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The Impact of Timely Loss of Recognition on the Efficiency of Investment Policies : The Case of France

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A B S T R A C T

This study examines the impact of the change in accounting standards, i.e. the transition to IFRS, on the quality of accounting information. As this is a multidimensional concept, we have decided to refer to a particular aspect of accounting information, namely accounting timely loss of recognition. Indeed, our study focuses on the French context, more particularly the SBF 120 companies, which offers the advantage of translating the situation of the French financial market in the most transparent way possible. Our study covers the period from 2002 to 2012. After empirical validation, we noted that whatever the approach used, the timely loss of recognition no longer plays its role as a mechanism to combat asymmetricv information in the so-called post-adoption phase of IFRS. Following the transition to IFRS, timely loss of recognition has not been a mechanism for improvement for the effectiveness of investment policies.

INTRODUCTION

Our research focuses on the consequences of the transition from local to international accounting standards. We will ,therefore, demonstrate how the use of IFRS “conditions” the effectiveness of investment policies, i.e., how the mandatory transition to IFRS has either a positive or negative impact on the effectiveness of investment policies. It should be stressed that the positive impact of IFRS on investment policy is reflected by a decrease in over-investment or under-investment whereas negative impact is reflected by an increase in over-investment or under-investment. Thus, moving the investor away from the optimal level of investment. It is noteworthy that the study of the effectiveness of investment policies is relevant because IFRS are international accounting standards that are intended to meet the expectations of the privileged users of accounting information. In other words, these standards are established to provide the privileged user of accounting information with useful information. Therefore, the usefulness of accounting information enable the investors to conduct an effective investment policy.

So, theoretically, given that IFRS are standards that prioritize the response to the interests of investors and thus offering them the possibility to have at their disposal reliable information, we should see a better investment policy following the transition to IFRS.

Our problem is therefore the following: What is the impact of the mandatory adoption of IFRS on the effectiveness of investment policies?

In the first section, we will analyse the relationship between accounting conservatism and the effectiveness of investment policies. In the second section, we will rigorously describe the methodology used, the choice of the sample, the description of the models, the main results obtained, and the conclusion.

It should be noted that the subject of our research is worthy of study. We chose it after having noticed the lackof literature on the subject of the adoption of IFRS, accounting conservatism, and the effectiveness of investment policies. Indeed, many works have analyzed the relationship between the adoption of IFRS and accounting conservatism, but the tripartite relationship between the adoption of IFRS, accounting conservatism, and the effectiveness of investment policies has been the subject of little research to date.

Section 1: Relationship between accounting conservatism and the effectiveness of investment policies

1.1. Literature review on the relationship between the adoption of IFRS and the effectiveness of investment policies

Since the mandatory implementation of IFRS in 2005, research on the quality of the disclosed accounting output has continued to increase, especially after the various financial scandals. It should be stressed that the mistrust of investors, but especially of the general public, has been the stimulus for the various regulations, and many researchers have shown interest in studying the impact of the mandatory adoption of IFRS on the quality of the disclosed accounting output. According to Perebeau and Gil (2014), the mandatory transition to IFRS in 2005 for listed companies that are members of the European Union has always been fairly complex since implementation costs were quite considerable and IFRS compliance combined with other factors has led to high-quality accounting information.

In the Swedish context, Golubeva (2020) based on 493 observations of FDI from Swedish companies in 73 countries monitored over the period from 2007 to 2014, has noted a significant effect of the transition to IFRS on the level of foreign direct investment. It is noteworthy that this study is particularly relevant because it summarizes other variables that have a significant impact on the level of foreign direct investment. In short, what you can retain is that the transition to IFRS therefore, boosts the level of investment.

Both in the national and international contexts, Kapellas and Siougle (2018) have noted that in numerous studies, the salutary contribution of IFRS on different determinants of investment such as: a remarkable increase in cross-border investments as well as investment activities.

In the Chinese context, Defond *et al.* (2019) have apprehended the contribution of the adoption of IFRS through the evolution of the level of foreign investment in China, based on 5518 firms/years followed over two periods : a first period called pre-adoption period from 2005 to 2006 and the second period called post-adoption period from 2007 to 2008, the data are panel data. After empirical validation, these researchers concluded that

1. the so-called post-adoption phase of IFRS was marked by a decrease in foreign institutional investments,
2. the decline in the level of foreign investment has been more marked for companies that have not been encouraged to adopt IFRS.
3. The decline in the level of foreign investment has been widely observed in countries without strong institutions. It should be noted that this result is quite relevant. While IFRS are high quality standards that provide greater transparency than local accounting standards as well as better economic efficiency, these standards can only have a significant effect if the institutional characteristics are in line with the general orientation of IFRS.

Moreover, these researchers have highlighted the fact that two determinants are to be taken into consideration to explain the ineffectiveness of IFRS on the level of foreign investment. These two determinants are: the legal framework of the investor's country of origin and the experience of IFRS adoption.

Indeed, in a world where transactions are carried out on a global scale, with investors being more and more demanding, their satisfaction is essential for the sustainability of any company. The relationship between the mandatory adoption of IFRS and the effectiveness of investment policies has, therefore, been the subject of much research. This relationship has been justified in the accounting literature by the fact that IFRS are "high quality" standards that act to reduce informational asymmetry by adding more transparency to accounting information. Given that the effectiveness of investment policies depends on information, a reduction in informational asymmetry should bring investment policy back to its so-called optimal level.

Thus, in an optimal situation, the investor will have at his disposal all the necessary information to quantify the risks and thus take the most appropriate decisions. This idea was notably defended by Garrouch (2016) who stated that the transition to IFRS is a relevant signal sent by companies to the financial market. The privileged users of accounting information will, therefore, be better informed and will consequently be able to make an optimal allocation of their resources.

Apart from the level of informational asymmetry, accounting literature has shown that the level of accounting conservatism is another determining factor in the fight against informational asymmetry and it is, therefore, thanks to prudent accounting information that investors will be able to conduct an effective investment policy. In other words, in order to study the relationship between the mandatory adoption of IFRS and the effectiveness of investment policies, we must, first of all, study the association between accounting conservatism and the effectiveness of investment policies, a relationship that is all the more relevant to study, especially with the publication on March 29, 2018 of the new conceptual framework that revalued the principle of accounting conservatism or the principle of prudence.

Asserting that an investment policy is effective is tantamount to asserting that at the moment investors have not been "victims" of informational asymmetry, which therefore enabled them to take the optimal decision as to whether to mobilise their funds at the moment aspiring to an optimal level of investment . By consulting the accounting literature, we have noted that there is a causal relationship between accounting conservatism and the effectiveness of investment policies.

The practice of accounting conservatism by advocating the recognition of unrealized losses and delaying gains as long as possible has a positive impact on the effectiveness of investment policies since investors will be better informed. As Watts (2003) has argued, the principle of accounting conservatism has proven necessary to counteract the inevitable informational asymmetry between the various stakeholders and is therefore particularly relevant to minimise the natural opportunism of managers (limited time horizon). Indeed, referring to the agency theory initiated by Jensen and Mekling in 1978, the natural opportunism of managers is due to the fact that, being aware that they are not "eternal" in the company and that their interests do not inevitably coincide with those of the shareholders, managers will tend to invest in projects that maximize their own usefulness. In this situation of divergent interests, accounting conservatism is therefore proving itself to be an effective mechanism in allowing privileged users of accounting information to avoid both over-investment and under-investment. Indeed, referring to the definition of over-investment, it is often said that over-investment is based on the tendency of investors to mobilize their funds in projects with negative NPVs. According to Le Maux and Lagneux (2017), overinvestment presents it self as an above-average Investment and the variable mesurant over Investment constitues a relevant proxy for assessing the problems existing between managers and owners .

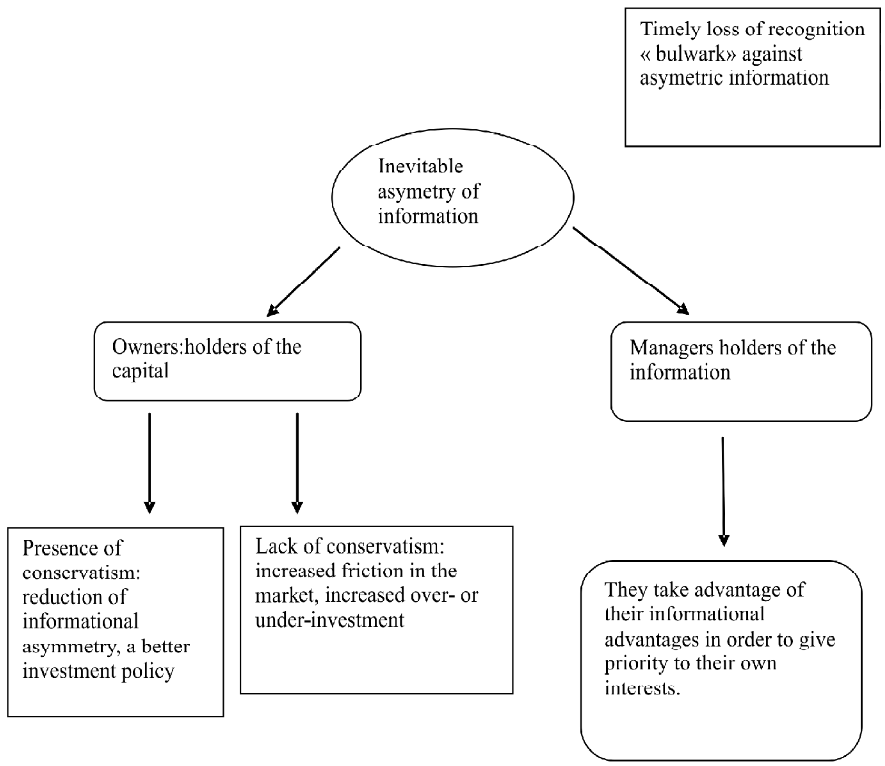
In accordance with financial theory, capital providers who are "victims" of market frictions resulting in informational asymmetry move away from the often desired level of investment.

According to André *et al.* (2014), accounting conservatism favours a reduction in underinvestment related to capital rationing, especially in terms of discretionary space.This is due to the fact that by forcing managers to recognize latent or probable losses quickly, they will not be able to manipulate accounting data in their favour. In most cases, it has been proven that managers are "on the lookout" for good news, especially when their recompense depends on this particular good news. In a context where managers only disclose information that is likely to enhance their position within the company, conservative accounting is now a fairly effective means of keeping managers from misleadinginvestors. Indeed, as Ball and Shivakumar (2005) point out, if managers are aware of losses beforehand, they will be less enthusiastic about investing in unprofitable projects.

To conclude, the diagram below shows the impact of the principle of accounting conservatism on the effectiveness of investment policies.

In an effort to provide an overview of the studies that have examined the association between accounting conservatism and the effectiveness of investment policies, Razzaq *et al.* (2016), dealing with the Asian context, focused on the relationship between accounting conservatism and the effectiveness of investment policies. The firms followed were those listed on the Shanghai and Shenzhen stock exchanges. The period of investigation being: (2002 -2013). They concluded that there is a positive correlation

Figure 1 : Accounting conservatism as a means of combating information asymetry



between accounting conservatism and the effectiveness of investment policies. Razzaq *et al.* (2016) added that the so-called conditional conservatism is a major determinant in the improvement of investment policies. This efficiency has thus led to a decrease in underinvestment. These researchers pointed out that underinvestment has decreased, in particular thanks to effective governance mechanisms.

In the Tunisian context, Houcine (2013) proved that accounting conservatism was not associated with a more efficient investment policy. Indeed, the specificities of the Tunisian governance process mitigate the oversight role dictated by accounting conservatism.

Thus, what we can retain through the various studies is that despite the inevitable divergence of interests between owners and managers, accounting conservatism is an effective mechanism to fight against informational asymmetry which allows investors to conduct an effective investment policy in combination with other factors.

After analyzing the different existing relationships between accounting conservatism and the effectiveness of investment policies as well as the existing relationship between the adoption of IFRS and accounting conservatism, we will analyze the effect of the transition to IFRS on the existing relationship between accounting conservatism and the effectiveness of investment policies.

1.2. Impact of the transition to IFRS on the association: accounting conservatism and effectiveness of investment policies

By establishing a common accounting language, the international accounting standard-setter aims to ensure that all investors, regardless of the country in which they intend to raise funds, are informed in a timely manner of any accounting information that might influence their decision-making choices. Additionally, it has been shown that investors have more confidence in companies that use international accounting standards than in companies that use local accounting standards. As "high quality" standards, IFRS should therefore enable investors to pursue an investment policy that is geared towards an optimal level.

Following a review of accounting literature, we examine the impact of the adoption of IFRS on the relationship between accounting conservatism and the effectiveness of investment policies. Many researchers have been interested in studying the impact of the mandatory adoption of IFRS on the quality of disclosed accounting output.

Indeed, in a world where cross-border transactions are increasingly numerous and investors are increasingly demanding for quality accounting information, the satisfaction of investors is essential for the sustainability of the company. The relationship between the mandatory adoption of IFRS and the effectiveness of investment policies has, therefore, been the subject of much research. It should be noted that this relationship has been justified in the accounting literature by the fact that IFRS are "high quality" standards that act to reduce informational asymmetry by providing more transparent accounting information. However, given that the effectiveness of investment policies depends on the level of information in quantitative terms, a reduction in informational asymmetry should bring the investment policy back to its so-called optimal level.

Thus, in an optimal situation, the investor will have at his disposal all the necessary information to quantify the risks and thus take the most appropriate decisions. Garrouch H.(2016) has argued that the transition to IFRS is a relevant signal from companies to the financial market. The privileged users of accounting information will, therefore, be better informed and will,consequently, be able to make an optimal allocation of their resources.

By promoting transparency of accounting and financial information, IFRS may distort the existing positive association between accounting conservatism and effective investment policies. Indeed, as we have seen before, there is a positive relationship between accounting conservatism and the effectiveness of investment policies: higher accounting conservatism increases the possibilities for a given rational investor to pursue an effective investment policy. Howevern, when we study the impact of the transition from local accounting standards to IFRS, the name of the relationship: accounting conservatism and the effectiveness of investment policies may change.Indeed, according to the vision of the international accounting standard-setter, the information conveyed through the financial statements, which according to Tikire *et al.* (2013) is the preferred source of information, must be as neutral as possible.It is a matter of describing reality as it is. It should be noted that until 2018, when the new conceptual framework came into being, the IASB's vision was to provide privileged users of accounting information with neutral accounting information, a simple transcription of an economic reality.But, following the various financial "earthquakes", the climate in which companies were operating has now become a climate where the main watchwords are doubt and continued mistrust. Being always attentive to economic changes, the international accounting standard-setter has therefore upgraded the concept of prudence in its new conceptual framework. From now on, the accounting information disclosed in the financial statements is faithful information.The international accounting standard-setter has stressed that the faithfulness of accounting information is based on the notion of neutrality, which in turn is based on the principle of prudence.Referring to the IASB's comments prior to 2018, there is a negative relationship between IFRS and accounting conservatism and, therefore, following this reasoning, the transition to IFRS may alter the positive association between IFRS and investment policy. The decrease in accounting conservatism will lead to an increase in asymmetry of information and therefore lead to a move away from the optimal level of investment.

It is stressworthy that in the French context André et al (2014) found that the transition from local accounting standards, i.e., French standards to international accounting standards, did not lead to a better investment policy. This is due to the fact that the decline in accounting conservatism led to an increase in informational asymmetry, which in turn led to a deterioration in the investment policy.

Finally, as we have dealt with the consequences of IFRS on the efficiency of investment policies by focusing on the existing relationship between accounting conservatism and the efficiency of investment policies, we conclude this section with an interesting study carried out in Saudi Arabia. Indeed, Alnodel (2016) directly analyzes the existing relationship between IFRS and the effectiveness of investment policies without evoking the concept of conservative accounting. This research proves that IFRS applied in an environment antinomic to the Anglo-Saxon conception of accounting leads inevitably to no improvement in the investment policy.

Alnodel (2016) is interested in the consequences of the transition to IFRS on the efficiency of the Saudi market. He, therefore, conducted a study on companies belonging to different sectors: banking, petrochemicals, and insurance monitored over the period of the study. After empirical validation, this researcher found that the transition to IFRS did not lead to an improvement in the efficiency of the Saudi market. This researcher explained these results by the fact that the Saudi context is a particular context characterized by an economy highly dependent on oil prices Moreover, there is no institutional framework that recognizes the rights of investors and finally there are no incentive mechanisms to encourage companies to disclose transparent accounting information.

As Louis Bellaing stated in his book entitled "Empiricism in Sociology", "Empiricism is indispensable to sociology, without which it would have no basis, no sufficiently well known and verified field to be able to elaborate scientific results":

Hypothesis 1 : There is a positive relationship between accounting conservatism and the effectiveness of investment policies following the mandatory adoption of IFRS.

2. Methodology

In our second section, we will first focus on the choice of the sample and then we will present the models used to test our hypothesis.

2.1. Sample Selection

In order to analyse the impact of the transition to international accounting standards on the effectiveness of investment policies through the relationship between accounting conservatism and the effectiveness of investment policies, we have chosen to refer to the French context. Indeed, our choice was based on the French context for various reasons.First of all, the vision of accounting according to the French logic is antinomic to the

Anglo-Saxon vision. On the other hand, according to the French rationale, accounting is the means that allows the accountants to render accounts in case of possible litigation. On the other hand, according to the Anglo-Saxon logic, the investor is at the center of the company's concerns, and therefore accounting represents the main strategic tool for the investor to make the best decision regarding the mobilization of his funds. Another reason why we have chosen the French context is that, it is more judicious to test the impact of Anglo-Saxon standards in a non-Anglo-Saxon environment than in an Anglo-Saxon environment. Being accounting standards with an international vocation, the IASB, which is the international accounting body responsible for developing international accounting standards, must be aware that the impact of IFRS on the quality of accounting information is different in the French context because it has been proven that French companies do not necessarily meet the characteristics of Anglo-Saxon companies. Indeed, we have chosen companies belonging to the SBF 120 index, which offer an opportunity to faithfully reflect economic reality.

Our initial sample includes 120 companies. However, after eliminating banks, insurance companies, leasing companies and companies that voluntarily adopted IFRS before 2005, our final sample includes 94 companies.

The choice of our study period is justified in this way : because we have chosen a more or less long period: from 2002 to 2004 this period corresponds to the so-called pre-adoption period of IFRS and from 2005 to 2012 this period corresponds to the so-called post-adoption period.

This study period is relevant for research in 2020 because it would allow us to know if the evolution over time in the application of IFRS will improve the efficiency of investment policies and this through the evolution of the relationship between the adoption of IFRS. It would, therefore, be relevant to carry out a comparative analysis between the results obtained for example in 2020 and those obtained over an older period of time.

Due to the unavailability of a significant amounts of data in Tunisia, we collected our data at the University Paris Dauphine, in France. Our data are from 3 databases: Diane, Orbis ,I/B/E/S

2.2. Model description

In order to ensure that accounting information with a high level of accounting conservatism are linked to a relevant investment policy, we will first evaluate the so-called abnormal investment.

As André *et al.* (2014) do, we will therefore use a regression establishing a link between the total investment of firm i in year t+1,INV_{it+1} and the determinants recognized by the accounting literature as explaining the degree of investment of a firm.

$$INV_{it+1} = \alpha_0 + \alpha_1 INV_{it} + \alpha_2 \Delta SALES_{it} + \alpha_3 SIZE_{it} + \alpha_4 MTB_{it} + \alpha_5 END_{it} + \alpha_6 TANG_{it} + \alpha_7 FTEVENT_{it} + \alpha_8 TNTANG_{it} + \alpha_9 LOSS_{it} + IND_{it} + \zeta_0$$

Thus, for each company, each year we obtain the value of the so-called abnormal investment ($ABSINVAN_{it+1}$) which represents the product resulting from the difference between the investment actually made and the investment theoretically planned. It should be noted that thanks to model 1, we will be able to access the level of abnormal investment in absolute value. Moreover, it we addedthat an increase of ($ABSINVAN_{it+1}$) must be analyzed as follows: a company for which the possibility of over or under investing is stronger.

Thus, the objective of this first model is to identify cases of over and under-investment.

Table 1
The Variables of Model 1

Type de variable	*Acronym*	*Mesuared Effect*	*Researchers*
Dependent	INV_{it}	Total Investment=CAPEX+ assets acquired by merged assets CAPEX (capital expenditure) refers to all expenditure relating to the investment (tangible and intangible assets) This indicator is a component of the cash flow statement that assesses investment in tangible ressources and is therefore used to evaluate the efforts made to maintain and improve productive potential.	André *et al.* (2014)
Independent	D $SALES_{it}$	Percentage growth in sales for economic entities at the end of year t	André *et al.* (2014)
Independent	$SIZE_{it}$	Log of the market capitalisation of the economic entity i at the end of year t	André *et al.* (2014)
Independent	MTB_{it}	Market to book :market value of equity / book value of equity	André *et al.* (2014)
Independent	END_{it}	Total debt/ Equity	André *et al.* (2014), Merino *et al.* (2014)
Independent	$TANG_{it}$	Tangible fixed assets / Total assets of economic i at the end of year t	André *et al.* (2014)
Independent	$FTEVENT_{it}$	Operating cash Flow / Sales of business entity at the end of year t	
Independent	$TNTANG_{it}$	Net cash /All tangible fixed assets of economic entity i at the end year of t	André *et al.* (2014)
Independent	$LOSS_{it}$	Dichotomous variable which is if the net result is negative otherwise 0	André *et al.* (2014)
Independent	IND_{it}	SIC Code	André *et al.* (2014)

After having evaluated to present the model relating to the measurement of abnormal investment, we are going to present the model that relates the level of abnormal investment and timely loss of recognition in the following section.

Model 2

$$ABSINVAN_{it+1} = \theta_0 + \theta_1 CONS_{it} + \theta_2 ACCD_{it} + IND_{it} + YEAR_{it} + \varepsilon_{it+1}$$

After having evaluated to present the model relating to the measurement of abnormal investment, we are going to present the model that relates the level of abnormal investment and accounting conservatism in the following section.

$$RN_{it} = \beta_1 + \beta_2 D_{it} + R_{it}(\mu_1 + \mu_2 SIZE_{it} + \mu_3 MTB_{it} + \mu_4 END_{it}) + D_{it}R_{it}(\gamma_1 + \gamma_2 SIZE_{it} + \gamma_3 MTB_{it} + \gamma_4 END_{it}) + (\delta_1 SIZE_{it} + \delta_2 MTB_{it} + \delta_3 END_{it} + \delta_4 D_{it} SIZE_{it} + \delta_5 D_{it} MTB_{it} + \delta_6 D_{it} END_{it}) + D_{it}$$

In order to evaluate accounting conservatism, we estimate the parameters.

The degree of accounting conservatism depends on the specificities of time and the characteristics of each company.

After evaluating the level of accounting conservatism, we will use Model 2 to link accounting conservatism to the effectiveness of investment policies. The question is, therefore, to see whether accounting conservatism favours the effectiveness of investment policies or, on the contrary, "deteriorates" the effectiveness of investment policies.

Model 2 will allow us to invalidate or confirm the idea that an accounting output with a high level of conservatism is positively correlated with the effectiveness of investment policies. The increase in the level of conservatism should be statistically reflected by a negative and significant θ_1 coefficient, indicating a decrease in under- or over-investment. It should be noted that in this model, the variable $ACCD_{it}$, which is a control variable, was deliberately added by the researcher to explain the so-called abnormal investment. Since accruals have an impact on the quality of accounting information, this variable was incorporated into the model to better explain the so-called abnormal investment.

Indeed, as Biddle and Hillary (2006), Biddle *et al.* (2009) and Chen *et al.* (2011) have argued, accruals, which have been defined "as a set of accounting adjustments to cash flow authorised by the standard-setting bodies", are an essential element in judging the quality of accounting output. The accruals have an influence on the efficiency of investment policies.

We therefore expect to find a coefficient θ_2 like the coefficient θ_1 negative and significant. To analyse the influence of IFRS on the association between conservatism and investment policies, we proceeded as follows: we performed regressions of the different measures separately, firstly according to local accounting standards, i.e. under French standards, over the period from 2002 to 2004. Then, we performed the regressions under IFRS, starting in 2005, the date of the mandatory transition to IFRS.In order to be able to compare the divergences we added the IFRS(it) binary variable which takes the value of 1 if the company uses IFRS and 0 otherwise .

Table 2
Variables of the model 2

Type of variable	*Acronyme*	*Mesuared Effect*	*Researchers*
Dependent	*ABSINVAN*	Abnormal of investment	André *et al.* (2014)
Independent	$CONS_{it}$	Degree of timely loss of recognition	Khan *et al.* Watts (2009)
Independent	$ACCD_{it}$	Accruals determined according to the Dechow model Model by Dechow and Dichev (2002) : $TCAi,t / Aveasset_{i,t} = \theta_{0,t} + \theta_{1,t} (CFO_{i,t-1} / Aveasset_{i,t}) + \theta_{2,t} (CFO_{i,t} / Aveasset_{i,t}) + \theta_{3,t} (CFO_{i,t+1} / Aveasset_{i,t}) + e_{i,t}$ $Aveasset_{i,t}$: Average of total assets de l'actif between t et t-1 $CFO_{i,t}$: Oerating cash Flow = Net income + Depreciation, amortisation and provisions-write -backs on depreciation and provisions-capital gains on disposals + capital losses on disposals +/ -change in working capital requirements $TCA_{i,t}$: the total current accruals of period t and is equal to: $\Delta CA_{i,t} - \Delta CL_{i,t} - \Delta Cash_{i,t} + \Delta STDEBT_{i,t}$ $\Delta CA_{i,t}$: the fluctuation of current assests between t and t-1. $\Delta CL_{i,t}$: the fluctuation of current liabilities between *t* and *t*-1. Δ STDEBT: the fluctuation of short term debt between *t* and *t*-1. $-\Delta Cash_{i}$: change in net cash and cash equivalents	Dechow et Dichev (2002)
Indépendante	IND_{it}	Set of dichotomous varaibles relating to different sectors of activity	André *et al.* (2014)
Indépendante	$YEAR_{it}$	A set of dichotomous variables relating to years.	André *et al.* (2014)

Table 3
The variables of Khan and Watts model.

Type of variables	*Acronyme*	*Measured Effect*	*Researchers*
Dependent	RN	Net income	Basu (1997) Khan et Watts (2009)
Independent	R	Stock return	Basu (1997) Khan et Watts (2009)
Independent	D	D =1 si R_{it} <0 , 0 otherwise	Khan et Watts (2009)
Independent	SIZE	Logarithm of market capitalization	Basu (1997) Khan et Watts (2009)
Independent	MTB	Market capitalization / shareholders' equity	Basu (1997) Khan et Watts (2009)
Independent	END	Total debt / equity	Basu (1997) Khan et Watts (2009)

2.2. Key Results

So, having presented the variables relating to model 2, we will now proceed with the analysis of the results.

Standards *Variables*	*French* *(2002-2004)*	*IFRS* *(2005 → 2012)*	*French+IFRS*
$CONS_{it}$	-0.0512***	(-0.0886)	(-0.0516)*
$IFRS_{it}$ * $CONS_{it}$	0	0	(0.037)*
$ACCD_{it}$	(-0.010)*	(-0.0101)*	(-0.017)
$IFRS_{it}$ * $ACCD_{it}$	0		-0.620
$IFRS_{it}$	0		0.9497
Sectors	Included	Included	Included
Years	Incluses	Incluses	Incluses
Constant	-5.73e+09	-4.04e+08	-4.30e+08
N	84	549	633
F	210.30*	1307.40*	735.49*
Adjusted R^2	0.8369	0.8747	0.8710

Referring to the above results , we note that in the pre-IFRS period, i.e. before the transition to IFRS, there is a significant negative relationship between accounting conservatism and the absolute value of abnormal investment. In fact, the coefficient is equal to -0.0512. Thus, we can state that under local accounting standards, i.e. French standards, an increase in the level of prudence or accounting conservatism translates to a decrease in abnormal investment. Our results are, therefore, in line with the results of the work of Garcia *et al.* (2013).

Following the transition to IFRS, we note that the negative relationship between the level of accounting conservatism and the absolute value of abnormal investment remains but at an insignificant level, as the coefficient relating to accounting conservatism is -0.0886.

In view of the results, we have achieved what we can, therefore, it is argued that the transition to IFRS has led to a change in the effectiveness of investment policies through the concept of accounting conservatism. While during the so-called pre-adoption period of IFRS, accounting conservatism, a mechanism fighting against asymmetry of information, played its full role by allowing a significant reduction of the abnormal level of investment.The transition to IFRS has modified the intensity of the relationship between accounting conservatism and the effectiveness of investment policies.Moreover, the level of accounting conservatism has decreased following the transition to IFRS. In fact, the coefficient relating to accounting conservatism went from -0.0512 to -0.0886.

Our results are notably confirmed by the product CONS*IFRS which significantly presents a positive sign. Indeed, the coefficient relative to this product is equal to 0.037. We can, therefore, state that the transition from local accounting standards to international accounting standards has meant that conservative accounting is no longer a mechanism that acts in the interests of investors. In theory, accounting conservatism represents a means of significantly reducing the abnormal level of investment. However, in our research, we note that the change in accounting standards has not led to an improvement in the effectiveness of investment policies. In fact, we can explain our results by the fact that the international accounting standard-setter advocates neutral accounting information, i.e. information that reflects economic reality in the true sense of the term, thus moving away from accounting prudence.Investment policy loses a fundamental characteristic, which in this case is efficiency.

With reference to the control variable $ACCD_{it,}$ we find that there is a significant negative correlation between $ACCD_{it}$ and the absolute value of the abnormal investment, as there is a significant negative relationship between accruals and the level of abnormal investment under both international and French accounting standards. Reading the table above, we note that under French accounting standards the coefficient relating to the quality of accruals is -0.010, this coefficient is significant, under IFRS this coefficient is -0.0101. Thus, following the example of André et al (2014), we note that the determinant relating to accruals has had a negative influence on the level of abnormal investment since we have noted the existence of a significant negative relationship between the quality of accruals and the level of abnormal investment, whatever the accounting standards applied.

Focusing on the product IFRS*ACCD we notice that the transition to IFRS has not changed the meaning of the existing relationship between the variable ACCD and the variable to be explained which is ABSINVAN . Indeed, the coefficient is -0.620 but is insignificant.

In short, what we can retain from this approach is that in our research, the disclosure of prudent accounting information and risk aversion has been beneficial to the investor since we have noted the existence of a significant negative correlation between accounting conservatism and the absolute value of the abnormal investment. Under local accounting standards, i.e. French accounting standards, conservative accounting has made it possible to ensure an effective investment policy resulting in a decrease in the level of abnormal investment.

Under international accounting standards, i.e. IFRS, the level of accounting conservatism has decreased and the relationship between accounting conservatism and abnormal investment is no longer a significant one.

RESULTS

- Negative and significant relationship between accounting conservatism and abnormal investment over the IFRS pre-adoption period.
- positive relationship between the $CONS_{it}$* $IFRS_{it}$ product and abnormal investment is positive and significant, accounting conservatism no longer plays its role as a mechanism acting in the interests of investors in the so-called post-adoption phase of IFRS.

CONCLUSION

After empirical validation, we are able to give a clear answer to the following question: what is the impact of the adoption of IFRS on the effectiveness of investment policies? Following a careful empirical analysis, we have not confirmed the positive effect of IFRS on the effectiveness of investment policies in the French context.

Indeed, we have noticed during the pre IFRS period, when companies refer to French accounting standards, that accounting conservatism has been a kind of "bulwark" against abnormal investment. In other words, this mechanism has led to a decrease in the level of abnormal investment. This result is fully in line with theory, since accounting conservatism is an effective response to the inevitable asymmetry of information, which is detrimental primarily to the privileged users of accounting information, i.e. the investors.

Following the transition to IFRS, accounting conservatism has decreased and we have noticed a negative but insignificant relationship between accounting conservatism and abnormal investment. Our result can be justified by the fact that at the time the international accounting standard-setter defended the idea of neutral accounting information. This neutrality has not been beneficial for French companies in terms of their investment policies.

The results we have reached are different from the study carried out in the Tunisian context because the institutional characteristics are different, France has adopted the IFRS in a mandatory manner as of 2005 while Tunisia applies local accounting standards. The adoption is scheduled for 2021 for companies making public offerings. Thus, our conclusions are naturally different from the conclusions of the Tunisian study conducted by Houcine (2013) and, as was pointed out in Houcine's research (2013), the specificities of the corporate governance system did not allow conservatism to ensure its control role.

It should be noted that this research is relevant to many parties

Literature : The present research may lead future researchers to take interest in this theme, which is little treated in the literature. We believe that this topic may be of interest to future researchers who will be able to carry out studies on the effectiveness of investment policies in the context of the financialization of the economy.

Standard setters : This research represents a practical application of the effect of international accounting standards on the relationship between accounting conservatism and the effectiveness of investment policies. It enables the standard setter to demonstrate to the standard adopter whether or not the application of Anglo-Saxon international accounting standards in a non-Anglo-Saxon environments leads to a more effective investment policy.

Decision-makers: This research can guide investors in the sense that it allows them to have a precise idea of the effectiveness of their investment policies in a country that applies IFRS but which presents characteristics that are antinomic to the Anglo-Saxon characteristics relating to accounting. This research, therefore, offers investors the opportunity to have relevant information on the mobilization of their funds.

Like all research work, this work is interesting because it opens the way to many avenues of research.

– To undertake a comparative analysis between countries that have adopted IFRS and countries that have not yet adopted IFRS. The purpose of this comparative analysis is to determine whether international accounting standards or local accounting standards are more relevant to the effectiveness of investment policies.

– To understand the conservative accounting approach with a more recent model, in order to see whether choosing a more recent model may lead to different results than those obtained.

– Taking advantage of the fact that the concept of the quality of accounting information offers the opportunity to be a concept that can be approached from different angles.Future researchers may choose to analyze whether another aspect of the quality of accounting information has a positive influence on the effectiveness of investment policies

Despite the fact that we followed a rigorous approach to carry out our study, we had to face certain limitations. These limitations are both theoretical and empirical, and in the following, we will first present the theoretical limitations and then present the empirical limitations.

LIMITATIONS OF THE RESEARCH

Theoretically;

– The lack of work that has looked at the effect of IFRS adoption on the relationship between accounting conservatism and the effectiveness of investment policies makes the literature review complex.

– The concept of conservative accounting is a difficult concept to grasp because of the existence of numerous and continuous amendments.

At the empirical level :

– Non-availability of data

– Existence of many nested variables

– Many models have evaluated conservatism - one has to choose the most relevant model.

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