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The Indirect Effect of Accounting Standards on Firm Performance through the Reporting Quality: Empirical Evidence from ASEAN Firms

Trang Hong Thi Le[1*], Suong Ngoc Thi Ly[1], Nhu Huynh Thi Pham[1]
[1]Faculty of Economics and Law
Tien Giang University
Vietnam
*lethihongtrang@tgu.edu.vn

ABSTRACT

This study explores the direct and indirect influence of concepts such as accounting standards (AS), accounting disclosure quality (ADQ), sustainability reporting quality (SRQ), and firm performance in ASEAN firms. The data includes 3,211 firm-year observations over the 2019-2023 period collected from Thomson Datastream and analyzed by quantitative tools. The results revealed several important findings. First, AS directly and positively impacts SRQ as well as ADQ. Second, ADQ has a direct and positive impact on firm performance while SRQ exerts a negative influence. Third, AS has an indirect and positive impact on firm performance through the mediation of ADQ and SRQ. The research results contribute to asymmetric information theory as IFRS adoption has reduced information asymmetry, bringing economic benefits to the parties involved in the transaction.

Keywords: ASEAN, Asymmetric Information, Financial Reporting, Firm Performance, Sustainability Reporting

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1. Introduction

ASEAN countries are known as regions with low competitiveness (e.g., Mohammad & Wasiuzzaman, 2021). Transparency and information quality in stock market transactions in ASEAN countries are not highly appreciated by investors (Yaacob et al., 2021). Meanwhile, focusing on accounting standards (AS) (represented by International Financial Reporting Standards - IFRS adoption) is considered the optimal and only solution to address the above situation through improving accounting reporting quality in the ASEAN region (Nejad et -

al., 2020). From the literature, previous studies only focused on exploring the role of IFRS adoption on

financial reporting disclosure in individual countries (e.g., Jatiningrum et al., 2020; Yurisandi & Puspitasari, 2015). Studies with regional contexts are very limited, if any, they only include developed areas such as European markets (e.g., Carvajal & Cahan, 2024). No research has explored IFRS adoption on reporting quality/disclosure in a developing area like ASEAN. This motivated us to re-examine the relationship between AS and accounting disclosure quality (ADQ) in ASEAN firms.

Following the trend of sustainable development, people expect more from the role of IFRS on sustainability reporting quality (SRQ) because sustainability reporting is the future of financial reporting (Wagenhofer, 2024). Meanwhile, most previous studies still ignore this trend, they only focus on understanding the role of IFRS adoption on financial reporting (e.g., Mensah, 2021; Bassemir & Novotny Farkas, 2018). Therefore, our study pioneers in exploring the role of AS on SRQ.

Furthermore, we consider firm performance to be an aspect of competitive advantage - something that is quite limited in ASEAN firms (e.g., Mohammad & Wasiuzzaman, 2021). Most previous studies only explore the direct impact of AS on firm performance (e.g., Nepal & Deb, 2024; Kateb & Belgacem, 2024). Meanwhile, the indirect impact of AS on firm performance seems to be left open. Based on the theory of asymmetric information, we explore the indirect impact of AS on firm performance through the mediation of ADQ and SRQ. We believe that IFRS adoption increases the quality of financial information and the diversity of sustainable information. Publishing this information to the stock market reduces information asymmetry between stakeholders participating in the market. On the one hand, stakeholders have full data to make decisions, enhancing investment efficiency. On the other hand, the image and reputation of the business are improved in the eyes of stakeholders, through which businesses can easily access funding sources at lower costs, increasing firm performance. In summary, our study addresses the following two main questions:

RQ1. Whether AS has an indirect impact on firm performance through the mediation of ADQ?

RQ2. Whether AS has an indirect impact on firm performance through the mediation of SRQ?

In addition to the introduction, the remaining content is structured into the following sections. Section 2 includes the underlying theory and hypotheses. The methodology is presented in section 3. Section 4 details the findings. The discussion is presented clearly in section 5. Section 6 shows the conclusion.

2. Theory and Hypotheses Development

2.1 Asymmetric Information Theory

Asymmetric information refers to the difference in information in an economic transaction. In which, one side has more complete and better information than the other side. At that time, the price is not the market equilibrium price but it can be lower or higher, leading to market inefficiency (Myers & Majluf, 1984). Managers inside a business have more information than outside investors and shareholders. Therefore, the issuance of shares as well as the valuation of shares may not be reliable, the share price may be higher or lower than its actual value, leading to an inefficient market. To overcome this, previous researchers focused on the role of accounting systems in providing reliable information to stakeholders to make more effective investment decisions (e.g., Rajan & Saouma, 2006; Kao, 2014).

Our study looks at IFRS adoption as a strengthening premise for ADQ and SRQ. Indeed, IFRS serves as a set of rules that guide companies in recording, measuring, and reporting financial information (Samaha & Khlif, 2016). IFRS also combines with the the Global Reporting Initiative (GRI) framework to create sustainability reports that ensure consistency, transparency, and comparability of environmental, social, and corporate governance criteria (Dayanandan et al., 2024). This significantly reduces information asymmetry between parties involved in transactions, bringing greater efficiency to the company and its stakeholders, especially stock market transactions. Moreover, the reduction of information asymmetry from IFRS adoption also makes investors, shareholders, and banks appreciate corporate image and reputation (Wu et al., 2024). Thereby, businesses can access low-interest loan capital, green projects, and sustainable projects. This can reduce capital costs, promoting firm performance.

2.2 Hypotheses Development

AS, ADQ, and firm performance

AS plays a pivotal role in establishing and enhancing ADQ, which is crucial for the transparency and efficiency of the capital market. The presence of AS provides a unified legal framework, and promotes comparability, reliability, and usefulness of financial information, leading to multiple positive impacts for stakeholders. AS creates a "common language" for recording, measuring, and presenting information (Chiapello, 2023). Applying a common set of standards helps companies present information in a uniform format, enabling investors to easily compare the operating performance and financial position of different companies, and facilitating more informed investment decisions. Furthermore, AS contributes to mitigating the risk of information manipulation (Tan et al., 2024). Moreover, adherence to AS enhances the reliability of financial information, minimizing the risk of misstatements, omissions, or distortions (Md Nasir, 2024).

H1a. AS positively relates to ADQ

ADQ, broadly defined as the transparency, completeness, and reliability of information conveyed in financial statements and other publicly available documents, is hypothesized to influence firm performance in several ways. Primarily, enhanced disclosure quality fosters greater information asymmetry reduction, leading to improved investor confidence and reduced information risk (Pavlopoulos et al., 2019). This, in turn, attracts greater investor interest and participation, facilitating access to capital markets at more favorable terms, which can ultimately contribute to increased profitability and firm value. Furthermore, high disclosure quality can encourage more effective corporate governance (Zhang & Wang, 2024). By providing detailed and transparent information about operations, financial health, and risk management practices, companies enhance the ability of stakeholders to monitor management activities and hold them accountable. Understanding the specific mechanisms through which disclosure quality influences firm performance is essential for stakeholders, including investors, regulators, and policymakers, in promoting transparency, accountability.

H2a. ADQ positively relates to firm performance

From H1a and H2a, the study proposes an indirect impact of AS on firm performance through the mediation of ADQ. Indeed, a company adopting IFRS is likely to attract more international investors (Zahid & Simga Mugan, 2024). The financial information presented by IFRS will be easy to evaluate and comparable to other companies around the world. Thereby, companies with IFRS easily access capital, thereby improving firm performance (Kateb & Belgacem, 2024). More specifically, banks rely on information quality of financial reporting to evaluate customers' ability to collect debt. Meanwhile, IFRS helps companies improve the quality of information disclosure. This helps companies access loans at lower interest rates, contributing to improving business efficiency (Biswas et al., 2024). Furthermore, examining the mediating role of ADQ has not received much attention from previous studies, and this is an interesting gap in our study.

H3a. ADQ mediates the indirect effect of AS on firm performance

AS, SRQ, and firm performance

Beyond disclosing financial performance, companies are increasingly expected to be transparent about their environmental and social impacts. AS plays a crucial role in enhancing the quality of sustainability reporting, building trust, and fostering sustainable development. Firstly, AS provides a common framework and language for measuring, recognizing, and presenting sustainability information (Hoti & Krasniqi, 2022). Apply ing widely accepted accounting principles, such as materiality, faithfulness, and comparability, ensures consistency and reliability in sustainability reporting. This allows stakeholders, including investors, customers, and the community, to more easily compare the sustainability performance of different companies. Secondly, AS promotes transparency and mitigates the risk of "greenwashing" (Dathe et al., 2024). Requirements for detailed and clear disclosures on a company's environmental and social impacts, as well as data collection and auditing processes, help prevent the distortion or exaggeration of sustainability information. Thirdly, the development of sustainability-related AS, such as the Sustainability Accounting Standards Board (SASB) and GRI framework, provides specific guidance for companies in identifying, measuring, and reporting on material sustainability indicators (Elkins et al., 2024).

H1b. AS positively relates to SRQ

While the concept of SRQ is still evolving, it generally refers to the completeness, accuracy, reliability, and materiality of information disclosed in sustainability reports (Boiral, 2019). This information encompasses a firm's environmental, social, and governance (ESG) performance, reflecting their commitment to sustainable practices and their impact on various stakeholders. One prominent strand of research suggests a positive association between SRQ and firm performance (Singh & Misra, 2021). This view argues that high-quality sustainability reporting serves as a signal to investors and other stakeholders about the firm's commitment to sustainability, which in turn attracts investors seeking to align their portfolio. However, the relationship is not always straightforward. Some studies find a weaker or even negative association between SRQ and performance, highlighting the potential for greenwashing or the inclusion of superficial information in sustainability reports. Furthermore, the complex nature of sustainability performance, encompassing numerous dimensions and long-term impacts, poses a challenge for precise measurement and reporting (Hansen & Schaltegger, 2016).

H2b. SRQ negatively relates to firm performance

A few previous studies have considered SRQ as an antecedent (e.g., Buallay, 2020) and outcome (e.g., Elaigwu et al., 2024). However, there are no studies that have mentioned SRQ with the mediating role. On the other hand, from H1b and H2b, we have a basis to propose an indirect impact of AS on firm performance through the mediator SRQ. Indeed, the application of IFRS combined with sustainability reporting frameworks (e.g. GRI, SASB) will enhance SRQ, such as the accuracy, integrity, completeness, and timeliness of environmental information, social, and governance information (Kateb, 2024). Therefore, sustainability reporting allows stakeholders to better understand the impact of business activities on aspects of sustainability. This supports stakeholders (shareholders, customers, investors) to be able to make business decisions consistent with sustainable values. Companies with SRQ and transparency about environmental impacts can easily gain access to green financing programs (Ma et al., 2023). Thereby, businesses can convert to a sustainable production model, and increase firm performance.

H3b. SRQ mediates the indirect effect of AS on firm performance

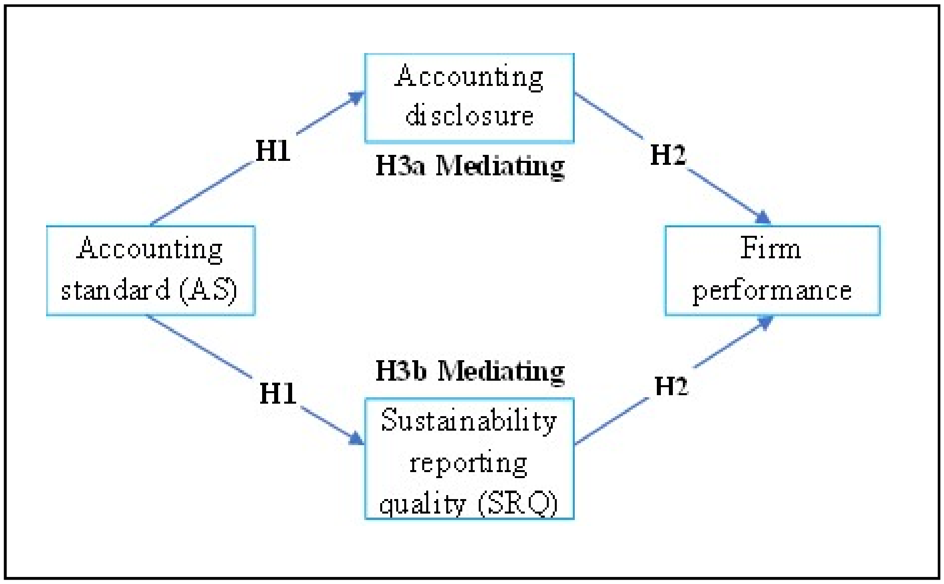

Figure 1. Proposed model

3. Methodology

3.1 Research Site

ASEAN presents a compelling setting for investigating the relationship between firm performance, ADQ, and SRQ. Firstly, ASEAN exhibits significant diversity in terms of economic development, regulatory frameworks, and cultural contexts across its member states (Verhezen et al., 2016). This heterogeneity allows for a nuanced analysis of how different institutional and societal pressures influence corporate reporting practices and their subsequent impact on firm performance. Secondly, ASEAN is experiencing rapid economic growth and integration (Abu Afifa & Nguyen, 2024; Minh et al., 2023). This dynamic environment fosters competition and attracts foreign investment, increasing the demand for high-quality financial and non-financial information from investors and stakeholders. Consequently, companies operating in ASEAN are increasingly incentivized to enhance both their ADQ and sustainability reporting to maintain a competitive edge. Finally, ASEAN is facing mounting pressure to address environmental and social challenges, including climate change, inequality, and resource depletion (Mie et al., 2023). This context further emphasizes the relevance of sustainability reporting and its potential link to firm performance, as investors and stakeholders increasingly prioritize ESG factors in their decision-making.

This study focuses on listed firms within the ASEAN region, leveraging the Thomson Datastream database as its primary data source. Initially, the research aimed to encompass all ASEAN member states, but data availability limitations restricted the scope to six countries: Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam. This yielded an initial sample size of 5,409 listed firms. Following a rigorous screening process to ensure data quality and comparability, the final sample comprised 3,211 firms, observed annually over the five years from 2019 to 2023. A detailed breakdown of the sample distribution can be found in Table 1.

Screening content	Observations
Total listed companies	5,409
Missing information about ROA	1,345
First adjustment sample	4,064
Missing other information	853
Final sample	3,211

Table 1. Final sample of ASEAN-6 countries

Source: From the Thomson Reuters Eikon Datastream

3.2 Construct Measurement and Model Development

Based on Al-Shaer & Zaman (2016), SRQ is measured following the coding scale (from 0 to 4). The AS was quantified by binary code with 1 – IFRS adoption and 0 – otherwise in line with prior studies (e.g., Abu Afifa & Nguyen, 2024; Minh et al., 2023). According to Abu Afifa and Nguyen (2024), firm performance is measured following the ROA score from Datastream. Based on Abu Afifa and Nguyen (2024), ADQ is measured following the calculated data from Datastream and Compustat. Particularly, ADQ is quantified by the ADQ index as below.

$$\sum_{k=1}^{7}\left\{\left(\frac{\#\,Nonmissing\ items}{\#\,Total\ items}\right)_k \times \frac{\$\,Account_k}{\$\,Total\ Assets}\right\} \div 2$$

In which:

Non-missing items: Number of Level I items not missed in both the Balance Sheet and the Income Statement.

Total items: Total number of Level I items.

Account: Value of item k.

Total Assets: Total value of Level I items.

k: The total of Level I items in both the Balance Sheet and the Income Statement.

Definitions and calculations of variables are as shown in Table 2.

Variable	Calculation	Source
ROA	Net income divided by total assets	Refinitiv Eikon
ADQ	$\sum_{k=1}^{7}\left\{\left(\frac{\#Nonmissing\ items}{\#Total\ items}\right)_k \times \frac{\$Account_k}{\$Total\ Assets}\right\} \div 2$	Refinitiv Eikon, Compustat
SRQ	On a 0–4 scale (0= no sustainability reports exist; 1= sustainability reports exist; 2= sustainability reports exist and the company has a sustainability committee affiliated with the board of directors; 3= sustainability reports exist and assurance is provided by a non-audit firm; 4= sustainability reports exist and are externally assured by a one of the Big 4 or other audit firms)	Refinitiv Eikon
AS	1: IFRS adoption, 0: otherwise	Refinitiv Eikon
Firm size (FSIZE)	The natural logarithm of total assets (billion dollars)	Refinitiv Eikon
Growth (GROW)	The difference in sales/sales from last year	Refinitiv Eikon
Leverage (LEV)	The ratio of total debt to total assets	Refinitiv Eikon
Tangibility (TANG)	Proportion of total fixed assets divided by total assets	Refinitiv Eikon
Current ratio (CR)	Ratio of short-term assets divided by short-term liabilities	Refinitiv Eikon

Source: From the Refinitiv Eikon

Table 2. Measurement of variables

3.3 Estimation Approach

This study employs a rigorous, multi-stage data analysis procedure to examine the complex relationships between the variables of interest. The first stage involves scrutinizing the time-series properties of the panel data. This is crucial to avoid spurious regressions and ensure the reliability of subsequent analyses. We achieve this by conducting an Augmented Dickey-Fuller (ADF) test, following the methodology outlined by Paparoditis & Politis (2018). The second stage 2 is model specification and diagnostic testing. With stationarity established, the next stage focuses on specifying the most appropriate econometric model to capture the hypothesized relationships. This ensures that the chosen model is well-specified and provides reliable estimates. The third stage is the multilevel structural equation modeling (ML-SEM). Torigorously examine the mediating role of specific variables, we employ ML-SEM. This sophisticated analytical technique, as detailed by Mehmetoglu (2018), is particularly suitable for analyzing hierarchical data structures, effectively accounting for both within-group and between-group variance. The fourth stage shows the model fit evaluation. This involves employing various goodness-of-fit indices to assess how well the model reproduces the observed covariance matrix. Finally, we conduct robustness analyses to explore potential heterogeneity in the relationships under investigation.

4. Results

Table 3 presents the descriptive statistics for the key variables employed in this study, providing valuable insights into the characteristics of the sample firms. The average return on assets (ROA) stands at 0.2055, with substantial variation indicated by the high standard deviation (21.83). This suggests a considerable spread in firm profitability within the sample. Similarly, the mean ADQ is 0.55, with a relatively smaller standard deviation of 0.14, implying less variability in disclosure practices. SRQ exhibits a lower mean of 0.2657 and a larger standard deviation (0.7531), indicating a greater degree of variation in the comprehensiveness and quality of sustainability disclosures across the sample firms. Examining firm-specific control variables, approximately 39.91% of the sample firms have adopted IFRS, highlighting a mixed reporting environment.

Variable	Observations	Mean	SD	Maximum	Minimum
ROA	16,055	0.205513	21.82997	-9.20007	2,765.977
ADQ	16,055	0.550007	0.142424	0.210526	1
SRQ	16,055	0.265712	0.753071	0	4
AS	16,055	0.399066	0.489722	0	1
FSIZE	16,055	4.822708	1.842495	-2.43728	11.52031
GROW	16,055	1.181875	67.71292	-1,076.86	6,523.186
LEV	16,055	0.265912	1.06946	0	59.61374
TANG	16,055	2.66263	276.0678	0	34,980.5
CR	16,055	4.155072	29.20824	0	2,726.451

Source: Data analysis results

Table 3. Descriptive statistics

Table 4 presents the results of the multicollinearity test, a crucial step in ensuring the robustness of our regression analysis. Multicollinearity, the presence of high correlations among independent variables, can lead to inflated standard errors and unreliable coefficient estimates. The table displays the Pearson correlation coefficients between all pairs of variables. A correlation coefficient closer to 1 or -1 indicates a stronger linear relationship, while a value close to 0 suggests a weak relationship. Notably, several variable pairs exhibit statistically significant correlations, exceeding the conventional threshold of 0.7, which warrants further investigation. A strong positive correlation is observed between SRQ and ADQ (0.7071), indicating potential multicollinearity.

Variable	ROA	ADQ	SRQ	AS	FSIZE	GROW	LEV	TANG	CR
ROA	1								
ADQ	-0.0032 0.6830	1							
SRQ	-0.0023 0.7725	0.7071 0.0000	1						
AS	-0.0067 0.3946	0.1361 0.0000	0.1222 0.0000	1					
FSIZE	-0.0275 0.0005	0.5451 0.0000	0.4949 0.0000	0.0287 0.0003	1				
GROW	0.7602 0.0000	-0.0087 0.2722	-0.0057 0.4697	-0.0097 0.2195	-0.0218 0.0057	1			
LEV	-0.0063 0.4232	-0.0047 0.5497	0.0061 0.4395	-0.0342 0.0000	-0.0052 0.5073	-0.0025 0.7516	1		
TANG	0.7979 0.0000	-0.0041 0.6001	-0.0027 0.7326	-0.0065 0.4088	-0.0283 0.0003	0.7602 0.0000	-0.002 0.8036	1	
CR	-0.0009 0.9114	-0.0429 0.0000	-0.0247 0.0019	-0.0208 0.009	-0.064 0.0000	-0.0014 0.8589	-0.0227 0.0042	-0.001 0.9029	1
VIF		4.71	4.13	1.02	1.47	2.37	1.00	2.37	1.01
Tolerance		0.212	0.242	0.980	0.682	0.422	0.998	0.422	0.994

Source: Data analysis results

Table 4. Multicollinearity testing

To further assess multicollinearity, we examine the Variance Inflation Factor (VIF) and its reciprocal, tolerance. VIF values greater than 5 or 10, and tolerance values below 0.2 or 0.1, respectively, are often considered indicative of problematic multicollinearity. The level of multicollinearity is not severe enough to warrant drastic remedial measures, such as excluding variables from the model.

Type	**Tested value**	**Dependent component (ROA)**
Auto-correlation	F (1, 3165)	1.695
	Prob>F	0.1930
Heteroscedasticity	$c^2(42)$	4988.54
	Prob>c^2	0.0956

Source: Data analysis results

Table 5. Auto-correlation and heteroscedasticity test

Table 5 presents the results of both autocorrelation and heteroscedasticity tests conducted on the model residuals, seeking to validate the reliability of the regression analysis. Autocorrelation, which examines the correlation of errors over time, was assessed using the F-statistic. The reported Prob>F value of 0.1930, exceeding the conventional significance level of 0.05, indicates a failure to reject the null hypothesis of no autocorrelation. The Prob>÷2 value of 0.0956, also surpassing the 0.05 significance threshold, demonstrates the absence of statistically significant heteroscedasticity. This finding confirms the homogeneity of variance assumption, further validating the model's robustness.

Table 6 provides compelling support for the positive influence of IFRS adoption on corporate transparency and sustainability reporting. Hypothesis H1a, positing a positive relationship between AS and ADQ, is strongly supported (Coef. = 0.036, $p < 0.001$). Similarly, H1b, examining the direct link between AS and SRQ, reveals a positive and significant relationship (Coef. = 0.185, $p < 0.001$), suggesting that IFRS adoption also leads to improvements in SRQ.

The mediating role of ADQ and SRQ in transmitting the influence of IFRS adoption on firm performance is assessed through H2a, H2b, H3a, and H3b. H2a confirms the positive and significant impact of ADQ on ROA (Coef. = 0.454, $p < 0.001$), while H2b reveals a negative but significant relationship between SRQ and ROA (Coef. = -0.070, $p < 0.001$). Hypotheses H3a and H3b, exploring the indirect effects of AS on ROA through ADQ and SRQ, respectively, offer intriguing insights. While H3a is supported (Coef. = 0.004, $p < 0.001$), indicating a positive indirect effect through enhanced ADQ, H3b is not supported (Coef. = 0.001, $p = 0.378$), implying that the indirect effect via improved sustainability reporting is not statistically significant. Critically, the ML-SEM model exhibits an excellent fit with the data, as evidenced by a non-significant chi-square test (÷2(11) = 0.205, Prob>÷2) and strong values for SRMR (0.039), RMSEA (0.066), CFI (0.959), and TLI (0.984), all exceeding recommended thresholds. This strong model fit reinforces the reliability and validity of the findings.

Hypothesis	**ADQ**		**SRQ**		**ROA**	
	Coef.	**p-value**	**Coef.**	**p-value**	**Coef.**	**p-value**
H1a	0.036	0.000				
H1b			0.185	0.000		
H2a					0.454	0.000
H2b					0.070	0.000
H3a					0.004	0.000
H3b					0.001	0.378
FSIZE					0.000	0.004
GROW					0.001	0.543
LEV					-0.088	0.000
TANG					0.079	0.000
CR					0.001	0.188
Conformity Assessment Index						
$x^2(11)$ (Prob>x^2)				0.205		
SRMR				0.039		
RMSEA				0.066		
CFI				0.959		
TLI				0.984		

Source: Data analysis results

Table 6. ML-SEM results

In Table 7, the direct impact of SRQ on ROA is negative and statistically significant (Coef. = -0.020, $p < 0.001$). Conversely, the indirect impact of AS on ROA, mediated through both ADQ and SRQ, is positive and statistically significant (Coef. = 0.003, $p = 0.013$). Considering both direct and indirect pathways, the total impact of AS on ROA remains negative but smaller in magnitude (Coef. = -0.016, $p < 0.001$). This suggests that while the positive indirect effects through enhanced reporting quality partially offset the negative direct effects, the short-term costs associated with IFRS adoption might outweigh the benefits in the immediate aftermath of implementation.

Nexus	**Effect**	**[95% Conf. Interval]**		
	Coef.	**p-value**	**LL CI**	**UL CI**
Direct impact: AS"ROA	0.020	0.000	-0.025	0.014
Indirect impact: AS"(ADQ + SRQ)"ROA	0.003	0.013	0.001	0.006
Total impact: AS"ROA	-0.016	0.000	-0.021	-0.010

Source: Data analysis results

Table 7. Robustness test

5. Discussion

The study provides interesting results in the context of ASEAN countries. First, the study shows that AS has a positive role for ADQ in ASEAN firms (H1a is supported). Our results are also consistent with Aksu & Espahbodi (2016) because these two authors have proven that IFRS adoption increases transparency and disclosure score in Borsa Istanbul stock in Turkey. Our results also contribute to the literature related to IFRS adoption and information quality as reviewed by Houqe (2018). However, our results can be considered unique because they represent a developing area, which has never been explored before.

Second, the study shows that ADQ is a determinant of firm performance (H2a is supported). This finding is in complete contrast to Ronoowah & Seetanah (2024) because these two authors proved that disclosure quality is not related, and even reduces firm performance in Mauritian firms. However, our results are also consistent with Chen & Gong (2019) when these two authors showed that financial reporting quality improved the forecast quality of a firm future performance.

Next, this study pioneered AS as a driver of SRQ (H1b is supported). This finding is unique to date because most previous studies only investigated the role of AS on financial reporting quality (Alruwaili et al., 2023; Bassemir & Novotny Farkas, 2018). Fourth, our results confirm the negative impact of SRQ on firm performance (H2b is supported). This finding contrasts with previous studies, for example, Laskar (2018), Bansal et al. (2021), and Al Hawaj & Buallay (2022). This result shows a unique feature of SRQ in ASEAN. However, considering the research context (ASEAN countries), our study is the only study that explores the impact of SRQ on firm performance.

More importantly, our study pioneers in evaluating the indirect impact of AS on firm performance through the mediating role of ADQ and SRQ (H3a and H3b are supported). Previous studies mainly considered ADQ and SRQ as antecedents (Cohen, 2008; Buallay, 2020). Others only evaluate ADQ and SRQ as outcomes (Elaigwu et al., 2024; Hasan & Hussainey, 2022). Thus, our study has opened a new research direction focusing on the mediating role of ADQ and SRQ. IFRS adoption increases the quality of information on financial reporting and the diversity of information related to environmental, social, and governance on sustainability reporting. Stakeholders, investors, and banks highly appreciate the company's reputation and image. Thereby, businesses can easily access capital sources with lower interest rates (corresponding to lower capital costs), which contributes to firm performance.

6. Conclusion

Our study fully supports asymmetric information theory. IFRS adoption increases the quality of financial and sustainability reporting, reducing information asymmetry between inside and outside the business. Stakeholders have full information when participating in transactions, which helps them make accurate decisions and increases market efficiency. Based on the reduction of asymmetric information, with a higher of ADQ and SRQ, corporate image and reputation are improved in the eyes of stakeholders. Thereby, businesses can easily access capital and increase their performance. Our study makes an important contribution to the literature by successfully exploring the mediating role of ADQ and SRQ.

Besides theoretical contributions, some managerial implications are also raised. First, ASEAN firms need to actively apply IFRS fully because the results have shown its role in ADQ and SRQ. To do this, managers need to change strategic thinking and participate more actively in the accounting system as well as the global economy to increase competitiveness. Next, ASEAN firms need to actively improve ADQ and SRQ from IFRS adoption to receive high appreciation from investors, this is necessary for ASEAN firms to access funding and improve their performance. Managers need to identify the mediating roles of ADQ and SRQ in the indirect impact of AS on firm performance to have practical solutions to further enhance ADQ and SRQ.

Despite important contributions to theory and practice, the research still cannot avoid shortcomings. First, the sample does not include all ASEAN countries because data for some countries is not available in Datastream. Second, instead of measuring firm performance by ROA, future research could use Tobin's Q to more comprehensively assess ASEAN firm performance. Third, IFRS data is still lacking in some countries in ASEAN, future research can approach the survey method to evaluate the role of IFRS on ADQ, SRQ, and firm performance from the perspective of managers. Finally, our model needs to be validated experimentally in other regions of the world.

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