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ACCOUNTANTS' PERCEPTION ON THE FACTORS AFFECTING THE ADOPTION OF IFRS IN GULF COOPERATION COUNCIL

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Abstract

International Financial Reporting Standards (IFRS) is being embraced by numerous nations on the globe. The IFRS reception is as of now an issue of worldwide significance among different nations of the world because of the pursuit for consistency, unwavering quality and equivalence of budgetary articulations of organizations. The motivation behind this analysis is to clarify the bookkeepers' observation on the components (government policy, company size, capital market, professional bodies and educational Level) influencing the selection of worldwide International Financial Reporting Standards (IFRS) in GCC. The Status of IFRS Adoption in Gulf nations implies few studies that are accessible with respect to the IFRS appropriation in GCC nations.

Keywords: IFRS, Government Policy, Company Size, Capital Market, Professional Accounting Bodies, Educational Level

INTRODUCTION

The worldwide magnitude of businesses has enhanced in accordance with globalization and in this way, the conventional bookkeeping framework is never again suitable for the planning of monetary related data (Zehri and Chouaibi, 2013). Information age has changed the way in which traditional accounting systems work (Ali, Bakar, & Omar, 2016). A non-well designed and constructed system will likely run into occasional system crashes, which are detrimental to business operations (Ali, Omar, & Bakar, 2016). Over the most recent two decades, the arrangement of worldwide bookkeeping benchmarks has been broadly examined. Nations, for example, Canada, the United States and the European nations have been debating on the selection of such principles. The discourses directed on the emerging nations nonetheless are moderately limited (Albaskri, 2015).

Most organizations in the Gulf Cooperation Council nations have embraced IFRS in setting up their monetary accounts, therefore expanding the likelihood of the recombination of their capital markets (Alnodel, 2014). As of now the UAE requires its banks to maintain IFRS, despite the fact that the other GCC nations, except for Saudi Arabia, require IFRS reception by law (Irvine and Lucas, 2006). The motivation behind this exploration is to look at the effect of Government Policy, Company Size, Capital Market, and Professional Accounting Bodies and Educational Level on the appropriation of IFRS in the GCC nations.

From the earliest twenty-first century, the Gulf nations have been changing from state-claimed business elements to private-showcase positioned firms and have turned into a noteworthy piece of the worldwide business form, as globalization has turned into a reality instead of a choice (Abdallah, 2008).

These days, advancements in the worldwide capital market have made the reception of universal accounting standard huger than any other time in contemporary, particularly for experts who handle accounting related issues. Beyond question, accounting practices have assumed a vital part in the prolific operational of capital markets (Al-Absy 2015).

The International Accounting Standards Committee issued 41 guidelines known as the International Accounting Standards (IAS) amid the period 1973 to 2001. Some of them were incorporated together and after that the name of the International Accounting Standards Committee was changed to The Council of the International Financial Reporting Standards. The Council expected alteration and advancement of all the International Accounting Standards, which are known as the International Financial Reporting Standards (IFRS), notwithstanding the embracing new measures excluded in the rundown of the International Accounting Standards. New measures were established, around 13 benchmarks, by IFRS in the midst of the years 2001 - 2013 (Abu Nassar, Mohammad, Mehaidat, and Juma, 2014; Al-'Aroud, 2014).

Accordingly, this research tends to recognize the Perception of Accountants on the International Financial Reporting Standards Adoption Gulf Nations.

The Importance of the Accounting Standards

It has been perceived that the necessity for the accounting standards arises through (Bashir, 2009):

- Describing and evaluating the financial proceedings of the institution.
- Conveyance of measurement outcomes to the users of the monetary statements.
- Describing the suitable method of measurement.
- Undertaking the precise decision.

Consequently, the deficiency of the accounting standards will lead to: utilizing accounting methods which may perhaps be unfitting, the grounding of financial statements depending on the disposition (in line with the need), and the bases that categorize and address the accounting procedures and measures for the distinct institution and other establishment may be different, and difficulty in taking decision within by the beneficiaries (Al-'Aroud, 2014).

International Accounting Standards Application Benefits

The followings are the benefits of international reporting standards applied to the financial statements (Bashir, 2009): (i) Information quality enhancement that has been formed by the accounting system in line with the international standards, leading to stimulate the effectiveness of the management performance through having access to information suitable for taking decision. (ii)Global acceptability of the international accounting standards. Such give room for competent accountants eligible to work in Arab as well as the international markets. (iii)Accessibility of international standards consents the preparation of joined financial statements for the transnational companies. Such boosts the sincerity to the national capital markets and upsurges the capital and productive investments at the Arab and universal level. (iv)Numerous income tax divisions in most of the Arab nations (GCC for instance) necessitate the application of the international accounting standards in submitting their assertion of taxes.

A study piloted by (Gallery & Gordon, 2008)itemizedotherpaybacks from adoption of IFRS over the world such as: (i) Improved financial information for shareholders; (ii) enhanced financial information for regulators; (iii) higher comparability; (iv) upgraded transparency of outcomes; (v) enlarged capability to secure cross -boundary listing; (vi) superior management of universal operations; and (vii) diminished cost of capital. On the other hand, Jain in 2011 bring out more benefits as followed: (i) Improved Accessibility to Universal Capital Markets; (ii)

Tranquil Global Comparability; (iii) Relaxed Cross-Border Listing; (iv) Superior Quality of Financial Reporting; and (v) Eradication of Multiple Reporting (Jain, 2011).

Adoption of International Financial Reporting Standards (IFRS)

There are voluminous explanations for adopting the IFRS. The economic forces of International trade have formed the necessity for a lone international standard of financial reporting. International trade is as ancient as civilization; nevertheless until recently no determination has been made at uniform financial reporting. A single standard would make transnational business considerably easier. An approved international standard of reporting would likewise ease tracking domestic and international economic growth (Al-Shiab, 2008). Whereas one more study by Chamisa revealed that rising international trade and investment enlarged problems formed by diverse nations by means of different accounting systems (Chamisa, 2000). Ashbaugh (1997) presented motives why firms adopted IFRS. She found that IFRS was more constricting in accounting measurement choices in 16 out of the of the 17 nations she surveyed and required more revelations than Foreign GAAP in every single nation state, concluding that firms adopting IFRS were getting higher acknowledgment and disclosure standards than required under their domestic GAAP. Ashbaugh correspondingly matched foreign firms that adopted IFRS to those that select Foreign GAAP by means of a logic scrutiny. She establishes that the prospect of adopting IFRS was higher for firms in nations with lesser disclosure requirements. Her study establish that, after controlling for firm size and the number of markets a firm was listed, the laborious accounting principles that IFRS demands amplified companies' access to capital (Ashbaugh, 2001).There is existed less a small number of studies obtainable concerning the IFRS adoption in the GCC nations (Alsuhaibani, 2012).

LITERATURE REVIEW

Government Policy and Adoption of IFRSs

Policy denotes to a rule for decisions guidance and sound results accomplishment. Policy is normally a technique or modus operandi. It does not characterize what the activities that should be taken are. Policy relates to the inquiries of 'what' and 'why' while systems/convention identifies with the inquiries of 'what', 'when', 'where' and 'how'. The distinction in strategy and techniques/conventions is reflected through the contribution of various body; the senior governance body and board of directors adhered to policy while senior executive officers of an organization stick to procedures and protocols (Albaskri, 2015).

It is perceived that in nations where the government depicts a noteworthy quality, the accounting standards are broadly actualized. Thusly, obligatory IFRS appropriation in excellent government nations will probably improve the interest for evaluators of high-quality as a result of the complexity in the usage in the implementation of new accounting benchmarks (Houqe, Van Zijl, & Monem, 2011). Other study piloted on the ecological components impacting the accounting regulation improvement in Jordan perceived that among the numerous natural variables (financial, legitimate, social and political), political factor apply the most critical effect on the advancement of accounting practices. With privatization in Jordan, divulgence direction and the corporate administration arrangement structure were transformed (Al-Akra, Ali, & Marashdeh, 2009). Zehri and Chouaibi (2013) piloted a study on 74 emerging nations, where 37 had embraced IFRSs and the others had not. Their outcomes demonstrated that the policy of the government positively (but not significantly) impacts the emerging nations' decision to adopt IFRSs (Zehri & Chouaibi, 2013).

Company Size and Adoption of IFRSs

Senyigi focused his exploration in Turkey which demonstrated that company size positively and significantly impacts IFRSs implementation. His outcome demonstrated that substantial organizations have the duty to give more data (Şenyiğit, 2014), while other researcher (Al-Absy 2015) conducted his investigation in Yeman which demonstrated that Pertaining to company size, this study found that the little size of company influences the reception of IFRSs in Yemen. While other investigation researched the variables that advance the reception of IFRS, by means of the Perception of management among the recorded companies in Nigeria, his Results showed that company size was found to be inconsequential with the adoption of international financial reporting standards, the study prescribes that, company size ought to be properly taken into consideration either in terms of small, medium, and large size with a specific end goal to guarantee smooth change from Nigerian GAAP to full reception of IFRS in the nation (Augustine, 2013).

The relationship between Capital Market and Adoption of IFRSs

Capital market can be characterized as the market where people, organizations and even governments have a larger number of assets than they require (in light of the fact that they have spared a portion of their income). Consequently, they transfer those funds to individuals, companies or even governments who have a deficit or no more funds (in light of the fact that they spent more than they earn) (Woepking, 1999). Other study conducted a comparison study that matches the before and after adoption of IAS/IFRS in emerging nations. The study found that the presence of capital markets in 38 evolving nations. The outcome of the study displays that capital markets positively affect IAS (Zeghal & Mhedhbi, 2012). Once again Zeghal &

Mhedhbi carried out a study on factors affecting the reception of IAS/IFRS. The variables that are considered over in their exploration incorporate the level of external economic openness, educational level, capital market, economic growth and cultural membership in a group of countries. As per the outcomes of their investigation, the capital market decidedly impacts the appropriation of IFRS (Zeghal and Mhedhbi, 2006). Then again, Zehri and Chouaibi (2013) undertook a study on 74 evolving nations of which 37 have embraced IFRSs and the others have not. They found that the capital market affects the IFRSs selection positively (Zehri and Chouaibi, 2013).

Contemporary study piloted in GCC examined the impact of the adoption of International Financial Reporting Standards (IFRS) on the integration of capital market in the Gulf Cooperation Council (GCC) Countries. The exploration utilized the connection structure of the stock market index returns for the insurance sector from 2007 to 2013 as an intermediary for the national stock market index. At that point, the causal nexus among financial variables has been explored by utilizing co-integration analysis. It utilizes Dickey and Fuller (1979) to test for unit roots and Ordinary Least Squares procedure so as to discover the connection between various markets when the appropriation of IFRS. The present research finds that the appropriation of IFRS by GCC securities exchanges has no critical effect on the combination of the capital market in the GCC nations. Pearson correlation coefficient uncovers trivial relationship coefficient of the day by day index returns whether earlier or after the selection of IFRS. Besides, the consequences of the co-integration tests demonstrate that a significant number of these business sectors do not keep up a long haul connection between them. These outcomes challenge that; the International Financial Reporting Standards (IFRS) would upgrade coordination among capital market. The clarification for these outcomes is that other institutional components may have some impact on the vastness of the part of accounting principles on the coordination of capital markets. These outcomes ought to be of premiums to the controllers in the GCC nations since their definitive goal is to accomplish one coordinated and integrated capital market (Alnodel, 2014).

Professional Accounting Bodies and Adoption of IFRSs

In emerging nations, the role of expert bodies in the reception of IFRS is of most extreme significance (Fikru, 2012). Proficient bodies allude to a gathering of individuals (two or more than two) in a learned occupation whose are in charge for its maintenance, control or supervision. Proficient bodies likewise protect public and organization’s interests and help to maintain their professionalism and strong position (Al-Absy 2015). In emerging nations, the key obstruction faced in setting standards is owing to the absence of influential accounting professional bodies (Roudaki, 2008). The adoption of IFRS is influenced by the presence of experienced proficient accountants (Chand & Patel, 2008).

Uyar and Güngörmüş (2013) found that absence of training for accounting personnel and insufficient training programs organized by proficient bodies for SMEs are considered as the principle obstructions to the usage of standards in Turkey (Uyar and Güngörmüş, 2013).

Al-Shammari et al. (2008) found that there is an absence of expert bodies and appropriate audit training in (Gulf Cooperation Council) GCC nations, which is the principle explanation behind the low level of IFRSs adoption (Al-Shammari, Brown, and Tarca, 2008).

Educational Level and Adoption of IFRSs

(Judge, Li, & Pinsker, 2010), discovered that educational level accomplished within a national economy are entirely predictive of the grade to which IFRS standards are implemented crosswise 132 emerging, transitional and advanced economies. Other study piloted in Turkey, found that education and training are considered as real difficulties militating against the appropriation of IFRS (Wong, 2004). Additionally in a comparable study, it was found that low level of education specialists on IFRS practice and standards may be extremely troublesome for the selection of IFRS in such a country (Street and Gray, 2002).

CONCLUSION

The target of this analysis is to look at the connection between the essentials five factors (government policy, company size, capital market, professional bodies and educational Level) in connection to IFRS appropriation. This analysis laid more accentuation on the view of administration in GCC. Consequently, this analysis put forward not a small number of potential ramifications to encountered regarding IFRS reception. The five elements symbolize the difficulties that emerging nations, for example, GCC may perhaps confront while receiving IFRS. This analysis is particularly to the emerging nations since the inadequacies of the appropriation of IFRS are outlined in this study. The debates concentrate on the evolving nations nevertheless are generally restricted. The researcher recommends taking more variable such as Economic Growth in next future research.

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