Internet Appendix

to

Contractibility of financial statement information prepared under IFRS: Evidence from debt contracts

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I: Numerical Examples

This section provides three numerical examples of how fair value accounting affects financial statement variables used in financial covenants, to assist readers in interpreting our hypotheses.

1. Effect of transitory fair value gains and losses on income covenants

A firm acquires assets costing $1000. They generate a perpetual earnings and free cash flow stream of $100 per period. The discount rate is 10%, so the fair value (FV) of the assets initially is $1000. The assets are financed 40% by perpetual debt paying 5%. At the beginning of a subsequent period, an adverse shock of -$10 occurs to the cash flow stream. The discount rate is unchanged, so the FV of the assets falls to $900. Future free cash flow of $90 is ample to service periodic interest payments of $20, yet current-period earnings is -$10 ($90 less a FV loss of $100).

Thus, earnings including capitalized FV gains and losses can trigger earnings-based covenants even when debt service is not materially affected.

2. Effect of FV gains and losses due to discount rate shocks on balance sheet and income covenants

At t= 0 a firm buys a 2-period zero-coupon bond for $100 with a single expected cash flow at t=2 of $121 and an expected return in both periods of 10% (i.e., assume for simplicity a flat term structure). At t=1 the bond is selling at $100.833 and under FV accounting it is marked to market at that price. In the absence of any shocks, its expected price would have been $110 = $100 + 10% expected return, so there has been a negative shock of $9.167 during period 1.
The shock could be to expected return, or to expected cash flow, or to both. Assume for simplicity they are mutually exclusive explanations (i.e., the two sources of shocks are uncorrelated). The alternative scenarios then are:

(1) The expected return in period 2 has increased to 20%, holding expected t=2 cash flow constant at $121 (since $100.833 = $121/1.20); and

(2) The expected t=2 cash flow has decreased to $110.917, holding expected return constant at 10% (since $100.833 = $110.917/1.10).

Consider the firm’s balance sheet from the perspective of a lender to the firm at a fixed interest rate over a horizon of two years. If (1) explains the $100.83 FV recorded on the t=1 balance sheet, the borrower’s bond investment is expected to generate $121 to repay the loan. However, if (2) explains the balance sheet valuation, only $110.917 is expected to be available. The two scenarios have different implications for the ability of the firm to repay the loan, but identical balance sheet valuations are recorded in both.

Consider also the effect on the borrower’s earnings. In period 1 it reports a FV gain of $0.833, regardless of what determined the FV amount. The two scenarios have different implications for the ability of the firm to repay the loan, but identical period 1 earnings are recorded in both.¹

This simple two-period example shows how shocks to discount rates (expected returns) can add noise to both balance sheet and earnings variables as predictors of a borrower’s capacity to repay. In a setting where information is paramount, users can make subjective estimates of the extent to which FV gains and losses are due to discount rate shocks, but these are unlikely to be contractible.

¹ Period 2 earnings are expected to differ between the scenarios. If (1) explains the FV amount at t=1, the expected earnings from the investment in bonds during period 2 is +$20.167, a 20% return on $100.833. However, if (2) is the correct interpretation, the expected earnings in t=2 is +$10.0813, a 10% return on $100.833.
3. Effect of firms fair valuing their own liabilities on balance sheet covenants

A single-asset firm generates a single risky cash flow at a future date consisting of $A(1+r)/(1-p)$ with probability $(1-p)$, and zero otherwise. Assume risk neutral investors require an expected return $r$, so both debt and equity are priced at the present value of their expected payoffs, discounted at that rate. For simplicity, tax effects are ignored.

The firm is financed entirely by debt promising to pay principal $D$ and an interest coupon at the rate $(1+r)/(1-p) - 1$. The probability of default on these payments is $p$. Because the expected value of the principal and interest payments is $D(1+r)$, the debt is issued at par value $D$. At issuance, the balance sheet therefore shows a proportion $d = D/A$ of debt finance.

Immediately after issuance, the default probability rises to $p' > p$. The fair values of the asset and liability fall in tandem to $A(1-p')/(1-p)$ and $D(1-p')/(1-p)$ respectively. A fair valued balance sheet then records an unchanged debt proportion $d$, independent of the post-issuance default probability, and thus is useless as a mechanism for triggering transfer of decision rights to lenders, renegotiation or repayment when the borrower’s credit risk deteriorates.

For example, assume the single asset generates $1.222.2$ with probability 0.9 and zero otherwise, and the discount rate is 10%. The firm’s enterprise value is $1,000 = 1,100/1.10$, where $1,100$ is the expected value of the asset payoff at $t=1$, calculated as $0.9 \times 1,222.2 + 0.1 \times 0$. $500$ of debt is issued with a coupon rate of 22.2%. At debt issuance the probability of default is 0.1. The debt issuance is priced at par value of $500 = 550/1.10$, where $550$ is the expected value of the principal plus coupon payments at $t=1$, calculated as $0.9 \times (500 + 22.2\% \text{ of } 500) + 0.1 \times 0$.

The firm’s balance sheet at the time the capital is raised reveals 50% debt finance: its assets are recorded at cost $1,000$ and its liabilities are $500$. The debt contract contains a
covenant that restricts debt finance to a maximum of 55%, defined as the ratio of liabilities to total assets as recorded in audited financial statements that conform to generally accepted accounting principles. Violation of this covenant transfers a variety of corporate control rights to lenders, including the right to approve further debt issues, further investment, major transactions, or dividend distributions to stockholders, or even the right to enforce liquidation of the existing investment.

Bad news subsequently arrives, and the probability of a zero future asset value (and hence of the firm defaulting on its debt) increases from 0.1 to 0.4. Assume that the 10% discount rate is unchanged. The firm’s enterprise value now is $666.67 = $733.33/1.10, where $733.33 is the expected value of the asset payoff at t=1, calculated as 0.6 x $1.222.2 + 0.4 x $0. Due to the increase in default risk, the debt now is priced below par value, at $333.33 = $366.67/1.10, where $366.67 is the expected value of the principal plus coupon payments at t=1, calculated as 0.6 x ($500 + 22.2% of $500) + 0.4 x $0.

Consider a balance sheet prepared under FV accounting. The asset then is recorded at $666.67, and (in order to avoid violating the debt covenant) the firm exercises its option to record debt liability at its fair value, $333.33. The balance sheet debt financing ratio is unchanged at 50%, despite the precipitous fall in the firm’s fortunes and rise in the probability of default. The leverage covenant has no effect and contractual restrictions, renegotiation or repayment is not triggered.

Consider next a balance sheet prepared under the hybrid rules of historical cost accounting (which initially records assets and liabilities at their original “historical” transactions values) combined with asset impairment rules (writing assets down to their fair values if they fall below cost, but neither writing assets up nor writing liabilities down). Such a balance sheet would record assets of $666.67 and liabilities of $500, a debt financing
ratio of 75% that violates the maximum covenanted ratio of 55%. The lenders consequently obtain any corporate control rights that protect them against further losses, including the right to approve further debt issues, further investment, major transactions, or dividend distributions to stockholders, or even the right to enforce liquidation of the existing investment.
II: Additional Data Analyses

1. Accounting covenant use by exempt non-adopters and voluntary adopters

A possible explanation for the decline in accounting covenants is omitted correlated variables. To test whether it is IFRS adoption that causes the observed declines in accounting covenant use, we study firms that were not required to adopt IFRS or could delay adoption to a later date. These firms were listed on smaller EU exchanges. For delayed adopters we exclude post-adoption observations (five observations for the bond sample). If IFRS and not omitted variables caused the reduction in accounting covenant use, we should not observe a similar result for these firms.

We test this prediction by adding the sample of non-adopters to the earlier sample and estimating Equations (1) and (2) for the extended sample. We allow the coefficient on $Post_{IFRS}$ to vary between mandatory adopters and non-adopters (viz., $Post_{IFRS_{Mandatory}}$ and $Post_{IFRS_{Non-adopter}}$). If mandatory IFRS adoption did not affect covenant usage of non-adopting firms, then we expect the coefficient on $Post_{IFRS_{Non-adopter}}$ to be insignificant for these firms.

Results are reported in Table IA1.\(^2\) In contrast to the earlier reported results for mandatory IFRS adopters, we generally observe an insignificant coefficient on $Post_{IFRS_{Non-adopter}}$. We also do not find the coefficients to be significantly different between the mandatory adopter and non-adopter groups. Therefore, we cannot rule out the possibility that the insignificant results of the non-adopter group are due to low statistical power. The coefficients are marginally significant and negative for bonds, but in untabulated analysis we find that this is due to firms that reported under US GAAP (which has converged to IFRS).

\(^2\) Table numbers with an “I” prefix refer to tables in this Internet Appendix. Table numbers without the prefix refer to the article itself.
We do not observe any significant decline in accounting covenants for firms that report under local GAAP after the country in which the firm is domiciled mandatorily adopts IFRS.\(^3\)

We conduct a similar analysis for the sample of voluntary adopters. Kim et al. (2011) document that voluntary adopters’ covenant usage declines following their IFRS adoption. Since voluntary adopters were already using IFRS at the time of mandatory adoption, we do not expect these firms’ accounting covenant usage to be affected by the country’s adoption of IFRS. However, since a large fraction of our sample of voluntary adoptions occur close to the mandatory adoption date, it is likely to be difficult to empirically identify the separate effects of voluntary-adoption and mandatory-IFRS adoption.\(^4\)

We use the hand-collected data in Daske et al. (2013) to identify the accounting standards used by our sample firms in the pre-adoption period. We define voluntary adopters as those who issued debt and used IAS/IFRS in the period prior to its country’s mandatory adoption date. We add these firms to the sample in Table 4, Panel A and re-estimate Equations (1) and (2) after allowing the treatment effect to vary across mandatory adopters and voluntary adopters (viz., Post\(_{IFRS}\)\(_{Mandatory}\) and Post\(_{IFRS}\)\(_{Voluntary}\)).

The results reported in Table IA2 continue to document a significantly negative coefficient on Post\(_{IFRS}\) for mandatory adopters. However, mixed results are obtained for voluntary adopters. The coefficient on Post\(_{IFRS}\)\(_{Voluntary}\) is significantly negative for the combined sample of loans and bonds, possibly reflecting the contamination between voluntary adoption and mandatory adoption effects mentioned above. In separate regressions

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\(^3\) Due to insufficient observations, we could not estimate regressions for the sample of loans where non-adopters reported under US GAAP. For the same reason, we also could not conduct this analysis on a constant sample of bonds or loans, which limits our ability to draw strong conclusions.

\(^4\) For instance, in the pre-mandatory-adoption years, 47 of the 64 bond issues by voluntary adopters are in the three-year window before mandatory IFRS adoption date. Kim et al. (2011) document that voluntary IFRS adoption is associated with firms having less restrictive covenants in their loan contracts. Unlike the current study, they do not require loans to have any (accounting or non-accounting) covenants before it is included in the sample. They find that over 60% of the voluntary adopters in their sample did so after EU voted to mandatorily adopt IFRS.
for loans and bonds, $Post_{IFRSVoluntary}$ tends to be statistically insignificant, which – while consistent with our predictions – could also potentially reflect lower power due to the smaller sample size for voluntary adopters. Again, we do not find the coefficients to be significantly different between the mandatory adopter and voluntary adopter groups and cannot rule out the possibility that the lack of results for the non-adopter group is due to low statistical power. Given these concerns about contamination and power, we are unable to draw strong inferences concerning voluntary adopters.

2. Endogenous variables

Agency theory suggests that debt contract characteristics are simultaneously determined (Smith and Warner, 1979). Consequently, our main analyses in Table 4 control for debt attributes. As an alternative procedure, we estimate six equations, one for each of the endogenous debt features, using 3SLS. The five debt features treated as endogenous in the model are: an indicator for the existence of an accounting covenant ($D_{ACov}$), an indicator for secured debt ($D_{Secured}$), an indicator for investment grade debt ($InvestGrade$), yield spread ($Yield\; Spread$), natural logarithm of issuance size ($Log(Debt\; Size)$), and natural logarithm of maturity ($Log(Maturity)$). For each endogenous variable, the instruments used are the sample mean of all debt (including those without covenant information) issued by firms in the same 2-digit SIC industry and year, and the sample mean of all debt issued by firms in the same country within a six-month period prior to the issue date. Using industry and country averages as instruments is consistent with prior literature (e.g., Lev and Sougiannis, 1996; Hanlon et al., 2003) and with the argument that the market average reflects the demand for debt (Bharath et al., 2011; Ivashina and Sun, 2011; Costello and Wittenberg-Moerman, 2011). However, we are aware of the caveats in using industry averages as
instruments; see the discussions in Lacker and Rusticus (2010) and Gormley and Matsa (2014). We construct these instruments separately for the loan and bond samples and require at least three observations to calculate the sample mean.

Table IA3, Panel A reports 3SLS regression results for the loan sample, while Panel B reports results for the bond sample. As before, we include country and year fixed effects and cluster standard errors at the industry level. The coefficient on \( \text{Post}_\text{IFRS} \) continues to be negative and significant in the regression on \( D_{ACov} \) in both panels. While we have not reported the results from 3SLS for accounting covenant intensity to conserve space, we obtain consistent results.

The coefficient on \( \text{Post}_\text{IFRS} \) in regressions of \( D_{Secured} \) is significantly positive in Table IA3, Panel B. That is, after controlling for potential simultaneity in the selection of debt features, bond issuances are more likely to be secured after IFRS-adoption. This is inconsistent with greater financial transparency from IFRS adoption causing bond holders to lower their demand for covenants.

3. Hand-collected data

Our primary analyses are based on machine-readable debt contract data compiled from various databases. A potential concern is that our results could be due to an unobservable change in the way the data providers cover debt issues or classify covenants. This seems unlikely to explain the difference-in-difference results, because the change would need to occur both at the time of IFRS adoption and only in IFRS adopting countries. It also would need to be independent of the firm, debt issue, and country characteristics for which we control.
To investigate this possibility, we hand-collect a sample of original bond prospectuses issued by non-US borrowers and read their covenant sections. Of the 2,968 bond contracts in our final sample issued by non-US firms (Table 4, Panel B), we are able to download the prospectus in English from Perfect Information or Form 424B in Edgar for 669 observations, with 553 from IFRS countries and 136 from non-IFRS countries. We manually code the information on: collateral, credit ratings, accounting standards used by the issuer, different types of covenants, whether these covenants use accounting items, and the definitions of accounting items used. For the hand-collected data, we broaden the definition of an accounting covenant to one with at least one income statement or balance sheet item in its description. See Internet Appendix III for examples of accounting covenants used in original bond contracts.

For these 669 observations, the hand-collected data contain significantly higher accounting covenant use than the machine-readable data. The mean of $\text{Num\_ACov}$ ($\text{D\_ACov}$) is 0.302 (0.120) for the machine-readable data and 2.674 (0.411) for the hand-collected data, with the differences being statistically significant. The Pearson correlation for $\text{Num\_ACov}$ ($\text{D\_ACov}$) between the two data sets is 0.63 (0.29). The differences exist in both IFRS-adopting and non-IFRS-adopting countries and in pre-mandatory adoption and post-mandatory adoption periods. Therefore, we do not expect the systematic under-recording of accounting covenants by our data providers to affect our difference-in-difference results.

To test this, we repeat the bond sample regression in Table 4, Panel B using the hand-collected data. Results are presented in Table IA4. The coefficient on $\text{Post\_IFRS}$ remains negative and significant at 5% for the regression on $\text{Num\_ACov}$, although it becomes insignificant for the regression on $\text{D\_ACov}$. The latter result is likely caused by the lack of
variation in the dependent variable (all debt issued by firms in the control sample contains at least one accounting covenant).

We also repeat the analysis in Table 7, Panel B by running an Ordered Probit regression on seven non-accounting covenant types and an OLS regression on the accounting to non-accounting covenant ratio. In these analyses, we define a covenant as non-accounting if it does not use any accounting number or ratio in its description (i.e. orthogonally to the accounting covenant definition). The coefficient on Post_IFRS becomes positive and significant for the former analysis and negative and significant for the latter (both at 5% level). We interpret this result as being due to a cleaner definition on non-accounting covenants using hand-collected data relative to machine-readable data.

In our hand-collected sample, adjustments to covenants to contract around fair value accounting are not frequent. Among the 96 bonds issued by IFRS-adopting firms in post-adoption period that contain at least one accounting covenant, we only observe six cases where fair value components are explicitly excluded from accounting definitions. We get similar results when dropping these six observations from the sample.

4. Announcement versus implementation of IFRS adoption

We next examine whether it is the announcement of IFRS adoption or the actual IFRS adoption that best explains the change in accounting covenant use. We implement this test by supplementing Equations (1) and (2) with a dummy variable PostAnnoun_IFRS, defined as one for firms in IFRS countries with fiscal years ending after the announcement date, and

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5 As an example, a bond contract issued by an Italian firm in December 2009 uses accounting earnings (consolidated net income) in its dividend payment restriction covenant. It defines consolidated net income as the aggregate net income (or loss) on a consolidated basis determined in accordance with IFRS, but excluding, among other things, any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations.
zero otherwise. The announcement dates for our sample countries are obtained from Daske et al. (2008). Israel and New Zealand do not have announcement date information available, and are excluded.

In results reported in Table IA5, Panel A, we observe negative and significant coefficients on PostAnnoun_IFRS and Post_IFRS for the loan sample, suggesting that loan contracts started to reduce accounting covenant use soon after the announcement of IFRS adoption and the actual adoption of IFRS further reduced the use. For the bond sample, we observe coefficients on PostAnnoun_IFRS to be insignificant, suggesting actual adoption not the announcement reduced accounting covenant use in bonds.

5. Two-year window before mandatory adoption

Borrowers and lenders had several years’ advance notice of the change to IFRS. In our main results, we report lower accounting covenant use post-change relative to pre-change. For debt contracts with maturities beyond the mandatory IFRS adoption date, the exact timing expected for the reduction is unclear, because there are effects in opposing directions. During the period up to the mandatory adoption date, the domestic standards are still in place, so dropping accounting covenants prior to mandatory adoption denies the parties the use during the pre-IFRS period of accounting covenants under standards they have been happy to use in the past. Against that, during the period after the mandatory conversion date, IFRS standards are in place, so dropping accounting covenants prior to mandatory adoption avoids the effects of IFRS during the post-IFRS period. So there is a trade-off. In addition, there was substantial uncertainty prior to 2005 on what the precise standards the IASB and the EU would adopt, particularly relating to fair-value accounting by EU firms. The net effect therefore is unclear, so we examine it empirically.
Table IA5, Panel B examines the window two years before the mandatory adoption date. We add a separate dummy variable for firms in IFRS countries that issue debt in the two years before the mandatory adoption date. There is weak evidence of a decline in accounting covenant use. While the number of accounting covenants significantly declines in this two-year period for loans, we do not see similar results in other analyses. Thus, the results are mixed on whether lenders adjust accounting covenants in anticipation of IFRS adoption.

6. Other robustness analyses for baseline

Table IA6 reports results after additionally controlling for the demand for debt financing. We use the aggregate amount of debt issued by all firms within the same country and in the same year as a proxy for the market demand for debt financing.

Table IA7 reports results using different samples of US firms as the control group.

Table IA8 reports results using different cluster dimensions and fixed effect models.

Table IA9 reports results using different sample countries, sample period, and a Propensity-score-matched sample. Debt issued during the financial crisis period might differ in its use of accounting and other covenants. To test this, we exclude debt issued during that period, using September 2008 and July 2007 as alternative cut-off dates, and find generally robust results (Panels B and C). In Panel E, we also include debt contracts without covenant information and assume those contracts as having zero covenant.

Table IA10 reports results using Poisson and Negative Binomial models for accounting covenant intensity analysis.

Table IA11 reports results using different control variables. IFRS adoption could influence the firm-level controls we use, for example by changing how they are measured. To
test this, we replace the post-adoption values of the accounting-based control variables (Leverage, Size, MTB, ROA, and Tangibility) with their values in the latest year prior to IFRS adoption. The results reported earlier are qualitatively unaffected by this change (Panel E).

7. Robustness analyses on GAAP distance

Using Nobes’ (2001) survey, we identify the differences between local GAAP and the following seven IFRS applications of fair value accounting: IAS 16 (Property, Plant and Equipment), IAS 22 (Business Combinations), IAS 36 (Impairment of Assets), IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), IAS 38 (Intangible Assets), IAS 39 (Financial Instruments), and IAS 40 (Investment Property). For each accounting item, countries that do not conform to IAS receive a score of 1, and all other countries receive a score of 0.6. The index is calculated as the aggregate score of the seven items. This index is labelled “FV Index”. Higher index values indicate greater differences between prior domestic GAAP and IFRS in terms of fair value accounting. Table IA12, Panel A, reports the values of FV Index for countries in the treatment sample. The sample median is 5. We repeat the analysis in Table 5 by splitting the treatment countries into those with high and low FV Index. The results as reported in Table IA12, Panel B are similar to those in Table 5.

Table IA13, Panels A and B report results repeating the analysis in Table 5 by excluding US firms and additional requiring a constant sample and by using a propensity-score-matched control group, respectively.

6 Countries in our treatment sample that receive 1 for IAS 16 include Greece, Italy, Netherlands, Philippines, Portugal, Spain, and Sweden; countries that receive 1 for IAS 22 include Austria, Belgium, Denmark, Germany, Philippines, and Spain; countries that receive 1 for IAS 36 include all countries in our treatment sample except Australia, Hong Kong, Ireland, Netherlands, South Africa, and UK; countries that receive 1 for IAS 37 include all countries in our treatment sample except Hong Kong, Ireland, South Africa, and UK; countries that receive 1 for IAS 38 include Australia, Belgium, Denmark, France, Germany, Norway, Portugal, and Spain; all countries in our treatment sample receive 1 for IAS 39; countries that receive 1 for IAS 40 include Australia, France, Greece, Hong Kong, Ireland, Netherlands, South Africa, Sweden, and Switzerland.
8. Robustness analyses on banks versus non-banks

Table IA14, Panel A reports results repeating the analysis in Table 6 by excluding US firms and additional requiring a constant sample. Panel B reports results using Poisson and Negtive Binomial models for accounting covenant intensity.

9. Robustness analyses on non-accounting covenants

In Table IA15, we repeat the analysis in Table 7 by using a matched sample and/or excluding US firms from the control group.

10. Changes loan structure

Table IA16 reports the number of lenders, lender ownership concentration, and percentage of lead arrangers’ ownership for our loan sample.

Table IA18, Panel A reports the results for the loan sample after excluding loans whose primary purpose is leverage buyouts (LBO), as these loans are likely to be sponsored by private equity.

Table IA18, Panel B reports the results for the loan sample after including the interaction of Term Loan indicator and Post_IFRS dummy. The results suggest that the covenant declines in the post-IFRS period are lower for term loans.

11. Robustness analyses on enforcement effect

In Table IA17, we repeat the analysis in Table 8, Panel A by using a matched sample and/or excluding US firms from the control group.
References


Table IA1: Exempt non-adopters in IFRS countries

This table reports the difference-in-difference regression after including non-adopters in the treatment sample. A firm is identified as non-adopter if it ever used accounting standards other than IFRS in post-mandatory-adoption period, which is the period subsequent to the mandatory adoption date in the firm’s country. A firm is identified as mandatory adopter if it adopts IFRS in the same year as the mandatory IFRS-adoption in its country. Post_IFRSMandatory (Post_IFRSNon-adopter) is defined as one for mandatory adopters (non-adopters) in IFRS countries and with fiscal year ends on or after mandatory adoption date in the firm’s country, and zero otherwise. If a non-adopter adopts IFRS in post-mandatory-adoption period then the firm-years after the firm’s IFRS adoption are deleted. An indicator for non-adopters is included in all regressions. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and z- or t-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country and year (calendar year of debt issuance date) fixed effects are included in all regressions. We also report p-values of χ²-test or F-test by comparing coefficients of Post_IFRSMandatory with Post_IFRSNon-adopter. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

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Test for difference [p-value]:

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Country fixed effects and year fixed effects included
Indicators for mandatory adopters and non-adopters included
All control variables included
Table IA2: Voluntary IFRS adopters in the pre-mandatory period

This table presents results after expanding the sample to include firms that voluntarily-adopted IFRS and after splitting the treatment effect into mandatory and voluntary adopters. We use data from Daske et al. (2013), who hand-collected information on accounting standards used by each sample firm, to identify voluntary adopters. Only voluntary adopters that have issued debt in our sample and satisfy our data requirements, including data on debt covenants, are included in the sample. Post_IFRS\textsubscript{Voluntary} is defined as one for a voluntary adopter in IFRS countries and with fiscal year ends on or after its country’s mandatory adoption date. An indicator for voluntary adopters is included in all regressions. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and $z$- or $t$-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country and year (calendar year of debt issuance date) fixed effects are included in all regressions. We also report $p$-values of $\chi^2$-test or $F$-test by comparing coefficients of Post_IFRS\textsubscript{Mandatory} with Post_IFRS\textsubscript{Voluntary}. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

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Test for difference [$p$-value]:

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<th>Post_IFRS\textsubscript{Voluntary}</th>
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<th>N of voluntary adopters post-mandatory-adoption</th>
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<td>5,476</td>
<td>76</td>
<td>113</td>
<td>59.6%</td>
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<tr>
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<td>1,644</td>
<td>12</td>
<td>3</td>
<td>33.9%</td>
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<td>3,832</td>
<td>64</td>
<td>110</td>
<td>43.9%</td>
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<td>76</td>
<td>113</td>
<td>62.6%</td>
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<td>3,832</td>
<td>64</td>
<td>110</td>
<td>43.8%</td>
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Country fixed effects and year fixed effects included
Indicators for mandatory adopters and non-adopters included
All control variables included
Table IA3: 3SLS regressions on endogenous debt features

This table reports the three-stage-least-square approach for the difference-in-difference regression in Table 4. Panel A reports the results for loan sample, while Panel B reports the results for bond sample. Variables $D_{ACov}$, $D_{Secured}$, $InvestGrade$, $Yield\, Spread$, $Log(Debt\, Size)$, and $Log(Maturity)$ are treated as endogenous variables. We use $Ind(D_{ACov})$ and $Ctry(D_{ACov})$ as the instruments for $D_{ACov}$, $Ind(D_{Secured})$ and $Ctry(D_{Secured})$ as the instruments for $D_{Secured}$, $Ind(InvestGrade)$ and $Ctry(InvestGrade)$ as the instruments for $InvestGrade$, $Ind(Yield\, Spread)$ and $Ctry(Yield\, Spread)$ as the instruments for $Yield\, Spread$, $Ind(Log(Debt\, Size))$ and $Ctry(Log(Debt\, Size))$ as the instruments for $Log(Debt\, Size)$, and $Ind(Log(Maturity))$ and $Ctry(Log(Maturity))$ as the instruments for $Log(Maturity)$. $Ind(D_{ACov})$, $Ind(D_{Secured})$, $Ind(InvestGrade)$, $Ind(Yield\, Spread)$, $Ind(Log(Debt\, Size))$, $Ind(Log(Maturity))$ are the sample means of corresponding variables for all debt issued by firms in the same industry (2-digit SIC) and year. $Ctry(D_{ACov})$, $Ctry(D_{Secured})$, $Ctry(InvestGrade)$, $Ctry(Yield\, Spread)$, $Ctry(Log(Debt\, Size))$, $Ctry(Log(Maturity))$ are the sample means of corresponding variables for all debt issued in the same country over the six-month period prior to the current debt issuance. A minimum of three observations are required for calculating the sample means. Bond and loan samples are used separately for this calculation. The table reports regression coefficients and $z$- or $t$-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country and year (calendar year of debt issuance date) fixed effects are included in all regressions. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.
Table IA3 (contd)
Panel A: Loans

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<th>Dependent Var:</th>
<th>D_ACov</th>
<th>D_Secure</th>
<th>InvestGrad</th>
<th>Yield Spread</th>
<th>Log(Debt Size)</th>
<th>Log(Maturity)</th>
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<td>(1.07)</td>
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Fixed effects:

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<tr>
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<tr>
<td></td>
<td>(-0.56)</td>
<td>(-2.38)</td>
<td>(0.64)</td>
<td>(1.51)</td>
<td>(-4.20)</td>
<td>(4.20)</td>
</tr>
<tr>
<td>Subordinated</td>
<td>0.089***</td>
<td>-0.043***</td>
<td>-0.019</td>
<td>0.312</td>
<td>-0.093</td>
<td>-0.060</td>
</tr>
<tr>
<td></td>
<td>(2.70)</td>
<td>(-2.95)</td>
<td>(-0.51)</td>
<td>(1.44)</td>
<td>(-1.13)</td>
<td>(-1.13)</td>
</tr>
<tr>
<td>Callable</td>
<td>0.028</td>
<td>0.050**</td>
<td>-0.118**</td>
<td>0.127</td>
<td>0.439***</td>
<td>0.480***</td>
</tr>
<tr>
<td></td>
<td>(0.56)</td>
<td>(2.37)</td>
<td>(-2.05)</td>
<td>(0.41)</td>
<td>(5.29)</td>
<td>(10.18)</td>
</tr>
<tr>
<td>Convertible</td>
<td>-0.228***</td>
<td>0.003</td>
<td>-0.089*</td>
<td>-1.568***</td>
<td>-0.082</td>
<td>-0.098</td>
</tr>
<tr>
<td></td>
<td>(-5.77)</td>
<td>(0.13)</td>
<td>(-1.74)</td>
<td>(-4.52)</td>
<td>(-0.65)</td>
<td>(-0.98)</td>
</tr>
<tr>
<td>D_A Cov</td>
<td>0.166***</td>
<td>-0.345**</td>
<td>4.957***</td>
<td>-1.504***</td>
<td>-0.947***</td>
<td>-0.947***</td>
</tr>
<tr>
<td></td>
<td>(2.88)</td>
<td>(-2.37)</td>
<td>(5.76)</td>
<td>(-4.61)</td>
<td>(-3.50)</td>
<td>(3.50)</td>
</tr>
<tr>
<td>Ind(D_A Cov)</td>
<td>0.093***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(3.02)</td>
</tr>
<tr>
<td>Ctry(D_A Cov)</td>
<td>0.048***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(2.84)</td>
</tr>
<tr>
<td>Ind(D_Secured)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.360**</td>
<td>(6.49)</td>
</tr>
<tr>
<td>Ctry(D_Secured)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-0.002</td>
<td>(-0.04)</td>
</tr>
<tr>
<td>Ind(InvestGrade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.379***</td>
<td>(8.44)</td>
</tr>
<tr>
<td>Ctry(InvestGrade)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>Coefficient</td>
<td>p-value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ind(Yield Spread)</td>
<td>0.247***</td>
<td>(6.27)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ctry(Yield Spread)</td>
<td>0.499***</td>
<td>(16.49)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ind(Log(Debt Size))</td>
<td>0.100***</td>
<td>(3.98)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ctry(Log(Debt Size))</td>
<td>0.071**</td>
<td>(2.39)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ind(Log(Maturity))</td>
<td>0.257***</td>
<td>(4.52)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ctry(Log(Maturity))</td>
<td>0.074*</td>
<td>(1.73)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fixed effects: 
- Country; Year: N = 3,371, R² = 32.3%
- Country; Year: N = 3,371, R² = -24.6%
- Country; Year: N = 3,371, R² = 53.2%
- Country; Year: N = 3,371, R² = 29.5%
- Country; Year: N = 3,371, R² = 32.7%
- Country; Year: N = 3,371, R² = -35.0%
Table IA4: Hand-collected bond data

The data are a hand-collect sample of original bond prospectuses issued by non-US borrowers. Prospectus in English are obtained from Perfect Information or Form 424B in Edgar for 669 of the 2,968 bond issuanced by non-US firms that are analysed in Table 4, Panel B, 553 from IFRS countries and 136 from non-IFRS countries. We manually code the information on: collateral, credit ratings, accounting standards used by the issuer, different types of covenants, whether these covenants use accounting items, and the definitions of accounting items used. We broaden the definition of an accounting covenant to one with at least one income statement or balance sheet item in its description. Results correspond to those for the entire sample in Table 4, Panel B and Table 7, Panel B.

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log(1+Num_ACov)</th>
<th>Ordered Probit: NACov_Types</th>
<th>OLS: Log (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>0.047</td>
<td>-0.204**</td>
<td>1.213**</td>
<td>-0.261**</td>
</tr>
<tr>
<td></td>
<td>(0.29)</td>
<td>(-2.23)</td>
<td>(2.09)</td>
<td>(-2.47)</td>
</tr>
<tr>
<td>N</td>
<td>669 669 669 669</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>41.4%</td>
<td>81.5%</td>
<td>55.5%</td>
<td>91.4%</td>
</tr>
</tbody>
</table>

Country fixed effects and year fixed effects included
All control variables included

Table IA5: Announcement effect and covenant use in pre-adoption window

In Panel A, PostAnnoun_IFRS is defined as one for firms from IFRS-adopting countries with fiscal year ending after the announcement date as obtained from Daske et al. (2008). In Panel B, Pre_IFRS_{t-2,t-1} is defined one for firms from IFRS-adopting countries with fiscal year ending in or after two years prior to the mandatory adoption date but before the adoption date. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and z- or t-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td>Panel A: Announcement effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PostAnnoun_IFRS</td>
<td>-0.140**</td>
<td>-0.042**</td>
</tr>
<tr>
<td></td>
<td>(-2.33)</td>
<td>(-1.99)</td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.220***</td>
<td>-0.109***</td>
</tr>
<tr>
<td></td>
<td>(-4.10)</td>
<td>(-3.96)</td>
</tr>
<tr>
<td>N</td>
<td>5,499</td>
<td>1,686</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>60.1%</td>
<td>33.9%</td>
</tr>
</tbody>
</table>

Panel B: Pre-adoption window
<table>
<thead>
<tr>
<th></th>
<th>Pre_IFRS&lt;sub&gt;t+2,t-1&lt;/sub&gt;</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.005</td>
<td>-0.030</td>
<td>0.048</td>
<td>-0.070</td>
<td>-0.213***</td>
<td>0.044</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.05)</td>
<td>(-1.08)</td>
<td>(1.16)</td>
<td>(-1.41)</td>
<td>(-2.81)</td>
<td>(0.83)</td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.266***</td>
<td>-0.229***</td>
<td>-0.099***</td>
<td>-0.170***</td>
<td>-0.285***</td>
<td>-0.108**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-3.47)</td>
<td>(-4.67)</td>
<td>(-3.15)</td>
<td>(-3.55)</td>
<td>(-4.05)</td>
<td>(-2.58)</td>
<td></td>
</tr>
</tbody>
</table>

**Test for difference [p-value]:**

<table>
<thead>
<tr>
<th></th>
<th>Pre_IFRS&lt;sub&gt;t+2,t-1&lt;/sub&gt; = Post_IFRS</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[0.00]</td>
<td>[0.01]</td>
<td>[0.00]</td>
<td>[0.01]</td>
<td>[0.29]</td>
<td>[0.00]</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>5,547</th>
<th>1,698</th>
<th>3,849</th>
<th>5,547</th>
<th>1,698</th>
<th>3,849</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pseudo/Adj. $R^2$</td>
<td>60.0%</td>
<td>33.8%</td>
<td>43.9%</td>
<td>62.8%</td>
<td>23.7%</td>
<td>43.7%</td>
<td></td>
</tr>
</tbody>
</table>

All control variables included

Country fixed effects and year fixed effects included
Table IA6: Controlling for demand for debt financing

This table presents results after controlling for country-year specific measures of demand for debt financing. In Panel A, Debt Demand is defined as the total offering amount of all loans or bonds (depending on whether the observations is a loan or a bond) issued in the same country and year. In Panel B, Debt Demand is defined as the total offering amount of all loans and bonds issued in the same country and year. We use all loan and bond contracts, including those with and without covenant information, to calculate the debt demand variable. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and $z$- or $t$-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
</tbody>
</table>

**Panel A: Controlling for the total amount of loans OR bonds issued in the same country-year**

<table>
<thead>
<tr>
<th></th>
<th>Post_IFRS</th>
<th>Log (Debt Demand)</th>
<th>N</th>
<th>Pseudo/Adj. $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.263***</td>
<td>-0.156***</td>
<td>-0.108***</td>
<td>60.0% 43.9%</td>
</tr>
<tr>
<td></td>
<td>(-4.51)</td>
<td>(-5.37)</td>
<td>(-3.88)</td>
<td>5,547 3,849</td>
</tr>
<tr>
<td></td>
<td>-0.009</td>
<td>0.011**</td>
<td>-0.012</td>
<td>5,547 3,849</td>
</tr>
<tr>
<td></td>
<td>(-0.39)</td>
<td>(2.08)</td>
<td>(-1.00)</td>
<td>5,547 3,849</td>
</tr>
</tbody>
</table>

**Panel B: Controlling for the total amount of loans AND bonds issued in the same country-year**

<table>
<thead>
<tr>
<th></th>
<th>Post_IFRS</th>
<th>Log (Debt Demand)</th>
<th>N</th>
<th>Pseudo/Adj. $R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.264***</td>
<td>0.003</td>
<td>0.009</td>
<td>60.0% 33.7%</td>
</tr>
<tr>
<td></td>
<td>(-4.63)</td>
<td>(0.99)</td>
<td>(0.84)</td>
<td>5,547 3,849</td>
</tr>
</tbody>
</table>

All control variables included

Fixed effects: Country; Year
Table IA7: Robustness on US firms as control

In Panel A, we use the baseline sample as in Table 4, Panel A, but additionally require a constant sample. In Panel B, we keep all the US firms in the control group (rather than a randomly selected sample used in the baseline analysis). In Panel C, we use the sample in Panel B but additionally require a constant sample. A constant sample includes IFRS-adopting firms that issue at least one debt in pre-adoption period and a debt in post-adoption periods and non-IFRS firms that issue at least two debts during the sample period. In Panel B, we use all US firms as the only control group. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and \( z \) - or \( t \)-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>Probit: D_A Cov</th>
<th>OLS: Log (1+Num_A Cov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>M. E.</td>
</tr>
<tr>
<td><strong>Panel A: Constant sample with US firms (random sample)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.260***</td>
<td>-0.351***</td>
</tr>
<tr>
<td></td>
<td>(-4.32)</td>
<td>(-5.13)</td>
</tr>
<tr>
<td>N</td>
<td>4,029</td>
<td>1,099</td>
</tr>
<tr>
<td>Pseudo/Adj. R^2</td>
<td>61.6%</td>
<td>37.5%</td>
</tr>
<tr>
<td><strong>Panel B: Including all US firms as control</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.165***</td>
<td>-0.052***</td>
</tr>
<tr>
<td></td>
<td>(-3.39)</td>
<td>(-3.07)</td>
</tr>
<tr>
<td>N</td>
<td>18,284</td>
<td>10,865</td>
</tr>
<tr>
<td>Pseudo/Adj. R^2</td>
<td>67.1%</td>
<td>18.5%</td>
</tr>
<tr>
<td><strong>Panel C: Constant sample with all US firms as control</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.169***</td>
<td>-0.053**</td>
</tr>
<tr>
<td></td>
<td>(-3.04)</td>
<td>(-2.13)</td>
</tr>
<tr>
<td>N</td>
<td>16,538</td>
<td>9,869</td>
</tr>
<tr>
<td>Pseudo/Adj. R^2</td>
<td>67.7%</td>
<td>18.6%</td>
</tr>
<tr>
<td><strong>Panel D: All US firms as the only control</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.110***</td>
<td>-0.029*</td>
</tr>
<tr>
<td></td>
<td>(-2.58)</td>
<td>(-1.93)</td>
</tr>
<tr>
<td>N</td>
<td>15,572</td>
<td>9,915</td>
</tr>
<tr>
<td>Pseudo/Adj. R^2</td>
<td>68.0%</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

All control variables included

Fixed effects: Country; Year
Table IA8: Robustness analysis with different clusters and fixed effects

This table uses the baseline sample as in Table 4, Panel A, but with different cluster dimensions. Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_A Cov</th>
<th>OLS: Log (1+Num_A Cov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan &amp; Bond</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cluster by industry and year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-4.70)</td>
<td>(-6.28)</td>
</tr>
<tr>
<td>Cluster by country and year</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-3.49)</td>
<td>(-2.57)</td>
</tr>
<tr>
<td>Firm fixed effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-2.11)</td>
<td>(-1.77)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>75.6%</td>
<td>35.4%</td>
</tr>
<tr>
<td>Fixed effects</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-4.36)</td>
<td>(-6.03)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>53.2%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Fixed effects</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table IA9: Robustness using different samples

This table reports the baseline model with different samples. Panel A excludes firms domiciled in the UK and France. Panels B and C exclude debt issued during financial crisis (July 2007 or September 2008). Panel D uses a propensity-score-matched (PSM) sample. To create a PSM sample, we first run a Logit regression to model the probability of a debt being issued by firms domiciled in IFRS-adopting countries by using all control variables and year fixed effects. We match firms in IFRS countries with those in non-IFRS countries using the caliper technique (without replacement) with a radius of 0.01. We then use the matched group to repeat the analysis. In Panel E, we include debt without covenant information in the sample. We also exclude US firms as they have substantially better covenant coverage than non-US firms in the database. We also keep a constant sample where every IFRS firm in the sample issues at least one debt in the pre-adoption period and one debt in the post-adoption period and every non-IFRS firm issues at least two debt in the whole sample period. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and z- or t-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_A Cov</th>
<th>OLS: Log (1+Num_A Cov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.222*** (-3.03)</td>
<td>-0.330*** (-3.94)</td>
</tr>
<tr>
<td>N</td>
<td>4,888 1,600 3,288</td>
<td>4,888 1,600 3,288</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>59.5% 34.7% 45.3%</td>
<td>62.3% 22.8% 45.4%</td>
</tr>
<tr>
<td>Panel A: Excluding UK and France</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.266*** (-3.60)</td>
<td>-0.557*** (-4.23)</td>
</tr>
<tr>
<td>N</td>
<td>2,958 1,066 1,892</td>
<td>2,958 1,066 1,892</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>59.0% 32.0% 45.9%</td>
<td>60.7% 22.8% 49.1%</td>
</tr>
<tr>
<td>Panel B: Excluding debt issued in or after July 2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.220** (-2.35)</td>
<td>-0.213*** (-4.60)</td>
</tr>
<tr>
<td>N</td>
<td>3,735 1,284 2,451</td>
<td>3,735 1,284 2,451</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>60.2% 33.1% 46.9%</td>
<td>61.4% 23.2% 48.3%</td>
</tr>
<tr>
<td>Panel C: Excluding debt issued in or after September 2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.176*** (-2.76)</td>
<td>-0.077*** (-2.04)</td>
</tr>
<tr>
<td>N</td>
<td>2,940 500 2,410</td>
<td>2,940 500 2,410</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>51.5% 51.6% 39.0%</td>
<td>55.2% 41.4% 39.0%</td>
</tr>
<tr>
<td>Panel D: Propensity-score-matched control firms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.029** (-9.38)</td>
<td>-0.043*** (-6.16)</td>
</tr>
<tr>
<td>N</td>
<td>27,131 11,185 15,946</td>
<td>27,131 11,185 15,946</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>24.5% 32.9% 30.1%</td>
<td>14.7% 23.7% 12.8%</td>
</tr>
<tr>
<td>Panel E: Including debt w/o covenant information (constant sample excluding US firms)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All control variables included</td>
<td>Fixed effects</td>
<td>Country; Year</td>
</tr>
</tbody>
</table>
Table IA10: Robustness using different distribution models

This table reports results using Poisson and Negative Binomial models for accounting covenant intensity. We use the baseline sample as in Table 4, Panel A. Standard errors are clustered by industry (2-digit SIC). Country fixed effects and year (calendar year of debt issuance date) fixed effects are included in all regressions. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th></th>
<th>Poisson: Num_ACov</th>
<th></th>
<th>NegBin: Num_ACov</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
<td>Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Done</td>
<td></td>
<td>Done</td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.869***</td>
<td>-0.219***</td>
<td>-1.083***</td>
<td>-0.870***</td>
</tr>
<tr>
<td></td>
<td>(-5.59)</td>
<td>(-2.79)</td>
<td>(-4.52)</td>
<td>(-5.56)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
<td>3,849</td>
<td>5,547</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>37.3%</td>
<td>4.6%</td>
<td>44.0%</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

All control variables included

Fixed effects: Country; Year
This table reports the baseline model with different control variables. In Panel A, we exclude all control variables and fixed effects. In Panel B, we exclude debt-level controls. In Panel C, we additionally control for an indicator for London Stock Exchange filing. In Panel D, we allow coefficients on firm-level controls to differ for IFRS and non-IFRS countries, i.e. by interacting IFRS dummy with all firm-level control variables. In Panel E, we use the pre-adoption value of firm-level accounting variables (Leverage, Size, MTB, ROA, and Tangibility) to replace post-adoption values. In Panel F, we replace country fixed effects with three country-level control variables. Common Law is a dummy variable indicating that the firm is incorporated in a common law country and is obtained from La Porta, Lopes-de Silanes, Shleifer, and Vishny (1998). Creditor Rights is an index measuring the strength of a country’s creditor protection and is obtained from Djankov, McLiesh, and Shleifer (2007). Private Debt Market is a dummy variable indicating the importance of a country’s private long-term debt financing market and is obtained from Bushman and Piotroski (2006). Standard errors are clustered by industry (2-digit SIC). Country fixed effects and year fixed effects are included in all regressions, unless specified otherwise. Control variables are as defined in Table 4 and their coefficients are omitted for brevity. All continuous variables are Winsorized at the 1st and 99th percentiles. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

<table>
<thead>
<tr>
<th>Panel A: No control or fixed effects</th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Post_IFRS</td>
<td>-0.369***</td>
<td>-0.190***</td>
</tr>
<tr>
<td></td>
<td>(-10.64)</td>
<td>(-3.18)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Pseudo/Adj. R</td>
<td>6.0%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel B: Excluding debt-level controls</th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.246***</td>
<td>-0.208***</td>
</tr>
<tr>
<td></td>
<td>(-4.70)</td>
<td>(-5.10)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Pseudo/Adj. R</td>
<td>53.7%</td>
<td>29.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel C: Controlling for London Stock Exchange filing</th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.258***</td>
<td>-0.171***</td>
</tr>
<tr>
<td>LondonFiling</td>
<td>(-4.58)</td>
<td>(-5.24)</td>
</tr>
<tr>
<td></td>
<td>(-1.43)</td>
<td>(-0.52)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Pseudo/Adj. R</td>
<td>60.0%</td>
<td>33.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel D: Allowing coefficients on firm control to differ for IFRS and non-IFRS countries, i.e. interacting IFRS dummy with all firm-level controls</th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.265***</td>
<td>-0.181***</td>
</tr>
<tr>
<td></td>
<td>(-4.83)</td>
<td>(-6.14)</td>
</tr>
<tr>
<td>N</td>
<td>5,547</td>
<td>1,698</td>
</tr>
<tr>
<td>Pseudo/Adj. R</td>
<td>60.1%</td>
<td>36.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Panel E: Using pre-adoption accounting variable values to replace post-adoption values</th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.258***</td>
<td>-0.066***</td>
</tr>
<tr>
<td></td>
<td>(-4.92)</td>
<td>(-2.71)</td>
</tr>
</tbody>
</table>
### Panel F: Replacing country fixed effects with country-level controls

<table>
<thead>
<tr>
<th></th>
<th>Post_IFRS</th>
<th>Common Law</th>
<th>Creditor Rights</th>
<th>Private Debt Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.251***</td>
<td>0.141***</td>
<td>0.076***</td>
<td>-0.325***</td>
</tr>
<tr>
<td></td>
<td>(-5.58)</td>
<td>(3.62)</td>
<td>(4.07)</td>
<td>(-4.67)</td>
</tr>
<tr>
<td></td>
<td>-0.101***</td>
<td>0.005</td>
<td>0.000</td>
<td>0.066</td>
</tr>
<tr>
<td></td>
<td>(-2.84)</td>
<td>(0.98)</td>
<td>(0.06)</td>
<td>(0.57)</td>
</tr>
<tr>
<td></td>
<td>-0.116***</td>
<td>0.122***</td>
<td>0.033**</td>
<td>-0.196***</td>
</tr>
<tr>
<td></td>
<td>(-4.60)</td>
<td>(3.98)</td>
<td>(2.90)</td>
<td>(-4.42)</td>
</tr>
<tr>
<td></td>
<td>-0.175***</td>
<td>0.033</td>
<td>0.027**</td>
<td>-0.065</td>
</tr>
<tr>
<td></td>
<td>(-4.67)</td>
<td>(1.18)</td>
<td>(2.64)</td>
<td>(-1.32)</td>
</tr>
<tr>
<td></td>
<td>-0.236***</td>
<td>-0.062</td>
<td>-0.021</td>
<td>0.108</td>
</tr>
<tr>
<td></td>
<td>(-3.24)</td>
<td>(-1.60)</td>
<td>(-1.03)</td>
<td>(1.49)</td>
</tr>
<tr>
<td></td>
<td>-0.126***</td>
<td>0.110***</td>
<td>0.019</td>
<td>-0.094</td>
</tr>
<tr>
<td></td>
<td>(-3.94)</td>
<td>(3.68)</td>
<td>(1.60)</td>
<td>(-1.47)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,192</td>
<td>1,482</td>
<td>3,710</td>
<td>5,192</td>
</tr>
<tr>
<td></td>
<td>(4.67)</td>
<td>(0.57)</td>
<td>(-4.42)</td>
<td>(-1.32)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Pseudo/Adj. R²</th>
<th>53.7%</th>
<th>24.4%</th>
<th>34.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59.5%</td>
<td>18.6%</td>
<td>38.1%</td>
<td></td>
</tr>
</tbody>
</table>
Table IA12: GAAP distance pertaining to fair value accounting

Panel A reports the FV Index by country for the treatment sample. Panel B reports the results by splitting the treatment effect into countries with high and low values based on difference between domestic GAAP index and IFRS, as measured by FV Index. FV Index is a self-constructed index measuring the difference between domestic GAAP and IFRS in terms of fair value accounting. Post_IFRSIndex_H (Post_IFRSIndex_L) is defined as one for observations from the IFRS countries with a high (low) value of FV Index and with fiscal year ends on or after mandatory adoption date, and zero otherwise. The table reports marginal effects for all Probit models, regression coefficients for all OLS models, and $z$- or $t$-statistics (in parentheses) based on standard errors clustered by industry (2-digit SIC). Country and year (calendar year of debt issuance date) fixed effects are included. The table also reports $p$-values of $\chi^2$-test or $F$-test from testing the null hypothesis of whether $Post_{IFRSIndex_H} = Post_{IFRSIndex_L}$. Control variables as defined in Table 4 are included in the regressions, but their coefficients are omitted for brevity. ***, **, and * indicate significance at 1%, 5%, and 10% levels, respectively.

Panel A: Fair value index by country

<table>
<thead>
<tr>
<th>Country</th>
<th>FV Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>4</td>
</tr>
<tr>
<td>Belgium</td>
<td>6</td>
</tr>
<tr>
<td>Denmark</td>
<td>6</td>
</tr>
<tr>
<td>Finland</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>5</td>
</tr>
<tr>
<td>Germany</td>
<td>6</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2</td>
</tr>
<tr>
<td>Ireland</td>
<td>2</td>
</tr>
<tr>
<td>Israel</td>
<td>4</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4</td>
</tr>
<tr>
<td>Norway</td>
<td>5</td>
</tr>
<tr>
<td>Philippines</td>
<td>6</td>
</tr>
<tr>
<td>Portugal</td>
<td>6</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
</tr>
<tr>
<td>South Africa</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>7</td>
</tr>
<tr>
<td>Sweden</td>
<td>5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1</td>
</tr>
<tr>
<td>Median</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Panel B: Splitting the sample by fair value index

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_A Cov</th>
<th>OLS: Log (1+Num_A Cov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Post_IFRSIndex H</td>
<td>-0.304***</td>
<td>-0.518***</td>
</tr>
<tr>
<td></td>
<td>(-4.46)</td>
<td>(-4.93)</td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>-0.207***</td>
<td>-0.080**</td>
</tr>
<tr>
<td></td>
<td>(-2.90)</td>
<td>(-2.48)</td>
</tr>
</tbody>
</table>

Test for difference [p-value]:

| Post_IFRSIndex_H=    | [0.20]          | [0.22]                 | [0.09]                 | [0.00]                 | [0.28]                 |
| Post_IFRSIndex L     |                |                        |                        |

Pseudo/Adj. $R^2$

|                      | 60.0%          | 34.2%                  | 43.9%                  |
|                      | 62.8%          | 23.7%                  | 43.7%                  |

N

|                      | 5,547          | 1,698                  | 3,849                  |
|                      | 5,547          | 1,698                  | 3,849                  |

All control variables included
Country fixed effects and year fixed effects included
Table IA13: Robustness analysis on degree of IFRS departure from prior domestic standards

Penal A repeats the analysis in Table 5 by excluding US firms and requiring a constant sample. To be included in the constant sample, we require a firm to issue at least one debt in pre-adoption period and a debt in post-adoption periods if the firm is located in an IFRS country and a firm to issue at least two debts during the sample period if the firm is located in a non-IFRS country. Panel B repeats analysis in Table 5 using a propensity-score-matched control group.

**Panel A: Constant sample excluding US firms**

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td><strong>Post_IFRSIndex H</strong></td>
<td>-0.330***</td>
<td>-0.999***</td>
</tr>
<tr>
<td></td>
<td>(-4.13)</td>
<td>(-12.39)</td>
</tr>
<tr>
<td><strong>Post_IFRSIndex L</strong></td>
<td>-0.224***</td>
<td>-0.064***</td>
</tr>
<tr>
<td></td>
<td>(-4.20)</td>
<td>(-2.98)</td>
</tr>
<tr>
<td><strong>Test for difference</strong></td>
<td>[p-value]</td>
<td></td>
</tr>
<tr>
<td><strong>Post_IFRSIndex H</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Post_IFRSIndex L</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>3,283</td>
<td>920</td>
</tr>
<tr>
<td>Pseudo/Adj. $R^2$</td>
<td>62.9%</td>
<td>39.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td><strong>Post_IFRSIndex H</strong></td>
<td>-0.329***</td>
<td>-0.687***</td>
</tr>
<tr>
<td></td>
<td>(-3.95)</td>
<td>(-4.05)</td>
</tr>
<tr>
<td><strong>Post_IFRSIndex L</strong></td>
<td>-0.241***</td>
<td>-0.206***</td>
</tr>
<tr>
<td></td>
<td>(-4.68)</td>
<td>(-2.60)</td>
</tr>
<tr>
<td><strong>Test for difference</strong></td>
<td>[p-value]</td>
<td></td>
</tr>
<tr>
<td><strong>Post_IFRSIndex H</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Post_IFRSIndex L</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>3,283</td>
<td>920</td>
</tr>
<tr>
<td>Pseudo/Adj. $R^2$</td>
<td>62.9%</td>
<td>38.1%</td>
</tr>
</tbody>
</table>

All control variables included

Fixed effects                          Country; Year
Panel B: Propensity-score-matched control group

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_ACov</th>
<th>OLS: Log (1+Num_ACov)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td><strong>Bae Total Index</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRSIndex H</td>
<td>-0.212***</td>
<td>-1.000***</td>
</tr>
<tr>
<td></td>
<td>(-3.36)</td>
<td>(-14.27)</td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>-0.110*</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>(-1.96)</td>
<td>(0.88)</td>
</tr>
<tr>
<td>Test for difference [p-value]:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRSIndex H=</td>
<td>[0.00]</td>
<td>[0.00]</td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>[0.06]</td>
<td>[0.12]</td>
</tr>
<tr>
<td>N</td>
<td>2,940</td>
<td>500</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>51.7%</td>
<td>54.4%</td>
</tr>
</tbody>
</table>

|                  | Bae Acct Index |
|                  |                |
| Post_IFRSIndex H | -0.201***      | -0.175**              | -0.120***  |
|                  | (-3.13)        | (-2.40)               | (-3.20)    |
| Post_IFRSIndex L | -0.132**       | -0.028                | -0.088***  |
|                  | (-2.31)        | (-0.92)               | (-3.05)    |
| Test for difference [p-value]: |                |                        |            |
| Post_IFRSIndex H= | [0.03]         | [0.22]                 | [0.12]     |
| Post_IFRSIndex L | [0.49]         | [0.41]                 | [0.91]     |
| N                | 2,940          | 500                    | 2,410      |
| Pseudo/Adj. R²   | 51.6%          | 51.8%                  | 39.1%      |

All control variables included

Fixed effects Country; Year
Table IA14: Robustness analysis on banks vs. non-banks

Panel A repeats the analysis in Table 6 by excluding US firms and requiring a constant sample. To be included in the constant sample, we require a firm to issue at least one debt in pre-adoption period and a debt in post-adoption periods if the firm is located in an IFRS country and a firm to issue at least two debts during the sample period if the firm is located in a non-IFRS country. Panel B reports the results using Poisson and Negative Binomial models for accounting covenant intensity.

### Panel A: Constant sample excluding US firms

<table>
<thead>
<tr>
<th></th>
<th>Probit: (D_{ACov})</th>
<th>OLS: (\log(1+\text{Num}_{ACov}))</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>(M. \ E.)</td>
<td>(M. \ E.)</td>
</tr>
<tr>
<td>(\text{Post}<em>{IFRS</em>{Bank}})</td>
<td>-0.220***</td>
<td>-0.568***</td>
</tr>
<tr>
<td></td>
<td>(-6.81)</td>
<td>(-3.51)</td>
</tr>
<tr>
<td>(\text{Post}<em>{IFRS</em>{non-Bank}})</td>
<td>-0.144**</td>
<td>-0.201***</td>
</tr>
<tr>
<td></td>
<td>(-2.10)</td>
<td>(-3.99)</td>
</tr>
</tbody>
</table>

*Test for difference \([p-value]\):*

\(\text{Post}_{IFRS_{Bank}} = \text{Post}_{IFRS_{non-Bank}}\) 

<table>
<thead>
<tr>
<th></th>
<th>([0.05])</th>
<th>([0.10])</th>
<th>([0.09])</th>
<th>([0.14])</th>
<th>([0.00])</th>
<th>([0.24])</th>
</tr>
</thead>
<tbody>
<tr>
<td>(N)</td>
<td>5,778</td>
<td>1,271</td>
<td>4,507</td>
<td>5,778</td>
<td>1,271</td>
<td>4,507</td>
</tr>
<tr>
<td>(\text{Pseudo/Adj. } R^2)</td>
<td>57.4%</td>
<td>28.4%</td>
<td>41.8%</td>
<td>62.9%</td>
<td>23.8%</td>
<td>39.2%</td>
</tr>
</tbody>
</table>

All control variables included
Indicators for banking industries included
Fixed effects Country; Year

### Panel B: Poisson and Negative Binomial models

<table>
<thead>
<tr>
<th></th>
<th>Poisson: (\text{Num}_{ACov})</th>
<th>NegBin: (\text{Num}_{ACov})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loan &amp; Bond</td>
<td>Loan</td>
</tr>
<tr>
<td></td>
<td>(\text{Coeff.})</td>
<td>(\text{Coeff.})</td>
</tr>
<tr>
<td>(\text{Post}<em>{IFRS</em>{Bank}})</td>
<td>-1.647***</td>
<td>-1.258***</td>
</tr>
<tr>
<td></td>
<td>(-15.82)</td>
<td>(-14.70)</td>
</tr>
<tr>
<td>(\text{Post}<em>{IFRS</em>{non-Bank}})</td>
<td>-0.722***</td>
<td>-0.212***</td>
</tr>
<tr>
<td></td>
<td>(-4.62)</td>
<td>(-2.66)</td>
</tr>
</tbody>
</table>

*Test for difference \([p-value]\):*

\(\text{Post}_{IFRS_{Bank}} = \text{Post}_{IFRS_{non-Bank}}\) 

<table>
<thead>
<tr>
<th></th>
<th>([0.00])</th>
<th>([0.00])</th>
<th>([0.00])</th>
<th>([0.00])</th>
<th>([0.00])</th>
<th>([0.00])</th>
</tr>
</thead>
<tbody>
<tr>
<td>(N)</td>
<td>7,615</td>
<td>1,896</td>
<td>5,719</td>
<td>7,615</td>
<td>1,896</td>
<td>5,719</td>
</tr>
<tr>
<td>(\text{Pseudo/Adj. } R^2)</td>
<td>39.5%</td>
<td>5.1%</td>
<td>41.9%</td>
<td>27.8%</td>
<td>5.1%</td>
<td>24.2%</td>
</tr>
</tbody>
</table>

All control variables included
Indicators for banking industries included
Fixed effects Country; Year
**Table IA15: Robustness analyses on non-accounting covenants**

This table repeats the analysis in Table 7 by using different samples. “Diff-in-diff” repeats the analysis in Table 7, Panels A and C. “PSM” suggests using a propensity-score-matched sample. To create a PSM sample, we first run a Logit regression to model the probability of a debt being issued by firms domiciled in IFRS-adopting countries by using all control variables and year fixed effects. We match firms in IFRS countries with those in non-IFRS countries using the caliper technique (without replacement) with a radius of 0.01. We then use the matched group to repeat the analysis. “ex. US” suggests excluding US firms from the control group. “Bae Total Index” repeats the analysis in Table 7, Panels B and D using *Bae Total Index*. Panel A reports the results for the loan sample and Panel B reports the results for the bond sample.

### Panel A: Non-accounting covenants for loans

<table>
<thead>
<tr>
<th></th>
<th>Probit: D_NACov</th>
<th>Ordered Probit: NACov_Types</th>
<th>OLS: Log (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Rstr</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Asset Sale Rstr</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Equity Issue Rstr</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Debt Issue Rstr</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Prepayment Rstr</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Five Non-acct Types</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
<tr>
<td>Acct to Non-acct ratio</td>
<td>M. E.</td>
<td>M. E.</td>
<td>M. E.</td>
</tr>
</tbody>
</table>

#### Diff-in-diff (Kernel Propensity Score)

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>Coeff.</th>
<th>Coeff.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.066</td>
<td>0.095</td>
<td>0.188**</td>
</tr>
<tr>
<td>(1.34)</td>
<td>(0.97)</td>
<td>(2.41)</td>
</tr>
<tr>
<td>N 1,673</td>
<td>1,673</td>
<td>1,673</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>34.4%</td>
<td>37.4%</td>
</tr>
</tbody>
</table>

#### Diff-in-diff (PSM)

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>Coeff.</th>
<th>Coeff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.045</td>
<td>0.460**</td>
<td>0.698***</td>
</tr>
<tr>
<td>(-0.77)</td>
<td>(2.00)</td>
<td>(4.30)</td>
</tr>
<tr>
<td>N 500</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>45.0%</td>
<td>33.9%</td>
</tr>
</tbody>
</table>

#### Bae Total Index (PSM)

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>Coeff.</th>
<th>Coeff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.736***</td>
<td>0.648***</td>
<td>0.822***</td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>-0.059** (2.14)</td>
<td>0.321 (1.31)</td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Test for difference [p-value]:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRSIndex H= Post_IFRSIndex L</td>
<td>[0.00] [0.10]</td>
<td>[0.00] [0.00]</td>
</tr>
<tr>
<td>N</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>46.0% 34.3% 35.1% 35.7% 69.4% 26.9% 47.6%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diff-in-diff (ex. US)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>0.003 (0.16)</td>
<td>0.255 (1.54)</td>
<td>0.408*** (2.61)</td>
<td>0.324** (2.04)</td>
<td>-0.013 (-0.49)</td>
<td>0.762** (2.29)</td>
<td>-0.353** (-2.32)</td>
</tr>
<tr>
<td>N</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>45.3% 27.6% 34.1% 29.6% 47.5% 33.9% 67.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bae Total Index (ex. US)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRSIndex H</td>
<td>0.361*** (3.87)</td>
<td>0.480** (2.10)</td>
<td>0.671*** (2.77)</td>
<td>0.752*** (3.24)</td>
<td>1.758*** (4.45)</td>
<td>-1.057*** (-4.30)</td>
<td>-0.94</td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>-0.009 (-1.64)</td>
<td>0.147 (0.86)</td>
<td>0.246 (1.59)</td>
<td>0.112 (0.81)</td>
<td>-0.010 (-0.29)</td>
<td>0.278 (0.72)</td>
<td>-0.074 (-0.32)</td>
</tr>
<tr>
<td>N</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>46.1% 27.8% 34.5% 30.5% 47.5% 34.3% 67.5%</td>
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<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diff-in-diff (PSM&amp;ex. US)</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>0.026 (0.16)</td>
<td>0.583*** (2.59)</td>
<td>0.821*** (3.69)</td>
<td>0.609*** (2.89)</td>
<td>0.002** (2.01)</td>
<td>1.666*** (3.88)</td>
<td>-0.572*** (-3.00)</td>
</tr>
<tr>
<td>N</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>43.8% 39.0% 39.8% 39.1% 79.0% 29.9% 50.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bae Total Index (PSM &amp; ex. US)</th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRSIndex H</td>
<td>0.926*** (4.49)</td>
<td>0.660*** (3.36)</td>
<td>0.807*** (5.31)</td>
<td>2.741*** (6.74)</td>
<td>-1.233*** (-5.33)</td>
<td>0.002** (2.01)</td>
<td>-0.572*** (-3.00)</td>
</tr>
<tr>
<td>N</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
<td>1,223</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>46.1% 27.8% 34.5% 30.5% 47.5% 34.3% 67.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post_IFRSIndex L</td>
<td>-0.063</td>
<td>0.471*</td>
<td>0.630**</td>
<td>0.411*</td>
<td>0.003**</td>
<td>1.179**</td>
<td>-0.295</td>
</tr>
<tr>
<td>------------------</td>
<td>--------</td>
<td>--------</td>
<td>---------</td>
<td>--------</td>
<td>---------</td>
<td>---------</td>
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<tr>
<td></td>
<td>(-0.82)</td>
<td>(1.75)</td>
<td>(2.25)</td>
<td>(1.80)</td>
<td>(2.01)</td>
<td>(2.45)</td>
<td>(-1.45)</td>
</tr>
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</table>

*Test for difference [p-value]*:

<table>
<thead>
<tr>
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<th>[0.11]</th>
<th>[0.00]</th>
<th>[0.00]</th>
<th>[0.00]</th>
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<tbody>
<tr>
<td>N</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
<td>504</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>45.5%</td>
<td>39.4%</td>
<td>37.6%</td>
<td>41.0%</td>
<td>79.0%</td>
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</tbody>
</table>

**Diff-in-diff (Treatment Only)**

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>-1.207</th>
<th>1.797*</th>
<th>3.818***</th>
<th>1.377*</th>
<th>1.793**</th>
<th>-1.033**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(-0.93)</td>
<td>(1.94)</td>
<td>(3.61)</td>
<td>(1.95)</td>
<td>(2.54)</td>
<td>(-2.29)</td>
</tr>
<tr>
<td>N</td>
<td>273</td>
<td>273</td>
<td>273</td>
<td>273</td>
<td>273</td>
<td></td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>45.5%</td>
<td>29.9%</td>
<td>53.8%</td>
<td>34.9%</td>
<td>28.2%</td>
<td>43.2%</td>
</tr>
</tbody>
</table>

**Diff-in-diff (Treatment Only & Constant Sample)**

<table>
<thead>
<tr>
<th>Post_IFRS</th>
<th>-2.458*</th>
<th>2.206*</th>
<th>17.716***</th>
<th>1.325</th>
<th>1.687*</th>
<th>-1.183**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(-1.73)</td>
<td>(1.82)</td>
<td>(9.39)</td>
<td>(1.57)</td>
<td>(1.88)</td>
<td>(-2.45)</td>
</tr>
<tr>
<td>N</td>
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<td>199</td>
<td>199</td>
<td>199</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>64.2%</td>
<td>29.5%</td>
<td>58.3%</td>
<td>38.4%</td>
<td>29.3%</td>
<td>46.2%</td>
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</table>

Country fixed effects and year fixed effects included
All control variables included
Panel B: Non-accounting covenants for bonds

<table>
<thead>
<tr>
<th></th>
<th>Investment Rstr</th>
<th>Asset Sale Rstr</th>
<th>Equity Issue Rstr</th>
<th>Debt Issue Rstr</th>
<th>Cross Default</th>
<th>Merger Rstr</th>
<th>Prior Claim Rstr</th>
<th>Seven Non-acct Types</th>
<th>Ordered Probit: NACov_Types</th>
<th>OLS: Log (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.001</td>
<td>-0.109**</td>
<td>0.029</td>
<td>-0.053</td>
<td>-0.088</td>
<td>0.113*</td>
<td>-0.143***</td>
<td>0.202</td>
<td>-0.049</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>1,548</td>
<td>3,784</td>
<td>1,548</td>
<td>1,548</td>
<td>3,784</td>
<td>3,784</td>
<td>3,784</td>
<td>1,548</td>
<td>3,784</td>
<td></td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>18.3%</td>
<td>50.3%</td>
<td>55.9%</td>
<td>41.8%</td>
<td>17.3%</td>
<td>52.2%</td>
<td>53.3%</td>
<td>47.7%</td>
<td>33.5%</td>
<td></td>
</tr>
</tbody>
</table>

Diff-in-diff (Kernel Propensity Score)

<table>
<thead>
<tr>
<th></th>
<th>Investment Rstr</th>
<th>Asset Sale Rstr</th>
<th>Equity Issue Rstr</th>
<th>Debt Issue Rstr</th>
<th>Cross Default</th>
<th>Merger Rstr</th>
<th>Prior Claim Rstr</th>
<th>Seven Non-acct Types</th>
<th>Ordered Probit: NACov_Types</th>
<th>OLS: Log (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS</td>
<td>-0.008</td>
<td>-0.015</td>
<td>-0.005**</td>
<td>-0.120</td>
<td>0.333***</td>
<td>0.134***</td>
<td>0.341</td>
<td>0.042</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>718</td>
<td>2,410</td>
<td>718</td>
<td>718</td>
<td>2,410</td>
<td>2,410</td>
<td>2,410</td>
<td>718</td>
<td>2,410</td>
<td></td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>44.9%</td>
<td>67.5%</td>
<td>71.8%</td>
<td>43.4%</td>
<td>49.8%</td>
<td>54.3%</td>
<td>21.9%</td>
<td>33.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bae Total Index (PSM)

<table>
<thead>
<tr>
<th></th>
<th>Investment Rstr</th>
<th>Asset Sale Rstr</th>
<th>Equity Issue Rstr</th>
<th>Debt Issue Rstr</th>
<th>Cross Default</th>
<th>Merger Rstr</th>
<th>Prior Claim Rstr</th>
<th>Seven Non-acct Types</th>
<th>Ordered Probit: NACov_Types</th>
<th>OLS: Log (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRS Index H</td>
<td>-0.046</td>
<td>0.061</td>
<td>-0.004**</td>
<td>0.034</td>
<td>0.336***</td>
<td>-0.133**</td>
<td>1.115**</td>
<td>0.067</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.64)</td>
<td>(0.77)</td>
<td>(-2.37)</td>
<td>(0.28)</td>
<td>(3.33)</td>
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<td>-0.105***</td>
<td>-0.079</td>
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Test for difference [p-value]:

| Post_IFRS Index H=   |                  |                  |                  |                |              |              |                  |                        |                            |                 |
| Post_IFRS Index L    | [0.22]           | [0.00]           | [0.43]           | [0.62]         | [0.00]       | [0.55]      |                  |                        |                            |                 |
| N                    | 718              | 2,410            | 718              | 718            | 2,410        | 2,410       | 718              | 2,410                  |                            |                 |
| Pseudo/Adj. R²       | 44.9%            | 66.7%            | 70.9%            | 14.9%          | 49.8%        | 54.3%       | 22.7%            | 33.7%                  |                            |                 |

Diff-in-diff (ex. US)

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<th>Merger Rstr</th>
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</table>

Country fixed effects and year fixed effects included

All control variables included
Table IA16: Additional analysis of structure of syndicate

This table reports regression results on the number of lenders, lender ownership concentration, and percentage of lead arrangers’ ownership for our loan sample. *Number_Lenders* is the total number of lenders in the syndicate. *Lender_Share_Concentration* is the Herfindahl index of lender ownership. *LeadArranger%* is the percentage shares held by the lead arrangers in the syndicate. Not all loans in our sample has the lender ownership information. Other variables are as defined in the paper. Standard errors are clustered by industry.

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<th>OLS: LeadArranger%</th>
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<td>0.069</td>
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<td>(-1.44)</td>
<td>(0.96)</td>
<td>(-1.79)</td>
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Country fixed effects and year fixed effects included

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<td>51.3%</td>
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### Table IA17: Robustness analysis on effect of enforcement

This table repeats the analysis in Table 8, Panel A by excluding US firms and requiring a constant sample. To be included in the constant sample, we require a firm to issue at least one debt in pre-adoption period and a debt in post-adoption periods if the firm is located in an IFRS country and a firm to issue at least two debts during the sample period if the firm is located in a non-IFRS country.

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<td>-0.085***</td>
<td>-0.167***</td>
</tr>
<tr>
<td>(-4.64)</td>
<td>(-4.19)</td>
<td>(-3.79)</td>
<td>(-3.19)</td>
</tr>
</tbody>
</table>

**Test for difference [p-value]:**

<table>
<thead>
<tr>
<th></th>
<th>[0.82]</th>
<th>[0.08]</th>
<th>[0.78]</th>
<th>[0.68]</th>
<th>[0.35]</th>
<th>[0.89]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post_IFRSENF_H = Post_IFRSENF_L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>3,283</td>
<td>920</td>
<td>2,363</td>
<td>3,283</td>
<td>920</td>
<td>2,363</td>
</tr>
<tr>
<td>Pseudo/Adj. R²</td>
<td>62.8%</td>
<td>38.1%</td>
<td>48.8%</td>
<td>67.5%</td>
<td>26.4%</td>
<td>44.6%</td>
</tr>
</tbody>
</table>

All control variables included

Country fixed effects and year fixed effects included