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THE REPORTING STANDARDS AND EARNINGS QUALITY: AN EMPIRICAL EVIDENCE FROM INDIAN AND TANZANIAN SELECTED LISTED COMPANIES

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Abstract
This study investigates the impact of reporting standards on earnings quality using data of fifteen firms listed in India and Tanzania over a period of 2005-2014. Similar to prior studies (Gerayli et al., 2011; Onalo et al., 2014; Joia and Nakao, 2014) we apply modified Jones model (1995) to calculate discretional accruals,which connote level of earnings management, a proxy for quality of earnings. Consistent with our prediction, we found no significant statistical difference between earnings quality reported by Indian (local GAAP) and Tanzanian (IFRS) listed non-financial firms during the study period. More concisely, the t-test results confirm that the statistical means difference of absolute value of discretional accruals (absDAC) between India (Indian GAAP) and Tanzania (IFRS) is highly insignificant (at p-value 0.6802 in the pr(|T|<|t|) under Ha:diff ! =0. The study further shows an overall decrease in quality of reported earnings for a pooled data in the year of economic crisis (2008), but with comparatively higher earnings quality deterioration (prevalent earnings opportunistic practices) in Tanzania than in India. Moreover, the result provide a general evidence of improved quality of earnings during the period of amendment towards IFRS converged Indian standards (i.e. the IFRS convergence period) through a decreasing trend of absolute value of discretional accruals in India. The overall implication of the study is that reporting standard is an important determinant for earnings quality but not an exclusive determinant. For that matter, a sycophantic focus of attention on reporting standards in isolation is inappropriate and incomplete.

Key words: Quality of earnings, IFRS, Indian GAAP, Earnings management, Discretional accruals (absDAC).

1. Introduction

Earnings quality is substantially tested through earnings management magnitude (Van Tendeloo and Vanstraelen 2005; Wang and Campbell, 2012; Liu et al., 2014) and measured by the value of discretional (abnormal) accruals (Trabelsi et al., (2013). Accordingly, the larger value of discretional accruals denotes higher earnings management magnitude and less quality of earnings and vice-versa. The concept has lately gained popularity in accounting researches and substantially linked with the quality of applicable reporting standards (Benyasrisawat, 2012). This generally entails that the effective application of quality standards would expectedly result into high quality earnings. In this stance the earnings quality is anticipated to be higher for firms reporting under IFRS than those reporting on local regimes (Kaaya, 2015, p.38). This follows Barth et al., (2008) who suggest that IFRS may improve quality of reported figures because of its principles and quality as opposed to local standard which are rules based.

Seemingly, the use of IFRS restricts management's opportunistic practices and could lead to improved quality of information in terms of relevance, reliability and usefulness. This assertion is associated with; first, IFRS requirement for greater financial disclosures (Limanto and Fanani, 2014) and diminution of information asymmetry between key stakeholders of financial reports (Onalo et al., 2014). Second, they are capital oriented and reduce accounting choices (Barth et al., 2008). Third, IFRS are principles based (Nouri and Abaoub, 2014). In support of that Cai et al., (2008) contend that:

> *The IFRS high quality reporting standards removes many allowable accounting alternatives and expected to limit the management`s discretion to manipulate earnings, thereby improving earnings quality.*

In this regard the widespread adoption and apt application of global standards (IFRS) is anticipated to improve the quality of overall information reported by corporate bodies across countries. However, in Squabble with preceding contention a range of studies documents that IFRS are more discretional and flexible (Nobes, 2011; Lin et al., 2012) and embrace fair value measurement (Penman, 2007; Blanchette et al., 2013). Consequently, they (IFRS) may afford greater opportunities for firms to manage earnings; increase level of earnings management and reduce quality of earnings (Ball, 2006, pg.12; Lin et al., 2012). Accordingly, Jelic et al., (2010) posited that *"under IFRS managers tend to have more degrees of freedom to manage their earnings"* and possibly distort true and fair view concept of reported earnings. In fact it is evident that managers do at least manage their earnings at picky circumstances (Jelic et al., 2010) through choices of accounting methods.

On a further note Ball et al., (2003) and Ding et al., (2007) argue that adopting high quality standards might be a necessary condition for high quality information but not necessarily a sufficient one. For that reason the impact of IFRS on quality of financial information is highly dependent on its actual implementations which differ across countries. The IFRS rigorous application and conformance is partly affected by strong governance structures; sound and strong legal and institutional regulatory framework (UNCTAD (2008; 2010); Lee et al., (2013); national reporting culture (Tsakumis et al., (2009); economic level and development of capital market; the complexity of business and political lobbying; audit quality (Van Tendeloo and Vanstraelen, 2005); tax systems and firms' reporting incentives (Ball et al., 2003) and therefore impact the reporting quality. Besides, Prather-Kinsey (2006, pg.142) argue that it is impossible to have an effective set of standards which can be relevant for all countries in availing quality accounting information due to different legal, cultural, economical, institutional settings and diversified implementation vigilance.

On this note, it is apparent above that whether IFRS produces high quality earnings is a conflicting contest and studies do not show one direction. The existing empirical results are noticeably mixed and incoherent (Capkin et al., 2012) and biased to developed countries (Chebaane and Othman, 2013). This makes a clear call for specific Jurisdiction's empirical studies to contest or corroborate the existing results. This study therefore was motivated by inadequate studies of this nature in India and Tanzania; mixed and incoherent conclusion from prior studies and transition of India to IFRS -like standards (Ind AS). The study explores the impact of the reporting standards on quality of earnings (absDAC) for non-financial listed companies in India and Tanzania over a period of 2006-2014. The rest of this paper presents Section 2.0 Related Empirical Literature; 3.0 Data and Methodology; 4.0 Results; 5.0 Summary, Conclusion and Implications of the results and 6.0 References.

2. Review of related empirical literature

The empirical studies in this area examine and report results on the impact of IFRS on quality of earnings and relative to local standards. The earnings quality is widely operationalised through earnings management level measured by the value of discretional accruals (Wang and Campbell, 2012). These studies are either country specific or international comparative most of which use discretional accrual based on modified Jones model (1995). Without specifying results for individual jurisdiction Barth et al., (2008) found evidence of improved quality of earnings across 21 countries after adopting IFRS. Their results is refutable to prior study by Heemskerk and Van der Tas (2006) who had reported otherwise using sample of 160 financial reports in German and Swiss companies.

Using a sample of listed companies from UK, German and France after IFRS adoption Tendencias and Contabil (2013) found evidence of lower, higher and moderate level of earnings management in three countries respectively. In akin to Tendencias and Contabil (2013); Jeanjean and Stolowy (2008) found similar level of earnings management after adoption of IFRS in Australia and UK but an increased level in France. Correspondingly, Jelic et al., (2010) revealed lower earnings management in firms adopting IFRS compared to firms applying local GAAP. Houqe et al., (2010) reported that IFRS adoption per se does not lead to increased earnings quality but depends on other factors such as investor's protection. He concluded that quality of earnings had improved for countries with stronger investor's production post-IFRS adoption. In support of Houqe et al., (2010) a comparative study of Cai et al., (2008) reported a decreased earnings management magnitude consequent to IFRS adoption over 32 countries even more for countries with strong enforcements.

In 2005, Vanstraelen coauthored Van Tendeloo to investigate on the impact of IFRS and German GAAP on earnings management for firms listed in German. They found no difference between IFRS and German GAAP on earnings management behaviour. In contrast, Wali (2013) reported an improved quality of earnings after adopting IFRS and relative to German GAAP in the same country. Mazza et al., (2014) found evidence of reduced earnings management in Italian context consequent to IFRS implementation. The findings are corroborative to that of Sellami and Fakhfakh (2014) in French who documented a significant reduction of value of discretional accruals during the study period (1999 – 2011) based on a sample of 124 listed companies. In similar reporting scenery Abaoub coauthored Nouri (2014) and revealed less earnings management after IFRS and compared to local accounting standards in France.

Pratt et al., (2012) does not find evidence that IFRS as compared to US GAAP leads to greater likelihood of earnings management. However, the results maintain that moving to more principles-based reporting standards (like IFRS) in the U.S. may encourage a shift from real earnings management methods to accounting (accrual) earnings management methods. The result disagrees with that of Dimitropoulos et al., (2013) in Greece context which associated less earnings management and IFRS application. This contradict an earlier result by Capkun et al., (2012) who associated greater flexibility in IFRS and increased level of earnings management from pre to post IFRS adoption. The results uphold Ahmed et al., (2010) who found similar results for mandatory adopters of IFRS.

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Besides Tort (2013) found that the principle based IFRS by Spanish companies had increased the discretional accounting practices-earnings management under IFRS compared to local standards. The result supports Callao and Jarne (2010) who find evidence of an increased earnings management magnitude when adopting IFRS in a place of domestic standards. Furthermore, Christensen et al., (2008), found a decrease in earnings management (smoothing) for the early adopters, but a modest increase for mandatory adopters of IFRS in Germany. The results contradicts Chua et al., (2012) who found that firms which had mandatorily adopted IFRS in Australia exhibited less earnings management.

Joia and Nakao (2014) report no difference on the level of earnings management subsequent to IFRS adoption in Brazil. In contrast Wan et al., (2013) associated IFRS adoption with low levels of earnings management in Malaysia. This upheld an empirical result in Chinese reporting scene which documented improvement of earnings quality post IFRS adoption (Liu et al., 2011). This result is contested by Wang and Campbell (2012) who suggests that, no strong evidence that IFRS improved the quality of reporting via reduce earning management as compared to China GAAP. In fact, Li and Park (2012) evidenced that Chinese firms do more earnings management after IFRS adoption than before. The results contradict the findings by Jeno (2011) for listed companies in Hungary.

While Sang-Kyu and Jing (2012) found evidence on increased earnings management for Chinese listed companies after implementing IFRS; Hendika and Hudiwinarsih (2014) found otherwise in Indonesia. Another study in Indonesia showed that IFRS adoption does not have effect on earnings management (Limanto and Fanani, 2014). The result is upheld by Palacios and Martinez (2014) who found no relationship between IFRS and low levels of discretional accruals in Mexico. Chebaane coauthored Othman (2013) to examine impact of IFRS in South Africa and Turkey. They found no association of earnings management reduction and IFRS. The results seemingly support Prather-Kinsey (2006) that IFRS may not fit participants from developing countries. Associating their results with fair value inclination of IFRS and its questionable relevance to illiquid markets; Rudra and Bhatacharjee (2012) concluded that the IFRS did not reduce earnings management in India. Of recent, Udayakumara co-authored Weerathunga (2015) and report that Sri Lankan firm’s exhibit higher level of earnings smoothing post- mandatory adoption of IFRS/SLFRS.

The empirical studies discussed above are non-directional despite applicable research scenery. Quite a number of studies found earnings management magnitude to decrease subsequent to IFRS application and relative to local GAAP (Barth et al., 2008; Jelic et al., 2010; Wali, 2013; Onalo et al., 2014; Nouri and Abaoub, 2014). Others conclude otherwise (e.g., Kapkun et al., 2012; Lin et al., 2013; Tort, 2013; Wan et al., 2013). Another group report no significant statistical differences on earnings management magnitude between IFRS and local GAAP (e.g., Joia and Nakao, 2014; Palacios and Martinez, 2014). Based on the empirical tested academic works reviewed and presented in this section we developed our null hypothesis as follows:

H0: ***There is no significant statistical difference on discretional accruals (earnings quality) between Tanzania and India (diff. =0).***

3.Data And Methodology

3.1 Sample Selection and Data

Selected on merit of market capitalization we use annual reports’ data for fifteen (15) large non-financial corporate houses listed in Tanzania (DSE) and India (NSE) over a 2005-14 period. The sample comprised 8 (53.33%) firms from India and 7 (46.67%) from Tanzania for the study. We obtained data from Osiris database which is worldly and reputable source for publicly listed companies’ data. Complementary information was collected manually from statistical bulletin and annual reports of listed companies, obtainable from the stock markets and company’s websites.

3.2Model Specification

We followed an approach similar to other larger body of previous studies in accounting and reporting (e.g. Gerayli et al., 2011; Onalo et al., 2014) to achieve objective of this study. On that base we measure quality of earnings through discretional accruals (DAC) which represents the level of earning management practices by listed companies. The rationale behind the use of DAC lies on its ability to reflect manager`s accounting estimates and choices (Dechow et al., 1995) as well as its wide applicability in studies of this nature (Nouri and Abaoub, 2014).

The absolute discretional accruals (absDAC) was calculated from the modified Jones model (1995) which is considered appropriate and stronger test to investigate quality of earnings (Emamgholipour et al., 2013, p.401) and operationalised in version 13.0 of STATA. Accordingly, the discretional accruals (absDAC) is defined as ‘the difference between the levels of ‘Total Accruals (TACC) and Non-Discretional (normal) Accruals (NDAC)’ (See for example, Jones, 1991; Jelic et al., 2010). Non-Discretionary Accruals (NDAC) are the predictions from the Ordinary Least Square (OLS) estimation of model (1), while the discretionary accruals (DAC) are the residuals (Becker et al., 1998, p. 12) as shown in model 2. It is construed that '*the larger value of discretional accruals denotes higher earnings management magnitude and less quality of earnings and vice-versa*'.

Converse to most other studies which group companies in industries, our sample is grouped as per the applicable reporting regime (countries). The rationale behind this grouping is that the two reporting regimes are likely to affect the management's accrual behaviour differently and secondly, categories of industry for our sample unit were few. We applied the modified Jones model (1995) to calculate the DAC:

$$\frac{TACC_{it}}{TA_{it-1}} = \sim_1\left(\frac{1}{TA_{it-1}}\right) + \sim_2\left(\frac{\Delta Rev_{it} - \Delta Rec_{it}}{TA_{it-1}}\right) + \sim_3\left(\frac{PPE}{TA_{it-1}}\right) + £_{it} \qquad \text{-----------------------------------(1)}$$

Where

TACC- Total Accruals for sample firm i in year t; Measured as Net Income before extra ordinary items minus Operating Cash Flows (NI_{it} –OCF_{it})

TA - Total Assets for sample firm i at the beginning of year t;

a **Rev -** Change in net revenues for sample firm i;

a **Rec** - Change in receivables for samples firm i;

PPE -Gross property, plant and equipment;

The subscript *i, t* is the firm and year index (used to control for the portion of total accruals related to non-discretional depreciation expenses;

$\sum_{it}$ error term for sample firm i for year t;

$\sim_1, \sim_2, \sim_3$ - Estimated coefficients from the model (estimated regression parameters).

The residual from the model represents the discretional (abnormal) accruals reported by the sample firms. This implies that the right hand side of the equation represent the NDAC, whereas the other side denotes (TACC).

$$DAC_{it} = \left(\frac{TACC_{it}}{TA_{it-1}}\right) - NDAC_{it} \qquad \text{---(2)}$$

The t-statistics test (t-test) was finale applied to determine the level of significance of the statistical difference of average absolute value of discretional accruals (earnings quality) between India and Tanzania over the study period. The t-test is normally used to assess significance of means difference of two independent subsamples, such as the absDAC resulting from IFRS (sub-sample 1) and Indian GAAP (sub-sample 2) based reports.

2.2 Descriptive Statistics of Variables

Table 1 presents descriptive statistics for variables for each country's sample. The arithmetic mean (μ) for all variables in both countries is observed to be greater than medians (μ⟩p50), which infer that the sample data in two countries have a positive skeweness and therefore do not behave normally. The kurtosis value for all variables is also great than cut off value of 2.96 which show that data are not symmetric. It is noteworthy, that data being derived from primary financial statement right skeweness was an issue of expectation as an indicator of favourable financial and performance position of entities.

Table 1: Descriptive Statistics for individual Country Data (US$)

	India (USD)						Tanzania (USD)					
Variables	**M**	**δ**	**Min**	**Max**	**p50**	**N**	**M**	**δ**	**Min**	**Max**	**p50**	**N**
Sales (Sal.)	1003.9	827.7	161.6	3816.5	675.1	80	110.0	133.4	0.0	585.1	68.7	70
Revenue	1036.1	848.7	164.4	3830.1	694.0	80	117.8	137.1	0.0	585.1	72.0	70
Net Income	148.8	121.6	-52.0	485.9	111.3	80	22.8	27.6	-1.7	121.7	15.3	70
Receivable	123.1	91.2	12.0	432.5	109.5	80	6.9	10.4	0.0	57.9	3.1	70
Gross PPE	607.8	692.8	0.0	2300.8	213.5	80	76.8	93.9	0.0	428.8	46.0	70
Op. Cash flows	179.4	233.1	-117.2	1045.0	111.7	80	26.0	31.7	-1.1	134.8	12.5	70
Total Assets	1258.1	1211.8	87.0	5325.8	746.0	80	93.7	110.3	0.0	465.3	55.1	70
DACC	0.0	0.2	-0.4	0.5	0.0	79	0.0	0.2	-0.5	0.3	0.0	69

The average (μ) of all selected variables in India is observably above the mean (μ) for Tanzania firms. This imply that although both firms come from population of top non financial companies in terms of market caps the Indian firms exhibit higher size. All variables in India are found to show high volatility than in Tanzania, total assets (TA) being significantly volatile at **δ=$** 1258.1 in India as compared to **δ=$** 110.3 in Tanzania. The minimum values for all variables except net income, Operating cash flows and discretional accruals which has negative are observed to be >=0.

4.Results

4.1 The t-test Results on absDAC

Table 2 presents summary of t-tests statistical outputs generated from STATA for this study. The results show that the statistical means difference of absolute value of discretional accruals (absDAC) between India and Tanzania is highly insignificant at p-value 0.6802 in the pr(|T|<|t|) under **Ha:diff ! =0,** which is >0.05 based on two tail level of significance. In specific terms we report that although the mean of absolute discretional accruals (absDAC) under Indian GAAP is relatively small (US$ 0.122) than IFRS (US$ 0.130) which has an implication that the former has low chances to execute earnings management, the difference is statistically insignificant.

Table 2: Summary of Discretional accruals (absDAC) Results for India and Tanzania

Country	Observations	Mean	Std. Err	Std. Deviation	(95%Confidence Interval)
India (Local GAAP)	79	0.1224563	0.0132181	0.1174856	-
Tanzania (IFRS)	69	0.1304890	0.0142827	0.1186414	-
Overall [Combined]	148	0.1262013	0.0096742	0.1176919	-
Difference (diff.)		-0.0080327	0.0194477		-0.465; 0.304
t	**-0.413**				
P-value (Ha:diff ! =0)	**Pr(|t|>|t| = 0 .6802**				

The findings further show a t-value of -0.416 (< 0) and the p-value of 0.68 (>0.05) which show a greater statistical evidence in support of the null hypothesis. The 95% Confidence Interval difference of -0.465; 0.304 which crosses 0 i.e. which is included in null value =0 corroborates evidence in support of the null hypothesis. Besides, the p-value of 0.6802 is noticeably statistically insignificant which can be interpreted as being greater enough to justify acceptance of this study's null hypothesis.

Succinctly, all relevant statistical outputs shown in table 2 above and discussed in this section are in favour of null proposition thence we fail to reject the stated null hypothesis for the study. In view of these findings, we generate no statistical evidence to disprove that difference of earnings quality was nought for India and Tanzania. We therefore conclude that there was no significant statistical difference on earnings quality (absDAC) reported by firms listed in Tanzania (post-IFRS application) and India (IFRS convergence transition) period of 2005-14.

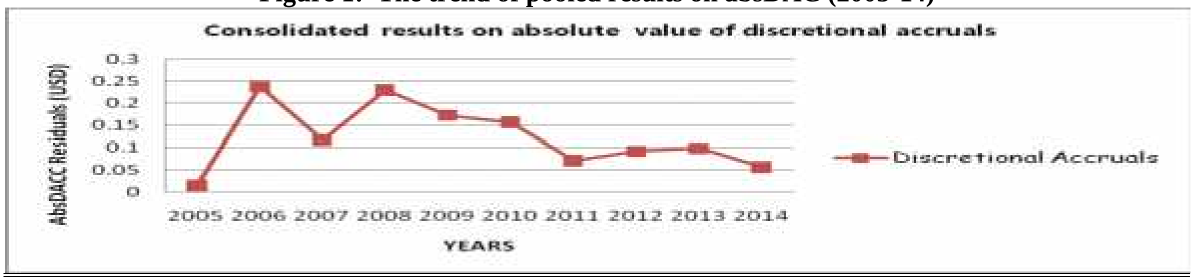
4.2 The trend on absDAC Results for India and Tanzania

In this section we report trend exhibitive of our empirical results for two countries over the study period. The figures 1 and 2 present the whole sample and individual countries trend on quality of earnings as measured by the absolute value of discretional accruals over a period of ten years. Of note are two important issues inclusive of this study's period which merit stating. The global economic crisis of 2008 and the amendment of 'schedule VI of Companies Act (1956)' in India for which all registered companies were required to report their primary financial statements based on its stated formats from the year 2011.

The overall trends in graph (1) show two peaks. The highest peak is noted in 2006 which signifies the average highest level of earnings management and lesser quality of reported earnings, followed by 2008 with a slight difference downward. The graph further indicate a downward trend on absDAC (2011) from which a slight increase was experienced for two consecutive years before it hitting lowest level in the year 2014. In general terms, the results suggest that for pooled data, i.e. without specifying countries of our sample the highest value of absDAC (low quality earnings) was experienced in 2006 and 2008 and the high quality earnings was reported in 2014. The reported results infer that during the period of economic down turn managers are likely to exercise earnings opportunistic practices compared to periods of economic stability or economic growth.

Consistent to Jelic et al., (2013) this findings support the general belief that in order to cope with recession, managers may have incentive to book more accruals and so decreased quality of earnings. The increased earnings manipulation practices in 2008 can in part be associated with personal and external factors chiefly greed and pressure from companies' stakeholders (stockholders, lenders and tax authorities). Specifically, the grounds could be an attempt by management to maintain performance and profitability attained prior to recession; avoidance of violation of financial covenants; and the need for managers to keep their job, promotion, bonuses and allowances pegged on performance.

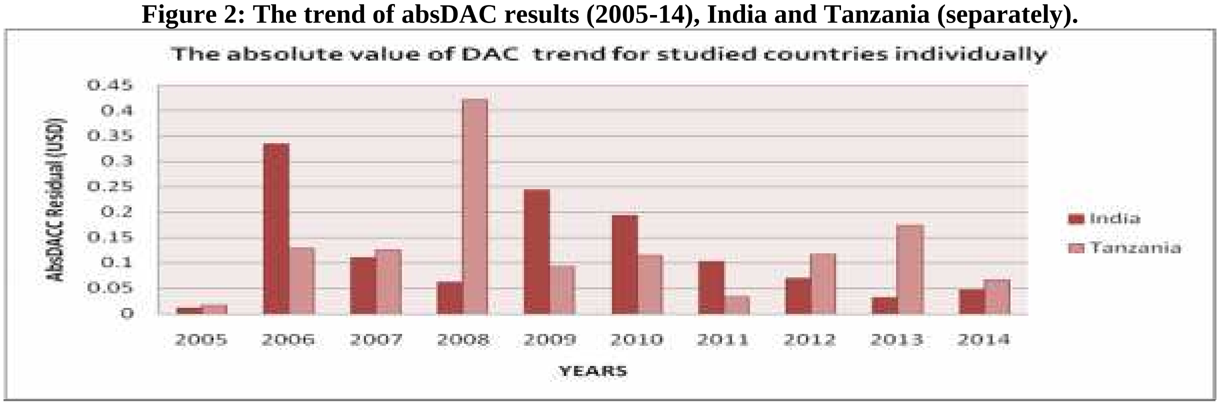
Figure 1: The trend of pooled results on absDAC (2005-14)



Researchers' (2017)

Figure 2 below depicts comparative trend for absDAC between 2005 and 2014 for the studied countries. Value of discretional accruals was higher in India compared to Tanzania in 2006, followed by a decline in both but the latter experiencing higher level in 2007. Interestingly, on the year of economic crisis (2008) the earnings management practices (value of absDAC) were noted to be considerably high in Tanzania ($0.42) compared to that of India ($0.07). This registers an important contribution in international reporting literatures that during the economic downturn corporate bodies reporting on IFRS exercise earnings management more than those reporting on Local GAAP. The result confirms empirically verified assertions that managers tend to have more degree of freedom to manage their earnings under the principle based standards (IFRS) relative to rules based standards (local GAAP) especially when they have motivation to do so (Tort,2013; Wang and Campbell , 2012).

Figure 2: The trend of absDAC results (2005-14), India and Tanzania (separately).



Researchers' (2017)

It is further noted that the amended financial reporting format (schedule VI) in India in 2011 had no an immediate impact on quality of earnings but in subsequent years. The trend further provide an overall evidence that the IFRS convergence transition in India had led to improved quality of earnings by a decreasing trend of absDAC (at -87.8% over the period).

Summary, Conclusion And Implications

This study intended to investigate the impact of reporting standards on earnings quality using data of fifteen firms listed in India and Tanzania over a period of 2005-2014. We applied modified Jones model (1995) to calculate discretional accruals, which connote level of earnings management, a proxy for quality of earnings.

Abiding with our prediction, the study found no significant statistical difference on discretional accruals value between non-financial firms listed in India (NSE) and Tanzania (DSE) during 2005-14. The findings suggest that the adoption and subsequent application of IFRS in Tanzania did not improve quality of earnings relative to local GAAP (India) during the IFRS convergence period (2005-14). This result produces a general belief that compared to local standards the global standards (IFRS) do not produce superior quality earnings for listed non-financial companies. The result substantiate a number of previous empirical studies (e.g., Jeanjean and Stolowy, 2008; Pratt et al., 2012; Wang and Campbell, 2012; Limanto and Fanani, 2014); Palacios and Martinez, 2014) which reported no significant difference on quality of earnings between IFRS and local GAAP. Conversely, the result disappoints conclusions by (Liu et al., 2011; Hendika and Hudiwinarsih, 2014); Barth et al., 2008; Christensen et al.,2008) who had found that quality of earnings improved post-IFRS and relative to local reporting frameworks.

Secondly, we observe an increased earnings management practices at a highest peak of US$ 0.23 which represent a pooled data maximum low quality of the reported earnings for both Indian and Tanzania non-financial listed firms at the year of crisis, 2008 (figure 5-2). This finding agrees with that of Persakis and Latridis (2015) and contradicts Philip and Raffournier (2014). The study further showed that during the year of economic slowdown (2008) earnings management practices were more prevalent and higher for sampled Tanzanian listed companies (US$ 0.42) than sampled units in India (US$ 0.07). This infers that quality of earnings had deteriorated more in Tanzania (IFRS) than in India (local GAAP) during that period (See figure 5-2). The result confirms that managers tend to have more degree of freedom to manage their earnings under principle based standards (IFRS) relative to rules based standards (local GAAP), largely in compelling circumstances.

Lastly and consistent to Lin et al., (2012) the result provide a general evidence of improved quality of earnings during the period of amendment towards IFRS converged Indian standards (IFRS convergence) through a decreasing trend of absolute value of discretional accruals although the trend was not systematic. This result provides an important clue of the significance of convergence and consequent application of the IFRS-converged Ind AS which became applicable for specified firms from the FY 2014/15.

Consistent with Ding et al., (2007) and Zeng et al., (2012) an overall implication of the study is that reporting standard is an important determinant of earnings quality but not a conclusive determinant. This suggests that other factors not considered in this study could be critical and influential on the nature of reporting and quality of reported earnings. For that matter, a sycophantic focus of attention on reporting standards alone is appropriate but incomplete. This can also be an entry point for future comparative study on effect of factors other than reporting standard on quality of earnings for jurisdictions with similar reporting framework.

We argue financial reporting regulators and independent auditors to be more vigilant and exercise added scepticism during the periods of economic hardship in order to restrict earnings manipulative practices because during such times managers have incentives for cooking jar. The present study is limited in that it is confined to fifteen large non-financial firms listed in Tanzania and India only. We recommend for an expanded study of this nature to include more countries and companies and another comprehensive study on the 'impact of economic crisis on earnings quality, using pre, during and post crisis data' for India and Tanzania.

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