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The Importance and Adoption of International Financial Reporting Standards (Ifrs) in Saudi Arabia

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ABSTRACT

This study uses a particular institutional framework to study the external and internal mechanisms. A small study is looking into the adoption of “IFRS” in countries with political, economic, and cultural ties in Saudi Arabia. For the research, a pragmatic strategy integrating quantitative and qualitative methodologies was made. A survey was used to learn about the selected group’s attitudes toward the adoption of “IFRS” in Saudi Arabia. According to the findings, the majority of survey participants supported “SAMA” and “SOCPA’s” ability to adopt “IFRS”. This research shows that the capital market was a major driver in Saudi Arabia’s decision to suspend its standard and also that the largest particular advantage of “IFRS” adoption was indeed an enhancement in reporting quality and transparency. “SAMA” and “SOCPA” choices. Nevertheless, there used to be a significantly different “(p = 0.001)” on whether they thought that financial reports generated in line with “IFRS” met the expectations of the various stakeholders. This means that the “Mann-Whitney test” now shows that academics differed significantly from the other 3 groups on the this-question, with such a lower placement estimate of 3.43, relating to “financial analysts (4.56)”, “accountants (4.47)”, and “auditors (4.47)”. This variation might be attributed to endogenous internal factors such as regulatory structure.

INTRODUCTION

Previous civilizations were established on the basis of organization, laws, and norms, which seem to be the cornerstones of every institution’s development (Maguad, 2006). As an outcome, harmonizing accounting standards in financial organizations represented a significant advancement in accounting growth. It is the most crucial step, and it has had a positive influence on financial accounting around the world in recent decades. As a consequence, each user of accounting records may accurately put, understand, and evaluate financial statements for various companies (Botzem, 2012). After the International Corporation, as well as the trading establishment, the significance of harmonizing accounting procedures grew. Several accounting standards are set, each with advantages and disadvantages. There are supporters and opponents (Ball, 2006),

- “International Financial Reporting Standards (IFRS)”
- “Generally Accepted Accounting Principles (GAAP)

in the United States (US GAAP)”

Furthermore, the number of well-known standard-setters is developing. “Accounting Principles Board (APB)”, “Accounting Procedures Board (CAP)” and “Financial Accounting Standards Board (FASB)” (Forsyth *et al.*, 2005). However, financial professionals throughout the world are debating the finest and universally acknowledged accounting standards capable of constructing a sound financial system. Furthermore, these standards should be in both businesses’ and investors’ best interests. As a result, Economic experts continued to examine the link between a number of typical factors and financial

crises, particularly the 2007/2008 crisis (Mjøset, 2011). Previously, every financial system, government, or even individual trader had their accounting standards and measures, making it difficult for average people and specialists to analyze and evaluate reports of other businesses (French *et al.*, 2010). At the end of 1970, it was the commencement of the notion of “The International Accounting Standards (IAS).” It marked the start of a remarkable procession. Since then, several accounting standards and practices, including such “APB, CAP, FASB, US GAAP,” and others, have been developed. This multiplicity of standards perplexed the banking sector once again, necessitating the pursuit and identification of the optimal accounting standards (Alyammahi, 2013). To clear this up, the researcher designed a plethora of studies between multiple criteria. Many experts, notably “Bandyopadhyay and McGee” performed among the most renowned comparisons between “IAS” and “US GAAP” (Ebaid, 2021).

Once, they noted that the major variation between “IAS and US GAAP” was principles-based, whereas the latter is rule-based. As an outcome, financial experts began to study much more about the extent of accounting standards. Recently, “Meeks and Swann” (2009) established that perhaps the degree of accounting standards is uncertain. “IAS’s” replacement nomenclature is “IFRS” (Ijiri, 2005). That will be detailed in further context in the following section.

Nevertheless, after all of this study to harmonize accounting standards, financial experts began to wonder if these regulations contribute to the development of a

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solid economic environment or the inverse. Those who were mainly interested in the development of accounting standards in economic crises in principle, and indeed the following the 2008 recession in specific. Additionally, investors started wondering if such standards are all in their long-term interests and what they might leverage them to make profitable business decisions or gain. These questions served as the foundation for our study. The main objective of the research was to look into the adoption of “IFRS” with political, economic, and cultural ties in Saudi Arabia

LITERATURE REVIEW

Accounting has a history as old as the business itself, with each country and trader using its different set of accounting systems and practices. Nevertheless, the obvious continuous growth of worldwide trading and industries implies there is still a need for financial reporting standards. These standards are issued by the “International Accounting Standards Board (IASB)”, which is explained as “an independent standard-setting board, overseen by a geographically and professionally diverse body of trustees, publicly accountable for a Monitoring Board of the public capital market” (Richardson & Eberlein, 2011). Furthermore, it should be remembered that more than 120 nations have been utilizing “IFRSs” since 2001. The current state of widespread adoption of “IFRS” proves its significance. “Zeff 2012” confirms this symbolic importance by validating that several European countries have been using “IFRS” in their financial accounting instead of regional “GAAP” or even other processes like “US GAAP” since these systems are so very substantial and notably, the “US GAAP”, appeared to provide some variations within audited financial statements from 1987 to 2000 (Bakr & Napier, 2022). According to “Zeff”, the “European Commission” ruled in 2000 that by 2005, all listed firms in the EU must use “IFRS” in their accounting standard. That was corroborated by “Sawani” (2009), who stated that the demand for “International Accounting Standards” first appeared towards the end of the 1960s, when a group of accounting experts saw the need as marketplaces without boundaries began to emerge (Schutte & Buys, 2011). Even though it was similar to the frameworks of the UK and Australia, as well as the “Financial Accounting Standards Board” of the U.S., the “International Accounting Standards Committee (IASC)” was established in 1981 just a proposed plan of accounting boards from “Germany, Australia, France, Canada, the United Kingdom, Japan, the Netherlands, and Mexico” (Manao, 1995). The author adds that starting in 1970, the “IASC” produced over 40 standards yet to be applied within in majority of other countries, which chose to operate according to their system. In 1990, Italy, Belgium, France, and Germany led the European countries in adopting “IAS” (Sawani, 2009). Nevertheless, according to “Sawani,” IFRS suffers from the lack of legitimate authority. Moreover, the author continues, “IASC” restructured in 2001 to become

the “IASB,” which produced “IFRS” to supplement and advise “IAS.”

Top companies in the “European Union” were expected to prepare financial statements in compliance with “IFRS” in 2005. “Ojo (2010)” agreed with Sawani as IFRS adoption may have started in 2005 (Elmghaamez, 2019). Nevertheless, Ojo claims that the IASB has never had a compliance mechanism despite the fact that there have been several enforcement proceedings in the past, Particularly in the sphere of financial statement preparation. The article stresses that the “IASB” requires these enforcement procedures since the inability to produce unified accounting standards led to a 2008 global financial crisis. Furthermore, Ojo claims that there was no compliance mechanism in the IASB in the previous, as there was, with several regulatory action, especially in the sector of financial reporting. The author highlights that the IASB is in need of such enforcement proceedings since the inability to establish consistent accounting practices played a significant role in the financial crisis of 2008 (Wüstemann & Wüstemann, 2010).

Further issue emphasized by “Ojo” is whether the complete use of IFRS will be extremely beneficial to readers of financial statements. “Ojo” claims that the principles-based accounting given by “IFRS” is easier to adopt and more accurate, and he encourages companies, accountants, and regulators to take steps to preserve the principles-based system. A comparable approach was taken by “Kang and Lin” (2011), who confirmed their preference for “IFRS” and said that it is time to move from the rules-based accounting supplied by “US GAAP” to the principles-based accounting afforded by “IFRS” (Alyammahi, 2013). As a result, the accountancy quality is important, as is the credibility of the financial reports. The study explains the link between the “International Accounting Standards Committee Foundation (IASCF),” “IASB,” “IAS,” and “IFRS,” noting that The IASB, the IAS setter, is a member of the IASCF, with its headquarters in London. the study emphasizes that the IASB also creates the IFRS. National securities regulators have made IFRS mandatory in over 130 countries.

“Maggina” (2011) clarifies a common mistake that most people have when it comes to distinguishing between “IAS and IFRS” (Jalal, 2019), stating that after publishing the last standard, the “IASC” began producing a set of standards identified as IFRS. He acknowledges that any standards incorporated in IFRS that are potentially conflicting would completely supersede the IAS. In general, it is the same standard, except it was previously known as IAS and is now known as IFRS (Mandaza, 2016). Following these financial specialists, a study will be carried out in which IAS and IFRS will be viewed as comparable.

The Critical Importance of “IFRS”

The growing number of nations that use “IFRS” attests to its significance. Many scholars, such as “Barth,” “Landsman” and “Lang” (2008), demonstrate the

relevance of this by stating that the quality of accounting information is greater in organizations that apply “IFRS” compared to non-applying enterprises, despite the decline in earnings management and earnings smoothing (Lobo *et al.*). Moreover, in IFRS-adhering companies, there is also a significant correlation between “accounting amounts”, “returns”, and “share prices”, indicating that deficits are recognized early. In a sampling of 21 businesses across 21 countries, two comparisons are made by the writers. The first contrast is between firms that utilize “IFRS” and those that do not, while the second contrast is between timeframes before and after using “IFRS” (Jones & Finley, 2011). Their findings suggest that the use of IFRS improves accounting quality. Most scholars, including such “Chua, Cheong, and Gould”, have researched the link between IFRS and accounting quality and established that using “IFRS” improves accounting quality (2012). In “Madsen’s” (2011) study, which investigates the link between implementing IFRS and risk, he demonstrates there is a strong and favourable association between accounting standardization and minimizing legal risks, reducing complicated tasks, and enhancing professional credibility (Al-Mousa & Al-Adeem, 2017). He goes on to say that “IFRS” has a significant impact on financial accounting. Another link is clarified by “Karamanou and Nishiotis” (2009), who corroborate the existence of a favourable relationship between the firm’s reporting standards and its value. A sample of 331 businesses that converted from a domestic accounting system to IFRS proved this. Because of the “IFRS” adoption’s mandatory and public requirements, these enterprises achieved positive abnormal returns after declaring their adoption of “IFRS” (Alyammahi, 2013). “Tsalavoutas and Evans (2010)” study the impact of implementing “IAS/IFRS” on the financial reports of 238 “Greek” companies to track this effect in Greece (Tsalavoutas & Evans, 2010). The results show that the efficacy of financial reporting with respect to total assets improves. Furthermore, there is a positive and significant effect on asset value, net profit, and stockholders’ capital. Likewise, gearing and liquidity have a significant influence. Nevertheless, it seems to have a negative impact. “Iatridis and Dalla (2011)” investigate the impact of adopting “IFRS” on some of Greece’s publicly traded companies, focusing on the stock market and the industrial sector (Iatridis & Alexakis, 2012). The results demonstrate that IFRS has a positive effect on financial performance in a vast range of industrial sectors. On the other end, it has a negative impact on stock liquidity in the market as well as a number of industry sectors. As a result of borrowing and financial obligations, they observed an increase in leverage, which is positively connected with growth but negatively associated with profitability and liquidity. “Iatridis” (2010) did an additional study in the United Kingdom, examining the impact on 241 UK enterprises. It discusses how implementing IFRS increases the firm’s position as well as profitability. As a result, certain major financial measures, such as profitability and growth,

strengthened (Emmanuel Iatridis, 2012).

Overview of Saudi Arabia and IFRS Adaptation

The goal of this study is to look at the issues and opportunities involved with implementing “IFRS” in Saudi Arabia. This section provides a broad overview of the Saudi environment, as well as some of the factors that have the greatest impact on the country’s financial growth. External variables include the Kingdom’s politics, economy, culture, and religion. The section explains the development of Saudi Arabia’s professional accounting body (“SOCPA”) and regulatory authorities (“MCI, CMA, and SAMA”) while delving into the country’s systematic procedure and the “IFRS” adoption mechanism. (see figure 1) (Aldosari, 2017)

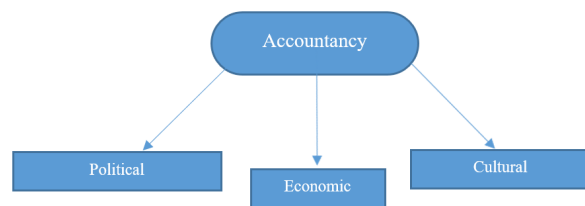


Figure 1: Environmental Factors That Can Affect Accountancy Growth

Political

The system of government is one of the most important variables impacting the accounting system in every country. The “Quran and Sunnah” are indeed the main two sources of legislation, as well as any legislation established by the “Royal Charter” (Abdul Cader, 2015). Its “Council of Ministers” and the “Majlis-al-Shura” are also the Kingdom’s two primary legislative bodies (“Council of Consultation”). The King presides over the “Council of Ministers”, which includes the “Prime Minister and the Crown Prince”. One of the “Council of Ministers” key responsibilities is to assist the King in performing its duties. These two entities, as per “Alkhtani (2010)”, have the authority to determine public legislation and take any action. This should be highlighted that Saudi Arabia was never colonized or protected by a Western colonizer (Alqahtani, 2012).

During the Arab Spring, the Saudi political system remained more stable, in part because the leadership has shown flexibility and a willingness to change economic circumstances for its people by executing a series of economic reforms and increasing government employee compensation. Maintaining stable political conditions is critical for attracting “FDI”, particularly in the banking industry.

Economic

Traditionally, agriculture and religious tourism were Saudi Arabia’s dominant economic activity, but oil has been the country’s most popular source of money ever since “the 1930s and 1940s” (Peterson, 2020). The Saudi economy is the most powerful and consistent in the

Middle East. The country possesses 18% of the world's greatest oil reserves ("OPEC, 2015") and is the world's largest oil exporter to date, with oil supplies accounting for more than 50% of the country's GDP ("Ministry of Economy and Planning, 2018"). GDP was reported to be 683.3 billion U.S. dollars in 2017, up from 646 billion U.S. dollars in 2016. As a result of the major increase, the net inflow of "FDI" was projected to be around 13 billion U.S. dollars (Almansour, 2019). Saudi Arabia's accession to the "WTO" has enabled this to take a more important role within the world economy. However, it has raised pressure on the government to adjust some of its legislation, policies, and investment plans to coincide with those of industrialized countries. Despite its recent success, Saudi Arabia is committed to decreasing its reliance on oil and promoting greater FDI in the Kingdom. One of the first projects spearheaded by Saudi Vision 2030 was the privatization of "ARAMCO", a state-owned oil company, by the sale of 5% of its stock (Kavthankar & Perepu, 2021). It is indeed a positive development since moving one of the government's greatest assets into the private industry implies more financing options and fewer regulatory burdens while also ensuring greater diversity in other attracted investors. The move to launch a local "international trade investment" ("Al Sedran, 2018") shows the country's determination to surpass previous limits and enhance diversifying options. One potentially lucrative area of improvement is tourism, which has received significant investment as a result of "Saudi Vision 2030" proposals (Bhatt *et al.*, 2020).

Cultural

Since the 1970s, there has been a major influence of cultural factors on both local and international accounting standards. The "IASB" was established to assist in bridging the gaps in accounting practice that occurred as a result of cultural differences. In terms of Arab cultures, undoubtedly, the most extensive empirical analysis is that of "Hofstede" (Riahi & Khoufi, 2019). However, this lumps all Arabic-speaking nations together and pays little regard to cultural and other variations. One of these countries is the subject of the current study: Saudi Arabia. According to "Prokop (2003)", religious authority provides much of the credibility and influence of Saudi's highest officials, and the more they claim to be enforcing Sharia, the more probable it is that the people will need them to stay in power. The impact of slams on business is particularly visible during "Ramadan", when compulsory fasting and shortened business hours disrupt everyday patterns and diminish productivity (Thomas, 2013). Overall, the cultural barrier or distance ("Rice" 2004 "Idris" 2007 "Aldossari and Robertson" 2016) between Saudi and Western civilizations may pose substantial challenges for international parties seeking to enter the Saudi market (Almansour, 2019). It also emphasizes a significant turning point in Saudi financial accounting, namely, that the country's financial objectives do not have to take precedence over cultural characteristics

such as partiality and familial attachments. It often leads to negligent and reckless accounting methods that are subsequently kept under wraps, as well as a lack of accountability in companies. It frequently leads to poor and reckless accounting practices, which are subsequently covered up, as well as a "lack of transparency" in businesses (Alqahtani, 2012). The components of Saudi culture outlined above appear to validate, to some extent, the putative link between "Gray's (1988)" accounting values (as measured by Hofstede's dimensions) and particular accounting cultural traits that define the country's accounting system (Miller & Pumariega, 2001).

Regulatory Bodies in Saudi Arabia

Ministry of Commerce and Investment (MCI)

The "MCI" was established in 1953 with the primary goal of regulating commercial activity in Saudi Arabia as well as formulating and enforcing rules (Almansour, 2019). It is responsible for managing and monitoring foreign trade relations and promoting the export of non-oil products. Prior to the establishment of the "CMA", the "MCI" was solely responsible for regulating listed firms and preserving the interests of their shareholders. The "CMA" was given these regulatory and supervisory duties when the "Companies Law" was updated in 2015. According to the "MCI Report 2019" (Mureithi, 2019), The organization's purpose is to stimulate commercial enterprises outside of the oil sector both inside and outside of Saudi Arabia, which it sees as critical to sharing prosperity throughout the Kingdom and promoting investment from the rest of the globe. Another objective is to increase the efficiency and effectiveness of private corporations and entrepreneurs, in particular, to widen the definition of commercial activities and stay competitive in global markets. The research emphasizes the need of beginning to attract brilliant individuals from throughout the country, promoting and organizing the sector of business services and developing financing operations in partnership with the relevant authorities (Miller, 2003). According to the research, these steps will allow the business services industries will grow in terms of supplying goods and services to satisfy Saudi and worldwide standards., as well as guaranteeing that customers have access to the appropriate number of commodities at the appropriate price.

Capital Market Authority (CMA)

The "CMA" was introduced in the early 1950s and operated under the supervision of the "SAMA" till 1989, when the government imposed its own rules and regulations (Ramady, 2010). The true transformation, however, occurred in 2003, when a proclamation constituted the "CMA" as the government's stock market regulator, with authority for any economic, administrative, and legislative control. It is in charge of fostering a favourable investment climate, maintaining transparency, and safeguarding investors from illicit trading. The "CMA" permitted non-Saudis access to the Saudi market and the

buying of shares in Saudi companies through exchange agreements in 2015 (Qobo & Soko, 2010). These must be carried out by Saudi brokerage companies that have been approved by the “CMA” to maintain and acquire shares on behalf of non-Saudi customers. It raised investment options in Saudi Arabia, but it also exerted pressure upon the “CMA” to provide direct market access. As a response, the “CMA” revised its methods. The following are the recently founded standards, which began in April 2015 (Almansour, 2019),

- “To monitor and manage the Saudi stock market (Tadawul), as well as the growth of its norms and trades.”
- “To assist in securing and protecting the public at large and shareholders from unlawful, unfair, and unethical actions such as manipulations and frauds.”
- “Developing and improving market efficiency, as well as regulating transaction security.”
- “To offer appropriate procedures and standards in order to avoid risk in any transaction.”
- “To monitor and control the dissemination of information by publicly traded firms.”
- “All transactions and activity in the Saudi market (Tadawul) must be monitored and regulated.”
- “To monitor and enhance the issuing of securities through the transaction trade.”

Saudi Monetary Authority (SAMA)

SAMA has played a key role in controlling and managing Saudi Arabia’s financial industry since its inception in October 1952. Under the oversight of the Central Bank, SAMA is in charge of licensing banks, investment companies, and lending associations, as well as safeguarding the financial system’s stability. SAMA’s responsibilities include the following (SAMA, 2015) (Ramady, 2021)

- Managing all banking transactions with the government
- The Saudi currency (Riyal) is controlled and issued, and the currency’s stability is regulated by enhancing its value internally or externally and enhancing its coverage.
- Saudi Arabia’s foreign exchange reserves are regulated.
- Putting policy in place to regulate prices and maintain currency stability
- Handling the development and performance of the financial industry;
- Every financial statement and reported information from banks, healthcare, and financial services companies is monitored.
- Currency exchange merchants and commercial banks are under control.

According to “Almotairy and Alsalman (2012)”, international rules are unsuited for the Saudi setting; according to regulating agencies such as the “SOCPA” and the “CMA” From 2008 (Almansour, 2019) “SAMA” has mandated that all banks and insurance companies prepare financial reports in accordance with “IFRS.” As a result, while the financial and banking sectors employ “IFRS”, all those other public and private firms keep relying on “SOCPA-mandated national or regional accounting

standards (“SAS”). The Strategic Framework for 2009-2013 of the SOCPA included a promise to strengthen Saudi accounting and auditing standards. Still, it did not refer to adopting “IFRS”. However, “SOCPA” has only produced four Saudi standards since 2002. It admits that “in the lack of a Saudi financial reporting standard or professional opinion published by “SOCPA”, the accounting standard given by “IASB” on that matter shall be acknowledged the globally known norm in this regards.”(Almansour, 2019) In conclusion, “IFRS” are used in Saudi Arabia, where local accounting standards are inadequate. This gap in institutional origins in reporting standards raises questions about comparing accounting systems.

Procedure for IFRS Adoption in Saudi Arabia

Attempts to improve the accountancy profession in Saudi Arabia started in 1979, once the “MCI” commissioned “Mr Abdulaziz Al-Rashed”, the owner of an auditing firm, to explore techniques of improved performance (“SOCPA, 2016”) (Almansour, 2019). It was followed in 1981 by a succession of seminars and workshops at “King Saud University” examining how and where to strengthen accounting and auditing standards as well as the Saudi accounting system in order to fulfil the needs of Saudi Arabia’s growing economy. In 1981, “King Saud University” founded the “Saudi Accounting Association (SAA)” inside its Accounting Department (“SOCPA, 2016”) (Qobo & Soko, 2010). Nevertheless, while the “SAA” may well have developed in an academic institution, it has become a non-profit organization. It moreover fostered the exchange of ideas and projects with experts from outside Saudi Arabia, and the approach based and studies to enhance the Kingdom’s accounting standard. These efforts were rewarded in 1986 with the development of the “General Presentation and Disclosure Standards” (“SOCPA, 2017”). The establishment of the “Saudi Organization for Certified Public Accountants” in 1992 was indeed a significant step towards the continuing growth and regulation of the accountancy profession (Almansour, 2019). The “Minister of Commerce and Investment” presides over the organization, which is led by a council of up to 13 members, two of which are deputy ministers. Six professional accountants and two university professors are among several affiliations, as is the “Deputy President of the General Audit Bureau.” “SOCPA” is financed by a mixture of subscription charges, books published, and federal grants. In addition, the organization is in charge of evaluating auditors, tracking CPA performance, ensuring conformity with Saudi accounting principles and standards, and enhancing the “Code of Professional Conduct”. “SOCPA” prepares and monitors the professional License test and offers chances for continued professional development, such as publishing a periodical for accountants and auditors and organizing accounting and auditing conferences, seminars, and workshops (Haniffa & Hudaib, 2007). “SOCPA” was formed by the “MCI” in 2012 to create a committee with “SAMA” and the “CMA” to devise a

strategy for the implementation of IFRS (SOCPA, 2016) (Almusaad, 2021). The “SOCPA Project for the Transition to International Accounting and Auditing” Standards entailed three steps: (1) “Approving international accounting standards”, (2) “Determining whether any adjustments were needed”, and (3) “Trying to identify the standards that were the most suitable for the Saudi context and also in line with the overall international treaties” (Nurunnabi, 2017).

The “SOCPA” declared that the implementation of “IFRS” will be phased in order to enable professionals in the nation time to plan (“SOCPA, 2018”). The plan’s many phases are mentioned below (Nurunnabi, 2017):

First Phase

The “accounting and auditing committee” carried out a comprehensive international standard to determine whether adjustments were essential in view of environmental situations, bearing in mind the appropriateness of the local environment. Furthermore, to examine and remark on the standards, round-table discussions were held. Accountants in the finance industry, users, preparers, as well as other governmental authorities were among them. The technical committee noted the comments from such discussions as well as any proposed modifications. The technical commission’s suggestions were made public through SOCPA’s site.

Second Phase

For the quarter that ended in January 2017, companies listed were required to initiate adopting all requirements. For the first 3 months of 2016, “Interim financial statements” must adhere to international norms. However, the majority of enterprises were unable to meet this condition. Companies were expected to file their annual reports in accordance with “IFRS” beginning in December 2017 (Callao *et al.*, 2007). When compared to the prior year, publicly traded companies were required to begin the adoption phase soon after the start of the new fiscal year. “SOCPA’s” determination to monitor all listed businesses’ adherence to the convergence timeline.

Third Phase

The three-stage plan devised by “SOCPA” was designed to be accomplished within the timeframe specified (2012-2017) (Almansour, 2019). The goal was to create subcategories for each series of standards that included all “IASB” assessments and accountants’ comments that focused on addressing. To avoid any misunderstanding, “SOCPA” has guaranteed that international standards will not alter dramatically in the coming years and also that attention will be given to concerns relating to the convergent standards’ requirements. Businesses have till 2017 to adapt to “IFRS” (Nurunnabi, 2017). Public corporations were required to have examined their accounts in line with international standards by the close of 2017, having non-public enterprises anticipated to do so by the conclusion of 2018.

Fourth phase

Companies have until December 2017 to make the shift to IFRS (Nurunnabi, 2017). Public corporations were required to have examined their accounts in accordance with international standards by the close of 2017, having non-public enterprises anticipated to do so by the conclusion of 2018.

MATERIALS AND METHODS

Research Design and Philosophy

This research incorporated parts of the “positivist paradigm”, to investigate the benefits and problems of “IFRS” implementation with regards to Saudi Arabia. The research issue is the most important aspect underlying the research philosophy, and it is permissible to rely on “positivist” viewpoints, using quantitative methodology to gather and interpret data. A poll was performed to acquire quantitative data that would provide an early assessment of how major players in the banking industry and other areas see “IFRS” adoption and the difficulties and possibilities that come with it.

Because the research is deemed value-free in the “Positivist paradigm, in comparison, “Interpretivist” research is believed to be significant since the researcher connected with the people and objects he or she seeks to evaluate. The researcher is isolated from the phenomena under examination. The research question led the selection to quantitative aspects from the “positivist” standards in this research. The goal was also to perform a value-free assessment of the challenges and potential related to “IFRS” implementation in the Saudi banking industry, as assessed by important social actors. The viewpoints and opinions of these competition authorities serve as the foundation for the inquiry and, hence, the evaluation. The connection between the member and the examiner might have influenced these remarks.

According to “Saunders and Lewis (2012)”, there are several distinctions between “qualitative and quantitative data.” First, quantitative data emphasizes meanings derived from data, while qualitative data emphasizes information and meanings communicated via language and communicative acts and interactions. Second, quantitative data is statistical and standardized, whereas qualitative data is non-standardized and categorized into sub-sets or groupings. Quantitative analysis includes statistical and mathematical methodologies, with the findings displayed in diagrams, figures, graphs, and figures. In comparison, qualitative data analysis is carried out through conceptualization. The quantitative and qualitative approaches have advantages and disadvantages, and one research may use both in the data-gathering process. Therefore, in this approach quantitative approach was used. As per “Patton *et al.*” (2002), the primary consideration when selecting a methodology is whether it fits the primary goal of the questioning, the questionnaire being analyzed, and the resources available – whether or not the research study constantly adheres to the allowed to prescribe canons

either of logical positivism or phenomenology. Because of the nature of the information required and the research aims, the best research strategy for the current study adopted quantitative methodology. Considering the researcher's own ontology and epistemology ideas, as well as the study's and participants' cultures and environment.

Data Collection

Data collection is a series of interrelated procedures used to collect data in response to the research questions. A survey was used to collect information on the elements that have the greatest influence on "IFRS" adoption in Saudi Arabia. Respondents were thought to feel more confident giving their thoughts on Saudi Arabia's lag in implementing "IFRS" if they were doing so anonymously. They were allowed to respond to the questions on their own time and at their own pace. Contributing to the benefits of employing this data collection strategy in this research. For this study, questions were self-administered for two reasons: first, they were less expensive and easier to deliver than some other techniques, and second, their anonymity brought better responses. (see figure 2) As per "Oppenheim" (2000), the major downside of self-

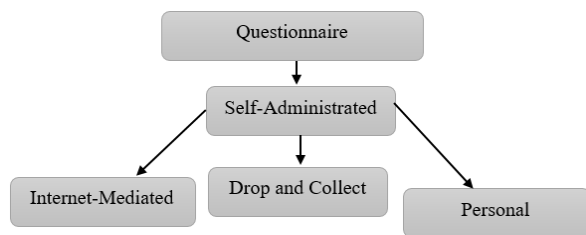


Figure 2: Questionnaire Types

administered surveys is that they often create a high return rate; in reality, the number of responses is often within the range of 10 percent of the total or less (Bird, 2009). A further risk is that respondents may return responses that are unfinished without feedback from a questionnaire, lowering the amount of usable data accessible to the research. The goal of the survey questionnaires was to gather information on the aspects that respondents perceived to have the strongest influence on "IFRS" adoption across Saudi Arabia. The questionnaire went through multiple iterations that the supervisor addressed. The questionnaire was inspired by previous literature, with concerns pulled from various studies. The questionnaire's content illustrates the problems and possibilities that emerge from these direct and indirect institutional forces. The 5-point Likert scale, which is commonly used in social science research, was utilized to respond to questions. The instrument's main structure was separated into four pieces. The very first focused on the participant's past and present job titles, whereas the second focused on their educational qualification, professional qualifications, and experiences. The final group of questions focused on how consumers of financial statements regarded "IFRS" adoption. Whereas the fourth section's questions looked at the perceived problems and possibilities linked with the adoption of "IFRS".

The questionnaire for all of this study was pre-tested to ensure their dependability and appropriateness for fulfilling the study aims by distributing them to a subset of the research group. For the pilot research, 40 questionnaires were distributed, 25 of which were answered, with 3 incompletes. Thirty surveys (52 percent) were considered effective and acceptable for research (see Table 1).

Table 1: Number of respondents in the Pilot Survey

Groups	Distributed Questions	Questionnaire received	Questionnaire Excluded	Questionnaire analyzed	Percentage
Accountants	10	6	-	6	10%
Auditors	10	4	1	6	24%
Analysis	10	8	2	5	33%
Academics	5	7	1	4	33%
Total	35	25	4	21	100%

RESULTS AND DISCUSSION

The questionnaire's reliability and usability were validated by a fundamental data analysis in "SPSS" applying Cronbach's alpha. The questionnaires were delivered to four categories of respondents in Saudi Arabia who are influenced by the "IFRS" changeover. Additionally, using past knowledge and personal relationships as bank accountancy, the study was able to address many "CFOs" informally who served as gatekeepers. "SOCPA" and "SAMA" authorization letters were obtained in order to get access to the offices of financial experts and independent auditors. Both organizations aided in obtaining the necessary official permission from the banks' headquarters. Accounting

professors were contacted through email, depending on the study's experience in working at institutions of higher learning. Several prior studies have used these four groupings to investigate the problems and possibilities connected with "IFRS" in diverse developing areas. "Cronbach's alpha" was used to measure the consistency of each scale. The "alpha level", which runs "from -1 to +1", represents the inter-correlations between assertions. While there is no commonly accepted cut-off score, a score of 0.7 or higher is considered appropriate. The greater the alpha value, the greater the reliability of the test. All the measures used here research had acceptable levels of dependability (See Table 2).

Table 2: Cronbach's Alpha measure of reliability

Measure	Items	Cronbach's Alpha
Opinion	4	0.74
Factors Impacts (IFRS)	6	0.75
Possibilities	9	0.86
Investors (benefits)	4	0.89
Managers (benefit)	4	0.89
Hurdles	8	0.82
Cultural aspects	3	0.71

This quasi-statistic test was used to analyze two independent subgroups and also to investigate distinctions between 4 groups (bank accountants, external auditors, financial analysts, and academics). When the “Kruskal-Wallis test” yielded a p-value of less than “0.05” throughout all industries, this quasi-testing was carried out as a post-hoc test to evaluate combinations of categories (Yu *et al.*, 2022). For scenario analysis, the results will be compared to a one-way “ANOVA test”.

In all, 254 questions were deemed suitable for this investigation. Males finished 191 of them, while females achieved 63. In all, 254 questions were deemed suitable for this investigation. Of these, 193 were finished by men and 63 by women. Table 3 shows the employment of the registrants based on their gender. Males (79.2 percent) and females (77.2 percent) worked as an accountant in the financial sector. Academics and financial professionals had the lowest employment category for males (see Table 3)

Table 3: Gender Differences in Professional Experience

Profession	Male	Percent	Females	
Accountants	79	77.1	24	22.9
Auditors	64	78.5	18	20.5
Analysts	24	73.4	10	26.6
Academics	24	67.5	11	32.5
Total	191	76	63	24

Table 4 shows that 49.2 percent of respondents had a bachelor of science, 46.8 percent had a Master of science, 1.6 percent had a Doctorate, and then another 2.4 percent had another type of accountancy degree. Dumbing it down by profession, accountants in the financial sector were split into B.sc (52.5%) and MSc (44.5%), with only 3% having other accounting qualifications. A large proportion of auditors (55.1 percent) earned a Bachelor's, whereas most of the academics (55.9 percent) had a Master and 8.4 percent held a PhD degree.

most concerned about “IFRS” implementation. Figure 3 reveals that over 98 percent of participants “agreed or strongly agreed” (these alternatives were merged to expedite the analytic process) with “SAMA’s” decision to compel banks to submit financial accounts in line with “IFRS”. While “88.3” percent “agreed and strongly agreed” that the produced reports fulfil the various demands of Saudi consumers. A “Cronbach’s alpha” produces a relative grade of 0.75 for this issue, showing a high level of reliability.

This section illustrates and examines the conclusions from the questionnaire data. (1) What do Saudi accounting information consumers think about the decision to apply “IFRS”, (2-1) “Why do they believe the standards were exclusively applied in the banking sector?” and (2-2) “What factors caused the Kingdom to adopt “IFRS” in the first place?” The questionnaire was dispersed to participants from the 4 groups stated above who were

Organizing the data by group, Table 5 depicts respondents’ perceptions of the “IFRS” adoption decision. It can be found that auditors agreed the most with sub-question 1, with an average score of 4.59, in relation to “financial analysts (4.55)”, “accountants (4.47)”, and “academics (4.47)”. (4.45). In relation to the second sub-question, accountants inside the financial sector received the highest score (4.68)”, followed by “auditors (4.67)”, “financial

Table 4: Participants Qualifications Demographics

Education	Accountants	Auditors	Analysts	Academics	Overall
Bachelor Of Science	52.6	56.2	47	28.5	49.8
Master Of Science	43.4	40.2	53	61	46.7
PhD	0	0	0	10.5	1.5
Other	4	3.6	0	0	2.0
Total	100	100	100	100	100

Perceptions of Respondents Regarding the IFRS Decision

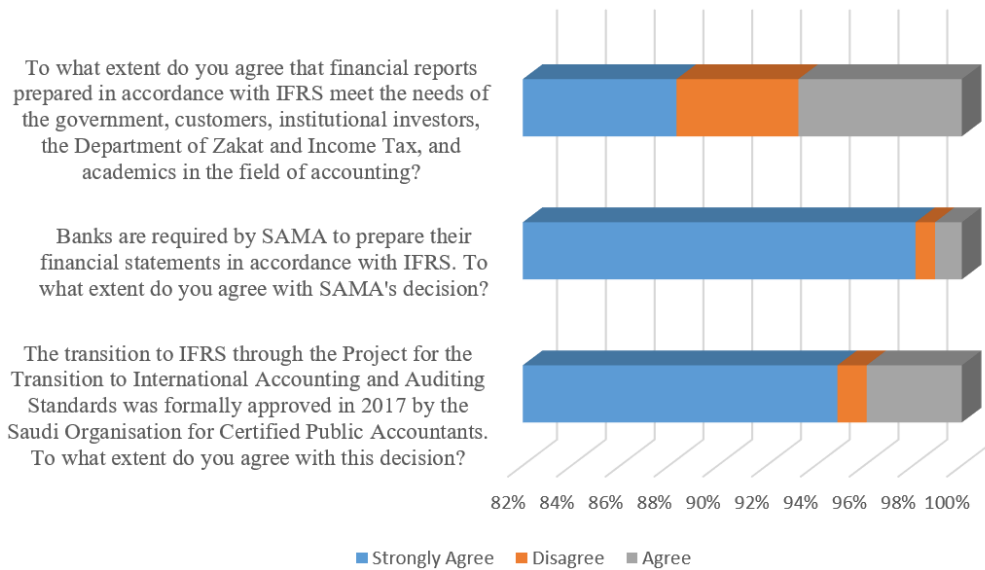


Figure 3: Perceptions of Respondents Regarding the IFRS Decision to adopt

Table 5: Demographic Information for Independent Groups and Multiple Comparison Tests: Respondents Perception of IFRS Adoption Opinions (Joshi *et al.*, 2016)

Statement	Profession* (Mean)				Kruska I-Wallis P-Value	Mann-Whitney Test - Post Hoc Test			
	BA	EA	FA	AC		BA (Sig) with	EA (Sig) with	FA (Sig) with	AC (Sig) with
The transition to IFRS through the Project for the Transition to International Accounting and Auditing Standards was formally approved in 2017 by the Saudi Organisation for Certified Public Accountants. To what extent do you agree with this decision?	4.47	4.59	4.55	4.45	0.357	No significant between differences groups			
Banks are required by SAMA to prepare their financial statements in accordance with IFRS. To what extent do you agree with SAMA's decision?	4.68	4.67	4.61	4.48	0.125	No significant between differences groups			
To what extent do you agree that financial reports prepared in accordance with IFRS meet the needs of the government, customers, institutional investors, the Department of Zakat and Income Tax, and academics in the field of accounting?	4.47	4.37	4.56	3.43	0.001	AC	AC	AC	BA/EA/FA

analysts (4.61)” and “academics (4.61)” (4.48). The total average scores for both the three main sub seem to have been: “financial analysts (4.56)”, “accountants (4.47)”, “external auditors (4.37)”, and “academics (4.37)”. The “Kruskal-Wallis test” revealed no noteworthy variances amid groups in terms of their sentiments regarding the “SAMA” and “SOCPA” choices. Nevertheless, there used to be a significantly different “(p = 0.001)” on whether they thought that financial reports generated in line with “IFRS” met the expectations of the various stakeholders. This means that the “Mann-Whitney test” now shows that academics differed significantly from the other 3 groups on the this-question, with such a lower placement estimate of 3.43, relating to “financial analysts (4.56)”, “accountants (4.47)”, and “auditors (4.47)”. This variation might be attributed to endogenous internal factors such as regulatory structure.

CONCLUSION

In light of the findings and ideas from research subjects, the following suggestions are to reap the effectiveness of “IFRS” implementation in Saudi Arabia whilst minimizing the associated challenges. Authorities in the Kingdom must create a single organization that oversees the accounting standard or grant “SOCPA” the authority it requires to govern the accountancy profession in Saudi Arabia. It will prevent the existing squabbles amongst government entities like “SAMA”, the “CMA”, and the “Tadawul”.

The accounting method, as well as its governance, must still be supervised by a competent body with supreme authority for accounting and auditing. The authority offered everything the financial system required, such as consulting services, application advice, and accountancy employee training. Given “SAMA’s” success in just this work, SOCPA should continue in its footsteps, particularly during the transition period, to minimize the reported difficulties. “SOCPA” has deferred the adoption of any “IFRS” that consists primarily of satisfying the demands of the Saudi context. This raises doubts about the credibility of Saudi accounting policies. Using survey methods throughout this research collected the perspectives of a significant variety of financial data accountants in the government’s financial sector.

However, future studies might provide some other intriguing outcomes by concentrating on firms listed on the Saudi stock exchange. There is a need for both quantitative and qualitative study on the problems and possibilities related to modernizing Saudi Arabia’s educational system to comply with “IFRS”. One of the study’s findings is that the lack of qualified professionals has hampered “IFRS” implementation in Saudi Arabia. Another topic for future studies is how the shift to accounting standards has impacted the accountancy profession in developing markets. Such a study would give a more in-depth understanding of how professionalization affects accounting practice.

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