

# **A Study of the Relationship among IFRSs, Institutional Environment and Cost of Debt Capital-Evidences from EU**

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## **Abstract**

In the face of diversifying global capital markets and a growing tendency for corporations to adopt transnational management practices, accounting standards around the world are converging with rules set by the International Financial Reporting Standards (IFRSs). This study is motivated by the fact that, despite mounting demands to develop a set of generalized accounting guidelines, the economic impact of introducing new accounting standards is still unclear. More specifically, there is inadequate research in the current literature to answer definitively whether market participants will derive greater benefits or increased costs from a new international accounting system. This study used European countries for the study sample. Institutional environment in the areas of capital market development and functioning of impact is significant, because of different institutional environments, for countries to adoption IFRSs will have differences in expression and interpretation of, this study also joined the discussion on the institutional environmental impacts together with associated. Empirical results show that under otherwise unchanged, after EU adoption IFRSs and the country's institutional environment is better, the costs of debt capital are significantly lower, and IFRSs and institutional environment should synthetically influence the cost of debt capital as well. Research evidence also consistently shows that IFRS benefits are more likely to be realised when IFRS application is supported by an environment that encompasses legal protections, competent professionals and adequate monitoring and enforcement.

## **Keywords**

IFRS, Institutional environment, Cost of debt capital

## **Biography**

Cheng-Hwai Liou is an Associate Professor in the Department of Accounting Information at the National Taichung University of Science and Technology. He obtained the B.S. (1979) from the Department of Accounting at the National Cheng-Kung University, and M.S. (1995) from Department of Industrial Management at the National Cheng-Kung University. He received his Ph.D. (2006) from the Department of Business Administration at the National Taipei University (1999 to 2006). His current research interests include financial accounting, auditing, corporate governance, innovation management. He has published a number of papers in international journals such as *Innovation: Management, Policy & Practice*, *Quality Technology and Quantitative Management*, *Review of Securities and Futures Markets*, *Journal of Information and Optimization Sciences*, *Journal of Management & Systems*, *RAIRO - Operations Research*, *Int. J. Information Systems and Change Management*,