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The IFRS convergence influence on financial risk and accounting fraudulent: Evidence from Thailand and Implications for Viet Nam

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ABSTRACT

This paper focuses on whether adopting International Financial Reporting Standards (IFRS) reduces financial risk and accounting fraud. Using 9,194 firm-year observations from Thai-listed non-financial firms between 2011 and 2022, we apply the Beneish M-Score and Altman Z-Score models to detect earnings manipulation and financial distress. The evidence shows that firms reporting under IFRS display lower M-scores, suggesting reduced earnings manipulation. However, IFRS adoption does not have a significant effect on financial distress. This is likely because while IFRS improves transparency and reduces opportunistic reporting, it does not address fundamental financial issues. Overall, our paper provides new evidence on the role of IFRS in enhancing reporting quality in emerging markets and offers implications for financial reporting policy in countries such as Viet Nam.

1. INTRODUCTION

Adoption and compliance with International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles in a country are theoretically expected to enhance the quality of financial reporting and promote uniform accounting practices worldwide (Ghosh et al., 2020). Hence, the International Accounting Standards Board issued these standards to improve the reliability of financial statements and reduce information asymmetry and potential risk. A company's adherence to IFRS is often considered critical to ensure its financial information is objective and trustworthy. However, the impact of adopting IFRS on risk management and accounting fraud remains controversial. Research has shown that the implementation of IFRS has improved the comparability and relevance of financial statements across various countries, including studies of European and Asian markets (Yip & Young, 2012; Nejad et al., 2020). IFRS adoption was associated with higher-quality reported earnings (Barth et al., 2008). It was found that earnings reported after adopting IFRS are associated with lower earnings management and higher value relevance (Adibah et al., 2013). Tungsriwong (2022) found that IFRS improves the quality of accounting information and increases its usefulness in decision-making, thereby reducing financial fraud. On the contrary, Karğın (2013), in the context of a study in Türkiye but with reference to developing countries such as Thailand, argued that the adoption of IFRS does not have a significant impact on the relevance of accounting information, suggesting that IFRS is not strong enough to reduce risk or fraud without an effective enforcement system. Further, there is a view that high compliance costs, limited human resources, and technological limitations can reduce the effectiveness of IFRS application, even creating

new risks if businesses apply it only as a formality (Nguyen et al., 2023; RSM, 2023).

Thailand follows a phased convergence approach under the Thai Financial Reporting Standards (TFRS), closely aligned with IFRS, with full convergence efforts occurring after 2011. Under the convergence process, most listed companies must follow full IFRS or IFRS-based standards. This makes Thailand an ideal setting to examine the impact of IFRS convergence on financial reporting outcomes, such as financial risk and fraudulent behavior. On the other hand, Viet Nam is in the early stages of IFRS implementation. As of 2020, Viet Nam has begun moving toward IFRS with the Ministry of Finance announcing a roadmap for IFRS adoption, aiming for full application by large public-interest entities around 2025. Vietnamese regulators and firms have engaged in training, capacity-building, and pilot programs to prepare for IFRS adoption. In Viet Nam, the government has made strides to implement IFRS through a 2020 initiative, with positive responses from stakeholders despite concerns over the cost and complexity of adopting these standards (Phan et al., 2014; RSM, 2023). However, very few companies in Viet Nam currently apply IFRS in preparing financial statements. Viet Nam has many similarities with Thailand in terms of economic development levels, cultural backgrounds, and status as an emerging country. Therefore, empirical results from Thailand, which has progressed further in adopting IFRS, can provide useful forecasting and policy suggestions for Viet Nam in this transition.

The relationship between IFRS adoption and accounting fraud and financial risk remains an open question. Research suggests that IFRS adoption can reduce opportunities for accounting fraud through increased transparency and comparability of information (Viana et al., 2023) as well as reduced accrual-based earnings management, as demonstrated in Asian countries in the post-IFRS period (Wardhani & Anggraenni, 2017). However, the impact is not always positive; Viana et al. (2023) found that firms shift from actual to accrual-based manipulation in emerging markets after IFRS adoption, especially where enforcement is weak. At the same time, cross-country research finds no clear evidence that IFRS adoption reduces fraud, suggesting that the effectiveness of IFRS depends heavily on the institutional context and investor protection. (Mongrut et al., 2021). These results further explore whether IFRS actually reduces accounting fraud or just transforms the mode of manipulation, especially in economies such as Viet Nam and Thailand. To investigate this nexus, we employ financial distress models, specifically the Altman Z-Score (1968) and Beneish M-Score (1997), to assess the correlation between IFRS adoption and the likelihood of financial risk and accounting fraud, respectively. Similarly, IFRS standards emphasize transparency and uniformity in financial reporting. This leads to more accurate financial statements reflecting a company's financial position. As a result, the Z-scores and M-scores derived from these financial statements are considered reliable and consistent across firms, enabling a clearer picture of financial health and risk. This paper aims to provide insights into whether IFRS adoption truly enhances financial reporting integrity or introduces new risks of manipulation in Thailand, and to propose implications for applying IFRS in Viet Nam.

The structure of this article is as follows: The literature review, including hypotheses and compiled affecting elements, is the main focus of Section 2. An explanation of the data and the research models is presented in Section 3. A thorough presentation and discussion of all the results and analysis are provided in Section 4. Section 5 presents the study's conclusion.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. IFRS adoption and financial risk

Theoretically, the conflict of interests between managers (agents) and shareholders (owners) leads to information asymmetry, which can cause managers to conceal financial risks or commit accounting fraud for personal gain. (Jensen & Meckling, 1976). Adopting IFRS – with its high transparency and consistency requirements – can serve as a governance mechanism to reduce information asymmetry, thereby reducing financial risks and improving investor monitoring (Barth et al., 2008; Mongrut et al., 2021). In addition, Signaling Theory also suggests that firms adopting IFRS are signaling their legitimacy, transparency, and commitment to better risk management than firms that do not adopt them (Connelly et al., 2011). Hence, adopting IFRS is expected to positively impact financial health indicators such as the Altman Z-score – a popular tool for assessing the likelihood of bankruptcy and financial risk of enterprises.

Empirical studies have reinforced this argument. In Turkey, Kargın (2013) noted that adopting IFRS improves the usefulness of accounting information in assessing corporate risk. In Viet Nam and Thailand – countries with similar levels of development and legal systems – many studies have also found that IFRS helps reduce fraudulent reporting and enhance financial forecasting (Tran et al., 2019; Tungsriwong, 2022). This is especially true for listed companies, where compliance pressures and transparency demands are higher. The adoption of IFRS is expected to improve the quality of financial information, owing to its greater transparency, comparability, and reliability than national accounting standards (Barth et al., 2008; Yip & Young, 2012). At the same time, information transparency reduces information asymmetry, facilitating investors' assessment of risks (Chen et al., 2015).

Based on theoretical and empirical evidence, this study developed the following hypothesis:

H1: IFRS reduces financial risk for Thai listed companies

2.2. IFRS adoption and accounting fraud

The Signaling Theory suggests that firms that adopt IFRS are signaling their commitment to financial reporting quality, transparency, and compliance with international standards. Adopting IFRS not only improves a firm's image in the eyes of investors but also helps to limit fraudulent behavior by increasing the cost of detection if a firm violates it. (Connelly et al., 2011). In parallel, according to the Agency Theory of Jensen and Meckling (1976), in an environment of asymmetric information between managers and shareholders, adopting high-quality financial reporting standards such as IFRS will increase transparency, reduce managerial discretion, and thus limit the incentive to adjust reports for personal gain.

Empirical studies have reinforced this hypothesis. Barth et al. (2008) found that IFRS increases transparency and comparability in financial reporting. Hla and bin Md Isa (2015) also found that early IFRS adopters tend to have higher reporting quality due to good governance and transparent disclosure. Similarly, Tungsriwong (2022) found that IFRS accounting information in Thailand is useful for investors' decisions – an important factor in reducing fraudulent reporting.

However, recent studies have suggested that the impact of IFRS may be limited. Tangruenrat and Yomchinda (2022) concluded that investors in the Thai stock market did not respond positively to IFRS adoption, and that earnings quality did not improve significantly after adoption. In Viet Nam, Dao and Hoang (2023) found that the move towards IFRS increased the value of accounting information but did not significantly impact earnings management behavior. However, these authors still believe that market expectations for IFRS can reduce accounting fraud in the long run.

Drawing upon signaling theory, agency theory, and previous studies, the hypothesis was developed as follows:

H2: IFRS reduces accounting fraud for Thai listed companies

3. METHODOLOGY

3.1. Data source and collection method

The study uses panel data that combines time-series and cross-sectional data. The sample consists of 9,194 financial statements from 2011 to 2022 for firms in Thailand, compiled by Compustat Global. The sample does not include the reports from the financial firms.

Table 1 also presents the observed sample distribution by Accounting Standards and Auditing Firm Groups, with 8,096 financial reports complying with IFRS and 1,098 following domestic standards. In addition, the Big 4 group comprises KPMG, PwC, Deloitte, and EY, while the non-big 4 group comprises the remaining auditing firms. Although the Big 4 are four large auditing firms with long-standing reputations in the auditing industry, most of the financial statements in the observed sample were audited by companies outside this group, accounting for 74.78%. The financial statements audited by the Big 4 account for only 25.22% of the total.

Table 1. Sample description by the Accounting Standards and Auditing firm

Accounting Standard	Auditing Firm		Total
	Non-Big 4	Big 4	
Domestic	857	241	1,098
IFRS	6,018	2,078	8,096
Total	6,875	2,319	9,194
Proportion (%)	74.78	25.22	100

(Source: Estimated from research data, 2024)

3.2. Variable measurement

Data used to calculate variables in the study were obtained from Compustat Global. The adoption of IFRS is coded as 1 if the accounting standards of the company on Compustat Global are classified as DS (Domestic Standards - Domestic accounting standards), and as 0 if the accounting standards of the company on Compustat Global are classified as DI (Domestic standards generally following or fully compliant with IFRS - Domestic accounting standards in line with or fully compliant with IFRS). Besides the employment of the Z-Score and M-Score to measure financial risk and accounting fraud, respectively, we also add 4 controlling variables, namely Big4, Debt (The financial leverage of the firms), GS (Growth of Sales), and Firm Size, that can affect the scores. The measurement of these variables is presented in Table 2.

Table 2. Variable measurement

Variables	Denote	Measurement	Preferences
Dependent Variables			
Financial Risk	RISK	Altman Z-score: Z-score = 1.2X1 +1.4X2 + 3.3X3 + 0.4X4 + 1.0X5 Where: X1 = Net working capital / Total assets, X2 = Retained earnings / Total assets, X3 = EBIT / Total assets, X4 = Market value of equity / Book value of liabilities (Total debts), X5 = Sales / Total assets	Altman (1968); Pham (2019)
Accounting Fraud	MANEARN	Beneish M-score: M-score=-4.84 + 0.92* DRSI + 0.528*GMI + 0.404*AQI + 0.892*SGI + 0.115*DEPI – 0.172*SGAI+4.679*TATA – 0.327*LVGI Where: DRSI = Day Sales in Receivable Index, GMI = Gross Margin Index, AQI = Assets Quality Index, SGI = measure sales in the current year over the sales of a previous year, DEPI= Depreciation Index, SGAI = Sales, General and Administrative Expenses Index, LVGI = Leverage Index, TATA= Total Accruals to Total Assets Index	Beneish (1997); Tran (2017)
Independent Variable			
International Financial Reporting Standard	IFRS	1 - if the accounting standards of the company on Compustat Global are DS (Domestic Standards - Domestic accounting standards); and 0 - if the accounting standards of the company on Compustat Global are DI (Domestic standards generally following or fully compliant with IFRS - Domestic accounting standards in line with or fully compliant with IFRS).	Chen et al. (2015); Dao and Hoang (2023)
Control variables			
Audit quality	Big 4	1- if the company is audited by the top 4 audit firms, including Deloitte, Ernst & Young, KPMG, and PwC, and 0 otherwise	Harrington (2005); Lee and Lee (2013); Soltani (2014); Hla and bin Md Isa (2015); Tran et al. (2019); Harris and Williams (2020)
Financial Leverage	Debt	Debt = (Long-term debt + Short-term debt) / Total assets.	Meek et al. (1995); Nguyen et al. (2020); Pham (2019); Tu et al. (2018)
The company's sales growth.	GS	GS = (Salet – Salet-1) / Salet-1.	Beneish (1997); Pham (2019)
The firm size	Size	Ln (1 + total assets)	Tran et al. (2019); Diem et al. (2020); Nguyen et al. (2020); Yarana (2023)

(Source: Author synthesized, 2024)

3.3. The estimated models

External or internal pressures may lead an entity's Board of Directors and Managers to engage in fraudulent behavior to achieve profit targets or expected financial results. Therefore, we apply RISK, measured by the Z-Score, to assess financial risk, and MANEARN, measured by the M-Score, to evaluate earnings manipulation. To estimate the effects of IFRS adoption and control factors on Financial Risk and Accounting Fraud, the models are formed as follows:

$$RISK_{i,t} = Z\text{-}Score = \beta 0 + \beta 1IFRS_{i,t} + \beta 2Big4 + \beta 3Debt_{i,t-1} + \beta 4GS_{i,t-1} + \beta 5Size_{i,t-1} + v_i + u_t + \varepsilon_{i,t} \quad (1)$$

$$MANEARN_{i,t} = M\text{-}Score = \beta 0 + \beta 1IFRS_{i,t} + \beta 2Big4 + \beta 3Debt_{i,t-1} + \beta 4GS_{i,t-1} + \beta 5Size_{i,t-1} + v_i + u_t + \varepsilon_{i,t} \quad (2)$$

4. RESULTS AND DISCUSSION

4.1. Descriptive statistics

Table 3 shows the descriptive statistics of the variables in the model after removing outliers. The number of observations for each variable differs due to missing values in the processed dataset.

The M-score variable, which represents the risk of accounting fraud, has 8,128 observations with a mean of -3.838, a median of -3.887, and a standard deviation of 0.638. According to the classification threshold of Beneish (1999), companies with an M-score greater than -2.22 are likely to commit fraud, while an M-score less than -2.22 indicates that the company has no signs of fraud. With the mean and median values significantly below this threshold, the results indicate that most companies in the sample have a low risk of accounting fraud.

The Z-score has a mean of 2.464, a median of 2.205, and a range of -0.071 to 5.932, indicating significant differences in financial stability across firms. In contrast to the M-Score, the higher the Z-score, the more likely the company is to pay without financial risk. According Altman (1968) In the Z-score model, companies with a Z-score below 1.81 are classified as high risk (distress zone), from 1.81 to 2.99 are in the gray zone, and above 2.99 are in the safe zone. Therefore, with the median value in the gray zone and the mean value approaching the safety threshold, the results reflect that most companies in the sample have a relatively good financial stability. However, a significant proportion of businesses still face potential risks. The IFRS variable, which represents the adoption of international accounting standards, has a mean of 0.881 and a median of 1.000, indicating that most sample companies have adopted IFRS. Similarly, the Big4 variable has a mean of 0.252 and a median of 0.000, reflecting that only about 25.2% of the companies are audited by Big4 firms, while most of the rest use non-Big4 auditors.

The GS (sales growth) variable has a mean of 0.107 and a median of 0.047, with a fairly large standard deviation (0.401), reflecting the marked variation in sales growth across companies. The variable Size, which measures firm size using the natural logarithm of total assets, has a mean of 8.047 and a median of 7.807, with a standard deviation of 1.428, indicating a fairly wide dispersion in firm size in the sample. Finally, the variable Debt, which represents financial leverage, has a mean of 0.095 and a median of 0.038, suggesting that most firms in the sample maintain debt levels below average, reflecting a relatively conservative financial policy.

Table 3. Statistical description

	Obs	Mean	Median	Standard deviation	Min	Max
Mscore	8,128	-3.838	-3.887	0.638	-4.961	-2.433
Zscore	9,164	2.464	2.205	1.615	-0.071	5.932
IFRS	9,194	0.881	1.000	0.324	0.000	1.000
Big4	9,194	0.252	0.000	0.434	0.000	1.000
GS	9,141	0.107	0.047	0.401	-0.551	1.334
Size	9,191	8.047	7.807	1.428	6.118	11.180
Debt	9,181	0.095	0.038	0.120	0.000	0.390

(Source: Estimated from research data, 2024)

4.2. Correlation matrix

The correlation matrix of the Z-Score model shown in Table 4 indicates that the correlations between variables are weak, with all correlation coefficients less than 0.5 or greater than -0.5. The variables IFRS, Debt, and Size negatively correlate with the dependent variable Z-Score. By contrast, Big4 and GS show positive correlations with the Z-score.

Table 4. Correlation matrix of the Z-score model

	Z-Score	IFRS	Big4	$GS_{i,t-1}$	$Size_{i,t-1}$	$Debt_{i,t-1}$
Z-Score	1.000					
IFRS	-0.036	1.000				
Big4	0.009	0.028	1.000			
$GS_{i,t-1}$	0.025	-0.073	-0.019	1.000		
$Size_{i,t-1}$	-0.148	0.033	0.074	0.021	1.000	
$Debt_{i,t-1}$	0.023	0.004	-0.007	-0.000	0.007	1.000

Table 5 presents that the independent variables in the model have positive correlations with the dependent variable, M-Score, except for the IFRS and Size variables. It shows that the IFRS, Size variables have a negative relationship with M-Score, and the Big4, Sales Growth, and Debt variables have a positive relationship with M-Score. The ratios between the variables show low correlations, all less than 0.5.

Table 5. Correlation matrix of the M-Score model

	M-Score	IFRS	Big4	$GS_{i,t-1}$	$Size_{i,t-1}$	$Debt_{i,t-1}$
M-Score	1.000					
IFRS	-0.019	1.000				
Big4	0.003	0.028	1.000			
$GS_{i,t-1}$	-0.003	-0.073	-0.019	1.000		
$Size_{i,t-1}$	-0.066	0.033	0.074	0.021	1.000	
$Debt_{i,t-1}$	-0.006	0.004	-0.007	-0.000	0.007	1.000

(Source: Estimated from research data, 2024)

The correlation between the two variables, IFRS and Size, is greater than 0.8, so the author continues to check through the variance inflation factor (VIF) coefficient. Because the two models share the same independent variables, the table below presents the VIF results to assess multicollinearity.

It can be seen from Table 6 that the variable with the largest VIF, at 2.12. However, it is still less than 10, and the average value is also less than 10 (2.06 < 10), so the model does not exhibit multicollinearity.

Table 6. Variance Inflation Factor

Variable	VIF	1/VIF
IFRS	1.02	0.981061
Big4	1.02	0.983199
$Debt_{i,t-1}$	1.01	0.994844
$GS_{i,t-1}$	1.01	0.990509
$Size_{i,t-1}$	2.12	0.472629
Mean VIF	1.38	

(Source: Estimated from research data, 2024)

4.3. Regression tests

4.3.1. Model regression selection tests

The three regression techniques, Pooled Ordinary Least Squares Regression (Pooled OLS), Fixed Effects Model (FEM), and Random Effects Model (REM), are used to test the hypotheses. Additionally, the article controls for autocorrelation and heteroscedasticity using the Feasible Generalized Least Squares (FGLS) approach. The tests used to identify the regression approach are shown in Table 8. At the 1% significance level, the F-test results indicate that the dependent variables (Z-score and M-score) have P-values < α. It indicates that the Pooled OLS approach is unsuitable because it fails to account for variation across individual businesses. Nonetheless, the outcomes validate the suitability of the FEM model. The REM model is also suitable, according to the Breusch-Pagan test, since the dependent variables (Z-scores and M-scores) have P-values <α at the 1% significance level, indicating that the error variance differs across entities. Furthermore, the Hausman test is used to determine which of the FEM and REM models is the best fit. The findings indicate that, at the 1% significance level, the dependent variables have a statistically significant P-value < α. Consequently, in both scenarios, FEM regression would be more suitable than REM.

Table 7. Determining regression method tests

Tests	Model	Results		Selected Model
F-test	1	F(767, 8288) = 23.90	Prob>F = 0,0000	Fixed Effects Model
	2	F(761, 7310) = 6.06	Prob>F = 0,0000	Fixed Effects Model
Breusch and Pagan Lagrangian	1	chibar2(01) = 24464.63	Prob > chibar2 = 0.0000	Random Effects Model
	2	chibar2(01) = 3932.36	Prob > chibar2 = 0.0000	Random Effects Model
Hausman test	1	chi2(5) = 31.38	Prob > chi2 = 0.0000	Fixed Effects Model
	2	chi2(5) = 62.04	Prob > chi2 = 0.0000	Fixed Effects Model

(Source: Estimated from research data, 2024)

4.3.2. Model appropriation tests

To assess the appropriateness of the research model, the article continually examines some of the model's defects, including heteroskedasticity and autocorrelation, as presented in Table 8.

The Wald and Wooldridge tests indicate that the fixed-effects model's estimates deviate from the regression hypothesis, which assumes no heteroskedasticity or autocorrelation in the dependent variable. Therefore, the aforementioned issues are resolved using the Feasible Generalized Least Squares approach. This approach should help manage heteroskedasticity and autocorrelation (Wooldridge, 2002).

Table 8. Model appropriation tests

Tests	Model	Results		Conclusion
Modified Wald test	1	chi2 (768) = 2.1e+32	Prob>F = 0,0000	Heteroskedasticity
	2	chi2 (762) = 1.7e+34	Prob>F = 0,0000	Heteroskedasticity
Wooldridge test	1	F(1, 744) = 347.798	Prob > F = 0.0000	Autocorrelation
	2	F(1, 720) = 150.703	Prob > F = 0.0000	Autocorrelation

(Source: Estimated from research data, 2024)

4.3.3. Main Findings and Discussions

The regression results from the FGLS model (Table 9) provide clear empirical evidence of the impact of adopting IFRS on two important aspects of the enterprise: financial risk (measured by Z-Score) and financial reporting fraud (measured by M-Score).

Table 9. Results of FGLS models

	Model1	Model2
IFRS	-0.018	-0.066***
	(0.022)	(0.019)
Big4	-0.028	0.011
	(0.020)	(0.014)
$GS_{i,t-1}$	-0.013	-0.105***
	(0.028)	(0.013)
$Size_{i,t-1}$	-0.075***	-0.024***
	(0.005)	(0.004)
$Debt_{i,t-1}$	0.102***	-0.001
	(0.013)	(0.046)
_cons	3.005***	-3.611***
	(0.047)	(0.037)
Prob. F	0.000	0.000
n	9060	8063

*Notes: ***, **, * denote significance at 1%, 5%, and 10% levels, respectively*

(Source: Estimated from research data, 2024)

a. Impact of IFRS on financial risk (Z-Score)- Model 1

The negative coefficients on the independent variable IFRS are consistent across the two models. Specifically, in model 1, this result suggests a negative (estimated coefficient of -0.018) but statistically insignificant relationship between IFRS adoption and financial risk, indicating that there is no strong enough statistical evidence to confirm that IFRS reduces financial risk in Thai enterprises during the study period. As a result, there is not enough statistical evidence to accept the hypothesis H1.

In other words, IFRS adoption does not significantly reduce the financial risk of listed firms in the Thai sample. This result is consistent with the findings of Tangruenrat & Yomchinda (2022), who found that the Thai market did not respond positively to IFRS adoption, and earnings quality did not improve significantly after the transition. In the context of a developing economy, the market surveillance system and institutional infrastructure may not be strong enough to fully realize the potential benefits of IFRS (Thanh et al., 2016).

b. Impact of IFRS on Financial Reporting Fraud (M-Score)

The coefficient of IFRS in Model 2 is -0.066. It is statistically significant at the 1% level (***), indicating that the application of IFRS has a negative impact on earnings management behavior, i.e., IFRS helps reduce fraudulent behavior in financial reporting. The coefficient of the IFRS variable is -0.072 and is highly statistically significant ($p < 0.01$). Hypothesis H2 is accepted. The results show that IFRS has a negative and statistically significant impact on the M-Score, indicating reduced earnings management and accounting fraud. This reflects the positive role of IFRS in improving transparency and the quality of financial reporting.

This result supports Agency Theory, in which IFRS is viewed as a monitoring tool that reduces managerial discretion, thereby limiting profit manipulation for personal motives (Jensen & Meckling, 1976). At the same time, it is consistent with Signaling Theory, in which firms adopting IFRS signal greater transparency and accountability to stakeholders (Connelly et al., 2011).

This result is supported by Barth et al. (2008) and Acaranupong (2019), who supported the view that IFRS adoption will enhance earnings quality. However, this contradicts the studies in Thailand by Phruettiyanan (2010), Intharaprasiti et al. (2016), and Tangruenrat and Yomchinda (2022).

This quantitative evidence is also consistent with the results of Barth et al. (2008) and Hla and bin Md Isa (2015), who argue that IFRS improves reporting quality and increases the ability to detect fraud. In Thailand, although market value may not have responded clearly (Tangruenrat & Yomchinda, 2022), IFRS still plays a role in improving internal reporting processes and reducing managerial misconduct.

The FGLS regression results in Table 9 offer several insights into factors influencing Risk and accounting fraud for Thai-listed firms.

Conversely, in Model 2, at the 1% significance level, the M-score will be 0.0717 points lower for firms using IFRS. Consequently, Hypothesis 2 is accepted.

The analysis results show that the Big4 audit variable does not significantly impact financial risk or fraudulent financial reporting behavior. This suggests that the presence of international auditing firms does not necessarily ensure better financial reporting quality. This result is consistent with the study by Hla and bin Md Isa (2015) but contrary to the conclusion of Tran et al. (2019) regarding the role of Big4 auditing. For financial leverage (Debti,t-1), this variable is statistically significant at the 10% level in the Z-score model. It shows that the Z-score decreases by about 0.152%, indicating an increase in financial risk. However, no statistically significant relationship was found between financial leverage and fraudulent reporting in the M-score model, consistent with the studies by Pham (2019) and Tu et al. (2018). In addition, Sales growth has a negative relationship with both financial risk and fraud: a 1% increase in revenue can increase the Z-score and decrease the M-score, suggesting a positive role for growth in reducing fraudulent reporting. Finally, firm size (Size) has an opposite effect: larger size improves the Z-score but increases the M-score, meaning the possibility of fraud also increases. This contradicts the popular view that large firms have better internal control systems, as noted in Tran et al. (2019) and Yarana (2023).

4.4. Robustness test

We next examine whether our results are robust to alternative fraud detection measures, such as the Dechow F-score. Based on a fraud detection model developed by Dechow et al. (2011), we calculate the F-score, which indicates a greater risk of earnings manipulation. Then, we re-run the test based on Equation (1) to investigate how IFRS affects accounting fraud for Thai listed companies.

Table 10. Robustness test results

Earnings manipulation = F-score		
	Coef.	**p-value**
IFRS	-0.179***	0.000
Big4	-0.066	0.256
Debti,t-1	-0.001***	0.000
GSi,t-1	0.001	0.303
Sizei,t-1	-0.056***	0.000
_cons	2.815***	0.000
Prob. F		0.000
R2		0.231
n		7,597

*Notes: ***, **, * denote significance at 1%, 5%, and 10% levels, respectively*

(Source: Estimated from research data, 2024)

Table 10 presents the results of the robustness test. We find that the IFRS coefficient is statistically significant and negative in the Dechow F-score. Specifically, at the 1% significance level, the F-score for firms using IFRS will be 0.179 points lower than that of firms not using IFRS. The result indicates that adopting IFRS and the resulting enhancement in financial statement transparency help mitigate the risk of earnings manipulation, consistent with our Hypothesis.

5. CONCLUSION

The analysis reveals several significant influences of IFRS adoption on financial risk and accounting fraud. Key findings include that IFRS adoption is associated with lower accounting fraud, and the level of financial risk and earnings manipulation is not necessarily related to whether the company is audited by the Big 4. Debt levels are not significantly linked to higher accounting fraud; rather, they increase the risk. Sales growth is negatively associated with risk and positively associated with lower accounting fraud. Firm size increases the risk of accounting fraud, especially in large firms. Despite different stages of implementation, Thailand and Vietnam share several cultural, economic, and institutional characteristics that justify cross-country learning. Culturally, both countries are characterized by high power distance and collectivist values, which influence how accounting reforms are received and implemented at the firm and regulatory levels. Economically, both nations operate within bank-based financial systems, with limited development of capital markets and a prevalence of family-owned or state-influenced firms. These structural similarities result in comparable governance challenges, such as high agency costs, low investor protection, and weak enforcement environments, that IFRS adoption is expected to mitigate.

The findings from this study offer valuable insights for Thai listed firms. They can be extended to the Vietnamese context, particularly regarding the influence of IFRS adoption, sales growth, and firm size on financial risk and earnings manipulation. For Viet Nam, these insights are highly relevant.

First, Viet Nam, like Thailand, as an emerging market, could see similar benefits by adopting or mandating IFRS to improve the quality of financial reporting. The Vietnamese government and regulatory bodies need to focus on enforcing and monitoring IFRS compliance to ensure the standards' effectiveness, especially to narrow the large gap between IFRS and VAS standards. Additionally, Viet Nam should consider the pace and scope of its IFRS transition in light of Thailand's phased implementation model, which may help reduce resistance and implementation fatigue among local firms.

Second, the study supports the idea that firms experiencing consistent sales growth are less likely to face financial distress and are less likely to manipulate earnings. The Vietnamese government can support policies that encourage export growth and market diversification, thereby enhancing the overall financial stability of firms.

Third, the study suggests that larger firms tend to face greater financial distress risk and higher earnings manipulation risk, potentially due to greater resources and increased operational complexity. This calls for enhanced internal controls and transparency in large Vietnamese firms to curb such behavior. In addition, Vietnamese regulators should consider tailored approaches for firms of different sizes to effectively address financial risk and earnings manipulation.

The study's limitation is that the impact of IFRS on risk and accounting fraud may vary across industries due to differences in regulatory environments and market structures. Future research could focus on industry-specific analyses to understand how sectoral factors (e.g., competition, regulation) interact with the variables studied in this analysis. Finally, future research could explore behavioral factors influencing accounting fraud, such as managerial incentives, shareholder pressures, and cultural factors that might drive firms to engage in earnings management practices despite the presence of IFRS and Big 4 audits. By exploring these areas, researchers can better understand financial reporting, risk management, and the dynamics of accounting fraud, thereby informing more effective corporate governance and regulatory policies.

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CONFLICT OF INTEREST

The authors declare no conflict of interest.

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