Has Australian Financial Reporting Become More Conservative Over Time?

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Abstract

This study examines the time-series properties of accounting conservatism in Australia between 1993 and 2009. Unlike the U.S. and European evidence in Givoly and Hayn (2000) and Grambovas et al. (2006), the Australian evidence is not consistent with the notion that conservatism has increased over time. Using four alternative measures of conservatism, we find that the degree of accounting conservatism fluctuates from year to year with no obvious trend over the 17-year period. This is especially the case for the constant sample of firms appearing throughout the sample period. Further investigation reveals that reporting conservatism appears to be lower among Australian firms in the period after the adoption of International Financial Reporting Standards (IFRS).