Subsidiaries' reporting practices and investment decisions within the business group

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[Abstract] Many unlisted firms are part of large conglomerate groups. For these firms, decisions about reporting practices are made at the group level (Beuselinck et al., 2014) and therefore one should expect the economic consequences of those decisions to occur not only at the subsidiary firm level but also at the group level. Consistent with this hypothesis, our results indicate that the identity and characteristics of the parent firm are important determinants of subsidiaries’ decision to adopt IFRS; and that IFRS adoption increases investment efficiency at the subsidiary level. Moreover, we find that IFRS adoption by subsidiaries is associated with portfolio and financing restructuring at the group level. However, while large groups adopt IFRS to increase their debt capacity and avoid takeovers, small groups appear to adopt IFRS as part of their expansion strategy and in an attempt to attract more equity financing.