developing high-quality accounting standards based on principles used in all international capital markets, and for increasing the usefulness of information to its users, especially investors so that they can make rational economic decisions to ensure an optimal distribution of wealth and resources to economic sectors (Herz & Petrone, 2004).

The revenue recognition and measurement principle is one of the essential principles on which the financial accounting system is based. At the same time, it is one of the most challenging issues due to the different requirements between U.S. Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standard (IFRS), as well as their different scope, while it was limited in International Accounting Standard no. 11 (IAS 11) and International Accounting Standard no. 18 (IAS 18); however, its scope in the US GAAP is relatively broader because it contains a large number of revenue recognition rules, but both were insufficient.

IAS 11 and IAS 18 provide different treatments for similar transactions. One of them results in recognizing revenue based on the transfer of the risks. Meanwhile, the other relies upon the activities (Olsen & Weirich, 2010). At the same time, there are more than 100 different and specific standards by US GAAP, which often result in different treatment for similar economic transactions (Khamis, 2016). Therefore, it has become critical for FASB and IASB to establish a unified set of accounting standards. In January 2002, both boards discussed a significant venture to reform the current revenue recognition standards. These discussions began by defining the objectives and scope of the venture, which led to the development of comprehensive guidelines for revenue recognition in various industries. The venture ensured the amendment of the existence of the Statement of Financial Accounting Concepts (SFACs) and provided new directives.

In June 2002, the IASB added the revenue recognition venture to its technical agenda, and the two boards concluded a formal agreement in September 2002 to work together on this venture. The objectives of the joint venture were removing the contradictions and weaknesses in the previous revenue requirements; providing a more robust framework for dealing with revenue issues; improving the comparison of revenue recognition practices between units, industries, and capital markets; and simplifying the process of preparing financial statements by reducing the number of requirements that the unit must refer to.

The venture paid attention to presenting a model primarily concerned with the contract, as the contract entails an obligation towards the customer and increases the company's economic benefits by receiving consideration for the commitment. It differentiates between the asset of the contract and its liability, where the asset of the contract is considered if the company's remaining rights exceed the remaining commitments. Still, if the remaining commitments exceed the remaining rights of the company, this is considered a liability. In this case, the company recognizes the revenue according to the changes in the assets and obligations of the contract. The venture presented a proposed model for the accounting steps for the revenue represented in defining the contract with the customer, defining the customer's commitments within the contract, determining and distributing consideration for each pledge, and recognizing the revenue when the company completes pledges.

Finally, on May 28, 2014, after more than 11 years of discussions, the FASB and IASB issued the Common Standard (IFRS 15) entitled "Revenue from Contracts with Customers" to develop a comprehensive conceptual framework to clarify the basic principles of revenue recognition that can be applied consistently in all industries across different countries to improve the comparability of financial statements and to provide more useful information to users of financial statements by improving revenue disclosure requirements, in addition to facilitating the preparation of financial statements by reducing the number of requirements that must be referred to when recognizing revenue.

This new standard aims to set up a comprehensive framework of principles that a company should apply to provide helpful information to financial statements users about the nature, timing, and uncertainty of revenue and cash flows arising from a contract with a customer (IFRS 15, 2014: Para 1), in addition to achieving the objectives of the joint venture of boards that are set in September 2002 (Jonick & Benson, 2018).

To achieve this goal, the framework was based on a fundamental principle, which is that companies must recognize revenue to describe the transfer of pledged goods or services to customers in an amount that reflects the consideration that the company expects to have a right to in exchange for these goods or services. Then the standard included a comprehensive framework for analyzing revenue transactions and providing guidelines to assist companies in making decisions related to measuring the value of revenue from contracts with customers and determining the timing of their recognition.

IFRS 15 replaces IAS 11 "Construction contract"; IAS 18 "Revenue"; International Financial Reporting Interpretations Committee no. 13 (IFRIC 13) "Customer Loyalty Programmes"; IFRIC 15 "Agreements for the Construction of Real Estate"; IFRIC 18 "Transfer of Assets from Customers"; Standard Interpretations Committee no.13 (SIC 13) "Barter Transactions Involving Advertising Services" (Dalkilic, 2014). This standard is applied to all contracts with customers except for leases within the scope of IAS 17 "Leases," insurance contracts within the scope of IFRS 4 "Insurance Contracts," financial instruments, and contractual rights and obligations within the scope of IFRS 9 "Financial Instruments," IFRS 10 "Consolidated Financial Statements," IFRS 11 "Joint Arrangements," IAS 27 "Separate Financial Statements," IAS 28 "Investments in Associates and Joint Ventures," and non-cash exchanges between entities to facilitate sales to current or potential customers.

The FASB has decided to apply this standard to the first interim reporting period falling in fiscal years beginning after December 15, 2016, and the IASB voted on a decision to defer the effectiveness of IFRS 15 to January 1, 2018, instead of January 1, 2017, allowing with early application. The standard maintains three accounting conservatism aspects: revenue is recognized only when the entity fulfills the contract obligation, and the contract obligation is measured at the transaction price. This revenue is recognized only when probable (Barker & McGeachin, 2015).

IFRS 15 sets a new model for accounting for revenue, and it is called the five-step model. Firstly, the contract or contracts with customers should be determined. What is considered a contract within the scope of the standard must fulfill all of the following conditions, which are: there is an agreement between all parties of the contract, there is a possibility of determining the rights of all parties about the transfer of goods or services, the payment terms for the goods or services to be transferred are determined, the contract is about a commercial material, and attention may be paid to consideration for the goods or services to be collected. Suppose a contract with a customer only meets some of the mentioned conditions. In that caser, the entity will continue to re-evaluate the contract and move forward to determine whether or not the conditions above will be met since the standard will be applied from that point.

Secondly, performance obligations, which are pledges to transfer a good or service that can be separately changed or determined, should be determined. In light of what is stated in the standard, the entity must evaluate the goods or services pledged to a customer at the beginning of the contract and define them as a performance obligation by a seller. Therefore, understanding the company's policies and practices is essential for accurately determining pledges.

Based on the above, every standalone good or service in the contract is a performance. On the contrary, every non-standalone good or service can be considered as an item in a series of non-standalone goods and services, and therefore, a series of goods and services containing non-standalone items as a single or sole performance obligation. There are also some cases where the company supplies standalone goods or services sequentially over time in similar stages, such as daily cleaning services, where it is considered a single performance obligation if it has the same customer supply patterns. For a particular good or service to be described as standalone, two conditions must be met: the good or service must be standalone, and the item of the good or service must be standalone in the context of the contract.

From the above, it is clear that the pledge can be considered a performance obligation if it is a standalone good or service or a separate series of goods and services since the series is a group of goods and services items that may be standalone or not.

Thirdly, the transaction price should be determined, which means the total price agreed upon in the contract, which the seller will receive from the customer (the buyer) in accomplishing the performance obligation.

When determining the transaction price, the amounts collected on behalf of third parties, such as value-added tax, shall be deducted from it. On the other hand, the transaction price may be direct, as if the contract contains a value in exchange for improving goods and services that will be supplied in a relatively short time. The transaction price may be complicated in cases where the consideration is variable, the consideration is not monetary, there is a critical financing component, or consideration is owed to the customer.

Fourthly, transaction prices should be allocated on performance obligations, as the seller sets the transaction price for the entire contract and then allocates the transaction price among the various performance obligations that have been identified. According to the standard, the applicable rule is that "the company shall allocate a transaction price to each performance obligation based on the proportionality between the selling prices of goods and services denominated by the stand-alone selling price."

Finally, revenue should be recognized. The seller assesses when each performance obligation is met, revenue is recognized at the point at which the customer obtains control of the good or service, such as the customer's agreement to receive the asset, the transfer of physical or legal ownership of the entity's asset to the customer, the entity's right to pay for the assets, risks ,and rewards related to the ownership of assets obtained by the client.

IFRS 15 identified two basic methods of recognition. The first is the recognition of revenue at a single point in time, which means that the performance obligation is fulfilled at a specific point in time, such as the delivery of the goods in light of the following determinants: the transfer of ownership of the asset with legal proofs, the creation of an obligation to pay to the seller, the acquisition of an asset, the transfer of ownership risks and benefits to the customer, the acceptance of the asset. The second is the recognition of revenue over a period of time, which means that the fulfillment of the performance obligation takes place over a period of time, that is, the delivery of the goods or the performance of the service is carried out in stages to fulfill the performance obligation, such as cases of providing some services such as auditing, consulting services, or long-term construction contracts under some conditions, such as: when the customer consumes the benefits whenever the work is executed or completed, when a cleaning company provides cleaning services through an annual contract, when the customer controls the asset whenever any stage of it is implemented or manufactured, when the contractor builds a building on a land belonging to the customer, when the seller (the supplier / contractor) manufactures or assembles an asset that has no alternative use than selling to a specific customer, and therefore the seller has the right to receive payments for the work performed, and when the manufacturer designs a particular machine to manufacture a specific product with characteristics specific to the customer.

By reviewing the steps of IFRS 15, revenue will be recognized as a reflection of the transfer of goods and services to customers in an amount that reflects the revenue the company expects to receive as consideration for these goods and services. Revenue is recognized when the customer is obligated to pay the obligation according to the following steps, which are determining the performance obligations in the contract, determining the transaction price, allocating the transaction price to perform the obligations contained in the contract, and recognizing revenue when the customer is obligated to pay the obligation.

As for the presentation and disclosure in the financial statements in accordance with IFRS 15, contracts with customers are presented in the statement of financial position within the assets (contract asset) or liabilities (contract liability), depending on the relationship between the performance of the entity and the customer's payments. The entity also presents any unpledged rights of consideration independently as receivables. It emphasizes the accounting for contract assets and receivables in accordance with IFRS 9 (Financial Instruments) through the entity's estimating of the contract asset and reducing its value by this standard. Any reduction in the value of the contract asset must be measured, presented, and disclosed by this standard. Any difference between the initial recognition of receivables and the corresponding amount of revenue recognized must be presented as an expense, such as the impairment loss. Suppose the customer pays the consideration before the entity transfers the goods or service to the customer. In that case, the entity displays the contract in the statement of financial position among its liabilities under the name of the contract liability.

IFRS 15 requires that an entity disclose sufficient information to enable users of financial statements to understand better the nature, amounts, timing, and uncertainty of revenue and cash flows arising from customer contracts. To achieve this objective, the entity shall disclose qualitative and quantitative information about revenue recognized from contracts with customers, which is disclosed independently of other sources of revenue. The entity should also disclose recognized impairment losses of any of the receivables under IFRS 9 of contract assets resulting from the entity's contracts with customers, which the entity discloses independently of the reduction losses from other contracts. The entity must also disclose the opening and closing balances of receivables, contract assets, contract obligations from contracts with customers, revenues recognized in the reporting period included in the contract liability balance at the beginning of the period, and known revenues in the reporting period from performance obligations fulfilled in previous periods as changes in the transaction price.

Under the application of IFRS 15, an entity must classify the revenue recognized from contracts from customers into categories that describe how the nature, quantity, timing, and uncertainty of revenue and cash flows are affected by economic factors. The entity must also disclose the disclosures presented outside the financial statements and annual report of the entity about the gains and present the information that the primary operating decision maker regularly reviews to assess the financial performance of the operating sectors and disclose any other similar information with the knowledge of the entity or the users of the financial statements to assess the financial performance or take resource allocation decisions. Furthermore, suppose the entity applies IFRS 9 (operating segments). In that case, the entity shall disclose information sufficient to enable users of financial statements to understand the relationship between the revenue classification and the revenue information disclosed for each segment in the report.

In accordance with IFRS 15, an entity must disclose when performance obligations will be fulfilled. For performance obligations that the entity meets during a specific period, the entity must disclose the methods used to recognize revenue and whether these methods provide a complete description of the transfer of goods and services. While for performance obligations that are satisfied at a point in time, the entity must disclose significant judgments employed in the evaluation when the customer obtains control of the pledged goods or services. The closing balances of the recognized assets, the costs incurred to obtain or fulfill the contract with the customer according to the asset's main class, the depreciation amount, and the impairment loss recognized in the reporting period must also be disclosed. If the entity chooses to use a practical means about a significant financing location or the additional costs of obtaining the contract, the entity must disclose this.

THEORETICAL FRAMEWORK

Agency theory explains the relationship between the behavior of the senior management of companies and stakeholders in light of the separation of corporate ownership from its management. In the ideal world, the objective of the agent (such as senior management) should make decisions that can maximize the function of the benefits of the principal (such as the owners) or other stakeholders (Jensen & Meckling, 1976). However, in practice, the self-benefit conflict arises between the senior management of the company and the stakeholders, leading to information asymmetry between the senior management of the company and the stakeholders. In light of this phenomenon, the company's senior management may adopt an opportunistic behavior when making its decisions related to the financial reporting process to maximize its self-benefit or a non-opportunistic behavior to maximize the value of the company and then maximize the self-benefit of the stakeholders (Dahlén & Lindberg, 2017).

In this context, the term economic consequences was used by Zeff (1978) to reflect the effects of the information disclosed in the financial statements on the market value of companies and the wealth of stakeholders. Zeff (1978) emphasized that one of the causes of the economic consequences of the information disclosed in the financial statements is that accounting standards are more neutral than necessary. Therefore, the commitment to objectivity when making decisions related to the financial reporting process is a complex process in many accounting areas, which include revenue recognition. In light of the adoption of the application of the IFRS, the process becomes more complex as these standards are based on principles, and therefore personal judgments and estimates have a significant role in making decisions related to efficiency and effectiveness to achieve the purpose of their issuance (Dahlén & Lindberg, 2017; Farichah, 2017; Kulikova et al., 2014; Rutledge et al., 2016). In this context, the flexibility included in IFRS may lead the senior management of companies to practice a degree of opportunistic behavior when making decisions related to the financial reporting process to maximize their benefits, which leads to an increase in the phenomenon of information asymmetry between the company's senior management and stakeholders and the agency costs, which are reflected in its adverse effects on the participants of the financial markets and the efficiency of those markets.

At the same time, the flexibility included in IFRS may lead the senior management to adopt rational behavior when making decisions related to the financial reporting process to maximize the company's value. In this regard, agency theory can be relied upon to analyze and predict the potential economic consequences of implementing IFRS 15.

Reporting revenue in the financial statements requires the senior management of companies to make three fundamental decisions: when to recognize revenue, how to measure its value, and finally, determining the nature and quality of revenue information that must be disclosed in the financial statements. In this regard, IFRS 15 includes a framework of five consecutive steps to guide corporate management on how to formulate and make decisions to measure the value of revenue from contracts with customers and determine the timing of their recognition, regardless of the size of the company or the nature of the activity to which it belongs. However, the decision-making process associated with the application of any of the five steps, or the so-called environment of revenue reporting from contracts with customers, is characterized by two main characteristics, which are that the decision-making process associated with the application of any of the five steps of the framework takes place in the light of incomplete information or uninsured conditions, in addition to the existence of many alternatives to make these decisions.

Therefore, applying the revenue recognition framework contained in IFRS 15 requires the company's senior management's dependence on its judgment to form and issue decisions related to the applying the five steps in this framework. For example, paragraph 22 of the standard requires that the company's senior management, upon the establishment of the contract with the customer, identify each pledge to transfer a good or service that can be self-distinguished or a series of goods or services that can be self-distinguished, are very similar and have the same transfer pattern to the customer that are contained in the contract as performance obligations.

It is worth noting that if the timing of the transfer of control over two or more goods (services) differs, the proper identification and separation of performance obligations, whether implicit or explicit, in the contract with a customer will represent the focus of management decisions related to the measurement and recognition of revenue from contract on a reasonable time. Where the failure to identify and account for the various performance obligations included in a contract leads to the recognition of revenue from the contract at an incorrect timing, the financial statements lose the appropriate timing characteristics. Explicit performance obligations reflect explicit contract pledges that include the company's transfer of goods or services to the customer. In contrast, implicit performance obligations reflect contract pledges that are implicitly understood through the company's usual business practices. Therefore, it may be easy to separate contract obligations with customers in some industries (such as retail trade), while identifying distinct goods and services in other industrial sectors (such as telecommunications, information technology and real estate development) requires senior management to exercise personal judgment based on facts and circumstances relevant to the contract and the industry to which it belongs.

HYPOTHESIS DEVELOPMENT

In terms of improving the quality of financial reports, it is argued that the application of IFRS 15 would enhance the comparability and transparency of accounting information, as well as provide decision-makers with high-quality information, as the measurement and recognition of the assets and liabilities of contracts following IFRS 15 is characterized as more relevant and reliable, where the contract asset is recognized when the entity's right in exchange for the transfer of goods and services is conditional on something other than the passage of a specified period, such as the future performance of the entity. Therefore, the application of IFRS 15 has a significant role in simplifying the preparation of financial statements by significantly reducing recognition and measurement errors, leading to better understandability.

Since IFRS 15 eliminates the inconsistency and drawback of revenue requirements in previous standards, this new standard establishes mechanisms for management to limit choices, which affects administrative decision-making; hence, it would enhance the comparability of revenue recognition practices as the principles of revenue recognition are applied consistently across transactions, industries, and capital markets.

Based on the above arguments, it can be claimed that applying IFRS 15 can reduce earnings management (EM) practices. There is an association between the quality of financial reporting and EM since such procedures are undesirable for management to influence earning figures by employing accounting policies and methods. Minimizing the levels of EM will enhance the quality of financial reporting (Wartin & Ullman, 2012). IFRS 15 unifies comparability bases and measurement methods to eliminate information asymmetry and enhance the quality of earnings by providing reliable information to financial statement users in making their different decisions. The uncertainty of the future cash flow will be reduced as the quality of earnings is enhanced, distortions of earnings are eliminated, and current earnings are not deferred in favor of future earnings.

Since the essence of IFRS 15 is to improve the quality of accounting information by improving its characteristics such as relevance, reliability, comparability, and understandability, it is expected that the application of this standard will lead to providing more useful information to users of financial statements by improving disclosure requirements, which contributes to a better understanding of amounts, timing, and uncertainty of revenue and future cash flows compared to previous revenue standards and thus improving the quality of financial reporting. IFRS can enhance the quality of financial reporting through principles of reporting about the nature, amount, and timing of revenue and cash flow resulting from customer contracts.

On the other hand, senior management relies to a great extent on personal judgment to make decisions related to the application of the five steps of the revenue recognition framework contained in IFRS 15 in general and the second, third, and fourth steps in particular, in addition to the presence of some accounting options when applying these steps. This may lead the company's management to practice opportunistic behavior when creating and issuing estimates to maximize its benefits by recording fictitious revenues or recognizing revenues without charging them until the end of the financial period and other methods of manipulating the revenue component of the financial statements, which is reflected in its adverse effects on the quality of corporate earnings (Haggenmű ller, 2019).

In this regard, a group of accounting studies dealt with the investigation and analysis of the extent to which the preparers and auditors of the financial statements are aware of the requirements of the application of IFRS 15, as well as the possible economic effects of applying this model on the quality of the information disclosed in the financial statements. For example, Fangshu (2015) illustrated that the application of IFRS 15 will increase in personal judgment of management in making decisions related to revenue recognition, and it will lead to a change in the timing and form of revenue recognition in several economic sectors.

Khamis (2016) aimed to test the perception of Egyptian preparers and auditors on the application of IFRS 15, where the focus is on the level of understanding and clarity of revenue measurement and ease of application across different sectors in Egypt. He relied on the distribution of a questionnaire to workers in the field of accounting. He concluded that accountants and auditors must be ready to apply the standard. They need to gain sufficient knowledge about IFRS 15. They are afraid of the new revenue recognition conditions that give freedom of action and professional judgments in revenue recognition and the possibility of its impact on different industries.

Knorovà (2016) found that applying IFRS 15 will improve the revenue information disclosed in the financial statements compared to the information disclosed following IAS 18. Many studies (e.g., PWC, 2016; Tysiac, 2017) also confirmed that the impact of implementing IFRS 15 will not be material to the comprehensive income statement information, but it is expected that the disclosures will be more comprehensive in the financial statements.

Trabelsi (2018) also provided empirical evidence that the early application of IFRS 15 has fundamental effects on the accounting figures published in the financial statements of real estate development companies, as the early application of the standard led to positive and significant effects on the financial indicators represented in both the value of annual earnings and ownership equity of real estate development companies. Okhramovich and Tokareva (2018) also highlighted that the application of IFRS 15 will positively affect the value of the reported revenues and the financial performance indicators of companies.

Hameed et al. (2019) examined the impact of adopting IFRS 15 on the quality of earnings in Iraq. They relied upon a questionnaire sent to a group of researchers and professionals who teach the application of international financial reporting standards. They discovered that the impact of IFRS 15 has no meaningful impact on the quality of earnings. Furthermore, Marco et al. (2019) examine whether the impact of IFRS 15 on EM behaviors differs among industries. They depend upon a sample of telecommunications and utilities Italian listed companies from 2001 to 2017. They found that telecommunication companies, which are greatly influenced by the application of IFRS 15, commonly engage in EM practices.

Al-Tahat et al. (2021) showed how IFRS15 has an intellectual impact on EM in Jordanian public shareholding firms by distributing questionnaires to audit offices. They discovered that IFRS 15 has an intellectual effect on EM. In addition, Morawska (2021) examined whether the application of IFRS 15 in Poland impacted EM in a sample of 80 firms listed on the Warsaw Stock Exchange (WSE) from four sectors from 2016 to 2019. The revenue-based model of Caylor (2010) was used, and she disapproved that the introduction of IFRS 15 in Poland affected revenue-based EM.

Based on the preceding, it can be said that there is almost agreement between researchers and professionals that the application of IFRS 15 would have a positive impact on improving disclosure requirements, and this contributes to a better understanding of the value and timing of revenue and its cash flows, compared to previous accounting standards for revenue recognition, in addition to enhancing the quality characteristics of accounting information, which leads to improving the efficiency and effectiveness of investment and financing decision-making in the financial markets. There is also a claim that applying IFRS 15 will increase senior management's judgment in recognizing revenue from contracts with customers in several economic sectors. Thus the central issue of the application of IFRS 15 is whether senior management will follow an opportunistic manner when making decisions related to executing the five steps of revenue recognition, which might result in increasing discretionary accruals and hence reducing the quality of accounting earnings or it will follow rational manner when making such decisions, which might result in an increase in the quality of accounting accruals and hence enhancing the quality of accounting earnings disclosed in the financial statements.

It is worth noting that most of the previous studies that investigated the impact of the application of IFRS 15 on the nature and quality of the revenue information disclosed in the financial statements are exploratory or proactive studies for the date of application of the standard, which is 1/1/2018. They depend upon questionnaires as a research tool to provide descriptive field evidence from the financial statements' viewpoint of the preparers and auditors. In light of the researcher's knowledge, there is also a scarcity of previous studies that provided quantitative evidence for the impact of applying the standard on the quality of accounting earnings disclosed in the financial statements prepared starting from December 31, 2018. Therefore, the research question of this paper is investigating whether the application of IFRS 15 enhances the quality of accounting earnings.

Given the mixed results of previous studies about the impact of IFRS 15 on the quality of earnings and the need for such studies in emerging countries, this paper examines the Cambodian scenario. The National Accounting Council (NAC) was founded in 2002 under the Ministry of Economy and Finance of the Royal Government of Cambodia to create and control accounting and auditing standards in Cambodia in preparation for applying IFRS. All IFRSs, including IASs, and all interpretations provided by the International Financial Reporting Interpretation Committee (IFRIC) were fully adopted by the Cambodian Accounting Standards Board of the NAC in 2012 without any changes. As a result, the standards were changed to Cambodian International Financial Reporting Standards (CIFRS). These standards were authorized for use in the Ministry of Economy and Finance jurisdiction by proclamations (Prakas No. 068 MEF/BK and No. 097/09 MF-NAC). The date for adopting IFRS in Cambodia was established for periods starting on or after January 1, 2012.

In line with the issuance of IFRS 15, CIFRS 15 Revenue from Contracts with Customers replaces CIAS 11 Construction Contracts and CIAS 18 Revenue for annual periods beginning on or after January 1, 2018. The quality of earnings of Cambodian listed companies is expected to be influenced by the application of CIFRS 15. Based on the above discussion, the following two contradictory hypotheses are formulated:

H_{1a}: The application of CIFRS 15 positively influences the quality of earnings of Cambodian listed companies.

H_{1b}: The application of CIFRS 15 negatively influences the quality of earnings of Cambodian listed companies.

RESEARCH METHODOLOGY

The sample

This study's sample includes Cambodian non-financial companies listed on the Cambodian Securities Exchange (CSX). Financial firms are excluded in line with previous research due to the unique nature of their reporting policies. They are exposed to various reporting regulations that make assessing discretionary accruals difficult (Hong & Anderson, 2011; Kim et al., 2012). There are eight non-financial companies listed on CSX. However, only three companies have complete data. Therefore, the final sample includes only 24 firm-year observations after excluding firms with incomplete data.

Variable measurement

There are one independent variable, one dependent variable, and four control variables. This section discusses the way of measuring these variables. The independent variable in this research is the application of IFRS 15. A dummy variable is employed to measure the effect of the application of this standard, where "1" is used for the data of the period after the adoption of this standard from 2018 to 2021 and "0" otherwise.

The dependent variable in this study is EM, which is defined by Healy and Wahlen (1999, p.368) as "*Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company, or to influence contractual outcomes that depend on reported accounting numbers*." Despite several methodologies used in the literature to estimate AEM, the absolute value discretionary accruals, estimated using the modified Jones model, are used as a proxy for AEM (Dechow et al., 1995; Kothari et al., 2005). Instead of using the firm-specific time-series technique, the cross-sectional approach to the modified Jones model is used. The cross-sectional technique, as stated by Bartov et al. (2000), performs better in detecting earnings manipulations. The current discretionary accruals are used instead of the total discretionary accruals, consistent with Teoh et al. (1998).

To calculate the current discretionary accruals, we need first to compute the total current accruals ($TCA_{i,t}$) for company I at year t as follows:

$$TCA_{i,t} = (\Delta CA_{i,t} - \Delta Cash_{i,t}) - (\Delta CL_{i,t} - \Delta STDebt_{i,t}) \quad (1)$$

Where $\Delta TCA_{i,t}$ represents the change in current assets, $\Delta Cash_{i,t}$ represents the change in cash, and the cash equivalent, $\Delta CL_{i,t}$ represents the change in current liabilities, and $\Delta STDebt_{i,t}$) represents the change in short-term debt.

Second, for all sample firms in each industry for whom at least ten observations are available in year t, the following regression is done using ordinary least squares:

$$\frac{TCA_{i,t}}{TA_{i,t-1}} = \alpha_0 \left(\frac{1}{TA_{i,t-1}}\right) + \alpha_1 \left(\frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{TA_{i,t-1}}\right) + \varepsilon_{i,t} \quad (2)$$

Where $TCA_{i,t}$ represents the total current accruals for firm i at year t-1, ΔREV_{it} represents the change in net revenues in year t from year t-1, ΔREC_{it} represents the change in net receivables in year t from year t-1. To account for heteroscedasticity, each variable is flattened by the deferred value of the firm i's total assets (TA_{i-1}).

Third, each firm's non-discretionary (NDACi,t) component of total current accruals is computed as follows, using industry- and year-specific estimations of α0 , α1, and α2 as follows:

$$NDAC_{i,t} = \hat{\alpha}_0\left(\frac{1}{TA_{i,t-1}}\right) + \hat{\alpha}_1\left(\frac{\Delta REV_{i,t} - \Delta REC_{i,t}}{TA_{i,t-1}}\right) \quad (3)$$

Fourth, for each company i and year t, the current discretionary accruals ($DAC_{i,t}$) component is calculated by deducting the non-discretionary part ($NDAC_{i,t}$) from the total current accruals ($TCA_{i,t}$):

$$DAC_{i,t} = \frac{TCA_{i,t}}{TA_{i,t-1}} - NDAC_{i,t} \quad (4)$$

As a proxy for earnings quality, the absolute value of current discretionary accruals is employed:

$$ABDA_{it} = \left|\frac{TCA_{i,t}}{TA_{i,t-1}} - NDAC_{i,t}\right| \quad (5)$$

In principle, the greater the absolute value of discretionary accruals, the greater the extent of AEM, and, thus, the poorer the quality of earnings.

Besides depending upon the absolute value of discretionary accruals, earnings aggressiveness (EA) is also used as another measure of the quality of earnings. EA is one of the ambiguous earning behaviors (Bhattacharya et al., 2003). These management practices delay loss recognition and accelerate income, affecting earnings quality (Altamuro et al., 2005). It relates to managerial decisions involving earnings manipulation (Bedard & Johnstone, 2004). To calculate EA, total accruals for the current period must be included as the numerator, and total assets from the prior period ($TA_{i,t-1}$) must be included as the denominator as follows:

$$EA = \frac{\text{Total accruals}_t}{TA_{t-1}} = \frac{\Delta CAi,t - \Delta CLi,t - \Delta CASHi,t - \Delta LTDi,t - DEPAMi,t + \Delta TPi,t}{TA_{i,t-1}}$$

Where ($\Delta CA_{i,t}$) is the change in the current assets, ($\Delta CL_{i,t}$) is the change in current liabilities, ($\Delta Cash_{i,t}$) is the change in cash, ($\Delta LTD_{i,t}$) is the change in the long-term liabilities, (DEPAM) is depreciation and amortization, and (ΔTP) is the change in tax payable.

About control variables, this paper encompassed firm characteristics that have been recognized in the literature as being linked to the AEM to avoid the problem of correlated missing variables. The firm size (SIZE) is used to represent political costs. Past research has found a link between (SIZE) and AEM. However, the association has not been apparent, as prior studies have shown mixed results (Pincus & Rajgopal, 2002; Roychowdhury, 2006). As a result, the data is used to determine the eventual link between SIZE and AEM.

Dechow et al. (1995) clarified that AEM relates to performance. Hence, firm performance is another control variable used in this study. Return on equity (ROE) is used as a representation for this variable. Leverage (LEV) is also introduced to control debt contracting incentives for AEM. When a company is on the verge of breaching a debt lease, it has a greater motivation to use AEM (Klein, 2002).

Furthermore, previous research has shown that organizations with better growth probabilities have greater incentives to control their earnings to meet their earnings targets (Skinner & Sloan, 2002). As a result, the influence of firm growth is included in the model. Sales Growth (GROWTH) was used as a proxy for business growth. The method of measuring all variables used in this paper is shown in Table 1 below.

Table 1: Research variables measurement

Variable	Measure
Dependent variable	
ABDA	The absolute value of discretionary accruals (calculated through the modified Jones cross-sectional model adjusted for performance)
EA	Earnings aggressiveness
Independent variable	
IFRS15	A dummy variable, where 1 is denoted for the data of the period after the adoption of IFRS 15 and 0 otherwise
Control variable	
Size	The natural logarithm of total assets
ROE	Net earnings before tax / total equity
Leverage	Total liabilities / total equity
Grow	Changes in sales

Empirical model

The following regression equations are tested to assess the two competing hypotheses:

$$ABDA_{i,t} = \alpha_0 + \alpha_1\ IFRS15_{i,t} + \alpha_2\ SIZE_{i,t} + \alpha_3\ ROE_{i,t} + \alpha_4\ LEV_{i,t} + \alpha_5\ GROW_{i,t} + \varepsilon_t$$

$$EA_{i,t} = \alpha_0 + \alpha_1\ IFRS15_{i,t} + \alpha_2\ SIZE_{i,t} + \alpha_3\ ROE_{i,t} + \alpha_4\ LEV_{i,t} + \alpha_5\ GROW_{i,t} + \varepsilon_t$$

Where:

$ABDA_{i,t}$ = The absolute value of discretionary accruals (calculated through the modified Jones cross-sectional model adjusted for performance);

$EA_{i,t}$ = Earnings aggressiveness;

$IFRS15_{i,t}$ = A dummy variable, where "1" denotes the data of the period after the adoption of IFRS 15, and "0" denotes otherwise;

$SIZE_{i,t}$ = The natural logarithm of total assets;

$ROE_{i,t}$ = Net earnings before tax scaled by the total equity;

$LEV_{i,t}$ = Total liabilities divided by total assets; and

$GROW_{i,t}$ = The change in sales.

RESULTS

Descriptive of Statistics

The comparative descriptive statistics of the research variables between the periods before and after the adoption of IFRS 15 are shown in Table 2. The average scores of both ABDA and EA are more prominent in the second study period than those scored in the period before the application of the new standard. ABDA is increased from 0.069 to 0.303, while EA is raised from -0.056 to 0.041, indicating that the AEM and EA engagement level increases after adopting IFRS 15.

In terms of control variables, it is observed that there is a rise in the size, leverage, and growth of sample companies in the period after the application of IFRS 15 as the average scores of those variables have increased in the second period than the first period. On the contrary, the financial performance of the sample companies has slightly weakened after applying this new standard, as the average score of ROE decreased from 0.086 to 0.075.

Table 2: Comparative descriptive statistics

	N	Mean	SD	MIN	MAX
Before the application of IFRS 15					
ABDA	12	0.0691	0.0669	0.0024	0.2002
EA	12	-0.0557	0.0546	-0.1566	0.0227
SIZE	12	19.9009	0.8010	19.0951	21.0322
ROE	12	0.0863	0.0858	0.0104	0.3188
LEV	12	0.4953	0.2971	0.1022	1.1132
GROW	12	0.0254	0.2513	-0.4242	0.4413
After the application of IFRS 15					
ABDA	12	0.3026	0.2308	0.0543	0.7761
EA	12	0.0407	0.1160	-0.0958	0.3101
SIZE	12	20.2590	0.7770	19.6726	21.5591
ROE	12	0.0749	0.0808	-0.0018	0.2823
LEV	12	0.5654	0.2722	0.2139	0.9773
GROW	12	0.2914	0.5534	-0.5562	1.5588

The correlation matrix

Table 3 employs pairwise correlation to realize the trend of connection between research variables and attest to the possibility of multicollinearity. If the coefficient value is more than 0.80, this problem can be shown in such an analysis (Gujarati, 2003). All the coefficient values are less than 0.80, with the most significant coefficient being 0.682, which lies between the ROE and the LEV. As a result, multicollinearity does not appear to be a concern in the investigation.

IFRS15 is robustly and positively associated with both ABDA and EA, implying that adopting this new standard negatively affects the quality of earnings of Cambodian listed companies. Furthermore, there is a significant and negative correlation between SIZE and both ABDA and EA, illustrating that firms with bigger sizes are more likely to present earnings of higher quality. Meanwhile, LEV is shown to be firmly and negatively connected with ABDA, indicating that highly leveraged companies are less likely to engage in AEM.

Table 3: Correlation matrix

	ABDA	EA	IFRS15	SIZE	ROE	LEV	GROW
ABDA	1						
EA	0.7342***	1					
	0.000						
IFRS15	0.5831***	0.4855**	1				
	0.003	0.016					
SIZE	-0.3457*	-0.3713*	0.2306	1			
	0.098	0.074	0.278				
ROE	-0.3378	-0.1145	-0.0713	-0.0009	1		
	0.107	0.594	0.741	0.997			
LEV	-0.4442**	-0.1413	0.1275	0.379*	0.6824***	1	
	0.030	0.510	0.553	0.068	0.000		
GROW	0.2528	0.2751	0.3076	0.0134	0.4489**	0.1405	1
	0.233	0.193	0.144	0.951	0.028	0.513	

*, **, *** indicate the significance at the 0.10, 0.05, and 0.01 levels, respectively.

A paired sample t-test

A paired sample t-test is used to determine whether there is a statistically significant difference between the mean scores of both ABDA and EA from 2014 to 2017 and 2018 to 2021. Compared to the time before the introduction of IFRS 15, Table 4 demonstrates that the increase in ABDA and E.A. following the application of IFRS 15 is statistically significant at the 1 percent level.

The non-parametric Wilcoxon signed rank test supports these results. Consistent with H1b, the findings show that listed companies in Cambodia have increased their involvement in AEM and E.A. after adopting IFRS 15.

Table 4: Paired sample T-Test and non-parametric Wilcoxon Signed Rank test of ABDA and EA

	ABDA	EA
Paired sample T-Test		
Mean difference	-0.2335029	-0.0963871
SD	0.2187369	0.0982392
Lower	-0.3724817	-0.1588052
Upper	-0.0945242	-0.0339689
t-statistic	-3.6979	-3.3988
Df	11	11
Significance	0.0035	0.0059
Non-parametric Wilcoxon Signed Rank test		
Z	-3.118	-2.309
Significance	0.0018	0.0209

Multivariate regression results

The regression findings of IFRS 15 on ABDA are shown in Table 5. As shown in this table, three models of regression are run. The first model is OLS regression shows the effect of IFRS 15 and control variables on ABDA; robust regression is run in the second model, while the random effect is employed to run this regression in the last model. It can be observed that the results are the same across the three regression models. The R-squared value is 0.7923, indicating that the variables involved in these models can explain 79 percent of the ABDA. Furthermore, the CSR coefficient is found to be positive (0.3103969) and significant across the three models. This finding is consistent with H1b, demonstrating that the application of IFRS 15 has increased the level of AEM among Cambodian-listed companies.

Concerning control variables, only SIZE has a significant and negative connection with ABDA, illustrating that companies with smaller sizes are more likely to engage in AEM practices.

Table 5: The relationship between IFRS 15 and ABDA

Absolute value of discretionary accruals (ABDA)			
	Model 1	Model 2	Model 3
	Pooled OLS	Robust	Random Effect
	Coef.	Coef.	Coef.
	(t-stat)	(t-stat)	(z-stat)
IFRS15	0.3103969**	0.3103969*	0.3103969**
	0.032	0.079	0.015
SIZE	-0.0976199**	-0.0976199**	-0.0976199**
	0.034	0.028	0.017
ROE	-0.4261461	-0.4261461	-0.4261461
	0.558	0.594	0.547
LEV	-0.2326494	-0.2326494	-0.2326494
	0.222	0.314	0.198
GROW	0.0748624	0.0748624	0.0748624
	0.432	0.489	0.416
Year effects	Yes	Yes	Yes
Cons	2.197296	2.197296	2.197296
	0.017	0.016	0.006
N	24	24	24
F/Wald Chi2	4.16	9.06	45.78
Prob > F	0.011	0.000	0.000
R	0.7923	0.7923	0.7923

*, **, *** indicate the significance at the 0.10, 0.05, and 0.01 levels, respectively.

Table 6 shows the regression findings of IFRS 15 on EA. Like ABDA, three regression models are run to demonstrate the impact of IFRS 15 and control variables on EA. The variables in this model may explain 70 percent of the EA, according to the R-squared value of 0.6987. Furthermore, the IFRS15 coefficient is positive (0.2117354) and significant across the three models. This finding supports H1b, demonstrating that the level of earnings aggressiveness among Cambodian listed companies increased after adopting IFRS 15.

Concerning control variables, Only SIZE has a significant connection with EA. The assessed SIZE coefficient is negative and significant (-0.0669363, $p < 0.05$), suggesting that the level of EA is lower in Cambodian companies with bigger sizes.

Table 6: The relationship between IFRS 15 and EA

Table 6: The relationship between IFRS 15 and EA			
	Model 1	**Model 2**	**Model 3**
	Pooled OLS	**Robust**	**Random Effect**
	Coef.	**Coef.**	**Coef.**
	(t-stat)	**(t-stat)**	**(z-stat)**
IFRS15	0.2117354**	0.2117354**	0.2117354***
	0.017	0.054	0.005
SIZE	-0.0669363**	-0.0669363**	-0.0669363***
	0.018	0.018	0.006
ROE	-0.1156703	-0.1156703	-0.1156703
	0.789	0.8	0.784
LEV	-0.0006989	-0.0006989	-0.0006989
	0.995	0.996	0.995
GROW	0.0330714	0.0330714	0.0330714
	0.558	0.575	0.547
Year effects	Yes	Yes	Yes
Cons	1.280849	1.280849	1.280849
	0.02	0.021	0.007
N	24	24	24
F/Wald Chi2	2.53	4.64	27.83
Prob > F	0.063	0.007	0.003
R	0.6987	0.6987	0.6987

*, **, *** indicate the significance at the 0.10, 0.05, and 0.01 levels, respectively.

The application of IFRS 15 gives managers of Cambodian-listed companies the freedom to rely upon their judgment, and hence the level of AEM and EA engagement is increased. Descriptive statistics, pairwise correlation, paired sample t-test, and multivariate regression analyses confirm this result. Therefore, applying this new standard negatively affects the quality of earnings of Cambodian-listed companies.

CONCLUSION

The purpose of this study is to investigate the effect of the IFRS 15 entitled “Revenue from Contracts with Customer,” which was issued by IASB and FASB in 2014 in replace of different American and international standards related to revenue recognition, on the quality of earnings of a sample of Cambodian-listed companies during the period from 2014 to 2021.

This paper depends upon the absolute value of discretionary accruals and earnings aggressiveness as proxies of the quality of earnings. The empirical results indicate the negative influence of adopting IFRS 15 on the quality of earnings of Cambodian-listed companies.

Focusing on companies of one country and a low sample size are considered the main drawbacks of this research. Future research can investigate this issue by considering extensive data from different countries.

Despite this, this research has some theoretical and practical contributions. It is one of the first studies that has examined the effect of adopting IFRS 15 on the quality of financial reports among Cambodian listed companies. Since IFRS 15 is new, and its application is required as of January 1, 2018, even though establishments are allowed to apply it before that date voluntarily, there are few studies on this topic from the perspective of scholars.

Based on the statistical analysis conducted by drawing on a sample of Cambodian-listed firms, this study provides empirical evidence of the impact of applying IFRS 15 on the quality of earnings. The study has demonstrated the effect of applying international accounting standards on the quality of financial statement figures.

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