Based on the regression analysis in Model 3 of Panel A, Panel D of Table 6 presents the 2 _ 2 tables for the full sample partitioned on the increase in comparability due to IFRS adoption and the strength of the legal enforcement environment. The results indicate that in countries with strong legal enforcement, the reduction in the cost of equity is significantly greater among mandatory adopters in countries with a large increase in comparability than in countries with a small increase in comparability (_0.0202 versus _0.0080, two-tailed p _ 0.01). This finding is consistent with increased comparability being one of the possible mechanisms behind the cost of equity effect of IFRS adoption. In addition, mandatory adopters in countries with weak enforcement mechanisms and a small increase in comparability experience a significant decrease in their cost of equity after 2005 (_0.0077, two-tailed p _ 0.086), which is contrary to my conjecture. This result, however, might be explained by the relatively small sample size in this partition (n _ 190). Finally, there is no statistically significant change for voluntary adopters in their cost of equity in either of these partitions.

In summary, the findings in Panels C and D of Table 6 provide evidence consistent with both increased disclosure and enhanced comparability influencing the cost of equity effects of mandatory IFRS adoption. The results in these panels also reinforce the importance of strong legal enforcement in achieving the cost of equity benefits of mandating IFRS.