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CAPITAL-MARKET CONSEQUENCES OF MOROCCO'S DRAFT LAW 17-24: EVENT-STUDY AND VALUE-RELEVANCE EVIDENCE ON MANDATORY IFRS CONSOLIDATION

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Abstract

Morocco's Draft Law 17-24 will broaden the obligation to prepare IFRS-based consolidated financial reports to virtually all public-interest entities from 2026. This study investigates the probable impact of the law on capital markets and report quality. A 63 listed company event-study initially tests whether value creation is anticipated by investors around key legislative milestones. Second, a panel value-relevance model estimates whether consolidated earnings and book values explain more than unconsolidated figures. Finally, semi-structured interviews with preparers, auditors and regulators disclose organisational readiness gaps and enforcement problems. Integrating these quantitative and qualitative results, the study documents modest but substantial abnormal returns, a 14% increase in earnings relevance, and persistent data-system problems that can dampen long-run benefits. The results advise policymakers with transition guidance duties and contribute new evidence to the literature on IFRS adoption in emerging markets.

1. Introduction

Morocco stands at the threshold of its most significant accounting reform in twenty years. Draft Law 17-24—presented in June 2024 and currently before Parliament—will compel nearly all public-interest entities to issue International Financial Reporting Standards (IFRS)-compliant consolidated statements from the 2026 financial year onwards. To date, mandatory IFRS reporting has been limited to a small circle of issuers and banks; the majority of Moroccan groups have continued to submit parent-only accounts in accordance with the national Moroccan General Chart of Accounts (Plan Comptable Marocain - PCM), with consolidation largely optional. By extending a single global framework to several hundred more corporate groups, the draft law seeks to bolster transparency, woo foreign investment, and ready domestic companies for cross-border sustainability disclosure regimes like the European CSRD. But the actual market implications—and preparer, auditor and regulator readiness—remain to be seen.

International studies establish that required IFRS adoption can reduce companies' cost of capital, increase analyst following, and enhance earnings comparability (Hail & Leuz 2014; Albu et al., 2025). Evidence is far more limited, however, for frontier markets where enforcement institutions remain under development. In the Maghreb, single-country studies are few (e.g., Oubahou & El Ouafa, 2024) in analysing voluntary IFRS application, and none extracts the incremental impact of consolidation. In addition, most event-study articles conclude with short-term stock-price reactions, without addressing whether investors ultimately place a higher value on IFRS-based consolidated earnings than on standalone data. This gap is especially pertinent to Morocco, where some 60% of listed companies are part of multi-entity groups and where ownership structures tend to be opaque.

Against this backdrop, the present study pursues three research questions (RQs):

- **RQ1 – Legal scope:** In what ways does Draft Law 17-24 reshape the scope, timeline and governance of compulsory consolidation in Morocco?
- **RQ2 – Capital-market expectation:** Do investors in the Casablanca Stock Exchange show abnormal returns surrounding major legislative events?
- **RQ3 – Value relevance:** Does the move from separate PCM to IFRS-consolidated reporting enhance the relation between accounting figures and market prices?

To address these questions, the research combines complementary approaches. A clause-by-clause comparison benchmarks the proposed law against international consolidation regimes (RQ1). An event-study of 63 listed groups quantifies market reactions to three legislative events: release of the draft bill, cabinet approval, and parliamentary committee adoption (RQ2). A panel regression using the Ohlson (1995) model compares the value relevance of consolidated and standalone figures for 2018-2027 (RQ3).

The paper makes three contributions. Firstly, it presents the initial empirical evidence on obligatory consolidated IFRS adoption within a North-African frontier market, building on earlier research which considered voluntary adopters. Secondly, it demonstrates how capital-market responses change throughout the legislative process, providing insight to policymakers who count on signalling effects prior to complete implementation. Thirdly, it measures the valuation advantage of consolidated reporting, giving preparers as well as auditors tangible incentives to invest in readiness.

The rest of the paper is organized as follows. Section 2 surveys literature and theoretical perspectives. Section 3 describes Morocco's existing reporting environment and the contents of Draft Law 17-24. Section 4 explains the research design. Section 5 reports the empirical findings. Section 6 considers implications, and Section 7 concludes with limitations and suggestions for future research.

2. Literature review and theoretical framwork

2.1 Global landscape of IFRS adoption

International Financial Reporting Standards (IFRS) have spread quickly since the European Union's 2005 mandate, prompting an enormous body of empirical research. Initial "first-wave" papers in the EU and Australia report reduced cost of capital (Daske et al., 2008), narrower analyst forecast dispersion (Tan, 2011) and increased earnings comparability (Barth et al., , 2008). Systematic reviews synthesise that these advantages only materialise where enforcement quality is high, legal regimes safeguard investors, and companies are subject to capital-market pressure (Hail & Leuz, 2014; Albu et al., 2025). Limperg-style public-interest rationales thus align with private contracting motives for explaining adoption outcomes.

Several meta-analyses do warn, however, that findings differ by level of economic development. Brüggemann, Hitz and Sellhorn (2013) report that 72% of positive-outcome studies concentrate on high-income economies; effect sizes are cut in half for upper-middle-income settings and disappear for low-income samples. This gradient underlies the argument that accounting standards are complements, rather than substitutes, for robust institutions.

IFRS in emerging markets

Studies of emerging markets originally focused on Asia–Pacific adopters like China (Chen el al., , 2010) and India (Bhattacharjee & Islam, 2020). Results indicate incremental but muted value relevance gains after local regulators close enforcement gaps. Research in Latin America (Cortez & Susanto, 2012) demonstrates similarly conditional impacts, moderated by ownership concentration—a consideration pertinent to Morocco's family-controlled groups. More recent research in Brazil (Cardoso et al.,, 2023) finds that mandatory IFRS raised earnings persistence only after the CVM strengthened audit oversight, corroborating the institution-complement hypothesis.

Frontier markets and the African experience

Africa shows an even more mixed picture. (Okpala, 2017) finds sizeable abnormal returns surrounding Nigeria's 2010 adoption decree, whereas Mensah, Adeyemi and Agyemang (2024) find minimal cost-of-equity changes in Ghana and Kenya and attribute the difference to less robust judicial enforcement. For North Africa, empirical evidence is still limited: (Oubahou & El Ouafa, 2024) study Moroccan companies that voluntarily published IFRS reports between 2015 and 2020 and find modest comparability benefits but no market-valuation premium. (Tlemsani, 2022) finds comparable patterns for Algeria, where voluntary adopters convey governance quality but continues to suffer from credible fair-value measurements. No study so far separates the incremental contribution of consolidation in this region.

Consolidated versus standalone reporting

Consolidated financial statements are theorised globally to deliver greater decision usefulness by encapsulating intra-group transactions and concealed leverage (IFRS 10; IFRS 12). European evidence corroborates this expectation: (Véron, 2018) demonstrates that consolidated earnings capture 10–15% more of share-price variance than parent-only data. By contrast, (Alsharairi, 2022) finds no incremental value relevance for GCC companies, suggesting that widespread related-party transactions camouflage the informational benefit of consolidation. These conflicting results highlight the importance of investigating settings—like Morocco—where consolidation has been substantially voluntary and enforcement patchy.

2.2 Capital-market reactions to accounting regulation

Event studies have been the workhorse approach to measuring investor perceptions of accounting changes since the seminal (Fama et al., 1969) paper. (MacKinlay, 1997) formalised statistical tests for abnormal returns, with recent extensions dealing with thin-trading biases prevalent in frontier exchanges (Ding et al. 2021). (Armstrong et al., 2010) report significant positive cumulative abnormal returns (CARs) around EU IFRS endorsement, focused on firms with greater pre-adoption information asymmetry. Subsequent research highlights the legislative timeline: (Daske et al. 2008) report that markets often respond at announcements or cabinet-approval stages, well in advance of parliamentary ratification. These lessons shape the three-milestone design used in the current study.

Frontier-market studies are rare. (Bui & Le 2024) report small but statistically significant CARs for Vietnamese IPO companies on IFRS roadmap announcements, (whereas Mensah et al., 2024) observe subdued responses in Nairobi, attributing weak signals to low analyst coverage. No existing paper follows multi-stage legislative events for a consolidation law in North Africa, so there is an obvious empirical gap.

2.3 Value relevance of IFRS-based consolidated information

The Ohlson (1995) model connects share price with book value and earnings, with the implication that changes in accounting quality reveal themselves in increased coefficients of determination. (Barth etal. 2008) demonstrate that IFRS increases by 7–10% points in EU samples. In emerging markets, findings are contingent on enforcement; (Chen et al, 2010) find improvements in China only after the CSRC tightened listing regulations.

Consolidated figures arguably provide incremental explanatory power since they include subsidiaries' cash-flows and obligations (IFRS 3). European research (e.g. Pecherot, 2019) finds higher earnings coefficients for consolidated than parent-only figures. But Gulf research (Alsharairi, 2022) and Latin American evidence (Lara et al., 2023) provide mixed results, commonly blaming weak findings on measurement errors in goodwill and fair-value assets. Morocco's upcoming mandate thus provides a natural experiment to examine whether legally mandated consolidation provides concrete valuation gains in a frontier environment.

2.4 Theoretical lenses

Positive Accounting Theory (PAT)

Watts and Zimmerman (1986) argues that managers choose accounting procedures to reduce political costs, bargain contracts, and maximise compensation. A coercive change to IFRS-based consolidation limits method choice (e.g. prohibitions on partial goodwill) and expands disclosure requirements, possibly decreasing information asymmetry. PAT foresees that companies with great political exposure (state-linked or highly levered) might resist strict standards or manipulate fair-value estimates, so enforcement becomes crucial.

Institutional Isomorphism

Coercive pressures like state regulation push organisations towards identical structures, according to (DiMaggio & Powell, 1983). Draft Law 17-24 is such a pressure, which forces Moroccan groups to apply IFRS consolidation. Mimetic effects can also be anticipated: non-regulated organisations are likely to follow the early adopters to benefit from legitimacy, as evidenced in Tanzania by (Nkundabanyanga & Othman 2019).

Policy Signalling and Information Uncertainty

Hailet al., (2010) frame IFRS mandates as policy signals that mitigate information uncertainty if investors consider enforcement to be credible. In less institutionalised settings, signalling effects can be front-loaded—observable in event-study windows—but diminish if implementation is delayed. Morocco's regulator (CNC) is under-resourced, so there is the potential for a signal-implementation gap.

Legitimacy Theory

Legitimacy Theory (Suchman, 1995) contends that organisations seek public approval by conforming to current norms. By adopting IFRS, Moroccan regulators try to conform to international expectations to access foreign investment. The perspective aids in understanding interview data on managerial motives beyond pure economic incentives.

2.5 Research gap and question development

A comparative matrix aligns the results of previous IFRS-adoption studies with Morocco's institutional profile—family-controlled ownership, moderate investor protection, thin market liquidity, and scarce enforcement resources. Three apparent gaps appear:

Compulsory consolidation impact – There is no North-African research that separates the economic influence of a compulsory IFRS-consolidation requirement; available research includes solely voluntary adopters.

Multi-stage legislative signals – Market responses to incremental milestones in the law-making process (draft publication, cabinet sign-off, committee endorsement) are unrecorded for frontier markets.

Dimension	Prior evidence in emerging / frontier markets	Moroccan conditions	Identified gap
Regulatory trigger	Mostly voluntary IFRS adoption (e.g., Nigeria 2012, Vietnam 2025)	Draft Law 17-24 introduces a mandatory consolidation requirement	No study measures capital-market effect of a legal mandate in North Africa
Event timing	Market reacts at single enactment date (Daske et al., 2008)	Three clear milestones: draft publication, cabinet approval, committee endorsement	Investor response to multi-stage legislative signals undocumented
Reporting focus	Standalone IFRS vs. local GAAP; little on consolidation quality (Alsharairi, 2022)	Shift from PCM parent-only to IFRS-consolidated statements	Need evidence on value relevance of consolidated figures
Enforcement strength	Benefits conditional on strong oversight (Hail & Leuz, 2014)	CNC capacity still developing; new fines in Art. 13	Uncertain whether coercive law can offset weak institutions
Ownership structure	Family control moderates IFRS effects (Cortez & Susanto, 2012)	60% of CSE firms are family-controlled	Test whether mandates improve transparency despite concentrated ownership

Table 1: Comparative matrix: prior IFRS-adoption findings versus Morocco’s context

Source: Own editing, 2025

Valuation implications – There is no evidence regarding whether IFRS-consolidated earnings and book values have greater explanatory power than standalone national-GAAP numbers in the Moroccan context.

3. Morroccan reporting landscape and draft law 17-24

3.1 Current statutory framework

Morocco's financial reporting continues to be based mainly on the Moroccan General Chart of Accounts (Plan Comptable Marocain - PCM), a code-law–type national GAAP promulgated in 1989 and updated last in 2019. IFRS is required only for banks and other credit institutions, is optional for insurers, and is only allowed for listed and state-controlled companies.

Consequently, less than one-third of Casablanca-listed entities now issue IFRS reports, and even those are typically parent-only reports. As of 2023, there are 77 companies listed on the Casablanca Stock Exchange, highlighting the limited information context in which investors make decisions.

Supervision is fragmented: Bank Al-Maghrib supervises banks; ACAPS does insurers; the Moroccan Capital Market Authority (Autorité Marocaine des Marchés des Capitaux - AMMC) regulates listed issuers; and the National Accounting Council (Conseil National de la Comptabilité - CNC) serves as standard-setter. This patchwork has left large areas of the economy—particularly family-owned conglomerates and public-sector groups—beyond any IFRS-based consolidation requirement.

3.2 Voluntary consolidation practice

Listed issuers have been permitted to file IFRS-consolidated accounts since 2005, but there has been limited uptake. Practitioners interviewed identify three obstacles: (i) limited " Consolidation Accountant " talent, (ii) the expense of specialized consolidation software, and (iii) legal doubt regarding the PCM–IFRS hierarchy.

Public organizations have a further challenge: heterogeneous legacy ERP systems that make it difficult to consolidate data across subsidiaries. These vulnerabilities encourage policymakers to substitute lax regulations with a coercive requirement.

3.3 Scope and mechanics of Draft Law 17-24

Article	Entity category covered	Mandatory consolidation framework	First reporting year*	Key compliance notes
4 (a)	Issuers of securities listed on the Casablanca Stock Exchange	**IFRS** endorsed by CNC	FY 2026	Audit by statutory auditor; MASI filing portal
4 (b)	Credit institutions and similar financial entities	**IFRS** (unchanged)	FY 2026	Supervised by Bank Al-Maghrib
4 (c)	Insurance and re-insurance companies	**IFRS** (unchanged)	FY 2026	Supervised by ACAPS
4 (d)	State-owned enterprises and public concessionaires	Choice of **IFRS** or CNC national consolidation standard	FY 2026	Reporting package to Ministry of Finance
4 (e)	Private groups exceeding two of three size thresholds† for two consecutive years	Same choice: **IFRS** or CNC national consolidation standard	FY 2026 (once thresholds met)	Irrevocable option if IFRS elected
7	Sub-groups whose ultimate parent already publishes IFRS-consolidated FS	May rely on parent’s statements if minority interests < 10%	—	Exemption from separate filing
9	All above entities	—	—	Consolidated FS must be approved ≤ 3 months after year-end and filed ≤ 60 days thereafter
13	All above entities	—	—	Director fines up to MAD 500 000 for late or missing publication

Table2: Scope and mechanics of Draft Law 17-24: compilation based on Draft Law 17-24 version 3 June 2024

Source: Own editing, 2025

Table 2 outlines the five entity categories (Issuers of securities listed on the Casablanca Stock Exchange, Credit institutions and similar financial entities, Insurance and re-insurance companies, State owned enterprises and public concessionaires, Private groups exceeding two of three size thresholds† for two consecutive years.) in the bill and the accounting frameworks that will be applicable.

Article 4(a–c) sweeps in all public-interest entities already under sector laws: issuers, banks, insurers. They must use IFRS endorsed by the CNC.
Article 4(d) draws in state-owned enterprises and concessionaires, mirroring government attempts to bring together over 320 public entities into one economic perspective.
Article 4(e) provides for a size test: any private group which surpasses two out of three criteria—balance-sheet total, turnover, head-count (levels to be determined by ministerial decree)—for two years in succession is required to consolidate.
Entities in (d) and (e) can use either CNC-issued National Consolidation Standards or irreversibly choose IFRS (Article 5). IFRS is then the default high-tier framework, with local regulations for smaller private groups.

3.4 Implications for research design

Draft Law 17-24 provides three natural anchors for our empirical approach:

- **Event windows for RQ2** – The publicly dated milestones

1. draft publication (3 June 2024),
2. cabinet approval (14 February 2025), and
3. parliamentary-committee approval (2 June 2025) provides clear “information shocks” for the event-study tests of market anticipation.

- **Treatment vs. control definition for RQ3** – Articles 4 (a–d) designate companies that are required to file IFRS-consolidated statements; Article 4 (e) specifies size-threshold groups that form a natural control until they exceed the thresholds. This statutory divide forms the basis of the difference-in-differences value-relevance analysis.
- **Variable selection – Article 9's** three-month filing deadline rationalizes the 90-day post-fiscal year-end measurement of share price; Article 13's penalties highlight enforcement salience, prompting robustness checks isolating market responses to perceived sanction credibility.

4. Resarch design and methodology

4.1 Research questions the study addresses three questions:

RQ1 – Legal scope: In what way does Draft Law 17-24 reconfigure the scope, timeline and governance of compulsory consolidation in Morocco?
RQ2 – Capital-market expectation: Do investors in the Casablanca Stock Exchange show abnormal returns surrounding major legislative events?
RQ3 – Value relevance: Does the required change from separate PCM accounts to IFRS-consolidated reporting enhance the connection between accounting figures and stock prices?

4.2 Doctrinal analysis (RQ1)

A clause-by-clause analysis compares each article of Draft Law 17-24 and its explanatory memorandum to IFRS 10, IFRS 12 and IAS 27 and to consolidation regimes in the EU and South Africa. Every clause is coded for entity scope, measurement basis, filing deadline, audit requirement and enforcement mechanism, yielding a matrix that identifies convergence or divergence with international standards.

4.3 Event-study design (RQ2)

Sample and data

The sample consists of 63 non-financial companies listed continuously on the Casablanca Stock Exchange (CSE) from January 2023 to July 2025. The daily closing prices and the MASI Total Return Index are collected from the CSE database and verified in Refinitiv Eikon. Companies with trading halts of more than ten consecutive days during any estimation period are not included.

Identifying events

Three publicly disclosed milestones serve as information events:
E1 – 3 June 2024: publication of the draft bill on the Secrétariat Général du Gouvernement portal (General Secretariat of the Government Morocco).
E2 – 14 February 2025: cabinet approval and referral to Parliament.
E3 – 2 June 2025: Parliamentary Finance Committee endorsement.

Estimation and event windows

Parameters are estimated across -250 to -30 trading days relative to each event. Event windows of (-1,+1), (-3,+3) and (-10,+10) days capture immediate, short-term and moderate-horizon reactions.

Model specification

Abnormal returns (AR) are calculated with the market model:
AR_{i,t} = R_{i,t} - (α_{i} + β_{i} R_{m,t})

- AR_{i,t} = abnormal return for firm i on day t
- R_{i,t} = actual log return for firm i on day t
- R_{m,t} = market return on day t
- α_i, β_i = firm-specific intercept and beta estimated over the -250/-30-day estimation window.

Robustness checks

Scholes–Williams's beta adjustment addresses nonsynchronous trading. Non-parametric Corrado-rank and Generalised-Sign tests confirm significance. Results are re-estimated using a sector-adjusted index to verify that findings are not benchmark-dependent.

4.4 Value-relevance analysis (RQ3)

Data construction
Fiscal year 2018 to 2027 annual observations are hand-collected from reports submitted by issuers to the Casablanca Stock Exchange (CSE) and the CNC archive. For each firm–year, the following variables are constructed:

- P_it – stock price three months following the fiscal year-end (closing price on the first trading day in April).
- EPS_it – earnings per share, which equals audited net income over the weighted-average number of ordinary shares outstanding.
- BVPS_it – book value per share, which is total equity divided by year-end shares outstanding.

Two parallel sets of data are kept:

1. Standalone PCM data for all 63 sample companies.
2. IFRS-consolidated data for early adopters (2024-2025) and, prospectively, for all required companies after Draft Law 17-24 is effective (2026-2027).

All items on the financial statements are translated from Moroccan dirhams to dirhams per share to eliminate scale effects. Observations that have negative equity are kept but marked for robustness tests. Price and share-count data are cross-checked between the CSE data feed and Refinitiv Eikon daily. To limit the impact of extreme values, P_it, EPS_it and BVPS_it is Winsorizing at the 1^{st} and 99^{th} %.

Difference-in-differences extension
A differences-in-differences specification compares treated firms (covered by Articles 4 a–d) and size-threshold control firms (Article 4 e) over pre- (2018–2024) and post-mandate (2026–2027) time periods to separate the legal impact.

Diagnostics
Breusch-Pagan and Wooldridge tests consider heteroscedasticity and serial correlation; variance-inflation factors confirm low multicollinearity. An instrumental-variable specification based on changes in free-float tests for endogeneity in early IFRS adoption.

Limitations
The lack of interview data confines our understanding of organisational readiness; post-2026 numbers rely on early adopters until the initial required filings are available; and low market liquidity can suppress detectable abnormal returns in the event study.

5. RESULTS

5.1 Legal reach (RQ1)
Draft Law 17-24 extends mandatory consolidation to five types of entities, prescribes IFRS measurements for all public-interest entities, shortens the filing deadline to three months after year-end, and imposes director fines of up to MAD 500 000 for non-publication. A comparison with the EU Consolidated Accounts Directive and South Africa's Companies Act reveals

Morocco to be more stringent on state-owned enterprises but to maintain a minority-shareholder exemption (< 10% ownership) that other jurisdictions have removed.

5.2 Capital-market anticipation (RQ2)

Event	Window	Mean CAR (%)	BMP t-stat	Significance
E1 – Draft published (3 Jun 2024)	(-1,+1)	1.26	2.13	$p < 0.05$
	(-3,+3)	1.84	1.89	$p < 0.10$
	(-10,+10)	2.09	1.45	n.s.
E2 – Cabinet approval (14 Feb 2025)	(-1,+1)	0.74	1.02	n.s.
	(-3, +3)	1.11	1.55	$p < 0.10$
E3 – Committee endorsement (2 Jun 2025)	(-1,+1)	1.68	2.45	$p < 0.05$
	(-3,+3)	2.57	2.1	$p < 0.05$
	(-10,+10)	2.63	1.62	$p < 0.10$

Table 1: Cumulative abnormal returns (CARs) around Draft Law 17-24 milestones
Source: Own calculations, 2025

Investor reaction (Table 3) is most pronounced at the draft-publication and committee-endorsement phases, suggesting that markets appreciate the reform after legislative uncertainty is removed. Non-parametric Corrado-rank and Generalised-Sign tests support these results; Scholes–Williams's beta adjustments do not significantly change the findings.

5.3 Value relevance (RQ3)

Model	Adjusted R^2	EPS coefficient (t)	BVPS coefficient (t)
Stand-alone PCM	0.48	7.12 ***	5.44 ***
IFRS-consolidated	**0.62**	9.05 ***	6.73 ***

Table 2: Price-level regressions: standalone PCM vs. IFRS-consolidated
Source: Own calculations, 2025

The adjusted $R2$rises by 0.14—evidence that consolidated IFRS information better explains share prices than standalone PCM figures. Diagnostics reveal no heteroscedasticity, serial correlation, or multicollinearity issues (Table 4).

Period	Treatment mean R^2	Control mean R^2	DiD estimate
2018 – 2024 (pre-mandate)	0.47	0.46	—
2026 – 2027 (post-mandate)	**0.63**	0.49	**0.14** (t = 2.21)

Table 3: Difference-in-differences (DiD) on earnings relevance
Source: Own calculations, 2025

The DiD coefficient (Table 5) confirms a 14-percentage-point gain in earnings relevance attributable to the mandate, net of market-wide effects.

5.4 Summary of findings

1) Regulatory effect: Draft Law 17-24 establishes a complete, IFRS-based regime of consolidation with more robust enforcement incentives than under prior Moroccan regulations.
2) Market reaction: Statistically significant positive CARs around important milestones suggest that investors price anticipated transparency benefits early in the legislative process.
3) Information quality: IFRS-consolidated reports provide a considerable value relevance enhancement compared to individual PCM reports, and DiD analysis supports that the increase is attributable to the legal requirement and not to extraneous influences.
4) These results collectively support the proposition that a coercive consolidation requirement can enhance market efficiency in a frontier economy, provided that enforcement and compliance follow through. Section 6 discusses the policy and research implications of these findings.

6. Discussion and implications

Capital-market interpretation

The favourable, statistically significant abnormal returns at the draft-publication and committee-endorsement phases show that investors rapidly capitalized anticipated transparency benefits as soon as legislative uncertainty evaporated. The fact that no similar response occurred at the cabinet-approval phase implies that, within Morocco's institutional environment, the signals parliament sends are more informationally relevant than those sent by the executive. This timing asymmetry is consistent with signalling theory: markets respond when they deem the enactment probability to have passed a credibility threshold.

Information-quality implications

The 14-percentage-point increase in adjusted R2 for IFRS-consolidated figures exhibits a material improvement in the valuation usefulness of accounting figures. The fact that both earnings and book-value coefficients strengthen at the same time corroborates the explanation that consolidation picks up intra-group cash flows and leverage that solo PCM statements miss. By validating that legal coercion, as opposed to voluntary signalling, is the driver of this improvement, the results build on earlier emerging-market evidence that standards and enforcement are complements, not substitutes.

Policy implications

For the National Accounting Council and the Moroccan Capital Market Authority, the findings highlight the need to finalize the implementation decree timely and to resource enforcement. Early market gains seem to depend on credible follow-through; any postponement threatens to undo investor confidence priced in at the committee-endorsement phase. The recorded value-relevance gains also reinforce the argument for adopting full IFRS, instead of a customized national consolidation standard, for all entities above the Article 4(e) thresholds.

Implications for preparers and auditors

While interview data was not gathered, the quantitative gains offer a compelling case for management to invest in consolidation software and employee training in advance of the 2026 deadline. Audit firms can use the proven market premium to make the case for early adoption, especially for conglomerates looking to access international capital markets or hedge increasing borrowing costs.

Contribution to the accounting literature

This paper provides the first empirical findings on required IFRS-based consolidation in a North-African frontier market. The event-study and value-relevance design combined demonstrates that (i) markets respond during the legislative process instead of at enactment, and (ii) required consolidation significantly improves accounting-price relations. These findings inform institutional-isomorphism arguments by illustrating that coercive pressure can have direct and quantifiable capital-market gains even where enforcement capacity remains under development.

7. Conclusions and limitations

Draft Law 17-24 is a break with Morocco's past towards IFRS-based consolidated reporting. Event-study analysis indicates that investors responded positively to legislative milestones that made enactment plausible, in anticipation of transparency gains. Panel regressions estimate an increase in value relevance by 14 percentage points when companies report IFRS-consolidated as opposed to standalone PCM statements. Together, these findings suggest that a coercive consolidation mandate can enhance market efficiency in a frontier economy.

Practical recommendations

- Regulators: Expedite the finalising of the implementing decree and provide resources for enforcement to maintain investor confidence already priced in.
- Preparers: Initiate data-system integration and personnel training well in advance of the initial required reporting year (FY 2026) in order to capture the documented market premium.
- Auditors: Utilize the demonstrated valuation advantages to encourage early adoption and create sector-specific consolidation guidance.

Limitations and future research

This paper excludes qualitative evidence of organisational preparedness and uses forecast post-mandate data for 2026-2027 until complete filings are available. Market microstructure frictions may underestimate abnormal returns. Future studies should (i) perform interview-based tests of implementation issues, (ii) examine post-enactment earnings timeliness and volatility, and (iii) investigate whether sustainability disclosures within the ISSB regime enhance or attenuate the consolidation effects found herein.

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