

**The Impact of Revenue from Contracts with Customers  
under IFRS 15 on earnings quality: a survey study**

أثر تطبيق معيار الإيراد من العقود مع العملاء IFRS 15 علي جودة الأرباح: (دراسة ميدانية)

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Accounting**

Extracted from a thesis titled: **The Impact of Revenue from Contracts with  
Customers under IFRS 15 on earnings quality and firm value: a survey study**

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## Abstract:

**Purpose** - The main objective of this research is to investigate the relationship between the international financial reporting standard no 15 (Ifrs 15) and earnings quality.

**Design / methodology/ approach-** The researcher used the deductive and inductive method to present the conceptual framework for Ifrs 15 and earnings quality , Also, the researcher conducted a survey study to examine the relationship between IFRS 15 and earnings quality in Egypt by using a five likert scale and distributing 240 surveys to different academicians and professionals, The researcher collected 149 questionnaire forms and found 5 of them had inconsistencies in the answers and were incomplete, so they were excluded from the sample, bringing the final number of the study sample to 144 individuals.

**Findings** -The results of the survey study showed that there is a statistically significant, positive, and strong relationship between developing Egyptian and international accounting standards in accordance with IFRS 15 and increasing the quality of accounting profits. At the end of the research and based on the research results, the researcher suggested some future research that could be conducted concerning the IFRS 15.

**Key words:** IFRS 15, Earnings quality, Stock market efficiency, Egyptian listed companies.

### ملخص البحث:

**هدف البحث** – يهدف هذا البحث الي قياس العلاقة بين متطلبات المحاسبة عن الايراد في ضوء معيار التقارير المالية الدولية IFRS 15 واثر تطبيق هذا المعيار علي جودة الارباح .

**منهجية البحث** - و قد قامت الباحثة باستخدام المنهج الإستقرائي و الإستنباطي لعرض الإطار المفاهيمي لمعيار التقارير المالية الدولية IFRS 15 وجودة الارباح ، كما قامت الباحثة باستخدام دراسة ميدانية لإختبار العلاقة بين IFRS 15 وجودة الارباح عن طريق استخدام مقياس ليكرت الخماسي و توزيع 240 قائمة استقصاء لمجموعة من المهنيين و الأكاديميين. و قامت الباحثة بتجميع 149 قائمة.

**النتائج** - و توصلت نتائج الدراسة الميدانية الي توجد علاقة ذات دلالة معنوية احصائية و طردية و قوية بين تطوير المعايير المحاسبية الدولية وفقا لمعيار IFRS 15 وزيادة جودة الارباح المحاسبية . و أخيرا و بناءً علي نتائج البحث، اقترحت الباحثة بعض البحوث المستقبلية المتعلقة معيار التقارير المالية الدولية IFRS 15.

**الكلمات المفتاحية:** معيار التقارير المالية الدولية IFRS 15، جودة الارباح، كفاءة الأسواق المالية، الشركات المصرية المسجلة.

## 1- Introduction

In order to meet business needs and changes in economic environments, the international accounting standards board has issued IFRS 15, revenue from contracts with customers, on May 2014. Under this standard, two previous IFRS have been revoked, which are:

IFRS 11, Construction Contracts; and IFRS 18, Revenue. The main reason for the issuance of IFRS 15 goes to the convergence efforts between IFRS and US GAAP by competent authorities. As well, the (FASB) has obliged economic enterprises to apply this standard as of January 2018, with earlier application permitted on January 2017 (Chartered Professional Accountants of Canada, 2015)

IFRS 15 is applicable for entities reporting in accordance with international financial reporting standards (IFRS) for periods beginning on or after 1 January 2018, with earlier application permitted.

As a result, IFRS 15 is concerned with the determination of how to recognize revenue by identifying five key steps that help identify the real values to be recognized as revenue for economic enterprises (Ernst & Young, 2017).

The five - step model framework

- 1- Identify the contract (s) with a customer.
- 2- Identify the performance obligations in the contract.
- 3- Determine the transaction price

- 4- Allocate the transaction price to the performance obligations in the contract.
- 5- Recognize revenue when (or as) the entity satisfies a performance obligation.

## **2 Research Problem**

There is continuous increase in need for users of the financial statements especially those related to revenue to provide useful information despite of the present change of the economic Environment This is done in order to analyze and evaluate the performance of the economy of local organizations in the past and forecast their performance in the future (Al-Taie, 2017).

Profits are used in many evaluative and predictive studies of the company's current and future performance (Saleh, 2010 ), but focusing on the size of profits without focusing on their quality leads to make irrational decisions, therefore, users of financial reports are increasingly interested in the characteristics of the disclosed earnings figure, which reflect its quality.

## **3 Research objective:**

The main objective of this research is to study and analyze the framework of Ifrs 15 and determine its effect on earnings quality.

## **4 Research importance:**

The importance of the present study stems from its subject which deals with the application of IFRS 15 in economic enterprises, in addition to the impact of applying this standard on improving the quality of accounting

profit from the viewpoint of external auditors at the Egyptian listed companies. Moreover, the present study also addresses the challenges facing external auditors in the application of the IFRS 15 by examining the basic characteristics of the quality of accounting profit.

## **5 research hypotheses**

In response to research questions and to attain the study objectives, the following research hypotheses were developed:

H1: There is a significant relationship between the adoptions of the requirements of IFRS 15 and earnings quality.

## **6 Research Limitations**

The study limitations could be presented as follows:

- The survey study will be conducted upon a random sample of professionals and academicians.
- The survey will not focus on practices related to recognizing expenses and what is related to them.
- The survey will focus on the recognition, measurement and disclosure requirements contained in IFRS 15 not the corresponding American standard.

## **7- Research methodology**

To achieve the study objective, the researcher used the inductive approach to give a general review and conceptual framework for IFRS 15. And a survey study will be conducted to investigate the relationship between IFRS 15 (revenue from contracts with customers) and earnings quality of Egyptian listed companies.

## **8- Research plan:**

To attain the research objective, the study is divided into the following sections:

8\1: Conceptual framework of Ifrs 15.

8\2: earnings quality from a professional and academic perspective.

8\3: Survey study.

8\4: Summary and research results and future research.

References.

### **8\1: Conceptual framework of Ifrs 15**

The accounting conducted in IFRS-adopted jurisdictions is more principle-based than the rules-based US GAAP (Generally Accepted Accounting Principles). With less rules, IFRS standards require more knowledge and interpretation to comply with. In the case of revenue recognition, the preceded International Accounting Standards (IAS) IAS11- Construction contracts and IAS18-revenue didn't provide with enough guidance for more complex transactions. There was a strong need and will for simplification and consistency regarding the revenue recognition principles. In 2002 it was decided that the new IFRS15 standard would be jointly developed by the IASB and their counterpart FASB in the US (Flood, 2017). The new standard replaced the former IAS11 and IAS18 standards as well as interpretations including IFRIC 13, 15, 18 and SIC-31 (Flood, 2017).

On 1 January 2018 onwards, the new IFRS15 standard (Revenue from contracts with customer) replaced the former IAS11 & 18 standards as well as multiple different interpretations including IFRIC13 (Customer loyalty programs), IFRIC15 (Agreements for the construction of real estate), IFRIC18 (Transfers of assets from customers) and SIC-31 (Revenue- barter transactions involving advertising services) (PKF, 2019). The IFRS15 standard provides much needed clarity and consistency to recognize revenue from the multitude of different transactions independent of industry. The preparation of financial statements is less time-consuming and more efficient since revenue recognition principles are now found under a single standard.

As previously mentioned, the IFRS15 standard defines revenue as income arising from entity's ordinary activities. The proceeded IAS 18 standard contained requirements on dividend and interest income which are not included in the new IFRS15. However, non-financial assets such as plant and equipment are subject to the requirements of the IFRS15 although a few exceptions exist e.g. leases and insurance contracts. The basis for the standard is that an entity should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled (PKF, 2019).it's also vital to understand that the standard only applies to contracts with customers which are bound with a bilateral agreement (PKF, 2019).

## **8\1\1 Requirements of the International Financial Reporting Standard (IFRS)**

In other words, Aurora and (Godfrey et al., 2010) following IFRS 15 aimed to establish principles for reporting useful information to users of the financial statements on the amounts, timing and uncertainty of income and cash flows arising from unit contracts with customers ( Epstein and Jermakowicz ,2010) stated that the unit must be applied to measure and recognize related income and cash flows in accordance with IFRS 15 as stated below:

### **Step 1: identify the contract with the customer:**

Contract with the customer where the contract may be written or oral or inspired by accepted business practices or represents an agreement between two or more parties that includes rights or obligations that are enforceable.

### **Step 2: identify the performance obligation:**

The separate performance obligations are represented within the contract with the customer for the conversion of a good or service. The promise may include or may be clearer than performance obligations. In that case, if the goods or services promised to be transferred to the customer are subject to discrimination or dismissal, the unit shall be liable for each obligation to perform independently only. If the customer can benefit from the goods or services on its own, the performance obligation is separated. The unit can sell these goods and services separately so that it can be readily available.



### **Step 3: Determine the transaction price:**

The factors affecting identification process are the nature, timing and amount of the compensation which are determined when the customers agrees to pay the amount fixed to the unit over a short period of time in specific types of contracts.

### **Step 4: Allocate the transaction price to the performance obligation in the contract:**

The unit must allocate the transaction price to more than one performance obligation in the contract according to the relative fair values. The unit's ability to sell the goods and provide services on the basis of independent selling prices is the best measure of fair value.

### **Step 5: revenue recognition:**

The transfer of control over the goods and services under the contract is transferred to the customer, when the performance obligations are met. As previously allocated in step 4 on performance obligation, the amount ultimately recognized is linked to the transaction price. Whether the liability is met at a certain point in time or over time will be determined by the unit.

## **8\2: The concept of earnings quality (EQ) and factors affecting:**

The concept of EQ: There are a lot of studies like (Dechow et al., 2010) (Scarso.,2019), which dealt with the concept of EQ, the entry points for its

measurement, its different relationships and influencing factors. However, there is no clear and common definition of EQ as the definition in each study depends on the study's ultimate objective the concept of EQ varies from study to study due to the fact that EQ is a combination of basic financial performance and the ability of the accounting system to measure it.

EQ determined by the extent to which the company can continue to make profits in the future. EQ can be analyzed through different perspectives, Ewert & Wagenhofer, (2012:124) define earnings quality as reducing market uncertainty about future cash flows due to profits recorded during the period or that level of profits that accurately represents the company's intrinsic value. While Dechow & Schrand, (2004: 5) refer to EQ "in permanent profits" or the continuity of profits, i.e. the ability of the company to continue to make profits in the future.

Kamarudin & Ismail., (2014:227) also define EQ as the extent to which the reported profits genuinely represent the company's income during the period, meaning the secretariat in recording transactions or agreement between the measure or description and the phenomenon it is supposed to represent.

## **8\2\1 Factors affecting the earnings quality: There are many factors affecting EQ:**

**First:** Accounting conservatism: the definitions of an accounting qualification tended to be based on the accountants' policy of caution and

precautions in measuring profits, losses and valuation of assets and liabilities.

**Second:** Earnings Management: Earnings Management is defined as the deliberate misrepresentation of profits disclosed in financial statements, resulting in values significantly different from what real profits can be in the absence of manipulation and deliberate misrepresentation, (Hussein et al.,2018:2661).

**Third:** The company size: The size of the company can be measured and classified in a number of ways, including total assets and equity value. Company capital or sales can also be used to measure the size of the company.

**Fourth:** Leverage: Leverage is a group of funds provided by owners and lenders that companies use to finance their own projects that contribute to profits.

**Fifth:** Capital adequacy: The capital adequacy ratio indicates the company's ability to withstand potential losses and the ability to meet its obligations.

### **8\3 Survey study:**

The researcher in this part of the research will construct a survey study to examine the relationship between Ifrs 15 and earnings quality.

### **8/3/1 Sample of the study:**

#### **Population and Sample Size**

The study population consists of (Academic members, Accountants in companies listed on the Egyptian Stock Exchange, internal auditors, and auditors), the researcher used population unknown size to get the highest value for sample size to be presentable to the study population, and the methodology of selecting the sample size is the random sampling technique which is defined as the following:

**Random Sampling Method:** A sample selected so that each item or person in the population has the same chance to be included in the sample.

**The adjusting sample size for unlimited population formula is:**

$$n_o = \frac{Z^2 * p * q}{e^2}$$

**Where:**

- **$n_o$ :** Is the sample size for unlimited population?
- **$Z$ :** Is the area under the normal distribution curve for confidence interval **95%** and it has a standardized value of **1.96**.
- **$P$ :** Is the estimated proportion of an attribute that is present in the population in order to obtain the maximum sample size ( **$p$** ) value has to be **0.5**.
- **$q$ :** Is the complement of ( **$p$** ) which equal  **$(1 - p) = 0.5$** .
- **$e$ :** Is the margin of error for the confidence interval by which if the confidence interval is 95% then the margin of error ( **$e$** ) will be **5%**.

**By substituting in the above formula, the unadjusted sample size (n) will be:**

$$n_o = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 385$$

In the second step, the sample size was determined for the study population consisting of 240 individuals from the companies and colleges by which the researcher allowed to distribute the questionnaire as follows:

$$n = \frac{n_o}{1 + \frac{(n_o - 1)}{N}}$$

**Where:**

- $n$ : The sample size for finite population.
- $n_o$ : The sample size for infinite populations.
- $N$ : Finite population.

With substituting in the previous equation we will get:

$$n = \frac{385}{1 + \frac{(385 - 1)}{240}} = 148.25$$

From the previous equation, the researcher find that the sample size for the study population is approximately 149 individuals. The researcher collected 149 questionnaire forms and found 5 of them had inconsistencies in the answers and were incomplete, so they were excluded from the sample, bringing the final number of the study sample to 144 individuals.

**Research Hypothesis**

$H_A$ : There is a significant relationship between applying IFRS 15 according to the Accounting Standards and increasing earning quality.

**Descriptive Analysis**

The study dimensions will be analyzed in order to determine measures of location like mean, maximum and minimum values, and their measures of dispersion, standard deviation and coefficient of variation.

Table (1): The descriptive analysis.

Dimension	Minimum	Maximum	Mean	Standard Deviation	Coefficient of Variation
Revenue from Contracts with Customers under IFRS 15	2.50	5.00	3.94	0.53	0.13
Increase accounting earnings quality	2.17	5.00	3.99	0.57	0.14

Source: prepared by the researcher from SPSS output

From table (1) it is concluded that:

- The dimension: Revenue from Contracts with Customers under IFRS 15 and four other dimensions has a minimum value of 2.50 and maximum value of 5.00 with an arithmetic mean of 3.94, and its standard deviation is 0.53 and this value is less than 1 which lead to a low coefficient of variation of 13% which means that there is a low level of dispersion of values around the arithmetic mean.
- The dimension: Increase accounting earnings quality has a minimum value of 2.17 and maximum value of 5.00 with an arithmetic mean of 3.99, and its standard deviation is 0.57 and this value is less than 1 which lead to a low coefficient of variation of 14% which means that there is a low level of dispersion of values around the arithmetic mean.

## Test of Normality

The researcher applied Shapiro-Wilk test to determine whether the main dimensions of study follow the normal distribution or not, Shapiro-Wilk test is a Chi-squared test of normality which its null hypothesis states that variables are not normally distributed if the test p-value is less than or equal 0.05, while its alternative hypothesis states that variables are normally distributed if the test p-value is more than 0.05.

Table (2): Shapiro-Wilk test of normality.

Dimension	Statistic	df	P-value
Revenue from Contracts with Customers under IFRS 15	.971	144	.004
Increase accounting earnings quality.	.972	144	.005

Source: prepared by the researcher from SPSS output.

From table (2) it is concluded that all the study dimensions are not normally distributed as their *p-value* of Chi-square statistic is less than 0.05, so the alternative hypothesis will be accepted that the variables don't follow the normal distribution.

### Likert fifth scale of main dimension responses

The following table (3) presents the frequency distribution and the proportion of responses for each statement of the study main dimension.

Table (3): Statements frequency distribution.

Statement	Totally Disagree		Disagree		Neutral		Agree		Totally Agree		Result
	Freq.	%	Freq.	%	Freq.	%	Freq.	%	Freq.	%	
<b>The impact of applying IFRS 15 according to the Accounting Standards on increasing earning quality</b>											
X_1.1	1	0.7	4	2.8	20	13.9	62	43.1	56	38.9	Agree
X_1.2	2	1.4	5	3.5	18	12.5	72	50.0	46	31.9	Agree
X_1.3	2	1.4	5	3.5	27	18.8	61	42.4	48	33.3	Agree
X_1.4	3	2.1	5	3.5	34	23.6	57	39.6	44	30.6	Agree
X_1.5	2	1.4	5	3.5	26	18.1	66	45.8	44	30.6	Agree
X_1.6	3	2.1	6	4.2	21	14.6	64	44.4	49	34.0	Agree
X_1.7	2	1.4	4	2.8	23	16.0	77	53.5	37	25.7	Agree
X_1.8	0	0.0	7	4.9	29	20.1	69	47.9	38	26.4	Agree
X_1.9	2	1.4	6	4.2	29	20.1	65	45.1	41	28.5	Agree
X_1.10	3	2.1	3	2.1	27	18.8	75	52.1	35	24.3	Agree
X_1.11	0	0.0	4	2.8	35	24.3	65	45.1	39	27.1	Agree
X_1.12	3	2.1	6	4.2	32	22.2	65	45.1	37	25.7	Agree
X_1.13	2	1.4	9	6.3	26	18.1	70	48.6	36	25.0	Agree
X_1.14	1	0.7	8	5.6	27	18.8	69	47.9	38	26.4	Agree
X_1.15	1	0.7	12	8.3	26	18.1	63	43.8	41	28.5	Agree
X_1.16	0	0.0	6	4.2	24	16.7	65	45.1	48	33.3	Agree
X_1.17	2	1.4	8	5.6	24	16.7	73	50.7	36	25.0	Agree
X_1.18	3	2.1	6	4.2	27	18.8	62	43.1	45	31.3	Agree

Source: prepared by the researcher from SPSS output

From table (3) it is concluded that the statements of the study dimension statements responses in agree interval which present a great indicator for the consistency of sample responses and questionnaire structure.

### Main dimension statements Chi-square test of independence:

The researcher conducted a chi-square test for all the study's dimension and the statements that make up it to determine the extent of each statement's independence from the other statements and whether there is collinearity between the two statements or whether they are independent.

The null hypothesis of the chi-square test of independence states that the means of the major dimension are not independent of each other, while the alternative hypothesis states that statements of the major dimension are independent of each other.

The null hypothesis is accepted if the *P-value* for the Chi-squared test is greater than or equal to 0.05, while the alternative hypothesis is accepted if the *P-value* for the Chi-squared test is smaller than 0.05.

Table (4): Chi-squared independence tests the study dimension statements.

Statement	Chi-square	<i>P-value</i>
The international standard IFRS 15 is considered a major step towards moving from the rules approach to the accounting principles approach to revenue recognition.	60.917	,, , , ,
IFRS 15 allows for greater management estimations and professional judgment at each step of applying the five step model used to revenue recognition.	58.305	,, , , ,
The international standard IFRS 15 achieves similarity between international standards and Egyptian standards with regards to the requirements of presentation, disclosure and measurement of revenue.	54.508	,, , , ,
IFRS 15 indicates to recognize revenues when the company fulfills performance obligations and when moving control over the asset to customer during a	50.652	,, , , ,



specific point on a time period.		
IFRS 15 agrees that revenue is recognized through a model consisting of specific steps that must be in order to eliminate the inconsistency and discrepancy that existed in the current revenue recognition standards, and there are no differences between them in presentation and disclosure requirements.	<b>55.432</b>	٠,٠٠٠
IFRS 15 provides understandability to financial statement information by disclosing quantitative and descriptive information about revenue from contracts with customers.	<b>52.890</b>	٠,٠٠٠
Implementing the IFRS 15 standards provides the possibility of adoption through the comprehensive framework for revenue recognition and consistent accounting treatment.	<b>59.203</b>	٠,٠٠٠
IFRS 15 provides comprehensive guidance and specific requirements for revenue recognition and thus provides relevant information to users of financial statements.	<b>58.433</b>	٠,٠٠٠
Implementing IFRS 15 standard enhances global comparability between companies and increases the ability to understand as a result of eliminating inconsistencies and differences, which helps investors in making correct investment decisions in capital market.	<b>53.733</b>	٠,٠٠٠
The application of IFRS 15 contributes to enhancing the comparison of revenue recognition practices between entities in different capital markets.	<b>56.516</b>	٠,٠٠٠
Basing IFRS 15 on principles of revenue recognition rather than rules leads to increased relevance of accounting information related to revenue provided to users.	<b>60.121</b>	٠,٠٠٠
IFRS 15 provides a comprehensive framework for revenue recognition instead of having several standards, which increases the suitability of accounting information.	<b>51.067</b>	٠,٠٠٠
IFRS 15 contributes to establishing a strong framework for revenue recognition and attempts to reduce inconsistency and weaknesses in current requirements for revenue recognition.	<b>52.307</b>	٠,٠٠٠

It provides a comprehensive concept of the contract obligation by the entity to finance goods and services to the customer and thus addresses revenue recognition issues.	55.093	,, , , ,
It provides an integrated set of conditions for determining revenue obligations in accordance with the contract	50.677	,, , , ,
It leads to determining the transaction price accurately, which increases the suitability of accounting information related to profits for making investment decisions.	60.118	,, , , ,
It leads to achieving faithful representation in the firm's profitability and accounting information regarding annual profits.	53.949	,, , , ,
It contributes to developing an integrated framework for disclosure requirements, which facilities to understand the nature, value, timing and uncertainty of revenues and cash flows resulting from contracts with customers.	51.211	,, , , ,
The international standard IFRS 15 is considered a major step towards moving from the rules approach to the accounting principles approach to revenue recognition.	60.917	,, , , ,

Source: prepared by the researcher from SPSS output.

From Table (4), it is clear that the 18 statements composing the study dimension are independent of each other, and there is no collinearity between the statements and the dimension itself, as the *p-value* for the chi-square test for all statements and the dimension itself reached equal 0.000, which is a value less than 0.05.

### **Spearman's correlation coefficient for the statements of the main study dimension:**

The researcher calculated the Spearman correlation coefficient for each of the main dimension statements separately. It was found that the statements that make up the main dimension do not follow the normal distribution through the Shapiro-Wilk test for normality. Then, she tested the significance of the correlation of the statements through a t-test, the null

hypothesis of the t-test states that there is no significant correlation, while the alternative hypothesis states that there is a significant correlation.

The null hypothesis is accepted if the *P-value* for the t-test is greater than or equal to 0.05, while the alternative hypothesis is accepted if the *P-value* for the t-test is smaller than 0.05.

Table (5): Spearman's correlation coefficient for the study dimension statements

Statement	Spearman coefficient	<i>P-value</i>
The international standard IFRS 15 is considered a major step towards moving from the rules approach to the accounting principles approach to revenue recognition.	.634**	,, , , ,
IFRS 15 allows for greater management estimations and professional judgment at each step of applying the five step model used to revenue recognition.	.609**	,, , , ,
The international standard IFRS 15 achieves similarity between international standards and Egyptian standards with regards to the requirements of presentation, disclosure and measurement of revenue.	.736**	,, , , ,
IFRS 15 indicates to recognize revenues when the company fulfill performance obligations and when moving control over the asset to customer during a specific point on a time period.	.667**	,, , , ,
IFRS 15 agrees that revenue is recognized through a model consisting of specific steps that must be in order to eliminate the inconsistency and discrepancy that existed in the current revenue recognition standards, and there are no differences between them in presentation and disclosure requirements.	.637**	,, , , ,
IFRS 15 provides understandability to financial statement information by disclosing quantitative and descriptive information about revenue from contracts with customers.	.562**	,, , , ,

Implementing the IFRS 15 standards provides the possibility of adoption through the comprehensive framework for revenue recognition and consistent accounting treatment.	.648**	, , , , ,
IFRS 15 provides comprehensive guidance and specific requirements for revenue recognition and thus provides relevant information to users of financial statements.	.717**	, , , , ,
Implementing IFRS 15 standard enhances global comparability between companies and increases the ability to understand as a result of eliminating inconsistencies and differences, which helps investors in making correct investment decisions in capital market.	.662**	, , , , ,
The application of IFRS 15 contributes to enhancing the comparison of revenue recognition practices between entities in different capital markets.	.545**	, , , , ,
Basing IFRS 15 on principles of revenue recognition rather than rules leads to increased relevance of accounting information related to revenue provided to users.	.675**	, , , , ,
IFRS 15 provides a comprehensive framework for revenue recognition instead of having several standards, which increases the suitability of accounting information.	.685**	, , , , ,
IFRS 15 contributes to establishing a strong framework for revenue recognition and attempts to reduce inconsistency and weaknesses in current requirements for revenue recognition.	.678**	, , , , ,
It provides a comprehensive concept of the contract obligation by the entity to finance goods and services to the customer and thus addresses revenue recognition issues.	.697**	, , , , ,
It provides an integrated set of conditions for determining revenue obligations in accordance with the contract	.602**	, , , , ,

It leads to determining the transaction price accurately, which increases the suitability of accounting information related to profits for making investment decisions.	.658**	*,***
It leads to achieving faithful representation in the firm's profitability and accounting information regarding annual profits.	.658**	*,***
It contributes to developing an integrated framework for disclosure requirements, which facilities to understand the nature, value, timing and uncertainty of revenues and cash flows resulting from contracts with customers.	.693**	*,***
The international standard IFRS 15 is considered a major step towards moving from the rules approach to the accounting principles approach to revenue recognition.	.634**	*,***

Source: prepared by the researcher from SPSS output.

From Table (5) it is clear that there is a significant and direct relation with strength ranges from medium to strong between the statements that make up the study dimension: Increase accounting earnings quality and the main dimension the impact of applying the revenue standard from contracts with customers (IFRS 15).

### **Test of Responses Reliability**

The term reliability generally refers to the consistency of a measure. The statistical approach to estimating reliability varies depending upon the purpose of the measure.

Cronbach's Alpha test to measure the degree of study variables stability and the following table presents that the stability factor for the sample responsiveness is 87.2% which means that the responses were very high and stable in that questionnaire.

Table (6): Cronbach's Alpha Reliability test for study dimensions.

Dimension	Number of statements	Cronbach's Alpha	$\sqrt{\text{Alpha}}$
Revenue from Contracts with Customers under IFRS 15	18	0.9090	0.953
Increase accounting earnings quality.	18	0.8520	0.923

Source: prepared by the researcher from SPSS output.

From table (6) it is concluded that there is a high level of reliability for the responses for each variable as the Cronbach's Alpha test show high level of stability as it values for each variable is more than 60% and also for the trust factor which calculated by square root of Alpha factor showed a trust level of more than 90%.

### Test of Responses Validity

Validity is the extent to which a concept, conclusion or measurement is well-founded and likely corresponds accurately to the real world based on probability. The validity of a measurement tool is considered to be the degree of probability to which the tool measures what it claims to measure, in this case, the validity is an equivalent to a percent of how accurately the claim corresponds to reality.

Table (4.16): Validity t-test for study variables

Dimensions and variables	t-test	df	P-value
Revenue from Contracts with Customers under IFRS 15	53.769	143	0.00
Increase accounting earnings quality.	54.498	143	0.00

Source: prepared by the researcher from SPSS output

The validation t-test used to measure the extent of statements consistent with the responses in the questionnaire, and from the following table it found that t-test values are all positive and significant as its all *p-value* is equal to 0.0000 and this presents a high level of consistency.

### Simple Regression model for testing the study hypothesis

The first main hypothesis of the study states that There is a significant relationship between applying IFRS 15 according to the Accounting Standards and Increase accounting earnings quality so the researcher will develop simple linear ordinary least squares (OLS) regression.

For the following table (7) presents simple linear regression model, by which the researcher will accept the coefficient of independent variable significance at 5% level of significance.

Table (7): Simple regression model for the study hypothesis  $H_A$

Model	<i>OLS-Simple</i>	Dependent variable	Increasing accounting earnings quality
Variables	<i>Coefficient</i>	<i>p-value</i>	Significance
<b>Constant</b>	0.130619	0.3566	<b>Insignificant</b>
Revenue from Contracts with Customers under IFRS 15	1.03272	<0.0001	<b>Significant</b>
F-test	٨٦٣,٨٥١٢	<i>p-value</i>	<0.0001
Adjusted R-squared		٨٥,٧٨٣٢%	

Source: prepared by the researcher from SPSS output

From table (7) it is concluded that:

- The overall simple regression model is significant, as the value of the F-test is ٨٦٣,٨٥١٢, and its probability value is <0.0001, which is a value less than 0.05.
- The independent variable Revenue from Contracts with Customers under IFRS 15 has a significant impact on increase accounting earnings quality.

- The value of the adjusted coefficient of determination is ٨٥,٧٨٣٢%, which means that increasing accounting earnings quality (the dependent variable) changes by ٨٥,٧٨٣٢% when the Revenue from Contracts with Customers under IFRS 15 (the independent variable) changes by one.

Therefore; the researcher will accept the study hypothesis which states that: There is a significant relationship between applying IFRS 15 according to the Accounting Standards and increasing earning quality.

#### **8-4 Summary, research results and future research**

The aim of this study was to investigate the relation between IFRS 15 and earnings quality by studying the conceptual framework of IFRS 15 and earnings quality and conducting a survey study to explore the relation between them. The researcher concluded the following results:

- Disclosing IFRS 15 is very useful to all users especially the investors as it provides them with additional information.
- Disclosing IFRS 15 leads o increasing the information content of the financial statements.
- There is a significant relationship between IFRS 15 and the earnings quality of the Egyptian stock markets.

#### **Future research:**

Based on the research results, the researcher suggests the following future researches:

- The effect of IFRS 15 on the degree of accounting conservatism in the financial statements.
- The effect of IFRS 15 on earnings management.



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