The Impact of Institutional Factors and IFRS on the Value Relevance of Accounting Information: Evidence from Chinese AH- Shares

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Abstract

This study investigates whether institutional factors affect the value relevance of accounting information in Chinese cross-listed firms during the years from 2000 to 2013. Specifically, the study concentrates on whether the IFRS convergence is associated with incremental improvement on the value relevance of accounting information, and how institutional factors affect the value relevance of these cross-listed firms. We find that the IFRS convergence could indeed promote higher quality of accounting information, as the value relevance increases when firms switched from complying with the China GAAP to the IFRS-based accounting standards. Besides, the impact of institutional factors on the value relevance has been proved to be varied between Mainland China and Hong Kong stock market. This result suggests that regions with a strong and sound institutional framework and thus earning higher scores in the Worldwide Governance Indicators further support and enhance the neutrality of accounting information. Accordingly, such regions would correspond to a lower interventionist power in the financial reporting system and would therefore attract more investments.

Keywords
Value relevance, IFRS convergence, Institutional factors, AH shares

1   Introduction

The analysis of International Financial Reporting Standards (IFRS) convergence in the global accounting system has grabbed the attention of academics, standard-setters and financial statement users, causing debate on the degree of the value relevance of accounting information pre- and post- IFRS convergence. To be useful, accounting information must be relevant (Snavely, 1967). Most investors rely on this qualitative characteristic to predict trends of the stock price. The general proposition in relation to this fact is that the higher the quality of accounting information is, the more precise the estimation outcomes will be. Although this proposition is broadly valid, some academics (Bushman and Piotroski, 2006; Pinnuck and Potter, 2009) argued that there are many diverse dimensions in countries that affect the quality of accounting information.

While the fact that the differences are increasing, the progress of establishing a set of global accounting standards is fragmented. Indeed, most economists believe that the prosperity of the economy depends on cross-border business, technology, and foreign investment (De Mello Jr, 1997; McFetridge, 2019; Porter, 1990; Zheng, Wei, Zhang, and Yang, 2016). However, this cross-border business becomes complicated because of the long-running accounting differences among regions. It is thus challenging for investors to assess firms' accounting information on a comparative basis because even a small difference between the accounting standards applied might have a significant impact on the firms' financial disclosure. Therefore, in 1973, the International Accounting Standards Committee (IASC) was established with an aim to form a standard guideline to conduct the convergence process between national accounting standards and a set of high-quality internationally recognized accounting standards. The efforts to harmonize accounting standards are then continued by the IASC successor, the International Accounting Standards Board (IASB), which announced that more than 166 jurisdictions are requiring, permitting the use of, or having a relevant policy of convergence with IFRS in its annual report 2018. Despite the efforts demonstrated by countries worldwide to converge with the IFRS, the national standard-setters are still faced with the burning question of how IFRS convergence could benefit their economies (Elshandidy, 2014). Notably, its effectiveness is essential to assist emerging economies in rebuilding the financial reporting process to attract foreign investments (Gordon, Loeb, and Zhu, 2012).

China is the largest and most influential emerging economy in the world, and convergence to IFRS is a substantial milestone in its process of becoming an international economy, following the footsteps of the European Union which adopted IFRS in 2005 (He, Wong, and Young, 2012). Before the IFRS convergence, Mainland China formed its national accounting standards based on a rule-based approach (Shields, 2010), while Hong Kong retains its own administrative and legislative function that is distinct from the Mainland China. The regulatory regime and administration of Mainland China and Hong Kong, therefore, exhibit a clear example of adherence to the principle of "One country, two systems". Accordingly, firms listed in Hong Kong are required to comply with the Hong Kong Financial Reporting Standards, known as HKFRS that are virtually identical to IFRS (Lam and Lau, 2009). In comparison, firms listed in Mainland China are required to comply with the Accounting System for Business Enterprises (ASBE), which is a set of nationally developed accounting standards.

Previous studies had mainly focused on the benefits of convergence to the IFRS. However, this study aims to offer an in-depth insight by providing a more detailed and comprehensive view of the value relevance of accounting information in the cross-listed firms with the impact of institutional factors. The value relevance of accounting information represents the ability of accounting information that explains the firms' market value (Feltham and Ohlson, 1995). In other words, it serves as an essential element to assess the quality of accounting information (Iatridis, 2010). Also, the higher value relevance is expected to reduce information asymmetry (Frankel and Li, 2004). Furthermore, some country-level determinants such as the accounting standards applied, legal, financing and corporate environments have been proved to be the most influencing factors that affect the value relevance of accounting information in the bank industry of developed countries (Anandarajan, Francis, Hasan, and John, 2011). Therefore, it is interesting to investigate whether IFRS convergence and how institutional factors affect the value relevance of accounting information in emerging economics.

This study adds value to the existing literature in its scope and research design by gaining a broad understanding of the impact of IFRS and institutional factors. First of all, its data set is unique as it covers 20 cross-listed firms which are listed in the capital markets that are subjected under both common law (Hong Kong) and code law (Mainland China) regimes. Second, the study explores the impact of institutional factors on the value relevance of accounting information in regions with different ways of IFRS adoption. The remaining parts of this paper proceed as follows: the following section reviews the previous literature on value relevance. The third section presents the sample, the research design, and the correlation matrix. The fourth section shows the findings and discusses the results of the study, followed by the final section, which concludes the study.

2 Literature Review

The economy has grown even faster since Mainland China reopened its stock market in 1990 (Liu and Liu, 2007; Teshima and Suzuki, 2008; Wang and Jiang, 2004). This economic growth promoted the globalization-process because many of the listed firms had to expand their business to global markets to seek new profit opportunities. In this regard, a set of high-quality and internationally recognized accounting standards is needed to help these firms consolidate their financial statements of overseas business units. However, the accounting standards applied crucially depends on the stock market in which the firm is listed. In this regard, stocks issued mainly by Chinese firms can be divided into four categories, namely the A- shares, B- shares, H-shares, and twin-listing shares (i.e., AH-shares). The A-shares are securities of Chinese incorporated firms that are listed and traded on the Mainland China stock market and therefore are required to comply with the Chinese accounting standards, the Accounting System for Business Enterprises (ASBE) (Liu and Liu, 2007). In contrast, the H-shares are the securities of firms incorporated in Hong Kong and traded on the Hong Kong stock market. Accordingly, these firms are obliged to comply with the Hong Kong Financial Reporting Standards (HKFRS) (IFRS-Foundation, 2018). Although both B- shares and H- shares are available for foreign investors, the main difference is that B- shares are listed and traded on the Mainland stock market, while H-shares are not. When a Chinese incorporated firm is simultaneously listed on a domestic and an offshore market, it is regarded as a Chinese cross-listed share. Meanwhile, the AH-shares refer to the twin listings of A-shares in Mainland China stock market and H-shares in Hong Kong stock market. Consequently, these firms with the twin listings are required to comply with the corresponding accounting standards in the respective stock markets, the ASBEs for Mainland China stock market and the HKFRS for the Hong Kong stock market.

2.1 China's Accounting Standards, Value Relevance and Signalling Theory

In 1979, after the speech of the former Chinese leader Deng Xiao Ping, China proposed significant economic reforms and an "operating-up" policy in response to a rapidly changing economic environment (Lim and Wang, 2008). It led to the transformation from a central-planned economic system to a market-driven economic system (Yeh and Wu, 1999). Following the effects of economic reform, China's Ministry of Finance (MOF) released the first set of western-oriented accounting standards for experimental listed firms in 1992 (Xu, Cortese, and Zhang, 2018). Then, in July 1993, it released the second set of accounting standards, the "Accounting System for Joint Stock Limited Enterprises 1993", as a conceptual framework to guide the preparation of financial statements in Mainland China (Winkle, Huss, and Xi-Zhu, 1994). Also, to reconcile accounting earnings from the "Accounting System for Joint Stock Limited Enterprises 1993" to IFRS, In January 1998,

the MOF released the third set of accounting standards for listed firms (Chen, Sun, and Wang, 2002). Later, in the second half of 2001, it released the fourth set of accounting standards – Accounting System for Business Enterprise (ASBE) 2001, which revised the existing five standards. On December 11, 2001, China officially became the 143rd member of the World Trade Organization (WTO) and to meet the needs of globalization, China's MOF released the latest version of accounting standards – ASBEs in 2006 (Heng and Noronha, 2011; Pang, Zhou, and Fu, 2002). The fifth set of accounting standards was pronounced in February 2006 and effective on January 1, 2007, for all listed firms in the Mainland China stock market. It replaced the ASBE 2001 and the 16 previously issued accounting standards with a set of revised basic accounting standards and 38 specific standards (Liu, 2019) that is intended to be a substantial convergence with IFRS.

The conceptual framework developed by the IASB emphasizes how accounting information is intended to assist users to make economic decisions (IASB, 2018). And it is no deniable fact that the "users" mentioned in the conceptual framework is primarily focused on the owners of the entities or shareholders. In this regard, a large body of literature (Lambert, Leuz, & Verrecchia, 2007; Pirie & Smith, 2008; P. Chen & Zhang, 2007) has directed towards ascertaining how information contained in the accounting information could have an impact on the share price or valuation of the firm. The founding theory widely employed in the literature that sets to postulate such relationship is the signalling theory which stresses the relationship between signals and values (Mavlanova, Benbunan-Fich, and Koufaris, 2012). Obviously, the signals between low- and high- quality accounting information are different. In this study, the IFRS convergence is the signal that reflects a higher quality accounting information. The finding by Iatridis (2010) showed that the value relevance of accounting information from the post-IFRS convergence period is higher compared to that from the pre-IFRS convergence period. Besides, according to Peng, Tondkar, van der Laan Smith and Harless (2008), this convergence process also resulted in Chinese firms' accounting practices converging with IFRS. Hence, drawing upon signalling theory and in line with the findings by Iatridis (2010) and Peng et al. (2008), we assume that the value relevance of accounting information would be improved upon ASBE 2006. Therefore, the first hypothesis is developed as follows:

H_1: The accounting data reported under ASBE2006 is likely to exhibit higher value relevance.

2.2 Value Relevance, Institutional Factors and New Institutional Theory

In this section, the focus is on how institutional factors affect the value relevance of accounting information, in the sense that public interest may contradict to enterprises' benefits. It means that firms might intend to exhibit full compliance with IFRS to attract more investments, while governments do not always prefer such an approach. Instead, government tend to pursue local protection and force firms to act in the best interest of countries. This kind of regulation power may entail risks to the quality of accounting information since some politicians could misuse their position by imposing ineffective policy due to corrupted motives and actions. Also, information asymmetry occurs when these politicians receive more information than others. According to the Signalling Theory, governments can control these risks by enforcing the directives through institutional mechanisms, laws, and regulations (D'Antoni and Galbiati, 2007). In addition to the Signalling Theory, the New Institutional Theory is also relevant in this study's context because the value relevance of accounting information can be estimated differently due to the contrasting and distinctive distinction in how the accounting standards are converged

with the IFRS in Mainland China and Hong Kong. Hence, theoretically, a region identified with a higher score in the Worldwide Governance Indicators (this is further explained in Section 2.3 below) is expected to provide the public with more value relevant accounting information which is achieved by reducing the information asymmetry between firms and investors.

Previous researchers contended that various factors could be leading to being heterogeneous in the value relevance of accounting information, even when the same accounting standards applied (Ahmed, Chalmers, and Khlif, 2013). Given this consideration, it is essential to examine the impact of institutional factors in Mainland China and Hong Kong stock markets. Institutional factors such as culture, political and economic ties, legal systems, and economic development are considered as significant factors that influence the financial reporting system (Shima and Yang, 2012). Some studies also reported that the legal system could affect the level of financial disclosures and accounting quality (Ball, Kothari, and Robin, 2000; Jaggi and Low, 2000). Besides, the investor protection mechanism is also a factor influencing the quality of earnings, as countries with a strong investor protection mechanism are less likely to have a lower quality of earnings. Therefore, the value relevance may vary in different regions because of the differences in financial reporting systems, level of disclosures and transparency. Hence, the second hypothesis is structured as follows:

H_2: The institutional factors affect the value relevance of accounting information in AH-shares.

2.3 Worldwide Governance Indicators

The institutional factors are important in this study because they provide an indicator of a region's soundness and stability of institutional framework and regulation in supporting the financial reporting environment and its respective constituents. These institutional factors have been broadly assessed by the Worldwide Governance Indicators (WGIs), one of the renowned approaches to quantifying these institutional factors in scores. The WGIs estimate scores for each nation's policy-making processing, legislation, bureaucracy, and judicial institutions (Kaufmann, Kraay, and Mastruzzi, 2011). The scores for each dimension of the WGIs are updated every year and published in the following website: https://info.worldbank.org/governance/wgi/#home. The WGIs are widely applied in previous studies, especially in the areas of financial reporting (Chen, Tang, Jiang, and Lin, 2010), financial regulation (Avram, Grosanu, and Rachisan, 2015), and accounting standards convergence (Gordon et al., 2012). As the study looks into each dimension of the WGIs, the second set of hypotheses are further developed.

The voice and accountability refer to the extent that national citizens can vote freely in their government elections, as well as media independence. It is well known that the application of IFRS alone is insufficient to ensure high-quality financial reporting (Hail, Leuz, and Wysocki, 2010). Meanwhile, the growing influence of voice and accountability is strongly likely to have repercussions on the effective formulation of accounting standards during the due process. Hence, hypothesis H_{2a} is developed as follows:

H_{2a}: The voice and accountability affect the value relevance of accounting information in AH- shares.

The political stability and absence of violence refer to the people's perceptions of the likelihood that the government is shaken or overthrown by unconstitutional or violent

repression (Kaufmann et al., 2011). A stable political environment will enhance the trust of investors. In contrast, terrorist attacks cause damage. Hence, hypothesis H_{2b} is developed as follows:

H_{2b}: The political stability and absence of violence affect the value relevance of accounting information in AH- shares.

The government effectiveness refers to the quality of bureaucracy and public service provided. Previous studies (Barton, 2005; Chen et al., 2002) have stated that excellent government efficiency can stimulate economic development. Moreover, the successful implementation of accounting standards relies on an effective political mechanism. Hence, hypothesis H_{2c} is developed as follows:

H_{2c}: The government effectiveness affects the value relevance of accounting information in AH- shares.

The value relevance of accounting information relies not only on accounting standards but also on the financial reporting environment. Several studies (Daude and Stein, 2007; Rammal and Zurbruegg, 2006) defined that regulatory quality has a positive impact on financial market development that influence the development of accounting standards. It is measured by the extent to which citizens have confidence in and abide by the rule of society, concerning the quality of contract enforcement, public officials, and the possibility of lawbreaking (Kaufmann, Kraay, and Zoido, 1999). Admittedly, it is worth noting that the benefits of IFRS convergence are concentrated in countries with more effective law enforcement and investor protection (Chen, Lee, Lobo, and Zhu, 2019). Hence, hypothesis H_{2d} is developed as follows:

H_{2d}: The regulatory quality affects the value relevance of accounting information in AH- shares.

The rule of law refers to the government's capability to form and announce sound policies that enable investors and the government to resolve their conflicts. Several studies (Haggard and Tiede, 2011; Scully, 1988) indicated that the rule of law and economic development are strongly interrelated and mutually reinforcing. Moreover, Lee (1987) concluded that the level of accounting disclosure is closely associated with the development of the stock market. Hence, hypothesis H_{2e} is developed as follows:

H_{2e}: The rule of law affects the value relevance of accounting information in AH- shares.

The control of corruption refers to the extent that public power is abused for private gain, which has many consequences for accounting. Prior studies (Alon and Hageman, 2013; Cummings, Martinez-Vazquez, McKee, and Torgler, 2009) found that financial compliance is positively related to the successful control of corruption. Hence, hypothesis H_{2f} is developed as follows:

H_{2f}: The control of corruption affects the value relevance of accounting information in AH- shares.

3   Research Design and Data

The study of exploring the changes in the value relevance of accounting information pre- and post- IFRS convergence is a very complicated and meaningful process. Elshandidy (2014) proxied the value relevance of accounting information as an important approach to assess the quality of accounting information and explored the changes in the value relevance

by examining the association between accounting data (i.e., book value per share and earnings per share) and stock price. Therefore, by expanding the work of Elshandidy (2014), we includethe institutional factors, which has been argued as an under-researched aspect of Signalling Theory (Connelly, Certo, Ireland, and Reutzel, 2011; Vasudeva, Nachum, and Say, 2018).

3.1 Research Design

Firstly, the study used paired sample t-test to determine whether the mean difference between pre- and post- IFRS convergence accounting data is significantly different from zero. Secondly, according to Feltham and Ohlson (1995), the changes of value relevance of accounting information can be measured using a linear regression model (Barth, Landsman, and Lang, 2008; Harris, Lang, and Mőller, 1994; Hung and Subramanyam, 2007; Lang, Lins, and Miller, 2003):

$$P_{i,t} = a_0 + a_1 BVPS_{i,t} + a_2 EPS_{i,t} + a_3 CVs + e_{i,t} \qquad (1)$$

$$P_{i,t} = a_0 + a_1 BVPS_{i,t} + a_2 EPS_{i,t} + a_3 WGIs_{i,t} + a_4 BVPS_{i,t} * WGIs_{i,t} \\ + a_5 EPS_{i,t} * WGIs_{i,t} + a_6 CVs + e_{i,t} \qquad (2)$$

Where,

$P_{i,t}$	Is calculated by the year-end stock price
$BVPS_{i,t}$	Is calculated by the total book value of equity deflated by the number of shares outstanding
$EPS_{i,t}$	Is calculated by the total net income deflated by the number of shares outstanding
$WGIs$	Is the score of the six dimensions of Worldwide Governance Indicators
CVs	Are the control variables, include the firm size (Chalmers, Navissi, and Qu, 2010), firm's liquidity (Iatridis, 2010), cash flow (Barth, Beaver, Hand, and Landsman, 1999), enterprise value (Dang, Vu, Ngo, and Hoang, 2019), and tax complement (Ali and Hwang, 2000).
$e_{i,t}$	Is the error term,

The model (1) aims to measure the explanatory power R^2, and the coefficients resulted from the ordinary least squares (OLS) regression of stock price on book value per share and earnings per share. It focuses on how book value per share (BVPS) and earnings per share (EPS) are reflected in the stock price (Pit). The response coefficients a_1 and a_2 in the model indicate the sensitivity of stock price to earnings per share and book value per share. When testing hypothesis H1, the firm-year observations from the period of 2000 to 2013 are regressed. The degree of the value relevance of accounting information is considered improved when the coefficients and explanatory power R^2 from the post-IFRS convergence period are better and significantly changed compared to that from the pre-IFRS convergence period. Later, when testing the impact of institutional factors on value relevance, the Worldwide Governance Indicators are adopted in regression analysis. The model (2) below examines the impact of institutional factors on the value relevance of accounting information via the coefficients for each independent variable. Coefficients for the interaction variables are the most important figure in this model, a_4, a_5 indicate the degree of how institutional factors affect the value relevance.

3.2 Sample

We use yearly panel data in the study. The firm-specific data are collected from the Data-stream and China Stock Market and Accounting Research (CSMAR) databases such as stock price, book value per share and earnings per share. The scores for each dimension of the Worldwide Governance Indicators are gathered from the World Bank for both Mainland China and Hong Kong in Appendix 1.

In this study, the research sample was selected based on secondary data. We started with an initial sample of 51 cross-listed firms disclosed on the official websites of both the Mainland China and Hong Kong stock exchanges from the year 2000 to 2013. The choice for the selected study period of fourteen years is because it enables the researcher to examine the changes of value relevance of accounting information during the latest two sets of China's accounting standards. Then, we applied the following selection criteria to reach our final sample of 20 cross-listed firms with 280 observations. As shown in Table 1, financial institutions (6 firms) were excluded due to the different accounting treatments they applied. Then, 25 firms with 350 observations were excluded because of the missing data. In addition, by exploring the Mainland China and Hong Kong stock markets with the institutional factors that exhibit very diverse characteristics, the findings would thus be more convincing instead of conducting a study based on one single jurisdiction.

Category	Number of Observations (N)
Year period	2007-2013
Initial sampling in both the CSMAR and DataStream	714 (51 firms)
Step 1: Excludes the financial institutions	84 (6 firms)
Step 2: Excluding firms with missing data	350 (25 firms)
Firm-year observations/firms	280 (20 firms)

Table 1: Sample Selection Process

The choice for the study period of fourteen years (2000 to 2013) is deliberately made because it enables the researcher to examine the changes of value relevance of accounting information over an equal period for the pre- and post- IFRS convergence, which covers the last two sets of ASBE, commonly referred to as the ASBE version in 2001 and 2006, respectively. Therefore, we divided the investigation period into two equally long periods. The first period of the years 2000-2006 represents the pre-convergence period when the ASBE 2001 was applied, and the second period of the years 2007 to 2013 represents the post-convergence period when the ASBE 2006 was applied.

3.3 Descriptive Statistics

Table 2 provides descriptive statistics for the accounting data used in the regression model. The mean stock price (Pit) for A- share is at 8.940, and that of H- shares over the same period is at 9.122. These figures imply that the market values of the shares listed on Hong Kong stock market (H- shares) are much higher compared to the market values of the shares of the same firms that are listed on the Mainland China stock market (A- shares). Interestingly, the means of book value per share (BVPS) and earnings per share (EPS) from the Mainland China stock market (A- shares) are much higher in comparison to that of the H- shares. This phenomenon implies that the book values of the shares listed on the Mainland China stock market are "overvalued" and therefore the margin of difference

between the book values and its corresponding market values (A- shares) is much higher compared to that of the shares listed on the Hong Kong stock market (H- shares). The results also indicate that the book value of the A- shares are much closer to its market values compared to that of the H- shares. This is shown in Table 2 below, whereby the mean of earnings per share (EPS) for A- shares is at 0. 362 compared to that of H- shares at 0. 356. Also, the mean of book value per share (BVPS) is lower for H- shares at 3.463 compared to A- shares at 3.556.

The accounting data in Table 2 below is further explained as follows. The stock price (Pit) is the price at the end of the year. Meanwhile, the Book value per share (BVPS) is ascertained by obtaining the book value of equity against the number of shares outstanding. The Earnings per share (EPS) figure in Table 2 is determined by obtaining the net income divided by the number of shares outstanding. Worldwide governance indicators (WGIs) are indicated as follows: WG-1 denotes Voice and Accountability, WGI-2 indicates Political Stability and Absence of Violence/Terrorism, WGI-3 signifies Government Effectiveness, WG-4 represents Regulatory Quality, WGI-5 indicates Rule of Law, and finally, WGI-6 for Control of Corruption.

Variables	Observation (N)	Mean	SD	Minimum	Maximum
Mainland China stock market (A- shares)					
Pit	280	8.939903	10.27256	.1044869	83.30453
BVPS	280	3.556086	2.894723	-1.219497	23.42071
EPS	280	.3617857	0.5840856	-2.85	3.67
WGI1	280	-1.600106	.107997	-1.74897	-1.384081
WGI2	280	-.4700416	.124052	-.6570607	-.208934
WGI3	280	.0136133	.0966611	-.1199866	.1827777
WGI4	280	-.2718829	.1011899	-.513172	-.1500192
WGI5	280	-.5097398	.0641178	-.6394754	-.4070508
WGI6	280	-.4739255	.1069535	-.6087338	-.2182887
Hong Kong stock market (H- shares)					
Pit	280	9.121818	10.11003	.1044869	83.30453
BVPS	280	3.462929	2.260327	-2.69109	12.85567
EPS	280	.3555543	.5703153	-3.14	2.78
WGI1	280	.44766	.2054027	-.0119737	.725163
WGI2	280	1.028348	.1266039	.9059312	1.337111
WGI3	280	1.670667	.1856412	1.326269	1.914575
WGI4	280	1.874081	.081539	1.726787	1.983542
WGI5	280	1.446923	.2255785	.81868	1.613014
WGI6	280	1.775193	.1668464	1.338571	1.962114

Table 2: Descriptive Statistics

3.4 Variables used for this study

Table 3 and 4 show that the book value per share (BVPS) and earnings per share (EPS) are positively correlated with the stock price (Pit). Besides, most of the institutional factors (WGIs) represent obvious correlations with the independent and dependent variables in the study.

Variables	Pit	BVPS	EPS	WGI1	WGI2	WGI3	WGI4	WGI5	WGI6	Firm size	Firm's liquidity	Cash flow	Enterprise value	Tax complement
Pit	-													
BVPS	0.50***	-												
EPS	0.71***	0.62***	-											
WGI1	-0.30***	-0.26***	-0.30***	-										
WGI2	-0.21***	-0.31***	-0.30***	0.64***	-									
WGI3	0.35***	0.23***	0.32***	-0.88***	-0.54***	-								
WGI4	0.20***	0.18***	0.26***	-0.49***	-0.62***	0.59***	-							
WGI5	0.09	0.11*	0.09	-0.22***	-0.13	0.38***	-0.02	-						
WGI6	-0.11*	-0.02	-0.16***	0.53***	0.47***	-0.47***	-0.46***	-0.08	-					
Firm size	0.41***	0.40***	0.41***	-0.35***	-0.32***	0.33***	0.23***	0.08	-0.21***	-				
Firm's liquidity	0.22***	0.23***	0.24***	0.03	-0.03	-0.02	-0.01	0.02	0.03	-0.10	-			
Cash flow	0.24***	0.46***	0.39***	-0.09*	-0.14**	0.10	0.08	0.10*	0.04	0.56***	0.04	-		
Enterprise value	0.08	0.20***	0.08	-0.14**	-0.11*	0.15**	0.11*	-0.00	-0.07	0.61***	-0.20***	0.45***	-	
Tax complement	0.11*	-0.01	-0.02	-0.06	-0.00	0.10	0.07	0.10	-0.02	0.02	0	0.10*	-0.03	-

*** p<0.01, ** p<0.05, * p<0.1

Table 3: A Pearson's Correlations Matrix for the Mainland China Stock Market (A- shares)

Variables	Pit	BVPS	EPS	WGI1	WGI2	WGI3	WGI4	WGI5	WGI6	Firm size	Firm's liquidity	Cash flow	Enterprise value	Tax complement
Pit	-													
BVPS	0.50***	-												
EPS	0.67***	0.70***	-											
WGI1	0.14*	0.31***	0.23***	-										
WGI2	-0.06	-0.13*	0.01	0.36***	-									
WGI3	0.23***	0.23***	0.27***	0.76***	0.44***	-								
WGI4	0.19***	0.1	0.13*	0.45***	0.30***	0.78***	-							
WGI5	0.14**	0.24***	0.22***	0.93***	0.41***	0.78***	0.42***	-						
WGI6	0.20***	0.13*	0.22***	0.61***	0.31***	0.71***	0.35***	0.82***	-					
Firm size	0.40***	0.41***	0.38***	0.29***	-0.04	0.30***	0.13*	0.29***	0.29***	-				
Firm's liquidity	0.25***	0.38***	0.26***	-0.03	-0.08	-0.08	-0.07	-0.04	-0.04	-0.15**	-			
Cash flow	0.21***	0.42***	0.35***	0.08	-0.15**	0	-0.03	0.01	-0.05	0.55***	0.04	-		
Enterprise value	0.02	0.1	0.03	0.1	-0.08	0.07	0.01	0.08	0.06	0.64***	-0.23***	0.54***	-	
Tax complement	0.05	0.11	0.08	-0.01	0.08	0.06	0.12*	-0.03	0	0.1	0.01	0.05	0.03	-

*** p<0.01, ** p<0.05, * p<0.1

Table 4: A Pearson's Correlations Matrix for the Hong Kong Stock Market (H- shares)

4 Results

4.1 Value Relevance of Accounting Information

Table 5 reports the test results for the changes in the accounting data pre- and post- IFRS convergence. The results show that there is a significant difference between paired figures of stock price, book value per share and earnings per share.

As is shown in Table 5, the mean of stock price has increased from 6.081 (pre-IFRS convergence) to 12.362 (post-IFRS convergence). Besides, the book value per share and earnings per share in the post- IFRS convergence period is increased by 1.948 and 0.259 compared to that from the pre- IFRS convergence period, respectively. It is consistent with the studies of Barth et al. (2008) and Hung and Subramanyam (2007), which pointed out that IFRS convergence is likely to lead to a higher accounting data that exhibits higher value relevance of accounting information. In addition, by bias, the book value is persistently lower than its associated market value (Beaver and Ryan, 2000). Also, the increased percentage of stock price exceeds that of its book value per share as the IFRS convergence is more biased in the stock price but lags in the book value per share. It is consistent with the finding of Feltham and Ohlson (1995), which showed stock price equals the book value per share plus the net present value of expected future abnormal earnings.

Variables	N	Pre-IFRS	Post-IFRS	Difference	St_Err	t_value	p_value
Pit	280	6.081	12.362	-6.281	.613	-5.36	0.0000
BVPS	280	2.581	4.530	-1.948	.326	-5.97	0.0000
EPS	280	.232	.491	-.259	.068	-3.79	0.0001

Pit	=	Stock price
BVPS	=	Book value per share
EPS	=	Earnings per share

Table 5: Paired Sample T-test

Furthermore, in order to understand the changes of the value relevance of accounting information behind this increase, we use an ordinary least squares (OLS) regression model (1) similar to Iatridis (2010) and regress stock price (Pit) against the book value per share (BVPS) and earnings per share (EPS).

Table 6 presents the results by comparing accounting data from the pre- and post-IFRS convergence period, and the coefficients obtained from OLS regression. It shows that at 5 percent significant level, all the accounting data is statistically significant. The coefficient of book value per share has fallen from 2.620 to 0.651, while the coefficient of earnings per share has increased from -4.239 to 10.278 over the same period. Besides, the results also indicate that the adjusted R^2 of AH- shares in the Mainland China stock market (A- shares) from the post- IFRS convergence period are higher (0.670) than that from the pre- IFRS convergence period (0.538). This result appears that the AH- share experienced a modestly significant improvement in the value relevance of earnings per share but less in the value relevance of book value per share in the Mainland China stock market upon IFRS convergence. This phenomenon is consistent with the study of Barth, Beaver, and

Landsman (1998), which showed that firms' financial health declines are negatively associated with the book value per share. The rest are control variables including the control of firm size (InMcap), firm's liquidity (RWCTA), cash flow (SCSI), enterprise value (Ev), and tax complement (RTAXC).

Variables	Pre- IFRS (ASBE 2001) Coefficients	Post- IFRS (ASBE 2006) Coefficients
BVPS	2.620***	0.651***
	(0.447)	(0.228)
EPS	-4.239**	10.278***
	(1.990)	(1.366)
Control Variables		
Firm size (InMcap)	2.611***	13.532***
	(0.406)	(1.281)
Firm's liquidity (RWCTA)	8.105**	-17.356***
	(3.667)	(5.662)
Cash flow (SCSI)	0.000000584***	-0.000000692***
	(0.000000208)	(0.000000179)
Enterprise value (Ev)	2.82e-08***	-9.02e-09*
	(8.84e-09)	(4.69e-09)
Tax complement (RTAXC)	10.06**	1.575***
	(4.232)	(0.453)
_cons	-52.59***	-223.9***
	(7.785)	(21.56)
Sample size		280
R-squared	0.6324	0.7409
Adj. R-squared	0.538	0.670

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 6: OLS Regression for Mainland China Stock Market (A-shares)

4.2 Institutional Factors and the Value Relevance

To measure the impact of institutional factors on the value relevance of book value per share (BVPS) and earnings per share (EPS) for AH- shares in both Mainland China Stock market and Hong Kong stock markets, we employ the Worldwide Governance Indicators (WGI), which are developed by the World Bank. Therefore, we involve the interactive variables (BVPS*WGI and EPS*WGI) to capture the impact of the institutional factors (WGIs). Besides, these institutional factors (WGIs) are deemed to affect the value relevance of accounting information if it is statistically significant.

Moreover, model 1 does not comprise institutional factors. In comparison, Model 2-7 include each dimension of the Worldwide Governance Indicators; specifically, model 2 consider the Voice and Accountability (WGI-1), Model 3 reflects the Political Stability and Absence of Violence/Terrorism (WGI-2), Model 4 denotes the Government Effectiveness (WGI-3), Model 5 signifies the Regulatory Quality (WGI-4), Model 6 takes account of the Rule of Law (WGI-5) and lastly, Model 7 for the Control of Corruption (WGI-6). These scores for WGIs are presented in the Appendix section, which covers the years from 2000 to 2013, ranging from -2.5 to 2.5.

Variables	Model 1	Institutional Factors (Worldwide Governance Indicators)					
		Model 2 (WGI-1)	*Model 3 (WGI-2)*	*Model 4 (WGI-3)*	*Model 5 (WGI-4)*	*Model 6 (WGI-5)*	*Model 7 (WGI-6)*
Book value per share (BVPS)	0.286	14.893***	-3.436**	1.059***	-2.750***	5.525***	3.783***
	(0.190)	(5.298)	(1.394)	(0.215)	(0.885)	(2.028)	(1.142)
Earnings per share (EPS)	10.04***	-107.729***	29.289***	2.173	27.222***	-15.377	-30.880***
	(1.239)	(23.53)	(7.912)	(1.604)	(4.603)	(9.713)	(7.317)
BVPS*WGI	-	8.223***	-7.138***	-9.901***	-13.215***	10.186**	6.718***
		(3.243)	(2.582)	(2.792)	(3.644)	(3.923)	(2.377)
EPS*WGI	-	-70.511***	36.304**	79.249***	80.327***	-48.964***	-78.279***
		(14.06)	(14.97)	(11.31)	(21.18)	(18.49)	(13.78)
WGIs	-	5.806	25.29***	0.767	6.922	-16.454	14.111**
		(7.714)	(5.671)	(8.300)	(7.679)	(12.18)	(6.059)
Control Variables							
Firm Size (InMcap)	3.886***	4.575***	4.846***	4.169***	4.242***	3.835***	4.466***
	(0.517)	(0.539)	(0.529)	(0.505)	(0.512)	(0.516)	(0.499)
Firm's Liquidity (RWCTA)	3.575	3.359	2.760	5.078	3.604	3.534	1.863
	(3.582)	(3.436)	(3.433)	(3.303)	(3.476)	(3.576)	(3.299)
Cash flow (SCSI)	-0.000000254**	-0.000000205*	-0.000000261**	-0.000000201*	-0.000000184	-0.000000207	-0.000000205*
	(0.000000127)	(0.000000123)	(0.000000126)	(0.000000118)	(0.000000124)	(0.000000129)	(0.000000119)
Enterprise value (Ev)	-3.94e-10	-1.16e-09	2.98e-10	-1.82e-09	-3.98e-10	3.03e-10	-1.81e-09
	(4.24e-09)	(4.01e-09)	(4.05e-09)	(3.88e-09)	(4.10e-09)	(4.21e-09)	(3.88e-09)
Tax Complement (RTAXC)	1.176**	1.237***	1.120**	1.236***	1.287***	1.181**	1.276***
	(0.491)	(0.464)	(0.466)	(0.450)	(0.476)	(0.490)	(0.449)
_cons	-60.39***	-62.76***	-64.13***	-65.20***	-65.14***	-68.19***	-63.55***
	(8.110)	(13.60)	(8.038)	(8.022)	(8.596)	(10.10)	(7.820)
Sample size	280						
R-squared	0.6098	0.6580	0.6543	0.6822	0.6427	0.6238	0.6781
Adj. R-sq	0.564	0.613	0.609	0.640	0.596	0.574	0.636

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 7: The Impact of Institutional Factors on the Value Relevance of Accounting Information (Mainland China stock market, A-shares)

Variables	Model 1	Institutional Factors (Worldwide Governance Indicators)					
		Model 2 (WGI-1)	*Model 3 (WGI-2)*	*Model 4 (WGI-3)*	*Model 5 (WGI-4)*	*Model 6 (WGI-5)*	*Model 7 (WGI-6)*
Book value per share (BVPS)	-0.657	-2.347**	6.345*	4.748	30.876***	-4.421	7.358*
	(0.400)	(0.972)	(3.441)	(3.347)	(7.246)	(2.909)	(4.115)
Earnings per share (EPS)	9.319***	26.417***	13.421	-29.528	-174.164***	60.694**	-81.929***
	(1.674)	(7.362)	(14.10)	(18.62)	(33.26)	(25.43)	(28.05)
BVPS*WGI	-	4.154**	-7.661**	-3.107	-16.494***	2.474	-4.325*
		(1.951)	(3.476)	(1.962)	(3.832)	(1.955)	(2.279)
EPS*WGI	-	-34.274**	-2.557	21.689**	95.432***	-33.882**	49.044***
		(14.18)	(13.04)	(10.23)	(17.28)	(16.61)	(15.04)
WGIs	-	-19.1612***	13.820	-8.720	18.058	-16.17***	-16.471***
		(4.834)	(9.365)	(6.076)	(11.83)	(4.565)	(6.077)
Control Variables							
Firm Size (InMcap)	4.529***	5.602***	4.679***	5.604***	4.518***	6.343***	5.943***
	(0.673)	(0.656)	(0.659)	(0.706)	(0.640)	(0.672)	(0.715)
Firm's Liquidity (RWCTA)	5.235	0.371	5.365	2.588	7.466*	-0.536	1.365
	(4.738)	(4.428)	(4.611)	(4.763)	(4.506)	(4.374)	(4.485)
Cash flow (SCSI)	3.54e-08	2.76e-08	-6.77e-08	1.13e-07	1.75e-07	2.29e-08	1.73e-09
	(0.000000190)	(0.000000194)	(0.000000188)	(0.000000194)	(0.000000181)	(0.000000188)	(0.000000176)
Enterprise value (Ev)	2.87e-09	7.41e-09	9.59e-10	5.44e-09	3.91e-09	7.00e-09	1.54e-09
	(7.73e-09)	(7.29e-09)	(7.54e-09)	(7.51e-09)	(7.21e-09)	(7.21e-09)	(7.17e-09)
Tax Complement (RTAXC)	0.0699	0.194	-0.0580	0.285	-0.0973	0.141	0.0951
	(0.694)	(0.636)	(0.681)	(0.670)	(0.667)	(0.625)	(0.638)
_cons	-67.59***	-78.09***	-81.42***	-71.29***	-102.2***	-74.18***	-61.52***
	(10.51)	(9.969)	(13.14)	(12.52)	(22.59)	(10.56)	(12.23)
Sample size	280						
R-squared	0.5263	0.6084	0.5640	0.5729	0.5985	0.6221	0.6065
Adj. R-sq	0.456	0.542	0.490	0.501	0.530	0.558	0.540

*** $p<0.01$, ** $p<0.05$, * $p<0.1$

Table 8: The Impact of Institutional Factors on the Value Relevance of Accounting Information (Hong Kong stock market, H-shares)

We test H_2 using the model (2) and report the results in Table 7 and 8. Firstly, a positive coefficient on the variables of BVPS*WGI1 (8.223, F<0.05) and a negative coefficient on EPS*WGI1 (-70.511, F<0.05) suggest the value relevance of earnings per share and book value per share are affected by the voice and accountability (WGI1) in A- shares. It is consistent with the work of Knight (2014) that the Chinese government must address the voice and accountability issues to achieve more tremendous economic success. Regarding the quality of accounting information, it is related to higher levels of transparency (Bastida and Benito, 2007), which have a fundamental impact on the value relevance (Bushman and Smith, 2003). Moreover, the impact of the voice and accountability also remains significant for H-shares as there is a positive coefficient on the variable of BVPS*WGI1 (4.154, F<0.05) while a negative coefficient on the variables of EPS*WGI1 (-34.274, F<0.05). These results indicate that the voice and accountability do play an essential role in determining the quality of accounting information (Hoque and Moll, 2001) in both Mainland China and Hong Kong stock markets. Besides, the associated adjusted R-squared has increased to 0.613 (A-shares) and 0.542 (H-shares), respectively.

Secondly, the coefficients on the variables of BVPS*WGI2 (-7.138, F<0.05) and EPS*WGI2 (36.304, F<0.05) also indicate that the Stability and Absence of violence/terrorism is one of the important factors affecting the value relevance in A- shares. Zezhong Xiao, Weetman, and Sun (2004) found that the development of China's accounting standards heavily depends on the attitude of the Chinese government. In comparison, these variables show insignificant coefficients for H- shares concerning earnings per share (EPS*WGI2, -2.557, F>0.05) but remain significant for the book value per share (BVPS*WGI2, -7.661, F<0.05). Besides, the associated adjusted R-squared has increased to 0.609 (A-shares) and 0.490 (H-shares), respectively.

Thirdly, as predicted in H_{2c}, the impact of government effectiveness on the value relevance of accounting information is comparatively stronger when a revolution is being undertaken. (i.e., IFRS convergence). The results support this prediction only in the Mainland China stock market (BVPS*WGI3 for -9.901, F<0.05 and EPS*WGI3 for 79.249, F<0.05). These variables reflect insignificant coefficient for H- shares in relation with book value per share (BVPS*WGI3 for -3.107, F>0.05) but remain significant for earnings per share (EPS*WGI3 for 21.689, F<0.05). It is consistent with the study of Cahan, Emanuel, and Sun (2009), and they found that in Hong Kong, the impact of country-level institutions (legal system effectiveness, rule of law and corruption) on the value relevance is not significant. Besides, the associated adjusted R-squared has increased to 0.640 (A-shares) and 0.501 (H-shares), respectively.

Fourthly, the coefficients on the interactive variables for both Mainland China (BVPS*WGI4 for -13.215, F<0.05 and EPS*WGI4 for 80.327, F<0.05) and Hong Kong (BVPS*WGI4 for -16.494, F<0.05 and EPS*WGI4 for 95.432, F<0.05) stock markets show the value relevance of accounting information is significantly affected by the regulatory quality. It is consistent with the previous study (Habib and Azim, 2008) that regulatory quality plays a crucial role in ensuring credible financial reporting. In addition, the associated adjusted R-squared has increased to 0.596 (A-shares) and 0.530 (H-shares), respectively.

Fifthly, the coefficients on the variables of BVPS*WGI5 (10.186, F<0.05) and EPS*WGI5 (-48.964, F<0.05) indicate that the rule of law has an impact on the value

relevance in Mainland China. These results indicate that the rule of law plays a substantial role in the formulation and implementation of accounting standards. In addition, it also reflects the level of enforcement of investor-protection laws in Mainland China (Ball et al. 2000; Davis-Friday, Eng, and Liu, 2006). In comparison, these variables represent no longer significant for H- shares in relation with book value per share (BVPS*WGI5, 2.474, F>0.05) but remain significant for the earnings per share (EPS*WGI5, -33.882, F<0.05), suggesting IFRS adoption has a relatively limited impact on the financial statements of Common Law countries (Clarkson, Hanna, Richardson, and Thompson, 2011), and it is well known that Hong Kong is a common-law region. Besides, the associated adjusted R-squared has increased to 0.574 (A-shares) and 0.558 (H-shares), respectively.

Finally, the coefficients on the variables of BVPS*WGI6 (6.718, F<0.05) and EPS*WGI6 (-78.279, F<0.05) confirm the impact of control of corruption on the value relevance in the Mainland China stock market. It is consistent with the findings of Sun (1999), which suggested that corruption does have a significant impact on China's economic reform. In addition, the quality of accounting is closely related to the level of corruption in a country (Malagueño, Albrecht, Ainge, and Stephens, 2010). on the contrary, these coefficients of interactive variables become insignificant for the book value per share (BVPS*WGI6 for -4.325, F>0.05) but remain significant for earnings per share (EPS*WGI6 for 49.044, F<0.05) in the Hong Kong stock market. One of the reasons may be due to the stringent legal system in Hong Kong. It also can be referred to the zero tolerance of corruption in Hong Kong (Gong and Wang, 2013). In other words, Hong Kong has little room for corruption. In addition, the associated adjusted R-squared has increased to 0.636 (A-shares) and 0.540 (H-shares), respectively. Additionally, to deeply understand the nature of the above relationships, we plotted the impact of institutional factors in Appendix 2.

By investigating cross-listed firms, the results indicate that institutional factors, in the country with a one-party political system, play a significant role in influencing the value relevance of accounting information. It suggests that region with a higher score in the Worldwide Governance Indicators is expected to decrease opportunistic motivations, leading to a higher level of neutrality in value relevance, which ultimately leads to a higher trust in accounting information quality. Moreover, the findings also indicate that the accounting data from the post-IFRS convergence period are more value relevant than those from the period of pre-IFRS convergence, and the differences in the value relevance of accounting information between the Mainland China stock market and the Hong Kong stock market have become narrowed upon the IFRS convergence. It is consistent with previous studies (He et al., 2012; Shields, 2010) that revealed the need for IFRS convergence in China. Furthermore, compared with the Hong Kong stock market, the Mainland China stock market is more likely to be affected by institutional factors. Hence, it can be argued that the IFRS convergence in China has succeeded in its mission to reduce the information asymmetry. Nevertheless, our results also report that the quality of accounting information in Mainland China stock market is still greatly influenced by six institutional factors, namely voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law and control of corruption, whilst the Hong Kong stock market is significantly influenced by two institutional factors, namely voice and accountability and regulatory quality.

5 Conclusion

To conclude, with the acceleration of globalization, there are increasing needs for firms to compete in the international stock markets. At the same time, the high quality of accounting information occupies an essential position in presenting firms' value to its stakeholders at large. Therefore, the convergence of accounting standards has been particularly emphasized in recent years. As the IFRS is a set of relatively comprehensive and widely acknowledged accounting standards, many countries have been persuaded to converge with or adopt IFRS as a mechanism to enhance the value relevance of the accounting information. However, the contextual situations and conditions may vary in different countries or regions, such as economic policies, cultural identities, and institutional factors. Thus, the impacts of IFRS convergence or adoption in those countries or regions can be various and divergent. The results of the study confirm the proposition in the Signalling Theory that the government can control the risks of information asymmetry by ensuring that the enforcement mechanism is in place. Besides, the results of the study also support the proposition in the New Institutional Theory that the behaviour of firms and financial reporting constituents correspond to the institutional framework and regulatory regime. As China now is one of the most influential economies around the world and considering the unique Chinese characteristics of "one country, two systems", the study of the IFRS convergence in the context of China and Hong Kong is therefore quite essential and urgent.

This study provides empirical evidence indicating that the value relevance of accounting information of the AH- shares in Mainland China stock market has been increased upon IFRS convergence, and the information asymmetry has been reduced accordingly. Besides, the institutional factors, especially the Voice and Accountability and Regulatory Quality, significantly affect the value relevance of accounting information in both the Mainland China and Hong Kong stock markets. The findings provide referable insights for both academics and policymakers in promoting the development of converged international accounting standards in Mainland China and other countries that share similar situations.

Appendix 1: Worldwide Governance Indicators for both Mainland China and Hong Kong from 2000 – 2013 (Data from the World Bank)

Worldwide Governance Indicators from 2000 – 2013

Year		Voice and Accountability		Political Stability and Absence of Violence/Terrorism		Government Effectiveness	
		Mainland China	Hong Kong	Mainland China	Hong Kong	Mainland China	Hong Kong
2000		-1.38	-0.01	-0.21	+0.93	-0.11	+1.33
2001		-1.49	+0.09	-0.27	+0.92	-0.08	+1.36
2002	Pre-IFRS	-1.59	+0.19	-0.33	+0.91	-0.06	+1.39
2003		-1.51	+0.45	-0.56	+0.95	-0.08	+1.65
2004		-1.46	+0.56	-0.39	+1.15	-0.06	+1.76
2005		-1.50	+0.62	-0.50	+1.34	-0.12	+1.61
2006		-1.75	+0.51	-0.54	+1.19	+0.07	+1.91
2007		-1.72	+0.48	-0.50	+1.10	+0.18	+1.87
2008	Post-IFRS	-1.70	+0.45	-0.49	+1.13	+0.15	+1.86
2009		-1.70	+0.48	-0.45	+0.97	+0.09	+1.74
2010		-1.68	+0.51	-0.66	+0.94	+0.09	+1.68
2011		-1.64	+0.57	-0.60	+0.95	+0.09	+1.65
2012		-1.64	+0.64	-0.54	+1.01	+0.02	+1.83
2013		-1.63	+0.73	-0.54	+0.92	+0.00	+1.75

Year		Regulatory Quality		Rule of Law		Control of Corruption	
		Mainland China	Hong Kong	Mainland China	Hong Kong	Mainland China	Hong Kong
2000		-0.34	+1.83	-0.53	+0.82	-0.22	+1.34
2001		-0.43	+1.78	-0.51	+1.06	-0.37	+1.53
2002	Pre-IFRS	-0.51	+1.73	-0.50	+1.29	-0.52	+1.71
2003		-0.33	+1.93	-0.53	+1.57	-0.36	+1.85
2004		-0.31	+1.96	-0.53	+1.59	-0.56	+1.87
2005		-0.15	+1.79	-0.59	+1.61	-0.61	+1.78
2006		-0.20	+1.94	-0.64	+1.55	-0.51	+1.87
2007		-0.17	+1.98	-0.54	+1.53	-0.59	+1.92
2008	Post-IFRS	-0.15	+1.95	-0.42	+1.49	-0.52	+1.90
2009		-0.22	+1.82	-0.41	+1.50	-0.51	+1.89
2010		-0.23	+1.88	-0.41	+1.54	-0.56	+1.96
2011		-0.22	+1.78	-0.46	+1.55	-0.51	+1.85
2012		-0.24	+1.95	-0.54	+1.58	-0.44	+1.74
2013		-0.29	+1.93	-0.52	+1.57	-0.36	+1.64

Ranging from -2.5 to 2.5

Appendix 2: Impact of Institutional Factors
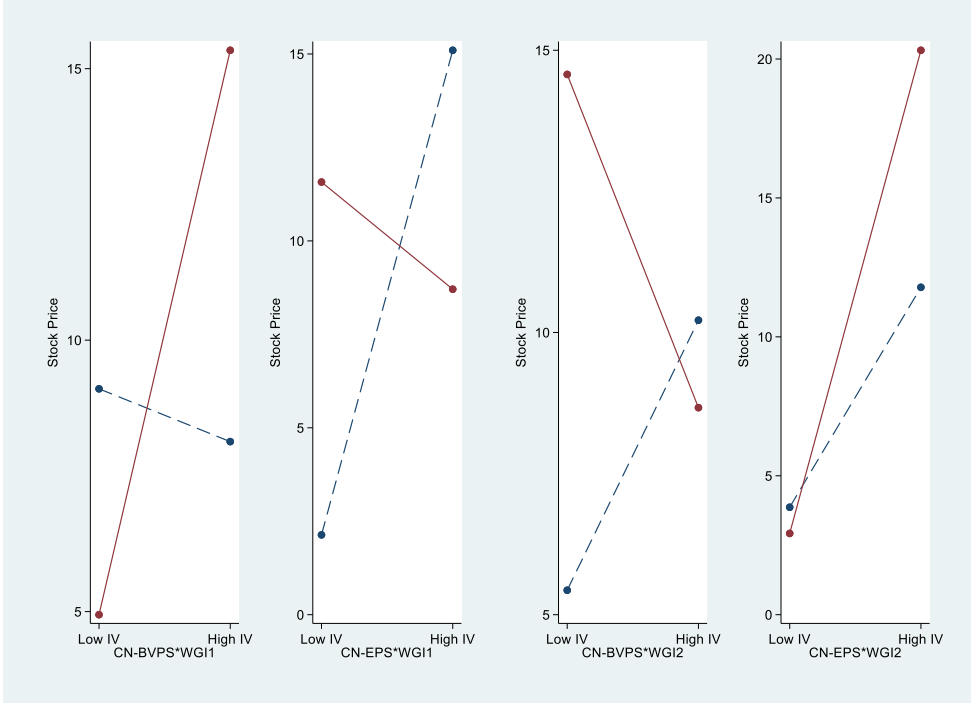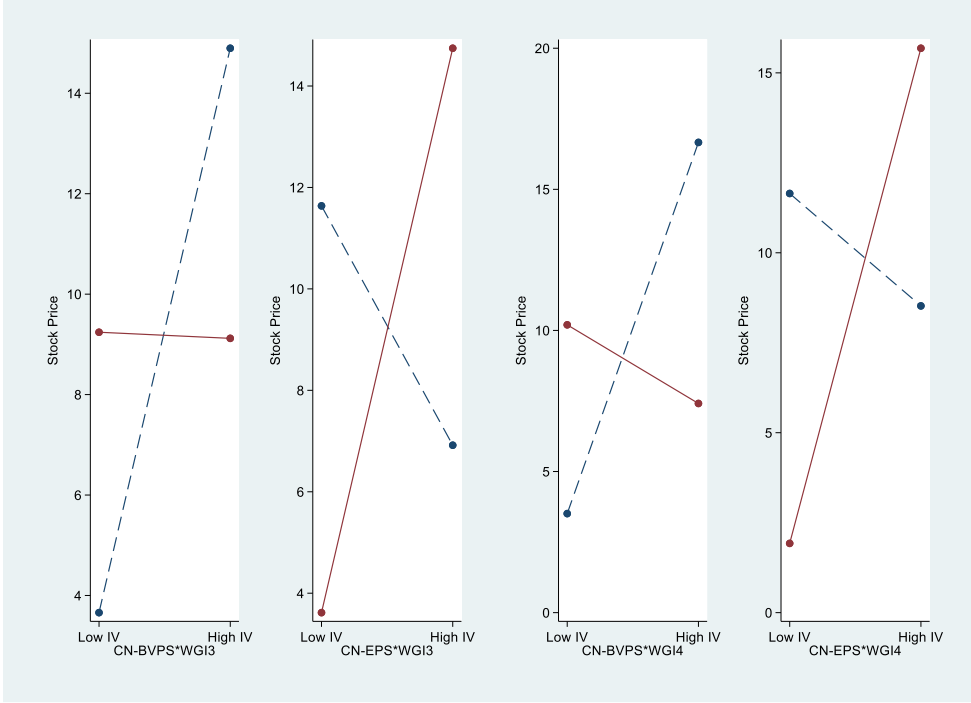
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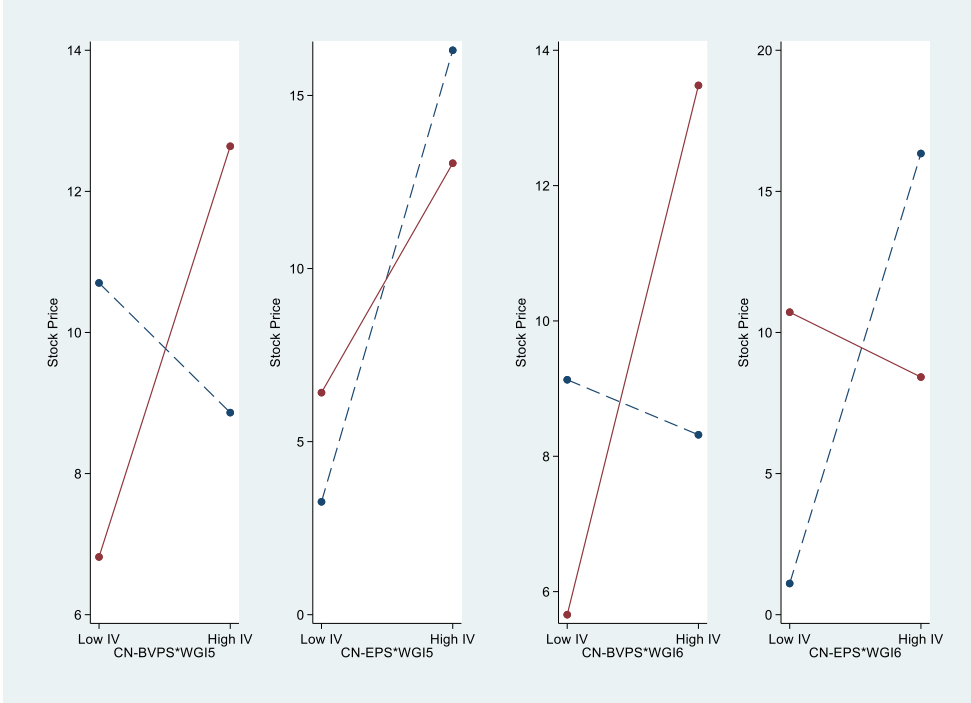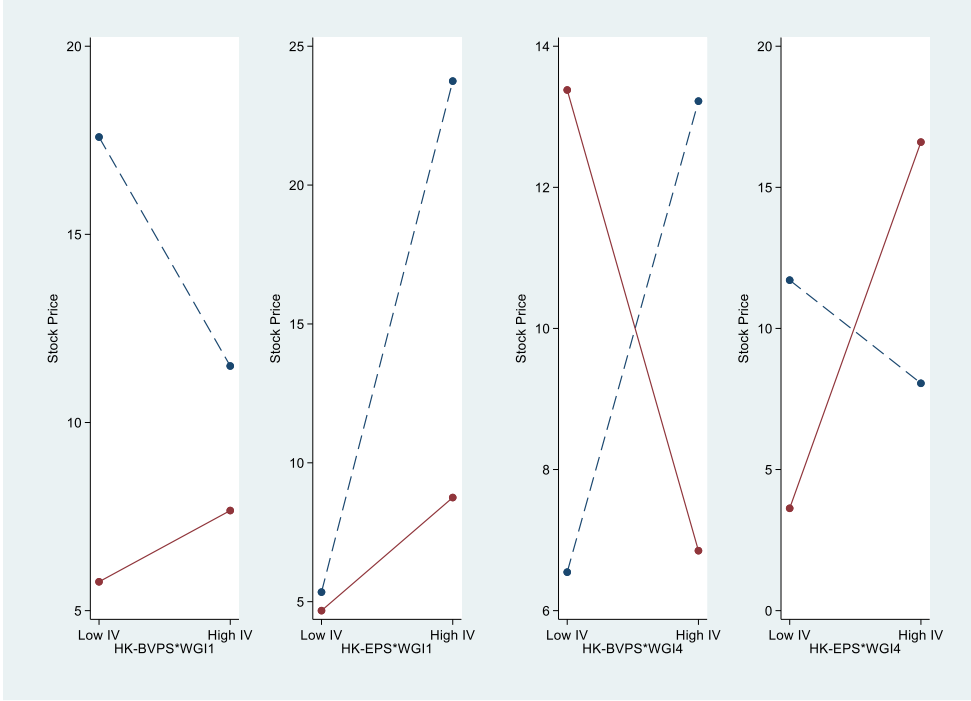
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