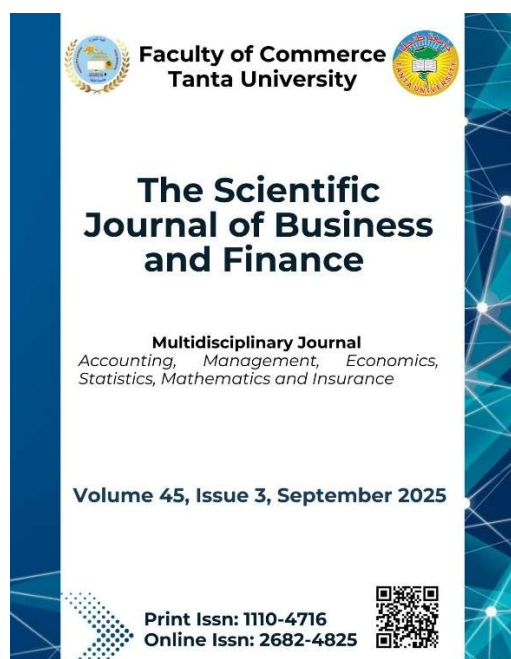




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Earnings Mispricing and the Implementation of the Egyptian leasing Accounting Standard no. 49: Evidence from the Egyptian Capital Market

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Abstract

The new lease accounting standard aims to investigate the issue of "off-balance sheet" financing resulting from operating leases, which has led to a lack of comparability in accruals across companies. Thus, the current research aims to address the effect of the implementation of the Egyptian Accounting Standard EAS (49) "Leases" on the mispricing of accruals. The study analyzed financial data from 2015 to 2023 of 59 companies listed on the Egyptian Stock Exchange using the difference-in-differences (DID) method. The data was obtained from the database of Thomson Reuters. The research sample included companies that adopted EAS (49) under the Egyptian Accounting Act. The findings indicate a significant positive effect of implementing EAS 49 on enhancing the quality of accruals by improving the information provided and subsequently reducing the mispricing of accruals. Furthermore, the findings reveal that the mispricing of accruals for companies that apply EAS 49 is lower than for companies that did not apply EAS 49 before mandatory adoption.

Keywords: Egyptian accounting standard (49); lease accounting; earnings; accruals; accrual mispricing; financial reporting.

1. Introduction

The International Accounting Standards Board (IASB) issued the International Financial Reporting Standard IFRS 16 “Leases” in January 2016, which became effective in January 2019 to replace the International Accounting Standard IAS 17 “Leases” for enhancing lease accounting, making it more transparent, and providing comparable financial reports. (Nurunnabi,*et al.*, 2020;Hedqvist&Lennerskog, 2022).

To comply with international standards and enhance IFRS convergence, the Egyptian Ministry of Investment introduced amendments to accounting standards in 2019. This included the introduction of new standards such as The Egyptian Accounting Standard (EAS 49) on leasing contracts to align with IFRS 16 "Leases".

EAS 49 "Leasing contracts" is introduced to replace EAS 20. The aim of this amendment is to require lessees to identify lease assets and liabilities on the balance sheet, rather than accounting for them off-balance sheet as was the case under the previous standard (Emmanson & Ajayi,2021).

This increased transparency around a company's leasing activities has been widely appreciated, as it enables more valid and meaningful comparisons of financial performance across organizations (osho *et al.*, 2022; Białek-Jaworska *et al.*, 2022; Torabi *et al.*, 2024).

Mispricing of accruals occurs as a result of investor's overestimating the persistence of accruals rather than the persistence of cash flows (Sloan,1996; Strydom, 2011; Sun, 2020). Companies with high accrual levels may provide financial information that result in mispricing of their stock. The pricing of accruals is significantly influenced by comparability (Martins,*et al.*,2019; Sun,2020). Recent theoretical work argues that, the new lease accounting rules improves information quality and increase the disclosure of information, thereby improving the quality of accruals and reducing the mispricing of accruals (Chung, 2022; Lau, 2023; Rojas Molina & Franco Gómez, 2022).

Most previous studies focus on the mispricing of accruals in stock pricing (Kaya, 2023;Khodamipour & Amiri,2020;Thanh Liem,2021) Another strand of research emphasizes the importance of accruals quality to avoid mispricing, for example (Francis *et al.*, 2004;Sun,2020) (Lee&Lee,2024).

Additionally, another strand of literature indicates the impact of the adoption of the IFRS framework on earnings management, for instance (Sánchez *et al.*,2022). Despite the pricing of accruals being important topics in the literature of finance and accounting, studies on the effect of the implementation of EAS (49) on the mispricing of accruals are limited. However, a comprehensive literature review reveals no previous studies on the mispricing of accruals regarding the implementation of EAS (49) in Egypt. The research problem revolves around answering the following question:

What is the impact of implementing EAS (49) on the pricing of accruals?

This research seeks to evaluate the effect of the implementation of EAS 49 on reducing the mispricing of accruals in non-financial listed companies in Egypt. The study adds value to the body

of knowledge within national accounting research by investigating whether the implementation of the new lease accounting rules led to an improvement in accruals quality and a reduction the mispricing of accruals, thereby enhancing the stock price valuations accuracy in the Egyptian stock market. The current study predicts that the implementation of EAS 49 will improve the information environment and enhance investors' understanding of accruals, as well as managers' ability to estimate accruals more accurately and signal. Additionally, the research contributes to the body of knowledge in the national accounting research because there are few national studies on the effect of implementing EAS 49 on the pricing of accruals.

This research is arranged as follows: the second section presents the literature review and main predictions, the third section provides the methodological aspects and the research model, and the fourth section presents the regression analysis and conclusions.

2. Literature Review

2.1 Overview of the Egyptian Accounting standard EAS (49)

The issuance of the new lease accounting rules was a response to criticism of the previous leasing standard.

The old lease accounting rules classified leases into operating leases and finance leases that did not appear on the balance sheet, which misled users of the financial statements who lacked adequate knowledge to extract the valuable information from off-balance sheet items. Additionally, the previous lease accounting rules allowed companies to manipulate their information by classifying them as operating leases instead of finance leases to enhance the financial ratios leading to mislead users of the financial performance (Białek-Jaworska *et al.*, 2022; Fuad *et al.*, 2022).

Furthermore, the IASB demonstrated that lease contracts should displayed on the balance sheet to increase transparency and provide clear information to the users of financial statements, enabling them to have an accurate depiction of company's financial position and facilitate comparison between firms (Monday-Emmanson&Oladipo,2022). Additionally, the new standard requires lessees to identify their leases on the balance sheet, other than those of the short-term leases (of 12 months or less), or small assets with low value (Delgado-Vaquero *et al.*, 2023).

The Egyptian ministry of investment decree no 69 for the year 2019 that contains amending of some accounting standards and introducing new standards such as EAS 49 Leasing contracts to adhere to international standards and improving IFRS convergence. The Egyptian Accounting Standard (EAS 49) was introduced to cope with IFRS 16 "leases".

Rojas Molina & Franco Gómez, (2022) declared that from an accounting perspective, the new lease accounting rules is introducing a new capitalization model that applies to all lease transactions for lessees. The new lease accounting rules requires the lessee to identify the right-of-use (ROU) asset, to indicate the right to use the leased asset by lessee. However, the lease liability, representing the obligation of lessee to make lease payments. This is unlike the old lease accounting rules where they were previously treated as off-balance sheet items (Delgado-Vaquero *et al.*, 2023).

The main objective of implementing the new lease accounting standard to harmonize financial information for improve the comparability and the transparency of financial statements, ensuring the efficient functioning of financial markets (Monday Emmanson&Oladipo,2022). In essence, the lessees are not required to determine whether the lease meets the criteria of a finance lease or not based on the rules in the old standard (Białek-Jaworska *et al.*, 2022).in its place, all leases are treated as finance leases from the perspective of lessee. Moreover, operating lease payments, which were previously recorded as an expense on income statements, are currently documented as depreciation and interest expenses on the income statement (Delgado *et al.*, 2023).

Several studies have claimed that the implementation of the new leasing accounting standard has had strong effects, specifically affecting debt capacity and the cost of borrowing for investors. Specifically, it has influenced companies' financial statements and related financial ratios. However, in the context of Statement of Financial Position, capitalizing operating leases increases both assets (right-of-use asset) and liabilities (lease liability), leading to a decrease in the owners' equity percentage. This affects debt-to-asset (D/A) and debt-to-equity (D/E) ratios, making them higher. Conversely, previous rent expense, an operating expense in the income Statement is exchanges by depreciation expense on the right-of-use asset and interest expense of the lease liability

(Monday Emmanson&Oladipo, 2022; Lau, 2023; Delgado-Vaquero *et al.*, 2023).

However, (Lemos *et al.*,2023) indicated that there are no changes in the new lease accounting standard compared to the old one for the lessor. The lessor remains categorize the leases as either finance leases or operating leases. In context of a finance lease, the lessor identifies the lease as a financed sale of the asset on the balance sheet. In the same vein, the operating lease is identified as lease income.

2.2 The implementation of EAS (49) and Mispricing of Accruals

The mispricing of accruals refers to the phenomenon where stock prices do not fully or accurately reflect the actual information covered in the accrual component of a company's earnings, which, lead to stock mispricing. Thus, the mispricing occurs as result of investors prone to either overestimate or underestimate the persistence of accruals in predicting future earnings, leading to predictable patterns in future stock returns (Richardson *et al.*, 2005). Additionally, Sloan's (1996) study suggests that companies with high reported accruals in a certain fiscal period, typically underperform companies with low reported accruals.

In the same vein, firms that are overvalued engaged in accrual management and real management activities to manipulate earnings (Branswijck *et al.*, 2011).

Previous studies indicated that accruals mispricing in the market is driven from discretionary component of accruals, rather than the non-discretionary component. Xie's study indicates that the discretionary portion of accruals has stronger predictive power for future stock returns compared to the non-discretionary accruals (Xie,2001).

Moreover, higher quality accruals, with fewer estimation errors, lead to more persistent earnings. Conversely, mispriced low-quality accruals reduce the persistence of earnings (Dechow & Dichev, 2002). Consequently, one of the key drivers that cause the mispricing of accruals is accruals without enough reliable information leading to earnings with low persistence and unexpected problems that investors may face in the stock market. (Maali,2018).

Prior literature points to the fact that the more information is disclosed, the more confident investors are toward transactions that occur at fair prices. Therefore, disclosure plays a crucial role in equity markets by decreasing information asymmetries, lowering the cost of capital, and increasing liquidity (Kim *et al.*, 2015). Specifically, voluntary disclosure helps to decrease information asymmetries between different investors, whether they are informed or uninformed (Chang *et al.*, 2007).

Recent theoretical work argues that the implementation of the new lease accounting rules addresses the problem of lease accounting transparency for financial statement users, but it also creates challenges for the preparers of financial statements (Morales-Díaz&Zamora-Ramírez,2018).

Numerous studies have demonstrated that, financial analysts' forecasts accuracy has improved since the implementation of the new lease accounting rules. This improvement results from improving the quality of accruals and the financial reporting by ensuring that all elements of leases are recognized and measured consistently (Lemos *et al.*, 2023;Lau, 2023;Torabi *et al.*, 2024).

Additionally, a separate strand of literature has devoted attention to understanding the underlying causes of accrual mispricing. They have declared that, the information environment have a crucial role in reducing accruals mispricing and indicated that the significant disclosure of information leads to less mispricing of accruals (Drake *et al.*, 2009).

Furthermore, companies with lower quality accounting information experience a significant decline in the negative relationship between their accruals and future stock returns (Chan *et.al.*,2001;Kim&Lin,2019). Consequently, these studies reveal that the information side plays a crucial role in investigating and decreasing accrual mispricing. These results are consistent with the concept that variations in market efficiency and asset pricing anomalies result from insufficient and inaccurate information (Thanh Liem,2021).

Furthermore, in the current study, discretionary accruals are utilized to evaluate the extent to which a firm reflects a high quality of accruals with the assumption that the implementation of EAS 49 has a crucial role in increasing transparency of information by enhancing disclosure of information, thus affecting their overall quality. Important levels of discretionary accruals may indicate lower accrual quality. In contrast, low levels of discretionary accruals typically indicate higher accrual quality, as they reflect a more accurate representation of performance of the firm.

Consequently, based on the previous literature as mentioned above, there is a significant association between the implementation of the new lease accounting rules and the accruals quality due to enhancing the quality of information disclosed. This improvement is based on the improved the quality of accruals (Huang&Yan,2020).

Furthermore, the main purpose of this research is to investigate whether the implementation of EAS 49 decreases the discretionary accruals component to mitigate mispricing of accruals and enhance the quality of accruals. The current research will provide empirical evidence to investors, managers, capital market regulators, accounting standards' formulators, and other capital market users to what extent the implementation of EAS 49 can affect the pricing of accruals.

The current research extends the work of Chen and Gong (2019) (Torabi *et al.*, 2024) by decomposing total accruals into discretionary and nondiscretionary accruals, they suggested that the mispricing of accruals is due to a lack of sufficient information and investors' inability to correctly evaluate the persistence of discretionary accruals. This research also contributes to the earnings management literature in Egypt by addressing the question of how the implementation of EAS 49 might affect the stock price reaction to the mispricing of accruals, allowing investors to make well-informed decisions. Therefore, a study of accrual mispricing in the era of implementing the new lease accounting rules will fill the gap within the existing literature.

In summary, a thorough review of previous literature argues that the implementation of the new lease accounting standard represents a turning point with a significant effect on financial statements. Therefore, the implementation of the new lease accounting standard is considered one of the most significant modifications in accounting rules in the last 40 years and has a significant impact on various financial ratios and companies' financial reporting of debt levels (Morales Díaz & Zamora Ramírez, 2018). Thus, the current study expects the implementation of EAS 49 to have an important effect in decreasing mispricing of accruals and improving the quality of accruals to enable investors to produce more reliable forward-looking estimates and better. Building on prior studies, the research hypotheses are formulated as follows:

- H_1 : The implementation of Egyptian accounting Standard (EAS 49) improves accrual quality
- H_2 : The implementation of Egyptian accounting Standard (EAS 49) decreases mispricing of accruals

3. Data and Methodology

This section shows the data collection sources and provides details about the sample composition. Furthermore, it discusses the measurements of the research variables.

3.1 Sample and Data

The empirical analysis was focused on unbalanced panel data from publicly listed companies in Egypt. All sectors are included in the sample excluding the financial services. Data for calculating the research variables are sourced from Refinitiv Thomson Reuters for all non-financial listed firms in Egypt compliant with EAS 49.

The data for all listed companies, as secondary data, were gathered from the annual reports, financial statements of the companies, collected from publicly available sources. The sample included data

from the financial statements of 59 companies with 531 observations from different sectors, and the sample period was extended from 2015 to 2023.

Table 1. Sample Selection

Description	Number of Firms
Initial Sample	250
Less: Companies that do not apply the leasing accounting standard (EAS 49)	(155)
Firms that using leasing accounting standard (EAS 49)	95
Companies listed on the Egyptian Stock Exchange after 2015	(36)
Final Sample	59

3.2 Variables measurement

3.2.1 Dependent variable: mispricing of accruals

The mispricing of accruals occurs when investors overvalue or undervalue accruals in a firm's earnings, leading to deviations between the firm's stock price and its intrinsic value (Sloan 1996).

Data required for mispricing of accruals: -

The earnings (EAR_t) and its components which are accrual (ACC_t) and cash flow from operations (CFO_t), (R_{it}) buy and hold returns, and ($R_{T+1} - R_{t+1} | \varphi_t$) which represents size-adjusted (abnormal) returns, the calculation of each of these is illustrated as follows.

Step (1) Earnings are calculated that measured as current period earnings. The balance sheet approach of Sloan (1996) is utilized to calculate accruals:

$$ACC_t = ((\Delta CA - \Delta CASH) - (\Delta CL - \Delta STD - \Delta TP) - DEP_t) \quad (1)$$

Where; ACC_t represents the current period of accruals; ΔCA represents change in current assets; $\Delta CASH$ represents change in cash and cash equivalents; ΔCL represents the change in current liabilities; ΔSTD represents change in debt included in current liabilities; ΔTP is the change in income tax payable; and DEP_t represents the expenses of depreciation and amortization. The calculated accruals value is scaled by total assets, following Sloan (1996).

Step (2) Calculate the cash flow by subtracting the accrual values from the computed earnings.

$$CFO_t = EAR_t - ACC_t \quad (2)$$

Additionally, buy and hold returns for the accruals mispricing are computed from the data returned for 12 months, (Sloan, 1996).

Step (3) Calculate the change in stock price percentage from $period_t$ to $period_{t-1}$:

$$R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}} \quad (3)$$

Where R_{it} represents the return of shareholder, P_t represents the stock price four months after the financial year- end, and P_{t-1} is the stock price.

Step (4) Compute the difference between annual buy and hold returns to estimate size-adjusted abnormal returns, following Sloan (1996) and Xie (2001):

$$(R_{t+1} - R_{t+1} | \varphi_t) = R_{it} - R_{smp}$$

Where $(R_{t+1} - R_{t+1} | \varphi_t)$ represents the abnormal returns. R_{it} Represents the return of shareholder, computed as the annual buy and hold returns expected on a year- by- year basis starting 4 months after the end of a firm's financial year end.

R_{smp} Is proxy for expected returns to which the firm belongs and calculated as the annual buy and hold return for the same 12- month period on the market- capitalization- based portfolio decile. Each firm is placed into a size decile for each year based on its total assets.

- Test of accrual mispricing: The Mishkin test

This research tests accrual mispricing using the Mishkin test (1983). The Mishkin model is utilized to test and evaluate mispricing of accruals and was first applied by Sloan (1996) to document the accrual anomaly. The mispricing is calculated by expecting the forecasting equation and valuation equation for each firm. Then evaluated as the difference between the forecasting and valuation models of accrual component. Forecasting equation (4) is utilized to estimate the persistence of the accrual and cash components of earnings. An estimate of the forecasting equation is as follows:

$$EAR_{i,t+1} = \alpha_0 + \alpha_1 ACC_{i,t} + \alpha_2 CFO_{i,t} + \varepsilon_{i,t+1} \quad (4)$$

In equation (4), α_0 represents the intercept term, however α_1 represents the coefficient of the current period accruals and shows the extent to which current period accruals contribute to the persistence of future earnings. The impact of this component on earnings for the following period is also evaluated by coefficient of cash flow α_2 .

However, the actual impact of cash flow and accruals to earnings persistence is estimated by forecasting equation, the valuation equation supposes investors 'pricing of firm accrual and cash components (Strydom,2011). To see how investors value the cash flow and accrual components, the valuation equation is estimated to reflect the actual pricing by investors to the accrual component and cash component. The valuation equation is:

$$(R_{i,t+1} - R_{i,t+1} | \varphi_t) = \beta_0 (EAR_{i,t+1} - \alpha_0 - \alpha_1^* ACC_{i,t} - \alpha_2^* CFO_{i,t}) + \varepsilon_{i,t+1} \quad (5)$$

Where the abnormal returns are represented by $(R_{t+1} - R_{t+1} | \varphi_t)$ which computed as the return on holding a stock during the $period_{t+1}$ less the estimated of the return from holding the security for $period_{t+1}$. EAR_{t+1} Represents estimated for one-year- ahead earnings and ε_{t+1} is the stochastic error term.

A noteworthy the negative difference among the coefficients of forecasting equation and valuation equation could be a signal of overpriced accruals of the firm, while the significant positive result could suggest that accruals are underpriced. Furthermore, about the measure of mispricing of accruals, this research resorts to the idea of the abnormal part of total accruals, or discretionary accruals. The modified Jones (1991) approach is utilized in this current study to separate the total accruals into the normal component (or the expected part of accruals) and the abnormal component.

Discretionary accruals are the component of accruals that management can affect through accounting practices. Previous studies usually used them as a proxy for earnings management and accruals quality because they reflect managerial intent to manipulate reported earnings. Therefore, discretionary accruals are a key driver of accrual mispricing because they introduce noise or bias into earnings that investors may misinterpret. This research relies on the modified Jones model to estimate both nondiscretionary accruals and discretionary accruals.

$$Total\ Accruals_{it} = \beta_1 \frac{1}{Total\ Assets_{it-1}} + \beta_2 (\Delta Sales_{it} - \Delta AR_{it}) + \beta_3 PPE_{it} + \varepsilon_{it}$$

Where the subscripts t and i represents to the fiscal year and the firm, respectively; $Total\ Accruals_{it}$ is the change in non-cash current assets less the change in the current liabilities without the current portion of long-term debt, less depreciation and amortization; $Total\ Assets_{t-1}$ represents the one-year total assets. $Sales_{it}$ are the total sales; AR_{it} represents total accounts receivable and PPE_{it} represents the gross property, plant, and equipment. After that from these calculations are accomplished, then minus the non-discretionary accruals from the total accruals in accordance with the formula (the details explained in Appendix A).

$$DA_t = TA_t - NDA_t$$

Where,

DA_t is the discretionary accruals, TA_t is the total accruals,

NDA_t is the non-discretionary accruals

3.2.2. The independent variable: implementation of EAS (49)

This variable is measured using a binary indicator, in which 1 if the firms chose to implement of EAS (49), and 0 is otherwise. Data for this variable were obtained from the Egyptian stock exchange for non-financial firms.

This research applies the difference-in-differences (DID) approach to analyze (H1) and utilize the OLS (ordinary least squares) regressions to evaluate the impact of implementation of EAS (49) on

mispricing of accruals. This variable is measured using a binary indicator, in which 1 in the 2015–2019 period and 0 in all other years. Which means in which 1 if the firms chose to implement of EAS (49), and 0 is otherwise.

3.2.3. Control variables

Table 2. Control variables

Variables	Abv.	Measures	References
Revenues growth	RGROWTH	The annual percentage change in revenues or sales.	(Sloan,1996; Nurunnabi <i>et al.</i> , 2020).
Operating cash flow	CFO	Operating cash flows, scaled by total assets, calculated as cash flows from operating activities.	(Lemos <i>et al.</i> , 2023; Strydom, 2011; Sun, 2020).
Property, plant, and equipment	PPE	The gross property, plant, and equipment divided by total assets	(Lau,2023;Torabi <i>et al.</i> , 2024).
SIZE	SIZE	The natural logarithm of total assets at the fiscal year end.	(Barth <i>et al.</i> ,2001; Chen & Gong,2019).
Return on assets	ROA	Net income, scaled by total assets	(Dechow, 1994;De Franco <i>et al.</i> ,2011;Huang & Yan, 2020).

4. Research Models

The following OLS regression model is utilized to test H₁: Model (1) to test the impact of implementing EAS 49 on quality of accruals (Discretionary accruals)

$$DissACC_{i,t} = \alpha + \beta_1 T_1 + \beta_2 EAS(49)_t + \beta_3 DID(T_i \times A_t) + \beta_4 Size_{i,t-1} + \beta_5 ROA_{i,t-1} + \beta_6 CFO_{i,t-1} + \beta_7 Rgrowth_{i,t-1} + \beta_8 PPE_{i,t-1} + \varepsilon_{it}$$

Where $DissACC_{i,t}$ is the dependent variable that represents indicator for quality of accruals for firm i in year t , $T_1(i,t)$ is a treatment indicator variable representing the implementation of EAS 49 for firm i in year t , $EAS(49)_t$ is a binary variable implying whether EAS 49 has been implemented (1 for implementation, 0 for no implementation) for firm i in year t , and $DID(T_i \times A_t)$ the interaction term between the treatment indicator and time, indicating the difference-in-differences impact. $Size_{i,t-1}$ represents the firm size for firm i in year $t-1$, measured by the log of total assets, $ROA_{i,t-1}$ is the return on *assets* for firm i in year $t-1$, $CFO_{i,t-1}$ is the cash flow from operations for firm i in year $t-1$, $Rgrowth_{i,t-1}$ represents the revenue growth for firm i in year $t-1$, and $PPE_{i,t-1}$ is the property, plant, and equipment for firm i in year $t-1$, which represents asset intensity.

The following OLS regression model is utilized to test H₂: Model (2) to test the impact of implementing EAS 49 on Mispricing of accruals

$$MissACC_{i,t} = \alpha + \beta_1 T_1 + \beta_2 EAS(49)_t + \beta_3 DI(T_i \times A_t) + \beta_4 Size_{i,t-1} + \beta_5 ROA_{i,t-1} + \beta_6 CFO_{i,t-1} + \beta_7 Rgrowth_{i,t-1} + \beta_8 PPE_{i,t-1} + \varepsilon_{it}$$

Where $MissACC_{i,t}$ is the dependent variable that defines the mispricing of accruals for firm i in year t , $T_1(i,t)$ is a treatment indicator variable representing the implementation of EAS 49 for firm i in year t , $EAS(49)_t$ is a binary variable indicating whether EAS 49 has been implemented (1 for implementation, 0 for non-implementation) for firm i in year t , and $DID(T_i \times A_t)$ is the interaction term between the treatment indicator and time, indicating the difference-in-differences impact.

5. Discussion statistical Results

5.1 Descriptive Statistics

This section shows the descriptive analysis of dependent; independent and control variables used in the current study. The results are shown in Table (3).

Table 3. Descriptive Statistics (No. of Observations= 531)

Variable	Mean	Std. Dev.	Min	Max
MissACC	.366	.438	-.423	1.652
DissACC	0.100	0.23	-0.797	3.044
EAS49	0.379	.485	0	1
ROA	0.057	.077	-.169	.205
Size	2.235	.072	2.014	2.403
PPE	0.350	1.972	-3.927	5.51
CFO	0.836	.386	-.482	2.246
Rgrowth	-1.632	1.093	-3.999	1.804

Source: From Stata v14 output.

The mean value of MissACC is 0.366, implying that, the firms in the sample have positive mispricing of accruals (MissACC). However, the standard deviation of (0.438) is high and suggests that there is a significant variability in mispricing among firms. Concerning to EAS (49) the mean value of EAS (49) is 0.379, but the standard deviation of 0.485 suggesting that there is considerable variation in the implementation of EAS 49, with many firms not having implement it (as indicated by the minimum value of 0), while some firms have fully implemented it (maximum value of 1). The mean value of DissACC is (0.1), indicating that on average, the firms in the sample have positive earnings management across the sample, but the standard deviation of (0.23) indicates that there is a considerable variability in discretionary accruals among firms.

About control variables, it is shown that ROA with a mean value of 0.057 and a standard deviation of 0.077 showing lower variation across the sample, while Size display considerable variability with a mean of 2.235 and a standard deviation of 1.972, indicating that firms are large. The mean value of PPE is 0.35 and a standard deviation of 0.072 suggesting that on average, some firms have substantial investments in property, plant, and equipment. While CFO showing a mean of 0.836 and

a standard deviation of 0.386, with firms reporting positive cash flows but significant variation across the sample. Finally, the mean value of firm Rgrowth has a mean of -1.632, reflecting negative growth on average, and a high standard deviation of 1.093, suggesting substantial variability in revenue growth.

5.2 Normality Test

The Skewness/Kurtosis tests for Normality were conducted to determine whether the variables in the sample are normal, Table (4) shows the results of normality test.

Table 4. Skewness/Kurtosis tests for Normality

Variable	Obs	Pr (Skewness)	Pr (Kurtosis)	adj_chi2(2)	Prob>chi2
MissACC	531	0.1912	0.1933	3.9204	0.1760
DissACC	531	0.156	0.122	2.30	0.123
ROA	531	0.6005	0.1836	3.9312	0.1750
SIZE	531	0.3154	0.1264	3.3912	0.1264
PPE	531	0.2182	0.1685	3.1536	0.1123
CFO	531	0.7841	0.1339	2.6892	0.3100
Rgrowth	531	0.3197	0.9007	1.2312	0.6102

Source: From Stata v14 output.

In the case of MissACC, the p-value for Skewness is 0.1912 and for Kurtosis is 0.1933, both of which are greater than the common significance level of 0.05, indicating that MissACC follows a normal distribution. However, the p-values for DissAcc are 0.156 for Skewness and 0.122 for Kurtosis, suggesting that the deviations from normality are also insignificant. Likewise, the p-values for ROA are 0.6005 for Skewness and 0.1836 for Kurtosis, indicating that, the level of deviation from normality is insignificant. Regarding control variables, all control variables pass the normality test, indicating p-values less than 5%.

5.3 Correlation test

The correlation matrix provides an initial insight into the correlation between discretionary accruals (DissACC), Mispricing of accruals (MissAcc) and explanatory variables, including those related to the implementation of EAS 49.

Table 5. Correlation Result

Variables	(1) DissACC	Variables	(1) MissACC
(1) DissACC	1	(1) MissACC	1
(2) t	0.095	(2) t	0.059
(3) EAS49	-0.045	(3) EAS49	-0.199
(4) EAS49_t	-0.179	(4) EAS49_t	-0.199
(5) SIZE	-0.069	(5) SIZE	0.106
(6) ROA	-0.051	(6) ROA	0.041
(7) CFO	-0.223	(7) CFO	0.030
(8) Rgrowth	-0.043	(8) Rgrowth	0.016
(9) PPE	0.241	(9) PPE	-0.117

Source: From Stata v14 output.

DissACC shows a negative correlation with EAS 49 (-0.045), indicating an association between the implementation of EAS 49 and discretionary accruals. However, DissACC has a moderate positive correlation with the interaction term (EAS49_t) of 0.095, suggesting a positive relationship between discretionary accruals and the interaction of EAS 49 implementation over time. The correlation of the interaction term EAS49_t is negatively correlated with DissACC at (-0.179), suggesting a negative relationship between them. This indicates that this interaction has a crucial role in reducing discretionary accruals.

Similarly, DissACC has a negative correlation with the size, CFO, ROA and Rgrowth suggesting that, these control variables are less likely to engage in discretionary accruals. However, DissACC has a positive correlation with PPE (0.241), which suggests that firms with higher PPE may show higher discretionary accruals.

On the other hand, MissACC has positive correlation with time (t) at (0.059) suggests a small positive association between the change in the time and the change in the mispricing. This could indicate a changing market environment or investor behavior. Both variables, EAS49 anticipating the implementation of EAS 49 and the interaction term EAS49_t are also negatively related to MissACC, (-0.199). This inverse relationship supports the expectation that the implementation of EAS49 has a significant role in reducing mispricing of accruals,

However, there is a weak positive association between MissACC and ROA and CFO are 0.041 and 0.030 respectively. This suggests that profitability and cash generation are not strongly associated to accrual mispricing. The correlation coefficient between Rgrowth is very weak and positive (0.016) which means that, revenues growth is not associated in any significant manner. On the other hand, PPE is also related negatively (-0.117) with MissACC indicating that, companies that have a large capital intensity may have lower level of mispricing. This could be due to the tangible nature of assets that limiting the ability to manipulate accruals.

5.4. Discussion of Hypotheses

5.4.1 Variance Inflation Factor for the two hypotheses

The results of the Variance Inflation Factor (VIF) are utilized to evaluate the multicollinearity between the independent variables in the regression model.

Table 6. Variance Inflation Factor

Variables	VIF	1/VIF
EAS49 t	2.768	0.361
EAS49	2.436	0.411
CFO	2.594	0.386
ROA	2.581	0.387
T	1.68	0.595
PPE	1.21	0.826
Size	1.143	0.875
Rgrowth	1.049	0.953
Mean VIF	1.933	.

Source: From Stata v14 output.

Based on the table above, it is showed that EAS49 t has the highest VIF of 2.768, which is less than the commonly accepted threshold of 10, implying that while this variable is correlated with other predictors, it is not problematic in terms of multicollinearity. Likely, EAS49 has a VIF of 2.436, The CFO variable has a VIF of 2.594, suggesting that it is not highly correlated with the other variables.

The VIFs of other variables such as ROA, t, PPE, Size, and Rgrowth are low VIFs, with values ranging from 1.21 to 2.58, which implying that there is little to no multicollinearity in the model for these variables. The Mean VIF of 1.933 further supports these interpretations, meaning that overall, there is no severe multicollinearity among the variables in the model. Thus, based on VIF values the multicollinearity is not a significant problem in this model, as all VIFs are well below the threshold of 10, implying that the estimates of the regression coefficients are dependable and not inflated due to correlations between the independent variables.

5.4.2. Result of testing the first hypothesis (H1)

Table (7) shows that, before implementing EAS 49, discretionary accruals were lower among treated firms (0.310) and control firms (0.333), with a significant positive difference of 0.047 ($p = 0.001$). Discretionary accruals decrease after the implementation in both groups, reaching 0.233 and 0.281 in treated and control firms respectively with the post-adoption change decreasing by 0.023 ($p = 0.0249$). The DiD estimator, which is the difference between the differences before and after EAS 49, is -0.025. This result implies that the implementation of EAS 49 has a significant role in decreasing the discretionary accruals, hence the findings reveal that the implementation of the new lease accounting rules can enhance the quality of pricing of accruals and reduce discretionary accruals by managers.

Table 7. Result of test hypothesis H1

Analysis Type	Variable	Coef.	t-value	p-value	Sig
Difference-in-Differences	Before (Control)	0.333	-	-	-
	Before (Treated)	0.310	-	-	-
	Diff (T-C) Before	0.047	-3.340	0.001	***
	After (Control)	0.281	-	-	-
	After (Treated)	0.233	-	-	-
	Diff (T-C) After	-0.023	3.160	0.025	**
	Diff-in-Diff	0.025	4.610	0.039	**
Regression Analysis	T	0.052	2.600	0.010	**
	EAS49	-0.047	-2.340	0.081	*
	EAS49 t	-0.025	-3.610	0.039	**
	Size	-0.217	-2.890	0.059	*
	ROA	-1.200	-6.630	0.000	***
	CFO	-0.250	-7.980	0.000	***
	Rgrowth	0.003	3.360	0.016	**
	PPE	0.011	2.580	0.010	**
	Constant	0.281	3.100	0.027	**
Model Fit	R-squared (DiD)	0.710	-	-	-
	R-squared (Regression)	0.610	-	-	-
	F-test (Regression)	13.239	-	0.000	***

*** p<0.01; ** p<0.05; * p<0.1

Source: Based one Stata v14 output

The R-squared (DiD) value of 0.71 shows that the model has a high degree of explanatory power the covariates used explain a significant portion of the variance in discretionary accruals. Furthermore, the results obtained provide strong empirical evidence regarding the first hypothesis (H₁) that EAS 49 decreases the mispricing of accruals and confirms the effectiveness of the leasing standard as a measure of the regulation of reports in terms of the quality of their improvement in Egypt.

Regression Analysis, it is shown that the coefficients of the main independent variable (EAS 49) in model are negative (-0.047) and is statistically significant with p-values of (0.081) which is lower than 0.05. The interaction term (EAS49_t) has a coefficient of -0.025 and a p-value of 0.039, showing that the interaction effect between EAS 49 and time significantly reduces discretionary accruals. This indicates that there is a significant negative impact of EAS 49 on discretionary accruals (DissACC), indicating that the higher the implementation of EAS 49, the lower the

engagement of the firm in discretionary accruals (DissACC). This implies that higher EAS 49 can limit the engagement in discretionary accruals. Thus, the first hypothesis (H_1) is accepted.

Regarding control variables, it is found that Size can lead to decrease on total amount of DissACC. Moreover, it is found that ROA has a highly significant negative impact on DissACC, implying that firm's ROA does have significant role in the engagement in DissACC. CFO has significant impact on DissACC, suggesting that firms with higher cash flow are less likely to engage in discretionary accruals. R_Growth can effect on DissACC positively. The PPE have a significant positive effect on DissACC.

Finally, The R-squared value of 0.610 indicates that, about 61% of the variation in discretionary accruals is clarified by the regression model, and the F-test statistic of 13.239 with a p-value of 0.000 implies that the overall model is highly significant.

5.4.3. Result of testing the second hypothesis (H_2)

The Table (9) indicates the Difference-in-Differences (DiD) estimation results that provide insight into the effect of EAS 49 implementation on the mispricing of accruals by comparing the control and treated groups before and after the implementation of EAS 49. In the before period, the control group exhibits an average MissACC of -2.012 and the treated group has -2.059, with a difference between the two groups of -0.047 (p-value = 0.039), which is statistically significant at the 5% level. This implies that, before the implementation of EAS 49, there was a significant, difference in mispricing of accruals between the control and treated groups. In the after period, the control group shows -1.944 for MissACC, and the treated group shows -2.183, resulting in a difference of -0.239 (p-value = 0.000), which is statistically significant at the 1% level. Thus, it is a sign that the treated firms, after implementing EAS 49, show a significantly larger reduction in mispricing of accruals compared to the control group.

Table 8. result of testing hypothesis H2

Analysis Type	Variable	Coef.	t-value	p-value	Sig
Difference-in-Differences	Before (Control)	-2.012	-	-	-
	Before (Treated)	-2.059	-	-	-
	Diff (T-C) Before	-0.047	-2.470	0.039	**
	After (Control)	-1.944	-	-	-
	After (Treated)	-2.183	-	-	-
	Diff (T-C) After	-0.239	4.370	0.000	***
	Diff-in-Diff	-0.193	1.690	0.092	*
Regression Analysis	T	0.068	2.210	0.026	**
	EAS49	-0.047	-2.470	0.039	**
	EAS49 _t	-0.193	-1.690	0.092	*
	Size	1.044	3.240	0.001	***

	ROA	0.436	2.860	0.091	*
	CFO	0.051	3.570	0.066	*
	Rgrowth	0.001	2.030	0.074	*
	PPE	-0.032	-2.700	0.007	***
	Constant	-2.012	-2.820	0.005	***
Model Fit	R-squared (DiD)	0.690	-	-	-
	R-squared (Regression)	0.686	-	-	-
	F-test (Regression)	4.736	-	0.000	***

*** p<0.01; ** p<0.05; * p<0.1

Source: Based one Stata v14 output

The DID coefficient of -0.193 (p-value = 0.092) is significant at the 10% level, indicating that the difference in the reducing of the mispricing of accruals between the control and treated groups after the implementation of EAS 49 is significant. However, the R-squared (DiD) value of 0.69 indicates that the model explains a substantial portion of the variance in mispricing of accruals, with the implementation of EAS 49 that play a crucial role in reducing this mispricing. Thus, the findings provide support for H₂: the implementation of (EAS 49) reduces the mispricing of accruals. The significant differences in the treated group before and after implementation indicate the importance of the implementation of the new lease accounting rules in reducing accrual mispricing.

Also, the regression results show the relationship between various variables and mispricing of accruals (MissACC). The t-value and p-value statistics help determine the significance of each independent variable in explaining mispricing of accruals. The coefficient for EAS49 is -0.047 with a p-value of 0.039, indicating that the implementation of EAS 49 significantly reduces mispricing of accruals at the 5% level. The coefficient for EAS49_t is -0.193, with a p-value of 0.092, which is significant at the 10% level. This implies that the interaction term between time and the implementation of EAS 49 also has a significant effect in reducing accrual mispricing. Thus, the second hypothesis (H₂) is accepted.

Firm size has a positive relationship with mispricing of accruals, with a coefficient of 1.044 which is highly significant at the 1% level. This means that larger firms tend to experience greater mispricing of accruals. However, ROA is a positively correlated to accrual mispricing with a coefficient of 0.436, with a p-value of 0.091, thus implying that profitability has a marginal effect on mispricing of accrual. CFO has a positive relationship with mispricing of accruals (coefficient of 0.051), it implies that firms with higher cash flow could have greater mispricing. Rgrowth has a small positive effect on mispricing (coefficient of 0.001), which means that firms with higher revenue growth might faces a minor effect in how accruals are mispriced. The PPE has a negative coefficient of -0.032, which indicates that firms with higher asset intensity faces reduced mispricing of accruals. The Constant term is -2.012 with a significant t-value of -2.82, indicating mispricing of accruals stand at negative value in the absence of all predictors. The R-squared value of 0.686 means that the regression model can only explains 68.6% of the variation in mispricing of accruals,

indicating that other factors not included in the model may be influencing accrual mispricing. The model has F-test value of 4.736 with a probability value of 0.00 which indicates that the overall model is statistically significant, meaning that the independent variables together have a significant effect on mispricing of accruals.

5.5 Additional analysis: Test the mispricing of accruals (Mishkin test)

The Mishkin (1983) test is employed in this research to investigate the potential mispricing of accruals. Model (5) is designed to test whether the capital market fully incorporates the information content of accruals in the pricing of firms' equity. The current study implemented this model by estimating two regression equations: evaluation and forecasting equations to provide the average coefficient of accrual mispricing from the Mishkin model. The Mishkin test allows for a robust investigation of accruals by market participants and provides empirical evidence on whether accruals are accurately priced or not.

Table 9. presents the correlation table for the forecasting and valuation equations shows a significant relationship among the variables used in the analysis.

Table 9. Correlation of forecasting and valuation equations

Correlation of Forecasting Equation		Correlation of Valuation Equation	
var.	EARN	var.	Ab-return
EARN	1	Ab-return	1
FinComp	0.475	EARN	0.376
DissACC	-0.301	FinComp	0.325
FinComp_DissACC	0.291	DisACC	-0.218
CFO	0.374	FinComp_DissACC	0.115
FinComp_CFO	0.299	CFO	0.230
EAS49	0.395	FinComp_CFO	0.190
Size	0.119	EAS49	0.229
ROA	0.236	Size	0.191
Rgrowth	0.358	ROA	0.359
PPE	0.135	Rgrowth	0.271
-	-	PPE	-0.112

Source: Based one Stata v14 output

In the forecasting equation, there is a positive correlation between FinComp and EARN at (0.475), implying that higher financial comparability is likely to improve the forecasting of earnings. While EARN has a negative correlation with DissACC at (-0.301), showing that firms with higher levels of discretionary accruals could be associated with earnings manipulation, it is considered a sign of weaker earnings forecasts. However, FinComp_DissACC has a positive correlation with EARN at (0.291), indicating that higher financial comparability in combination with discretionary accruals is

associated with improved earnings forecasts. This suggests that firms that evaluate their discretionary accruals well and have higher financial comparability are prone to report better forecasting of earnings, due to more accurate accounting and reporting practices. Additionally, CFO is positively correlated with EARN at (0.374), which means that higher cash flows contribute to better earnings forecasts. Likewise, there is a positive correlation between FinComp_CFO and EARN at (0.299), implying that firms with better cash flow and financial comparability provide more accurate earnings forecasts.

Regarding control variables, EARN is also positively correlated with Size (0.119), indicating that larger firms tend to have higher earnings. Also, EARN has a positive correlation with ROA (0.236), implying that firms with higher profitability (return on assets) tend to have better earnings forecasts. The correlation between EARN and Rgrowth is 0.358, which shows a positive correlation, implying that revenue growth has a strong association with earnings forecasts. Additionally, there is a positive correlation of PPE at 0.135 with EARN, indicating that firms with larger assets are prone to report higher earnings forecasts.

In the valuation equation, Ab-return has a positive correlation with EARN (0.376), implying that better earnings forecasts tend to be associated with positive market reactions in terms of abnormal returns. Also, FinComp has a positive correlation with Ab-return (0.325), implying financial comparability has a significant effect on abnormal returns. Ab-return is negatively correlated with DissACC at (-0.218), implying that firms with higher discretionary accruals are prone to lower abnormal returns. Also, FinComp_DissACC has a positive correlation with Ab-return (0.115), demonstrating that the interaction between financial comparability and discretionary accruals has a significant impact on abnormal returns. Ab-return has a positive correlation with CFO at (0.230), which means there is a significant relationship between cash flow and abnormal returns. Furthermore, FinComp_CFO has a positive correlation with Ab-return (0.190), implying that the interaction between financial comparability and cash flow significantly impacts abnormal returns. Moreover, EAS49 is positively correlated with both EARN (0.395) and Ab-return (0.229), suggesting that the implementation of EAS 49 have a positive effect on both earnings forecasts and abnormal returns, resulting in improving transparency or reducing earnings management.

Regarding the control variables for valuation correlation, SIZE implies a positive correlation with Ab-return (0.191), indicating that larger firms have better market performance of return, resulting in their abnormal returns. Additionally, ROA and Rgrowth have a positive correlation with Ab-return, suggesting that firms with better revenue growth have more favorable market valuations. Furthermore, PPE indicates a negative correlation with Ab-return (-0.112), indicating that higher assets are correlated with lower abnormal returns.

Notably, the results indicate that the coefficient of discretionary accruals in the forecasting equation (-0.301) is more negative than in the valuation equation (-0.218), suggesting that the market does not fully reflect the adverse informational content of accruals in stock prices. This result supports the existence of mispricing of accruals, consistent with previous studies findings in the literature on accrual mispricing and investor's inability to accurately evaluate the persistence of accruals.

Table 10. presents the comparative analysis of the forecasting and valuation coefficients derived from two complementary regression models that utilized to test the mispricing of accruals.

Table 10. Mishkin forecasting and valuation

Parameter	Forecasting Coefficients Dependent variable: EARN			Valuation Coefficients Dependent variable: Ab-return		
	Estimate	Std. Error	p-value	Estimate	Std. Error	p-value
EARN	–	–	–	0.078	0.025	0.072 *
FinComp	0.030	0.013	0.009 ***	2.453	0.892	0.081 *
DISACC	-2.294	0.847	0.078 *	-0.920	0.392	0.020 **
FinComp × DISACC	0.181	0.039	0.054 *	3.599	1.090	0.093 *
CFO	0.474	0.012	0.067 *	0.660	0.321	0.005 ***
FinComp × CFO	0.020	0.035	0.085 *	2.282	0.211	0.064 *
EAS49	0.008	0.003	0.056 *	0.137	0.056	0.056 *
Constant	-5.470	1.139	0.042 **	1.680	0.839	0.031 **
R-squared	0.763	–	–	0.722	–	–
F-statistic	4.515	–	–	10.731	–	–
Prob > F	0.001	–	–	0.000	–	–

Source: Based one Stata v14 output

The coefficient on EARN in the forecasting regression is positive and significant with a p-value of (0.072), implying that current earnings have a predictive power for future abnormal returns. This is consistent with the previous literature suggesting a relationship between earnings and market mispricing. However, the findings indicate the moderating role of FinComp, which is statistically significant in both regressions (forecasting: $p = 0.009$; valuation: $p = 0.081$), suggesting that higher financial comparability is associated with higher accruals quality. The coefficient on DissAcc is significantly negative in both models (forecasting: $\beta = -2.294$, $p = 0.078$; valuation: $\beta = -0.920$, $p = 0.020$), providing evidence that investors tend to overvalue the accrual component of earnings, leading a reversal return of accruals. Additionally, the interaction term FinComp × DISACC is significantly positive in both regressions (forecasting: $\beta = 0.181$, $p = 0.054$; valuation: $\beta = 3.599$, $p = 0.093$), implying that firms with higher financial comparability are better able to improve the quality of their accruals as well as reduce the level of mispricing.

The coefficients on CFO are positive and significant in both models, with the strongest significance noticed in the valuation regression ($p = 0.005$). This indicates that cash flow from operations is more reliably priced by the market. Likewise, the EAS49 variable, a dummy variable that takes the value 1 if the company implements EAS49 and 0 if it does not, it showed a positive and significant coefficient in both the prediction model ($p = 0.056$) and the evaluation model ($p = 0.056$). These results indicate that firms' implementation of EAS49 is positively associated with the quality of accounting information and enhances investors' ability to interpret earnings and their components.

This reflects the role of the new lease accounting rules in improving market efficiency and reducing the degree of accruals mispricing, especially in environments that lack high transparency.

The R-squared values of 0.763 and 0.722 for the forecasting and valuation regressions, respectively, indicate that both models provide strong explanatory power. Also, the F-statistics confirm the significance of the explanatory variables ($p < 0.01$ in both models). Overall, the table supports the evidence that accrual mispricing exists but can be reduced by higher financial comparability.

Notably, the findings from Table (10) provide evidence of accrual mispricing in the sample. The coefficient on discretionary accruals in the forecasting equation (-2.294) is significantly more negative than the coefficient in the valuation equation (-0.920). This implies that the market does not fully reflect the low persistence and inaccurately evaluate the information content of accruals in the pricing decisions.

In line with the Mishkin test framework and (Sloan, 1996; Canitz, *et al.*, 2018; Fu, 2019; Lan Sun, 2020), this provides empirical support for the existence of overpricing of accruals.

6. Conclusion

This research aims to address the impact of implementing EAS (49) on the quality of accruals and mispricing of accruals with application to Egyptian listed companies. This objective is achieved through the empirical verification of the hypotheses. Furthermore, by empirically examining the impact of implementing the Egyptian Accounting Standard EAS (49) to improve the financial reporting of Egyptian listed enterprises, the study contributes to the body of existing research. The analysis is conducted utilizing OLS regressions for a sample of 59 listed companies with 531 observations in Egypt from different sectors during the period of 2015 to 2023.

The empirical results reveal that the implementation of EAS 49 is associated negatively with discretionary accruals, suggesting that the firms that implement EAS 49 are less likely to manipulate discretionary accruals. This supports the idea that EAS 49 implementation enhances the quality and transparency of financial reporting by increasing disclosure of information rather than off-balance sheet items, which results in limiting managerial discretion in financial statements. Furthermore, the empirical results assert that the effect of implementing EAS 49 strengthens promoting comparability and reducing accruals mispricing. The current research results are consistent with the results of (Chen, *et al.*, 2019; Torabi, *et al.*, 2024).

Regarding the results of the second hypothesis concerning the effect of the implementation of EAS 49 in reducing mispricing of accruals, the empirical evidence indicates that the implementation of EAS 49 has a significant negative impact on mispricing of accruals. Also, the DID results shown in table (8) indicate that after the implementation of EAS 49, there is a significant decline in mispricing of accruals, suggesting the crucial role of the new lease accounting rules in enhancing reported earnings and reducing information asymmetry, which in turn reduces mispricing. Additionally, the regression analysis in table (9) shows that EAS 49 and the interaction term of EAS 49_t, which is related to the time of implementing the new lease accounting standard, have a

negative significant impact on reducing mispricing of accruals. These results support most of the literature that emphasizes the importance of the new leasing accounting standard to investors and shareholders when making financial decisions.

The current study support the agency theory, which plays a significant role in eliminating managers' manipulation of earnings. Managers have an incentive to report inflated earnings through the use of discretionary accruals to sustain an overvaluation of their company's stock price. Consequently, this leads investors to misinterpret the elements of reported earnings (Sawicki & Shrestha, 2012). Similarly, the results support positive accounting theory, which indicates the various reasons for manipulating discretionary accruals upward or downward to affect earnings management (Hedqvist & Lennerkog, 2022). Overall, these findings are consistent with the results of (Chen *et al.*, 2019, Cheng, 2021, Fuad, 2022, and Lemos *et al.*, 2023).

Generally, these findings are consistent with (Emmanson *et al.*, 2022, Lan Sun, 2019, and Segal *et al.*, 2019), who concluded that the implementation of the new lease accounting rules plays a crucial role in increasing the accuracy of pricing of accruals and reducing mispricing, thereby improving the quality of financial reporting. Therefore, these findings support the hypothesis that under the implementation of EAS 49, the mispricing of accruals has been mitigated.

This research implication suggests that the findings increase awareness and efforts towards the implementation of EAS 49, which has a notable effect on the mispricing of accruals in Egyptian listed firms. This implies that the implementation of EAS (49) improves the quality of financial reporting. As a result, regulatory institutions and policymakers can provide valuable insights into the benefits of implementing the new leasing accounting standard to encourage other firms to adopt it to enhance investors' confidence in financial statements and financial reporting reliability.

6.1 Research limitations

The research is subject to certain limitations. First, the results cannot be generalized to all listed firms because it only examined the firms that apply EAS 49. Second, the study primarily investigates the short-term effects of the implementation of EAS 49. The analysis covers a limited time frame before and after the standard's implementation due to the standard being implemented in 2019 only.

6.2 Further research

For future research, this study recommends a longitudinal study covering the periods 2024 and 2025 to increase the number of observations and conduct a panel data study. This would allow for evaluating the evolution of the mandatory implementation of EAS 49 and its impact. Additionally, it suggests examining the difference in the degree of compliance with the requirements of EAS 49 among listed and unlisted companies in Egypt.

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Appendix (A)

The following section explains the four steps of calculating discretionary accruals through the modified Jones model.

Step 1: Equation (1) present the first formula used in the calculation of non-discretionary accruals, which is to calculate the total accruals in accordance with the formula:

$$TA_t = \frac{(\Delta CA - \Delta CL - \Delta CASH - \Delta STD - DEP)}{A_{t-1}} \quad (1)$$

Where, TA_t = Total Accruals, ΔCA = Change in current assets, ΔCL = Change in current liabilities, $\Delta CASH$ = Change in cash and equivalents, ΔSTD = Change in short debt included in current liabilities, DEP = Depreciation and amortization expense and A_{t-1} = Total assets at t-1.

Step 2: To calculate the non-discretionary accruals, the firm specific parameters must be estimated first. The estimation of the firm specific parameters is performed according to the following formula:

$$TA_t = \alpha_1 \left(\frac{1}{A_{t-1}} \right) + \alpha_2 (\Delta REV_t) + \alpha_3 (PPE_t) + \varepsilon_t$$

Where, α_1 , α_2 and α_3 denote the OLS estimates of α_1 , α_2 and α_3 , TA_t = Total accruals , ΔREV_t = Revenues in year t less revenues in year t-1 scaled by total assets at t-1 , PPE_t = Property plant and equipment in year t scaled by total assets at t-1 , A_{t-1} = Total assets at t-1 , α_1 , α_2 , α_3 = Firm-specific parameters and ε_t = the residual.

Step 3: The third step refers to the calculation of non-discretionary accruals, which is executed using the Modified Jones Model and use the industry regression results (values of α_1 , α_2 , α_3) from Step 2 to calculate NDA.

$$NDA_t = \alpha_1 \left(\frac{1}{A_{t-1}} \right) + \alpha_2 (\Delta REV_t - \Delta REC_t) + \alpha_3 (PPE_t / A_{t-1}) \quad (2)$$

Where, NDA_t = Estimated non-discretionary accruals, ΔREV_t = Revenue in year t less revenues in year t-1 scaled by total assets at t-1, ΔREC_t = Net receivables in year t fewer net receivables in year t-1 scaled by total assets at t-1, PPE_t = Property plant and equipment in year t scaled by total assets at t-1 and α_1 , α_2 , α_3 = Industry-specific parameters

Step 4: After the calculation of both total and non-discretionary accruals, the last step is a simple subtraction to calculate the discretionary accruals. This calculation is accomplished by subtracting the non-discretionary accruals from the total accruals in accordance with the formula:

$$DA_t = TA_t - NDA_t \quad (3)$$

Where, DA_t = Discretionary accruals, TA_t = Total accruals , NDA_t = non-discretionary accruals.

المستخلص

يهدف المعيار المحاسبي الجديد لعقود الإيجار الي دراسة مشكلة التمويل "خارج الميزانية" الناتج عن عقود الإيجار التشغيلي، والذي أدى إلى نقص في قابلية مقارنة الاستحقاقات بين الشركات. لذا، يهدف هذا البحث إلى دراسة تأثير تطبيق معيار المحاسبة المصري (49) EAS "عقود الإيجار" على سوء تسعير الاستحقاقات. حلت الدراسة البيانات المالية للفترة من 2015 إلى 2023 لـ 59 شركة مدرجة في البورصة المصرية باستخدام طريقة فرق الفروق (DID). جُمعت البيانات من قاعدة بيانات تومسون رويترز. شملت عينة البحث الشركات التي تبنت معيار المحاسبة المصري (49) EAS بموجب قانون المحاسبة المصري.

تشير النتائج إلى وجود تأثير إيجابي كبير لتطبيق معيار المحاسبة المصري (49) EAS على تحسين جودة الاستحقاقات من خلال تحسين المعلومات المقدمة وبالتالي الحد من سوء تسعير الاستحقاقات. وعلاوة على ذلك، تكشف النتائج أن التسعير الخاطئ للمستحقات بالنسبة للشركات التي تطبق المعيار (49) أقل من الشركات التي لم تطبق المعيار (49) قبل التطبيق الإلزامي.

الكلمات المفتاحية: معيار المحاسبة المصري 49 ؛ محاسبة الإيجار؛ الأرباح، الاستحقاقات ؛ تسعير الاستحقاق الخاطئ ؛ التقارير المالية.